Report and
Accounts 2020

Parity

Brilliant People Bolder Decisions

Transforming the relationship business
and government have with data.

Introduction

Making data-driven transformation a reality.

Data is unequivocally one of the world's most valuable, but largely misunderstood, resources.

The amount of data in existence is growing by the second and when used correctly, it is critical for decision making in all manner of circumstances, for businesses, governments and other organisations alike.

Parity's mission is simple: to provide skilled people and services that will enable its clients to unearth the true potential of data.

Applying its expertise in recruitment and consulting, Parity is helping both the public and private sector make better, faster and smarter decisions by collaboratively building the most skilled community of data experts in the world, to make data-driven transformation a reality.

From analysing data to identifying how online retailers can boost sales, to leveraging data to prevent the spread of disease, data opens the door to new options for action.

Data has enormous potential to be a positive force for change, both for society and commerce.

> "Parity's mission is simple: to provide skilled people and services that will enable its clients to unearth the true potential of data.

About Parity

Our strategic goal

To equip our clients with the data skills and advice necessary to make bold, commercial decisions.

Our financial goal

To grow net profitability with a more robust margin mix.

Our Purpose

We are the trusted partner of data driven transformation.

Our Mission

We provide expertise that delivers positive growth for clients through realising the true value of their data.

Our Vision

To build the world's most dynamic community of data experts, enabling our clients to realise their vision.

Our values

We're collaborative
We believe in partnership - internally and externally. By building trust and a community of experts we make transformation possible because change isn't easy and needs strong, positive relationships.

We're curious
A thirst for discovering what is possible drives us. Data is changing the world, and will answer many of humanity's challenges, great and small. Curiosity inspires us to seek out new answers by asking the right questions.

We have integrity
Building communities demands honesty and fulfilling on your promise. Human integrity is the bedrock of what all else is built on and, like data integrity, creates solutions our clients can rely on.

We bring a challenger spirit
Bringing down the walls, silos and outdated anachronisms of data complexity is how we challenge the problems in front of us, bringing new solutions, new thinking and new teams to realise our client's vision and realise the true value of their data.

We're focused on commercial outcomes
Data exists to provide value, we don't problem solve in a vacuum, but with a commercial outlook that helps us be trusted partners to our clients as they realise the opportunities of data driven transformation.

Section one
Strategic report

Contents

Chairman's report

2020 – Progress in difficult times

We are delighted to be able to report real progress in 2020 despite the obvious challenges faced in a year that saw fundamental changes to the way we all work. In 2019 the Board made a decision to change the strategic direction of the business, to focus on the growing opportunity in data and to position Parity as the partner of choice for clients who want to realise the true potential of their data. When this decision was taken we had of course not foreseen the pandemic.

However, the timing was fortuitous; while in the short term the economic impacts of the pandemic have affected our performance, in the longer term it has accelerated the trends that underpin Parity's new strategy. As a result, Parity has come through 2020 far more strongly than would otherwise have been the case and it is pleasing to be able to report a second half profit in 2020. This has been driven by the success of our transformation programme, and we remain confident of further growth in profitability in the current financial year.

Strategy

Data is an ever more valuable and important commodity in both the private and public sector. Parity's strategy is simple: to service the market for people who can help manage that valuable data. The pandemic created its challenges, but it has also created opportunity.

With more remote working, data security has become of paramount importance for almost all businesses, increasing the demand for support and skills around data which Parity provides. With even more transactions moving online, retailers need to be able to fulfil, track and analyse very large amounts of raw data. In the public sector, the pandemic has generated a huge demand for effective and efficient tracking of data by both the NHS and other government entities. Furthermore, the demand for faster, more reliable broadband has further fuelled the demand for skilled people who can manage data in both the private and public sector. I am pleased to say Parity is a partner for businesses in all these markets and more, and opportunities in others are growing.

Parity is also building its reputation in the growing data analytics space. The ever increasing reliance on data for decision making is resulting in more demand for highly skilled, experience people who are capable of collecting, curating and analysing complex data. These type of data analytics skills remain scarce, which is why Parity can play a vital role, connecting real data experts with organisations who need them.

Results

I am very pleased to report that the transformation programme embarked upon in 2019 has delivered its key objectives and at an operating level, the Group returned to a modest Operating Profit in 2020 of £23k (2019: Operating loss of £725k). This was despite revenue across the Group being 28% lower at £57.8 million, largely as a result of lower recruitment revenues as our large contract with the Scottish Government, which was not renewed in early 2019, continued to wind down. Adjusted profit before tax of £122k was very similar to the year before. This is a significant achievement in a challenging environment, reflecting the progress we have made as an organisation, without the need to furlough employees. The Group also continues to benefit from strong working capital management and debtor days remain at an excellent average of 14 days.

After non-underlying items of £447k before tax, all incurred in the first half, we recorded a loss before tax for the year of £325k (2019: loss before tax of £1.1m).

Board and people

As Parity has undergone its transformation to focus on the opportunity in data, there have been several senior leadership changes including appointments of individuals with strong technology experience and who share our vision for the new Parity.

In June, Roger Antony stepped down, having served as Group Finance Director for the last four years. I would like to record the Board's thanks to Roger for the many years of service he gave the company and his professionalism throughout.

Mike Johns joined the Board as CFO in June and brings significant experience to the Board having worked in tech and data led businesses for more than 20 years. At board level Mike has led organisations through change and development and has considerable corporate finance experience having led successful fundraising, acquisition and sales processes.

We continue to strengthen the board and in May 2020 welcomed Gerry Brandon. Gerry is an active board member on multiple AIM-listed companies and is CEO of AIM-listed DeepVerge plc.

The Board would like to record its thanks to all of the employees who have risen to the considerable challenges of working through the pandemic. We took a decision not to furlough employees so that we could remain close to our customers and support them through difficult times. I believe this was the right decision both for the welfare of our people and in the longer term for the business. We have been very encouraged by the loyalty of our customers and the level of repeat business that we enjoy is testament to the excellent service our people provide.

Financing and dividend

On 20 April 2021 the Group signed an agreement with Leumi ABL for a new 3-year £9m asset-based lending facility replacing the previous facility from PNC. The new facility increases the amount that can be borrowed against billed and unbilled receivables giving the Group greater flexibility and it is expected that the new terms will reduce annual borrowing costs.

The Board is not proposing a dividend at this time but will keep this policy under review.

Current trading and outlook

So far in 2021 we have been successful with opportunities in the public and private sectors. We started 2021 with both new contracts and non-competitive renewals that range from supporting the NHS at a critical time, and supporting national technology infrastructure, to enabling retailers to maximise the online opportunity.

If the pandemic eases as expected, we would anticipate more growth in H2 2021 as business confidence returns. AI & Machine Learning continue to create more unstructured data challenges requiring digital and data specialists. As a consequence, we have an encouraging pipeline of both public and private sector opportunities to convert as we continue to leverage our investments in people, marketing and technology.

Finally, this is my last statement as Non-Executive Chairman of Parity Group plc and I leave Parity in a strong position. The company has made great progress over the past few years. Having completed its transformation into a data and technology focused business, it is for the first time free from past legacy issues and in 2020 has delivered an impressive performance despite the challenges of the pandemic. Now is the right time for me to hand over the reins as Chairman and I wish my successor every success in his new position.

John Conoley
Non-Executive Chairman
20 April 2021

Chief Executive's statement

Progress in an exceptional year

2020 was a watershed year in so many ways for so many people and businesses. It would be wrong not to start a review of the year without acknowledging the sacrifices and suffering endured by so many people, and to thank everyone for their support during what has been a very difficult time for everybody. I would obviously like to single out the people who work for Parity who, despite the obvious challenges, worked as hard as ever. They have enabled us to make real progress in the most exceptional circumstances.

Whilst the Covid-19 pandemic has made this a very difficult year for many businesses, it has also underlined the need for strong data management and data analytics in businesses and government bodies. This is exactly where Parity sits and where we see opportunity for growth – we exist to be a trusted partner of data driven transformation, through providing people, skills and consulting. Whether it be the critical nature of cyber security with large numbers of people working remotely, or the growth in online shopping that has increased demand for better data analysis of consumer trends, the need for strong data skills has never been clearer. We are now operating in a truly digital economy sooner than we expected and Parity is extremely well placed to benefit from this, having spent the last two years successfully positioning the business as a specialist in the fast-growing data skills market with the experience and credentials to back that up.

Continuing investment in technology

Investing in technology has played an important role in our transformation, enabling us to create greater efficiency, stronger margins and the ability to scale our business as we pursue our growth agenda. In the year we made progress creating and implementing new technology systems and platforms, with more exciting developments planned in due course. Specifically, during 2020 we put in place a whole new management information system covering CRM, marketing, HR and finance. Furthermore, we now have a technology platform onto which we can build additional customer-focussed technology solutions.

Transformation complete

Despite the Covid-19 pandemic we have been able to deliver an operating profit in 2020 and report a profit before tax in the second half of 2020, our first unadjusted profitable half year for two years. This change has been driven by the transformation programme we begun in 2019 to develop Parity into a data focussed business, positioned to meet the growing demand for data skills from both the public and private sector. I am pleased to report that the transformation delivered everything and more than we set out to achieve. We now have a radically different business:

- We have a leadership team with strong data and technology experience, who all share the vision for the new Parity
- We have invested in technology that will support our growth strategy and have more plans in this area
- We have significantly improved operational gearing with our new operating model
- We reassessed costs and removed £4.2m of annual operating costs, enabling us to reinvest £1.6m back into the business
- By reducing staff numbers and therefore headcount costs, we have been able to invest in new people who have brought new skills and dynamism to the business
- Our marketing and new business efforts have been completely overhauled and are now bearing fruit
- We have completely changed our focus, and our team's incentives, towards profitable growth; managing down our reliance on revenues that delivered little or no margin and changing our focus to net revenues and higher margin work

Whilst there has been significant change, we have also successfully preserved the core strengths of Parity that underpin our brand and market position:

- We continue to help our clients release the value of their data by focusing on the market for data skills, a fast growing and exciting market segment
- We have maintained our excellent reputation in the public sector as evidenced by recent new business wins
- We have grown our community of data specialists; at a time when there has been considerable flux in the market for people with data skills we remain the specialist provider

New business wins

The start to 2021 has been encouraging. In January we won a new three-year contract from the Scottish government as its Digital Technology Resources partner to support the delivery of the Reaching 100% (R100) superfast broadband infrastructure programme. The award represents a total opportunity of up to £5.0m over the next three to six years for Parity. We also renewed a contract without competitive tender with one of our larger clients in the retail sector and we won new consultancy work from a very large multinational business.

Since then, we have also been appointed as a partner to help connect a prominent retailer with the skilled data and digital resources it requires to support its various brands' ambitious transformation and growth plans across UK and Europe. We also have partnerships with IFS (a global leader in Cloud ERP solutions) and Cedar Bay (a partner in the IFS ecosystem) to supply skilled data and digital resources, as well as the extension of an engagement with human resources platform specialist, Resilience Engine. In addition, we have secured a contract within the public sector to supply data talent for NHS Digital projects (the national provider for the NHS in England of information, data and IT systems).

We continue to attract excellent talented people into the business. At the beginning of the year, we recruited Kevin Gould, a former Commercial Lead for Accenture in UK and Ireland, who joins the management team as Commercial Director. Kevin has already helped us access new opportunities and convert tenders into new business.

Conclusion

It is a little over two years since I became Chief Executive of Parity and both the business and the environment in which it operates have changed considerably. As a result, we are now in a strong position for future growth. I have ambitious plans for this business, there is a significant opportunity for us in the data market and we want to grasp it quickly. We are more confident than ever in our ability to deliver above average total shareholder returns in the coming years, despite the lasting impacts of the pandemic.

Parity is now more efficient, more focussed and clearer about its objectives and purpose, as well as growing its margins and profitability again. The market for data services is strong and our reputation in that market as an excellent provider of experienced people with much sought after data skills is very good, and constantly improving. The people we employ at Parity continue to be a major differentiator. I will end, as I started, by thanking them for their hard work and our shareholders for their continued support.

Matthew Bayfield
Chief Executive Officer
20 April 2021

Parity is now more efficient, more focussed and clearer about its objectives and purpose, as well as growing its margins and profitability again.

Operational and Financial Review

> **"The transformation and restructuring of the business commenced in 2019 has been successful, resulting in both improved operational efficiency and reduced costs**

A Brief Overview

- The Group's restructuring and cost reduction over the past two years have enabled it to remain financially robust in a year heavily impacted by the pandemic.
- The Group returned to an operating profit despite the pandemic.
- Having significantly improved its working capital management over the past two years the Group has secured a new debt facility from Leumi ABL that will support its future growth ambitions.
- Investment in new technology during the year has included the successful implementation of a new integrated financial system from Access Group.
- Net cash[4] of £0.2m as at 31 December 2020 (2019: £1.4m).

Performance highlights for 2020

	2020		2019		
	Adjusted [1]	Reported	Adjusted [1]	Reported	Variance [2]
Revenue (£ million)	57.8	57.8	80.4	80.4	-28%
External contribution (£ million)	5.6	5.6	8.1	8.1	-31%
Operating profit (£ million)	0.5	0.0	0.4	(0.7)	5%
Operating profit % [3]	8.4%	0.4%	5.5%	-8.9%	53%
Finance costs (£ million)	(0.3)	(0.3)	(0.3)	(0.3)	5%
Profit/(loss) before Tax (£ million)	0.1	(0.3)	0.1	(1.1)	6%
Basic earnings per share (pence)	(0.02)	(0.46)	0.09	(1.05)	-126%
Net cash (£million) [4]	0.2	0.2	1.4	1.4	-83%

1 - Excludes from the Income Statement the impact of non-underlying items of £0.4m in 2020 (2019: £1.2m)

2 - Variance compares 2020 adjusted against 2019 adjusted to provide a consistent view of performance

3 - Operating profit % is calculated as operating profit as a % of external contribution

4 - Net cash represents cash and cash equivalents less loans and borrowings and excluding leases

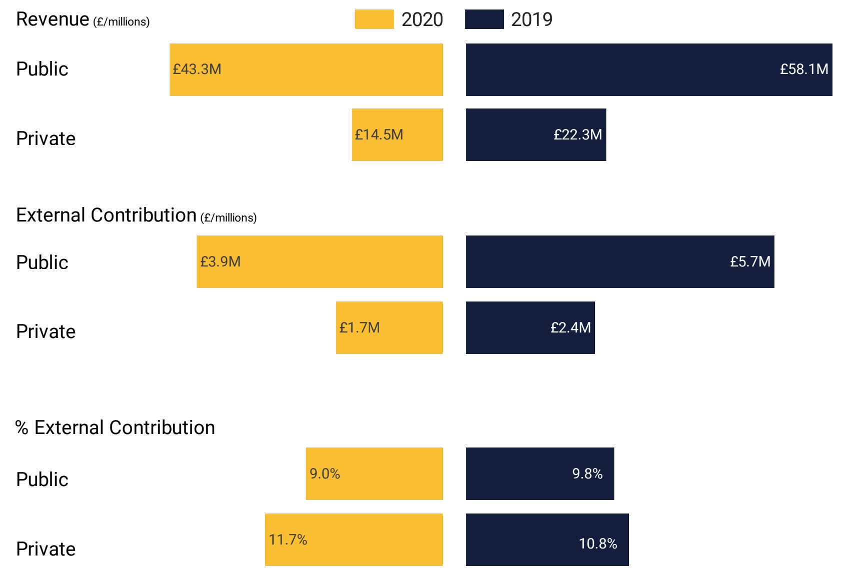
Despite a difficult year in which the majority of businesses and sectors have been affected by the pandemic, the Group has made significant progress and ends the year in a strong financial position. The transformation and restructuring of the business commenced in 2019 has been successful, resulting in both improved operational efficiency and reduced costs, and ultimately placing Parity in a position of strength to be the partner of choice for companies with complex data needs. This has enabled the Group to absorb the impact of the pandemic and the known impact of the wind down of the Scottish Government framework ("SG Framework") terminated in 2019, without the need to furlough employees or to make unplanned changes to the business.

As a result, the Group has been able to return to an Operating Profit in 2020, a significant achievement in such a turbulent year. Adjusted Profit before tax has been maintained at similar levels to 2019 and the Group delivered an unadjusted Profit before tax in the second half of 2020, reflecting the progress we have made as an organisation with our transformation programme.

In addition to delivering a profitable operating model, the Group continues to manage its working capital efficiently, reducing its utilisation of debt facilities during the year.

Continuing investment in technology during the year, including the implementation of new integrated financial systems, will enable the Group to drive further operational efficiencies over coming years.

Segmental performance



Revenue

With the Group's operating structure now more closely aligned to meeting client needs, the Board has focused reporting by client type, split between Public and Private Sectors and this shift is reflected in the segmental reporting of revenue.

The continued wind down in 2020 of the SG framework was compounded by the impact of the pandemic on new business, particularly in the private sector. As a result, total revenue for 2020 was lower at £57.8m (2019: £80.4m).

Segmental performance

Public sector

Despite the turmoil caused by the pandemic, the Group has demonstrated its strength in the public sector with an increase in revenue across a number of key clients. The Group has remained close to its Public Sector clients, assisting several with the transition to remote working and supporting changes they have made to projects in light of the shift in priorities forced upon them by Covid.

With many key digital transformation projects largely unaffected by Covid during 2020 and some clients, including ONS, creating new projects in response to the pandemic, non-SG framework revenues for the year increased by £7m, partially offsetting the impact of the wind down of the SG framework.

Overall public sector revenue for the year was £43.3m (2019: £58.1m). External contribution as a % of revenue was 9.0% (2019: 9.8%), the slight decline by 0.8% principally a consequence of the conclusion of the UK government FastStream managed service project that contributed £0.5m in 2019.

Private sector

With the private sector impacted most by the pandemic, new business activity dramatically slowed and projects were delayed as private sector clients assessed the impact of the pandemic during the first half of 2020. Overall revenues from the private sector declined by £7.8m to £14.5m in 2020 (2019: £22.3m) due to a combination of new business activity dramatically slowing as clients dealt with the impact of the pandemic and an active move away from a low margin partnerships arrangement with Avanade. With the focus on higher margin activities, external contribution as a % of revenue has increased to 11.7% (2019: 10.8%).

Encouragingly, the Group has seen increased activity from private sector clients and prospects during the latter months of 2020 and the beginning of 2021 and expect the increase in new business opportunities will provide a platform for growth in 2021.

Operational and Financial Review

Reconciliation of revenue to adjusted operating profit

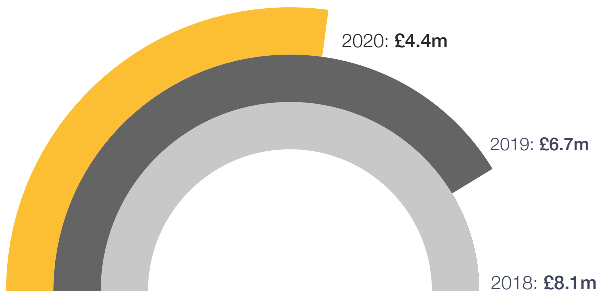
£ million	2020	2019
Revenue	**57.8**	80.4
Contractor costs	**(52.3)**	(72.3)
External contribution	**5.6**	8.1
Selling & administration expenses [1]	**(4.4)**	(6.7)
Share-based payment charges	**(0.1)**	(0.2)
Depreciation & amortisation	**(0.6)**	(0.8)
Operating profit [1]	**0.5**	0.4

1 - Excludes from the Income Statement the impact of non-underlying items of £0.4m in 2020 (2019: £1.2m)

Selling & administrative costs

During the year, the Group completed the operational transformation that it commenced in 2019, meeting its objective of improving operational efficiency and reducing its cost base (both fixed and variable costs). As a direct result of the transformation programme, the Group has removed £4.2m of costs from the business, enabling it to reinvest £1.6m in key new client focused roles and a new integrated IT infrastructure. The net reduction in costs of £2.6m from the transformation programme combined with earlier committed cost reductions in 2018 and early 2019 bring the total reduction in selling and administrative costs between 2018 and 2020 to £3.7m (a decrease of 46%).

Selling & administrative costs [1]



1 - Excludes from the Income Statement the impact of non-underlying items of £0.4m in 2020 (2019: £1.2m; £0.5m)

Depreciation and amortisation

In accordance with IFRS 16, the 2020 results are presented with lease assets and liabilities recognised in the Group's Statement of Financial Position, where the Group is the lessee.

Non-underlying items

The Board measures the performance of the Group after excluding costs (and income) that would not be incurred during the normal operation of the business and classify these exceptional costs under the category of non-underlying items. With the completion of the restructuring during 2020 and no significant non-underlying items being incurred in the second half of 2020 the total for the year was £0.4m (2019: £1.2m) a significant reduction on the prior year. A detailed analysis of the non-underlying items is provided in note 5 on page 75.

Taxation

The tax charge on the loss before tax was £0.15m (2019: £0.03m), mainly representing a deferred tax adjustment in respect of prior periods to claim capital allowances offset by a change in the rate of corporation tax. The Group did not provide for corporation tax payable in 2020 due to the utilisation of Group relief and the availability of carried forward deductible timing differences and tax losses.

Earnings per share and dividend

The basic loss per share from continuing operations was 0.46 pence (2019: loss of 1.05 pence per share). The Group's results for both 2020 and 2019 were impacted by significant restructuring costs.

The Board does not propose a dividend for 2020 (2019: nil) but will keep the position under review.

Statement of financial position

Trade and other receivables

Despite the disruption caused by the pandemic and distraction inevitably caused by the implementation of a new financial system, the Group has maintained its excellent performance on trade debtors. Group debtor days (calculated on billings on a countback basis) at the end of the year were 14 days (2019: 12 days).

Overall Trade and other receivables decreased during the year to £6.1m (2019: £6.7m). This was a direct result of the reduction in contractor numbers during the year (contractors at the end of December 2020 were 514 compared with 648 at the end of December 2019).

Trade and other payables

Trade and other payables decreased during the year by £1.4m to £4.6m (2019: £6.0m). £0.7m of the decrease is directly attributable to payments in 2020 for amounts owed to contractors at the end of 2019 that were delayed due to the timing of public holidays. A further £0.3m of the decrease is the payment in 2020 of non-underlying costs accrued in 2019. The other key movements in the year were the reduction in contractor numbers accounting for a decrease of circa £0.8m which was partially offset by an increase in VAT accruals with the deferral under the government scheme of £0.3m of VAT payments until 2021.

At the year end, creditor days were 23 days (2019: 24 days).

Loans and borrowings

Loans and borrowings represent the Group's debt under its asset-based lending ("ABL") facility. This is a working capital facility and linked to the same cycle as trade receivables. The asset-based lending facility has been in place with PNC Business Credit ("PNC") since 2010 in substantially the same form and was last renewed in May 2019.

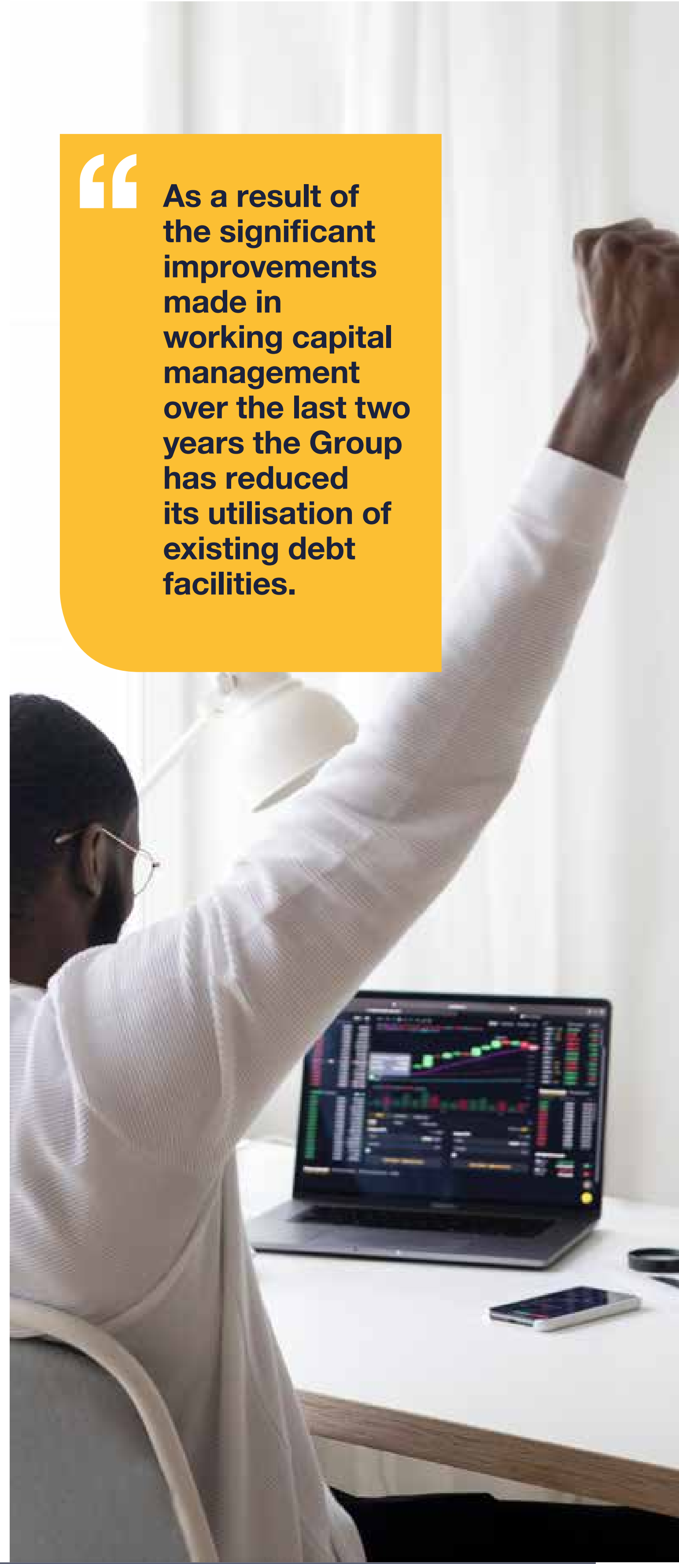
As a result of the significant improvements made in working capital management over the last two years the Group has reduced its utilisation of existing debt facilities. In 2020 the average borrowings were £1.6m and the Group only borrowed more than £3 million for 29 days during the year.

With the latest two-year extension on the PNC facility due to end in May 2021 the Board took the decision to explore new financing options that could provide the Group with a more cost effective and flexible debt facility that better meets its future growth ambitions.

On 20 April 2021 the Group signed an agreement with Leumi ABL for a new 3-year £9m ABL facility. The new facility increases the amount that can be borrowed against billed and unbilled receivables and crucially the Group will only pay fees on amounts it borrows (under the expiring PNC facility the Group were charged a 1% fee for any unutilised facility).

The new facility has a fixed rate for borrowing of 2% above base for receivables and 2.9% above base for unbilled receivables (expiring PNC facility has a rate of 2% above base for all receivables and an additional 1% charge for unutilised funds). It is expected that the new terms will reduce annual borrowing costs and the increase in amounts that can be borrowed against billed and unbilled receivables will give the group greater flexibility when utilising the facility.

> **"As a result of the significant improvements made in working capital management over the last two years the Group has reduced its utilisation of existing debt facilities.**



Operational and Financial Review

Cash flow and net debt

During the period the Group generated £0.4m of cash from operating activities (excluding non-underlying items) and also benefited from a deferral of £0.3m of VAT payments until 2021 under a government scheme. These cash inflows were offset by £0.4m of cash outflows for finance costs for the Group and £0.4m of payments for 2020 non-underlying items. In addition to the normal course cash movements in 2020 the Group also made payments totalling £1m that related to one-off events in 2019, £0.7m being the payment to contractors of 2019 fees delayed due to public holidays (as previously noted) and £0.3m of non-underlying items accrued in 2019.

Defined benefit pension surplus

As a result of a strong investment performance during the year increasing scheme assets, the Defined Benefit Pension has moved from a net deficit of £0.9m at the beginning of the year to a net surplus of £0.2m at the end of the year. The Group will commence a triennial actuarial review of the pension in April 2021 and the outcome of this review (expected in 2022) will guide any future contributions the Group agrees to pay. During 2020 the Group paid £0.3m contributions to the scheme.

FY20 Movement in net cash [1]

1 -Net cash represents cash and cash equivalents less loans and borrowings excluding leases

Mike Johns
Chief Financial Officer
20 April 2021

Principal risks and uncertainties

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

Impact of Covid-19 and macro-economic uncertainty

The Covid pandemic has had, and continues to have, a materially negative impact on the UK and global economies. The Group has seen the impact of the pandemic primarily in a significant fall in new business opportunities during Q2 and Q3 of 2020. Whilst the Group has seen new business opportunities start to increase in the last quarter of 2020 and the early months of 2021, restrictions still remain in place as a result of the pandemic and the Group expects this to continue to have some impact upon the Group economically until all restrictions have been lifted.

Main risks to the Group arise from potential delays to client project decisions, reduced client budgets, recruitment activity postponed, and the effects of restriction of movements impacting on our ability to win new business.

The Group's transformation programme, commenced in 2019 and completed during 2020 has enabled the Group to significantly mitigate the impact of the pandemic to date and enable the business to continue to trade profitably. In particular the Group has:

- delivered a more efficient and lower cost operating model through a reduction in headcount and investment in new technology;
- taken the decision to utilise flexible shared office space with shorter term commitments (typically 2 years or less). This enables the group to adapt to changing economic conditions without the drag of servicing long term lease commitments.
- Established an IT infrastructure based in the cloud that enables all staff to operate remotely and flexibly whilst also improving the speed and flow of information across the group.

The Board also recognise that the risk to the Group has been mitigated by a client base weighted towards the public sector (with government expenditure having been more resilient as it supports key public services) and core revenue being generated by a highly skilled contractor base that are IT mobile and able to carry out their work remote from a client.

Strategy fails to deliver anticipated growth

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

Legislation – e.g. IR35

Delayed reforms to IR35 legislation affecting the private sector are effective from 6 April 2021. One effect of the reforms will be to make end clients, and/or agencies, liable for deemed tax underpayments in the event that elements of its temporary workforce are found to be non-compliant with IR35 (liability largely rests with the individual contractors at present). In response, some well-known large private sector organisations in the UK have announced an embargo on any contractors working through personal services companies. There is a risk that the Group's clients could adopt the same approach which could impact revenues and profits in the short term.

Parity's mix of contractors is weighted towards the public sector, where the IR35 reforms were introduced in 2017, meaning that our exposure to the risk is limited. We have retained good knowledge from our experience of the 2017 implementation to the public sector, with the associated internal processes now business as usual. We will work closely with our private sector clients to ensure a smooth transition and are able to offer all of our clients an established consultancy proposition to their data and technology challenges.

Brexit transition

The Group operates predominately in the UK and notwithstanding delays due to the wider macro-economic uncertainty, is not expected to suffer a direct long-term negative impact as a result of Brexit. Demand for the Group's services could reduce as an indirect result of the impact of Brexit on the UK economy, although Brexit has also driven additional opportunity to the Group with established Public Sector clients creating additional infrastructure and services independent of EU organisations.

Loss of key client accounts

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

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.

The Group maintains credit facilities that enable it to borrow against assets on the balance sheet to meet short term working capital requirements. Headroom on this facility is monitored by the Board to maintain flexibility for the Group in the event of unplanned short term needs.

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. The Group has also moved key systems to the cloud during 2020 enabling it to take advantage of the increased resilience, monitoring and security rom its cloud service providers.

Data

The Group routinely collects and uses personal data. Following the introduction of the General Data Protection Regulation ('GDPR') the Group implemented significant changes to its data collection and processing controls. The data privacy landscape is monitored to ensure compliance with GDPR and other applicable data protection legislation.

> **"Whilst the markets that we operate in can be cyclical in their nature, we take necessary action to mitigate the risk and potential impact profile.**

Duty to promote the success of the Group

Section 172 of the Companies Act 2006 requires the Directors to act in a way that they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

a) the likely consequences of any decision in the long term;

b) the interests of the company's employees;

c) the need to foster the company's business relationships with suppliers, customers and others;

d) the impact of the company's operations on the community and the environment;

e) the desirability of the company maintaining a reputation for high standards of business conduct; and

f) the need to act fairly as between members of the company.

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. They can access professional advice on their duties from the Company Secretary or, if they deem necessary, from an independent advisor. The Board confirms that, during the year, it has had regard to the matters set out above. Further details as to how the Directors have fulfilled their duties with references to relevant areas within this annual report, are set out below.

Risk management

The Board recognises the importance of identification, evaluation and management of the Group's risks. Details of the principal risks and uncertainties of the Group are set out on page 15. The Group's statement on going concern and future prospects are included in the Directors' Report on page 42 and Chief Executive's Statement on page 8.

Employees

The Board is committed to the Group being a responsible employer and strives to create a working environment where employees are engaged, informed and involved. The Group's employment policies and related information is set out in the Corporate Social Responsibility Report on page 28.

Community and the environment

The Board recognises their responsibilities to achieving good environmental practice and making positive contributions to the community. The Group's practices and policies in this regard are set out in the Corporate Social Responsibility Report on page 28.

Business conduct and relationships

The Board recognises the importance of a strong corporate culture that considers the best interest of its employees, business partners and shareholders. The Board recognises its responsibilities to other external stakeholders including its clients, contractors and suppliers. Its strong relationships with its clients are critical to driving growth. The Group's purpose, mission, vision and values are set out on page 3 and its ethics policies are set out in the Corporate Social Responsibility Report on page 28.

Shareholders

The Board is committed to openly engaging with our shareholders and recognises the importance of continuing communications. It is important that shareholders understand the Group's strategy and objectives so we endeavour to explain these clearly and any issues or questions raised are properly considered. The Group's engagement with shareholders is set out in the Corporate Governance Report on page 20.

Section two
Governance

Contents

Corporate Governance Report

The Company applies the 2018 QCA Corporate Governance Code (the Code) and this Corporate Governance Report for the year ended 31 December 2020 is based upon the Code. The principal means of communicating our application of the Code are this Annual Report and our website (www.parity.net).

Chairman's statement

On behalf of the board, I acknowledge that we are responsible for corporate governance. I am specifically responsible for the leadership of the Board, ensuring its effectiveness on all aspects of its role, including good governance in dealing with all of our stakeholders. 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. I am also responsible for effective communications with shareholders and relaying any shareholder concerns to the Directors.

The Board remains committed to maintaining and evolving high standards of corporate governance throughout the organisation. In the remainder of this report, I set out how the Group applies the ten key principles of the Code which fall under three broad categories.

Deliver growth

Establish a strategy and business model which promote long term shareholder value for shareholders

The Group's strategy is to drive external contribution growth and margin improvement to sustain growth in shareholder value. The Board will invest in measures to help our clients realise the full value of their data, by providing them with the necessary skills and advice. Data is now of greater importance than ever and Parity can empower and enable clients to take advantage of this. See the Group's strategy as set out in the Chairman's Report on page 6 and The Group's Business Model in the Chief Executive's Statement on page 8.

Challenges faced by the Group in executing its strategy include repositioning the business service offerings, market competition and macro-economic factors. The principal risks and uncertainties faced by the Group and potential mitigation can be found on page 15.

Seek to understand and meet shareholder needs and expectations

The Board seeks to understand the needs of its shareholders through regular engagement with its major shareholders. At the same time the Board recognises the need to balance the interests of significant and minority shareholders.

The Group engages with major shareholders through presentations and meetings after the announcement of the Group's full year results and interim results. All shareholders are given the opportunity to communicate directly with the Board at the Annual General Meeting. From time to time the executive directors attend investor events which provides an opportunity to speak to both existing and prospective retail shareholders. The Senior Independent Director acts as an additional contact point for shareholders if they have reason for concerns, when contact with the normal channels has failed to resolve their concerns.

The Group maintains an investor website which holds all relevant shareholder information.

Wider stakeholder and social responsibilities

As a professional services business, Parity's strength derives from the commitment, capability and cultural diversity of its employees and its contractor base. The Group encourages the participation of all employees in the operation and development of the business by offering access to senior management, including executive directors, and adopting a policy of regular communications through business updates, all staff events, and the intranet. The Group also encourages participation in an employee survey, which is completed anonymously and administered by an independent organisation.

The Group also recognises its responsibilities to other external stakeholders including its clients, contractors, suppliers, the trustees of the defined benefit pension plan and its asset-based lender.

It is Group policy to be a good corporate citizen wherever it operates. Encouragement and support are provided to employees who undertake charity or volunteer work.

The Group's Social, Environmental and Ethical policies can be found in the Corporate Social Responsibility Report on page 28.

Embed effective risk management

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. The Group maintains an internal risk register which is updated and reviewed periodically by the Audit Committee.

The Group does not consider it necessary to have a separate internal audit function due to the Group's size and its centralised administrative function but keeps this need under review. The Company receives regular feedback from its external auditors on the effectiveness of its internal controls and aims to implement any improvements identified.

The principal risks faced by the Group are presented on page 15. The Board is not aware of any significant failings or weaknesses in the system of internal control.

Maintain a dynamic management environment

Maintain a well-functioning, balanced board

At the date of this report, the Board comprises myself as Non-Executive Chairman, Non-Executive Director, David Firth, Non-Executive Director, Gerard Brandon, Chief Executive Officer, Matthew Bayfield, and Chief Financial Officer, Mike Johns. Gerard Brandon was appointed on 1 May 2020 and Mike Johns was appointed on 8 June 2020, replacing Roger Antony, Group Finance Director, who resigned from the Board on 30 June 2020. The table on page 35 sets out the dates of tenure of the current Directors on the Board.

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 Board considers all Non-Executive Directors to be independent, with none having a length of service of greater than five years. The Non-Executive Directors ensure that independent judgement is brought to Board discussions and decisions. The Board considers that there are no relationships or circumstances which are likely to affect the independent judgement of the Non-Executive Directors.

The Board has meetings scheduled regularly throughout the year to review and approve the Group's strategy and to monitor progress against set objectives. Additional meetings are also held as business dictates. The Board has a formal schedule of matters reserved for its specific approval which includes a review of Group strategic, operational and financial matters such as proposed acquisitions and divestments. All members of the Board are supplied in advance of meetings with the agenda and supporting papers covering the matters which are to be considered.

Whilst there is a clear division of responsibilities, the Non-Executive Directors remain in regular contact with the Executive directors outside of board meetings. For example, I have a weekly catch up call with the CEO, and the Non-Executive directors are available to support on material matters as and when that support is required.

As Non-Executive Chairman, I am

Corporate Governance Report

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. I am also responsible for effective communications with shareholders and relaying any shareholder concerns to the Directors. During the period under review I met with the other Non-Executive Directors without the Executive Directors being present.

Directors appointed since the last annual General Meeting, and those retiring by rotation will submit themselves for election or re-election at the next Annual General Meeting, as set out in the Directors' Report on page 42 and in the separate Notice of Annual General Meeting sent to all shareholders. I confirm that the performance of each Director continues to be effective and the individuals continue to demonstrate commitment to their role.

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.

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 to the right.

During the year, 8 scheduled Board meetings were convened, along with 1 ad hoc Board meeting to deal with various matters. Details of attendance at Board meetings is summarised to the right. Committee attendance is shown for Committee members only.

All Directors who were members of the Board at the time attended the Group's Annual General Meeting on 11 June 2020.

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 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.

The Board delegates specific responsibilities to three Committees: the Audit Committee, the Remuneration Committee and the Nomination Committee. The Audit, Remuneration and Nomination Committees of the Board each have formal written terms of reference. These terms of reference are available on the Group's website (www.parity.net).

The Audit Committee comprises myself and David Firth and is chaired by David Firth. The Audit Committee meets at least three times a year. Details of the responsibilities of the Audit Committee are set out in the Audit Committee Report on page 40. Where necessary, specialist external consultants are used to assist the Committee.

The Remuneration Committee comprises myself and David Firth and is chaired by David Firth. Details of the responsibilities of the Remuneration Committee are set out in the Remuneration Report on page 33. Where necessary, specialist external consultants are used to assist the Committee.

	Board[1]	Audit	Nomination	Remuneration
Number held	**8**	**3**	**2**	**3**
Number attended				
John Conoley	8/8	3/3	2/2	3/3
David Firth	8/8	3/3	2/2	3/3
Gerard Brandon[2]	4/4	-	-	-
Matthew Bayfield	8/8	-	-	-
Mike Johns[3]	3/3	-	-	-
Roger Antony[4]	5/5	-	-	-

1. Excludes ad hoc meetings
2. Appointed to the Board on 1 May 2020
3. Appointed to the Board on 8 June 2020
4. Resigned from the Board on 30 June 2020

> **"The Board remains committed to maintaining and evolving high standards of corporate governance throughout the organisation.**

The Nomination Committee comprises myself and David Firth and is chaired by myself. The Committee meets at least once a year and 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.

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.

During the year under review the Nomination Committee proposed Board changes, including the appointment of Gerard Brandon and Mike Johns. The Nomination Committee also discusses board diversity and agreed that an external assessment be carried out to evaluate board composition requirements.

Ensure the board has the necessary up-to-date experience, skills and capabilities

Directors who have been appointed to the Board have been chosen because of the skills and experience they offer. The Directors' biographies, which are set out on page 26, illustrate the range of business backgrounds, skills, independence and experience contributed by each Board member. The Board are aware of the importance of attaining greater diversity amongst its members.

Each member of the Board takes responsibility for maintaining their skill sets, which includes roles and experience with other boards and organisations. The Group pays subscriptions to various professional organisations, for example the QCA, which provide the directors with access to regular market and regulatory updates. Some of the Directors have individual membership of professional organisations that require their members to evidence continual professional development on an annual basis. All Directors have the opportunity to undertake relevant training and attend relevant seminars and forums.

Where the Board considers specialist advice is required to address matters reserved for the Board, it will seek to engage competent external advisors.

David Firth acted as the Senior Independent Director during 2020. He was an additional contact point for shareholders if they had reason for concern, when contact through the normal channels of the Executive Directors and Chairman had failed to resolve their concerns, or where such contact was inappropriate.

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.

Evaluating board performance and development

The Board undertakes regular evaluations of its own performance and that of its Committees and individual Directors. During 2020 the Board decided that an external board evaluation should be carried out to consider the composition of the Board.

Promoting ethical values and behaviours

The 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. Further details are set out under the "Ethics" section of the Corporate Social Responsibility Report on page 28.

A critical aspect of the Group's strategy is to be perceived as a trusted partner of its clients. In order to achieve this objective, 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. The Company's values are set out on page 3. The Board supports and promotes the principles of equal opportunities in employment and promotes a culture where every employee is treated fairly. The Board and management conduct themselves ethically at all times and promote a culture in line with the standards set out in the Company's intranet.

Corporate Governance Report

Maintain governance structures and processes that are fit for purpose

The Audit, Remuneration and Nomination Committees of the Board each have formal written terms of reference. These terms of reference are available in the Corporate Governance section of the Group's website (www.parity.net).

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

Authority is delegated to senior operational management through Group authorisation limits on a structured basis, ensuring that proper management oversight exists at the appropriate level. The Executive committee comprises the Chief Executive Officer, the Chief Financial Officer, and senior operational management. The Executive Committee meetings are held monthly and are attended by other senior management as appropriate. Any key issues from these meeting are reported to the main Board.

Build trust

Communicate how the company is governed and performing, maintaining a dialogue with shareholders and other relevant stakeholders

The Board attaches great importance to providing shareholders with clear and transparent information on the Group's activities, strategy and financial position. Details of all shareholder communications are provided on the Group's website (www.parity.net).
The Company engages where possible in regular dialogue with its major shareholders through presentations and meetings after the announcement of the Group's full year and interim results. Private and institutional shareholders are given an opportunity to communicate directly with the Board at the Annual General Meeting. Shareholders' queries received via the Company Secretary's email address at cosec@parity.net or by telephone to the Group's head office are responded to in person by the Company Secretary or by another appropriate employee.

All members of the Board usually attend the Annual General Meeting. The chairmen of the Audit, Remuneration and Nomination Committees will normally be available to answer shareholders' questions at that meeting. Notice of the Meeting is posted to shareholders with the report and accounts no fewer than 21 clear days prior to the date of the Annual General Meeting. The information sent to shareholders includes a summary of the business to be covered at the Annual General Meeting, where a separate resolution is proposed for each substantive matter. The Group's annual report and accounts, interim report and other stock exchange announcements are published on the Group's website at www.parity.net.

The Annual Report is designed to present a fair, balanced and understandable view of the Group's activities and prospects. The Operational and Financial Review provides an assessment of the Group's affairs and position. The Annual Report is sent to all shareholders on the shareholder register. The Group's Annual and Interim Reports and Notices of the Annual General Meeting for the past 5 years are available on the Group's website.

The Group details how it is governed and performing both in this Annual Report and Financial Statements and on its website.

The reports to the shareholders of the Audit and Remuneration Committee can be found on pages 40 and 33 respectively.

John Conoley
Non-Executive Chairman
20 April 2021

The Board

John Conoley (60)
Non-Executive Director

Appointment Date:
April 2017

Experience:
Previously Chief Executive of London listed Psion plc and Non-Executive Director of NetDimensions, the talent management technology platform

Committees:
Chairman of the Nominations Committee and Member of the Remuneration and Audit Committees

External Appointments:
Executive Chairman at FireAngel Safety Technology plc and Non-Executive Chairman at Wameja plc

Skills brought to the board:
Over 30 years IT industry knowledge and significant executive and non-executive Board level experience of AIM listed businesses

Number of Board meetings attended in 2020:
8/8

Sector experience:
Technology software and services

David Firth (60)
Non-Executive Director

Appointment Date:
September 2016

Experience: Previously Finance Director of Penna Consulting for 16 years and Group Finance Director of Parity for 4 years

Committees:
Member of the Nominations Committee and Chairman of the Remuneration and Audit Committees

External Appointments:
Non-Executive Director at Best of the Best plc and Non-Executive Director at Summerway Capital plc and i-nexus Global plc

Skills brought to the board:
A wealth of experience in the people management and consultancy markets. Has held senior finance positions in public companies across a number of sectors

Number of Board meetings attended in 2020:
8/8

Sector experience:
People management, consultancy, finance, recruitment, IT services, motor retailing and advertising

Gerard Brandon (59)
Non-Executive Director

Appointment Date:
May 2020

Experience:
Founder and CEO of Alltracel Pharmaceuticals plc. Previously appointed as a Managing Partner for Farmabrand Private Equity and an Executive Consultant to Eplixo Limited. A Fellow of the Ryan Academy of Entrepreneurs in Dublin.

External Appointments:
CEO of DeepVerge plc and Non-Executive Chairman of Microsaic plc

Skills brought to the board:
A wealth of knowledge and expertise in leading AIM listed companies, both in senior executive and non-executive roles.

Number of Board meetings attended in 2020:
4/4

Sector experience:
Technology software, biotech, health, pharmaceutical, services and utilities

Matthew Bayfield (46)
Chief Executive Officer

Appointment Date:
February 2019

Experience:
Joined the senior management team of Parity in May 2018 having previously held positions as CEO of Field London, Head of Data for Ogilvy and Mather, and Managing Director and Founder of Tree London

Skills brought to the board:
Having a wealth of experience in the IT and data sector, and having successfully founded five start-up businesses with three taken through to trade sale, as well as held a senior position on the board of Ogilvy and Mather, the world's largest advertising agency

Number of Board meetings attended in 2020:
8/8

Sector experience:
IT services, management consulting and data consultancy

Mike Johns (50)
Chief Financial Officer

Appointment Date:
June 2020

Experience:
Previous work in the technology and data sectors across both financial and operational roles including CFO of SmartStream Technologies, CFO of Iris Financial Solutions, CEO of TIS Software and most recently CFO/COO at Oxford based 3D technology business Fuel3D

Skills brought to the board:
More than 20 years of board level experience, including of corporate transactions having completed a buy out, two trade sales, multiple fundraises and acquisitions. Experience in delivering growth and transformation strategies

Number of Board meetings attended in 2020:
3/3

Sector experience:
Fintech, biotech, enterprise software, IT services, data and mobile commerce

Corporate Social Responsibility Report

Employment policies

As a professional services business, Parity's strength derives from the commitment, capability and cultural diversity of its employees. The Group aims to adopt a policy of diversity at all levels including selection, role assignment, teamwork and individual career development.

The Group encourages the participation of all employees in the operation and development of the business by offering open access to senior management, including the Executive Directors, and adopting a policy of regular communications through road shows and the intranet.

The Group incentivises employees through share-based incentives and the payment of bonuses and commissions linked to performance objectives. Where appropriate these objectives are linked to profitability.

Health & Safety

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

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

- First aid — Each office has a person qualified in first aid. First aid boxes are readily accessible and records kept of all accidents and injuries.
- Fire safety — All Parity offices now operate from shared workspaces and we coordinate fire evacuation plans with local building management, agreeing evacuation assembly points for every location. Each office has at least one Parity evacuation marshal who will liaise with building management. Fire alarms are tested regularly.
- Employees' physical 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.
- Employees' mental health – During 2019 the Company put in place additional measures to support employees with mental health issues, including external training for selected members of staff so that they could act as mental health first aiders.

Much of 2020 was impacted by the Covid-19 pandemic. The Group followed all government guidelines in respect of working from home and operated strict Covid-secure policies during times offices were able to be occupied safely. All employees were supported with equipment to work effectively from home.

Annual Health and Safety audits are carried out at every Parity office to ensure high standards are maintained. Some audits have been delayed due to office access as a result of Covid-19.

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

Social responsibilities

It is Group policy to be a good corporate citizen wherever it operates. As part of the Group's social responsibility, employees are encouraged to support national charities and also become involved in their local communities and fundraising events.

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

Environmental policy

While the 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. All employees are supported to work from home as has been needed during the Covid-19 pandemic.

Energy

Only energy-efficient computers and devices 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.

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

Recycling

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

Paper usage

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

Corporate Social Responsibility Report

Ethics

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

Our values:

1. We're collaborative
2. We're curious
3. We have integrity
4. We bring a challenger spirit
5. We're focussed on commercial outcomes

Anti-Bribery Act

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

During 2020 no instances of bribery or corruption were reported or identified.

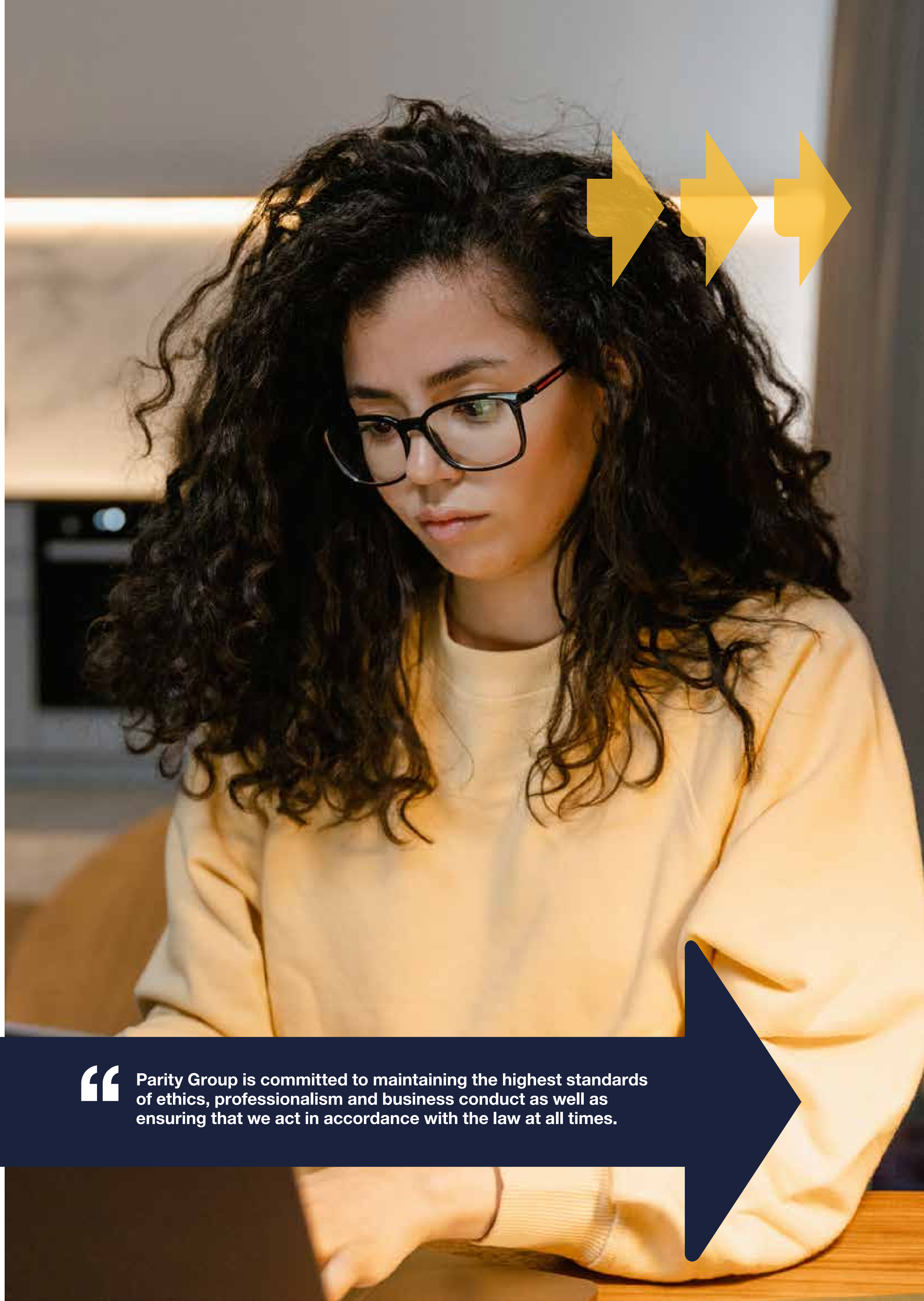
Modern Slavery Policy

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

- Supply Chain Review – we continue to take positive steps to improve supply chain transparency. Following the review of our policy and supply chain, we continue to believe that we operate a supply chain with a very low inherent risk of slave and human trafficking potential. Our supply chain is mainly made up of UK based suppliers of professional services, computer software and equipment, office supplies and our contractor and associate workers. Nevertheless, this assessment is kept under continual review and due diligence is conducted with any new suppliers.
- Staff Training – during 2019 we updated our training content provided to all new employees on the Modern Slavery Act 2015 and our Modern Slavery Policy as part of our onboarding programme to ensure all employees are aware of their responsibilities. During 2020 no instances of modern slavery were reported or identified.

“We are now operating in a truly digital economy sooner than we expected and Parity is extremely well placed to benefit from this, having spent the last two years successfully positioning the business as a specialist in the fast-growing data skills market with the experience and credentials to back that up.

Matthew Bayfield, Chief Executive Officer, Parity Group plc



“Parity Group is committed to maintaining the highest standards of ethics, professionalism and business conduct as well as ensuring that we act in accordance with the law at all times.

Remuneration Committee Report

Remuneration Committee

The Remuneration Committee comprises David Firth as Chairman and John Conoley. At the invitation of the Committee, other Directors may attend meetings however individual 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 Group's share option schemes. 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 benefits packages are competitive and appropriate. In addition, committee members keep themselves fully informed of all relevant developments and best practice by reference to the QCA's Remuneration Committee guide. Advice on share options 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 2020 are set out in the table on page 36.

Meetings

There were two meetings held during the year. Attendance at the meetings can be found in the table on page 22.

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 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 key elements of the remuneration package of senior executives, including Executive Directors, in the Group in 2020 were basic annual salary and benefits in kind, long term incentives including share options, and pension arrangements.

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

Performance bonus

The terms of an incentive bonus for Executive Directors are agreed annually. For 2020, performance targets were set and performance bonuses were earned by Executive Directors as set out in the table on page 36.

Share option schemes

During 2020 the Group operated the following types of share option scheme: the Company Share Option Plans, the EMI Share Option Plan and the Savings Related Share Option (Sharesave) Scheme.

Share Option Plans

The Group operates an HMRC Approved Share Option Plan and an EMI 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 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. The EMI Share Option Plan was established in September 2019 and Rules of the other Plans were renewed in September 2019. Rules of all Plans expire in September 2029.

Share options granted are exercisable in normal circumstances between three and ten years after the date of grant. The options are typically divided into 3 tranches per grant, with the exercise of each tranche of options conditional upon the share price outperforming a target price.

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

Share options awarded to the Executive Directors are disclosed in the table under the section Directors'

Remuneration Committee Report

Remuneration on page 37. All of the options awarded to the Executive Directors have vested or lapsed, with the exception of the following grants:

Prior to his appointment as an Executive director, on 5 February 2019 500,000 share options were awarded to Matthew Bayfield on 3 May 2018 as a member of senior management. The exercise price of the options is 13.25 pence and the share options granted have been divided into thirds with each third being subject to the following performance condition:

i) To exercise the first third (1/3 in total) of the share options awarded, the share price must be greater than or equal to 16.56 pence for 5 consecutive days.

ii) To exercise the second third (2/3 in total) of the share options awarded the share price must be greater than or equal to 19.88 pence for 5 consecutive days.

iii) To exercise the final third (100% in total) of the share options awarded the share price must be greater than or equal to 23.19 pence for 5 consecutive days.

On 18 April 2019 3,000,000 share options were awarded to Matthew Bayfield. The exercise price of the options is 7.75 pence and the share options granted have been divided into thirds with each third being subject to the following performance condition:

i) To exercise the first third (1/3 in total) of the share options awarded, the share price must be greater than or equal to 9.69 pence for 5 consecutive days.

ii) To exercise the second third (2/3 in total) of the share options awarded the share price must be greater than or equal to 11.63 pence for 5 consecutive days.

iii) To exercise the final third (100% in total) of the share options awarded the share price must be greater than or equal to 13.56 pence for 5 consecutive days.

On 23 April 2020 4,000,000 share options were awarded to Matthew Bayfield. The exercise price of the options is 7.75 pence and the share options granted have been divided into thirds with each third being subject to the following performance condition:

i) To exercise the first third (1/3 in total) of the share options awarded, the share price must be greater than or equal to 12.00 pence for 5 consecutive days.

ii) To exercise the second third (2/3 in total) of the share options awarded the share price must be greater than or equal to 15.00 pence for 5 consecutive days.

iii) To exercise the final third (100% in total) of the share options awarded the share price must be greater than or equal to 18.00 pence for 5 consecutive days.

On 24 November 2020 2,000,000 share options were awarded to Mike Johns. The exercise price of the options is 7.88 pence and the share options granted have been divided into thirds with each third being subject to the following performance condition:

i) To exercise the first third (1/3 in total) of the share options awarded, the share price must be greater than or equal to 12.00 pence for 5 consecutive days.

ii) To exercise the second third (2/3 in total) of the share options awarded the share price must be greater than or equal to 15.00 pence for 5 consecutive days.

iii) To exercise the final third (100% in total) of the share options awarded the share price must be greater than or equal to 18.00 pence for 5 consecutive days.

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

Sharesave Scheme

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

In May 2018, the Group made a grant of options under the Sharesave Scheme. Options were granted in conjunction with a three-year savings contract, up to a monthly limit of £250. Options were granted at a discount of less than 10% to the market price. No options were granted under the Sharesave Scheme in 2020. None of the Directors held options under the Sharesave Scheme at 31 December 2020.

Share price

The Parity Group plc mid-market share price on 31 December 2020 was 9.00 pence. During the period 1 January 2020 to 31 December 2020 shares traded at market prices between 4.75 pence and 10.25 pence.

Directors' pension information

Executive Directors are entitled to a contributory company pension contribution of 5% of basic salary.

Non-Executive Directors' remuneration

The Board determines the remuneration of the Non-Executive Directors with the benefit of independent advice when required. The fees are set at a level which will attract individuals with the necessary

experience and ability to make a significant contribution to the Group and are benchmarked against those fees paid by other UK listed companies.

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

Service contracts and letters of appointment

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

Contractual arrangements for current Directors are summarised below:

Director	Contract date	Notice period	Contractual termination payment
John Conoley	27 April 2017	3 months	3 months rolling
David Firth	31 May 2016	n/a	n/a
Gerard Brandon	1 May 2020	3 months	n/a
Matthew Bayfield	5 February 2019	12 months	12 months rolling
Mike Johns	8 June 2020	6 months	6 months rolling

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.

Remuneration Committee Report

Directors' remuneration

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

	Salary/ fees 2020 £'000	Bonus 2020 £'000	Benefits 2020 £'000	Total emoluments 2020 £'000	Compensation for loss of office 2020 £'000	Company pension Contributions[6] 2020 £'000	Share-based payments 2020 £'000
Executive Directors							
Matthew Bayfield	214	11	12	237	-	11	55
Mike Johns[1]	98	-	7	105	-	3	1
Roger Antony[2]	102	-	10	112	87	3	23
Non-Executive Directors							
John Conoley	57	-	-	57	-	-	-
David Firth	43	-	-	43	-	-	-
Gerard Brandon[3]	23	-	-	23	-	-	-
Total emoluments	537	11	29	577	87	17	79

	Salary/ fees 2019 £'000	Bonus 2019 £'000	Benefits 2019 £'000	Total emoluments 2019 £'000	Compensation for loss of office 2019 £'000	Company pension Contributions [6] 2019 £'000	Share-based payments 2019 £'000
Executive Directors							
Matthew Bayfield [4]	206	-	11	217	-	10	30
Roger Antony	159	-	12	171	-	8	23
Alan Rommel [5]	54	-	3	57	230	2	76
Non-Executive Directors							
John Conoley	60	-	-	60	-	-	-
David Firth	45	-	-	45	-	-	-
Total emoluments	524	-	26	550	230	20	129

1. Mike Johns was appointed as a Board Director on 8 June 2020
2. Roger Antony resigned as a Board Director on 30 June 2020
3. Gerard Brandon was appointed as a Board Director on 1 May 2020. Accrued fees will be settled by the issue of ordinary shares in the Company. At 31 December 2020, approximately 300,000 ordinary shares were due
4. Matthew Bayfield was appointed as a Board Director on 5 February 2019
5. Alan Rommel resigned as a Board Director on 9 April 2019
6. 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 2020	Lapsed/ surrendered in the year	Exercised in the year	Awarded in the year	As at 31 December 2020	Exercise period	Exercise price per share
Matthew Bayfield							
Executive share option plan							
2018	500,000	-	-	-	**500,000**	2021-2028	£0.1325
2019	3,000,000	-	-	-	**3,000,000**	2022-2029	£0.0775
2020	-	-	-	4,000,000	**4,000,000**	2023-2030	£0.0775
Sub-total	3,500,000	-	-	4,000,000	**7,500,000**		
Mike Johns[1]							
Executive share option plan							
2020	-	-	-	2,000,000	**2,000,000**	2023-2030	£0.0788
Sub-total	-	-	-	2,000,000	**2,000,000**		
Total	**3,500,000**	**-**	**-**	**6,000,000**	**9,500,000**		

1. Mike Johns was appointed as a Board Director on 8 June 2020

Remuneration Committee Report

Directors’ interests in shares

The beneficial interests of the Directors who were serving at 31 December 2020 and their families in the ordinary share capital of the Company are shown below:

	Shareholding at 31 December 2019	% issued share capital	**Shareholding at 31 December 2020**	**% issued share capital**
John Conoley	194,636	0.19	**345,274**	**0.34**
David Firth	200,000	0.19	**200,000**	**0.19**
Gerard Brandon			**120,000**	**0.12**
Matthew Bayfield	51,282	0.05	**51,282**	**0.05**
Mike Johns			-	-

For and on behalf of the Board

David Firth
Chairman of The Remuneration Committee
20 April 2021

“ **Data has enormous potential to be a positive force for change, both for society and commerce.**

Audit Committee Report

Audit Committee

The Audit Committee is a sub-committee of the Board, and comprises David Firth as Chairman, and John Conoley. Both David Firth and John Conoley are Non-Executive Directors and are considered to be independent by the Board. Their biographies can be found on page 26.

The Audit Committee meets at least three times a year. Audit Committee meetings are attended by the external auditors and 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 wrongdoing 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.

Meetings

There were three meetings held during the year. Attendance at the meetings can be found in the table on page 22.

Matters considered

During the year, the Committee:

- reviewed the annual and interim report and financial statements of the Group, and the clarity of disclosures made;
- reviewed the significant judgements and estimates within the financial statements;
- oversaw the relationship with the external auditor, including a review of the external auditor's findings during the audit in relation to the year ended 31 December 2019;
- reviewed the external auditor's Audit Plan in relation to the year ended 31 December 2020; and
- reviewed the Board's compliance with Section 172 of the Companies Act.

External Auditor

The audit in relation to the year ended 31 December 2019 was Grant Thornton's second audit of the Company since appointment in 2018. The Audit Committee took feedback with regard to the conduct of the audit from both Grant Thornton and the Chief Financial Officer. Neither party reported any performance or cooperation issues.

Internal audit

The Group does not consider it necessary to have a separate internal audit function due to the Group's size and its centralised administrative function but keeps this need under review. The Company receives regular feedback from its external auditors on the effectiveness of its internal controls and aims to implement any improvements identified.

Significant issues relating to the Financial Statements

The Audit Committee reviewed the following issues in relation to the financial statements for the year under review:

Judgements and estimates

The Committee reviewed the executive management's assessments and noted that:

- a clear distinction had been made between judgements and estimates;
- the only significant areas of judgement were revenue recognition (including accrued income) and deferred tax asset recognition;
- there were no other judgements made that had a significant effect on amounts recognised in the accounts; and
- estimates were limited to those assumptions that carried a significant risk of a material adjustment to the carrying values of asset and liabilities within the next financial year.

Going concern

The Committee reviewed a paper prepared by executive management in support of the going concern statement. The paper included sensitivity analysis comprising different downside scenarios of the Group's financial projections. It was noted that the projections and scenarios for the period to 31 December 2022 demonstrated sufficient facility headroom.

Parity annual report and accounts 2020

Retirement benefit liability

The Committee reviewed the assumptions made in relation to the accounting for the Group's defined benefit pension scheme and were satisfied that these were in line with recognised market practice.

Deferred taxation

The Committee reviewed a paper prepared by the Finance team and noted that:

- the assumptions used around recoverability of the assets were the same assumptions used for the valuation of goodwill; and
- brought forward tax losses in the Consultancy legal entity were unrecognised, consistent with the prior year, which was considered appropriate in view of current trading in the division.

Investments in subsidiaries and intercompany receivables

The Committee reviewed the workings behind recoverability of these balances, including assumptions made in relation to the discounted cash flows of the subsidiaries and were satisfied that they were reasonable and in line with the assumptions used for the valuation of goodwill.

Valuation of goodwill

The Committee reviewed the executive management's support of the carrying value of Goodwill in the Group's two cash generating units (CGUs). The Committee noted that:

- the discounts rates applied were commensurate with rates used within the Group's peer group;
- cash flow projections were based upon prudent growth projections; and
- the sensitivity analysis demonstrated that both CGUs had sufficient headroom to absorb the possible impact of key sensitivities.

David Firth
Chairman of The Audit Committee
20 April 2021

"I left Accenture and joined Parity as I was impressed with its ability to connect data skills to the organisations that need them in a number of ways: as a recruited workforce, via discrete projects, as a managed service, or in an advisory capacity. In a labour market where resources are scarce, Parity are uniquely placed to help our clients win the war for talent that drives their digital transformation.

Kevin Gould - Commercial Director, Parity Group plc

Directors' Report

The Directors present their report and the audited accounts for the year ended 31 December 2020.

Principal activities

The Group delivers a range of recruitment and data and technology solutions to clients across the public and private sectors.

Recruitment services include predominately interim recruitment to a diverse range of clients delivered to central and local government within the public sector and retail, housing, utilities and education in the private sector. Data and technology solutions include data consultancy services and business intelligence solutions delivered to central government departments in the public sector and to FMCG, health and food services 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 revenue, operating profit, debtor days and net cash, and the principal risks and uncertainties facing the Group is included in the Chairman's Report, Chief Executive's Statement and the Operational and Financial Review on pages 6 to 16. The Group's social, environmental and ethical policies are set out on pages 28 to 30. A statement on the application of the going concern principle is set out below. Details of financial instruments are set out in note 20 to the financial statements. Each of the above is incorporated in this report by reference.

Group results

The Group loss before tax for the year was £0.33m (2019: £1.06m). After a tax charge of £0.15m (2019: £0.03m), the retained loss of £0.47m (2019: £1.08m) has been transferred from reserves. The results for the year are set out in the consolidated income statement on page 60.

Dividends

The Directors do not recommend a final dividend (2019: nil pence per ordinary share). The total dividends for the year were nil pence per ordinary share (2019: nil pence per ordinary share).

Pension

The Group operates a defined contribution pension scheme. There is also a defined benefit scheme which is closed both to new members and to future service accrual. Details of the defined benefit pension scheme are given in note 22.

Purchase of own shares

At the end of the year, the Company had authority, under the shareholders' resolution of 11 June 2020, to purchase in the market 10,262,402 of the Company's ordinary shares at prices ranging between two pence and an amount equal to 105% of the average of the middle market prices quoted in the five business days immediately preceding the day of purchase. No purchases were made during the year. The Directors intend to seek renewal of this authority at the forthcoming Annual General Meeting.

Board of Directors

Biographical information on each of the Directors as at 20 April 2021 is set out on page 26, together with details of membership of the Board committees.

The Company's Articles of Association require that at least one Director will retire from office by rotation and seek reappointment at the next AGM.

Directors' interests

The Directors' beneficial interests in the ordinary share capital of the Company are set out within the remuneration report on page 38.

Principal shareholders

As at 30 March 2021 (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 as shown in the table below.

Capital structure

The Company has one class of share in issue, ordinary shares of 2p. The shares are listed on the London Stock Exchange and shareholders are entitled to vote at Company meetings, to receive dividends and to the return of their capital in the event of liquidation.

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

On 20 April 2021, the Group signed an agreement with Leumi ABL for a new 3-year £9m asset-based lending facility. The new facility increases the amounts that can be borrowed against billed and unbilled receivables and it is expected that the terms will reduce annual borrowing costs. The increase in amounts that can be borrowed will give the group greater flexibility.

The financial statements have been prepared on a going concern basis. The Directors have reviewed the Group's cash flow forecasts for the period to 31 December 2022, taking account of reasonably possible changes in trading performance, including potential downsides from the ongoing impact of Covid-19. Downside sensitivities have included reduced levels of new business and in these scenarios, the Directors do not anticipate issues with the Group's financing requirements. The Group also modelled available headroom under the new facility and consider that the new facility comfortably meets the Group's financing requirements.

The Company is not party to any significant agreements that take effect, alter or terminate upon a change of control of the Company following a takeover bid, except for the finance facility agreement. 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.

	Number of ordinary 2p shares	Percentage held
Helium Rising Stars Fund	23,712,851	23.1%
Timothy Watts	15,501,500	15.1%
Barclays Wealth	6,555,098	6.4%
David Courtley	6,519,786	6.4%
Dominion Holdings	4,665,335	4.5%
Interactive Investor	4,179,372	4.1%
John Cawthorne	3,566,957	3.5%
Citrine Investments	3,558,766	3.5%
Redmayne Bentley	3,405,468	3.3%
Hargreaves Lansdown	3,144,327	3.1%

Payments to suppliers

The Group seeks to abide by the payment terms agreed with suppliers when it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. In the United Kingdom and Ireland the Group agrees payment terms with its suppliers when it enters into binding purchase contracts.

Corporate social responsibility

The Group recognises its corporate social responsibilities and reports on these in a separate statement of social, environmental and ethical policies on pages 28 to 30. This statement covers the Group's Employment Policies, Environmental Policy and Health and Safety Policy.

Streamlined energy and carbon reporting (SECR)

The Group has estimated its energy use

Directors' Report

for the year under the SECR guidelines and consider the Company and subsidiaries in the Group to have been low energy users for the year.

Directors' and officers' liability insurance and indemnity

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

Political donations

There were no political donations made by the Group during the year (2019: none).

Corporate Governance

The Corporate Governance Report on pages 20 to 24 forms part of the Directors' Report.

Auditor

Pursuant to section 489 of the Companies Act 2006, resolutions will be proposed at the 2021 Annual General Meeting to reappoint Grant Thornton UK LLP as auditor to the Company and to authorise the Directors to determine their remuneration.

Annual General Meeting

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

By order of the Board

Mike Johns
Director
20 April 2021

> **With more remote working, data security has become of paramount importance for almost all businesses, increasing the demand for support and skills around data which Parity provides.**
>
> ***John Conoley, Non-Executive Chairman, Parity Group plc***

Statement of Directors' Responsibilities

Statement of Directors' responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards 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 accounting estimates that are reasonable and prudent;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on the Parity Group website. Financial statements are published on the Company's website in accordance with AIM company requirements governing the preparation and dissemination of financial statements. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Internal control

The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness and is assisted in this respect by the Audit Committee. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Group's system of internal control, which 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 Chief Financial Officer. Certain risks are managed centrally, while others are managed locally following guidelines communicated from the centre. The policies for each of the above risks, and the nature and extent of those risks, are described in detail in note 20 to the financial statements. Other risks and uncertainties are discussed on page 15.

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.

John Conoley
Non-Executive Chairman
20 April 2021

Independent Auditor's Report

Independent auditor's report to the members of Parity Group plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Parity Group plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2020, which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and Company statements of changes in equity, the Consolidated and Company statements of financial position, the Consolidated and Company statements of cash flows and notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group or the parent company to cease to continue as a going concern.

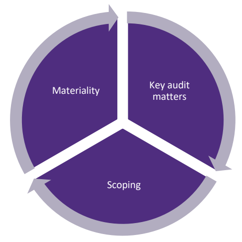
A description of our evaluation of management's assessment of the ability to continue to adopt the going concern basis of accounting, and the key observations arising with respect to that evaluation is included in the key audit matters section of our report.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Our approach to the audit



Overview of our audit approach

Overall materiality:

Group: £292,000, which represents approximately 0.5% of the Group's revenue.

Parent company: £219,000, which represents 2% of the parent company's total assets, capped at 75% of Group materiality.

Key audit matters were identified as:

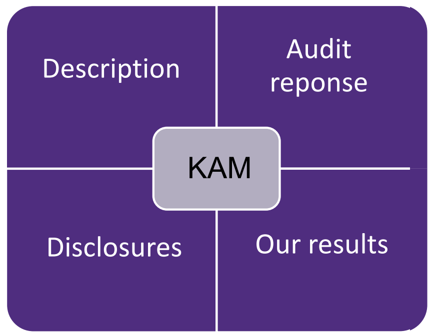
- Going concern (new)
- Revenue recognition (same as previous year)
- Accrued income (included in revenue recognition in previous year)

Our auditor's report for the year ended 31 December 2019 included one key audit matter that has not been reported as a key audit matter in our current year's auditor's report. This related to 'Transition to IFRS 16 "Leases"', which occurred in the previous year and is therefore no longer relevant for the current year.

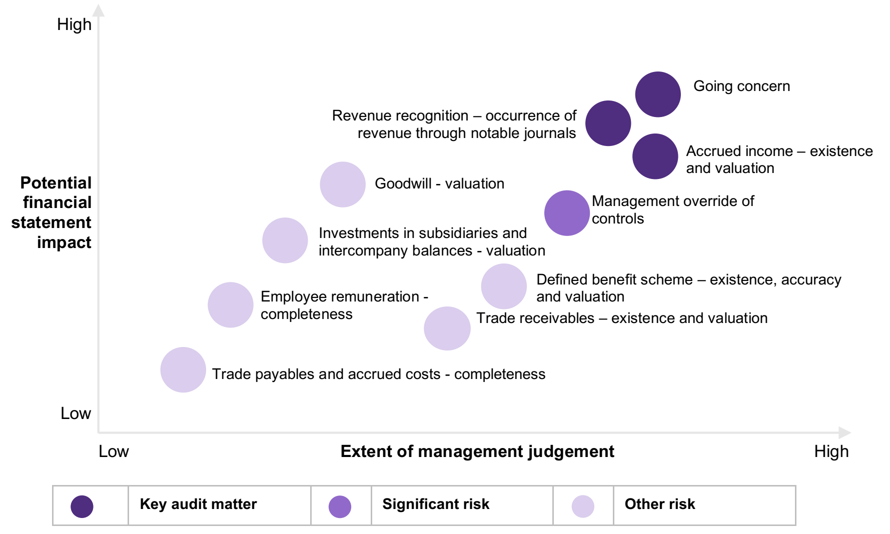
Our full-scope audit work performed on the financial information of components covered 100% of the revenue generated by the Group for the year, 100% of the Group's total assets at the year-end and 100% of the loss before tax of the Group for the year.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



Key Audit Matter – Group	How our scope addressed the matter – Group
Going concern We identified going concern as one of the most significant assessed risks of material misstatement due to error. Covid-19 is amongst the most significant economic events currently faced by the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty. This event could adversely impact the future trading performance of the Group and the parent company and as such increases the extent of judgement and estimation uncertainty associated with management's decision to adopt the going concern basis of accounting in the preparation of the financial statements.	In responding to the key audit matter, we performed the following audit procedures: • We considered the inherent risks associated with the Group's and the parent company's business model including effects arising from macro-economic uncertainties such as Covid-19; • Obtaining management's base case cash flow forecasts covering the period from 1 January 2021 to 31 December 2022, assessing how these cash flow forecasts were compiled and assessing their appropriateness by applying relevant sensitivities to the underlying assumptions and challenging those assumptions; • Assessing the accuracy of management's past forecasting by comparing management's forecasts for last year to the actual results for last year and considering the impact on the base case cash flow forecast; • Obtaining management's worst-case scenario prepared to assess the ongoing potential impact of Covid-19 on the business. We considered whether the assumptions are consistent with our understanding of the business derived from other detailed audit work undertaken; • Assessing the impact of the mitigating factors available to management in respect of the ability to restrict cash impact, including the level of available facilities; and • Assessing the adequacy of related disclosures within the report and accounts 2020.
Relevant disclosures in the Report and Accounts 2020 • Financial statements: Note 1 - Accounting policies; and • Audit committee report: Significant issues relating to the Financial Statements	**Our results** We have nothing to report in addition to that stated in the 'Conclusions relating to going concern' section of our report.

Key Audit Matter – Group	How our scope addressed the matter – Group
Revenue recognition We identified revenue recognition as one of the most significant assessed risks of material misstatement due to fraud. Under ISA (UK) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', there is a presumed risk that there are risks of fraud in revenue recognition. The revenue recognised by the Group is one of the key factors that impacts EBITDA and is a key performance indicator for the Group. Revenue is recognised in accordance with the Group's accounting policy and International Financial Reporting Standard (IFRS) 15 "Revenue from Contracts with Customers". The Group has two separate revenue streams relating to its public and private sector clients: • Provision of recruitment services; and • Provision of consultancy services. The majority of revenues across the Group are considered non-complex. Notable journals outside of the normal business process therefore pose a risk of fraud due to their unusual nature.	In responding to the key audit matter, we performed the following audit procedures: • Assessing whether the accounting policies adopted by the directors are in accordance with the requirements of IFRS 15, and whether management accounted for revenue in accordance with the accounting policies. <u>Provision of recruitment services</u> • Using audit data analytics techniques to identify journal entries and other transactions where revenue and receivables transactions had a financial impact on unexpected balances or classes of transactions; and • Substantively testing revenue transactions from the provision of recruitment services by agreeing a sample of sales invoices to timesheets, remittance, and bank receipts, or alternative evidence where appropriate. <u>Provision of consultancy services</u> • Obtaining and checking the reconciliation between the sales invoice listing to the trial balance; and • Substantively testing revenue and journal transactions by agreeing a sample of sales invoices to bank receipt and remittance, or alternative evidence where the invoice was not paid during the year.
Relevant disclosures in the Report and Accounts 2020 • Financial statements: Note 1 - Accounting policies • Audit committee report: Significant issues relating to the Financial Statements	**Our results** Our audit work did not identify any material adjustments in relation to revenue recognition.

Key Audit Matter – Group	How our scope addressed the matter – Group
Accrued income We identified accrued income as one of the most significant assessed risks of material misstatement due to error. Accrued income primarily arises where temporary workers have provided their services but approved timesheets are outstanding. As such, the amount incurred and margin earned thereon has yet to be invoiced onto the client. In making an accrual for time worked by contractors at the year-end date, management make an estimate of the time worked based on knowledge of the contracts in place, the number of working days outstanding and experience adjustments from prior periods. This estimation uncertainty has resulted in the audit team identifying accrued income as a significant risk.	In responding to the key audit matter, we performed the following audit procedures: • Assessing whether the accounting policies adopted by the directors are in accordance with the requirements of IFRS 15, and whether management accounted for revenue in accordance with the accounting policies; • Obtaining management's reconciliation of accrued income to the trial balance at year-end and testing significant reconciling items; • Testing a sample of accrued income at year-end to underlying documentation, including where relevant subsequent invoice and receipt; and • Challenging management's assumptions underpinning the recognition of accrued income
Relevant disclosures in the Report and Accounts 2020 • Financial statements: Note 1 - Accounting policies; and • Audit committee report: Significant issues relating to the Financial Statements	**Our results** Our audit work did not identify any material adjustments in relation to accrued income.

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

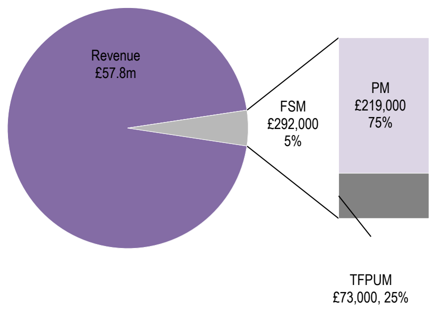
Materiality was determined as follows:

Materiality measure	Group	Parent company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£292,000, which represents approximately 0.5% of the Group's revenue.	£219,000, which represents 2% of the parent company's total assets, capped at 75% of Group materiality, being its component materiality.
Significant judgements made by auditor in determining the materiality	In determining materiality, we made the following significant judgments: • Revenue is considered to be the most appropriate benchmark for the Group because there is considerable volatility in loss before tax. • Revenue is also a key performance indicator for the Group. Materiality for the current year is lower than the level that we determined for the year ended 31 December 2019 to reflect the decrease in the Group's revenue for the year.	In determining materiality, we made the following significant judgments: • Total assets is is considered to be the most appropriate benchmark for the parent company as the parent company's purpose is that of holding investments in the Group's subsidiary companies. The parent company does not undertake any trading activities. • We have capped materiality at 75% of Group materiality. Materiality for the current year is lower than the level that we determined for the year ended 31 December 2019 to reflect the capping at 75% of the Group's revenue for the year, which was lower, despite the parent company's total assets being higher at the year-end.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£219,000, which is 75% of the Group's financial statement materiality.	£164,000, which is 75% of the parent company's financial statement materiality.
Significant judgements made by auditor in determining the performance materiality	In determining performance materiality, we made the following significant judgments: • Our risk assessment – based on the results of our risk assessment procedures, we considered the Group's overall control environment to be effective; • Our experience with auditing the financial statement of the Group in previous years – based on the number of identified misstatements in the prior year audit and management's attitude to	In determining performance materiality, we made the following significant judgments: • Our risk assessment – based on the results of our risk assessment procedures, we considered the parent company's overall control environment to be effective; and • Our experience with auditing the financial statement of the parent company in previous years – based on the number of identified misstatements in the prior year audit and management's attitude

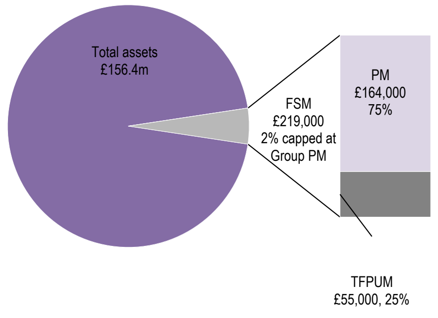
Materiality measure	Group	Parent company
	correcting misstatements identified; and • The number of components within the Group and the extent of audit procedures planned and performed at these components.	to correcting misstatements identified.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality threshold	We determined a lower level of specific materiality for the following areas: • Related party transactions; and • Directors' remuneration and transactions with directors.	We determined a lower level of specific materiality for the following areas: • Related party transactions; and • Directors' remuneration and transactions with directors.
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£15,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£8,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – Group



Overall materiality – Parent company



FSM: Financial statements materiality, PM: Performance materiality, TFPUM: Tolerance for potential uncorrected misstatements

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the Group's and the parent company's business and in particular matters related to:

Understanding the Group, its components, and their environments, including group-wide controls

- obtaining an understanding of the Group and its environment, including group-wide controls, and assessed the risks of material misstatement at the Group level; and
- obtaining an understanding the centralised Group financial reporting system and the changes in accounting system during the year.

Identifying significant components

- we evaluated the identified components to assess their significance and to determine the planned audit response based on a measure of materiality;
- we determined that two of the trading subsidiaries (Parity Professionals Limited and Parity Consultancy Services Limited) required full-scope audits of their financial information for Group purposes; and
- the Group engagement team determined the materiality for each component, which ranged from £175,000 to £263,000, according to the of size and risk profile of the component.

Performance of our audit

- all audit work was carried out by the Group engagement team remotely;
- we completed audit procedures in advance of the year-end work, focussing on revenue and payroll testing; and
- full-scope audit procedures covered 100% of the revenue generated by the Group for the year, 100% of the Group's total assets at the year-end and 100% of the loss before tax of the Group for the year.

Other information

The directors are responsible for the other information. The other information comprises the information included in the report and accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of how the Group and the parent company are complying with the legal and regulatory frameworks by making enquiries of management. We corroborated our enquiries through our review of board minutes and discussions with the Audit Committee;
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and the parent company and determined that the most significant in the context of the Group are those related to the financial reporting framework, being international accounting standards in conformity with the requirements of the Companies Act 2006, the Companies Act 2006 and the QCA Corporate Governance Code;
- In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to health and safety, employee matters, environmental, and bribery and corruption practices;
- We assessed the susceptibility of the Group's and the parent company's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
    - journal entries that increased revenues; and
    - potential management bias in determining accounting estimates, especially in relation to accrued income.
- Our audit procedures included:
    - obtaining an understanding of the design and implementation of controls that management has in place to prevent and detect fraud;
    - journal entry testing, with a focus on material manual journals, including those with unusual account combinations and those posted directly to the consolidation that increased revenue;
    - challenging assumptions and judgements made by management in its significant accounting estimates; and
    - testing the completeness of the Group's related party transactions.
- In addition, we completed audit procedures to conclude on the compliance of disclosures in the report and accounts with the applicable financial reporting framework requirements;
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- The engagement partner assessed whether the Group engagement team collectively had the appropriate competence and capabilities to identify and recognise non-compliance with laws and regulations through assessment of the team's:
    - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation; and
    - knowledge of the industry in which the client operates.

Use of our report

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.

Grant Thornton UK LLP

Marc Summers, BSc (Hons), FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
LONDON
20 April 2021

Section three
Accounts, notes and other information

Contents

Consolidated Income Statement for the year ended 31 December 2020

	Notes	2020 £'000	2019 (Restated[2]) £'000
Revenue	3	**57,827**	80,409
Contractor costs	4	**(52,266)**	(72,302)
External contribution		**5,561**	8,107
Operating costs before non-underlying items	4	**(5,091)**	(7,660)
Operating profit before non-underlying items		**470**	447
Non-underlying items	5	**(447)**	(1,172)
Operating profit/(loss)		**23**	(725)
Finance costs	7	**(348)**	(332)
Loss before tax		**(325)**	(1,057)
Analysed as:			
Adjusted profit before tax[1]		**122**	115
Non-underlying items	5	**(447)**	(1,172)
Tax charge	9	**(145)**	(25)
Loss for the year attributable to owners of the parent		**(470)**	(1,082)

Loss per share			
Basic	10	**(0.46p)**	(1.05p)
Diluted	10	**(0.46p)**	(1.05p)

All activities comprise continuing operations.

1 Adjusted profit before tax is a non-IFRS alternative performance measure, defined as profit before tax and non-underlying items.

2 The income statement has been presented by function rather than nature. Refer to Note 1 Accounting Policies under 'Presentation of income statement'

The notes on pages 68 to 97 form part of the financial statements.

Consolidated Statement of Comprehensive Income for the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Loss for the year		**(470)**	(1,082)
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Remeasurement of defined benefit pension scheme	22	**1,041**	931
Deferred taxation on remeasurement of defined pension scheme	15	**(198)**	(158)
Other comprehensive income for the year after tax		**843**	773
Total comprehensive income/(expense) for the year attributable to owners of the parent		**373**	(309)

The notes on pages 68 to 97 form part of the financial statements.

Statements of Changes in Equity for the year ended 31 December 2020

Consolidated	Share capital £'000	Share premium reserve £'000	Capital redemption reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 January 2020	2,053	33,244	14,319	34,560	(77,753)	6,423
Share options – value of employee services	-	-	-	-	90	90
Transactions with owners	-	-	-	-	90	90
Loss for the year	-	-	-	-	(470)	(470)
Remeasurement of defined benefit pension scheme	-	-	-	-	1,041	1,041
Deferred taxation on remeasurement of defined pension scheme taken directly to equity	-	-	-	-	(198)	(198)
At 31 December 2020	2,053	33,244	14,319	34,560	(77,290)	6,886

Consolidated	Share capital £'000	Share premium reserve £'000	Capital redemption reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 31 December 2018	2,053	33,244	14,319	34,560	(77,612)	6,564
Adoption of IFRS 16	-	-	-	-	6	6
Revised at 1 January 2019	2,053	33,244	14,319	34,560	(77,606)	6,570
Share options – value of employee services	-	-	-	-	162	162
Transactions with owners	-	-	-	-	162	162
Loss for the year	-	-	-	-	(1,082)	(1,082)
Remeasurement of defined benefit pension scheme					931	931
Deferred taxation on remeasurement of defined pension scheme taken directly to equity	-	-	-	-	(158)	(158)
At 31 December 2019	2,053	33,244	14,319	34,560	(77,753)	6,423

Statements of Changes in Equity for the year ended 31 December 2020 (continued)

Company	Share capital £'000	Share premium reserve £'000	Capital redemption reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 January 2020	2,053	33,244	14,319	13,129	(51,912)	10,833
Share options – value of employee services	-	-	-	-	71	71
Transactions with owners	-	-	-	-	71	71
Loss for the year	-	-	-	-	(2,909)	(2,909)
At 31 December 2020	2,053	33,244	14,319	13,129	(54,750)	7,995

Company	Share capital £'000	Share premium reserve £'000	Capital redemption reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 January 2019	2,053	33,244	14,319	13,129	(52,047)	10,698
Share options – value of employee services	-	-	-	-	121	121
Transactions with owners	-	-	-	-	121	121
Profit for the year	-	-	-	-	14	14
At 31 December 2019	2,053	33,244	14,319	13,129	(51,912)	10,833

The notes on pages 68 to 97 form part of the financial statements.

Statements of Financial Position as at 31 December 2020

Company number 3539413

	Notes	Consolidated 2020 £'000	Consolidated 2019 £'000	Company 2020 £'000	Company 2019 £'000
Assets					
Non-current assets					
Goodwill	11	**4,594**	4,594	**-**	-
Other intangible assets	12	**6**	32	**-**	-
Property, plant and equipment	13	**23**	43	**-**	-
Right-of-use assets	14	**247**	395	**-**	-
Trade and other receivables	16	**87**	-	**134,662**	131,946
Investments in subsidiaries	27	**-**	-	**20,527**	20,527
Deferred tax assets	15	**627**	970	**-**	-
Retirement benefit asset	22	**208**	-	**-**	-
Total non-current assets		**5,792**	6,034	**155,189**	152,473
Current assets					
Trade and other receivables	16	**6,062**	6,739	**925**	2,130
Cash and cash equivalents		**3,172**	4,116	**301**	117
Total current assets		**9,234**	10,855	**1,226**	2,247
Total assets		**15,026**	16,889	**156,415**	154,720
Liabilities					
Current liabilities					
Loans and borrowings	17	**(2,941)**	(2,719)	**-**	-
Lease liabilities	14	**(321)**	(325)	**-**	-
Trade and other payables	18	**(4,610)**	(6,012)	**(13,944)**	(14,357)
Provisions	19	**(139)**	(324)	**-**	-
Total current liabilities		**(8,011)**	(9,380)	**(13,944)**	(14,357)
Non-current liabilities					
Lease liabilities	14	**(87)**	(173)	**-**	-
Trade and other payables	18	**-**	-	**(134,476)**	(129,530)
Provisions	19	**(42)**	(21)	**-**	-
Retirement benefit liability	22	**-**	(892)	**-**	-
Total non-current liabilities		**(129)**	(1,086)	**(134,476)**	(129,530)
Total liabilities		**(8,140)**	(10,466)	**(148,420)**	(143,887)
Net assets		**6,886**	6,423	**7,995**	10,833

Statements of Financial Position as at 31 December 2020 (continued)

	Notes	Consolidated 2020 £'000	Consolidated 2019 £'000	Company 2020 £'000	Company 2019 £'000
Shareholders' equity					
Called up share capital	23	**2,053**	2,053	**2,053**	2,053
Share premium reserve	21	**33,244**	33,244	**33,244**	33,244
Capital redemption reserve	21	**14,319**	14,319	**14,319**	14,319
Other reserves	21	**34,560**	34,560	**13,129**	13,129
Retained earnings	21	**(77,290)**	(77,753)	**(54,750)**	(51,912)
Total shareholders' equity		**6,886**	6,423	**7,995**	10,833

In accordance with Section 408 of the Companies Act 2006, the Company has not presented its own income statement or statement of comprehensive income. The loss for the year dealt with in the accounts of the Company was £2,909,000 (2019: profit of £14,000).

The notes on pages 68 to 97 form part of the financial statements.

Approved by the Directors and authorised for issue on 20 April 2021.

Matthew Bayfield
Chief Executive Officer

Mike Johns
Chief Financial Officer

Statements of Cash Flows for the year ended 31 December 2020

		Consolidated		Company	
	Notes	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Operating activities					
(Loss)/profit for the year		(470)	(1,082)	(2,909)	14
Adjustments for:					
Net finance expense	7	348	332	1,902	(1,446)
Share-based payment expense	8	90	162	71	121
Income tax charge/(credit)	9	145	25	(130)	(334)
Amortisation of intangible assets	12	26	52	-	-
Depreciation of property, plant and equipment	13	20	56	-	-
Depreciation and impairment of right-of-use assets	14	540	840	-	-
Loss on write down of assets	13	-	16	-	-
Lease liability credit	14	(21)	-	-	-
		678	401	(1,066)	(1,645)
Working capital movements					
Decrease in trade and other receivables	16	764	5,233	1	1
(Decrease)/increase in trade and other payables	18	(1,402)	(2,249)	20	39
(Decrease)/increase in provisions	19	(165)	282	-	-
Payments to retirement benefit plan	22	(325)	(249)	-	-
Net cash flows (used in)/from operating activities		(450)	3,418	(1,045)	(1,605)
Investing activities					
Purchase of property, plant and equipment	13	-	(44)	-	-
Net cash flows used in investing activities		-	(44)	-	-
Financing activities					
Drawdown/(repayment) of finance facility	17	222	(4,192)	-	-
Principal repayment of lease liabilities	14	(649)	(764)	-	-
Net movements on intercompany funding		-	-	1,296	1,466
Interest paid	7	(67)	(131)	(67)	(131)
Net cash flows (used in)/from investing activities		(494)	(5,087)	1,229	1,335
Net (decrease)/increase in cash and cash equivalents		(944)	(1,713)	184	(270)
Cash and cash equivalents at the beginning of the year		4,116	5,829	117	387
Cash and cash equivalents at the end of the year		3,172	4,116	301	117

The notes on pages 68 to 97 form part of the financial statements.

Notes to the Financial Statements for the year ended 31 December 2020

1 Accounting policies

Basis of preparation

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

Both the parent company financial statements and the Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards (IFRS) in conformity with the requirements of the Companies Act 2006. On publishing the parent company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in Section 408 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 Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report (Review of business and future developments). The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Operational and Financial Review on page 10 and in note 20 to the financial statements. Note 20 also includes the Group's objectives for managing capital.

As outlined in note 20, the Group meets its day to day working capital requirements through an asset-based finance facility. The facility contains certain financial covenants which have been met throughout the period. On 20 April 2021, the Group signed an agreement with Leumi ABL for a new 3-year £9m asset-based lending facility. The new facility increases the amount that can be borrowed against billed and unbilled receivables and it is expected that the new terms will reduce annual borrowing costs. The increase in amounts that can be borrowed will give the Group greater flexibility.

The financial statements have been prepared on a going concern basis. The Directors have reviewed the Group's cash flow forecasts for the period to 31 December 2022, taking account of reasonably possible changes in trading performance, including potential downsides from the ongoing impact of Covid-19. Downside sensitivities have included reduced levels of new business and in these scenarios, the Directors do not anticipate issues with the Group's financing requirements.

The Group also modelled available headroom under the new facility and consider that the new facility comfortably meets the Group's financing requirements.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2020. 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.

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

In accordance with Section 408 of the Companies Act 2006, the Company has not presented its own income statement or statement of comprehensive income. The loss for the year dealt with in the accounts of the Company was £2,909,000 (2019: profit of £14,000).

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 IFRS 3 (2008) 'Business Combinations' are recognised at their fair value at the acquisition date.

Accounting policies: new standards, amendments and interpretations effective and adopted by the Group

IFRS 16 'Leases'

IFRS 16 was amended effective 1 June 2020 to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the Covid-19 pandemic. This practical expedient means the lessee does not need to assess whether the rent concession meets the definition of a lease modification. The Group has elected to use the practical expedient retrospectively for all rent concessions that meet the criteria in the period ended 31 December 2020, meaning that the Group is not required to remeasure the lease liability at a revised discount rate and the effect of a reduction in the lease liability is reflected in profit or loss, rather than recorded against the right-of-use asset. The reduction in the Group's lease liabilities recorded in profit or loss for the year is £21,000.

There are no other standards, amendments or interpretations effective this year which have a significant impact on these financial statements.

Accounting policies: new standards, amendments and interpretations that are not yet effective and have not been adopted early by the Group

At the date of authorisation of these financial statements, several new, but not yet effective, standards, amendments to existing standards and interpretations have been published. None of these have been adopted early by the Group. New standards, amendments and interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group.

Measurement convention

The financial statements are prepared on the historical cost basis. Non-current assets are stated at the lower of previous carrying amount and fair value less costs to sell.

Presentation of income statement

During the period, the Directors undertook a review of the financial statements of the Group and this resulted in a change to the presentation of the income statement. The revised presentation, which involves moving from a classification of expenses by nature to a classification of expenses by function, was deemed to be more appropriate and provides information that is more reliable and relevant to users of the financial statements. In particular, presenting external contribution gives a better understanding of the income generated by services provided by the Group. External contribution is defined as revenue less all external contractor and sub-contracted costs. In accordance with IAS 1 'Presentation of Financial Statements', the Group has re-presented the income statements for comparative periods. Other than re-presentation of the income statement, no changes have been made to the comparative financial statements.

Alternative performance measures

The Group uses certain alternative performance measures to report its results as stated before non-underlying items. These are non-IFRS alternative performance measures which the Directors consider can assist with an understanding of the underlying performance of the Group and comparison of performance across periods. They are not a substitute for and are not superior to any IFRS measure.

Non-underlying items

The presentation of the alternative performance measure of adjusted profit before tax and adjusted operating profit excludes non-underlying items. The Directors consider that an underlying profit measure can assist with an understanding of the underlying performance of the Group and comparison of performance across periods. Items are classified as non-underlying by nature of their magnitude, incidence or unpredictable nature and their separate identification results in a calculation of an underlying profit measure that is consistent with that reviewed by the Board in their monitoring of the performance of the Group. Events which may give rise to the classification of items as non-underlying include gains or losses on the disposal of a business, restructuring of a business, transaction costs, litigation and similar settlements, asset impairments and onerous contracts.

Adjusted profit before tax is defined as profit before tax and non-underlying items.

Adjusted operating profit is defined as operating profit before non-underlying items.

In previous periods, the Group's results separately presented non-recurring items as a separate section of the income statement. The directors consider that all items previously classified as non-recurring are non-underlying and have reclassified these costs as such for all comparative periods in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

Revenue recognition

The Group generates revenue principally through the provision of recruitment and consultancy services.

To determine whether to recognise revenue, the Group follows a five-step process:

1. Identifying the contract with the customer;
2. Identifying the performance obligations;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations; and
5. Recognising revenue when and as performance obligations are satisfied.

Revenue is recognised either at a point in time or over time, when the group satisfies performance obligations by transferring promised services to its customers. Revenue is measured at the transaction price, being the amount of consideration expected to be entitled in exchange for services to a customer, net of refund liabilities and value added tax.

Revenue for the provision of recruitment services

The performance obligation is the provision of temporary or permanent workers to customers. For temporary workers, the performance obligations are satisfied over time as the customer receives the benefit of the temporary worker, in line with time worked by the temporary worker at pre-determined rates. For permanent workers, the performance obligation is measured at a point in time, which is at the point that the permanent worker commences employment, as before this time the Group does not create or enhance an asset for the customer and there is no enforceable right to payment until then. Refund liabilities related to permanent workers are calculated based on a probabilistic estimate using historic refund levels.

The Group presents revenues gross of the costs of the temporary workers where it acts as principal under IFRS 15 and net of the costs of temporary workers where it acts as agent. The Group acts as principal in the large majority of its contracts, where it has the primary responsibility for fulfilling the promise to supply a worker to a customer and has control over that supply. The Group acts as agent where it does not have such control.

Revenue for the provision of consultancy services

Performance obligations on consultancy services contracts are satisfied over time if the service creates an asset that the customer controls and the Group has an enforceable right to payment. Revenue is measured using an input measure, such as days worked as a proportion of total days to be worked, towards the satisfaction of an obligation.

In obtaining some contracts, the Group may incur a number of incremental costs, such as commissions paid to sales staff. As the amortisation period of these costs, if capitalised, would be less than one year, the Group makes use of the practical expedient in IFRS 15 and expenses them as incurred.

Financing income and expenses

Financing expenses comprise interest payable and lease interest 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 currencies 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 balance sheet date are not recognised in the financial statements until they have been approved by the shareholders at the Annual General Meeting. Interim dividends, which do not require shareholder approval, are recognised when paid.

Taxation

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

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

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

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

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.

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 provision for impairment. Software is amortised on a straight-line basis over its expected useful economic life of three to seven years.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of depreciation and 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 cash generating unit (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, being the cash generating unit. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

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

Financial instruments

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows expire or when substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Except for trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs. Financial assets, other than those designated and effective as hedging instruments, are classified as either amortised cost, fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI). In the periods presented, the Group has no financial assets categorised as FVTPL or FVOCI.

The Group's financial assets include cash and cash equivalents and trade and other receivables. After initial recognition, these are measured at amortised cost using the effective interest method. All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, except for impairment of trade receivables which is presented within operating expenses. Unless otherwise indicated, the carrying amounts of the Group's financial assets are a reasonable approximation of their fair values.

Impairment provisions are recognised using the expected credit loss model. Measurement of expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. The Group makes use of a simplified approach for trade and other receivables and contract assets and records impairment as a lifetime expected credit loss, being the expected shortfalls in contractual cash flows, considering the potential for default. The Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses.

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 statement of cash flows, cash and cash equivalents comprise cash and cash equivalents, net of bank overdrafts.

The Group's financial liabilities include bank borrowings, leases and trade and other payables. Financial liabilities are initially measured at fair value and subsequently measured at amortised cost using the effective interest method. All interest related charges that are reported in profit and loss are presented within net finance expenses. In the periods presented, the Group has no financial liabilities categorised as FVTPL. Unless otherwise indicated, the carrying amounts of the Group's financial liabilities are a reasonable approximation of their fair values.

Amounts recoverable on contracts and accrued income

Amounts 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 within trade and other receivables and charged to the income statement over the life of the contract so as to match costs with revenues.

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.

Accrued income primarily arises where temporary workers have provided their services but approved timesheets are outstanding. As such, the amount incurred and margin earned thereon has yet to be invoiced onto the client. In making an accrual for time worked by contractors at the balance sheet date, management make an estimate of the time worked based on knowledge of the contracts in place, the number of working days outstanding and experience adjustments from prior periods.

Leased assets

At the commencement of a lease, the Group recognises a right-of-use asset and a lease liability. The right-of-use asset is measured at cost, comprising the initial measurement of the lease liability, any initial direct costs incurred, an estimate of any restoration costs and any lease payments made in advance of the lease commencement date, net of any incentives received. The lease liability is measured at the present value of the minimum lease payments discounted using the rate implicit in the lease, or if that cannot be determined, which is generally the case for the leases in the Group, the Group's incremental borrowing rate is used. Lease payments to be made under lease extensions are included when the option to extend is reasonably certain to be taken up. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification.

Expected lives of right-of-use assets are determined by reference to the lease term and depreciated over the lease term on a straight-line basis.

Provisions

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

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

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

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

Pensions

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

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

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

Share capital

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 exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

For the purposes of the disclosures given in note 20, the Group considers its capital to comprise its cash and cash equivalents, its asset-based bank borrowings, and its equity attributable to equity holders, comprising issued capital, reserves and retained earnings, as disclosed in the statement of changes in equity.

Financial guarantee contracts

Where Group companies enter into financial guarantee contracts and guarantee the indebtedness of other companies within the Group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company does not recognise liabilities under the contracts until it becomes probable that any Group company will be required to make a payment under the guarantee.

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 management judgements in applying accounting policies and estimation uncertainty

When preparing the financial statements, management make a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. The following are the judgements made by management in applying the accounting policies of the Group and the estimates that have the most significant effect on the financial statements.

Significant management judgements

Recognition of deferred tax asset

No deferred tax asset has been recognised for unused tax losses carried forward within Parity Consultancy Services Limited as management believes that their recovery is too uncertain. As discussed in note 15, management's review concluded that given the company's history of relatively recent tax losses and the requirement to provide convincing evidence that sufficient taxable profit will be available, a deferred tax asset would not be recognised for tax losses carried forward. If it had been determined that utilisation of the losses was more certain then full or partial recognition of a deferred tax asset would have taken place, in the range of £0-£0.9m.

Revenue recognition

The main area of judgement in revenue recognition relate to the determination of whether the Group acts as principal or agent in its contractual arrangements for the provision of temporary workers to customers. The factors considered by management to result in recognition of revenue as principal include that the Group:

- has a direct relationship with the worker and is responsible for paying the worker;
- has the primary responsibility for organising the service engagements and fulfilling the promise to supply a worker to a customer; and
- the Group has control over the supply of the worker.

Estimation uncertainty

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 and sensitivities on those assumptions are set out in note 22. The Group takes advice from independent actuaries relating to the appropriateness of the assumptions. Changes in the assumptions used may have a material effect on the income statement and the statement of financial position within the next year.

Investments in subsidiaries and intercompany receivables

The Company reviews its investment in subsidiaries and intercompany receivables to test for impairment and probability of weighted expected credit losses. The recoverable amounts are determined using discounted future cash flows of the relevant subsidiaries. In performing these tests, assumptions are made in respect of future growth rates and the discount rate to be applied to the future cash flows, as set out in note 27. Changes in the assumptions used may have a material effect on the income statement and statement of financial position within the next year.

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.

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

During the period, the Group changed the structure of its organisation to be based around a combined operating model targeted on finding the right solution or combination of solutions to each clients' needs by way of a single account management function. As such the previous reporting segments based on the service lines of Recruitment and Consultancy are no longer the basis on which the Group is managed and resources are allocated. The basis by which the Group is now organised and its operating model is structured is by customer sectors, being the public sector and the private sector. The reporting of financial information presented to the Chief Operating Decision Maker, being the Group board of directors, is consistent with these reporting segments. As these reporting segments are supported by a combined back office, there is no allocation of overheads.

In accordance with IFRS 8 'Operating Segments', segmental information from comparative periods has been restated.

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

	Public sector 2020 £'000	**Private sector 2020 £'000**	**Total 2020 £'000**
Revenue	43,283	14,544	57,827
Contractor costs	(39,405)	(12,861)	(52,266)
External contribution	3,878	1,683	5,561

	Public sector 2019 (Restated) £'000	Private sector 2019 (Restated) £'000	Total 2019 (Restated) £'000
Revenue	58,117	22,292	80,409
Contractor costs	(52,426)	(19,876)	(72,302)
External contribution	5,691	2,416	8,107

All segment assets and liabilities are based in the UK.

3 Revenue

All of the Group's revenue derives from contracts with customers. Trade receivables, amounts recoverable on contracts and accrued income as presented in note 16 arise from contracts with customers.

The Group's revenue disaggregated by pattern of revenue recognition is as follows:

	2020 £'000	2019 £'000
Services transferred over time	**57,790**	80,023
Services transferred at a point in time	**37**	386
Revenue	**57,827**	80,409

3 Revenue (continued)

The Group's revenue disaggregated by primary geographical market is as follows:

	2020 £'000	2019 £'000
United Kingdom	55,235	78,004
European Union	2,577	2,405
Other	15	-
Revenue	57,827	80,409

The largest single customer in the public sector contributed 25% or £11.0m to public sector revenue (2019: 25% or £14.6m). The largest single customer in the private sector contributed 46% or £6.7m to private sector revenue (2019: 28% or £6.3m).

Revenue includes £134,000 (2019: £30,000) that was included as a contract liability at the beginning of the period. This balance was held within payments in advance in trade and other payables. The Group does not currently have any contract assets as it does not enter in to contracts where, once performance has occurred, the Group's right to consideration is dependent upon anything other than the passage of time.

4 Operating expenses

	Consolidated	
	2020 £'000	2019 £'000
Contractor costs	52,266	72,302
Employee benefit costs		
- wages and salaries	2,975	5,008
- social security costs	342	576
- other pension costs	102	159
	3,419	5,743
Depreciation, amortisation and impairment		
Amortisation of intangible assets - software	26	52
Depreciation of leased property, plant and equipment	-	7
Depreciation of owned property, plant and equipment	20	49
Depreciation of right-of-use assets	540	698
Impairment of right-of-use assets	-	142
	586	948
All other operating expenses		
Occupancy costs	44	170
IT costs	464	317
Net exchange (gain)/loss	(2)	13
Equity settled share-based payment charge	90	162
Other operating costs	937	1,479
	1,533	2,141
Total operating expenses	57,804	81,134

Disclosures relating to the remuneration of Directors are set out on page 33.

4 Operating expenses (continued)

During the year the Group obtained the following services from the Group's auditors:

	Grant Thornton UK LLP	
Consolidated	2020 £'000	2019 £'000
Audit of the Group, Company and subsidiary financial statements	73	65
Tax compliance	16	16
Total other services	16	16
Total fees	89	81

All other services have been performed in the UK.

5 Non-underlying items

	2020 £'000	2019 £'000
Restructuring		
- Costs related to employees	370	940
- Costs related to premises	(11)	230
- Other costs	88	68
Receipt from previously impaired receivable	-	(66)
	447	1,172

Items are classified as non-underlying by nature of their magnitude, incidence or unpredictable nature and their separate identification results in a calculation of an underlying profit measure that is consistent with that reviewed by the Board in their monitoring of the performance of the Group. In previous periods, the Group's results separately presented non-recurring items as a separate section of the income statement. The Directors consider that all items classified as non-recurring in previous periods are non-underlying and have reclassified these costs as such.

Non-underlying items during 2020 include costs related to the ongoing restructuring of the Group, including employee termination payments and fees for professional services.

6 Average staff numbers

The average number of staff employed by the Group during the year was as follows:

	2020 Number	2019 Number
Group	44	76

The total above includes 5 (2019: 4) employees of the Company.

At 31 December 2020, the Group had 41 employees (2019: 57).

7 Finance costs

	2020 £'000	2019 £'000
Interest expense on financial liabilities	67	131
Interest expense on lease liabilities (Note 14)	19	24
Interest income on lease assets	(4)	-
Net finance costs in respect of post-retirement benefits (Note 22)	266	177
	348	332

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 have increased annual borrowing costs by approximately £17,000 (2019: £26,000).

8 Share-based payments

The Group operates several share-based reward schemes for employees:

- HMRC approved schemes for Executive Directors and senior staff;
- an unapproved scheme for Executive Directors and senior staff; and
- a Save As You Earn Scheme for all employees.

Under the approved and unapproved schemes, options vest if the share price averages a target price for 5 consecutive days over a three-year period from the date of grant. Options lapse if the individual leaves the Group, except under certain circumstances such as leaving by reason of redundancy, when the options lapse 12 months after the leaving date.

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

All employee options have a maximum term of ten years from the date of grant. The total share-based remuneration recognised in the income statement was £90,000 (2019: £162,000). Share-based remuneration relating to key management personnel is disclosed in note 25.

	2020 Weighted average exercise price (p)	2020 Number	2019 Weighted average exercise price (p)	2019 Number
Outstanding at beginning of the year	11	11,157,040	11	9,619,440
Granted during the year	8	6,000,000	8	3,750,000
Exercised during the year	-	-	-	-
Lapsed during the year	11	(5,238,000)	11	(2,212,400)
Outstanding at the end of the year	10	11,919,040	10	11,157,040

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

2020 Exercise price (p)	2020 Weighted average contractual life (years)	2020 Number	2019 Exercise price (p)	2019 Weighted average contractual life (years)	2019 Number
7-11	9	10,379,040	7-11	8	7,292,040
11-17	7	1,500,000	11-17	8	3,600,000
17-28	2	40,000	17-28	3	265,000
		11,919,040			11,157,040

8 Share-based payments (continued)

Of the total number of options outstanding at the end of the year 840,000 (2019: 3,190,000) had vested and were exercisable at the end of the year. The weighted average exercise price of those options was 9 pence (2019: 10 pence).

No options were exercised during the year (2019: none).

6,000,000 options were granted during the year (2019: 3,750,000) at a weighted average fair value of 2 pence (2019: 3 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.

	2020	2019
Option valuation model	Stochastic	Stochastic
Weighted average share price at grant date (p)	7	8
Weighted average exercise price (p)	8	8
Weighted average contractual life (years)	10	10
Weighted average expected life (years)	5	5
Expected volatility	47.6-48.0%	47.1-50.2%
Weighted average risk-free rate	0.09%	0.77%
Expected dividend growth rate	0%	0%

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

Share options issued to defined benefit pension scheme

In December 2010 the Group issued 1,000,000 share options in Parity Group plc to the pension scheme at an exercise price of 9 pence per share. These options may be exercised at the discretion of the Trustees; they vested on grant and have no expiry date. Any gain on exercise is to be used to reduce the scheme deficit. These options were valued using the stochastic method. The share price on the grant date was 15.75 pence. Whilst the options do not have an expiry date, for valuation purposes it is assumed that the expected life of the options is 8 years. The expected volatility is 64.2% and the average risk-free rate assumed was 3.4%.

9 Taxation

	2020 £'000	2019 £'000
Current tax		
Current tax on profit for the year	-	-
Total current tax expense	-	-
Deferred tax		
Accelerated capital allowances	(4)	(12)
Origination and reversal of other temporary differences	2	(20)
Adjustments in respect of prior periods	230	57
Change in corporation tax rate	(83)	-
Total deferred tax charge	145	25
Tax charge	145	25

The adjustment in respect of prior periods of £230,000 (2019: £57,000) largely relates to decisions to claim or disclaim capital allowances.

There is no current tax payable by the Group for 2020 (2019: £nil).

9 Taxation (continued)

The Group's profits for this accounting period are subject to tax at a rate of 19% (2019: 19%). The decision to reduce the rate to 17% due to be effective 1 April 2020 that was substantively enacted on 15 September 2016 was reversed during the year. The decision to keep the rate at 19% was substantively enacted on 17 March 2020. As such the tax rate of 19% (2019: 17%) has been applied in calculating the UK deferred tax position of the Group.

The reasons for the difference between the actual tax credit for the year and the standard rate of corporation tax in the UK applied to profit for the year are as follows:

	2020 £'000	2019 £'000
Loss before tax	**(325)**	(1,057)
Expected tax credit based on the standard rate of UK corporation tax of 19% (2019: 19%)	**(62)**	(201)
Expenses not allowable for tax purposes	**(2)**	69
Adjustments in respect of prior periods	**230**	57
Tax losses not recognised	**85**	91
Change in corporation tax rate	**(83)**	-
Other	**(23)**	9
Tax charge	**145**	25

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

	2020			2019		
	Before tax £'000	**Tax £'000**	**After tax £'000**	Before tax £'000	Tax £'000	After tax £'000
Remeasurement of defined benefit pension scheme	**1,041**	**(198)**	**843**	931	(158)	773

10 Earnings per ordinary share

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

Diluted earnings per share is calculated on the same basis as the basic earnings per share with a further adjustment to the weighted average number of fully paid ordinary shares to reflect the effect of all dilutive potential ordinary shares.

	Loss 2020 £'000	**Weighted average number of shares 2020 '000**	**Loss per share 2020 Pence**	Loss 2019 £'000	Weighted average number of shares 2019 '000	Loss per share 2019 Pence
Basic	**(470)**	**102,624**	**(0.46)**	(1,082)	102,624	(1.05)
Effect of dilutive options	**-**	**-**	**-**	-	-	-
Diluted	**(470)**	**102,624**	**(0.46)**	(1,082)	102,624	(1.05)

As at 31 December 2020 the number of ordinary shares in issue was 102,624,020 (2019: 102,624,020).

11 Goodwill

The carrying amount of goodwill is allocated to the Group's two separate continuing cash generating units (CGUs), being Parity Professionals Limited and Parity Consultancy Services Limited.

Carrying amounts are as follows:

	Parity Professionals Limited £'000	**Parity Consultancy Services Limited £'000**	**Total £'000**
Carrying value			
Balance at 1 January 2019 and 31 December 2019	2,642	1,952	4,594
Balance at 1 January 2020 and 31 December 2020	**2,642**	**1,952**	**4,594**

Goodwill was tested for impairment in accordance with IAS 36 at the year end and no impairment charge was recognised. Impairment calculations include the effect of changes following the application of IFRS 16.

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 2021. Years from 2022 to 2026 are based on the budget for 2020 projected forward at expected growth rates, with no growth assumed beyond these years. This approach is considered prudent based on current expectations of the 2021 long-term growth rate.

11 Goodwill (continued)

Major assumptions are as follows:

	Parity Professionals Limited %	Parity Consultancy Services Limited %
2020		
Discount rate	**11.3**	**11.3**
Forecast revenue growth	**12.2-13.3**	**10.0-15.9**
Operating margin 2021	**3.0**	**4.0**
Operating margin 2022 onward	**3.7-3.8**	**4.1-12.1**
2019		
Discount rate	13.0	12.5
Forecast revenue growth	2.0	10.0
Operating margin 2020	2.4	8.5
Operating margin 2021 onward	2.5-2.8	8.9-9.9

Discount rates are based on the Group's weighted average cost of capital.

Forecast revenue growth rates are based on past experience and future expectations of economic conditions. Growth for the CGUs is assumed to be higher than the long-term growth rate for the UK economy due to the following factors:

- There is focused investment in growing new clients and service lines, including areas that suffered as a result of the Covid-19 pandemic;
- The business has recruited new senior hires in sales functions to focus on new business opportunities;
- There is the expectation of further investment in and exploitation of technology; and
- Recent new client wins and contract extensions help to underwrite the growth forecasts.

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

12 Other intangible assets

	Software		Intellectual property		Total	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Consolidated						
Cost						
At 1 January	**408**	440	**-**	109	**408**	549
Additions	**-**	-	**-**	-	**-**	-
Disposals	**-**	(32)	**-**	(109)	**-**	(141)
At 31 December	**408**	408	**-**	-	**408**	408
Accumulated amortisation						
At 1 January	**376**	354	**-**	109	**376**	463
Charge for the year	**26**	52	**-**	-	**26**	52
Disposals	**-**	(30)	**-**	(109)	**-**	(139)
At 31 December	**402**	376	**-**	-	**402**	376
Net book amount	**6**	32	**-**	-	**6**	32

The Company does not hold any intangible assets.

As at 31 December 2020, neither the Group nor the Company had any capital commitments contracted for but not provided for the purchase of intangible assets (2019: £nil).

13 Property, plant and equipment

	Leasehold improvements		Office equipment		Total	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Consolidated						
Cost						
At 1 January	**-**	2	**204**	212	**204**	214
Additions	**-**	-	**-**	44	**-**	44
Disposals	**-**	(2)	**-**	(52)	**-**	(54)
At 31 December	**-**	-	**204**	204	**204**	204
Accumulated depreciation						
At 1 January	**-**	2	**161**	143	**161**	145
Additions	**-**	-	**20**	56	**20**	56
Disposals	**-**	(2)	**-**	(38)	**-**	(40)
At 31 December	**-**	-	**181**	161	**181**	161
Net book value	**-**	-	**23**	43	**23**	43

The Company does not hold any property, plant and equipment.

As at 31 December 2020, neither the Group nor the Company had any capital commitments contracted for but not provided for the purchase of property, plant and equipment (2019: £nil).

14 Leases

The Group holds leases for its main office premises. Each lease is reflected on the balance sheet as a right-of-use asset and a lease liability unless exempt. The statement of financial position includes the following amounts in relation to leases where the Group is a lessee:

	2020 £'000	2019 £'000
Right-of-use assets		
Buildings	247	392
IT equipment	-	3
	247	395
Lease liabilities		
Current	321	325
Non-current	87	173
	408	498

Additions to right-of-use assets during the year were £562,000 (2019: £172,000). The total cash outflow for lease liabilities during the year was £649,000 (2019: £764,000).

Amounts recognised in profit or loss in respect of the above leases are as follows:

	2020 £'000	2019 £'000
Depreciation charge on right-of-use assets		
– Buildings	537	690
– IT equipment	3	8
Impairment charge on right-of-use-assets		
– Buildings	-	142
Total depreciation and impairment charge on right-of-use assets	540	840
Rent concession	(21)	-
Interest expense included in finance costs	19	24

Future minimum lease payments at 31 December 2020 were as follows:

	Minimum payments 2020 £'000	Interest 2020 £'000	Present value 2020 £'000
Less than one year	326	(5)	321
Between one and two years	59	(2)	57
Between two and three years	30	-	30
	415	(7)	408

At 31 December 2020, the Group was committed to £nil (2019: £506,000) of future lease payments in respect of leases not yet commenced.

15 Deferred taxation

	Consolidated 2020 £'000	2019 £'000
At 1 January	970	1,153
Recognised in other comprehensive income		
Remeasurement of defined benefit pension scheme	(198)	(158)
Recognised in the income statement		
Adjustments in relation to prior periods	(230)	(57)
Change in corporation tax rate	83	-
Capital allowances in excess of depreciation	4	12
Other short-term timing differences	(2)	20
At 31 December	627	970

The deferred tax asset of £627,000 (2019: £970,000) comprises:

	Consolidated 2020 £'000	2019 £'000
Depreciation in excess of capital allowances	632	775
Other short-term timing differences	34	43
Retirement benefit (asset)/liability	(39)	152
	627	970

A deferred tax asset for deductible temporary differences is not recognised unless it is more likely than not that there will be taxable profits in the foreseeable future against which the deferred tax asset can be utilised. At the balance sheet date, the Directors assessed the probability of future taxable profits being available against which Parity Consultancy Services Limited could recognise a deferred tax asset for previously unrecognised deductible temporary differences. The review concluded that it is probable that future taxable profits will be available. As such, the Directors have recognised a deferred tax asset for all deductible temporary differences available to Parity Consultancy Services Limited.

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

The Directors believe that the deferred tax asset recognised is recoverable based on the future earning potential of the Group and the individual subsidiaries. The forecasts for Parity Professionals Limited comfortably support the unwinding of the deferred tax asset held by this company of £335,000 (2019: £378,000) and the forecasts for Parity Consultancy Services Limited comfortably support the unwinding of the deferred tax asset held by this company of £292,000 (2019: £592,000).

The deferred tax asset at 31 December 2020 has been calculated on the rate of 19% substantively enacted at the balance sheet date (2019: 17%).

15 Deferred taxation (continued)

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

	Asset 2020 £'000	(Charge)/credit to income statement 2020 £'000	Charge to other comprehensive income 2020 £'000
Depreciation in excess of capital allowances	632	(143)	-
Other short-term timing differences	34	(9)	-
Retirement benefit (asset)/liability	(39)	7	(198)
At 31 December 2020	627	(145)	(198)

	Asset 2019 £'000	(Charge)/credit to income statement 2019 £'000	Charge to other comprehensive income 2019 £'000
Depreciation in excess of capital allowances	775	(45)	-
Other short-term timing differences	43	40	-
Retirement benefit liability	152	(20)	(158)
At 31 December 2019	970	(25)	(158)

The Group has unrecognised carried forward tax losses of £29,392,000 (2019: £30,599,000). The Group has unrecognised capital losses carried forward of £282,441,000 (2019: £282,441,000). These losses may be carried forward indefinitely.

The Company has unrecognised carried forward tax losses of £23,511,000 (2019: £25,391,000). The Company has unrecognised capital losses carried forward of £281,875,000 (2019: £281,875,000). These losses may be carried forward indefinitely.

16 Trade and other receivables

	Consolidated		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Amounts falling due within one year:				
Trade receivables	2,197	2,624	-	-
Accrued income	1,760	1,387	-	-
Amounts recoverable on contracts	1,831	2,495	-	-
Amounts owed by subsidiary undertakings	-	-	925	2,129
Other receivables	110	46	-	-
Prepayments	164	187	-	1
	6,062	6,739	925	2,130
Amounts falling due after one year:				
Amounts owed by subsidiary undertakings	-	-	134,662	131,946
Other receivables	87	-	-	-
	87	-	134,662	131,946
Total	6,149	6,739	135,587	134,076

17 Trade and other receivables (continued)

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

£2,197,000 (2019: £2,624,000) of the Group's trade receivables and £3,591,000 (2019: £3,882,000) 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 31 December 2020 totalled £2,941,000 (2019: £2,719,000).

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 balance of impaired losses for the Group at 31 December 2020 was £9,000 (2019: £nil). All other debts at 31 December 2020 are considered to be recoverable.

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. The Company's receivables due from subsidiary undertakings were reviewed for impairment at the balance sheet date based on the performance of 2020 and on subsequent years' forecast cash flow 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 a discount rate of 11.3% (2019: between 12.5% and 13.0%) and the other parameters used in the goodwill impairment review, as outlined in note 11.

As at 31 December 2020 trade receivables of £374,000 (2019: £322,000) 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:

	2020			2019		
	Gross £'000	Impaired £'000	Total £'000	Gross £'000	Impaired £'000	Total £'000
Not past due	1,823	-	1,823	2,302	-	2,302
31-60 days and past due	323	-	323	260	-	260
61-90 days	36	-	36	38	-	38
>90 days	24	(9)	15	24	-	24
Total	2,206	(9)	2,197	2,624	-	2,624

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.

17 Loans & borrowings

	Consolidated	
	2020 £'000	2019 £'000
Current		
Bank and other borrowings due within one year or on demand:		
Asset-based financing facility	2,941	2,719

Changes in liabilities from financing activities	Loans and borrowings £000
Balance at 1 January 2020	2,719
Drawdown of borrowings	222
Balance at 31 December 2020	2,941

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

18 Trade and other payables

	Consolidated 2020 £'000	Consolidated 2019 £'000	Company 2020 £'000	Company 2019 £'000
Amounts falling due within one year:				
Payments in advance	27	134	-	-
Trade payables	2,921	3,972	-	-
Amounts due to subsidiary undertakings	-	-	13,764	14,197
Other tax and social security payables	912	860	63	22
Other payables and accruals	750	1,046	117	138
	4,610	6,012	13,944	14,357
Amounts falling due after one year:				
Amounts due to subsidiary undertakings	-	-	134,476	129,530
Total	4,610	6,012	148,420	143,887

19 Provisions

Consolidated	Leasehold dilapidations £'000	Restructuring £'000	Total £'000
At 1 January 2020	21	324	345
Used in year	-	(200)	(200)
Reversed in year	-	(25)	(25)
Created in year	21	40	61
At 31 December 2020	42	139	181
Due within one year	-	139	139
Due after one year	42	-	42
Total	42	139	181

The Company had no provisions at 31 December 2020 (2019: £nil).

Leasehold dilapidations

Leasehold dilapidations relate to the estimated cost of returning leasehold properties to their 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 properties. Based on current lease expiry dates it is estimated these provisions will be settled over a period of one to three years. The main uncertainty relates to the estimation of the costs that will be incurred at the end of the lease.

Restructuring

Restructuring costs relate to estimated amounts to be settled in relation to the restructuring of the Group, including costs relating to employee terminations. These provisions are expected to be settled within one year. The main uncertainty relates to the estimation of costs that will be incurred.

20 Financial instruments – risk management

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

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

Principal financial instruments

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

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

Consolidated	Amortised cost £'000	Total £'000
As 31 December 2020		
Financial assets		
Non-current trade and other receivables	87	87
Cash and cash equivalents	3,172	3,172
Trade and other short-term receivables	5,898	5,898
	9,157	9,157
Financial liabilities		
Asset-based financing facility	2,941	2,941
Lease liabilities	408	408
Trade and other short-term payables	4,583	4,583
	7,932	7,932

	Amortised cost £'000	Total £'000
As 31 December 2019		
Financial assets		
Net cash and cash equivalents	4,116	4,116
Trade and other short term receivables	6,552	6,552
	10,668	10,668
Financial liabilities		
Asset-based financing facility	2,719	2,719
Lease liabilities	498	498
Trade and other short term payables	5,878	5,878
	9,095	9,095

20 Financial instruments – risk management (continued)

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

Company	Amortised cost £'000	Total £'000
As at 31 December 2020		
Financial assets		
Non-current trade and other receivables	134,662	134,662
Net cash and cash equivalents	301	301
Trade and other short term receivables	925	925
	135,888	135,888
Financial liabilities		
Non-current trade and other payables	134,476	134,476
Trade and other short term payables	13,944	13,944
	148,420	148,420

	Amortised cost £'000	Total £'000
As 31 December 2019		
Financial assets		
Non-current trade and other receivables	131,946	131,946
Net cash and cash equivalents	117	117
Trade and other short term receivables	2,129	2,129
	134,192	134,192
Financial liabilities		
Non-current trade and other payables	129,530	129,530
Trade and other short term payables	14,357	14,357
	143,887	143,887

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

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

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

The Group operates primarily in the UK with 96% of generated revenues from the UK (2019: 97%). Approximately 75% (2019: 72%) of the Group's turnover is derived from the public sector. The largest customer balance represents 20% (2019: 17%) of the trade receivables 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 16.

20 Financial instruments – risk management (continued)

	2020 Carrying value £'000	2020 Maximum exposure £'000	2019 Carrying value £'000	2019 Maximum exposure £'000
Financial assets				
Cash and cash equivalents	3,172	3,172	4,116	4,116
Trade and other receivables	5,985	5,985	6,552	6,552
	9,157	9,157	10,668	10,668

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. 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 2020 and 2019 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 2.00% above base rate for all of 2020 (2019: 2.35% above base rate from January to April 2019 and 2.00% above base rate from May 2019 to December 2019). On 20 April 2021 the Group signed an agreement with Leumi ABL for a new 3-year £9m asset-based lending facility. The new facility has a fixed rate for borrowing of 2.00% above base rate for receivables and 2.90% above base rate for unbilled receivables. 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 £17,000 higher/lower (2019: £26,000) and net assets £17,000 lower/higher (2019: £26,000). The Directors consider a 1% change in base rates is the maximum likely change over the next year, being the period to the next point at which these disclosures are expected to be made.

The Company holds interest-bearing loan agreements with some of its subsidiary undertakings. Interest on all loans is charged at 2.0% above the prevailing Bank of England base rate, except for one loan with Parity International B.V. which is charged at 2.0% above the prevailing European Central Bank base rate. As at 31 December 2020, the loan balance due by the Company to Parity International BV, translated into Sterling, was £29,469,000 (2019: £27,216,000).

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. 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 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 2020 or 2019.

During 2014, the underlying denomination of a large intercompany balance between the Company and one of the Group's inactive overseas subsidiaries was revised, whereby the denomination of the loan was revised from Sterling to Euros and thus subject to exchange rate fluctuations in the books of the Company. In 2020 the Company recorded a translation loss of £1,681,000 (2019: gain of £1,641,000). As at 31 December 2020, the loan balance due by the Company, translated into Sterling, was £29,469,000 (2019: £27,216,000).

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

	Functional currency of individual entity					
	Sterling		Euro		Total	
Net foreign currency financial assets	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Sterling	**-**	-	**(2,411)**	(2,359)	**(2,411)**	(2,359)
Euro	**(29,021)**	(27,078)	**-**	-	**(29,021)**	(27,078)
US Dollar	**4**	4	**-**	-	**4**	4
Total net exposure	**(29,017)**	(27,074)	**(2,411)**	(2,359)	**(31,428)**	(29,433)

20 Financial instruments – risk management (continued)

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

Net foreign currency financial assets	Sterling 2020 £'000	2019 £'000
Euro	(29,292)	(27,208)
US Dollar	4	4
Total net exposure	**(29,288)**	(27,204)

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 £2,902,000 higher/lower (2019: £2,708,000). A 10% fluctuation in any other currency exchange rate would not have a significant impact on profit and loss, nor equity.

Liquidity risk

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

The liquidity of each Group entity is managed centrally, with daily transfers to operating entities to maintain a pre-determined cash balance. Normal supplier terms range from 2 weeks to 30 days. The level of the Group facility is approved periodically by the Board and negotiated with the Group's current bankers. At the reporting date, cash flow projections were considered by the Board and the Group is forecast to have sufficient funds and available funding facilities to meet its obligations as they fall due.

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

Consolidated

At 31 December 2020	Up to 1 month £'000	Between 1 month and 1 year £'000	Over 1 year £'000	Total £'000
Trade and other payables	4,583	-	-	4,583
Lease liabilities	321	57	30	408
Borrowings	2,941	-	-	2,941
Total	7,845	57	30	7,932

At 31 December 2019	Up to 1 month £'000	Between 1 month and 1 year £'000	Over 1 year £'000	Total £'000
Trade and other payables	5,878	-	-	5,878
Lease liabilities	272	53	173	498
Borrowings	2,719	-	-	2,719
Total	8,869	53	173	9,095

20 Financial instruments – risk management (continued)

Company

At 31 December 2020	Up to 1 month £'000	Between 1 month and 1 year £'000	Over 1 year £'000	Total £'000
Trade and other payables	13,944	-	134,476	148,420
Total	13,944	-	134,476	148,420

At 31 December 2019	Up to 1 month £'000	Between 1 month and 1 year £'000	Over 1 year £'000	Total £'000
Trade and other payables	14,357	-	129,530	143,887
Total	14,357	-	129,530	143,887

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

Capital disclosures

The capital structure of the Group consists of cash and cash equivalents, equity attributable to equity holders, and asset-based financing. There is no other long-term external debt, except for lease liabilities which are explained more fully in note 14.

During 2020 the Group used an asset-based financing 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 £10m depending on the availability of appropriate assets as security. On 20 April 2021 the Group signed an agreement with Leumi ABL for a new 3-year £9m asset-based lending facility and the Group will continue to borrow against the same class of assets.

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.

The Group's net cash position is as follows:

Consolidated	2020 £'000	2019 £'000
Cash and cash equivalents	3,172	4,116
Asset-based borrowings	(2,941)	(2,719)
Net cash before lease liabilities	231	1,397
Lease liabilities	(408)	(498)
Net (debt)/cash after lease liabilities	(177)	899

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

The Company does not currently have distributable reserves available for dividend payments. A capital reconstruction will be necessary to create reserves available for distribution. The Board will keep possible capital reconstruction options under review.

21 Reserves

The Board is not proposing a dividend for the year (2019: nil pence per share).

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

Share capital

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

Ordinary share capital

Share capital is the amount subscribed for ordinary shares at nominal value. During 2020, no share options were exercised (2019: none).

Share premium reserve

Share premium is the amount subscribed for share capital in excess of nominal value. There was no movement in the share premium reserve for the year (2019: none).

Capital redemption reserve

A capital redemption reserve of £14,319,000 was created during 2017 when the Directors resolved to cancel the deferred shares of Parity Group plc.

Other reserves

Other reserves of the Group relate principally to a reserve created following a change of the Group's ultimate parent and a corresponding Scheme of Arrangement in July 1999, and a reserve created following the reorganisation of the Group's capital structure in 2002 that resulted in the Company increasing its investment in subsidiary undertakings.

Retained earnings

Retained earnings represent the cumulative net gains and losses recognised in the income statement.

22 Pension commitments

The Group operates a small number of pension schemes. With the exception of the Parity Group Retirement Benefits Plan, all of the schemes are defined contribution plans and the assets are held in separately administered funds. Contributions to defined contribution schemes during the year were £102,000 (2019: £159,000).

Defined benefit plan

In March 1995, the Group established the Parity Retirement Benefits Plan, renamed as the Parity Group Retirement Benefits Plan ("the Plan"), following a Scheme of Arrangement in 1999, in order to facilitate the continuance of pension entitlements for staff transferring from other schemes following acquisitions in 1994. The Plan is governed by the Trustees of the plan and is administered by Cartwright Group Limited in accordance with the Trust Deed and Rules, solely for the benefit of its members and other beneficiaries. The Trustees comprise an independent Chairman, one member representative and one employer representative. It is a funded defined benefit scheme and has been closed to new members since 1995. With effect from 1 January 2005 this scheme was also closed to future service accrual and future contributions paid into money purchase arrangements.

The weighted average liability duration is approximately 14 years (2019: 13 years) and can be attributed to the scheme members as follows:

	Number of members	Weighted average liability duration (years)
Pensioner members	62	13
Deferred members	6	19
Total	68	14

There was one retirement from deferred status in the year (2019: none). There was no change in total members during the year (2019: no change).

22 Pension commitments (continued)

The Plan is funded by the Group based on the triennial actuarial valuation of the scheme's technical provisions. The actuarial valuation is subject to more prudent assumptions than the accounting valuation under IAS 19. The triennial actuarial valuation due at April 2018 was finalised during 2019 and resulted in an increase in monthly contributions from £17,260 per month to £24,300 per month. Funding requirements are formally set out in the Statement of Funding Principles, Schedule of Contributions and Recovery Plan agreed between the Trustees and the Group.

In March 2016, agreement was reached with the Trustees to link amounts payable to company performance and affordability on a sliding scale as part of the 2015 triennial valuation review. The contributions increase each year in line with RPI. The balance of the deficit is expected to be met by asset outperformance. The core contributions in 2020 were £27,015 per month (2019: £24,300 per month) following the inflationary increase. Pursuant to the agreement, no additional lump sum contributions were made during 2020 or 2019.

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

In 2017 the Trustees changed the investment strategy and fund choices in order to reduce the volatility of the deficit whilst increasing the longer term expected investment return. This was achieved by using liability driven investment, which provides leveraged exposure to bond-like assets. The leverage was used to reduce deficit volatility and has allowed a greater share of the assets to be invested in growth assets, as set out in the Composition of Plan Assets table on page 94. The liability driven investments significantly reduced both interest rate and inflation risk so that, using a stochastic 'value at risk' model, the overall investment risk reduced by approximately one third. The main funding risks are as follows:

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

The valuation for IAS 19 has been provided by Cartwright Group Limited, a company that specialises in providing actuarial services, as at 31 December 2020.

Principal actuarial assumptions	2020	2019
Rate of increase of pensions in payment	**3.6-3.9%**	3.6-3.9%
Discount rate	**1.3%**	2.0%
Retail price inflation	**3.2%**	3.2%
Consumer price inflation	**2.2%**	2.2%

In accordance with the revised IAS 19, the assumption for future investment returns is the same discount rate of 2.0% (2019: 2.0%) used in calculating the pension liabilities.

The underlying mortality assumption used is in accordance with the standard table known as S1PA_H, S1PA or S1PA_L mortality, dependent on the size of each member's pension, using the CMI_2019 projection based on year of birth with a long-term rate of improvement of 1.25% p.a. (2019: CMI_2018 and 1.25% p.a.). This results in the following life expectancies:

- Male aged 65 at 31 December 2020 has a life expectancy of 86 years (2019: 86 years)
- Female aged 65 at 31 December 2020 has a life expectancy of 89 years (2019: 89 years)

Guaranteed Minimum Payment ("GMP") equalisation

During 2018 the High Court of Justice in England made judgement in a case relating to GMP equalisation. The court held that pensions earned between 1990 and 1997 must be equalised between men and women for the effect of GMPs. Most sections of the Group's scheme were unaffected since they were opted in to the Second State Pension, with just one section opted out. The actuary estimates that the impact to the scheme will be to increase liabilities by between £10,000 and £30,000. Accordingly, an adjustment is recorded in these accounts to increase the scheme deficit by £20,000 (2019: £20,000), first recognised as a past service cost recognised in the income statement for the year ended 31 December 2018.

22 Pension commitments (continued)

Reconciliation to consolidated statement of financial position	**2020 £'000**	2019 £'000
Fair value of plan assets	**25,143**	22,670
Present value of funded obligations	**(24,935)**	(23,562)
At the end of the year	**208**	(892)

Reconciliation of plan assets	**2020 £'000**	2019 £'000
At the beginning of the year	**22,670**	20,099
Expected return	**442**	549
Contribution by Group	**325**	296
Benefits paid	**(990)**	(913)
Expenses met by scheme	**(247)**	(122)
Actuarial gain	**2,943**	2,761
Plan assets at the end of the year	**25,143**	22,670

Contributions to the scheme included £nil of additional payments (2019: £nil). The actuarial gain on plan assets relates to the rise in value of the scheme's investments reflecting strong performances in global equity markets experienced in 2020.

Composition of plan assets	**2020 £'000**	2019 £'000
Diversified growth funds – Quoted	**20,139**	15,570
Liability driven investment funds – Quoted	**4,827**	6,938
Options in Parity Group plc	**96**	96
Cash	**81**	66
Total plan assets	**25,143**	22,670

Reconciliation of plan liabilities	**2019 £'000**	2018 £'000
At the beginning of the year	**23,562**	22,041
Interest cost	**461**	604
Benefits paid	**(990)**	(913)
Actuarial loss	**1,902**	1,830
Plan liabilities at the end of the year	**24,935**	23,562

22 Pension commitments (continued)

Amounts recognised in the consolidated income statement	**2020 £'000**	2019 £'000
Included in finance costs		
Expected return on plan assets, net of expenses	**195**	427
Unwinding of discount on plan liabilities (interest cost)	**(461)**	(604)
Net finance costs in respect of post-retirement benefits	**(266)**	(177)

Amounts recognised in the consolidated statement of comprehensive income	**2020 £'000**	2019 £'000
Actuarial gain on plan assets	**2,943**	2,761
Actuarial loss on plan liabilities	**(1,902)**	(1,830)
Remeasurement of defined benefit pension scheme	**1,041**	931

Defined benefit obligation trends	**2020 £'000**	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Plan assets	**25,143**	22,670	20,099	21,880	22,465
Plan liabilities	**(24,935)**	(23,562)	(22,041)	(22,939)	(24,313)
Surplus/(deficit)	**208**	(892)	(1,942)	(1,059)	(1,848)
Experience adjustments on assets	**2,943**	2,761	(1,586)	609	2,926
	13.3%	13.9%	(7.3%)	2.9%	15.0%
Experience adjustments on liabilities	**(1,902)**	(1,830)	581	(191)	3,339
	(8.3%)	(8.4%)	2.6%	(0.8%)	15.9%

Sensitivity analysis

Effect of change in assumptions	**Liabilities £'000**	**Assets £'000**	**Surplus/(deficit) £'000**	**Increase/(decrease) in surplus £'000**
No change	24,935	25,143	208	-
0.25% rise in discount rate	24,185	25,143	958	750
0.25% fall in discount rate	25,685	25,143	(542)	(750)
0.25% rise in inflation	25,055	25,143	88	(120)
0.25% fall in inflation	24,815	25,143	328	120

23 Share capital

Authorised share capital	Ordinary shares 2p each 2020 Number	2020 £'000
Authorised at 1 January and 31 December	409,044,603	8,181

Issued share capital	Ordinary shares 2p each 2020 Number	2020 £'000
Issued and fully paid at 1 January and 31 December	102,624,020	2,053

24 Contingencies

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

25 Key management remuneration

Key management comprises the Group's Board of Directors, along with the Group's executive committee of senior management. The total remuneration received by key management for 2020 was £1,209,000 (2019: £1,402,000). Remuneration comprises emoluments received, pension contributions, share-based payment charges and compensation for loss of office. Remuneration of the Board of Directors, including that of the highest paid Director Matthew Bayfield, is disclosed in detail within the remuneration report on page 33.

	2020 £'000	2019 £'000
Short-term employee benefits	955	859
Post-employment benefits	29	34
Compensation for loss of office	145	356
Share-based payments (note 8)	80	153
	1,209	1,402

26 Related party transactions

Consolidated

There were no related party transactions during the year (2019: none).

Company

Details of the Company's holdings in Group undertakings are given in note 27. The Company entered into transactions with Group undertakings as shown in the table below:

26 Related party transactions (continued)

	Operating expenses 2020 £'000	Finance income 2020 £'000	Finance expense 2020 £'000	Operating expenses 2019 £'000	Finance income 2019 £'000	Finance expense 2019 £'000
Expenses incurred from Group subsidiaries	(327)	-	(1,348)	(735)	-	(2,165)
Income generated from Group subsidiaries	-	1,195	-	-	2,101	-

The Company had the following amounts payable to and recoverable from Group undertakings:

	2020 £'000	2019 £'000
Amounts owed by subsidiary undertakings (note 16):		
Falling due within one year	925	2,129
Falling due after one year	134,662	131,946
Amounts due to subsidiary undertakings (note 18):		
Falling due within one year	(13,764)	(14,197)
Falling due after one year	(134,476)	(129,530)

27 Subsidiaries

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

Parity Professionals Limited is a specialist IT and data recruitment services company. Parity Consultancy Services Limited provides business and IT and data consultancy and recruitment services focusing on the provision of data solutions and delivery of projects.

The Company's investment in continuing subsidiaries was reviewed for impairment at the balance sheet date based on the performance of 2019 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 (2019: £20,527,000). The assessment was performed on a value in use basis using discount rates of 11.3% (2019: between 12.5% and 13.0%) and the other parameters used in the goodwill impairment review, as outlined in note 11.

The remaining Group subsidiaries are listed below. These are either discontinued or dormant, are wholly owned by the Group ultimate parent Parity Group plc, and are registered in the UK at 2nd Floor, The Ministry, 79-81 Borough Road, London SE1 1DN unless stated.

Parity Solutions Limited

Parity Eurosoft Limited

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

Parity Limited

Parity Resources Limited

Parity Solutions (Dublin 1999) Limited (registered at 13-18 City Quay, Dublin 2 D02 ED70, Ireland)

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

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

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

Corporate information

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Registered in England & Wales
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Registrars

Equiniti Limited
Aspect House
Spencer Road, Lancing
West Sussex BN99 6DA

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

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

Investor relations

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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 plc website at www.parity.net

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Or by email to: cosec@parity.net

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