

**PARITY GROUP PLC**

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**Parity Group plc Report and Accounts  
Year ended 31 December 2015**

## About Parity

Parity Group has two independent trading divisions:

### **Parity Group IS**

Driving Change, People Led,  
Technology Enabled.

Parity Group provides organisations with the right people, with the right skills and the right technology through two complementary service offerings

### **Parity Professionals**

Providing targeted recruitment of temporary and permanent professionals and career development through training and coaching services. We ensure our clients have both the capacity and capability to transform organisational performance in high growth and rapidly evolving markets

### **Parity Consultancy Services**

Providing clients with niche expertise driven by senior industry-experienced consultants, exploiting technology and maximising the potential of information to provide competitive advantage.

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## Headlines

Parity Group plc ("Parity" or the "Group"), the UK IT and Consultancy Services Company, announces its audited preliminary results for the year ended 31 December 2015

### Headlines

- **New growth strategy building on:**
  - the core service offerings of IT Resources and Talent Management under the Parity Professionals division, and
  - the Parity Solutions offering now under a new Parity Consultancy Services division
- **Marked increase in adjusted EBITDA<sup>1</sup> to £1.20m in H2 2015 from £0.38m in H1 2015 and a resilient performance overall**
- **Strong improvement in new client activity for Parity Professionals with 128 new clients in the financial period (95 in 2014)**
- **The first major win for Parity Consultancy Services division with Parity Solutions awarded a significant high profile management information contract with the MoD valued at £2.20m**
- **Implementation of £1m annualised cost saving programme from H2 2015 following the exit from the digital acquisition strategy**

### Results summary:

- Revenues reduced to £84.84m (2014 £92.26m)
- Adjusted EBITDA<sup>1</sup> of £1.58m (2014 £1.60m)
- First positive cash flow from operations in five years of £0.18m
- Net cash inflow from operations £0.18m (2014 £1.87m cash outflow)
- Net debt £7.38m (2014 £6.61m)
- Profit before tax and before non-recurring items and impairment of £0.14m (2014 £0.41m)
- Non-recurring costs of £2.06m (2014 £0.81m) and £1.99m goodwill impairment (2014 nil) related to the Initium service offering
  - **Parity Professionals – Specialising in the sourcing, development and placing of professional staff**
    - Revenue £78.19m (2014 £84.47m)
    - Divisional contribution<sup>2</sup> £2.28m (2014 £2.49m)
  - **Parity Consultancy Services – Niche expertise creating technology solutions**
    - Revenue £6.65m (2014 £7.80m)
    - Divisional contribution<sup>2</sup> £0.80m (2014 £0.68m)

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

<sup>2</sup> Divisional contribution in this narrative refers to the segment contribution before Group costs<sup>3</sup>, tax, interest, non-recurring items and share based payment charge

<sup>3</sup> Group costs include directors' salaries and costs relating to group activities and are not allocated to reporting segments

<sup>4</sup> This announcement contains certain statements that are or may be forward looking with respect to the financial condition, results or operations and business of Parity Group plc. By their nature forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to: (i) adverse changes to the current outlook for the UK IT recruitment and solutions market, (ii) adverse changes in tax laws and regulations, (iii) the risks associated with the introduction of new products and services, (iv) pricing and product initiatives of competitors, (v) changes in technology or consumer demand, (vi) the termination or delay of key contracts, (vii) fluctuations in exchange rates and (viii) volatility in financial markets.

# Chairman's Statement

## Lord Freeman – Non-Executive Chairman

### Financials

The Group's financial performance in 2015 was reassuringly resilient during a year of significant change as the strategy for the business developed. Whilst revenues for the Group reduced to £84.84m (2014: £92.26m), the business maintained adjusted EBITDA in-line with last year at £1.58m (2014: £1.60m). There has been a strong improvement in revenues and profit in H2 compared to H1 and the business has now completed a £1m cost reduction programme which will generate a full year benefit in 2016 and beyond.

	2015			2014
	H1	H2	YEAR	YEAR
Revenue	41,175	43,667	84,842	92,264
Divisional contribution	1,205	1,872	3,077	3,174
Group costs	(821)	(676)	(1,497)	(1,570)
<b>Adjusted EBITDA</b>	<b>384</b>	<b>1,196</b>	<b>1,580</b>	<b>1,604</b>

Parity Professionals has shown encouraging growth through the year and became the hub for the majority of Group activities. We ceased our digital business acquisition strategy and the SuperCommunications division was renamed Parity Consultancy Services to align with the new technology consulting strategy. After a carefully managed transition, there is a refreshing enthusiasm and confidence in the new structure and the opportunities it provides for the Group and our clients.

Parity Professionals revenues recovered through the year from a lower comparable start point and ended on £78.19m (2014: £84.47m) with a resultant Divisional Contribution of £2.28m (2014: £2.49m). Encouragingly, the trend of increasing revenues, profitability and margins from H1 into H2 has been maintained into the first two months of 2016.

Parity Consultancy Services revenues have reduced (2015: £6.65m, 2014: £7.80m), though the rationalisation of the business and the growth through the year in Parity Solutions has helped the business to achieve a growth in Divisional Contribution to £0.80m (2014: £0.68m) with margins improving strongly. Initium remains as a standalone technology node within this division.

Non-recurring costs and impairment increased as a result of exiting the digital acquisition strategy and the subsequent restructure.

### Cash and Dividend

Cash has been impacted by the exit from the digital acquisition strategy, due to the non-recurring costs involved in the previously announced closure of Golden Square and rationalising the management structure. As a result, cash and cash equivalents at year end were £2.65m (2014: £2.97m) with net debt being £7.38m (2014: £6.61m).

PNC have provided our banking arrangements since 2010. Having reviewed our current facility and reviewed financial forecasts and projections, with reasonable sensitivities applied, the Board is satisfied the funding arrangements are sufficient to meet the Group's needs for the foreseeable future.

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

### Board Changes

There have been a number of changes to the Board in the year, primarily driven by the exit from the digital business acquisition strategy. The Board was realigned to focus on the core business offerings of recruitment, talent management and consultancy services with an exciting new growth strategy.

Andy Law, former Chairman of the SuperCommunications division, left the Board on the 13 August 2015. David Courtley also stepped down as Non-Executive Director on 13 August 2015.

Alan Rommel was appointed to the Board on 13 August and promoted to Group CEO on 4th November 2015 to lead the new growth strategy. Alan has been with Parity for over 20 years and has a strong background in the recruitment and talent management industry.

Alastair Woolley retired as Group Finance Director on 27 May 2015 and Mike Aspinall was appointed as Group Finance Director on 14 September 2015.

On the 4 November 2015 both Philip Swinstead OBE, the former Group Executive Chairman, and Paul Davies, Chairman of the Parity Professionals division, retired from the Board, and I took over as Group Non-Executive Chairman. Both Philip and Paul were founders of Parity. The Board and the Group are indebted to them both for their tireless work over the years. They left the Group in a stable position with a clear vision and strong, energetic leadership.

# Chairman's Statement continued

## Current Trading and Future Prospects

The core businesses of Panty Professionals and Panty Consultancy Services are following an exciting growth path under the leadership of Alan Rommel, the newly appointed Group CEO. It is very pleasing to see the early signs of success in building the enlarged client base and leveraging existing relationships with new client services across the businesses. The core London businesses are relocating to a single office which will facilitate improved communication and collaboration amongst the teams at no additional cost. 2016 has started with the strong momentum carried forward from the second half of 2015 and the executive management team, and all of the Panty staff, are focused on building profitability, ensuring the core business remains cash-generative and value enhancing for shareholders. The Board thanks all of the staff for their commitment in the year.

The Board is dedicated to driving profitability, cash flow and shareholder value and looks forward to 2016 with confidence.



**Lord Freeman,**  
Non-Executive Chairman  
16 March 2016

Strategic Report

Governance

Accounts, notes and other information

# Strategy

Alan Rommel – Chief Executive Officer

## Overview

After the carefully managed restructuring in 2015, Parity is now focused on its established and proven business model providing clients with both the people and the technology to drive change through two strongly defined and complementary business units

- Parity Professionals specialising in the sourcing, development and placing of professional staff through the IT Resources and Talent Management offerings
- Parity Consultancy Services niche expertise creating technology solutions through the Parity Solutions and Inition offerings

Parity is Driving Change, People-Led, Technology-Enabled

This new and exciting strategic ambition supports our clients as they adapt to the rapidly changing IT market

We have a clear 3-year plan built around growth, market leadership and future investment. This will be achieved through organic expansion of our established and trusted offerings, and through strategic investment in the higher margin consultancy proposition

Within the Consultancy Services division, we will continue to build upon the existing expertise of Parity Solutions which already provides a solid base of technical knowledge for consultancy, systems integration and bespoke development projects. This consulting expertise can be rapidly scaled with contractor and associate support from the Professionals division, whilst maintaining the controls, processes and assurance of a consultancy model, thus adding value through the management of client projects

Additionally, we plan to expand our range of technology consulting services by developing practices led by senior business and technical experts where the Group already has significant agency business, providing a true leadership edge

We have restructured and reduced central costs to support the new focus on the profitable core. As a result, Parity has become a more efficient and simpler business with proven strengths in human capital and technology-enabled change management. This stable platform for growth provides

- Client flexibility, combining niche services into an integrated solution
- Multi-channel sales
- Opportunity to leverage cross-sales
- Consulting model with rapidly scalable staffing model with access to niche contract and associate expertise through Parity Professionals, with a resulting low bench cost

The strategy is based on three main pillars

## Growth

With the focus on a future opportunity that builds on the stable core business and the skills of the dedicated, experienced and enthusiastic management team, the Group plans to grow organically by leveraging its scale, targeting growing markets which are undergoing change and where there is resultant high demand for people and technology to support change

We have already established a programme of collaboration which has resulted in the identification and development of a number of opportunities and is gaining further momentum after a successful cross-business launch in January 2016

We are now committed to self-fund growth, however it should be expected that there will be a lead time to build some of the niche market consultancy practices. There is great strength in our core offering, and people who provide a dedicated and excellent service to clients. It is these strengths that will underlie the growth for the business

## Market Leadership

Each business unit will maintain its own direct sales approach but the Group is building an overarching capability in Change Management and moving the proposition up the value chain. Whilst having a range of individual 'product' offerings, the businesses will support each other and the client will be able to combine the modular services into a more integrated solution. Through a broad range of individual specialisms, Parity aims to provide market leading Change Management services – People-led, Technology-enabled

## Future Investment

Parity will build upon the established and profitable foundations with a clear and unified client proposition – maximising the effectiveness of people, processes and systems within our clients' organisations

Parity Professionals will self-fund internal investment to support organic growth within the core services, and by adding capacity in new high growth and high demand markets

Parity Consultancy Services will build upon the Business Intelligence consultancy service through Parity Solutions, and create additional specific niche practices led by senior professionals where the Group already has existing opportunity to leverage additional services. This approach is already being successfully deployed in the MoD where the wider support of the group is proving extremely effective, allowing the service to scale quickly without the associated bench costs. In addition to the enhanced sales and marketing capability, this is evidence of the great opportunity to leverage our existing client base to provide additional, higher value services

## Summary

With the increased clarity of a more aligned and targeted business strategy through these three pillars, we are confident that we can build on the underlying strengths in the business and provide further growth opportunity. This confidence is further enhanced by the momentum carried forward from H2 trading into early 2016

Parity is well placed to capitalise on the opportunities in the market, leveraging the strength of the resources business combined with building the consultancy proposition, to improve margins, and support the Board's commitment to driving profitability, positive cash flows and shareholder value

# Operating Review

## Overview

The re-organisation has provided a clear focus on our established and profitable services, maximising the effectiveness of people, processes and systems within our clients' organisations. The Group as a whole has been building momentum through 2015, improving the sales pipeline and growing profitability. This has been achieved through self-funded investment, increasing the capacity and the focus of the sales teams, improved marketing, and by continuing to improve operational efficiency to capitalise on the opportunities in a resilient UK economy.

We are an agile business, building margins across the different service lines, and winning larger scale programmes with a rapidly scalable and cost-effective delivery model.

Through the year, Panty Professionals has significantly increased contractor volumes and permanent fees, whilst increasing average margins. As a profitable part of the business, Panty Solutions was to be integrated within Panty Professionals but we have decided to take a different approach as the Solutions team demonstrated a capability to win and deliver larger scale programmes with the support of the wider business. We will now build upon the core offering of Panty Solutions having created a new consultancy business – Panty Consultancy Services. The Group has built a stronger pipeline across every service line which gives increasing confidence in the outlook into 2016 and beyond.

Our clients need for change is driven by both advances in technology, and by the demands of increasingly technology 'savvy' users – be they employees within the organisation driving the requirements, or their own customers demanding more. Panty, as both a people and technology provider, is ideally placed to service our clients' needs, enabling the changes which will drive their growth.

**Panty is.**  
**Driving Change, People-Led, Technology-Enabled**

## PARITY PROFESSIONALS

### Overview

Panty Professionals has a clear 'people' focus – building capacity and capability for our clients to transform organisational performance. This has elevated the proposition for the recruitment and placement services and increased breadth of services to include talent development which differentiates the business from its peers.

We have invested in building the brand and the extended service offerings which has enabled a further shift from arms-length transactional delivery towards a more consultative, value-adding and higher margin service. As clients demand access to highly productive professionals to support their evolution, we have created a broad range of integrated HR services – from graduate recruitment and induction through to senior level recruitment and development programmes, maximising the impact and efficiency of their management and staff.

Revenues in the year reduced by 7% to £78.19m (2014 £84.47m) with contribution reducing by 8% to £2.28m (2014 £2.49m) on a like for like basis (i.e. with all operating overheads allocated to the business). The full year performance in Professionals was adversely impacted by the previously

mentioned loss of a major contract at the end of 2014, both revenues and contribution have demonstrated significant improvement from H1 to H2 in the year, and H2 2015 finished marginally up on H2 2014.

### The IT Resources Offering

The recruitment business entered 2015 with a high level of activity but with contractor volumes impacted by the cancellation of a major contract at the end of 2014. Whilst divisional revenues for the year dropped, the team has made significant progress through the year in terms of contractor and permanent fee growth and improvement in contribution.

The underlying momentum has been built by successfully adding 104 new clients in the year (vs 79 in 2014) and improving average margins across our offices. With an improvement in the volume of opportunities, conversion rates and placements over 2014, we have achieved an increase in Gross Profit generated on new deals written of 29%.

Permanent fees grew by 38% in the year due to the speed in which we responded to an increase in demand for niche skills as we built a new permanent team dedicated to target skills verticals. It is our intention to replicate this model of niche specialism in growing markets for our London and Edinburgh offices.

### The Talent Management Offering

The business continues to offer HR consultancy, training and advisory services to government and industry.

Panty continued to manage the highly regarded FastStream graduate recruitment programme on behalf of HMRC with the contract being renewed for a further 12 months taking us into our 12th year of successful delivery. Public sector spend on funded development and employment support in Northern Ireland is being reduced and as a result our INTRO graduate programme is unlikely to continue. The team will build upon their credentials by offering graduate recruitment and development programmes direct to end clients as well as their leadership and coaching services. We are adding scale to the sales team in mainland GB where sales achieved significant growth in 2015 with much less reliance on public sector spend.

The team have won 24 new clients in the year (16 in 2014) including some larger scale and higher margin programmes with well-known blue-chips including adidas and Coca-Cola. A closer working relationship across Panty Professionals is proving that clients see the value in an integrated solution.

## PARITY CONSULTANCY SERVICES

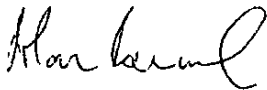
At the core of the new Panty Consultancy Services business, the Panty Solutions offering allows our clients to combine expertise and technology to provide a competitive advantage. This expertise creates an important differentiator between the people-led Panty Professionals business and the technology-enabled Panty Consultancy Services. The in-house development team are building expertise in big data solutions and the wider Business Intelligence market. This expanding market has already resulted in the award of a significant high-profile management information contract with the MoD to deliver the next phase of the Military Capability Output Costing System (MCOCS). This major Business Intelligence initiative is

## Operating Review continued

worth over £2m for the first two years and has supported a growing pipeline in other related areas through the year

We will build the consultancy proposition further with new practices in markets that are undergoing significant change that have access to funding to support the transition, such as Health and Utilities where we already have significant market presence and expertise across the Group. As with the MoD we will further develop this knowledge with niche technology expertise driven by senior industry-experienced consultants, underwritten with the delivery capability of a trusted brand.

Inition remains in its own right as a small but exciting technology node specialising in Virtual and Augmented Reality to create installation-based experiences and exciting marketing solutions. During the year, Inition has increased the focus on account management resulting in greater visibility of a growing pipeline.



**Alan Rommel,**  
Chief Executive Officer  
16 March 2016



# Financial Review

Mike Aspinall – Group Finance Director

## Divisional performance

	Revenue		Contribution	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Continuing operations				
Parity Professionals	78,190	84,466	2,276	2,491
Parity Consultancy Services	6,652	7,798	801	683
Total divisional	84,842	92,264	3,077	3,174

Whilst revenue for the Group decreased by 8.0% to £84.84m (2014: £92.26m), divisional contribution margin increased to 3.6% (2014: 3.4%). The main driver of the year on year movement was the low starting point to 2015 due to a strategic decision by a client to move a significant contract to a master vendor agreement with another supplier at the end of 2014. Momentum grew steadily during the year, with H2 revenues up 6.0% and H2 contribution up 36.2% on H1, and both above the equivalent period in 2014, allowing the Group to finish the year strongly.

Within Parity Professionals, IT Resources revenues were down 7.5%, due to the low 2015 starting point. Revenue and margins built during the year, with H2 revenues of £39.4m up 7.2% and H2 contribution up 19.3% on H1, and both marginally up on the comparable period last year.

Parity Consultancy Services benefited from Solutions winning the MCOCS Management Information programme for the MoD in H2 as well as continued work with long-standing client BAT to offset the low starting point to 2015. Initium revenues were up 7.3% year on year and overall divisional margins increased to 12.0% (2014: 8.8%), helped in part by a £0.62m reduction in divisional overheads.

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

	2015 £'000	2014 £'000
Divisional contribution	3,077	3,174
Group costs	(1,497)	(1,570)
Depreciation and amortisation	(719)	(477)
Share-based payment charges	(152)	(242)
Operating profit/(loss) before non-recurring items	709	885
Non-recurring items (continuing operations)	(2,058)	(814)
Impairment	(1,994)	-
Operating (loss)/profit from continuing operations	(3,343)	71

Group costs fell to £1.50m (2014: £1.57m), reflecting the share of the cost reduction program implemented following the strategy change at the end of H1.

Depreciation and amortisation has risen in 2015 to £0.72m (2014: £0.48m) due to the full year effect of investments in 2014 in core management information systems and in Initium's product portfolio.

Share based payment charges have fallen as there was a reduction in the number of share options issued to employees in 2015.

## Non-recurring items

	2015 £'000	2014 £'000
Continuing operations		
Impairment loss	1,994	-
Restructuring costs		
- Employee benefit costs	1,404	405
- Write down of tangible fixed assets	341	-
- Other operating costs	126	129
Transaction costs	125	166
Property provisions	62	169
Gain on acquisition	-	(55)
	4,052	814

# Financial Review continued

## Impairment

At the year end, the directors considered the carrying value of all intangible assets, reviewing the underlying assumptions for both cash flows projections and discount rates specific to the cash generating unit concerned. As a result of this review, the directors considered it prudent to increase the discount rate associated with the Initium service offering and an impairment loss of £1.99m was booked.

## Other non-recurring items

Employee benefit costs relate to compensation payments incurred in exiting the digital acquisition strategy, the streamlining of the Board and the closure of the Golden Square Content service offering. The impairment of tangible fixed assets relates to the closure of Golden Square.

The transaction costs relate to an aborted transaction in H1. Property provisions represent empty office provisions related to the relocation of the PLC head office.

## Earnings per share and dividend

The basic loss per share from continuing operations was 3.85 pence (2014: 0.43 pence).

The Board does not propose a dividend for 2015 (2014: nil), but will continue to review this policy each year.

## Statement of Financial Position

### Intangible fixed assets

During 2015, the Company invested £0.28m (2014: £1.06m) in intellectual property relating principally to further enhancements to three successful and in-demand products in the Initium service offering, and the development of core programmes for the Talent Management service offering. There was a residual amount related to the completion of certain features of the new management information systems introduced in 2014.

Carrying value of goodwill was impacted by a £1.99m impairment related to the Initium service offering.

### Trade receivables and accrued income

Trade and other receivables increased by £0.1m to £15.6m (2014: £15.5m) due to an increase in year-end activity and billings compared to the same period last year, offset by a slight improvement in debtor days. At the end of the year, calculated on billings on a countback basis, debtor days decreased to 31 days (2014: 33 days).

### Trade and other payables

Trade and other payables increased during the year to £8.6m (2014: £8.3m). The increase is due to restructuring related non-recurring costs payable in 2016, offset by a reduction in the brought forward payable balance following payment of the final tranche of the Initium earn out in H1 2015.

### Other financial liabilities

Other financial liabilities represent the Group's debt under the asset-based lending facility. This is a working capital facility and is consequently linked to the same cycle as the trade receivables. The asset-based lending facility with PNC provides for borrowing of up to £15m depending on the availability of appropriate assets as security. Interest on borrowings is charged at 2.5% over the prevailing base rate. The current facility is subject to a minimum period up to 31 December 2016, at which point the facility becomes evergreen rolling over on the same terms, with six months' notice from either party.

The bank has not drawn to the attention of the Group any matters to suggest that this facility will not be continued.

## Cash flow and net debt

The Group realised positive net cash flows from operating activities of £0.18m (2014: £1.91m cash outflow), the first positive operating cash flow in five years, helped in part by lower payments to the retirement benefit plan. With the final Initium earn-out payment now made, and lower non-recurring costs and affordability linked pension contributions, the Group looks forward to a period of positive operating cash flows.

Net debt increased to £7.38m (2014: £6.61m), due mostly to cash non-recurring costs in the year and the final earn out payment for Initium.

## Provisions

Provisions are all property related and have significantly decreased during the year to £0.01m (2014: £0.08m) reflecting the final unwinding of provisions built up in previous years for empty properties. The 2015 provision is for leasehold dilapidations on current properties.

## Pension Fund

During 2015, the Group agreed a payment holiday with the trustees of the Pension fund from January to December 2015. Payments therefore reduced in the year to £0.03m (2014: £0.89m). The pension fund realised an actuarial gain of £0.85m during the year as the present value of liabilities reduced following an upwards revision to the discount rate to 3.8% (2014: 3.5%).

In March 2016, we reached agreement with the trustees of the defined benefit pension scheme to reduced deficit reduction contributions, linking amounts payable to Group performance and affordability on a sliding scale as part of the current triennial valuation review. Reduced cash commitments over the next three years will help the Group's interest cover ratio and cash generating capability.

## Principal risks and uncertainties

### Market

The Group continues to monitor its exposure to the public sector and while the Group's exposure has reduced over recent years, it still remains exposed to potential public sector budget reductions and changes to recruitment.

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

### People

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

**Financial**

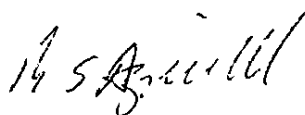
The Group actively monitors its liquidity position to ensure it has sufficient available funds and working capital in order to operate and meet its planned commitments and has a credit risk policy that requires appropriate status checks and or references as necessary

**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

**Legal**

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

**Mike Aspinall**

Group Finance Director  
16 March 2016

# Board of Directors

## Lord Freeman

Non-Executive Chairman<sup>1 2 3</sup>

Roger Freeman, 73, was appointed Non-executive Chairman in November 2015 and is Chairman of the remuneration and nominations committees. Roger joined as a Non-Executive Director in 2007. After qualifying as a Chartered Accountant in 1969 he joined Lehman Brothers, the US Investment Bank, and was a Partner in the London Office until 1983 when he entered the House of Commons. He served as a Minister between 1986 and 1997 including Cabinet Minister for Public Service. He became a Life Peer in 1997 and also became a Partner with PricewaterhouseCoopers for whom he now chairs their UK Advisory Board. He is Chairman of the Trustees of the Thales UK Pension Fund.

## Neal Ransome

Non-Executive Director<sup>1 2 3</sup>

Neal Ransome, 55, was appointed to the Board as a Non-Executive Director in September 2013 and is Chairman of the audit committee. Neal retired from PwC in 2013 where he was a Corporate Finance Partner and Chief Operating Officer of PwC's Advisory line of service. In addition to his direct managerial experience in a large services organisation, Neal has over 20 years' experience of advising clients on their M&A activities. Neal is also a Non-executive Director of Quercus (General Partner) Limited and Trustee and Council Member of the RSPB.

## Alan Rommel

Chief Executive Officer

Alan Rommel, 44, 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.

## Mike Aspinall

Group Finance Director

Mike Aspinall, 43, is the Group Finance Director of Parity Group plc and was appointed to the Board in September 2015. Prior to joining Parity, Mike was CFO at Picsolve International Limited for 3 years, an Eight Roads/Fidelity private equity backed company, and has previously worked as the finance director in a number of venture capital and owner managed companies. Mike trained and qualified with Arthur Andersen.

<sup>1</sup> Member of the nominations committee

<sup>2</sup> Member of the remuneration committee

<sup>3</sup> Member of the audit committee

# Directors' Report

The Directors present their report and the audited accounts for the year ended 31 December 2015

## 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, Panty Professionals and Panty Consultancy Services (formerly SuperCommunications)

The principal activity of the Panty Professionals division is to provide recruitment, predominately interim recruitment, and graduate placement services, to a diverse range of clients. In 2015 its clients' market sectors included central and local government within the public sector and FMCG, Insurance, Oil, and Transport in the private sector

The principal activities of the Panty Consultancy Services division comprise business intelligence solutions, delivering creative technology solutions, and the resale of latest technology equipment. Panty Consultancy Services delivered its services during the year to central government departments in the public sector, and to Manufacturing, Oil, Retail, IT, Telecommunications and Automotive clients in the private sector

## Review of business and future developments

A review of the business and its outlook, including commentary on the key performance indicators of turnover, gross margin, contribution, debtor days and net debt, and the principal risks and uncertainties facing the Group is included in the Chairman's Statement, Strategy, Operating Review and Financial Review on pages 2 to 9. The Group's social, environmental and ethical policies are set out on page 13. A statement on the application of the going concern principle is set out below. Details of financial instruments are set out in note 22 to the financial statements. Each of the above is incorporated in this report by reference.

## Group results

The Group loss from continuing operations before taxation for the year was £3,909,000 (2014: £408,000) after charging non-recurring items of £4,052,000 (2014: £814,000). After a tax expense of £6,000 (2014: £25,000) and a loss after tax from discontinued operations of £4,000 (2014: £5,000), the retained loss of £3,919,000 (2014: £438,000) has been transferred to reserves. The results for the year are set out in the consolidated income statement on page 24.

## Dividends

The Directors do not recommend a final dividend (2014: nil pence per ordinary share). The total dividends for the year were nil pence per ordinary share (2014: nil pence per ordinary share).

## Pension

The Group operates a defined contribution pension scheme. There is also a defined benefit scheme which is closed both to new members and to future service accrual. Details of the defined benefit pension scheme are given in note 24.

## Purchase of own shares

At the end of the year, the Company had authority, under the shareholders' resolution of 27 May 2015, to purchase in the market 10,172,652 of the Company's ordinary shares at prices ranging between two pence and an amount equal to 105% of the average of the middle market prices quoted in the five business days immediately preceding the day of purchase. No purchases were made during the year. The Directors intend to seek renewal of this authority at the forthcoming Annual General Meeting.

## Board of Directors

Biographical information on each of the Directors as at 16 March 2016 is set out on page 10, together with details of membership of the Board committees.

In accordance with the Company's Articles of Association, Alan Rommel and Mike Aspinall, who were both appointed after the announcement of the 2015 AGM, will retire and offer themselves for re-election at the 2016 Annual General Meeting.

## Directors' interests

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

## Principal shareholders

At the close of business on 8 March 2016 (being the latest practical date prior to the signing of the Directors' Report) the Company had received notification of the following substantial interests representing over 3% of the issued share capital:

	Number of Ordinary 2p shares	Percentage held
Hargreave Hale Limited	15,056,315	14.79
Philip Swinstead	14,958,215	14.69
Killik & Co	6,557,322	6.44
David Courtley	6,521,739	6.40
Timothy Watts	5,140,000	5.05
Dominion Holdings	4,950,000	4.86
Citrine Investments	4,823,766	4.74
Barclays Wealth	3,765,423	3.70
TD Direct Investing	3,104,269	3.05

Strategic Report

Governance

At Courts notes the filing information

## Directors' Report continued

### Capital structure

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

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

### Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out above (Review of business and future developments). The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 7 to 9 and in note 22 to the financial statements. Note 22 also includes the Group's objectives for managing capital.

As outlined in note 22, the Group meets its day to day working capital requirements through an asset-based lending facility. The facility contains certain financial covenants which have been met throughout the period. The current facility is subject to a minimum period up to 31 December 2016, at which point the facility becomes evergreen, rolling over on the same terms, with six months' notice from either party. The bank has not drawn to the attention of the Group any matters to suggest that this facility will not be continued on acceptable terms.

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.

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

### Directors' and officers' liability insurance and indemnity

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

### Corporate Governance

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

### Auditor

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

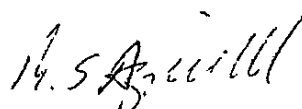
### Post Balance Sheet Events

There were no material post balance sheet events.

### Annual General Meeting

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

### By order of the Board



### Mike Aspinall

Director  
16 March 2016

# Social, Environmental and Ethical Policies

## Employment policies

As a professional services business, Parly's strength derives from the commitment, capability and cultural diversity of its employees. The Group aims to adopt a policy of diversity at all levels including selection, role assignment, teamwork and individual career development. The Group encourages the participation of all employees in the operation and development of the business by offering open access to senior management, including the Executive Directors, and adopting a policy of regular communications through road shows and the intranet. The Group incentivises employees through share-based incentives and the payment of bonuses and commissions linked to performance objectives. Where appropriate these objectives are linked to profitability. The Group also has a structured approach to performance appraisal and career development and ensures that every employee has an annual performance review and has clear objectives and performance standards.

## Health & safety

The health and safety of Parly'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 Parly office to ensure high standards are maintained.

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

## Social responsibilities

It is Group policy to be a good corporate citizen wherever it operates. As part of the Group's social responsibility, employees are encouraged to become involved in their local communities and fund raising events for charity.

## Environmental policy

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

## Transport

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

## Energy

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

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

## Recycling

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

## Ethics

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

# Corporate Governance Report

## Introduction

As the Company is AIM listed, it is not required to follow the provisions of The UK Corporate Governance Code published by the Financial Reporting Council in September 2014 (the Code). However, the Board continues to maintain that high standards of corporate governance remain a key priority and that it will seek to continue to follow the Code as far as is practicable and appropriate, having regard to the size and resources of the Company and 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 page 11.

## The workings of the Board and its Committees

### The Board

At the date of this report, the Board comprises the Non-Executive Chairman, Lord Freeman, Non-Executive Director, Neal Ransome, Group Chief Executive, Alan Rommel and Group Finance Director, Mike Aspinall. During the year Alastair Woolley stepped down as Group Finance Director on 27 May 2015, David Courtley stepped down as a Non-Executive Director on 13 August 2015, Andy Law stepped down as Executive Chairman of the SuperCommunications division on 13 August 2015, Philip Swinstead OBE stepped down as Group Executive Chairman on 4 November 2015 and Paul Davies stepped down as Executive Chairman of the Parity Professionals division on 4 November 2015. Alan Rommel joined the board on 13 August 2015 as Chief Executive Officer of the Parity Professionals division and was appointed Group Chief Executive on 4 November 2015, and Mike Aspinall joined the board as Group Finance Director on 14 September 2015. The table on page 20 sets out the dates of tenure of the current Directors on the Board. The Directors' biographies, which are set out on page 10, illustrate the range of business backgrounds, skills, independence and experience contributed by each Board member.

### Non-Executive Chairman

The Non-Executive Chairman, Lord Freeman, 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 both the Group Executive Chairman and subsequently the Non-Executive Chairman met the Non-Executive Directors without the Executive Directors present.

### Senior Independent Director

Lord Freeman acted as the Deputy Chairman and Senior Independent Director during Philip Swinstead's tenure as Group Executive Chairman. One of his prime responsibilities was to

provide a sounding board for the Group Executive Chairman as well as serving as an intermediary for the other Directors when necessary. He was also an additional contact point for shareholders if they had reason for concern, when contact through the normal channels of the Group Executive Chairman and other Executive Directors had failed to resolve their concerns, or where such contact was inappropriate. Neal Ransome became the Senior Independent Director when Lord Freeman stepped up to the role of Non-Executive Chairman. During the year Lord Freeman, as Senior Independent Director, met the Non-Executive Directors without the Group Executive Chairman and the other Executive Directors present.

## Re-election of Directors

All Directors will submit themselves for election or re-election at the next Annual General Meeting following their appointment and retire by rotation, offering themselves for re-election. The names of those Directors submitted for election at the forthcoming Annual General Meeting are set out in the Directors' report on page 11 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 set long term objectives and to monitor progress against those objectives. Additional meetings are also held as business dictates. A table showing the number of meetings of the Board and its Committees held during the year, and attendance at those meetings by each Board member, is set out on page 15. The Board maintains close dialogue by email, telephone and conference calls between scheduled meetings. The Board has a formal schedule of matters reserved for its specific approval 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. 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 November 2015.

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 operational businesses are divided into two separate divisions, Party Professionals comprising Party Resources and Talent Management and Party Consultancy Services (formerly known as SuperCommunications) comprising Party Solutions and Initon. Each business has a Managing Director. The operational boards of each business meet monthly. The meetings are attended by the Group Chief Executive and/or the Group Finance Director and relevant members of their finance and operational teams. Any key issues arising from these meetings are reported to the Board. Non-executive Directors are invited to visit the Group's premises and are encouraged to have an informal dialogue with the divisions.

#### Performance evaluation

The Board undertook an annual evaluation of its own performance and that of its Committees and individual Directors in the year. The performance of the 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 an improved gender balance.

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

#### Attendance at board and committee meetings

During the year 11 scheduled Board meetings and 3 ad hoc Board meetings were convened as necessary to deal with various matters. Details of attendance at Board meetings is summarised below. Committee attendance is shown for Committee members only.

	Board	Audit	Nominations	Remuneration
<b>Number held</b>	14	3	4	6
<b>Number attended<sup>1</sup></b>				
Philip Swinstead <sup>2</sup>	8/10	—	—	—
Lord Freeman	12/14	3/3	4/4	6/6
Paul Davies <sup>3</sup>	9/10	—	—	—
Alastair Woolley <sup>4</sup>	3/5	—	—	—
David Courtley <sup>5</sup>	7/8	1/1	3/3	3/3
Andy Law <sup>6</sup>	5/8	—	—	—
Neal Ransome	12/14	3/3	4/4	6/6
Alan Rommel <sup>7</sup>	6/6	—	—	—
Mike Aspinall <sup>8</sup>	5/5	—	—	—

<sup>1</sup> All Directors who were members of the Board at the time attended the Group's Annual General Meeting on 27 May 2015.

<sup>2</sup> Stepped down from the Board 4 November 2015.

<sup>3</sup> Stepped down from the Board 4 November 2015.

<sup>4</sup> Stepped down from the Board 27 May 2015.

<sup>5</sup> Stepped down from the Board, Audit Committee, Nomination and Remuneration Committees 13 August 2015.

<sup>6</sup> Stepped down from the Board 13 August 2015.

<sup>7</sup> Appointed to the Board 13 August 2015.

<sup>8</sup> Appointed to the Board 14 September 2015.

# Corporate Governance Report continued

## Committees

The Audit, Remuneration and Nomination Committees of the Board each have formal written terms of reference. These terms of reference are made available on request to the Company Secretary, can be inspected at the Company's head office and are also available in the Corporate Governance section of the Group's website.

### Audit Committee

During the year the Audit Committee was chaired by Neal Ransome. Details of Neal Ransome's recent and relevant financial experience are set out in his biography on page 10. The Audit Committee meets three times a year. Lord Freeman is the other member of the Audit Committee, David Courtley was a member in the year until 13 August 2015.

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 audit-related services, including work in relation to shareholder circulars and similar services. The external auditor provided audit-related services during 2015, details of which are set out in note 3 to the accounts.

### Remuneration Committee

The Remuneration Committee comprises all of the Non-Executive Directors and is Chaired by Lord Freeman. Details of the responsibilities of the Remuneration Committee are set out in the remuneration report on pages 18 to 22. Where necessary, specialist external consultants are used to assist the Committee. David Courtley was a member in the year until 13 August 2015.

### Nomination Committee

The Nomination Committee comprises all of the Non-Executive Directors and is chaired by Lord Freeman. David Courtley was a member in the year until 13 August 2015. It is responsible for proposing candidates for appointment to the Board, having due regard to the balance and structure of the Board, as well as succession planning. During the year the Committee considered the size, composition, skills, experience and independence of the Board having regard to the requirements of the business.

The process for new Board appointments includes an initial search, preliminary interviews and discussions. 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 [cosoc@party.net](mailto:cosoc@party.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.party.net](http://www.party.net).

### Annual Report

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

### Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the 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. Under that law they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the Directors are required to

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

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

Under applicable law and regulations, the Directors are also responsible for preparing 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 Party 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 22 to the financial statements. Other risks and uncertainties are discussed in the Financial Review on page 7.

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.



**Suzanne Chase**  
Company Secretary  
16 March 2016

# Remuneration Report

## Remuneration committee

The remuneration committee comprises Lord Freeman as Chairman, and Neal Ransome. David Courtley was a member in the year until 13 August 2015. Directors are excluded from discussions about their personal remuneration.

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

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

The Board determines the remuneration of all Non-executive Directors within the limits set out in the Company's Articles of Association. Non-executive Directors are not involved in any decisions about their own remuneration. Details of Directors' remuneration for the year ended 31 December 2015 are set out in the table on page 20.

## Remuneration policy

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

The four key elements of the remuneration package of senior executives, including Executive Directors, in the Group in 2015 were basic annual salary and benefits in kind, performance bonus payments, long term incentives including share options, and pension arrangements.

Salaries and benefits are reviewed annually. In order to assess the competitiveness of the pay and benefits packages offered by the Group, comparisons are made to those offered by similar companies. These are chosen with regard to the size of the company (turnover, profits and employee numbers), the diversity and complexity of their businesses, the geographical spread of their businesses, and their growth, expansion and change profile.

## Performance bonus

The terms of the incentive bonus for Executive Directors are agreed annually. For 2015 no target was set and no

performance bonuses were earned by, or paid to, Executive Directors in 2015.

## Long-term incentive arrangements

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

## Share option schemes

During 2015 the Group operated three types of share option scheme: an Executive Share Option Plan, a Savings Related Share Option Scheme (Sharesave Scheme), and a Senior Executive Share Option Plan.

## Executive share option plans

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

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

Executive Share Options granted after 2004 are exercisable in normal circumstances between three and ten years after the date of grant. The exercise of the options is conditional upon the share price either outperforming the average Total Shareholder Return performance of a comparator group comprising a basket of companies in the IT services sector, or outperforming a target price.

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

On 15 April 2009 150,000 share options were awarded under this scheme to Alan Rommel. The exercise price of the options is 9 pence, and the options are subject to a performance condition based upon the Group's share price outperforming the average total shareholder return of a comparator group of IT companies. The options vested after 3 years and the performance condition was met. The options lapse in 10 years from the grant date if not exercised.

On 19 May 2010 a further 150,000 share options were awarded under this scheme to Alan Rommel. The exercise price of the options is 8.75 pence, and the options are subject to a performance condition based upon the Group's share price outperforming the average total shareholder return of a comparator group of IT companies. The options vested after 3 years and the performance condition was met. The options lapse in 10 years from the grant date if not exercised.

On 28 September 2010 a further 100,000 share options were awarded under this scheme to Alan Rommel. The exercise

price of the options is 7.5 pence, and the options are subject to a performance condition based upon the Group's share price outperforming the average total shareholder return of a comparator group of IT companies. The options vested after 3 years and the performance condition was met. The options lapse in 10 years from the grant date if not exercised.

On 8 March 2013 a further 160,000 share options were awarded under this scheme to Alan Rommel. The exercise price of the options is 26.5 pence, and the options are subject to a performance condition being that the share price must be greater than or equal to 33.125 pence for 5 consecutive days. The options vested after 3 years and will lapse in 10 years from the grant date if not exercised.

On 18 March 2014 a further 600,000 share options were awarded under this scheme to Alan Rommel. The exercise price of the options is 21.12 pence, and the options are subject to a performance condition being that the share price must be greater than or equal to 26.4 pence for 5 consecutive days. The options will vest in 3 years and lapse in 10 years from the grant date if not exercised.

On 27 November 2014 2,000,000 share options were awarded under this scheme to Andy Law. The exercise price of the options is 16.75 pence, and the options are subject to a performance condition being that the share price must be greater than or equal to 20.94 pence for 5 consecutive days. The options will vest in 3 years and lapse in 10 years from the grant date if not exercised. Mr Law stepped down from the Board on 13 August 2015, and his options lapsed on his termination date 1 March 2016.

#### Senior Executive Share Option Plan

The Senior Executive Share Option Plan was approved by shareholders on 19 February 2009 and renewed at an EGM on 25 October 2010. The maximum number of shares over which options may be granted under the Senior Executive Share Option Plan is 10% of the company's issued share capital.

Following his appointment as CEO, Paul Davies was granted 2,851,633 options under the Senior Executive Share Option Plan in October 2010. The exercise price is 10 pence per share and there are no performance conditions. The options had all vested by the balance sheet date. Mr Davies resigned from the Board on 4 November 2015, and surrendered his options under this scheme on the date of his resignation.

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

#### Sharesave schemes

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

There were no grants made under the Sharesave scheme in 2015.

#### Co-investment scheme

The Co-investment Scheme was approved by shareholders in 2004. Members are invited to join by the Board, having regard to the recommendations of the remuneration committee. At present the scheme is open to the Chief Executive Officer, Group Finance Director and the Managing Directors of the

business units and one other senior executive. Under the rules of the scheme, members are entitled to invest up to 50% of the bonus that they earn under the Annual Performance Bonus Scheme in Parity shares. The shares are held on behalf of the employee and, providing the employee remains in Parity's employment, any bonuses invested will be matched in number by the Company on a sliding scale of up to 1.5 for 1 at the end of a defined period of up to three years following the date of purchase.

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

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

#### Share price

The Parity Group plc mid-market share price on 31 December 2015 was 11.5 pence. During the period 1 January to 31 December 2015 shares traded at market prices between 7.37 pence and 16.12 pence.

#### Directors' pension information

Alan Rommel and Mike Aspinall are entitled to a contributory company pension contribution of 5% of basic salary. Up until 30 June 2014, Paul Davies was entitled to a non-contributory company pension contribution of 11% of basic salary. As from 1 July 2014, Paul Davies has received an amount equal to 11% of his basic salary as an additional payment which is paid as part of his monthly salary as a director, up to the date he stepped down from the board. Alastair Woolley was entitled to a contributory company pension contribution of 5% of basic salary up to his resignation. Andy Law was entitled to a contributory company pension contribution of 2% of basic salary up to his resignation.

#### 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.

# Remuneration Report continued

Contractual arrangements for current Directors are summarised below

Director	Contract date	Notice period	Contractual termination payment
Lord Freeman <sup>1</sup>	1 July 2007	n/a	n/a
Alan Rommel	13 August 2015	12 months	12 months rolling
Mike Aspinall	14 September 2015	6 months	6 months rolling
Neal Ransome <sup>1</sup>	26 September 2013	n/a	n/a

<sup>1</sup> 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 2015 £'000	Benefits 2015 £'000	Compensation for loss of office 2015 £'000	Total emoluments 2015 £'000	Company pension contributions <sup>12</sup> 2015 £'000	Share Based Payment 2015 £'000
<b>Executive Directors</b>						
A Rommel <sup>1</sup>	56	5	–	61	3	10
M Aspinall <sup>2</sup>	41	4	–	45	2	–
P Swinstead <sup>3,7</sup>	228	–	–	228	–	–
P Davies <sup>4,7</sup>	114	16	–	130	–	–
A Woolley <sup>5</sup>	65	5	43	113	3	(38)
A Law <sup>6,7</sup>	125	3	–	128	3	46
<b>Non-executive Directors</b>						
Lord Freeman	38	–	–	38	–	–
N Ransome	40	–	–	40	–	–
D Courtley <sup>8</sup>	25	–	–	25	–	–
<b>Total emoluments</b>	<b>732</b>	<b>33</b>	<b>43</b>	<b>808</b>	<b>11</b>	<b>18</b>

## Directors' remuneration continued

	Salary/ fees 2014 £'000	Benefits 2014 £'000	Compensation for loss of office 2014 £'000	Total emoluments 2014 £'000	Company pension contributions <sup>12</sup> 2014 £'000	Share Based Payment 2014 £'000
<b>Executive Directors</b>						
P Swinstead	280	–	–	280	–	–
P Davies <sup>9</sup>	183	18	–	201	12	–
A Woolley	155	10	–	165	8	31
A Law <sup>10</sup>	17	–	–	17	–	4
<b>Non-executive Directors</b>						
Lord Freeman	40	–	–	40	–	–
D Courtley	40	–	–	40	–	–
P Luff <sup>11</sup>	17	–	–	17	–	–
N Ransome	40	–	–	40	–	–
<b>Total emoluments</b>	<b>772</b>	<b>28</b>	<b>–</b>	<b>800</b>	<b>20</b>	<b>35</b>

### Notes

- <sup>1</sup> A Rommel was appointed on 13 August 2015  
<sup>2</sup> M Aspinall was appointed on 14 September 2015  
<sup>3</sup> P Swinstead resigned as a Board director on 4 November 2015  
<sup>4</sup> P Davies resigned as a Board director on 4 November 2015  
<sup>5</sup> A Woolley resigned on 27 May 2015  
<sup>6</sup> A Law resigned as a Board director on 13 August 2015  
<sup>7</sup> Following their respective resignations from the Board, P Swinstead, P Davies and A Law are serving their notice periods on gardening leave  
<sup>8</sup> D Courtley resigned on 13 August 2015  
<sup>9</sup> P Davies stepped down as Chief Executive Officer with effect from 1 July 2014, to become Chairman of Parity Professionals division thereby continuing as a Board director. A revised Service Agreement was entered into on that date  
<sup>10</sup> A Law was appointed 27 November 2014  
<sup>11</sup> P Luff did not stand for election on 29 May 2014  
<sup>12</sup> 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 2015	Lapsed/ Surrendered in the year	Exercised in the year	Awarded in the year	As at 31 December 2015	Exercise period	Exercise price per share
<b>Paul Davies</b>							
Senior Executive share option plan 2010	2,851,633	(2,851,633)	–	–	–	2011-2017	£0 1000
<b>Alan Rommel</b>							
Executive share option plan							
2009	150,000	–	–	–	<b>150,000</b>	2012-2019	£0 0900
2010	150,000	–	–	–	<b>150,000</b>	2013-2020	£0 0875
2010	100,000	–	–	–	<b>100,000</b>	2013-2020	£0 0750
2012	40,000	(40,000)	–	–	–	2015-2022	£0 2625
2013	160,000	–	–	–	<b>160,000</b>	2016-2023	£0 2650
2014	600,000	–	–	–	<b>600,000</b>	2017-2024	£0 2112
Sub-total	1,200,000	(40,000)	–	–	<b>1,160,000</b>		

# Remuneration Report continued

## Executive Directors' share options continued

	As at 1 January 2015	Lapsed/ Surrendered in the year	Exercised in the year	Awarded in the year	As at 31 December 2015	Exercise period	Exercise price per share
<b>Alastair Woolley</b>							
Executive share option plan							
2011	300,000	(300,000)	–	–	–	2014-2021	£0 2800
2012	60,000	(60,000)	–	–	–	2015-2022	£0 2625
2013	300,000	(300,000)	–	–	–	2016-2023	£0 2625
2014	340,000	(340,000)	–	–	–	2017-2024	£0 2112
Sub-total	1,000,000	(1,000,000)	–	–	–		
<b>Andy Law</b>							
Executive share option plan							
2014	2,000,000	–	–	–	2,000,000	2017-2024	£0 1675
<b>Total</b>	<b>7,051,633</b>	<b>(3,891,633)</b>	<b>–</b>	<b>–</b>	<b>3,160,000</b>		

## 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 2014 (or date of appointment if later)	% issued share capital	Shareholding as at 31 December 2015 (or date of resignation)	% issued share capital
Philip Swinstead <sup>1</sup>	13,186,470	12.96	13,295,215	13.07
Lord Freeman	6,250	0.01	6,250	0.01
Paul Davies	1,275,556	1.26	1,275,556	1.25
Alastair Woolley	56	–	56	–
David Courtley	6,521,739	6.41	6,521,739	6.40
Andy Law	–	–	–	–
Alan Rommel	3,128	–	3,128	–
Mike Aspinall	–	–	–	–
Neal Ransome	33,000	0.03	33,000	0.03

<sup>1</sup> Following his resignation on 4 November 2015, Philip Swinstead's total interest in the Group had increased to 14,958,215 Ordinary Shares at the balance sheet date

For and on behalf of the Board



**Lord Freeman**

Chairman of the remuneration committee  
16 March 2016



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

We have audited the financial statements of Parity Group Plc for the year ended 31 December 2015 set out on pages 24 to 59. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 17, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

## Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2015 and of the group's loss for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

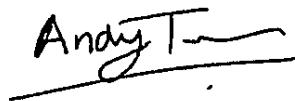
## Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



## Andrew Turner (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
15 Canada Square  
E14 5GL  
London  
United Kingdom  
16 March 2016

# Consolidated Income Statement

for the year ended 31 December 2015

		Before non- recurring items 2015 £'000	Non-recurring items 2015 (note 5) £'000	Total 2015 £'000	Before non- recurring items 2014 £ 000	Non-recurring items 2014 (note 5) £ 000	Total 2014 £'000
	Notes						
<b>Continuing operations</b>							
Revenue	2	84,842	–	84,842	92,264	–	92,264
Employee benefit costs	3	(7,800)	(1,404)	(9,204)	(9,064)	(405)	(9,469)
Depreciation & amortisation	3	(719)	(341)	(1,060)	(477)	(129)	(606)
Impairment loss	14	–	(1,994)	(1,994)	–	–	–
All other operating expenses	3	(75,614)	(313)	(75,927)	(81,838)	(280)	(82,118)
Total operating expenses		(84,133)	(4,052)	(88,185)	(91,379)	(814)	(92,193)
Operating profit/(loss)		709	(4,052)	(3,343)	885	(814)	71
Finance income	7	506	–	506	694	–	694
Finance costs	7	(1,072)	–	(1,072)	(1,173)	–	(1,173)
Profit/(loss) before tax		143	(4,052)	(3,909)	406	(814)	(408)
Tax (charge)/credit	11	(258)	252	(6)	(184)	159	(25)
(Loss)/profit for the year from continuing operations		(115)	(3,800)	(3,915)	222	(655)	(433)
Loss for the year from discontinued operations	8	(4)	–	(4)	(5)	–	(5)
<b>(Loss)/profit for the year attributable to owners of the parent</b>		<b>(119)</b>	<b>(3,800)</b>	<b>(3,919)</b>	<b>217</b>	<b>(655)</b>	<b>(438)</b>
Basic and diluted loss per share	12			<b>(3 85p)</b>			<b>(0 43p)</b>

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

# Statements of Comprehensive Income

for the year ended 31 December 2015

	Notes	Consolidated	
		2015 £'000	2014 £ 000
<b>Loss for the year</b>		<b>(3,919)</b>	<b>(438)</b>
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		42	67
		42	67
<i>Items that will never be reclassified to profit or loss</i>			
Remeasurement of defined benefit pension scheme	24	848	(649)
		848	(649)
<b>Other comprehensive income for the year net of tax</b>		<b>890</b>	<b>(582)</b>
<b>Total comprehensive income for the year attributable to equity holders of the parent</b>		<b>(3,029)</b>	<b>(1,020)</b>

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

# Statements of Changes in Equity

for the year ended 31 December 2015

Consolidated	Share capital £'000	Deferred shares £'000	Share premium reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 January 2015	2,035	14,319	33,189	44,160	(84,812)	8,891
Loss for the year	–	–	–	–	(3,919)	(3,919)
Exchange differences on translation of foreign operations	–	–	–	–	42	42
Remeasurement of defined benefit pension scheme	–	–	–	–	848	848
Issue of new ordinary shares	2	–	6	–	–	8
Share options – value of employee services	–	–	–	–	152	152
<b>At 31 December 2015</b>	<b>2,037</b>	<b>14,319</b>	<b>33,195</b>	<b>44,160</b>	<b>(87,689)</b>	<b>6,022</b>

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

Company	Share capital £'000	Deferred shares £'000	Share premium reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 January 2015	2,035	14,319	33,189	22,729	(51,657)	20,615
Loss for the year	–	–	–	–	(1,558)	(1,558)
Issue of new ordinary shares	2	–	6	–	–	8
Share options – value of employee services	–	–	–	–	38	38
<b>At 31 December 2015</b>	<b>2,037</b>	<b>14,319</b>	<b>33,195</b>	<b>22,729</b>	<b>(53,177)</b>	<b>19,103</b>

Company	Share capital £'000	Deferred shares £'000	Share premium reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 January 2014	2,033	14,319	33,183	22,729	(51,214)	21,050
Loss for the year	–	–	–	–	(491)	(491)
Issue of new ordinary shares	2	–	6	–	–	8
Share options – value of employee services	–	–	–	–	48	48
<b>At 31 December 2014</b>	<b>2,035</b>	<b>14,319</b>	<b>33,189</b>	<b>22,729</b>	<b>(51,657)</b>	<b>20,615</b>

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

# Statements of Financial Position

As at 31 December 2015

Company number 3539413

Company number 3539413

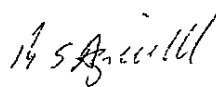
		Consolidated	Company		
		2015	2014	2015	2014
Assets	Notes	£'000	£ 000	£'000	£ 000
<b>Non-current assets</b>					
Intangible assets and goodwill	13,14	7,113	9,307	–	–
Property, plant and equipment	15	180	602	2	2
Trade and other receivables	18	–	–	113,332	103,460
Investment in subsidiaries	30	–	–	20,527	20,527
Deferred tax assets	16	507	536	–	–
		7,800	10,445	133,861	123,989
<b>Current assets</b>					
Stocks and work in progress	17	61	27	–	–
Trade and other receivables	18	15,619	15,524	3,350	3,407
Cash and cash equivalents		2,648	2,974	18	102
		18,328	18,525	3,368	3,509
<b>Total assets</b>		<b>26,128</b>	<b>28,970</b>	<b>137,229</b>	<b>127,498</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Loans and borrowings	19	(10,016)	(9,559)	–	–
Trade and other payables	20	(8,574)	(8,314)	(9,561)	(7,518)
Provisions	21	–	(82)	–	(69)
		(18,590)	(17,955)	(9,561)	(7,587)
<b>Non-current liabilities</b>					
Loans and borrowings	19	(11)	(23)	–	–
Trade and other payables	20	–	–	(108,565)	(99,296)
Provisions	21	(14)	–	–	–
Retirement benefit liability	24	(1,491)	(2,101)	–	–
		(1,516)	(2,124)	(108,565)	(99,296)
<b>Total liabilities</b>		<b>(20,106)</b>	<b>(20,079)</b>	<b>(118,126)</b>	<b>(106,883)</b>
<b>Net assets</b>		<b>6,022</b>	<b>8,891</b>	<b>19,103</b>	<b>20,615</b>
<b>Shareholders' equity</b>					
Called up share capital	25	16,356	16,354	16,356	16,354
Share premium account	23	33,195	33,189	33,195	33,189
Other reserves	23	44,160	44,160	22,729	22,729
Retained earnings	23	(87,689)	(84,812)	(53,177)	(51,657)
<b>Total shareholders' equity</b>		<b>6,022</b>	<b>8,891</b>	<b>19,103</b>	<b>20,615</b>

Approved by the Directors and authorised for issue on 16 March 2016

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



**Alan Rommel**  
Chief Executive Officer



**Mike Aspinall**  
Finance Director

# Statements of Cash Flows

for the year ended 31 December 2015

		Consolidated		Company	
	Notes	2015 £'000	2014 £ 000	2015 £'000	2014 £'000
<b>Cash flows from operating activities</b>					
Loss for year		<b>(3,919)</b>	(438)	<b>(1,558)</b>	(491)
Adjustments for					
Finance income	7	<b>(506)</b>	(694)	<b>(2,077)</b>	(2,357)
Finance expense	7	<b>1,072</b>	1,173	<b>1,568</b>	1,337
Share-based payment expense	10	<b>152</b>	242	<b>38</b>	48
Income tax expense/(credit)	11	<b>6</b>	25	<b>(249)</b>	(332)
Amortisation of intangible assets	13	<b>546</b>	216	–	–
Depreciation of property, plant and equipment	15	<b>173</b>	261	<b>1</b>	1
Impairment of goodwill	14	<b>1,994</b>	–	–	–
Loss on disposal of intangible assets	13	<b>3</b>	–	–	–
Loss on disposal of property, plant and equipment	5	<b>341</b>	129	–	–
Gain on acquisition	9	–	(55)	–	–
		<b>(138)</b>	859	<b>(2,277)</b>	(1,794)
<b>Working Capital</b>					
Increase in stocks and work in progress		<b>(34)</b>	(8)	–	–
Decrease/(increase) in trade and other receivables		<b>(96)</b>	838	<b>(1,374)</b>	(1,701)
Increase/(decrease) in trade and other payables		<b>522</b>	(1,836)	<b>1,536</b>	2,427
Decrease in provisions		<b>(68)</b>	(838)	<b>(68)</b>	(893)
Payments to retirement benefit plan	24	<b>(28)</b>	(873)	–	–
<b>Cash generated from operations</b>		<b>158</b>	(1,858)	<b>(2,183)</b>	(1,961)
Income taxes received/(paid)		<b>23</b>	(9)	–	–
<b>Net cash flows from operating activities</b>		<b>181</b>	(1,867)	<b>(2,183)</b>	(1,961)
<b>Investing activities</b>					
Acquisition of subsidiaries	9	<b>(250)</b>	(623)	–	–
Purchase of intangible assets	13	<b>(349)</b>	(1,064)	–	–
Purchase of property, plant and equipment	15	<b>(92)</b>	(137)	<b>(1)</b>	(1)
<b>Net cash used in investing activities</b>		<b>(691)</b>	(1,824)	<b>(1)</b>	(1)
<b>Financing activities</b>					
Issue of ordinary shares	25	<b>8</b>	8	<b>8</b>	8
Proceeds from/(repayment of) finance facility		<b>476</b>	(407)	–	–
Net movements on intercompany funding		–	–	<b>2,391</b>	2,320
Interest paid	7	<b>(300)</b>	(312)	<b>(299)</b>	(301)
<b>Net cash from financing activities</b>		<b>184</b>	(711)	<b>2,100</b>	2,027
Net (decrease)/increase in cash and cash equivalents		<b>(326)</b>	(4,402)	<b>(84)</b>	65
<b>Cash and cash equivalents at the beginning of the year</b>		<b>2,974</b>	7,376	<b>102</b>	37
Effect of exchange rate movement on intercompany balances		–	–	–	–
<b>Cash and cash equivalents at the end of the year</b>		<b>2,648</b>	2,974	<b>18</b>	102

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

# Notes to the Accounts

## 1 Accounting policies

### Basis of preparation

Panty Group plc (the "Company") is a company incorporated and domiciled in the UK

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

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

The financial statements have been prepared on a going concern basis. The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report (Review of business and future developments). The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 7 to 9 and in note 22 to the financial statements. Note 22 also includes the Group's objectives for managing capital

As outlined in note 22, the Group meets its day to day working capital requirements through an asset-based finance facility. The facility contains certain financial covenants which have been met throughout the period. The current facility is subject to a minimum period up to 31st December 2016, at which point the facility becomes evergreen rolling over on the same terms, with six months' notice from either party. The bank has not drawn to the attention of the Group any matters to suggest that this facility will not be continued

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 2015. 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 £1,558,000 (2014 £491,000)

### 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

# Notes to the Accounts continued

## 1 Accounting policies continued

### **Changes in accounting policies new standards, interpretations and amendments effective in 2015 adopted by the Group and published standards not yet effective**

No new standards, amendments to published standards or interpretations of existing standards effective in 2015 had a material impact on the Group's 2015 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 9 'Financial Instruments' (not yet effective)
- IFRS10 'Consolidated financial statements (not yet effective)
- IFRS 11 'Joint arrangements' (effective 2 November 2015) – amendment
- IFRS 12 'Disclosure of involvement with other entities' (not yet effective)
- IFRS 14 'Regulatory Deferral Accounts' (not yet effective)
- IFRS 15 'Revenue from Contracts with customers' (not yet effective)
- IFRS 16 'Leases' (not yet effective)
- IAS 1 'Financial Statement Presentation' (effective 8 December 2015)
- <sup>v</sup> IAS 12 'Income taxes' (not yet effective)
- IAS 16 'Property, Plant and equipment (effective 2 December 2015)
- IAS 27 'Separate Financial Statements' (effective 18 December 2015)
- IAS 28 'Investments in associates' (not yet effective)
- IAS 38 'Intangible assets' (effective 2 December 2015)
- Annual improvements to IFRS 2012-2014 Cycle (effective 15 December 2015)

In accordance with the transitional provisions of IFRS 10, the Group reassessed the control conclusion for its investees at 1 January 2014. No modifications of previous conclusions about control regarding the Group's investees were required.

### **Measurement convention**

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

### **Revenue recognition**

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

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

Revenue on contracts for the supply of professional services at pre-determined rates is recognised as and when the work is performed, irrespective of the duration of the contract. Permanent placement staffing revenue is recognised when candidates commence employment. Rebates may be applicable on a sliding scale where the candidate's employment is terminated within 9 weeks. Rebate provisions are created based on the experience of claims.

The Group presents interim recruitment revenues, and the related direct costs of services, in accordance with IAS 18'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. Revenue for equipment sales is recognised at the point of delivery, which is the point when the significant risks and rewards of ownership of the equipment have passed to the buyer.



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

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

### Dividends

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

### Taxation

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

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

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

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

### Foreign currencies

#### Company

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

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.

# Notes to the Accounts continued

## 1 Accounting policies continued

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.

### 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.

## 1 Accounting policies continued

### Financial assets

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

Unless otherwise indicated, the carrying amounts of the Group's financial assets are a reasonable approximation of their fair values. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses

**Loans and receivables** these assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables). They are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue, less provision for impairment

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

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, such provisions are recorded in a separate allowance account with the loss being recognised within other operating expenses in the Income Statement

On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision

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

**Cash and cash equivalents** cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand, short term deposits and other short-term liquid investments. In the Cash Flow Statement, cash and cash equivalents comprise cash and cash equivalents as defined above, net of bank overdrafts

### Stocks and work in progress

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

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

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

### Amounts recoverable on contracts and payments in advance

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

### Financial liabilities

All of the Group's financial liabilities are classified as financial liabilities carried at amortised cost. The Group does not use derivative financial instruments or hedge account for any transactions

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

Financial liabilities include the following items

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

# Notes to the Accounts continued

## 1 Accounting policies continued

### Operating Leases

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

### Provisions

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

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

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

Provisions for dilapidation charges that will crystallise at the end of the period of occupancy are provided for in full on non-serviced properties.

### Pensions

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

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

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.

### Share capital

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

- (a) they include no contractual obligations upon the company (or group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company (or group), and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

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

### Financial guarantee contracts

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

## 1 Accounting policies continued

### 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.

#### *Retirement benefit liability*

The costs, assets and liabilities of the defined benefit scheme operated by the Group are determined using methods relying on actuarial estimates and assumptions. Details of the key assumptions are set out in note 24. The Group takes advice from independent actuaries relating to the appropriateness of the assumptions. Changes in the assumptions used may have a significant effect on the Income Statement and the Statement of Financial Position.

#### *Recoverability of deferred tax assets*

The deferred tax assets are reviewed for recoverability and recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. This is determined based on management estimates and assumptions as to the future profitability of the related business units. The forecasts for the business used in this review were the same as those used in the review of impairment of goodwill (see note 14). The deferred tax asset would not require writing down if the forecast future profitability of Panty Professionals Limited was 10% lower.

#### *Intangible assets – intellectual property*

The Group capitalises costs incurred in developing its range of technologies and services where management believe that future economic benefits will flow from the Group's intellectual property. The development of new technologies is most prevalent within Initium, the Group's innovative 3D offering. In assessing the carrying value of the intellectual property, management estimate future related revenues, by analysing its order book and qualified sales pipeline. Management are also required to make a judgement on the useful life of the Group's intellectual property, which they base on the useful lives of previously developed technologies and services, and the current pace of change within the industry.

# Notes to the Accounts continued

## 1 Accounting policies continued

### Significant accounting estimates and judgements continued

#### *Impairment of goodwill*

The Group is required to test whether goodwill has suffered any impairment. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. The use of this method requires the estimation of future cash flows expected to arise from the continuing operation of the cash generating unit and the choice of a suitable discount rate in order to calculate the present value (see note 14). If forecast future profitability were 10% lower, a further impairment loss of £116,000 would be recognised in respect of the Inition CGU only.

#### *Investments in subsidiaries*

The Company reviews its investment in subsidiaries to test whether any impairment has been suffered. The recoverable amounts are determined using discounted future cash flows. If forecast future cash generation were 10% lower the investment would be impaired by £116,000.

#### *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. Whilst the Group has three defined cash generating units (see note 14), the Group Board reviews financial information at aggregated, divisional level, where offerings are similar in nature. 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.

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

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

The Group has two segments:

- **Parity Professionals** – this segment provides IT recruitment services across all UK markets. It also provides graduate selection, training, placement and career development services. Parity Professionals provides 92% (2014: 92%) of the continuing Group's revenues.
- **Parity Consultancy Services** – this segment delivers business intelligence solutions designed around client problems and unique 3D creative technology. Parity Consultancy Services provides 8% (2014: 8%) 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

	Party Professionals 2015 £'000	Party Consultancy Services 2015 £'000	Before non- recurring items £'000	Non- recurring items £'000	Total 2015 £'000
Revenue from external customers	78,190	6,652	84,842	–	84,842
Attributable costs	(75,914)	(5,851)	(81,765)	–	(81,765)
<b>Segmental contribution</b>	<b>2,276</b>	<b>801</b>	<b>3,077</b>	<b>–</b>	<b>3,077</b>
Group costs			(1,497)	–	(1,497)
<b>Adjusted EBITDA</b>			<b>1,580</b>	<b>–</b>	<b>1,580</b>
Depreciation and amortisation			(719)	–	(719)
Share based payment			(152)	–	(152)
Impairment losses			–	(1,994)	(1,994)
Non-recurring items			–	(2,058)	(2,058)
Finance income			506	–	506
Finance costs			(1,072)	–	(1,072)
<b>Profit/(loss) before tax (continuing activities)</b>	<b>–</b>	<b>–</b>	<b>143</b>	<b>(4,052)</b>	<b>(3,909)</b>

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

The continuing Group operates exclusively in the UK. All revenues are generated and all segment assets are located in the UK. 57% (2014: 64%) or £44.8m (2014: £54.1m) of the Party Professionals revenue was generated in the Public Sector. 21% (2014: 19%) or £1.4m (2014: £1.5m) of the Party Consultancy Services revenue was generated in the Public Sector.

The largest single customer in Party Professionals contributed revenue of £11.8m or 15% and was in the private sector (2014: £14.3m or 16% and in the private sector). The largest single customer in Party Consultancy Services contributed revenue of £2.4m or 35% and was in the private sector (2014: £3.2m or 41% and in the private sector).

## Notes to the Accounts continued

### 3 Operating costs

<b>Continuing operations</b>	<b>Consolidated</b>	
	<b>2015 £'000</b>	<b>2014 £'000</b>
<i>Employee benefit costs</i>		
– wages and salaries	<b>8,228</b>	8,252
– social security costs	<b>762</b>	939
– other pension costs	<b>214</b>	278
	<b>9,204</b>	9,469
<i>Depreciation and amortisation</i>		
Amortisation of intangible assets – software	<b>546</b>	216
Depreciation of leased assets	<b>27</b>	29
Depreciation of tangible assets	<b>146</b>	232
Write down of tangible fixed assets	<b>341</b>	–
	<b>1,060</b>	477
<i>All other operating expenses</i>		
Contractor costs	<b>72,073</b>	78,377
Sub-contracted direct costs	<b>977</b>	1,065
Operating lease rentals – plant and machinery	<b>37</b>	54
– land and buildings	<b>1,131</b>	1,366
Sub-let income – land and buildings	<b>(150)</b>	(339)
Other occupancy costs	<b>263</b>	326
IT costs	<b>296</b>	367
Net exchange loss	<b>12</b>	6
Equity settled share based payment charge	<b>152</b>	242
Impairment Losses	<b>1,994</b>	–
Other operating costs	<b>1,136</b>	783
	<b>77,921</b>	82,247
<b>Total operating expenses</b>	<b>88,185</b>	92,193

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

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

	<b>Consolidated</b>	
	<b>2015 £'000</b>	<b>2014 £'000</b>
<b>Audit of the Parent Company and consolidated financial statements</b>	<b>11</b>	<b>11</b>
<b>Other services</b>		
Audit of the Company's subsidiaries	<b>65</b>	69
Interim review	<b>6</b>	6
Tax compliance	<b>27</b>	23
Other	<b>33</b>	56
	<b>131</b>	154
	<b>142</b>	165

All other services have been performed in the United Kingdom

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



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

	Note	2015 £'000	2014 £'000
Operating (loss)/profit from continuing operations		(3,343)	71
Non-recurring items	5	4,052	814
Share-based payment charges	3	152	242
Depreciation and amortisation	3	719	477
<b>Adjusted EBITDA</b>		<b>1,580</b>	<b>1,604</b>

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

#### 5 Non-recurring items

	Note	2015 £'000	2014 £'000
<b>Continuing Operations</b>			
Transaction costs		125	166
Impairment of goodwill	14	1,994	-
Gain on acquisition	9	-	(55)
Restructuring			
- Employee benefit costs		1,404	405
- Write down of tangible fixed assets		341	129
- Other operating costs		126	-
Property provisions		62	169
		<b>4,052</b>	<b>814</b>

The continuing operations non-recurring charge for 2015 includes an impairment charge, transaction costs, restructuring costs and a charge relating to surplus property. The goodwill impairment charge of £1,994,000 relates solely to the Group's investment in Inition Limited (see note 14). Transaction costs refer to the professional services incurred in the Group's acquisition programme. This initiative was discontinued during the year. £737,200 of the restructuring costs relate to the closure of the Golden Square business, including a £341,000 write down of tangible fixed assets. A further £659,200 relates to compensation payments made in respect of redundancies following the Group's decision to discontinue its digital acquisition initiative, and £454,600 relates to compensation payments in relation to Board changes.

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

#### 6 Average staff numbers

	2015 Number	2014 Number
<b>Continuing operations</b>		
Professionals – United Kingdom <sup>1</sup>	92	93
Consultancy Services – United Kingdom, including corporate office <sup>2</sup>	57	72
	<b>149</b>	<b>165</b>

<sup>1</sup> Includes 19 (2014: 24) employees providing shared services across the Group

<sup>2</sup> Includes 8 (2014: 8) employees of the Company

At 31 December 2015, the Group had 135 continuing employees (2014: 159)

## Notes to the Accounts continued

### 7 Finance income and costs

	2015 £'000	2014 £'000
<i>Finance income</i>		
Finance income in respect of post-retirement benefits	506	694
	<b>506</b>	694
<i>Finance costs</i>		
Interest expense on financial liabilities	300	312
Finance costs in respect of post-retirement benefits	772	861
	<b>1,072</b>	1,173

The interest expense on financial liabilities represents interest paid on the Group's asset-based financing facilities. A 1% increase in the base rate would increase annual borrowing costs by approximately £100,000.

### 8 Discontinued operations

The results of discontinued operations include the results of other statutory entities still owned by the Group which sold their businesses in 2005 and 2006. These entities are not held for sale.

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

	2015 £'000	2014 £'000
Expenses other than finance costs	(4)	(5)
Pre-tax loss	(4)	(5)
Taxation	–	–
Loss for the year	<b>(4)</b>	(5)

For 2015 and 2014 the pre-tax loss before non-recurring items relates to legacy overseas subsidiaries of the Group, and comprises company secretarial and accounting fees.

The Statement of Cash Flows includes a £4,000 cash outflow (2014: £5,000 cash outflow) from operating activities in respect of discontinued operations.

### 9 Acquisition of subsidiary

On 30 April 2014, Parity Consultancy Services Limited (then SuperCommunications Limited), a wholly owned subsidiary of the Group, acquired the trade and assets of Golden Square Post Productions Limited from its administrator. The consideration paid was £373,000 for net assets of £428,000 resulting in a non-recurring gain of £55,000 in 2014.

On 29 May 2012, the Group acquired Inition Limited. The Sale and Purchase agreement included additional cash consideration subject to the ongoing performance on Inition up to 31 March 2014. During 2015, the final earn-out payment of £0.25m was paid to the vendors.

### 10 Share based payments

The Group operates several share based reward schemes for employees:

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

Under the approved and unapproved schemes and co-investment scheme, options vest if the share price averages a target price for 20 consecutive days over a three year period from the date of grant. Options lapse if the individual leaves the Group, except under certain circumstances such as leaving by reason of redundancy, when the options lapse 12 months after the leaving date.

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

## 10 Share based payments continued

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

All employee options other than those issued under the Senior Executive Share Option Plan have a maximum term of ten years from the date of grant. The total share-based remuneration recognised in the Income Statement was £152,000 (2014 £242,000)

	2015 Weighted average exercise price (p)	2015 Number	2014 Weighted average exercise price (p)	2014 Number
Outstanding at beginning of the year	18	13,536,921	16	7,849,445
Granted during the year	—	—	20	6,372,705
Exercised during the year	8	(97,500)	8	(102,500)
Lapsed during the year	16	(4,986,836)	22	(582,729)
Outstanding at the end of the year	19	8,452,585	18	13,536,921

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)	2015 Weighted average contractual life (years)	Number	Exercise price (p)	2014 Weighted average contractual life (years)	Number
7.5-10	4	1,250,000	7.5 - 10	2	4,199,133
17-28	8	7,202,583	17 - 28	8	9,337,788
		8,452,583			13,536,921

Of the total number of options outstanding at the end of the year 1,782,500 (2014 4,499,133) had vested and were exercisable at the end of the year. The weighted average exercise price of those options was 14 pence (2014 11 pence)

97,500 (2014 102,500) options were exercised during the year at an average exercise price of 8 pence (2014 8 pence)

There were no new options granted during the year. The weighted average fair value of option granted in 2014 was 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

	2015 Stochastic	2014 Stochastic
Option pricing model		
Weighted average share price at grant date (p)	—	20
Weighted average exercise price (p)	—	20
Weighted average contractual life (years)	—	10
Weighted average expected life (years)	—	5
Expected volatility	—	54-74%
Weighted average risk free rate	—	1.37%
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 Panty 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%

# Notes to the Accounts continued

## 11 Taxation

	2015 £'000	2014 £'000
<b>Current tax (credits)/expense</b>		
Current tax on loss for the year	(23)	9
Total current tax (credit)/expense	(23)	9
<b>Deferred tax expense/(credit)</b>		
Accelerated capital allowances	(21)	(19)
Origination and reversal of other temporary differences	(7)	–
Change in corporation tax rate	56	–
Adjustments in respect of prior periods	1	35
Total tax expense	29	16
Tax expense on continuing operations	6	25

The standard rate of corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly, the Group's profits for this accounting period are subject to tax at a rate of 20.25%. The Finance No. 2 Bill 2015 became substantively enacted on 26 October 2015 and further reduced the UK corporation tax rate to 19% with effect from 1 April 2017 and then to 18% from 1 April 2018. The tax rate of 18% has been applied in calculating the UK deferred tax position at 31 December 2015.

The 2015 tax expense is after a tax credit of £252,000 (2014: £159,000) in respect of non-recurring items.

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

	2015 £'000	2014 £'000
Loss for the year	(3,919)	(438)
Income tax expense	6	25
Loss before income tax	(3,913)	(413)
Expected tax credit based on the standard rate of United Kingdom corporation tax of 20.25% (2014: 21.5%)	(792)	(89)
Expenses/(income) not allowable for tax purposes	449	27
Adjustment for under provision in prior years	(32)	35
Reduction in deferred tax asset due to change in enacted rate	56	–
Tax losses not recognised	272	135
Deferred tax not provided	53	(83)
	6	25

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

	2015			2014		
	Before tax £'000	Tax £'000	After tax £'000	Before tax £'000	Tax £'000	After tax £'000
Exchange differences on translation of foreign operations	42	–	42	67	–	67
Actuarial gain/(loss) on defined benefit pension scheme	848	–	848	(649)	–	(649)
	890	–	890	(582)	–	(582)

## 12 Earnings per ordinary share

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

Diluted earnings per share is calculated on the same basis as the basic earnings per share with a further adjustment to the weighted average number of fully paid ordinary shares to reflect the effect of all dilutive potential ordinary shares. None of the potential ordinary shares are dilutive, as the Group made a loss on continuing activities during the year

	Earnings 2015 £'000	Weighted average number of shares 2015 000's	Earnings per share 2015 Pence	Earnings 2014 £'000	Weighted average number of shares 2014 000's	Earnings per share 2014 Pence
Basic loss per share	(3,919)	101,731	(3.85)	(438)	101,655	(0.43)
Effect of dilutive options	-	-	-	-	-	-
Diluted loss per share	(3,919)	101,731	(3.85)	(438)	101,655	(0.43)

As at 31 December 2015 the number of ordinary shares in issue was 101,824,020 (2014 101,726,520)

Basic and diluted earnings per share from discontinued operations was 0.00p (2014 basic and diluted loss per share 0.00p)

## 13 Intangible assets

	Software		Intellectual Property		Goodwill		Total	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000
<b>Cost</b>								
At 1 January	1,219	727	572	-	7,753	7,753	9,544	8,480
Additions	66	492	283	572	-	-	349	1,064
Disposals	-	-	(3)	-	-	-	(3)	-
Impairment	-	-	-	-	(1,994)	-	(1,994)	-
At 31 December	1,285	1,219	852	572	5,759	7,753	7,896	9,544
<b>Accumulated amortisation</b>								
At 1 January	233	21	4	-	-	-	237	21
Charge for the year	262	212	284	4	-	-	546	216
Disposals	-	-	-	-	-	-	-	-
At 31 December	495	233	288	4	-	-	783	237
<b>Net book amount</b>	<b>790</b>	<b>986</b>	<b>564</b>	<b>568</b>	<b>5,759</b>	<b>7,753</b>	<b>7,113</b>	<b>9,307</b>

During 2015, the Inition business invested in enhancing certain of its existing technologies in addition to developing new technologies. This resulted in additional intellectual property of £157,000. Other additions to IP included content development for the Talent Management business.

In 2014, the Inition business invested in developing a range of new products and in developing a new website. This resulted in the addition of £477,000 of intellectual property. Other additions to IP included the development of GroupSeer, a venture between the Group and The Royal Holloway College, aimed at creating a marketing internet search engine.

As at 31 December 2014 the Professionals division had virtually completed its project to implement a new financial system, CRM and website. During 2014 costs of £446,000 were capitalised in relation to the project.

The Company does not hold any intangible assets.

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

## Notes to the Accounts continued

### 14 Goodwill

The carrying amount of goodwill is allocated to the Group's cash generating units (CGUs). During the year the Group announced the discontinuation of its SuperCommunications division, a CGU as at 31 December 2014. Therefore, as at the 31 December 2015, the Group allocated the carrying value of its goodwill to three separate CGU's, being Parity Professionals, Parity Solutions and Inition.

Carrying amounts are as follows

	Professionals £'000	Solutions £'000	Inition £'000	Total £'000
Carrying value				
Balance at 1 January and 31 December 2014	2,642	1,952	3,159	7,753
Balance at 1 January 2015	2,642	1,952	3,159	7,753
Impairment losses	-	-	(1,994)	(1,994)
Balance at 31 December 2015	2,642	1,952	1,165	5,759

Goodwill was tested for impairment in accordance with IAS 36 at the year end. An impairment charge of £1,994,000 was recorded in respect of the Group's investment in Inition Limited. The impairment charge was driven by the Group's decision to discontinue its digital "buy and build" acquisition initiative, and to subsequently focus management attention on its core businesses.

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 2016. Years from 2017 onward are based on the budget for 2016 projected forward at expected growth rates. This is considered prudent based on current expectations of the 2016 long-term growth rate.

Major assumptions are as follows

	Professionals %	Solutions %	Inition %
<b>2015</b>			
<b>Discount rate</b>	<b>6.9</b>	<b>4.5</b>	<b>15.6</b>
<b>Forecast revenue growth</b>	<b>4.8</b>	<b>9.2</b>	<b>9.9</b>
<b>Operating margin 2016</b>	<b>3.1</b>	<b>15.8</b>	<b>5.4</b>
<b>Operating margin 2017 onward</b>	<b>3.0 – 3.5</b>	<b>16.1 – 16.9</b>	<b>9.5 – 10.0</b>
<b>2014</b>			
Discount rate	8.0	4.3	6.5
Forecast revenue growth	2.2	14.7	7.4
Operating margin 2015	2.5	18.5	(4.3)
Operating margin 2016 onward	3.1 – 3.2	15.1 – 17.2	7.1 – 9.3

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

Forecast revenue growth is expressed as the compound growth rate over the next 4 years. For 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 adjusted for investments, and cost action taken in 2015 that will reduce costs in the future.

A 10% change in the underlying assumptions used in the discounted cash flow forecasts for Inition would result in a further impairment loss of up to £116,000. A 10% change in any of the underlying assumptions used in the discounted cash flow forecasts for the other two CGU's would not lead to the carrying value of goodwill being in excess of their recoverable amount.

An increase of 1% to the discount rate used in relation to the Inition CGU i.e. an increase from 15.6% to 16.6%, would result in a further impairment of £45,000.

## 15 Property, plant and equipment

<b>Consolidated</b>	Leasehold improvements £'000	Office equipment £'000	Total £'000
<b>At cost</b>			
Balance at 1 January 2014	936	3,313	4,249
Additions	–	137	137
Acquisition	–	574	574
Disposals	(920)	(168)	(1,088)
<b>Balance at 31 December 2014</b>	<b>16</b>	<b>3,856</b>	<b>3,872</b>
Balance at 1 January 2015	16	3,856	3,872
Additions	–	92	92
Disposals	–	(445)	(445)
<b>Balance at 31 December 2015</b>	<b>16</b>	<b>3,503</b>	<b>3,519</b>
<b>Accumulated depreciation</b>			
Balance at 1 January 2014	768	3,147	3,915
Depreciation charge for the year	72	189	261
Disposals	(824)	(82)	(906)
<b>Balance at 31 December 2014</b>	<b>16</b>	<b>3,254</b>	<b>3,270</b>
Balance at 1 January 2015	16	3,254	3,270
Depreciation charge for the year	–	173	173
Disposals	–	(104)	(104)
<b>Balance at 31 December 2015</b>	<b>16</b>	<b>3,323</b>	<b>3,339</b>
<b>Net book value</b>			
At 1 January 2014	168	166	334
At 31 December 2014	–	602	602
<b>At 31 December 2015</b>	<b>–</b>	<b>180</b>	<b>180</b>

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## Notes to the Accounts continued

### 15 Property, plant and equipment continued

<b>Company</b>	<b>Leasehold improvements £'000</b>	<b>Office equipment £'000</b>	<b>Total £'000</b>
<b>At Cost</b>			
Balance at 1 January 2014	1	2	3
Additions	–	1	1
<b>Balance at 31 December 2014</b>	<b>1</b>	<b>3</b>	<b>4</b>
Balance at 1 January 2015	1	3	4
<b>Balance at 31 December 2015</b>	<b>1</b>	<b>3</b>	<b>4</b>
<b>Accumulated amortisation</b>			
Balance at 1 January 2014	1	–	1
Depreciation charge for the year	–	1	1
<b>Balance at 31 December 2014</b>	<b>1</b>	<b>1</b>	<b>2</b>
Balance at 1 January 2015	1	1	2
Depreciation charge for the year	–	–	–
<b>Balance at 31 December 2015</b>	<b>1</b>	<b>1</b>	<b>2</b>
<b>Net book value</b>			
At 1 January 2014	–	2	2
At 31 December 2014	–	2	2
<b>At 31 December 2015</b>	<b>–</b>	<b>2</b>	<b>2</b>

Following the closure of the Golden Square business, its tangible fixed assets were written down resulting in a loss on disposal of £341,000

As at 31 December 2015, neither the Group nor the Company had any capital commitments contracted for but not provided, for the purchase of tangible assets (2014 £nil)

#### **Leased plant and equipment**

At 31 December 2015 the total net carrying value of the leased equipment was £nil (2014 £191,375)

In April 2014, the Group acquired Golden Square, including several digital technology assets that were held under finance lease agreements. At 31 December 2014 Inition had one 3D camera held under a finance lease agreement

### 16 Deferred tax

	<b>Consolidated</b>	
	<b>2015 £'000</b>	<b>2014 £'000</b>
At 1 January	<b>536</b>	552
<i>Recognised in other comprehensive income</i>		
Actuarial gain/(loss) on defined benefit pension scheme	–	–
<i>Recognised in the income statement</i>		
Change in enacted tax rate	<b>(56)</b>	–
Adjustments in relation to prior periods	<b>(1)</b>	(35)
Depreciation in excess of capital allowances	<b>21</b>	19
Other short term timing differences	<b>7</b>	–
At 31 December	<b>507</b>	536

The deferred tax asset of £507,000 (2014 £536,000) comprises

	<b>Consolidated</b>	
	<b>2015 £'000</b>	<b>2014 £'000</b>
Depreciation in excess of capital allowances	<b>447</b>	476
Short term and other timing differences	<b>60</b>	60
	<b>507</b>	536



## 16 Deferred tax continued

A deferred tax asset on tax losses brought forward is not recognised unless it is more likely than not that there will be taxable profits in the foreseeable future against which the deferred tax asset can be offset. The Directors believe that the deferred tax asset recognised is recoverable based on the future earning potential of the Group.

The forecasts for the business used in this review were the same as those used in the review of the impairment of goodwill (see note 14). The forecasts for Party Professionals comfortably support the unwinding of the deferred tax asset held by this division of £479,000 (2014 £536,000).

The deferred tax asset at 31 December 2015 has been calculated on the rate of 18% substantively enacted at the balance sheet date.

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

	Asset 2015 £'000	(Charged)/ credited to income statement 2015 £'000	(Charged)/ credited to other comprehensive income 2015 £'000
Depreciation in excess of capital allowances	447	(16)	-
Other short-term timing differences	60	(13)	-
	507	(29)	-
	Asset 2014 £'000	(Charged)/ credited to income statement 2014 £'000	(Charged)/ credited to other comprehensive income 2014 £'000
Depreciation in excess of capital allowances	476	19	-
Other short-term timing differences	60	(35)	-
	536	(16)	-

The Group has unrecognised carried forward tax losses of £30,611,584 (2014 £28,802,000). The Company has unrecognised carried forward tax losses of £24,229,376 (2014 £21,409,000). The Group has unrecognised capital losses carried forward of £281,875,386 (2014 £281,875,386). These losses may be carried forward indefinitely.

## 17 Work in progress

	Consolidated	
	2015 £'000	2014 £'000
Work in progress		
Net costs less foreseeable losses	61	27

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

## 18 Trade and other receivables

	Consolidated		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Amounts falling due within one year				
Trade receivables	9,365	10,636	-	-
Accrued income	4,707	3,568	-	-
Amounts recoverable on contracts	946	695	-	-
Amounts owed by subsidiary undertakings	-	-	3,346	3,405
Other receivables	259	312	-	-
Prepayments	342	313	4	2
	15,619	15,524	3,350	3,407
Amounts falling due after one year				
Amounts owed by subsidiary undertakings	-	-	113,332	103,460
Total	15,619	15,524	116,682	106,867

## Notes to the Accounts continued

### 18 Trade and other receivables continued

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

£8,998,000 (2014 £10,176,000) of the Group's trade receivables, and £4,262,000 (2014 £3,946,000) of the total of the Group's accrued income and amounts recoverable on contracts, are pledged as collateral for the asset-based borrowings. These borrowings fluctuate daily and at the year end totalled £9,973,000 (2014 £9,498,000)

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	
	2015 £'000	2014 £'000
Opening balance	-	33
Increases in provisions	7	-
Written off against provisions	-	(33)
Recovered amounts reversed	-	-
Closing balance	7	-

The balance provided at 31 December 2015 was greater than 60 days old. The allowance account represents full provision against specific gross debts.

All other debts at 31 December 2015 are considered to be recoverable.

As at 31 December 2015 trade receivables of £1,532,000 (2014 £1,970,000) were past due, but not impaired. These relate to customers where there is no evidence of unwillingness or of an inability to settle the debt. The ageing of Group trade receivables is as follows:

	Gross £'000	Impaired £'000	2015 Total £'000	Gross £'000	Impaired £'000	2014 Total £'000
Not past due	7,833	-	7,833	8,666	-	8,666
31-60 days, and past due	922	-	922	1,152	-	1,152
61-90 days	393	-	393	564	-	564
>90 days	224	(7)	217	254	-	254
Total	9,372	(7)	9,365	10,636	-	10,636

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 2015 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 4.5% and 15.6% (2014 between 6.5% and 8.0%) and the other parameters used in the goodwill impairment review, as outlined in note 14.

## 19 Loans & Borrowings

	Consolidated	
	2015 £'000	2014 £'000
<b>Non-current</b>		
Finance lease liabilities	11	23
	11	23
<b>Current</b>		
Bank and other borrowings due within one year or on demand		
Asset-based financing facility	9,973	9,498
Current portion of finance lease liabilities	43	61
	10,016	9,559

Finance lease liabilities	Future minimum lease payments 2015 £'000	Interest 2015 £'000	Present value of minimum lease payments 2015 £'000	Future minimum lease payments 2014 £'000	Interest 2014 £'000	Present value of minimum lease payments 2014 £'000
Less than one year	47	4	43	61	9	52
Between one and two years	11	-	11	23	3	20
	58	4	54	84	12	72

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

## 20 Trade and other payables

		Consolidated		Company	
		2015 £'000	2014 £'000	2015 £'000	2014 £'000
Amounts falling due within one year					
Payments in advance		259	439	-	-
Trade payables		5,424	5,366	-	-
Amounts due to subsidiary undertakings		-	-	9,149	7,393
Other tax and social security payables		1,377	1,199	32	35
Other payables and accruals		1,514	1,310	380	90
		8,574	8,314	9,561	7,518
Amounts falling due after one year					
Amounts due to subsidiary undertakings		-	-	108,565	99,296
Total		8,574	8,314	118,126	106,814

## Notes to the Accounts continued

### 21 Provisions

	Leasehold dilapidations £'000	Onerous leases £'000	Total £'000
<b>Consolidated</b>			
At 1 January 2015	13	69	82
Created in year	2	–	2
Utilised in year	–	(70)	(70)
Unwind of discount	(1)	1	–
<b>At 31 December 2015</b>	<b>14</b>	<b>–</b>	<b>14</b>
Due within one year or less	–	–	–
Due after more than one year	14	–	14
<b>Total</b>	<b>14</b>	<b>–</b>	<b>14</b>
<b>Company</b>			
At 1 January 2015	–	69	69
Utilised in year	–	(70)	(70)
Unwind of discount	–	1	1
<b>At 31 December 2015</b>	<b>–</b>	<b>–</b>	<b>–</b>
Due within one year or less	–	–	–
Due after more than one year	–	–	–
<b>Total</b>	<b>–</b>	<b>–</b>	<b>–</b>

#### Leasehold dilapidations

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

#### Onerous leases

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

### 22 Financial instruments – risk management

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

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

#### Principal financial instruments

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

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

	Amortised cost £'000	Loans and receivables £'000	Total £'000
<b>Consolidated</b>			
<b>As at 31 December 2015</b>			
<b>Financial assets</b>			
Net cash and cash equivalents	–	2,648	2,648
Trade and other short term receivables	–	15,277	15,277
	–	17,925	17,925
<b>Financial liabilities</b>			
Asset-based financing facility	9,973	–	9,973
Finance lease liabilities	54	–	54
Trade and other short term payables	8,315	–	8,315
	18,342	–	18,342

## 22 Financial instruments – risk management continued

	Amortised cost £'000	Loans and receivables £'000	Total £'000
<b>As at 31 December 2014</b>			
<b>Financial assets</b>			
Net cash and cash equivalents	–	2,974	2,974
Trade and other short term receivables	–	15,211	15,211
	–	18,185	18,185
<b>Financial liabilities</b>			
Asset-based financing facility	9,498	–	9,498
Finance Lease liabilities	84	–	84
Trade and other short term payables	7,875	–	7,875
	17,457	–	17,457

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

	Amortised cost £'000	Loans and receivables £'000	Total £'000
<b>Company</b>			
<b>As at 31 December 2015</b>			
<b>Financial assets</b>			
Non-current trade and other receivables	–	113,332	113,332
Net cash and cash equivalents	–	18	18
Trade and other short term receivables	–	3,346	3,346
	–	116,696	116,696
<b>Financial liabilities</b>			
Trade and other short term payables	9,561	–	9,561
Non-current trade and other payables	108,565	–	108,565
	118,126	–	118,126

<b>As at 31 December 2014</b>			
<b>Financial assets</b>			
Non-current trade and other receivables	–	103,460	103,460
Net cash and cash equivalents	–	102	102
Trade and other short term receivables	–	3,405	3,405
	–	106,967	106,967
<b>Financial liabilities</b>			
Trade and other short term payables	7,518	–	7,518
Non-current trade and other payables	99,296	–	99,296
	106,814	–	106,814

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.

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## Notes to the Accounts continued

### 22 Financial instruments – risk management continued

#### 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 54% (2014: 60%) of the Group's turnover is derived from the public sector. The largest customer balance represents 22% (2014: 22%) of the trade receivable balance.

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

	2015 Carrying value £'000	Maximum exposure £'000	2014 Carrying value £'000	Maximum exposure £'000
<b>Financial assets</b>				
Cash and cash equivalents	2,648	2,648	2,974	2,974
Trade and other receivables	15,277	15,277	15,211	15,211
<b>Total financial assets</b>	<b>17,925</b>	<b>17,925</b>	<b>18,185</b>	<b>18,185</b>

#### 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 2015 and 2014 the Group's variable rate borrowings were denominated in Sterling. Interest costs on borrowings from the asset-based financing facility with PNC was charged at 2.5% above base rate. Amounts under this facility are repayable upon demand.

If interest rates on borrowings had been 1% higher/lower throughout the year with all other variables held constant, the loss after tax for the year would have been approximately £100,000 higher/lower and net assets £100,000 higher/lower. The Directors consider a 1% change in base rates is the maximum likely change over the next year, being the period to the next point at which these disclosures are expected to be made.

The Company holds interest bearing loan agreements with some of its subsidiary undertakings. Interest on all loans is charged at 2.0% above the prevailing Bank of England base rate, except for one loan with Parity International B.V. which is charged at 2.0% above the prevailing European Central Bank base rate. As at the 31 December 2015, the loan balance due by the Company to Parity International B.V., translated into Sterling, was £22,993,000 (2014: £23,499,000 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 2015 or 2014.

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 2015 the Company recorded a translation gain of £965,000 (2014: £1,440,000). As at the 31 December 2015, the loan balance due by the Company, translated into Sterling, was £22,993,000 (2014: £23,499,000).

## 22 Financial instruments – risk management continued

### Foreign exchange risk continued

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

Net foreign currency financial assets	Sterling		Euro		US Dollar		Total	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Sterling	–	–	131	84	966	966	1,097	1,050
Euro	(22,988)	(23,485)	–	–	–	–	(22,988)	(23,485)
US Dollar	18	4	1,150	1,178	–	–	1,168	1,182
Total net exposure	(22,970)	(23,481)	1,281	1,262	966	966	(20,723)	(21,253)

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

Net foreign currency financial assets	Functional currency 2015 £'000	Sterling 2014 £'000
	2015 £'000	2014 £'000
Sterling	–	–
Euro	(22,988)	(23,485)
US Dollar	18	4
Total net exposure	(22,970)	(23,481)

### 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 £2,299,300 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	Up to 1 month £'000	Over 1 month £'000	Total £'000
<b>At 31 December 2015</b>			
Trade and other payables	8,574	–	8,574
Borrowings	9,984	43	10,027
<b>Total</b>	<b>18,558</b>	<b>43</b>	<b>18,601</b>
<b>Consolidated</b>	<b>Up to 1 month £'000</b>	<b>Over 1 month £'000</b>	<b>Total £'000</b>
<b>At 31 December 2014</b>			
Trade and other payables	8,231	83	8,314
Borrowings	9,498	84	9,582
<b>Total</b>	<b>17,729</b>	<b>167</b>	<b>17,896</b>

## Notes to the Accounts continued

### 22 Financial instruments – risk management continued

#### Liquidity risk continued

##### Company

	Up to 1 month £'000	Between 1 and 12 months £'000	Over 1 year £'000	Total £'000
<b>At 31 December 2015</b>				
Trade and other payables	9,561	–	108,565	118,126
<b>Total</b>	<b>9,561</b>	<b>–</b>	<b>108,565</b>	<b>118,126</b>

##### Company

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

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

#### Capital disclosures

The capital structure of the Group consists of cash and cash equivalents, equity attributable to equity holders, and asset-based finance. There is no long-term external debt, except for a small number of finance leases. The leases represent a liability of £54,000 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

	2015 £'000	2014 £'000
Cash and cash equivalents	2,648	2,974
Asset-based borrowings	(9,973)	(9,498)
Finance lease liabilities	(54)	(84)
<b>Net Debt</b>	<b>(7,379)</b>	<b>(6,608)</b>

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

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

### 23 Reserves

The Board is not proposing a dividend for the year (2014: nil pence per share).

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

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

During 2015, 97,500 share options were exercised, increasing the Group's share capital from £16,353,638 to £16,355,588.

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

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

Following the exercise of share options during 2015, the share premium increased from £33,189,314 to £33,195,689.

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 to a reorganisation of the Group's capital structure in 2002, which resulted in the Company increasing its investment in subsidiary undertakings.

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 (2014: £351,000).



## 24 Pension commitments

The Group operates a number of pension schemes. With the exception of the Party Group Retirement Benefit Plan, all of the schemes are defined contribution plans and the assets are held in separately administered funds. Contributions to defined contribution schemes were £214,000 (2014 £278,000)

### Defined benefit plan

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

	2015 %	2014 %
Principal actuarial assumptions		
Rate of increase of pensions in payment	3.6% – 3.9%	3.5% – 3.8%
Discount rate	3.8%	3.5%
Retail price inflation	3.1%	3.0%
Consumer price inflation	2.1%	2.0%

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

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

The underlying mortality assumption used is in accordance with the standard table known as S1PA\_H, S1PA or S1PA\_L mortality, dependent on the size of each member's pension, using the CMI\_2015 projection based on year of birth with a long term rate of improvement of 1.25% p.a. (2014 1.25% p.a.)

### Contributions

In 2014 contributions were initially at a rate of £680,000 before being increased to £711,000 per annum on 1 August 2014. 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 of the defined benefit pension scheme 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.

In 2012 an issue was made to the Plan of 1,000,000 share options in Party Group plc at an exercise price of 9 pence per share to be exercised at the discretion of the Trustees and any gain to be used for the benefit of the Plan. These options vested on grant and have no expiry date.

### Reconciliation to consolidated statement of financial position

	2015 £'000	2014 £'000
Fair value of plan assets	19,703	20,356
Present value of funded obligations	(21,194)	(22,457)
At the end of the year	(1,491)	(2,101)

### Reconciliation of plan assets

	2015 £'000	2014 £'000
At the beginning of the year	20,356	17,421
Expected return	693	777
Contribution by Group	28	873
Benefits paid	(786)	(895)
Expenses met by scheme	(187)	(71)
Actuarial (loss)/gain	(401)	2,251
At the end of the year	19,703	20,356

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## Notes to the Accounts continued

### 24 Pension commitments continued

#### Composition of plan assets

	2015 £'000	2014 £'000
Equities	6,722	6,518
Gilts	6,436	6,906
Bonds	6,404	6,793
Options in Parity Group plc	96	96
Cash	45	43
<b>Total</b>	<b>19,703</b>	<b>20,356</b>

#### Reconciliation of plan liabilities

	2015 £'000	2014 £'000
At the beginning of the year	22,457	19,591
Interest cost	772	861
Benefits paid	(786)	(895)
Actuarial (gain)/loss	(1,249)	2,900
<b>At the end of the year</b>	<b>21,194</b>	<b>22,457</b>

The actuarial gain for the year of £1,249,000 (2014: loss of £2,900,000) in respect of plan liabilities is mainly as a result of the change in the discount rate assumption. The assumption is based upon the yield on AA rated corporate bonds, and these increased during 2015. The loss in 2014 was as a result of a significant fall in the yield on AA rated corporate bonds.

The cumulative amount of actuarial losses recognised since 1 January 2002 in other comprehensive income is £5,970,000 (2014: £6,818,000). The Group is unable to disclose how much of the pension scheme deficit recognised on 1 January 2002 and taken directly to equity is attributable to actuarial gains and losses since inception of the pension scheme because that information is not available.

#### Amounts recognised in the consolidated income statement

	2015 £'000	2014 £'000
<i>Included in Finance Income</i>		
Expected return on plan assets	506	694
<i>Included in Finance Costs</i>		
Unwinding of discount on plan liabilities (interest cost)	772	861

The actual return on plan assets was £105,000 (2014: £3,028,000). This represents the sum of the expected return on assets and the actuarial gain.

#### Defined benefit obligation trends

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Plan assets	19,703	20,356	17,421	16,260	15,206
Plan liabilities	(21,194)	(22,457)	(19,591)	(19,667)	(17,673)
Deficit	(1,491)	(2,101)	(2,170)	(3,407)	(2,467)
Experience adjustments on assets	(401)	2,251	(34)	441	755
	(2.0%)	12.4%	(0.2%)	2.7%	5.2%
Experience adjustments on liabilities	(1,249)	2,900	(255)	2,016	674
	(5.6%)	14.8%	(1.3%)	11.4%	4.0%

**24 Pension commitments continued**  
**Sensitivity Analysis**

**Effect of change in assumptions**

	Liabilities £'000	Assets £'000	Surplus/ (Deficit) £'000	Increase/ (Decrease) in deficit £'000
No change	21,194	19,703	(1,491)	–
0 25% rise in discount rate	20,474	19,703	(771)	(720)
0 25% fall in discount rate	21,953	19,703	(2,250)	759
0 25% rise in inflation	21,226	19,703	(1,523)	32
0 25% fall in inflation	21,069	19,703	(1,366)	(125)

**25 Share capital**  
**Authorised share capital**

	Ordinary shares 2p each		Deferred shares of 0 04p each		Total 2015 £'000
	2015 Number	2015 £'000	2015 Number	2015 £'000	
Authorised at 1 January	409,044,603	8,181	35,797,769,808	14,319	22,500
Authorised at 31 December	409,044,603	8,181	35,797,769,808	14,319	22,500

**Issued share capital**

	Ordinary shares 2p each		Deferred shares of 0 04p each		Total 2015 £000
	2015 Number	2015 £000	2015 Number	2015 £000	
Issued and fully paid at 1 January	101,726,520	2,035	35,797,769,808	14,319	16,354
Share options exercised	97,500	2	–	–	2
<b>Issued and fully paid at 31 December</b>	<b>101,824,020</b>	<b>2,037</b>	<b>35,797,769,808</b>	<b>14,319</b>	<b>16,356</b>

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

	2015 Number	2014 Number
<i>Shares held by ESOP/Treasury Shares</i>		
Ordinary shares held by the ESOP	43,143	43,143

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

**26 Operating lease commitments**  
**Operating leases – lessee**

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

	Land and buildings 2015 £'000	Plant and machinery 2015 £'000	Land and buildings 2014 £'000	Plant and machinery 2014 £'000
<b>Continuing operations</b>				
Amounts payable				
Within one year	508	27	882	26
Between two and five years	90	35	256	–
	<b>598</b>	<b>62</b>	<b>1,138</b>	<b>26</b>

**Operating leases – lessor**

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

## Notes to the Accounts continued

### 26 Operating lease commitments continued

#### Operating leases – lessor continued

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

	Land and buildings 2015 £'000	Land and buildings 2014 £'000
<b>Continuing operations</b>		
Amounts receivable		
Within one year	–	146
Between two and five years	–	–
	–	146

### 27 Contingencies

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

### 28 Key management remuneration

Key management comprises the Board of Directors. The total remuneration received by key management for 2015 was £837,000 (2014: £855,000). This comprises emoluments received, pension contributions, compensation for loss of office and share based payment charges. Key management remuneration is disclosed in detail within the remuneration report.

	2015 £'000	2014 £'000
Salary and fees	732	772
Other short term benefits	33	28
Post employments benefits	11	20
Compensation for loss of office	43	–
Share-based payments	18	35
	<b>837</b>	<b>855</b>

### 29 Related party transactions

#### Consolidated

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

Director	Transaction	Transaction value		Balance outstanding	
		2015 £'000	2014 £'000	2015 £'000	2014 £'000
D. Courtley	IT interim recruitment	81	399	–	–

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

#### Company

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

	Operating costs 2015 £'000	Finance income 2015 £'000	Finance expense 2015 £'000	Operating costs 2014 £'000	Finance income 2014 £'000	Finance expense 2014 £'000
Amounts incurred from Group subsidiaries	(457)	–	(1,269)	(621)	–	(1,036)
Amounts charged to Group subsidiaries	–	1,112	–	–	917	–

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

**29 Related party transactions continued**  
**Company continued**

	2015 £'000	2014 £'000
Amounts owed by subsidiary undertakings		
Falling due within one year (note 18)	3,346	3,405
Falling due after one year (note 18)	113,332	103,460
Amounts due to subsidiary undertakings		
Falling due within one year (note 20)	(9,149)	(7,393)
Falling due after one year (note 20)	(108,565)	(99,296)

**30 Subsidiaries**

The principal subsidiaries of Parity Group plc, which have been included in these consolidated financial statements, are Parity Professionals Limited, Parity Solutions Limited, and Inition Limited. Parity Professionals Limited and Parity Solutions Limited are wholly owned by Parity Holdings Limited and incorporated in the United Kingdom. Inition Limited is wholly owned by Parity Consultancy Services Limited (formerly SuperCommunications Limited) and is incorporated in the United Kingdom. Parity Consultancy Services Limited is a direct subsidiary of Parity Holdings Limited, and Parity Holdings Limited is a direct subsidiary of Parity Group plc.

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

GPSeer Limited is a small venture with The Royal Holloway University of London in which the Group has 60% of the voting rights. Its sole purpose is the development of its innovative social media search algorithm.

The Company's investment in subsidiaries was reviewed for impairment at the year end based on the performance of 2015 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 (2014: £20,527,000). The assessment was performed on a value in use basis using discount rates of between 4.5% and 15.6% (2014: between 6.5% and 8.0%) and the other parameters used in the goodwill impairment review, as outlined in note 14.

The remaining Group subsidiaries are either discontinued or dormant, and are listed below:

Class Limited	Parity Technology Laboratories Limited
Comtec Computer Training Limited	Performance Agency Limited
Comtec International Limited	Pointy Stick Limited (dissolved on 23 February 2016)
CSS Software Solutions Limited	Prime Selection Limited
Disgo Limited	Readypatch Limited
ESP (Europe) Limited	Scene Systems Limited
Eurosoft Germany Limited	Software 92 Limited
Eurosoft Solutions (France) Limited	Systems Support Services
Eurosoft Solutions Limited	Technology Media Limited
Golden Square Content Limited	TMS Information Solutions Limited
IC Software Limited	Tobruk Limited
Information Mapping Limited	Trident Computer Services plc
Inition LLC (registered in the US)	
Interactive Developments (Scotland) Limited	
Interactive Developments Limited	
Intercity Consultants Limited	
Integer79 Limited	
Made Content Limited	
Online Personnel Services Limited	
Parity Computing Limited	
Parity Eurosoft BV (registered in the Netherlands)	
Parity Eurosoft Limited	
Parity Group Quest Trustee Limited	
Parity International BV (registered in the Netherlands)	
Parity International plc	
Parity Limited	
Parity Management Limited	
Parity Permanent Investments Limited	
Parity Selection Limited	
Parity Solutions (Ireland) Limited	

# Corporate information

## Registered office

Dawson House  
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Registered in England & Wales No 3539413

## Registrars

Equiniti Limited,  
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Tel 0871 384 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](http://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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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](http://www.parity.net)**

## The Company Secretary

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Or by email to **[cosec@parity.net](mailto:cosec@parity.net)**

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Pervan Financial Print 240188