Parity

Annual Report and Accounts 2021

Parity Group plc

Company number: 3539413

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Corporate Information

Registered office

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London EC1M 4JN

Tel: 020 8171 1729

Registered in England & Wales

No. 3539413

Advisors

Auditor

Grant Thornton UK LLP

30 Finsbury Square

London EC2A 1AG

Bankers

RBS Group

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280 Bishopsgate

London EC2M 4RB

Leumi ABL Ltd

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EC3A 6AB

Registrars

Equiniti Limited

Aspect House

Spencer Road, Lancing

West Sussex BN99 6DA

Tel: 037 1384 2382

Chairman's Statement

Parity is a people business. At its core, the Company has a strong heritage and brand, recognised for its strengths in engaging and placing talented professionals to carry out important work in both the public and commercial sectors.

Over the last few years, the business had lost sight of these strengths as it pursued a strategy in a different direction. Unfortunately, this did not deliver the performance expected.

A change in key management in June 2021 led to a review of opportunities for the business. The decision was made to refocus on Parity's core competence in recruitment solutions, where its brand and reputation is strong and where market activity provides a wealth of opportunities for value and growth.

As a result, 2021 became a year of two halves, the first continuing the pursuit of a strategy that failed to ignite, the second reclaiming the original purpose of the Parity business, that of being a trusted and successful provider of recruitment solutions.

As a supplier of critical and in demand IT and data skills we have continued to meet the needs of existing clients during the year and have had notable successes in the second half of 2021, growing 3 of our largest accounts, one of which has more than doubled in size over the last 18-months. We are suppliers on the UK's key public sector frameworks for IT and Data resources and see an opportunity in 2022 to grow this further.

High employee turnover over the previous three years and the impact of working remotely from home during the pandemic has meant that a key focus for us during the second half of 2021 has been rebuilding employee morale and motivation.

We have made rapid progress creating a new culture within the business that will enable us to foster growth and development. We have established an academy structure around our core recruitment team to develop our own talent and this is already adding value with a second cohort joining the academy in January 2022. As a business we seek to offer opportunities for all and are proud of our diverse and inclusive workforce. Whilst we strive for more, we are proud of the fact that we have a gender balanced workforce.

Parity is now smaller than it has been historically, however changes in back-office processes and systems alongside the re-building of a capable and scalable recruitment solutions team places us in a strong position to benefit from the continuing demand for digital transformation. As businesses adapt to new ways of doing business post Covid, we are supplying our clients with the talented and experienced people that make this change possible.

Over the last three years the Group has actively transformed itself into a highly flexible business, its cloud infrastructure and digital backbone combined with a hybrid working environment enable the business to adapt and scale to meet future opportunities and challenges. Alongside this, we have put in place a new three-year asset based lending facility in 2021 with Leumi ABL that will provide support and flexibility as we grow the business.

People, remain critical to the success of most if not all, commercial and public service activities. As technology advances, talent is relied on to define and architect solutions, integrate and implement components, manage change and continuously develop advances that deliver improvements to the way things work.

This all takes place in a market where the best talent is demanding more flexibility whilst the ecosystem demands greater productivity. Demand for talent to support this ever-changing environment continues unabated. It is into this environment Parity has strong foundations to acquire and provide solutions that deliver value.

As we chart our path forwards, we are excited by the opportunity.

We end as we start, our business is all about people and the changes over the last six to nine months have only been made possible by our talented and committed teams in Edinburgh and London. On behalf of my colleagues, I wish to thank the whole team at Parity for their work so far, we have more to do, however the base from which we move forward is now solid.

Mark Braund

Executive Chairman

27 April 2022

Operational and Financial Review

Overview

- During 2021 the business continued to develop key relationships with growth in 3 of top 5 client accounts.
- The refocus of investment to support the development and growth of the core recruitment business has been delivered in 2021 without increasing costs.
- As a result the Group recorded a modest Adjusted EBITDA profit of £0.1m for 2021 (2020: £1.1m).
- The Group maintains its strong cash collection with a DSO of 17 days (2020: 14 days) and no bad debts.
- During 2021 the Group replaced its previous asset based lending facility (ABL) with a new 3 year debt facility provided by Leumi ABL, increasing funding flexibility across both billed and unbilled assets.
- As a consequence of the changes to the business in 2021 the Group made increased use of its ABL facility and at 31 December 2021 the net debt was £1.2m (2020: net cash of £0.2m).
- The defined benefit pension scheme surplus has increased significantly during 2021 to £1.9m.

Performance highlights for 2021

	2021		2020		
	Adjusted [1]	Reported	Adjusted [1]	Reported	Variance [2]
Revenue (£ million)	47.0	47.0	57.8	57.8	-19%
Net Fee Income (£ million)	**4.1**	**4.1**	**5.6**	**5.6**	-27%
EBITDA (£ million) [3]	**0.1**	**(0.4)**	**1.1**	**0.7**	-89%
Operating (loss)/profit (£ million)	(0.3)	(0.8)	0.5	0.0	-157%
(Loss)/profit before tax (£ million)	(0.6)	(1.1)	0.1	(0.3)	-552%
Basic earnings per share (pence)	(0.08)	(0.62)	(0.02)	(0.46)	
Net (debt)/cash (£million) [4]	(1.2)	(1.2)	0.2	0.2	

Notes

1 - Excludes from the Income Statement the impact of non-underlying items of £0.5m in 2021 (2020: £0.4m)

2 - Variance compares 2021 adjusted against 2020 adjusted to provide a consistent view of performance

3 - EBITDA is calculated as Operating profit excluding Amortisation and Depreciation and share based payments

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

The financial performance in 2021 reflects the challenging year for the Group.

Whilst our strong position in the public sector helped cushion the impact of Covid in 2020, the return of the market and contractor mobility/churn in particular, exposed the lack of depth in the recruitment team and the business was unable to take advantage of the increasingly buoyant recruitment market during 2021. This has had a significant impact upon performance in 2021.

To address this, investment in H2 2021 was redirected to rebuilding the recruitment capability. A reallocation of resource from non-core activities to support client facing recruitment along with a streamlining of the extended management team meant that this was achieved without an increase in operating costs (non-underlying costs excluded). This close management of costs within the Group has enabled the Group to deliver a modest Adjusted EBITDA for 2021 despite the fall in Net Fee Income.

Revenue

Year on year revenue has declined by 19% to £47m, driven by a fall in contract recruitment revenue that makes up 97% of total revenue.

The impact of an under resourced recruitment team and lack of additional capacity to pursue new business has been a year on year fall in the number of contractors by 20%. This decline in contractor numbers has in part been offset by an increase in average billing rates by 8% during the year, reaching £504/day in December 2021.

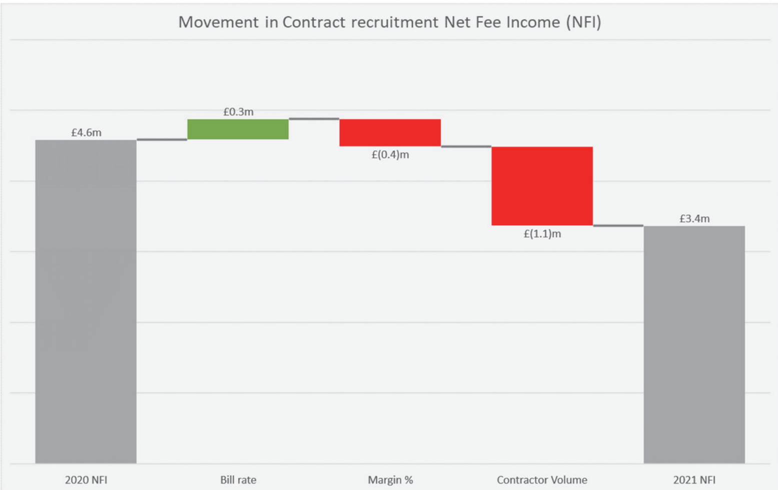
This increase is attributable to two factors:

- Over the last 2 years the business has been increasingly focusing its contract recruitment on higher value IT resources.
- The increased enforcement of IR35 legislation and potential for large penalties has prompted many organisations to take a conservative approach to IR35 assessments. The impact of this is an increase in roles deemed to be inside IR35. To attract candidates, clients are in most cases having to increase rates to offset the increased tax burden a contractor faces if inside IR35.

Non recruitment revenues totalled £1.3m in 2021 (2020: £1.6m).

Net Fee Income

Total Net Fee Income was £4.1m in 2021, a fall of £1.5m (27%) over 2020. Of this £0.3m is attributable non-recruitment Net Fee Income and the remaining £1.2m is a direct consequence of the lower Contract Recruitment Net Fee income, of £3.4m (2020: £4.6m).



Lower contractor numbers in 2021 account for £1.1m of the drop in Contract Recruitment Net Fee Income. In parallel with the reduction in contractors the underlying % margin has fallen from 8.2% to 7.4% resulting in a £0.4m reduction in Net Fee Income. This margin dilution reflects the impact of the under resourced recruitment team who were successfully able to support and grow large key accounts but unable to manage and pursue smaller higher margin accounts. These two adverse variances are partially tempered by the increase in billing rate during the year which has flowed through to Net Fee income, adding £0.3m.

With the new recruitment team in place, there is now resourcing to cover all accounts and with a renewed focus on engaging with contractors there will be a push to win back higher margin business in 2022.

Segmental performance

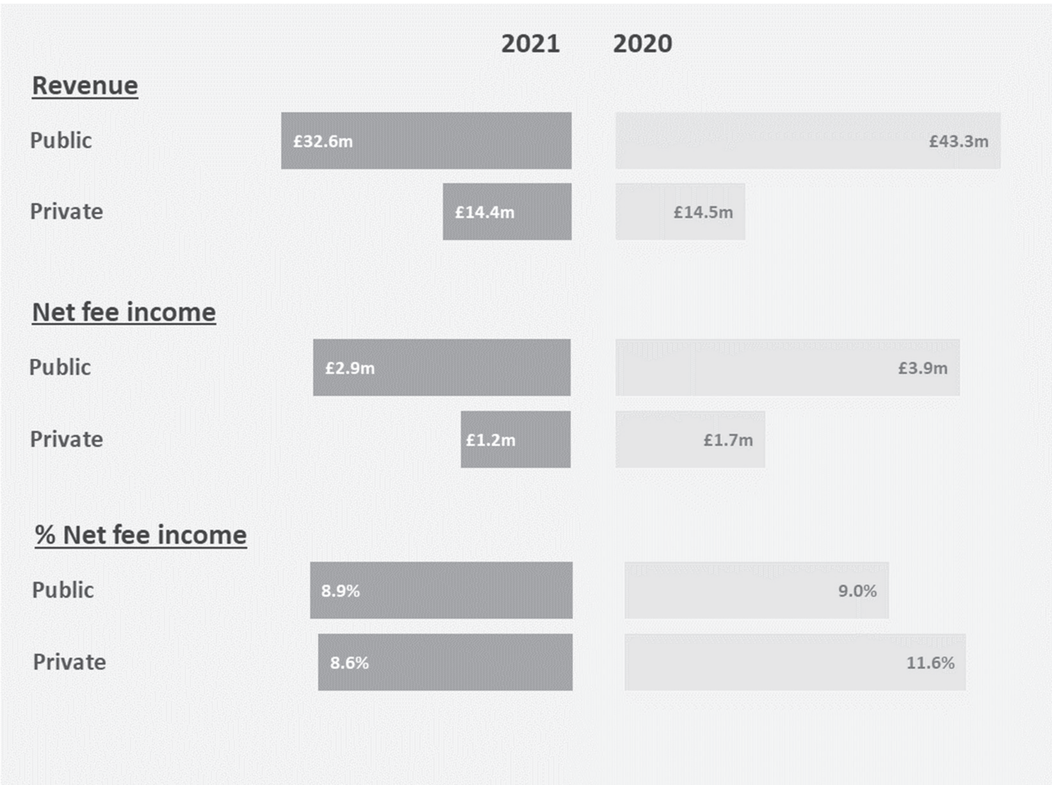
As noted previously, the key driver of the lower revenue and net fee income has been a fall in contractor numbers. This has had an impact on both public and private sector income streams with a lack of capacity in the recruitment team during the first three quarters of the year limiting the ability to manage beyond key accounts.

In the public sector specifically, this has resulted in a decline in net fee income by 27%, driven by the loss of contractors in the first three quarters. The slight drop in % margin reflects the loss of some smaller, higher margin accounts.

Private sector has maintained revenue in line with the prior year at £14.5m as a result of strong growth in a key account during the year that has offset lower contractor numbers elsewhere and the impact of the failure to establish a sustainable and scalable consultancy division.

Net fee income for private sector has dropped by £0.5m with growth from the key account adding £0.2m to net fee income but insufficient to offset a fall of £0.4m due to lower contractor numbers in smaller accounts where margins are higher. Additionally, the failure to generate new consulting opportunities was responsible for a further £0.2m of the drop in Net fee income.

The fall in net fee income as a % of revenue between 2020 and 2021 reflects a change in revenue mix, with a fall in high % margin consulting income being replaced by lower margin contract recruitment.



Selling and Administration Costs

2021 was a year of two halves for expenditure, H1 2021 began with the business making further investments in management and new business capability to support the continual development of non-recruitment activities. Following the change in management in June 2021 investment shifted towards recruitment, rebuilding the capacity in the team during H2 2022 to take advantage of future opportunities in the market.

Resources engaged in non-core activities were reduced during H2 2021 and the management team streamlined to facilitate the investment in additional recruitment resources. This created £1.1m (Annualised) of capacity to re-invest in recruitment and new business resources.

In addition to hiring experienced recruitment professionals, investment has also been made into long term development of employees with the creation of an academy structure focused on developing talent in house. The first cohort through the academy are already thriving and second intake started in January 2022, this structure will support the Group's organic growth and profitability in future years.

Operating costs before non-underlying items

GBP million	H1	H2	FY21	H2 vs H1
Selling & Administration expenses	(2.1)	(1.9)	(4.0)	-9.1%
Share-based payment charges	0.0	0.1	0.1	n/a
Depreciation & amortisation	(0.2)	(0.3)	(0.5)	14.6%
Total	(2.3)	(2.1)	(4.4)	-9.5%

Selling and Administration costs for H2 2021 were 9% lower than H1 2021, this variance is primarily the result of the switch from non-core activities into core recruitment and gives the Group scope to invest further in 2022. Against prior year, Selling and Administration costs are 10% lower.

Depreciation and amortisation

In accordance with IFRS 16, the 2021 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 change in management in June 2021 and subsequent refocus around the recruitment business the non-underlying costs incurred in 2021 total £0.6m (2020: £0.4m) and relate almost entirely to the costs of departing employees. A detailed analysis of the non-underlying items is provided in note 5 on page 68.

Taxation

The tax income on profit before tax was £0.47m (2020: charge of £0.15m), mainly representing a deferred tax adjustment in respect of recognition of tax losses that were not recognised previously. The Group did not provide for corporation tax payable in 2021 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 0.62 pence (2020: loss of 0.46 pence per share). The Group's results for both 2021 and 2020 were impacted by restructuring costs.

The Board does not propose a dividend for 2021 (2020: nil).

Statement of financial position

Trade and other receivables

The Group continues to maintain its strong performance on trade debtors, keeping a close relationship with clients to ensure both prompt payment and quick resolution of any issues, this approach has both maintained low debtor days and also ensured that the business has no bad debt. Group debtor days (calculated on billings on a countback basis) at the end of the year were 17 days (2020: 14 days).

Overall trade and other receivables decreased during the year to £4.8m (2020: £6.1m), the main driver being the reduction in contractor numbers.

Trade and other payables

Trade and other payables decreased during the year by £1.3m to £3.6m (2020: £4.9m). Of this, key variances were £0.6m decrease attributable to the reduction in contractor numbers and a further £0.3m to the payment of VAT deferred in 2020 under the Covid-19 VAT deferral scheme.

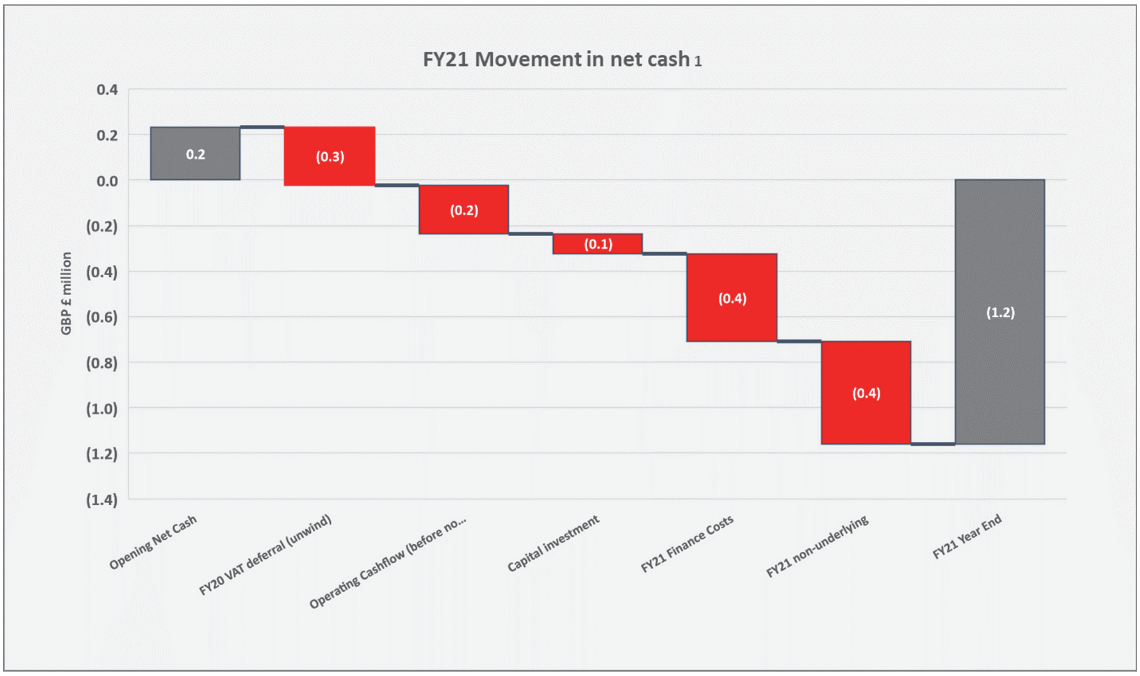
At the year end, creditor days were 23 days (2020: 23 days).

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. In April 2021 the Group switched its ABL facility from PNC to Leumi ABL. As a result of this switch the amount that can be borrowed against billed and unbilled receivables increased and borrowing costs reduced because the Group will only pay fees on amounts it borrows (under the previous PNC facility the Group were charged a 1% fee for any unutilised facility). The facility in place with Leumi ABL is for a minimum of 3 years giving the Group the support it needs to optimise its working capital requirements.

In 2021 the average borrowings were £2.5m (2020: £1.6m) and the Group only borrowed more than £3 million for 79 days during the year (2020: 29 days).

Cash flow and net debt



Net cash outflow in the year (excluding IFRS16 adj) was £1.4m. Of this, £0.2m related to ongoing operating activities and a further £0.4m the impact of the non-underlying costs. In addition, the Group incurred £0.1m of capital expenditure for the development of a data warehouse to provide business intelligence to the Group. The balance of the cash outflow is made up of primarily of pension costs of £0.3m (included within the FY21 finance costs of £0.4m) and the repayment of £0.3m of VAT deferred under the government Covid scheme.

Defined benefit pension surplus

Solid investment management of the Defined Benefit pension scheme assets has further increased the surplus from £0.2m at the beginning of the year to £1.9m at the end of 2021. Whilst financial markets are currently volatile based on world events and there is always potential for surplus position to change, the strength of the scheme's assets, is now sufficient for the Group and Trustees to target, over the medium term, a buyout of the scheme.

During 2021 the Group paid £0.3m contributions to the scheme.

Mike Johns
Chief Financial Officer
27 April 2022

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 listing of the principal risks and uncertainties below:

Impact of Covid-19 and macro-economic uncertainty		
Risk Whilst the primary risk of the Covid pandemic is generally agreed to have passed, there is a residual effect as Covid continues to result in a higher than normal number of lost working days due to sickness. The lost working days, if continued for a prolonged period, could result in a material loss of revenue.	**Mitigation** The Board recognise that the risk to the Group from Covid has been mitigated to date 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. These contractors are able to carry out their work remotely from a client and therefore it is expected that with the reducing seriousness of Covid infections any future lost working days will be limited as contractors can continue to work even if isolating at home.	**Status** Reduced
Strategy fails to deliver anticipated growth		
Risk The Group's anticipated growth may not be achievable if the Group is unable to implement its strategy effectively.	**Mitigation** 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.	**Status** No change
Legislation – e.g. IR35		
Risk The planned extension of IR35 off-payroll worker regulations to the private sector in the UK, which was delayed to April 2021, has caused limited short-term disruption as both clients and contractors adapted. The Group has seen a small impact upon revenue in 2021 as some contractors sought other, better paid roles outside of IR35.	**Mitigation** 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 have worked closely with our private sector clients to ensure a smooth transition.	**Status** Reduced

	With IR35 now an ongoing consideration for both public and private sector contracting there is expected to be no further impact.	
Loss of key client accounts		
Risk 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.	**Mitigation** 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.	**Status** No change
Financial		
Risk The Group maintains credit facilities that enable it to borrow against assets on the balance sheet to meet short term working capital requirements. Poor cash and liquidity management may result in strain on the Group's credit facilities and/or operational cash flow issues.	**Mitigation** 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.	**Status** No change
Technology		
Risk 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 failure or obsolescence of any of these systems could hinder the operation of end-to-end business processes.	**Mitigation** The Group has moved its core IT telecoms systems into the Cloud, and these are managed remotely and are backed up automatically thus providing the Group with a high level of reliance. Having made these changes during 2020 and managed the new services for more than 12 months there is evidence that there is greater resilience and therefore lower risk of failure. ISO 27001 and Cyber Essentials certifications are held ensuring that the business maintain high levels of data security.	**Status** Reduced

Data		
Risk	**Mitigation**	**Status**
The Group routinely collects and uses personal data. Following the introduction of the General Data Protection Regulation ('GDPR') there is a risk of non-compliance with the legislation and therefore risk of litigation and the incurrence of fines.	The Group has implemented significant changes to its data collection and processing controls. The data privacy landscape is monitored, and ISO 27001 and Cyber Essentials certifications are held ensuring that the business maintain high levels of data security.	No change

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 pages 12 to 14. The Group's statement on going concern and future prospects is included in the Directors' Report on page 35 and Chairman's Statement on page 4.

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 24.

Community and the environment
The Board recognises its responsibility to achieve good environmental practice and make a positive contribution to the community. The Group's practices and policies in this regard are set out in the Corporate Social Responsibility Report on page 24.

Business conduct and relationships
The Board recognises the importance of a strong corporate culture that considers the best interests 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 25 and its ethics policies are set out in the Corporate Social Responsibility Report on page 24.

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 16.

Corporate Governance Report

Introduction

The Company applies the 2018 QCA Corporate Governance Code (the Code) and this Corporate Governance Report for the year ended 31 December 2021 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 growth and profitability through the development of the Group's core competencies in recruitment. With the recruitment market continuing to evolve there is opportunity to leverage Parity's brand, reputation and expertise to not only deliver traditional recruitment solutions but also to innovate and deliver value added solutions that solve challenges for its clients in sourcing and retaining critical talent.

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 pages 12 to 14.

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. 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 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 24.

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 pages 12 to 14. The Board is not aware of any significant failings or weaknesses in the system of internal control.

Maintain a dynamic management framework

Maintain a well-functioning, balanced board

At the date of this report, the Board comprises myself as Executive Chairman, David Firth and Gerard Brandon, both Non-Executive Directors, and Mike Johns, Chief Financial Officer. The table on page 29 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 only one (David Firth) 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.

In June 2021 I moved from my role as Non-Executive Chairman into a part-time Executive Chairman role following the departure of the previous Chief Executive Officer. In my capacity as Executive Chairman I am responsible, in addition to board related matters, for overseeing the management of the day to day business of the Group. Supporting me in this are Mike Johns, Chief Financial Officer and Isobel Brown, Director, Recruitment Business. Together the 3 of us form the executive management team responsible for the key decision making within the Group.

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 catch up calls with the Non-Executive Directors in between board meetings and David Firth, as Chairman of the Audit Committee is in periodic contact with the CFO on financial matters. The Non-Executive Directors are also available to support on material matters as and when that support is required.

As Executive Chairman, I am 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. 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 Non-Executive Directors without the other Executive Director 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 35 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 below.

During the year, 9 scheduled Board meetings were convened, along with 3 ad hoc Board meetings to deal with various matters. Details of attendance at Board meetings is summarised below. Committee attendance is shown for Committee members only.

	Board[1]	Audit	Nomination	Remuneration
Number held	9	2	0	2
Number attended				
John Conoley[2]	4/4	1/1		
David Firth	9/9	2/2		2/2
Gerard Brandon	8/9			2/2
Matthew Bayfield[3]	4/4			
Mike Johns	9/9			
Mark Braund[4]	5/5	1/1		1/1

1 Excludes ad hoc meetings
2 Resigned on 21/04/2021
3 Resigned on 09/06/2021
4 Appointed on 21/04/2021

All Directors who were members of the Board at the time attended the Group's Annual General Meeting on 10 June 2021 apart from Gerard Brandon.

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 David Firth as Non-Executive Director and Mark Braund as Executive Chairman and is chaired by David Firth. The Audit Committee has met twice in 2021. Details of the responsibilities of the Audit Committee are set out in the Audit Committee Report on pages 32 to 34. Where necessary, specialist external consultants are used to assist the Committee.

The Remuneration Committee comprises both Non-Executive Directors and the Executive Chairman and is chaired by David Firth. Details of the responsibilities of the Remuneration Committee are set out in the Remuneration Report on pages 26 to 31. Where necessary, specialist external consultants are used to assist the Committee.

The Nomination Committee comprises both Non-Executive Directors and the Executive Chairman. It is chaired by Mark Braund. It is responsible for proposing candidates for appointment to the Board, having due regard to the balance and structure of the Board, as well as succession planning. The Committee did not meet in 2021.

The typical 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.

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 pages 22 and 23, 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 2021. 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.

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 25.

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 25. 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.

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 management team comprises the Executive Chairman, the Chief Financial Officer, and Isobel Brown, the Director, Recruitment Business. The executive management team meet regularly and can be 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 32 and 26 respectively.

Mark Braund
Executive Chairman
27 April 2022

The Board

Mark Braund (60)	David Firth (61)	Gerard Brandon (60)
Executive Chairman	Non-Executive Director	Non-Executive Director
Appointment Date: April 2021	**Appointment Date:** September 2016	**Appointment Date:** May 2020
Experience: Previously Chief Executive of RedstoneConnect plc (now known as Smartspace Software plc), Chief Executive of InterQuest Group plc. Current Chairman of REACT Group plc	**Experience**: Previously Finance Director of Penna Consulting for 16 years and Group Finance Director of Parity for 4 years	**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.
Committees: Chairman of the Nominations Committee and member of the Remuneration, and Audit Committees.	**Committees**: Chairman of the Remuneration, and Audit Committees and member of the Nominations Committee.	**Committees**: Member of the Nominations and Remuneration Committees
External Appointments: Chairman of REACT Group plc. Chairman of Livingstone Group	**External Appointments**: Non-Executive Chairman at Best of the Best plc and Non-Executive Director at Celadon Pharmaceuticals plc and i-nexus Global plc.	**External Appointments**: CEO of Deepverge plc and Cellulac plc and Non-Executive Chairman of Microsaic Systems plc
Skills brought to the board: Significant experience across a number of business sectors, both in the UK and overseas including recruitment & HR services, outsourcing, managed services and digital software & technology.	**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	**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 2021: 5/5	**Number of Board meetings attended in 2021:** 9/9	**Number of Board meetings attended in 2021:** 8/9
Sector experience: Recruitment & HR services sector and relevant technology sectors.	**Sector experience:** People management, consultancy, finance, recruitment, IT services, motor retailing and advertising	**Sector experience:** Technology, health, pharmaceutical, services and utilities

Mike Johns (51)
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 2021:
9/9

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

Employment policies

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

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

The Group incentivises employees through share-based incentives and the payment of bonuses and commissions linked to performance objectives. Where appropriate these objectives are linked to profitability. The Group is looking to implement an improved talent development programme in 2022.

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 — There is in place a person qualified in first aid. First aid boxes are readily accessible and records kept of all accidents and injuries.
- Fire safety — There is in place an evacuation marshal who will liaise with building management or local emergency authorities, as appropriate. Evacuation assembly points are agreed for every location and full evacuations are carried out when circumstances permit. 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 – the Company has put in place additional measures to support employees with mental health issues, including external training for a selected member of staff to act as a mental health first aider.

Much of 2021 was impacted by the Covid-19 pandemic. The Company followed all government guidelines in respect of working from home and operated strict Covid-secure policies during the 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 to ensure high standards are maintained.

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

Social responsibilities

It is Group policy to be a good corporate citizen wherever it operates. As part of the Group's social responsibility, employees are encouraged to support national charities and also become involved in their local communities and 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. Collaborative working technologies (including Microsoft Teams) are used to communicate with clients, candidates and internally between offices, reducing the need for business travel and increasing 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 facilities used by the Group, such as toner cartridges, are recycled where possible by its office provider. 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. As a result of the Covid-19 pandemic where all employees worked from home, the use of paper has reduced significantly with most business now being conducted digitally, including the negotiation and signing of contracts which makes use of digital signatures, reducing the need for paper copies to be printed and signed.

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.

Company Values
Parity underwent a consultation with all staff in 2021 to redefine its core values. The new values, published and rolled out across the Group on 01/12/2021 are:

1. We do the right thing
We make decisions based on what is best for our customers, candidates and employees even if that means foregoing profit in the short term. We get excited by the opportunity to help others and believe our reward comes from adding value to the lives and businesses of those we engage with.

2. We treat people as they want to be treated
We understand everyone is different and we are proud to celebrate that difference and seek to understand those that we work with in all capacities from colleagues to clients alike.

3. We believe that everyone has a voice
We recognise the value that everyone brings to Parity and those we serve. We listen then listen more. We encourage everyone to promote new ideas, provide feedback and discuss what they believe is important.

4. We create exceptional outcomes
We work hard to be the best at what we do with our aim being to deliver exceptional outcomes for those we engage with.

5. We believe in being rewarded for the value we create
We recognise our role to bring value to all our stakeholders, whether providing valuable services to our contractors, candidates and customers, a great place to work for our colleagues or, delivering sound financial returns for our shareholders.

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 employees are signposted to the Group policy at induction.

During 2021 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 Signposting – Employees are signposted to the Modern Slavery Act 2015 and our Modern Slavery Policy at induction.

During 2021 no instances of modern slavery were reported or identified.

Remuneration Committee Report

Remuneration Committee

The Remuneration Committee comprises David Firth as Chairman, Gerard Brandon and Mark Braund. 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 BPE Solicitors LLP, 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 2021 are set out in the table on page 30.

Meetings

There were two meetings held during the year. Attendance at the meetings can be found in the table on page 18.

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 2021 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

There were no performance bonus payments paid in 2021.

Share option schemes

During 2021 the Group operated the following types of share option scheme: the Company Share Option Plans, and the EMI Share Option Plan

Share Option Plans

The Group operates an HMRC Approved Share Option Plan, 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 on page 30. All of the options awarded to the Executive Directors and senior management have vested or lapsed, with the exception of the following grants:

On 24 November 2020, 2,000,000 share options were awarded to Mike Johns, Chief Financial Officer. 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.

Further share options over 2,000,000 Ordinary Shares were awarded to Mike Johns, Chief Financial Officer, on 23 June 2021 on the recommendation of the Company's Remuneration Committee and represent approximately 1.9% of the Company's issued share capital.
The Share Options have an exercise price, calculated in accordance with the rules of the Parity Group 2019 EMI Options Plan and 2019 Unapproved Company Share Option Plan, of 10.25 pence per Ordinary Share, being the closing mid-market price per Ordinary Share on 22 June 2021. The Share Options will vest after three years and are subject to the following performance conditions:

- One quarter of the total grant of Share Options will be exercisable if the price per Ordinary Share achieves or exceeds each of 15.0 pence, 20.0 pence, 25.0 pence and 30.0 pence, in each case for a period of at least 30 consecutive calendar days at any time during the vesting period.

Share Options were awarded to Isobel Brown, Director, Recruitment Business and a person discharging managerial responsibility options over 500,000 ordinary shares of 2 pence each. The Options were granted on 01 October 2021 and represent approximately 0.49% of the Company's issued share capital. The purpose of the Options is to retain, reward and incentivise Isobel Brown as a key employee of the Company, on the recommendation of the Company's Remuneration Committee. The Options each have an exercise price, calculated in accordance with the rules of the Parity Group 2019 EMI Options Plan, of 6.25 pence per Option, being the closing mid-market price per Ordinary Share on 30 September 2021 and will vest after three years. The Options are subject to the following performance conditions:

- One quarter of the total grant of Share Options will be exercisable if the price per Ordinary Share achieves or exceeds each of 15.0 pence, 20.0 pence, 25.0 pence and 30.0 pence, in each case for a period of at least 30 consecutive calendar days at any time during the vesting period.

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

Share Warrants

Share Warrants were awarded to Mark Braund, Executive Chairman over 3,500,000 ordinary shares of 2 pence each. The Warrants were granted on 01 October 2021 and represent approximately 3.4% of the Company's issued share capital. The Warrants have been awarded on the recommendation of the Company's Remuneration Committee to reward and incentivise Mark Braund in his capacity as Executive Chairman over the medium term and to retain him as a key director as the Company grows its core recruitment services to create long term value for shareholders. The Warrants have an exercise price of 6.25 pence per Warrant, being the closing mid-market price per Ordinary Share on 30 September 2021 and are exercisable for five years from the date of grant. The Warrants are also subject to performance conditions:

- One quarter of the total grant of Warrants will be exercisable if the mid-market price per Ordinary Share equals or exceeds each of 15.0 pence, 20.0 pence, 25.0 pence and 30.0 pence, in each case, for a period of at least 30 consecutive calendar days at any time during the exercise period.

Share price

The Parity Group plc mid-market share price on 31 December 2021 was 6.75 pence. During the period 1 January 2021 to 31 December 2021 shares traded at market prices between 6.25 pence and 13.5 pence.

Directors' pension information

Executive Directors are entitled to a contributory company pension contribution.

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
David Firth[1]	31 May 2016	n/a	n/a
Gerard Brandon[1]	1 May 2020	3 months	n/a
Mike Johns	8 June 2020	6 months	6 months rolling
Mark Braund	9 June 2021	6 months	6 months rolling

1. Unless otherwise specified, the appointment of Non-Executive Directors is terminable at the will of the parties

Other Non-Executive posts

Subject to the approval of the Board, the Executive Directors may hold external Non-Executive appointments. The Group believes that such appointments provide a valuable opportunity in terms of personal and professional development. Fees derived from such appointments may be retained by the Executive Director concerned.

Directors' remuneration

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

	Salary/ fees 2021 £'000	Bonus 2021 £'000	Benefits 2021 £'000	Compensation for loss of office 2021 £'000	Total emoluments 2021 £'000	Company pension contributions[6] 2021 £'000	Share-based payments 2021 £'000
Executive Directors							
Matthew Bayfield[2]	**112**	**-**	**5**	**228**	**345**	**5**	**(90)**
Mike Johns	**173**	**-**	**12**	**-**	**185**	**9**	**22**
Mark Braund[3]	**78**	**-**	**1**	**-**	**79**	**4**	**5**
Non-Executive Directors							
John Conoley[1]	**18**	**-**	**-**	**15**	**33**	**-**	**-**
David Firth	**45**	**-**	**-**	**-**	**45**	**-**	**-**
Gerard Brandon	**35**	**-**	**-**	**-**	**35**	**-**	**-**
Total emoluments	**461**	**-**	**18**	**243**	**722**	**18**	**(63)**

	Salary/ fees 2020 £'000	Bonus 2020 £'000	Benefits 2020 £'000	Compensation for loss of office 2020 £'000	Total emoluments 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[4]	**98**	**-**	**7**	**-**	**105**	**3**	**1**
Roger Antony[5]	**102**	**-**	**10**	**87**	**199**	**3**	**23**
Non-Executive Directors							
John Conoley	**57**	**-**	**-**	**-**	**57**	**-**	**-**
David Firth	**43**	**-**	**-**	**-**	**43**	**-**	**-**
Gerard Brandon[6]	**23**	**-**	**-**	**-**	**23**	**-**	**-**
Total emoluments	**537**	**11**	**29**	**87**	**664**	**17**	**79**

Notes

1. Resigned on 21/04/2021
2. Resigned on 09/06/2021
3. Appointed as Non-executive Chairman on 21/04/21 and into the role of Executive Chairman on 09/06/2021
4. Appointed on 08/06/2020
5. Resigned on 30/06/2020
6. Appointed on 01/05/2020

Executive Directors' share options

	As at 1 January 2021	Lapsed/ surrendered in the year	Exercised in the year	Awarded in the year	**As at 31 December 2021**	Exercise period	Exercise price per share
Matthew Bayfield							
Executive share option plan							
2018	500,000	(500,000)	-	-	**-**	-	-
2019	3,000,000	(3,000,000)	-	-	**-**	-	-
2020	4,000,000	(4,000,000)	-	-	**-**	-	-
Subtotal	7,500,000	(7,500,000)	-	-	-	-	-
Mike Johns							
Executive share option plan							
2020	2,000,000	-	-	-	**2,000,000**	2023-2030	£0.0775
2021	-	-	-	2,000,000	**2,000,000**	2024-2031	£0.1025
Sub-total	2,000,000	**-**	-	2,000,000	**4,000,000**		
Total	**9,500,000**	**(7,500,000)**	**-**	**2,000,000**	**4,000,000**		

Executive Directors' share warrants

	As at 1 January 2021	Lapsed/ surrendered in the year	Exercised in the year	Awarded in the year	**As at 31 December 2021**	Exercise period	Exercise price per share
Mark Braund[1]							
2021	-	-	-	3,500,000	**3,500,000**	2022-2027	£0.0625
Total	**-**	**-**	**-**	**3,500,000**	**3,500,000**		

Notes

1. Mark Braund was appointed as a Board Director on 21 April 2021

Directors' interests in shares

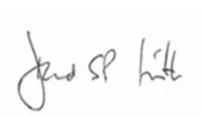
The beneficial interests of the Directors who were serving at 31 December 2021 and their families in the ordinary share capital of the Company are shown below:

	Shareholding at 31 December 2020	% issued share capital	**Shareholding at 31 December 2021**	**% issued share capital**
David Firth	200,000	0.19	**200,000**	**0.19**
Gerard Brandon [1]	-	-	**571,613**	**0.55**
Mike Johns	-	-	**-**	**-**
Mark Braund	-	-	**134,660**	**0.13**

Notes

1. 451,613 ordinary shares were issued to Gerard Brandon during the year to satisfy the Director's Fee in respect of the initial period of 12 months from the date of his appointment on 1 May 2020.

For and on behalf of the Board



David Firth
Chairman of The Remuneration Committee

Audit Committee Report

Audit Committee

The Audit Committee is a sub-committee of the Board, and comprises David Firth as Chairman, and Mark Braund. David Firth is a Non-Executive Director and is considered to be independent by the Board. Mark Braund is Executive Chairman. Their biographies can be found on page 22.

The Audit Committee met twice in 2021. 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 two meetings held during the year. Attendance at the meetings can be found in the table on page 18.

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 2020;
- reviewed the Board's compliance with Section 172 of the Companies Act.

External Auditor

The audit in relation to the year ended 31 December 2020 was Grant Thornton's fourth 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 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.

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 discount 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.

Retirement benefit asset

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.

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 2023 demonstrated sufficient facility headroom.

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.

David Firth
Chairman of The Audit Committee
27 April 2022

Directors' Report

The Directors present their report and the audited accounts for the year ended 31 December 2021.

Principal activities
The Group delivers a range of recruitment 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 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, net fee income, adjusted EBITDA, operating profit, debtor days and net cash, and the principal risks and uncertainties facing the Group is included in the Chairman's Report, and the Operating and Finance Review on pages 6 to 11. The Group's social, environmental and ethical policies are set out on pages 24 to 25. 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 £1.1m (2020: £0.33m). After a tax income of £0.47m (2020: charge of £0.15m), the retained loss of £0.64m (2020: £0.47m) has been transferred from reserves. The results for the year are set out in the consolidated income statement on page 51.

Dividends
The Directors do not recommend a final dividend (2020: nil pence per ordinary share). The total dividends for the year were nil pence per ordinary share (2020: 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 2021, 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 27 April 2022 is set out on pages 22 and 23, 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 from page 26.

Principal shareholders

As at 26 April 2022 (being the latest practical date prior to the signing of the Directors' Report) the Company had received notification of the following substantial interests representing over 3% of the issued share capital:

	Number of Ordinary 2p shares	Percentage Held
IS Partners Investment Solutions	23,712,851	23.01%
Timothy Watts	21,749,500	21.1%
David Courtley	6,519,786	6.33%
Barclays Smart Investor	5,791,795	5.62%
John Cawthorne	5,186,087	5.03%
Interactive Investor	4,802,905	4.66%
Dominion Holdings	4,664,900	4.53%
Hargreaves Lansdown	4,098,848	3.97%
Jarvis Investment Management	4,051,715	3.93%
Redmayne Bentley	3,382,666	3.28%

Capital structure

The Company has one class of share in issue, ordinary shares of 2p. The shares are listed on the London Stock Exchange (Alternative Investment Market) 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

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 2023, taking account of reasonably possible changes in trading performance, including potential downsides from increased volatility in the market and slower delivery of new business initiatives. 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 with Leumi ABL. There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

Payments to suppliers

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

Corporate social responsibility

The Group recognises its corporate social responsibilities and reports on these in a separate statement of social, environmental and ethical policies on pages 24 to 25. This statement covers the Group's Employment Policies, Environmental Policy and Health and Safety Policy.

Directors' and officers' liability insurance and indemnity

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

Political donations

There were no political donations made by the Group during the year (2020: none).

Corporate Governance

The Corporate Governance Report on pages 16 to 21 forms part of the Directors' Report.

Auditor

Pursuant to section 489 of the Companies Act 2006, resolutions will be proposed at the 2022 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
27 April 2022

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. Under that law the Directors have prepared the Group and parent Company financial statements in accordance with UK-adopted International Financial Reporting Standards and applicable law.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether applicable UK-adopted international accounting standards have been followed for the Group and parent Company financial statements;
- assess the Group and parent Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

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

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

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on the Parity Group website. Financial statements are published on the Company’s website in accordance with AIM company requirements governing the preparation and dissemination of financial statements. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the 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 Finance 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 pages 12 to 14.

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.

Mark Braund
Executive Chairman
27 April 2022

Parity

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 2021, which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Company Statement 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 UK-adopted international accounting standards 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 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards 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.

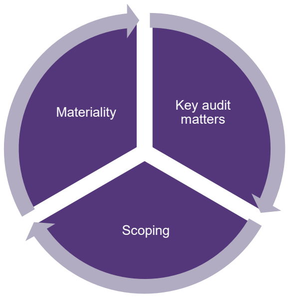
A description of our evaluation of management's assessment of the ability to continue to adopt the going concern basis of accounting, and the key observations arising with respect to that evaluation is included in the key audit matters section of our report.

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.

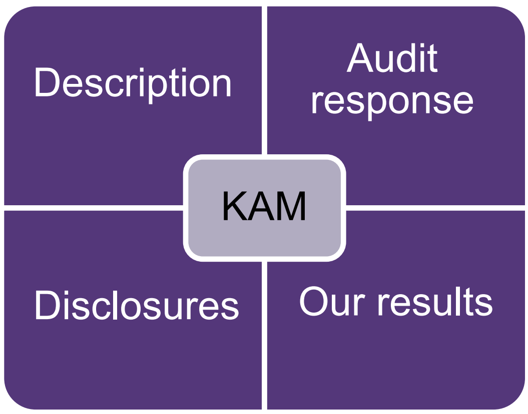
Our approach to the audit



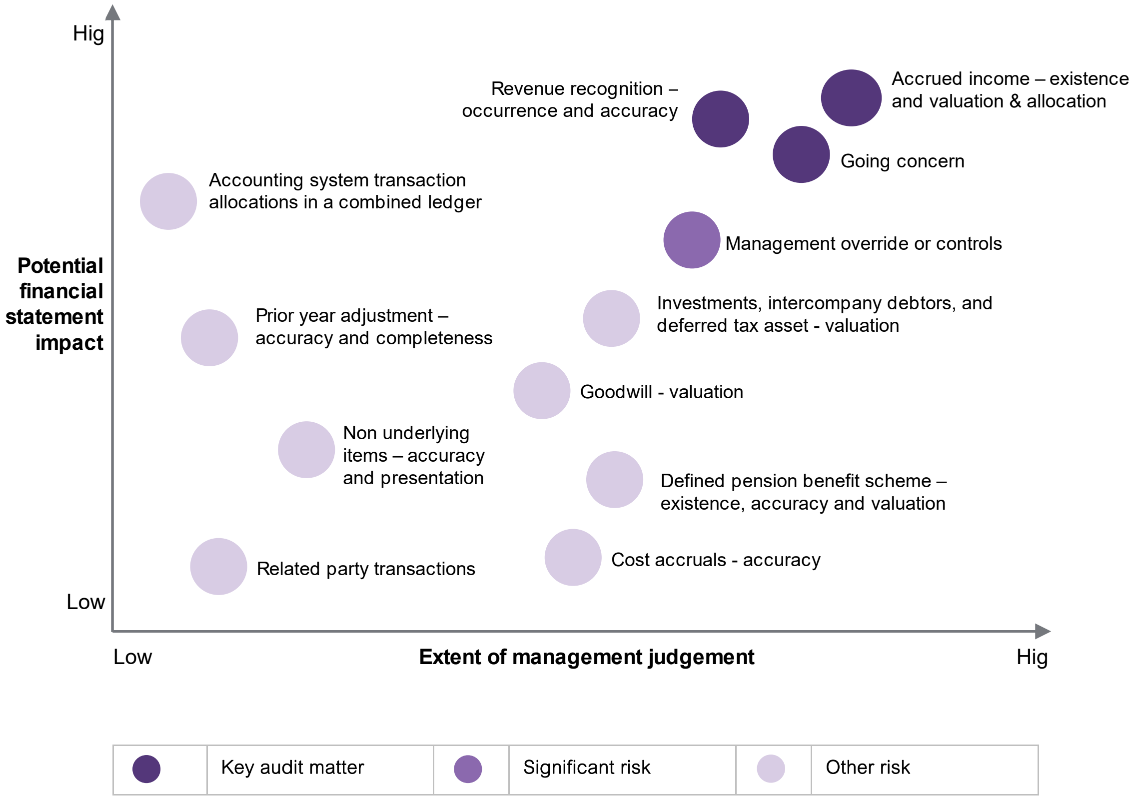
Overview of our audit approach
Overall materiality: Group: £238,000, which represents 0.5% of the group's expected revenue at the planning stage of the audit. Parent company: £178,500, which represents 2% of the parent company's net assets, capped at 75% of Group materiality.
Group key audit matters were identified as: • Going concern (same as previous year); • Revenue recognition (same as previous year); and • Accrued income (same as previous year). Our auditor's report for the year ended 31 December 2020 included no key audit matters that have not been reported as key audit matters in our current year's report. No key audit matters were identified for the parent company.
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. Going concern risk was determined to be a significant risk as the group was loss making in the year and the group remains reliant on a committed 36 month working capital facility which mandates that the group meets certain financial covenants throughout and at predetermined reporting dates within the going concern assessment period.	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, Covid-19 and the strategic repositioning of the business to concentrate on recruitment solutions; • Obtained management's base case profit and loss, balances sheet and cash flow forecasts covering the period from 31 December 2021 to 31 December 2023; • Assessed how these profit and loss, balance sheet and cash flow forecasts were compiled and assessed their appropriateness by understanding and corroborating underlying assumptions, challenging those assumptions and applying sensitivities where relevant; • Assessed the accuracy of management's past forecasting by comparing management's forecasts for 2021 to the actual results for 2021 albeit 2021 results were impacted by the strategic repositioning of the business, Covid-19 and the cost restructuring exercise. We also compared current year to date actual and forecast data to 31 March 2022 and considered the impact on the base case cash flow forecast; • Obtained management's worst-case scenario prepared to assess the ongoing impact of Covid-19 on the business. We considered whether the assumptions were consistent with our understanding of the business derived from other detailed audit work undertaken; • Assessed the impact of the mitigating actions available to management in respect of the ability to restrict cash impact, including the level of available facilities; and • Assessed the adequacy of related disclosures within the report and accounts 2021.
Relevant disclosures in the Annual Report and Accounts 2021 • 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 – occurrence and accuracy 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 relating to the provision of recruitment services which is the significant segment of the business in relation to revenue therefore pose a risk of fraud due to their unusual nature and in terms of the consultancy business this has been pinpointed to the unbilled revenue (see Accrued income key audit matter below).	In responding to the key audit matter, we performed the following audit procedures: • Assessed 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; • Used 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. For the unusual accounts combinations, we performed further investigation which included consolidating our understanding with management and obtaining support evidence; and • This testing was supported by the testing of operating effectiveness of bank reconciliation controls, and a substantive test of detail on a sample of revenue transactions by agreeing a sample of sales invoices to timesheets, remittance, and bank receipts, or alternative evidence where appropriate.
Relevant disclosures in the Annual Report and Accounts 2021 • Financial statements: Note 1, Accounting policies • Financial statements: Note 3, Revenue • Audit committee report: Significant issues relating to the Financial Statements	**Our results** Our audit work did not identify any material adjustments in relation to the occurrence and / or accuracy of unusual recruitment services revenue journals.

Key Audit Matter – Group	How our scope addressed the matter – Group
Accrued income – existence and valuation We identified accrued income on both the provision of recruitment and consultancy services 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: • Assessed 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; • Obtained management's reconciliation of accrued income to the trial balance at year-end; • Tested a sample of accrued income at year-end to underlying documentation, including where relevant subsequent invoice and receipt; and • Challenged management's assumptions underpinning the recognition of accrued income.
Relevant disclosures in the Annual Report and Accounts 2021 • Financial statements: Note 1, Accounting policies • Note 16 Trade and other receivables	**Our results** Management concluded that amendments were required to their accrued income and accrued cost balances having considered our audit findings.

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:

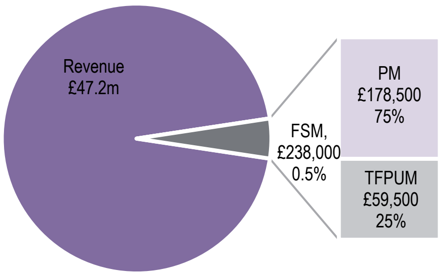
Materiality measure	Group	Parent company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing, and extent of our audit work.	
Materiality threshold	£238,000, which is 0.5% of expected revenue at the planning stage of our audit.	£178,500, which is 2% of parent's net assets, capped at 75% of Group materiality, being its component materiality.
Significant judgements made by auditor in determining materiality	In determining materiality, we made the following significant judgements: • 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.	In determining materiality, we made the following significant judgements: • Net assets are 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.

Materiality measure	Group	Parent company
	Materiality for the current year is lower than the level that we determined for the year ended 31 December 2020 to reflect the decrease in the Group's revenue for the year.	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 2020 to reflect capping at 75% of the Group's revenue for the year, which was lower, despite the parent company's net 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	£178,500, which is 75% of financial statement materiality.	£134,000, which is 75% of financial statement materiality.
Significant judgements made by auditor in determining performance materiality	In determining performance materiality, we made the following significant judgements: • Our risk assessment – based on the results of our risk assessment procedures, including the consideration of the control environment; • Our experience with auditing the financial statements of the Group in previous years – based on the number of identified misstatements in the prior year audit and management's attitude to correcting misstatements identified; and • The number of components within the Group and the extent of audit procedures planned and performed at these components.	In determining performance materiality, we made the following significant judgements: • Our risk assessment – based on the results of our risk assessment procedures, including the consideration of the control environment; • Our experience with auditing the financial statements of the parent company in previous years – based on the number of identified misstatements in the prior year audit and management's attitude 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	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.

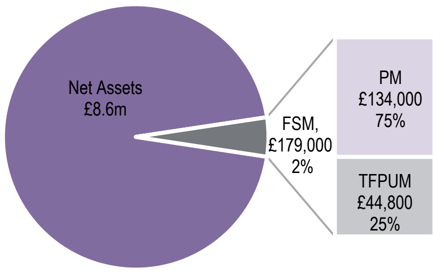
Materiality measure	Group	Parent company
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£11,900 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£9,900 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

- obtained an understanding of the group and its environment, including group-wide controls, and assessed the risks of material misstatement at the group level; and
- obtained an understanding on the effectiveness of the group organisational structure on the scope of the audit, especially around the centralised group financial reporting system.

Identifying significant components

- we evaluated the identified components to assess their significance based on revenue and determined the planned audit response based on a measure of materiality

Type of work to be performed on financial information of parent and other components

- the parent company and other significant components have been scoped at full scope which covers all areas of focus, including addressing each KAM

Performance of our audit

- all audit work was carried out by the Group engagement team using a hybrid of on-site, office and home working; and
- full-scope audit was performed and covered 100% of total revenue, 100% of assets and 100% loss before tax.

Communications with component auditors

- all components were audited by the Group team therefore no communications with other auditors.

Changes in approach from previous period

- no changes have been made in our approach from the previous period.

Audit approach	No. of components	% coverage net assets	% coverage revenue	% coverage LBT
Full-scope audit	3	100%	100%	100%

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual 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 opinions on other matters prescribed by the Companies Act 2006 are 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.

Matters 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 UK-adopted international accounting, the Companies Act 2006 and the QCA Corporate Governance Code;
- 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. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as 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.

Marc Summers, BSc (Hons), FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
LONDON
27 April 2022

Consolidated Income Statement for the year ended 31 December 2021

	Notes	**2021 £'000**	2020 £'000
Revenue	3	**46,962**	57,827
Contractor costs		**(42,882)**	(52,266)
Net Fee Income		**4,080**	5,561
Operating costs before non-underlying items	4	**(4,349)**	(5,091)
Operating (loss)/profit before non-underlying items		**(269)**	470
Non-underlying items	5	**(553)**	(447)
Operating (loss)/profit		**(822)**	23
Finance costs	7	**(281)**	(348)
Loss before tax		**(1,103)**	(325)
Analysed as:			
Adjusted (loss)/profit before tax[1]		**(550)**	122
Non-underlying items	5	**(553)**	(447)
Tax credit/ (charge)	9	**467**	(145)
Loss for the year attributable to owners of the parent		**(636)**	(470)
Loss per share			
Basic	10	**(0.62p)**	(0.46p)
Diluted	10	**(0.62p)**	(0.46p)

All activities comprise continuing operations.

[1] Adjusted (loss)/profit before tax is a non-IFRS alternative performance measure, defined as (loss)/profit before tax and non-underlying items.

The notes on pages 58 to 87 form part of the financial statements.

Consolidated Statement of Comprehensive Income for the year ended 31 December 2021

	Notes	**2021 £'000**	2020 £'000
Loss for the year		**(636)**	(470)
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Remeasurement of defined benefit pension scheme	22	**1,620**	1,041
Deferred taxation on remeasurement of defined pension scheme	15	**(567)**	(198)
Other comprehensive income for the year after tax		**1,053**	843
Total comprehensive income for the year attributable to owners of the parent		**417**	373

The notes on pages 58 to 87 form part of the financial statements.

Statements of Changes in Equity for the year ended 31 December 2021

Consolidated	Share capital £'000	Share premium reserve £'000	Capital redemption reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 January 2020 (reported)	2,053	33,244	14,319	34,560	(77,753)	6,423
Effect of correction of material misstatement (Note 28)	-	-	-	-	(247)	(247)
At 1 January 2020 (restated)	2,053	33,244	14,319	34,560	(78,000)	6,176
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 (reported)	2,053	33,244	14,319	34,560	(77,290)	6,886
Effect of correction of material misstatement	-	-	-	-	(247)	(247)
At 31 December 2020 (restated)	**2,053**	**33,244**	**14,319**	**34,560**	**(77,537)**	**6,639**
Shares issues in the period	**9**	**26**	**-**	**-**	**-**	**35**
Share options – value of employee services	**-**	**-**	**-**	**-**	**(64)**	**(64)**
Transactions with owners	**9**	**26**	**-**	**-**	**(64)**	**(29)**
Loss for the year	**-**	**-**	**-**	**-**	**(636)**	**(636)**
Remeasurement of defined benefit pension scheme	**-**	**-**	**-**	**-**	**1,620**	**1,620**
Deferred taxation on remeasurement of defined pension scheme taken directly to equity	**-**	**-**	**-**	**-**	**(567)**	**(567)**
At 31 December 2021	**2,062**	**33,270**	**14,319**	**34,560**	**(77,184)**	**7,027**

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
Shares issues in the period	**9**	**26**	**-**	**-**	**-**	**35**
Share options – value of employee services	**-**	**-**	**-**	**-**	**(39)**	**(39)**
Transactions with owners	**9**	**26**	**-**	**-**	**(39)**	**(4)**
Profit for the year	**-**	**-**	**-**	**-**	**700**	**700**
At 31 December 2021	**2,062**	**33,270**	**14,319**	**13,129**	**(54,089)**	**8,691**

The notes on pages 58 to 87 form part of the financial statements.

Statements of Financial Position as at 31 December 2021

Company number 3539413

		Consolidated		
		2021	31 December 2020 as restated	1 January 2020 as restated
	Notes	**£'000**	£'000	£'000
Assets				
Non-current assets				
Goodwill	11	**4,594**	4,594	4,594
Other intangible assets	12	**84**	6	32
Property, plant and equipment	13	**15**	23	43
Right-of-use assets	14	**149**	247	395
Trade and other receivables	16	**29**	87	-
Deferred tax assets	15	**528**	627	970
Retirement benefit asset	22	**1,939**	208	-
Total non-current assets		**7,338**	5,792	6,034
Current assets				
Trade and other receivables	16	**4,768**	6,062	6,739
Cash and cash equivalents		**1,121**	3,172	4,116
Total current assets		**5,889**	9,234	10,855
Total assets		**13,227**	15,026	16,889
Liabilities				
Current liabilities				
Loans and borrowings	17	**(2,279)**	(2,941)	(2,719)
Lease liabilities	14	**(242)**	(321)	(325)
Trade and other payables	18	**(3,608)**	(4,857)	(6,259)
Provisions	19	**-**	(139)	(324)
Total current liabilities		**(6,129)**	(8,258)	(9,627)
Non-current liabilities				
Lease liabilities	14	**(29)**	(87)	(173)
Provisions	19	**(42)**	(42)	(21)
Retirement benefit liability	22	**-**	-	(892)
Total non-current liabilities		**(71)**	(129)	(1,086)
Total liabilities		**(6,200)**	(8,387)	(10,713)
Net assets		**7,027**	6,639	6,176
Shareholders' equity				
Called up share capital	23	**2,062**	2,053	2,053
Share premium reserve	21	**33,270**	33,244	33,244
Capital redemption reserve	21	**14,319**	14,319	14,319
Other reserves	21	**34,560**	34,560	34,560
Retained earnings	21	**(77,184)**	(77,537)	(78,000)
Total shareholders' equity		**7,027**	6,639	6,176

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 profit for the year dealt with in the accounts of the Company was £700,000 (2020: loss of £2,909,000).

The notes on pages 58 to 87 form part of the financial statements.

Approved by the Directors and authorised for issue on 27 April 2022.

Mark Braund
Executive Chairman

Michael Johns
Chief Financial Officer

Statements of Financial Position as at 31 December 2021

Company number 3539413		Company	
		2021	2020
	Notes	**£'000**	£'000
Assets			
Non-current assets			
Trade and other receivables	16	**94,850**	134,662
Investments in subsidiaries	27	**20,527**	20,527
Total non-current assets		**115,377**	155,189
Current assets			
Trade and other receivables	16	**-**	925
Cash and cash equivalents		**405**	301
Total current assets		**405**	1,226
Total assets		**115,782**	156,415
Liabilities			
Current liabilities			
Trade and other payables	18	**(16,048)**	(13,944)
Provisions	19	**-**	-
Total current liabilities		**(16,048)**	(13,944)
Non-current liabilities			
Trade and other payables	18	**(91,043)**	(134,476)
Total non-current liabilities		**(91,043)**	(134,476)
Total liabilities		**(107,091)**	(148,420)
Net assets		**8,691**	7,995
Shareholders' equity			
Called up share capital	23	**2,062**	2,053
Share premium reserve	21	**33,270**	33,244
Capital redemption reserve	21	**14,319**	14,319
Other reserves	21	**13,129**	13,129
Retained earnings	21	**(54,089)**	(54,750)
Total shareholders' equity		**8,691**	7,995

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 profit for the year dealt with in the accounts of the Company was £700,000 (2020: loss of £2,909,000).

The notes on pages 58 to 87 form part of the financial statements.

Approved by the Directors and authorised for issue on 27 April 2022.

Mark Braund
Executive Chairman

Michael Johns
Chief Financial Officer

Statements of Cash Flows for the year ended 31 December 2021

		Consolidated		Company	
	Notes	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000
Operating activities					
(Loss)/profit for the year		**(636)**	(470)	**700**	(2,909)
Adjustments for:					
Net finance expense	7	**281**	348	**(1,732)**	1,902
Share-based payment expense	8	**(64)**	90	**(39)**	71
Income tax (credit)/ charge	9	**(467)**	145	**(24)**	(130)
Amortisation of intangible assets	12	**3**	26	**-**	-
Shares issued in lieu of Directors fees	21	**35**	-	**35**	-
Depreciation of property, plant and equipment	13	**12**	20	**-**	-
Depreciation and impairment of right-of-use assets	14	**414**	540	**-**	-
Loss on write down of lease assets	14	**31**	-	**-**	-
Lease liability credit	14	**-**	(21)	**-**	-
		(391)	678	**(1,060)**	(1,066)
Working capital movements					
Decrease in trade and other receivables	16	**1,352**	764	**-**	1
(Decrease)/increase in trade and other payables	18	**(1,249)**	(1,402)	**82**	20
(Decrease)/increase in provisions	19	**(139)**	(165)	**-**	-
Payments to retirement benefit plan	22	**(322)**	(325)	**-**	-
Net cash flows (used in)/from operating activities		**(749)**	(450)	**(978)**	(1,045)
Investing activities					
Purchase of property, plant and equipment	13	**(4)**	-	**-**	-
Development of intangible assets	12	**(81)**	-	**-**	-
Net cash flows used in investing activities		**(85)**	-	**-**	-
Financing activities					
(Repayment)/drawdown of finance facility	17	**(662)**	222	**-**	-
Principal repayment of lease liabilities	14	**(490)**	(649)	**-**	-
Net movements on intercompany funding		**-**	-	**1,147**	1,296
Interest paid	7	**(65)**	(67)	**(65)**	(67)
Net cash flows (used in)/from financing activities		**(1,217)**	(494)	**1,082**	1,229
Net (decrease)/increase in cash and cash equivalents		**(2,051)**	(944)	**104**	184
Cash and cash equivalents at the beginning of the year		**3,172**	4,116	**301**	117
Cash and cash equivalents at the end of the year		**1,121**	3,172	**405**	301

The notes on pages 58 to 87 form part of the financial statements.

Notes to the Financial Statements for the year ended 31 December 2021

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 company law and UK adopted international accounting standards. 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. Financial Information is presented in £'000.

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 pages 6 to 11 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. During the period the PNC facility was replaced in April 2021 with a new asset based lending facility provided by Leumi ABL. This new facility runs for 3 years and provides up to £9m of borrowing.

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 2023, taking account of reasonably possible changes in trading performance. Discussion of this risk is included within Principal Risks and Uncertainties on pages 12 to 14. Downside sensitivities have included reduced levels of new business in these scenarios, the Directors do not anticipate issues with 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 2021. 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 profit for the year dealt with in the accounts of the Company was £700,000 (2020: loss of £2,909,000).

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 '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

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.

Alternative performance measure

In the reporting of its financial performance, the Group uses certain measures that are not defined under IFRS, the Generally Accepted Accounting Principles ("GAAP") under which the Group reports. The Directors believe that these non-GAAP measures assists with the understanding of the performance of the business. These non-GAAP measures are not a substitute, or superior to, any IFRS measures of performance but they have been included as the Directors consider them to be an important means of comparing performance year-on-year and they include key measures used within the business for assessing performance.

Non-underlying items

The presentation of the alternative performance measure of adjusted profit before tax excludes non-underlying items. The Directors consider that an underlying profit measure better illustrates the underlying performance of the Group and allows a more meaningful 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 EBITDA

Operating profit before non-underlying items and before the deduction of depreciation, amortisation changes and shared based payments. This is considered a useful measure, commonly accepted and widely used when evaluation business performance and used by the Directors to evaluate performance of the Group and its subsidiaries.

Adjusted EBITDA

(£ 000's)	**2021**	**2020**
Operating (loss)/ profit	**(822)**	**23**
Add back:		
Adjustment for amortisation & depreciation	460	586
Adjustment for share based payment charge/(income)	(64)	90
EBITDA	(426)	699
Non underlying costs	553	447
Adjusted EBITDA	**127**	**1,146**

Net debt
Net debt is the amount of bank debt less available cash balances and is regarded as a useful measure of the level of external debt utilised by the Group to fund its operations. Net debt is also presented on a pre-IFRS 16 basis which excludes lease liabilities.

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 finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on the retirement benefit scheme liabilities, and net foreign exchange losses that are recognised in the income statement (see Foreign 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.

Cash and cash equivalents

Cash and short-term deposits in the consolidated balance sheet compromise cash at bank and in hand and short-term deposits with the original maturity of three months or less. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and short-term deposits as defined above. Amounts drawn down from the asset-based lending facility with Leumi are shown within loans and borrowings on the consolidated balance sheet.

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

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

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

Financial guarantee contracts

Where Group companies enter into financial guarantee contracts and guarantee the indebtedness of other companies within the Group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company 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

A deferred tax asset has been recognised for unused tax losses carried forward within Parity Consultancy Services Limited as management believes that given the significant increase in the Retirement benefit asset during the period there is sufficient certainty that a proportion of the tax losses carried forward would be utilised to offset any charge arising from the realisation of the surplus on the Retirement benefit asset. Accordingly management have decided to include within the financial statements a deferred tax asset in Parity Consultancy Services Limited equal to the tax charge calculated on the Retirement benefit asset during the year of £1.9m.

Revenue recognition

The main area of judgement in revenue recognition relates 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

The Company reviews its investment in subsidiaries to test for impairment. 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 derived revenue from two operating segments relating to customer sectors, being the public sector and 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. These reporting segments are supported by a combined back office and therefore there is no allocation of overheads between sectors.

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

	Public sector 2021 £'000	**Private sector 2021 £'000**	**Total 2021 £'000**
Revenue	**32,544**	**14,418**	**46,962**
Contractor costs	**(29,691)**	**(13,191)**	**(42,882)**
Net fee income	**2,853**	**1,227**	**4,080**

	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)
Net fee income	3,878	1,683	5,561

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. Changes to the Group's contract assets are attributable solely to the satisfaction of performance obligations.

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

	2021	2020
	£'000	£'000
Services transferred over time	**46,934**	57,790
Services transferred at a point in time	**28**	37
Revenue	**46,962**	57,827

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

	2021	2020
	£'000	£'000
United Kingdom	**43,967**	55,235
European Union	**2,994**	2,577
Other	**1**	15
Revenue	**46,962**	57,827

The largest single customer in the public sector contributed 26% or £8.2m to public sector revenue (2020: 25% or £11.0m). The largest single customer in the private sector contributed 79% or £11.7m to private sector revenue (2020: 46% or £6.7m).

4 Operating expenses

	Consolidated	
	2021	2020
	£'000	£'000
Employee benefit costs		
- wages and salaries	**2,818**	2,975
- social security costs	**316**	342
- other pension costs	**86**	102
	3,220	3,419
Depreciation, amortisation and impairment		
Amortisation of intangible assets - software	**3**	26
Depreciation of leased property, plant and equipment	**-**	-
Depreciation of owned property, plant and equipment	**12**	20
Depreciation of right-of-use assets	**414**	540
Impairment of right-of-use assets	**31**	-
	460	586
All other operating expenses		
Occupancy costs	**43**	44
IT costs	**236**	464
Net exchange (gain)/loss	**15**	(2)
Equity settled share-based payment charge	**(64)**	90
Other operating costs	**992**	937
	1,222	1,533
Total operating expenses	**4,902**	5,538

Disclosures relating to the remuneration of Directors are set out from page 26.

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

	Grant Thornton UK LLP	
	2021	2020
Consolidated	**£'000**	£'000
Fees payable to the auditor of the Group's annual financial statements	**15**	15
Fees payable to the Group's auditor for other services	-	-
The audit of the Company's subsidiaries pursuant to legislation	**67**	58
Total	**82**	73
Tax compliance	**17**	16
Other services	**-**	16
Total fees	**105**	89

All other services have been performed in the UK.

5 Non-underlying items

	2021	2020
	£'000	£'000
Restructuring		
- Costs related to employees	**502**	370
- Costs related to premises	**31**	(11)
- Other costs	**20**	88
	553	447

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.

Non-underlying items during 2021 include costs related to changes in senior management of the Group, including employee termination payments.

6 Average staff numbers

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

	2021	2020
	Number	Number
Group	**38**	44

The total above includes 4 (2020: 5) employees of the Company.

At 31 December 2021, the Group had 35 employees (2020: 41).

7 Finance costs

	2021	2020
	£'000	£'000
Interest expense on financial liabilities	**65**	67
Interest expense on lease liabilities	**8**	19
Interest income on lease assets	**(3)**	(4)
Net finance costs in respect of post-retirement benefits	**211**	266
	281	348

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 £25,000 (2020: £17,000).

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.

In May 2021 the Save As You Earn Scheme was closed for all new participants and current participants were granted six months to either purchase shares at the exercise price of 10 pence per share or to withdraw their funds from the scheme. As at the end of 2021 all funds were withdrawn and the Save As You Earn Scheme was closed.

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 a gain of £64,000 (2020: loss of £90,000). Share-based remuneration relating to key management personnel is disclosed in note 25.

	2021 Weighted average exercise price (p)	**2021 Number**	2020 Weighted average exercise price (p)	2020 Number
Outstanding at beginning of the year	**9**	**11,919,040**	11	11,157,040
Granted during the year	**7**	**6,000,000**	9	6,000,000
Exercised during the year	**-**	**-**	-	-
Lapsed during the year	**(9)**	**(9,909,040)**	(11)	(5,238,000)
Outstanding at the end of the year	**7**	**8,010,000**	9	11,919,040

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

2021 Exercise price (p)	**2021 Weighted average contractual life (years)**	**2021 Number**	2020 Exercise price (p)	2020 Weighted average contractual life (years)	2020 Number
7-11	**9**	**8,000,000**	7-11	9	10,379,040
11-17	**-**	**-**	11-17	7	1,500,000
17-28	**1**	**10,000**	17-28	2	40,000
		8,010,000			11,919,040

Of the total number of options outstanding at the end of the year 10,000 (2020: 840,000) had vested and were exercisable at the end of the year. The weighted average exercise price of those options was 26 pence (2020: 9 pence).

No options were exercised during the year (2020: none).

2,500,000 options were granted during the year (2020: 6,000,000) at a weighted average fair value of 1 pence (2020: 2 pence). In addition, 3,500,000 share warrants were granted during the year (2020: nil) at a weighted average fair value of 1 pence (2020: nil).

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.

	2021	2020
Option valuation model	**Stochastic**	Stochastic
Weighted average share price at grant date (p)	**7**	7
Weighted average exercise price (p)	**7**	8
Weighted average contractual life (years)	**10**	10
Weighted average expected life (years)	**5**	5
Expected volatility	**47.7-48.0%**	47.6-48.0%
Weighted average risk-free rate	**0.61%**	0.09%
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

	2021	2020
	£'000	£'000
Current tax		
Current tax on profit for the year	**-**	-
Total current tax expense	**-**	-
Deferred tax		
Accelerated capital allowances	**(2)**	(4)
Recognition of deferred tax asset on past trading losses	**(678)**	-
Origination and reversal of other temporary differences	**98**	2
Adjustments in respect of prior periods	**115**	230
Change in corporation tax rate	**-**	(83)
Total deferred tax charge	**(467)**	145
Tax charge	**(467)**	145

The adjustment in respect of prior periods of £115,000 (2020: £230,000) largely relates to decisions to claim or disclaim capital allowances.

There is no current tax payable by the Group for 2021 (2020: £nil).

The Group's profits for this accounting period are subject to tax at a rate of 19% (2020: 19%).

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:

	2021	2020
	£'000	£'000
Loss before tax	**(1,103)**	(325)
Expected tax credit based on the standard rate of UK corporation tax of 19% (2020: 19%)	**(210)**	(62)
Expenses not allowable for tax purposes	**-**	(2)
Adjustments in respect of prior periods	**115**	230

Tax losses not recognised	**253**	85
Tax losses recognised	**(678)**	-
Change in corporation tax rate	**33**	(83)
Other	**20**	(23)
Tax charge	**(467)**	145

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

	2021			2020		
	Before tax £'000	**Tax £'000**	**After tax £'000**	Before tax £'000	Tax £'000	After tax £'000
Remeasurement of defined benefit pension scheme	**1,620**	**(567)**	**1,053**	1,041	(198)	843

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 2021 £'000	**Weighted average number of shares 2021 '000**	**Loss per share 2021 Pence**	Loss 2020 £'000	Weighted average number of shares 2020 '000	Loss per share 2020 Pence
Basic	**(636)**	**102,854**	**(0.62)**	(470)	102,624	(0.46)
Effect of dilutive options	**-**	**-**	**-**	-	-	-
Diluted	**(636)**	**102,854**	**(0.62)**	(470)	102,624	(0.46)

As at 31 December 2021 the number of ordinary shares in issue was 103,075,633 (2020: 102,624,020). There were 8,010,000 options that had a potential dilutive effect in 2021 (2020: Nil).

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 2020 and 31 December 2020	2,642	1,952	4,594
Balance at 1 January 2021 and 31 December 2021	**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 forecasts approved by management for 2022. Years from 2023 to 2027 are based on the forecast for 2022 projected forward at expected growth rates, with no growth assumed beyond these years. This approach is considered prudent based on current expectations of the 2022 long-term growth rate.

Major assumptions are as follows:

	Parity Professionals Limited	**Parity Consultancy Services Limited**
	%	**%**
2021		
Discount rate	**11.5**	**11.5**
Forecast revenue growth	**5.0-11.5**	**11.3-14.9**
Operating margin 2022	**3.3**	**14.0**
Operating margin 2023 onward	**4.8-5.8**	**14.7-15.3**
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

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 are seeing significant growth post the Covid-19 pandemic;
- The business recruited additional heads to focus on key areas of new business within recruitment including value added services and permanent recruitment; and
- Market indicators and recent engagements with clients support the increased demand for high skilled IT and data professionals and help 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**	
	2021	2020	**2021**	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Consolidated						
Cost						
At 1 January	**408**	408	**-**	-	**408**	408
Additions	**-**	-	**81**	-	**81**	-
Disposals	**-**	-	**-**	-	**-**	-
At 31 December	**408**	408	**81**	-	**489**	408
Accumulated amortisation						
At 1 January	**402**	376	**-**	-	**402**	376
Charge for the year	**3**	26	**-**	-	**3**	26
Disposals	**-**	-	**-**	-	**-**	-
At 31 December	**405**	402	**-**	-	**405**	402
Net book value	**3**	6	**81**	-	**84**	6

In 2021 the Group invested in the development of a data warehouse to support the ongoing business operations. The additions to Intellectual Property represent the costs associated with building the data warehouse and creating the data asset within the data warehouse.

The Company does not hold any intangible assets.

As at 31 December 2021, neither the Group nor the Company had any capital commitments contracted for but not provided for the purchase of intangible assets (2020: £nil).

13 Property, plant and equipment

	Leasehold improvements		Office equipment		Total	
	2021	2020	**2021**	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Consolidated						
Cost						
At 1 January	**-**	-	**204**	204	**204**	204
Additions	**-**	-	**4**	-	**4**	-
Disposals	**-**	-	**-**	-	**-**	-
At 31 December	**-**	-	**208**	204	**208**	204
Accumulated depreciation						
At 1 January	**-**	**-**	**181**	161	**181**	161
Charge for the year	**-**	**-**	**12**	20	**12**	20
Disposals	**-**	**-**	**-**	-	**-**	-
At 31 December	**-**	**-**	**193**	181	**193**	181
Net book value	**-**	**-**	**15**	23	**15**	23

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

As at 31 December 2021, neither the Group nor the Company had any capital commitments contracted for but not provided for the purchase of property, plant and equipment (2020: £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:

	2021	2020
	£'000	£'000
Right-of-use assets		
Buildings	**149**	247
IT equipment	**-**	-
	149	247
Lease liabilities		
Current	**242**	321
Non-current	**29**	87
	271	408

Additions to right-of-use assets during the year were £345,000 (2020: £562,000). The total cash outflow for lease liabilities during the year was £490,000 (2020: £649,000).
Amounts recognised in profit or loss in respect of the above leases are as follows:

	2021	2020
	£'000	£'000
Depreciation charge on right-of-use assets		
- Buildings	**414**	537
- IT equipment	**-**	3
Impairment charge on right-of-use-assets		

- Buildings	**31**	-
Total depreciation and impairment charge on right-of-use assets	**445**	540
Rent concession	**-**	(21)
Interest expense included in finance costs	**8**	19

Future minimum lease payments at 31 December 2021 were as follows:

	Minimum payments 2021 £'000	Interest 2021 £'000	Present value 2021 £'000
Less than one year	**246**	**(3)**	**243**
Between one and two years	**29**	**-**	**29**
Between two and three years	**-**	**-**	**-**
	275	**(3)**	**272**

At 31 December 2021, the Group was committed to £nil (2020: £nil) of future lease payments in respect of leases not yet commenced.

All leases held during 2021 were accounted for under IFRS 16.

15 Deferred taxation

	Consolidated	
	2021 £'000	2020 £'000
At 1 January	**627**	970
Recognised in other comprehensive income		
Remeasurement of defined benefit pension scheme	**(567)**	(198)
Recognised in the income statement		
Adjustments in relation to prior periods	**(115)**	(230)
Recognition of deferred tax asset for prior trading losses	**678**	-
Change in corporation tax rate	**-**	83
Capital allowances in excess of depreciation	**2**	4
Other short-term timing differences	**(97)**	(2)
At 31 December	**528**	627

The deferred asset of £528,000 (2020: £627,000) comprises:

	Consolidated	
	2021 £'000	2020 £'000
Depreciation in excess of capital allowances	**520**	632
Other short-term timing differences	**8**	34
Retirement benefit (asset)/liability	**-**	(39)
	528	627

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 as Parity Consultancy Services Limited has a deferred tax liability of £678,000 (2020: £39,000) related to its defined benefit pension plan, a deferred tax asset for previously unrecognised unused tax losses of £678,000 would be recognised to offset the liability.

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 £256,000 (2020: £335,000). Parity Consultancy Services Limited currently has a deferred tax asset of £272,000 (2020: £292,000) which can be offset against the deferred tax liability to be unwound on the same defined benefit scheme .

The Group has unrecognised carried forward tax losses of £32,679,000 (2020: £29,392,000). The Group has unrecognised capital losses carried forward of £282,441,000 (2020: £282,441,000). These losses may be carried forward indefinitely.

The Company has unrecognised carried forward tax losses of £26,522,000 (2020: £23,511,000). The Company has unrecognised capital losses carried forward of £281,875,000 (2020: £281,875,000). These losses may be carried forward indefinitely.

16 Trade and other receivables

	Consolidated		Company	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Amounts falling due within one year:				
Trade receivables	**2,116**	2,197	**-**	-
Accrued income	**2,435**	3,591	**-**	-
Amounts owed by subsidiary undertakings	**-**	-	**-**	925
Other receivables	**75**	110	**-**	-
Prepayments	**142**	164	**-**	-
	4,768	6,062	**-**	925
Amounts falling due after one year:				
Amounts owed by subsidiary undertakings	**-**	-	**94,850**	134,662
Other receivables	**29**	87	**-**	-
	29	87	**94,850**	134,662
Total	**4,797**	6,149	**94,850**	135,587

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

£2,116,000 (2020: £2,197,000) of the Group's trade receivables and £2,435,000 (2020: £3,591,000) 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 2021 totalled £2,279,000 (2020: £2,941,000).

The movement in accrued revenue on contracts during the period is shown below:

	Contract Assets	
	2021	2020
	£'000	£'000
At 1 January	**3,591**	3,882
Billed and cash received during the year	**(3,591)**	(3,882)
Amounts accrued at year end	**2,435**	3,591
At 31 December	**2,435**	3,591

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 2021 was £nil (2020: £9,000). All debts at 31 December 2021 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 2021 and on subsequent years' forecast projections. A discounted future cash flow method was employed for the review. As a result of this review, no provision was deemed necessary. The assessment was performed on a value in use basis using a discount rate of 9.3% (2020: 11.3%) and the other parameters used in the goodwill impairment review, as outlined in note 11.

As at 31 December 2021 trade receivables of £523,000 (2020: £374,000) 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:

		2021			2020	
	Gross	**Impaired**	**Total**	Gross	Impaired	Total
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Not past due	**1,593**	**-**	**1,593**	1,823	-	1,823
31-60 days and past due	**310**	**-**	**310**	323	-	323
61-90 days	**131**	**-**	**131**	36	-	36
>90 days	**82**	**-**	**82**	24	(9)	15
Total	**2,116**	**-**	**2,116**	2,206	(9)	2,197

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	
	2021	2020
	£'000	£'000
Current		
Bank and other borrowings due within one year or on demand:		
Asset-based financing facility	**2,279**	2,941

Changes in liabilities from financing activities

	Loans and borrowings
	£000
Balance at 1 January 2021	2,941
Repayment of borrowings	(662)
Balance at 31 December 2021	**2,279**

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

18 Trade and other payables

	Consolidated		**Company**	
	2021	2020 restated	**2021**	2020 restated
	£'000	£'000	**£'000**	£'000
Amounts falling due within one year:				
Payments in advance	**11**	27	**-**	-
Trade payables	**2,494**	3,168	**-**	-
Amounts due to subsidiary undertakings	**-**	-	**15,786**	13,764
Other tax and social security payables	**367**	912	**77**	63
Other payables and accruals	**736**	750	**185**	117
	3,608	4,857	**16,048**	13,944
Amounts falling due after one year:				
Amounts due to subsidiary undertakings	**-**	-	**91,043**	134,476
Total	**3,608**	4,857	**107,091**	148,420

The fair value of trade and other payables has not been separately disclosed as, due to their short duration, the Directors consider the carrying amounts recognised in the statement of financial position to be a reasonable approximation of their fair value.

19 Provisions

Consolidated	Leasehold dilapidations £'000	Restructuring £'000	Total £'000
At 1 January 2021	**42**	**139**	**181**
Used in year	**-**	**(45)**	**(45)**
Reversed in year	**-**	**(94)**	**(94)**
Created in year	**-**	**-**	**-**
At 31 December 2021	**42**	**-**	**42**
Due within one year	**-**	**-**	**-**
Due after one year	**42**	**-**	**42**
Total	**42**	**-**	**42**

The Company had no provisions at 31 December 2021 (2020: £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.

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 2021		
Financial assets		
Non-current trade and other receivables	**29**	**29**
Cash and cash equivalents	**1,121**	**1,121**
Trade and other short-term receivables	**4,626**	**4,626**
	5,776	**5,776**
Financial liabilities		
Asset-based financing facility	**2,279**	**2,279**
Lease liabilities	**272**	**272**
Trade and other short-term payables	**3,597**	**3,597**
	6,148	**6,148**

As 31 December 2020 (Restated)		
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	4,830	4,830
	8,179	8,179

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

Company	**Amortised cost £'000**	**Total £'000**
As 31 December 2021		
Financial assets		
Non-current trade and other receivables	**94,850**	**94,850**
Cash and cash equivalents	**405**	**405**
Trade and other short-term receivables	**-**	**-**
	95,255	**95,255**
Financial liabilities		
Non-current trade and other payables	**91,043**	**91,043**
Trade and other short-term payables	**16,048**	**16,048**
	107,091	**107,091**
As 31 December 2020		
Financial assets		
Non-current trade and other receivables	134,662	134,662
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

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 94% of generated revenues from the UK (2020: 96%). Approximately 69% (2020: 75%) of the Group's turnover is derived from the public sector. The largest customer balance represents 27% (2020: 20%) 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.

	2021		2020	
	Carrying value £'000	**Maximum exposure £'000**	Carrying value £'000	Maximum exposure £'000
Financial assets				
Cash and cash equivalents	**1,121**	**1,121**	3,172	3,172
Trade and other receivables	**4,655**	**4,655**	5,985	5,985
	5,776	**5,776**	9,157	9,157

Interest rate risk

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

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

Throughout 2021 the Group's variable rate borrowings were denominated in Sterling and Euro. Interest costs on borrowings from the asset-based financing facility with PNC (January – May) and Leumi ABL (May – December) was charged at 2.00% above base rate for all of 2021 (2020: 2.00%). The Leumi facility has a 3 year term of commitment, although amounts are repayable upon demand under certain circumstances such as default. 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 £25,000 higher/lower (2020: £17,000) and net assets £25,000 lower/higher (2020: £17,000). 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 2021, the loan balance due by the Company to Parity International BV, translated into Sterling, was £28,066,000 (2020: £29,469,000).

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 limited 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 2021 or 2020.

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 2021 the Company recorded a translation gain of £1,965,000 (2020: loss of £1,681,000). As at 31 December 2021, the loan balance due by the Company, translated into Sterling, was £28,066,000 (2020: £29,469,000).

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

	Functional currency of individual entity					
	Sterling		**Euro**		**Total**	
	2021	2020	**2021**	2020	**2021**	**2020**
Net foreign currency financial assets	**£'000**	£'000	**£'000**	£'000	**£'000**	**£'000**
Sterling	**-**	-	**(2,462)**	(2,411)	**(2,462)**	(2,411)
Euro	**(27,279)**	(29,021)	**-**	-	**(27,279)**	(29,021)
US Dollar	**4**	4	**-**	-	**4**	4
Total net exposure	**(27,275)**	(29,017)	**(2,462)**	(2,411)	**(29,737)**	(31,428)

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

	Sterling	
	2021	2020
Net foreign currency financial assets	**£'000**	£'000
Euro	**(27,680)**	(29,292)
US Dollar	**4**	4
Total net exposure	**(27,676)**	(29,288)

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 £2,728,000 higher/lower (2020: £2,902,000). 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 2021**	**Up to 1 month £'000**	**Between 1 month and 1 year £'000**	**Over 1 year £'000**	**Total £'000**
Trade and other payables	**3,597**	**-**	**-**	**3,597**
Lease liabilities	**243**	**29**	**-**	**272**
Borrowings	**2,279**	**-**	**-**	**2,279**
Total	**6,119**	**29**	**-**	**6,148**

At 31 December 2020 (Restated)	Up to 1 month £'000	Between 1 month and 1 year £'000	Over 1 year £'000	Total £'000
Trade and other payables	4,830	-	-	4,830
Lease liabilities	321	57	30	408
Borrowings	2,941	-	-	2,941
Total	8,092	57	30	8,179

Company **At 31 December 2021**	**Up to 1 month £'000**	**Between 1 month and 1 year £'000**	**Over 1 year £'000**	**Total £'000**
Trade and other payables	**16,048**	**-**	**91,043**	**107,091**
Total	**16,048**	**-**	**91,043**	**107,091**

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

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 2021 The Group uses two asset-based financing facilities. The first facility was with PNC Business Credit, a member of The PNC Financial Services Group, Inc. and this agreement ran from January until May. In May a new asset-based finance facility was agreed with LEUMI UK which is still being utilised. Both facilities enable the Group to borrow against both trade debt and accrued income and the current Leumi facility provides for borrowing of up to £9.0m depending on the availability of appropriate assets as security.

The Group's and Company's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group's net debt position is as follows:

Consolidated	**2021 £'000**	2020 £'000
Cash and cash equivalents	**1,121**	3,172
Asset-based borrowings	**(2,279)**	(2,941)
Net cash before lease liabilities	**(1,158)**	231
Lease liabilities	**(272)**	(408)
Net (debt)/cash	**(1,430)**	(177)

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 (2020: 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 2021, 451,613 ordinary shares were issued. No share options were exercised during the year (2020: none).

Share premium reserve
Share premium is the amount subscribed for share capital in excess of nominal value. During 2021 451,613 ordinary shares were issued at a premium of 5.75p per share (2020: 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 from during the year were £86,000 (2020: £102,000).

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 13 years (2020: 14 years) and can be attributed to the scheme members as follows:

	Number of members	Weighted average liability duration (years)
Pensioner members	**61**	**13**
Deferred members	**6**	**18**
Total	**67**	**13**

There were no retirements during the year (2020: one). There was a reduction by 2 total members during the year (2020: no change).

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.

The valuation for IAS 19 has been provided by Cartwright Group Limited, a company that specialises in providing actuarial services, as at 31 December 2021.

Principal actuarial assumptions

	2021	2020
Rate of increase of pensions in payment	**3.8-4.0%**	3.6-3.9%
Discount rate	**1.9%**	1.3%
Retail price inflation	**3.6%**	3.2%
Consumer price inflation	**2.6%**	2.2%

In accordance with the revised IAS 19, the assumption for future investment returns is the same discount rate of 2.0% (2020: 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_2020 projection based on year of birth with a long-term rate of improvement of 1.25% p.a. (2020: CMI_2019 and 1.25% p.a.). This results in the following life expectancies:

- Male aged 65 at 31 December 2021 has a life expectancy of 86 years (2020: 86 years)
- Female aged 65 at 31 December 2021 has a life expectancy of 89 years (2020: 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 (2020: £20,000), first recognised as a past service cost recognised in the income statement for the year ended 31 December 2018.

Reconciliation to consolidated statement of financial position

	2021	2020
	£'000	£'000
Fair value of plan assets	**24,478**	25,143
Present value of funded obligations	**(22,539)**	(24,935)
At the end of the year	**1,939**	208

Reconciliation of plan assets

	2021	2020
	£'000	£'000
At the beginning of the year	**25,143**	22,670
Expected return	**320**	442
Contribution by Group	**322**	325
Benefits paid	**(964)**	(990)
Expenses met by scheme	**(213)**	(247)
Actuarial (loss)/ gain	**(130)**	2,943
Plan assets at the end of the year	**24,478**	25,143

Contributions to the scheme included £nil of additional payments (2020: £nil). The actuarial loss on plan assets relates to the fall in value of the scheme's investments reflecting uncertainty in global equity markets experienced in 2021.

Composition of plan assets

	2021	2020
	£'000	£'000
Diversified growth funds – Quoted	**24,308**	20,139
Liability driven investment funds – Quoted	**-**	4,827
Options in Parity Group plc	**96**	96
Cash	**74**	81
Total plan assets	**24,478**	25,143

Reconciliation of plan liabilities

	2021	2020
	£'000	£'000
At the beginning of the year	**24,935**	23,562
Interest cost	**318**	461
Benefits paid	**(964)**	(990)
Actuarial (gain)/loss	**(1,750)**	1,902
Plan liabilities at the end of the year	**22,539**	24,935

Amounts recognised in the consolidated income statement

	2021	2020
	£'000	£'000
Included in finance costs		
Expected return on plan assets, net of expenses	**107**	195
Unwinding of discount on plan liabilities (interest cost)	**(318)**	(461)
Net finance costs in respect of post-retirement benefits	**(211)**	(266)

Amounts recognised in the consolidated statement of comprehensive income

	2021	2020
	£'000	£'000
Actuarial (loss)/gain on plan assets	**(130)**	2,943
Actuarial gain/(loss) on plan liabilities	**1,750**	(1,902)
Remeasurement of defined benefit pension scheme	**1,620**	1,041

The asset recognised under this scheme is not limited under IFRIC 14 as the Group has an unconditional right to realise the economic benefit of these assets during the life of the plan or when the plan is settled.

Defined benefit obligation trends

	2021	2020	2019	2018	2017
	£'000	£'000	£'000	£'000	£'000
Plan assets	**24,478**	25,143	22,670	20,099	21,880
Plan liabilities	**(22,539)**	(24,935)	(23,562)	(22,041)	(22,939)
Surplus/(deficit)	**1,939**	208	(892)	(1,942)	(1,059)
Experience adjustments on assets	**(130)**	2,943	2,761	(1,586)	609
	(0.5%)	13.3%	13.9%	(7.3%)	2.9%
Experience adjustments on liabilities	**1,750**	(1,902)	(1,830)	581	(191)
	7.2%	(8.3%)	(8.4%)	2.6%	(0.8%)

Sensitivity analysis

Effect of change in assumptions	**Liabilities £'000**	**Assets £'000**	**Surplus/(deficit) £'000**	**Increase/ (decrease) in surplus £'000**
No change	22,539	24,478	1,863	-
0.25% rise in discount rate	21,805	24,478	2,597	734
0.25% fall in discount rate	23,273	24,478	1,129	(734)
0.25% rise in inflation	22,639	24,478	1,763	(100)
0.25% fall in inflation	22,439	24,478	1,963	100

23 Share capital

Authorised share capital

	Ordinary shares 2p each	
	2021	**2021**
	Number	**£'000**
Authorised at 1 January and 31 December	**409,044,603**	**8,181**

Issued share capital

	Ordinary shares 2p each	
	2021	**2021**
	Number	**£'000**
Issued and fully paid at 1 January	**102,624,020**	**2,053**
Shares issued during the year	**451,613**	**9**
Issued and fully paid at 31 December	**103,075,633**	**2,062**

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 Group's executive committee of senior management. The total remuneration received by key management for 2021 was £1,118,000 (2020: £1,209,000). 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 30.

	2021	2020
	£'000	£'000
Short-term employee benefits	**843**	955
Post-employment benefits	**32**	29
Compensation for loss of office	**308**	145
Share-based payments (note 8)	**(65)**	80
	1,118	1,209

26 Related party transactions

Consolidated

During the year the Group engaged the marketing services of CRM Squad. The Executive Chairman Mark Braund is an owner and Director of CRM Squad. The total value of services received from CRM squad in 2021 is £12,180. (2020: 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:

	Operating expenses 2021 £'000	**Finance income 2021 £'000**	**Finance expense 2021 £'000**	Operating expenses 2020 £'000	Finance income 2020 £'000	Finance expense 2020 £'000
Expenses incurred from Group subsidiaries	**(208)**	**-**	**(1,350)**	(327)	-	(1,348)
Income generated from Group subsidiaries	**-**	**1,181**	**-**	-	1,195	-

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

	2021	2020
	£'000	£'000
Amounts owed by subsidiary undertakings (note 16):		
Falling due within one year	**-**	925
Falling due after one year	**94,850**	134,662
Amounts due to subsidiary undertakings (note 18):		
Falling due within one year	**(15,786)**	(13,764)
Falling due after one year	**(91,043)**	(134,476)

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 IT and data services including consultancy and value added recruitment services.

During 2021, management continued to simplify the group structure. All UK dormant companies have been wound up and will be struck off in due time.

The Company's investment in continuing subsidiaries was reviewed for impairment at the balance sheet date based on the performance of 2021 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 (2020: £20,527,000). The assessment was performed on a value in use basis using discount rates of 11.5% (2020: 11.3%) 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.

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)

28 Prior period adjustment

During the year, the Group discovered that contractor expenses has been erroneously understated in 2017 and 2018 by a cumulative amount of £247,000. As a consequence, operating costs for the Group were understated in those years and closing accruals have been understated since 2017. The understatement represents a prior period error under IAS 8 and is accounted for by correcting retrospectively in these financial statements. As the error occurred before the earliest period presented in these financial statements, the Group has restated the opening balances of assets, liabilities and equity for the earliest period presented. The adjustment was posted to contractor accruals within current liabilities on the statement of financial position.

Reconciliation of changes is Equity

	1 January 2019 £'000	1 January 2020 £'000
Equity as previously reported	(77,612)	(77,753)
Adjustment to prior year		
Restatement of contractor expense accruals	(247)	(247)
Equity as adjusted	(77,859)	(78,000)
Analysis of the effect upon equity		
Retained earnings	(247)	(247)