

Established in 1964  
100% owned by its members

# Brilliant People Bolder Decisions

Transforming the relationship business  
and government have with data.

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COMPANIES HOUSE

# Introduction

## **Making data driven transformation a reality**

**Our business is based on a simple truth; without the right people doing the right things the promise of data and the transformations it can enable, remains a dream.**

**By collaboratively building a community of data experts we will make better, faster and surer decisions possible in our businesses, governments and lives.**

Our mission is to release the potential in data to help our clients grow. We provide a challenger spirit and expertise that enables organisations to make insight available to people at every level – so they can make better decisions.

Data doesn't only justify

decisions, it suggests options that were previously unimagined. From helping chefs to plan school menus to police forces combat terrorism proactively, it is transforming our world.

Positive change will depend on seeing data not as a technical problem of networks and reservoirs but as a human process. It will ultimately be our curiosity and integrity that delivers not only the right commercial outcomes but also impacts society positively.

We are partnering with organisations to provide the skills and knowhow to turn information into an effective and positive driver for change. We are collaboratively building the most dynamic community of data experts, enabling our clients to realise that vision.

“

Partly helps organisations find the right people, skills and data to support confident data-led business decisions. We advise on data and we provide access to skills either as a managed service, through resourcing in the contract or permanent market, or as part of a learning and development programme. Our work comes from a mix of long-term contracts with public and private sector organisations as well as expanded projects with existing clients as a result of strong relationships and a track record of high client satisfaction.

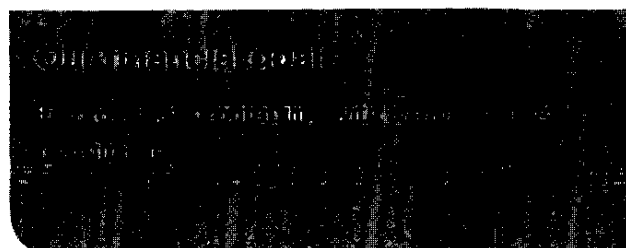
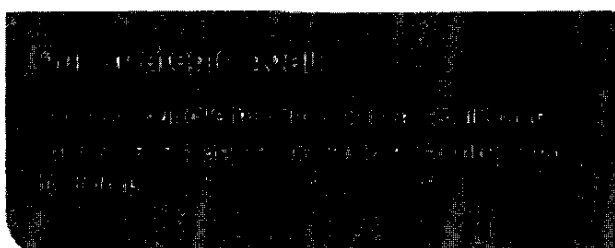
## **Over 45 years of trusted relationships with our clients**

**Partly helps organisations find the right people, skills and data to support confident data-led business decisions.**

**We advise on data and we provide access to skills either as a managed service, through resourcing in the contract or permanent market, or as part of a learning and development programme.**

**Our work comes from a mix of long-term contracts with public and private sector organisations as well as expanded projects with existing clients as a result of strong relationships and a track record of high client satisfaction.**

# About Parity



## Our Purpose

**We are the trusted partner of data driven transformation.**

## Our Mission

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

## Our Vision

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

## Our values

### We're collaborative

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

### We're curious

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

### We have Integrity

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

### We bring a challenger spirit

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

### We're focused on commercial outcomes

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

# Section one

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## 2019 – Transformation on track

**Parity underwent very significant change during 2019. At the beginning of the year we appointed our new chief executive Matthew Bayfield and the Board asked him to address the structural changes that were impacting our markets and undermining our ability to earn returns for shareholders from the recruitment market. The loss of a large framework contract in Scotland at the beginning of the year and the end of a significant consultancy contract were both further catalysts for change, they gave us an urgency in our pursuit of a new business model that will deliver for all our stakeholders.**

I am pleased to be able to report that we have made great progress in implementing our new strategy and the transformation of our business is very much on track. Whilst revenues, EBITDA and adjusted profit before tax are all lower than in the previous year this is in line with the Board's expectations. We have moved to a new business model, taken a significant level of cost out of the business and invested in new talent. That we have been able to achieve such a significant organisational change whilst still reporting a modest adjusted profit before tax, and improving our cash position, gives us confidence in the future of the business.

### Strategy

Our strategy is a reflection of our clients' needs. Data is a huge challenge for businesses; the volume

of data in data centre storage is five times higher than it was five years ago and that rate of growth is forecast to continue. For businesses, that makes decision making more complex and the analysis of data more difficult, and to make matters more challenging, data analytic skills are scarce and data gurus at a premium.

That is Parity's opportunity, our strategy is to help our clients realise the true value of their data. We can do that in different ways; we can help them find data expertise because we have access to a community of experts, we can teach our clients' people to become data experts and we can take on our clients' data services as a consultancy project, and of course we can offer them any combination of all three of those services.

### Board and people

Matthew Bayfield joined the board as Chief Executive in February 2019 and had an immediate impact on the business. He and Roger Antony, our CFO, have been responsible for the implementation of the new strategy which has seen us move a number of people out of the business and recruit others with the skills we require to develop new services and take them to market. It is never an easy task to make such significant people changes, we have tried very hard to ensure that we have treated all concerned with respect and fairness. We have welcomed some new and very talented people to the

business, and we have changed the way we incentivise people to align management and shareholder's interests, moving to a profit based incentive plan.

The Board wishes to record its thanks to all of the staff who have contributed to the transformation of our business, much hard work has gone into ensuring we remain focused on delivering for existing clients and identifying potential new clients. We are fortunate to have an enthusiastic and talented team.

### Results

Revenue across the Group was 6.6% lower at £80.4 million, largely as a result of lower recruitment revenues as our large contract with the Scottish Government, which was not renewed in early 2019, began to wind down. The Group continues to be cash generative and helped by a reduction in working capital we generated £3.4m in cash from operations taking us to a net cash positive position of £0.9m at the year end. Adjusted profit before tax of £115k was in line with our expectations. After non-recurring items of £1.2m before tax, we recorded a loss before tax for the year of £1.1m (2018: profit before tax of £0.4m). Going forward we will look to build revenues in higher margin service lines such as consultancy and learning and development and also change the nature of our recruitment offer to higher margin work.

### Financing and dividend

In May we renewed our banking arrangements with PNC for a further two years at more competitive rates, resulting in a £10m facility at 2.00% above base. The exceptional cash performance at the end of 2019 left us with £0.9m of net cash at the year end. An improved cash position will give us further flexibility when reviewing our facility, which has a minimum period to May 2021. The Board is not proposing a dividend at this time but will keep this policy under review.

### Current trading and outlook

The significant disruption to the world economy brought on by the Covid-19 virus will impact almost every single company. At this point it is difficult to predict its impact on Parity. The significant costs that have come out of the business in the last twelve months will help us to ride out the storm.

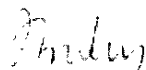
Parity's business is heavily weighted towards the public sector, which accounted for approximately 70% of revenues in 2019. We are already seeing signs that Government expenditure will be more resilient as much of it is aligned to the provision of key public services.

However in light of the ongoing Covid-19 the Board is unable to forecast with any certainty 2020 revenue and profit before tax performance at this time. We anticipate that Covid-19 impacts will, in part, be mitigated by cost savings

already achieved in 2019 and further organisational design and process mapping work instigated before the pandemic will deliver additional savings in 2020.

In direct response to the pandemic, management have agreed a 20% reduction in salaries with all Directors and staff for the three months starting 1 April 2020. Management are conducting a daily review of Covid-19 impacts with clients and contractors to assess supply and demand in as close to real time as possible. This review process is designed to give the advanced warning required to be able to manage impacts on the business and to help clients fill potential gaps in their workforces.

Parity remains well capitalised, with net cash at 31 December 2019, and a £10m existing credit facility providing a comfortable level of headroom through asset-based lending. The government's VAT deferral measures will provide an additional useful help to cash flow in the current year. The Board remains confident that Parity has sufficient access to cash to enable it to trade its way through this period of global uncertainty.



John Conoley  
Non-Executive Chairman  
15 April 2020



# Chief Executive's statement

## A restructured business, focussed on growth

**2019 saw comprehensive changes to our business as we implemented the strategic plan set out a year ago.**

Technology continues to transform the recruitment market and recently this process has been accelerated by the Covid-19 pandemic. The multitude of platforms that employers use to look for candidates, the artificial intelligence that brings speed and efficiency to the recruitment process, and the lower costs of technology led solutions, have brought about fundamental changes in the way our market operates. At Parity, with our focus on data people and skills, we continue to see great opportunities from these market shifts, however we have needed to restructure our business in order to take full advantage.

To that end we began a 'digital first' transformation in our business. This has led to a head count reduction of over 40% with a net annualised saving of over £2m. We have streamlined processes that enable us to be more agile, flexible and cost efficient at servicing our client needs. This transformation will continue throughout 2020.

At the beginning of 2019 we set out to refocus our business on sustainable, higher margin revenues. We said we would:

- refresh our senior management with new skills in consulting, learning and development and marketing;
- implement a new single operating model;
- refresh the Parity brand and upgrade our web presence;
- review the role of technology in recruitment services and investigate how AI can help us keep ahead of



market changes;

- create a new business function; and
- we also set out to reduce our overheads both to be able to afford the investment required and to improve the company's net margins and cash position.

### Progress on many fronts

#### Stronger financially

In 2019 we reduced our operating costs by a gross £3.3 million. These savings were significantly ahead of what we initially set out to achieve as our restructuring went further and deeper into the organisation. Staff numbers reduced by a net 44% as we rightsized our recruitment team and made savings in central management. After reinvesting a total of £1.3m, our net annualised cost savings in 2019 were £2.0m.

The cost of achieving these savings was a restructuring charge of £1.2m in the full year, we will see a return on the cost of these net savings in

less than 8 months. We were also able to implement these cost savings whilst making a significant further improvement to our net cash position. Helped by a reduction in working capital, we generated £3.4m of cash from operations during the year and were net cash positive at the year end. The business is now less constrained by debt, this enables us to plan for the future with greater confidence.

#### A refreshed and strengthened management team

The restructuring of our operating costs has allowed us to invest in building a stronger senior team. Of the total £1.3m of cost savings reinvested, £1.0m was in new hires.

In April we appointed Antonio Acuña MBE to head our consultancy offer. Antonio had worked in the public sector for over 15 years, with a foundation in digital transformation, lean processes and efficiencies, he mainly focused on difficult, large projects. Since joining Parity he has led our renewed focus on providing clients with data consultancy and execution using Parity data experts. Antonio and his team have had success within both the government and the private sectors.

We have created a Learning & Development Practice within our consultancy service, reporting to Antonio. The team based in Manchester and Edinburgh offer organisations support in developing their own talented people and getting the best from their workforce.

Lee-Ann Falconer joined as Head of Resourcing earlier this year with a wealth of experience within resourcing, recruitment and leadership across a number of sectors. Based in Edinburgh,



Lee-Ann is helping us to focus our recruitment business on higher margin briefs, specialising in real data experts who we can identify from our growing community.

Shaun O'Hara has been our new People Director since May, he is passionate about making Parity a great place to work for existing and future employees, believing that the best way to ensure incredible service and delivery for clients is to help nurture a motivated and aligned team.

We have outsourced our marketing function and are working with a firm of specialist marketers who are helping with lead generation, content and marketing plans. This is part of our overall strategy to move from a fixed to flexible cost base that is scalable and aligned to market performance.

### A new business model and refreshed brand

Parity sets out to be the 'trusted partner of data driven transformation' for our clients. We have designed and implemented a new business model that allows us to deliver on that purpose. We provide solutions across three areas:

- **Data Solutions.** We help our clients architect and develop their data strategy, designing and delivering data solutions that drive confident commercial decision making.
- **People Solutions.** We understand the people who understand data. With the most experienced community of talent in the market, we can help our clients build a team of data experts and leaders to transform their businesses.
- **Development Solutions.** We can help our clients become data driven organisations. Through training,

shaping and developing their existing teams' skills and behaviours to deliver high performance even within complex data environments.

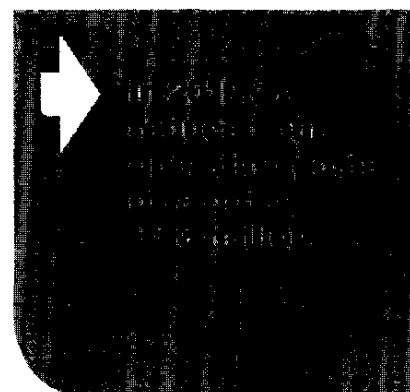
Our organisation is designed to find the right solution or combination of solutions matched to each clients' needs. A single account management function allows us to be solution agnostic and always put the client first.

Parity has more than forty-five years history of trusted relationships with our clients and a name that is well known in its market. However, the Parity brand had not been refreshed for many years and was failing to convey our values. Starting with last year's annual report and accounts we rolled out our new branding, including a new web site, marketing literature and social media feeds.

### Artificial Intelligence (AI) in our market place

In 2019 we undertook to review the role of technology in recruitment services and to investigate how AI can help us keep ahead of market changes. We have already seen the impact of web and app based recruitment tools and the structural changes they have prompted. Less well recognised is the impact of the vast quantities of data that is recorded and stored about individuals and the role AI has to play in the intelligent analysis of that data to assist recruiters.

In November we announced a strategic partnership with Integumen which we believe will help accelerate Parity's transformation from a predominantly commoditised recruitment business to a data consultancy service provider of intelligent data management systems, extracting value using analytics, with a focus on return on investment for



our clients. Integumen's proprietary software includes full GDPR compliance with secure cloud data migration from existing legacy systems to a digital workplace through the military grade encryption "Drive4Growth" AI platform powered by Integumen's Rinodrive.

Rinodrive delivers big data, AI functionality and world class infrastructure to large companies with big data problems. These include financial services, education and life science companies. A fully integrated set of software tools that can ingest data, in any volume, from any source in any format, interact with it, learn from it and enrich it to unlock insights and discoveries. This data management solution was developed by scientists and engineers with experience in software, sensors, AI, optofluidic research, fintech, green-tech, travel and healthcare. It was designed to allow interaction, in a cyber-secure environment, with commercially sensitive data, and to share insights across multi-disciplinary teams, generating different data formats, from multiple sources, located in different countries.



# Chief Executive's statement

At Parity we will continue to be at the forefront of technological advances and are excited by the opportunity to work with Integumen to bring the benefits of AI to our clients. This is another example of how we have sought to modernise our business and move it to higher value solutions for our clients.

## Building a higher margin business

At the heart of our strategy is our determination to increase our gross profit margin in order to improve total shareholder returns. The structural shifts in the recruitment market described above have meant that our already low margin recruitment business was not going to remain sustainable without significant changes. The Board, in setting out a new strategic direction for the Company, was conscious that at no time in our recent past have we achieved a net profit margin of even 2%. With continued and sustained gross margin pressure in recruitment this record was not likely to change unless we embraced some fundamental changes to our business model and strategy.

Our new business model is designed to substantially change our financial model. Revenues will be lower as we reduce our exposure to relatively high volume but low margin recruitment revenues. Margins on the other hand will improve as we focus on higher value recruitment specialising in data skilled people and build our data consultancy and learning & development service lines, both of which attract significantly higher gross margins.

As is evident from the 2019 results it will take time for the changes we have made to our business to impact our financial performance. The year under review saw revenues fall by only 6.6% as we continued to service legacy low margin contracts, notably with the Scottish government, and our gross margins have also been held back by these legacy contracts.

## Conclusion

A new business model, a new team and a new sense of purpose have all been achieved in 2019. I am pleased to be able to report that our transformation is on track. In terms of cost savings we are ahead of plan and we have been

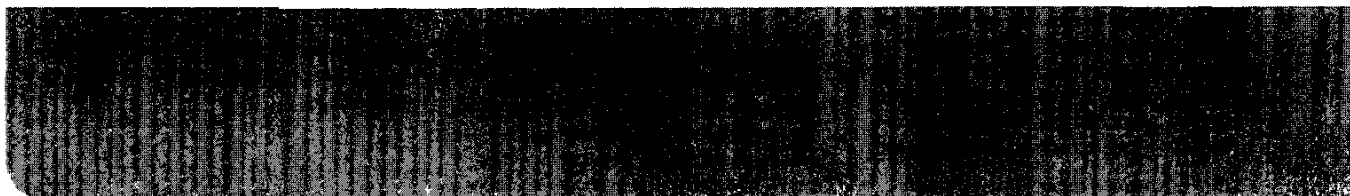
encouraged by our clients' support for our new offer.

The Covid-19 pandemic has brought significant uncertainty to our business, however all our staff are working remotely, enabling the business to remain fully operational. Our responsibility is to all stakeholders in these difficult times and we are committed to providing the best support we can to protect staff, contractors and clients.

The coming months will be challenging for our business, but our people have been fantastic in the way they have reacted to the evolving needs of our clients and contractors.



**Matthew Bayfield**  
Chief Executive Officer  
15 April 2020





# Point

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I am pleased to be able to report that our transformation is on track. In terms of cost savings we are ahead of plan and we have been encouraged by our clients' support for our new offer.

# Our timeline

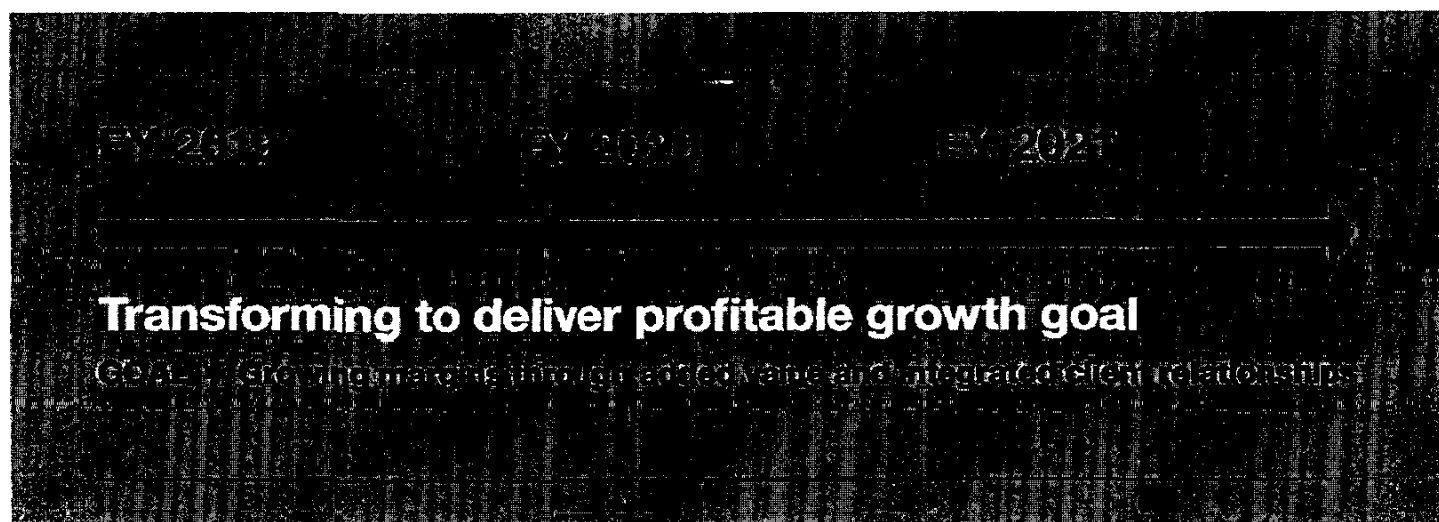
## A new business model focused on delivering profitable growth

In 2018, the market told us that our strategy needed refreshing to match current client needs.

In 2019 we implemented a new strategy and launched our new business model with a leaner team focused on profitable growth.

*In 2020 we hope to begin to see the financial benefits of our*

*newly restructured business, with our longer-term clients buying consultancy services, and learning & development solutions.*



### Consolidate

- Reduce debt
- Restructure advisory proposition
- Revitalise brand
- Refresh senior team

### Change

- New BD and Account Management focus
- New internal focus on margin
- New market positioning

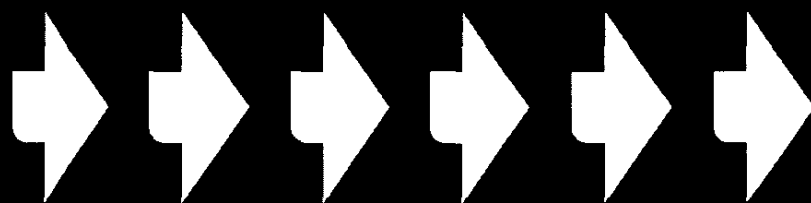
### Capitalise

- Develop longer term pure advisory clients
- Launch new development and technology enabled recruitment services

15/07/2020

## Accelerating growth

Our growth strategy is to accelerate growth through a combination of organic growth and strategic acquisitions.



# Case Studies

## ➤ Data consultancy for one of the world's largest online fashion retailers

We have been working with a household name fashion retailer which is very fast growing and was seeking to address its data workflows, systems and services to take account of business expansion. We have been engaged to help the company to uplift its data maturity to enable efficient scalability; building robust data solutions and improving the integrity of its data systems and architecture.

Parity has been able to help the client form a coherent data strategy and roadmap for its data insights, analytics and architecture using a team of Parity data experts drawn from our existing network of associates. We have brought together the right team very quickly allowing the client to see rapid progress.

## ➤ Working with the NHS

The NHS is one of the largest 'owners' of data in the country and is undergoing a much needed digital transformation. HDR UK (Health Data Research) is a non-profit organisation operating across the NHS and Private Healthcare to enhance health and care outcomes via access to large scale data.

Parity has been working with HDR UK partners including NHS Digital, NHS England, The University of Oxford, several major NHS Trusts, Public Health England and DATA-CAN (HDR Hub for Cancer) as part of a consultancy project to enable access to healthcare data. We have been migrating this valuable data into a single central repository from where it can be shared more efficiently across the different parts of the NHS, charities and research organisations.

## ➤ Providing value added recruitment services to the Scottish Government

The Scottish Government is taking on additional devolved powers to pay benefit payments. Parity has been providing value added recruitment services to Social Security Scotland as part of three lots, out of six, we won in a tender run by Procurement Scotland.

The new managed recruitment service contract is tied to the provision of certain key IT and data skill sets, that include cloud and integration architecture. The client benefits from a managed service that provides amongst other things financial and management reporting and advance security clearance of contractors.

## ➤ Simplifying management of a non-perm workforce

Our Client, a well-known high street fashion retailer, was juggling partnerships with over 30 suppliers of IT and Digital skilled people. This meant that sourcing, governance and supplier management, was time-consuming and preventing it from truly focusing on its core business, at a time when it was growing internationally at speed.

Through a consultative, co-design approach, Parity identified the key pain points and challenges, and implemented a workforce solution that would identify and manage the best talent, from sourcing through to offboarding, all in an efficient and agile manner. Parity provided the client with a scalable solution that not only could incorporate the wider company's non-perm workforce, but also reduced suppliers from over 30 to 5, of which Parity remains as the lead!

➤ **A flexible operating model that keeps costs down whilst allowing us to scale quickly and efficiently to deliver growth in higher margin revenues.**

We are putting in place a new operating model that will allow us to make further reductions in our fixed costs in favour of outsourced and easily scalable resource that can be aligned to our business needs. The model will allow us to work with the best in their field, handpicking the right team and skills to deliver for our clients. We have already implemented this in our sales and marketing function, outsourcing marketing, communications and lead generation to leaders in these fields. In the current financial year we will be looking to replicate this successful model within other of our internal functions.

## OUR GOAL

To grow earnings and shareholder value sustainably based on excellent services, brilliant people and trusted relationships. We will achieve this by being:





### **Focused on our clients' needs and our relationship management**

- Offering support across all our offerings
- Applying consistent processes and disciplines to ensure quality, profitability and longevity

### **A strong team at every level**

- Focused on client satisfaction
- Excited by cross fertilisation between our teams
- Motivated to grow our brand and business

### **Innovative and dependable**

- A reputation for leading thinking
- Agile in our internal processes
- Unshakable where it matters in financial management and a commitment to client need
- Curious about new processes and tools

### **Famous and proud**

- A strong brand cleverly marketed
- Disciplined business developers
- Trusted by clients

## **Our advantages**

- We are relationship specialists – our clients keep coming back
- We're knowledgeable – we know our world better than anyone else
- We're innovative – we are proactive in a changing market and are responsive to clients' needs

# Operational and Financial Review

## A Brief Overview

- Strategic decision to move away from lower margin recruitment work
- Transformation impacts profits during the year, but encouraging wins including first Consultancy retainer
- Swings from net debt to net cash, bolstered by exceptional cash collections in December 2019

	2019 £'000	2018 £'000
<b>Key Financials</b>		
Revenue	80,409	86,112
Adjusted profit before tax <sup>1</sup>	115	853
Net cash/(debt)	899	(1,090)

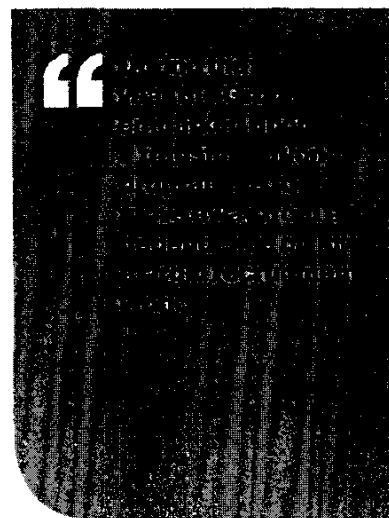
<sup>1</sup> Adjusted profit before tax is defined as profit before tax and non-recurring items

As indicated in last year's Annual Report and Accounts, Group revenues were impacted during the year by the non-renewal of a large framework agreement with the Scottish Government for the supply of temporary workers. Revenues derived from the framework are subject to a gradual run down over a two year period which commenced in March 2019. During the year the Group embarked upon a transformation programme to move away from a dependence on low margin recruitment work, which has also impacted revenues.

Adjusted profit before tax fell to £0.1m from £0.9m as a result of lower contract recruitment revenues and also due to 2018 including revenues from the MoD MCOCs consultancy project.

The Group has taken action on overheads during the year, primarily people costs, achieving an annualised net cost out of £2.0m. The majority of the cost actions were taken in Q2 2019 and Q3 2019 with only a partial impact to the 2019 results.

Non-recurring items relate to restructuring costs incurred as part of the transformation in relation to the new strategy, and totalled £1.2m before tax. Loss before tax after deducting non-recurring items was £1.1m (2018: profit before tax of £0.4m). Net cash generated from operations was £3.4m reflecting exceptional collections in December 2019, and swinging the Group into a cash positive position of £0.9m at year end (2018 year end: net debt of £1.1m).



**Segmental performance**

	2019 £'000	2018 £'000	Incr./ (Decr.) %
<b>Revenue</b>			
Recruitment	73,548	77,616	(5.2%)
Consultancy	6,861	8,496	(19.2%)
Group revenue	80,409	86,112	(6.6%)
<b>External contribution</b>			
Recruitment	6,755	7,681	(12.1%)
Consultancy	1,347	1,996	(32.5%)
Total external contribution	8,102	9,677	(16.3%)

**Reconciliation of external contribution to operating profit**

	2019 £'000	2018 £'000
External contribution	8,102	9,677
Selling & administrative expenses	(6,687)	(8,136)
Share-based payment charges	(162)	(129)
Depreciation and amortisation	(806)	(194)
Operating profit before non-recurring items	447	1,218
Non-recurring items	(1,172)	(495)
Operating (loss)/profit	(725)	723

External contribution is reconciled to the income statement as part of segmental information presented in note 2 on page 76.

# Operational and Financial Review



## Recruitment

The decline in year on year revenues was primarily driven by the loss of the Scottish Government framework for the supply of contract workers. Following the announcement of the decision in March 2019, the number of contractors on billing through the framework was subject to gradual run down over a two year period ending 2021. As a consequence, the total average number of contractors for the Group during the year was 871 (2018: 972) with the closing volume of contractors at 31 December being 648 (31 December 2018: 995).

The loss of the Scottish Government framework reflects margin challenges in the commoditised UK recruitment market. The Group sought to address this issue in two ways. Firstly, by focussing on offering greater value to our clients, with solutions to their specific data challenges, and thereby attracting higher margins. Secondly, management took action to right-size its operations, with particular focus on costs associated with delivery to the Scottish Government framework.

During the year the Group also made the commercial decision to discontinue two small teams of permanent candidate recruiters. The Group continued to supply contract recruitment through several established frameworks in the public sector and to its clients such as Primark in the private sector.

## Consultancy

Whilst financial results were down year on year, the 2018 financial year benefitted from 8 months' work at the MOD, on the relatively higher margin MCOCS project. During the year, the Group continued consultancy delivery to both the Department of Education and BAT, with contract renewals at both clients extending into 2020.

The Group appointed Antonio Acuna as Head of the Consulting Practice during the year to help accelerate the data strategy. Under Antonio's leadership the Group won higher margin data consultancy work with large organisations in both the public and private sectors. The revenues from the new work tend to be accretive, providing optimism for the longer term, with one large client in the private sector signing up to a retainer fee during the year.

## Selling and Administrative Costs

During the year, the Group took action to right size the Group in relation to the new strategy, and following the loss of the Scottish Government Framework. As a result, the Group achieved an annualised net cost out of £2.0m. The savings were predominately in relation to people costs with a 44% reduction in headcount over the course of the year.

## Depreciation and Amortisation

In accordance with IFRS 16, the 2019 results are presented with lease assets

and liabilities recognised in the Group's Statement of Financial Position, where the Group is the lessee. Consequently, depreciation and amortisation include £0.7m of expenses that were classified as operating expenses in 2018.

## Non-recurring items

Non-recurring items of £1.2m (2018: £0.5m) before tax were incurred during the year, primarily as a result of restructuring the Group, following the appointment of a new CEO, and a change in strategy, and are analysed in note 5 on page 79.

## Taxation

The tax charge on profit before tax was £0.03m (2018: tax credit of £0.06m) mainly representing a deferred tax adjustment in respect of prior periods. The Group did not provide for corporation tax payable in 2019 due to the utilisation of Group relief and the availability of carried forward deductible timing differences and tax losses.

## Discontinued operations

There were no discontinued operations during the year. In 2018 the Group disposed of the non-core Inition subsidiary in April 2018 for consideration of £0.2m and recorded a loss on disposal of £0.3m.

## Earnings per share and dividend

The basic loss per share from continuing operations was 1.05 pence (2018: earnings of 0.41 pence per share). The Group's results were impacted by significant restructuring costs.

The Board does not propose a dividend for 2019 (2018: nil) but will keep the position under review.

## Statement of Financial Position

### Trade and other receivables

Trade and other receivables decreased significantly during the year to £6.7m (2018: £12.0m). This is mainly due to the exceptional level of cash collections experienced in December 2019 with Group debtor days, calculated on billings on a countback basis, at an all-time low of 12 days (2018: 18 days). We benefitted from a number of clients paying ahead of terms before the financial year end and therefore do not expect debtor days to hold at these unprecedented levels. To a lesser extent, the decrease was also due to the fall in the contractor volumes over the year and the associated release of working capital.

### Trade and other payables

Trade and other payables decreased during the year to £6.0m (2018: £8.3m) mainly as a result in the reduction in contractor volumes. At the year end, creditor days were 24 days (2018: 28 days).

### Loans and borrowings

Loans and borrowings represent the Group's debt under the asset-based lending facility. This is a working capital facility and is consequently linked to the same cycle as the trade receivables. The asset-based lending facility with PNC Business Credit ("PNC"), a leading secured finance lender, has been in place since 2010 and was renewed in May 2019 on improved terms. Following the renewal, the facility allows for borrowing of up to £10m depending on the availability of appropriate assets as security, with borrowings at a discount rate of 2.0% above base (previously 2.35% above base). The current facility is subject to a minimum period of two years after which the facility becomes evergreen.

### Cash flow and net debt

The Group generated positive net cash flows from operating activities of £3.4m (2018: £0.6m), driven by the positive working capital swing (see paragraph headed "Trade and Other Receivables" above) with a reduction in debtor days to 12 (2018: 18 days). The £3.4m cash generated was after outflows of £0.7m in respect of non-recurring items.

As a result of the positive cash flow, the Group swung to a net cash positive position of £0.9m (2018: net debt of £1.1m).

### Defined Benefit Pension Deficit

At the year end the deficit had improved to £0.9m (2018: £1.9m). Whilst the scheme liabilities increased during the year as a result of lower long term bond rates, the scheme investments increased by a greater amount, reflecting stronger global equity markets.

During the year the triennial actuarial review as at 5 April 2018 was completed. The outcome of the review was such that the Group agreed to pay contributions of £0.3m per annum for five years, with contributions being assessed at the next actuarial review, scheduled as at 5 April 2020.



**Roger Antony**  
Group Finance Director  
15 April 2020

# Duty to promote the success of the Group

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

- a) the likely consequences of any decision in the long term;
- b) the interests of the company's employees;
- c) the need to foster the company's business relationships with suppliers, customers and others;
- d) the impact of the company's operations on the community and the environment;
- e) the desirability of the company maintaining a reputation for high standards of business conduct; and
- f) the need to act fairly as between members of the company.

New Directors receive a comprehensive, formal and tailored induction to the Group's operations including corporate governance, the legislative framework and visits to Group premises. They can access professional advice on their duties from the Company Secretary or, if they deem necessary, from an independent advisor. The Board confirms that, during the year, it has had regard to the matters set out above. Further details as to how the Directors have fulfilled their duties with references to relevant areas within this annual report, are set out below.

## Risk management

The Board recognises the importance of identification, evaluation and management of the Group's risks. Details of the principal risks and uncertainties of the Group are set out on pages 23. The Group's statement on going concern and future prospects are included in the Directors' Report on page 48 and Chief Executive's

Statement on page 8.

## Employees

The Board is committed to the Group being a responsible employer and strives to create a working environment where employees are engaged, informed and involved. The Group's employment policies and related information is set out in the Corporate Social Responsibility Report on page 34.

## Community and the environment

The Board recognises its responsibilities to achieving good environmental practice and making positive contributions to the community. The Group's practices and policies in this regard are set out in the Corporate Social Responsibility Report on page 34.

## Business conduct and relationships

The Board recognises the importance of a strong corporate culture that considers the best interest of its employees, business partners and shareholders. The Board recognises its responsibilities to other external stakeholders including its clients, contractors and suppliers. Its strong relationships with its clients are critical to driving growth. The Group's purpose, mission, vision and values are set out on page 3 and its ethics policies are set out in the Corporate Social Responsibility Report on page 34.

## 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 26.

# Principal risks and uncertainties

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

## Impact of Covid-19 and macro-economic uncertainty

The Group, along with all other businesses, are currently evaluating and adjusting to the direct effects of Covid-19 and its subsequent impact on the economy. Main risks to the Group arise from potential delays to client project decisions, reduced client budgets, recruitment activity postponed, and the effects of restriction of movements impacting on our ability to win new business. Although highly uncertain given the early stages of Covid-19, at this time the Board believes the risk to the Group is mitigated by the fact that (i) our client base is weighted towards the public sector and government expenditure is likely to be more resilient to support key public services, (ii) our contractor base are largely IT mobile and able to carry out their work at home, and (iii) the Group's business continuity plan means all employees have the remote working facilities to carry on their roles as normal. In addition, the Group operates a largely elastic cost base with flexible resourcing and costs (both staffing and commissions) related to activity levels, and managed offices on shorter-term contracts with options to exit. Nevertheless, the Directors acknowledge the significant uncertainty caused by the Covid-19 pandemic and are closely monitoring the outlook for the Group. The Directors cannot be certain as to the severity and duration of these impacts.

## Strategy fails to deliver anticipated growth

The Group's anticipated growth may not be achievable if the Group is unable to

implement its strategy effectively. The Board seeks to mitigate this through a robust assessment of its opportunities, the feedback from its clients and potential clients, clear priorities and focus on delivering key objectives and incentivising its team to deliver against those objectives.

## Legislation – e.g. IR35

IR35 reforms were set to be implemented in the private sector from 6 April 2020 but have been postponed until 6 April 2021 due to the impact of Covid-19. One effect of the reforms will be to make end clients, and/or agencies, liable for deemed tax underpayments in the event that elements of its temporary workforce are found to be non-compliant with IR35 (liability largely rests with the individual contractors at present). In response, some well-known large private sector organisations in the UK have announced an embargo on any contractors working through personal services companies. There is a risk that the Company's clients could adopt the same approach which could impact revenues and profits in the short term.

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

## Brexit transition

The Group operates predominately in the UK and notwithstanding delays due to the wider macro-economic uncertainty, is not expected to suffer a direct long-term negative impact during

Brexit transition, as it is supported by the strong underlying UK economy. Demand for the Group's services could reduce as an indirect result of the impact of Brexit on the UK economy, although Brexit has also driven additional opportunity to the Group with established Public Sector clients creating additional infrastructure in preparation.

## Loss of key client accounts

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

## Financial

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

## Technology

As an IT services provider the Group relies on its IT, telecommunications and infrastructure systems to perform and manage the services we provide to clients. The Group reviews its own disaster recovery systems regularly in order to minimise the risk of prolonged disruption to systems.

## Section two

For a full and complete  
understanding of the  
entire work, please refer to  
the accompanying text.



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## Section one Strategic report

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Our business is a global leader in the design, manufacture and distribution of fluid handling equipment. We have a strong track record of innovation, quality and customer service. Our products are used in a wide range of industries, including food and beverage, pharmaceuticals, chemical processing, and water treatment. We are committed to sustainable growth and long-term value creation for our shareholders. Our new operating model, implemented in 2018, has enabled us to improve operational efficiency and reduce costs. This has resulted in a significant increase in profitability and a strong return to shareholders. We are confident that our focus on innovation and customer service will continue to drive our success in the future.

## Section three Accounts, notes and other information

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# Corporate Governance Report

**In September 2018, the Company decided to apply the 2018 QCA Corporate Governance Code (the Code) and this Corporate Governance Report for the year ended 31 December 2019 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](http://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 margin improvement to sustain growth in shareholder value. The Board will

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

Challenges faced by the Group in executing its strategy include repositioning the business service offerings, changing the internal operating model, market competition and macro-economic factors. The principal risks and uncertainties faced by the Group and potential mitigation can be found on page 23.

## 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 road shows, 'all staff' business events, and the intranet. The Group also encourages participation in an annual employee survey, which is completed anonymously and administered by an independent organisation.

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

It is Group policy to be a good corporate citizen wherever it operates. Encouragement and support is 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 34.

## 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 quarterly and reviewed periodically by the Audit Committee.

The Group does not consider it necessary to have a separate internal audit function due to the Group's size and its centralised administrative function but keeps this need under review. The Company receives regular



feedback from its external auditors on the effectiveness of its internal controls and aims to implement any improvements identified.

The principal risks faced by the Group are presented on page 23. The Board is not aware of any significant failings or weaknesses in the system of internal control.

### **Maintain a dynamic management environment**

#### **Maintain a well-functioning, balanced board**

At the date of this report, the Board comprises myself as Non-Executive Chairman, Non-Executive Director, David Firth, Chief Executive Officer, Matthew Bayfield, and Group Finance Director, Roger Antony. Matthew Bayfield was appointed Chief Executive Officer on 5 February 2019 replacing Alan Rommel who was appointed Chief

Operating Officer on the same date and subsequently left the Board to pursue other interests on 8 April 2019. The table on page 41 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 both Non-Executive Directors to be independent, with neither having a length of service of greater than four years. The Non-Executive Directors ensure that independent judgement is brought to Board discussions and decisions. The Board considers that there are no relationships or circumstances which are likely to affect the independent judgement of the Non-Executive Directors.

The Board has meetings scheduled

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

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

# Corporate Governance Report

As Non-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. Annual appraisals are held of each Director, providing feedback and reviewing any training or development needs. I am also responsible for effective communications with shareholders and relaying any shareholder concerns to the Directors. During the period under review I met with the other Non-Executive Director without the Executive Directors being present.

Directors appointed since the last annual General Meeting, and those retiring by rotation will submit themselves for election or re-election at the next Annual General Meeting, as set out in the Directors' Report on page 48 and in the separate Notice of Annual General Meeting sent to all shareholders. I confirm that the performance of each Director continues to be effective and the Individuals continue to demonstrate commitment to their role.

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

A table showing the number of meetings of the Board and its Committees held during the year, and attendance at those meetings by each Board member, is set out to the right.

During the year, 9 scheduled Board meetings and 4 ad hoc Board meetings were convened as necessary to deal with various matters. Details of attendance at Board meetings is summarised alongside.

Committee attendance is shown for Committee members only.

The Board maintains close dialogue by email, telephone and conference calls between scheduled meetings. The Board has a formal schedule of matters reserved for its specific approval which was reviewed during the year and includes a review of Group strategic, operational and financial matters such as proposed acquisitions and divestments. It approves the annual accounts and interim report, the annual budget, significant transactions, major capital expenditure and reviews the effectiveness of the system of internal control and the risks faced by the Group. It covers all controls, including financial, operational, compliance and risk management.

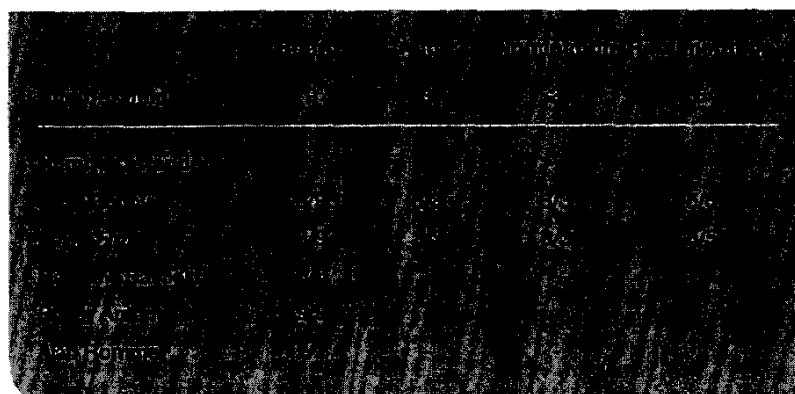
The Board delegates specific responsibilities to three Committees: the Audit Committee, the Remuneration Committee and the Nomination Committee. The Audit, Remuneration and Nomination Committees of the Board each have formal written terms of reference. These terms of reference are

available on the Group's website ([www.parity.net](http://www.parity.net)).

The Audit Committee comprises the two Non-Executive Directors and is chaired by David Firth. The Audit Committee meets at least three times a year. Details of the responsibilities of the Audit Committee are set out in the Audit Committee Report on pages 46 to 47. Where necessary, specialist external consultants are used to assist the Committee.

The Remuneration Committee comprises both Non-Executive Directors and is chaired by David Firth. Details of the responsibilities of the Remuneration Committee are set out in the Remuneration Report on pages 39 to 44. Where necessary, specialist external consultants are used to assist the Committee.

The Nomination Committee comprises both Non-Executive Directors and is chaired by myself. The Committee meets at least once a year and is responsible for proposing candidates for appointment to the Board, having



- 1 Scheduled Board meetings only - excludes ad-hoc Board meetings
- 2 All Directors who were members of the Board at the time attended the Group's Annual General Meeting on 30 May 2019
- 3 Appointed to the Board 5 February 2019
- 4 Stepped down from the Board 9 April 2019

due regard to the balance and structure of the Board, as well as succession planning.

The process for new Board appointments includes an initial search, preliminary interviews and discussions. Following this process, recommendations are then made by the Committee to the Board on merit against objective criteria. Where necessary external recruitment consultants are used to assist the process.

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

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

Directors who have been appointed to the Board have been chosen because of the skills and experience they offer. The Directors' biographies, which are set out on page 32, 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. During the year under review the Board engaged with advisors to help update its articles of association, and also with regard to share option schemes.

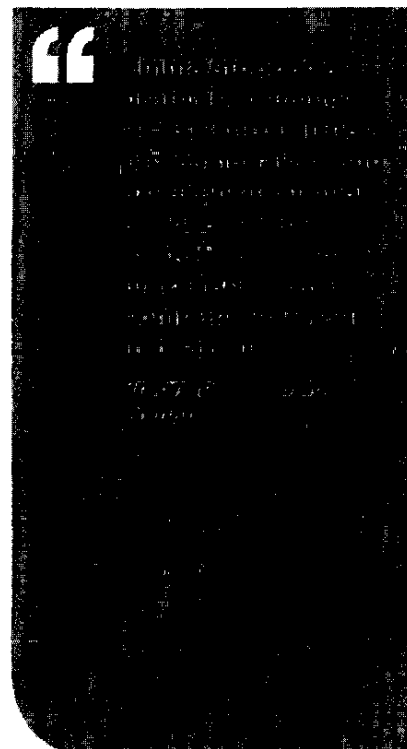
David Firth acted as the Senior Independent Director during 2019. He was an additional contact point for shareholders if they had reason for concern, when contact through the normal channels of the Executive Directors and Chairman had failed to resolve their concerns, or where such contact was inappropriate.

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 an annual evaluation of its own performance and that of its Committees and individual Directors.

The Board undertook an annual evaluation of its own performance and that of its Committees and individual Directors for the year. My own performance was reviewed by the other Non-Executive Director. The outcome of the evaluation of the Board is reviewed by the Board as a whole and the results are used to assist the Board in developing its approach going



forward. The results of the evaluation performed in 2019 were satisfactory on the whole, but did serve to highlight the board's lack of diversity as a weakness. As a result, the board decided that an external board evaluation should be carried out in H1 2020, with a recommendations report provided for the board's review.

#### **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 35.

A critical aspect of the Group's strategy

# Corporate Governance Report

is to be perceived as a trusted partner of its clients. In order to achieve this objective, a culture of teamwork, openness, integrity and professionalism forms a key element of our company principles and values which sets out the standards of behaviour we expect from all our employees. The Company's values are set out on page 3. The Board supports and promotes the principles of equal opportunities in employment and promotes a culture where every employee is treated fairly. The Board and management conduct themselves ethically at all times and promote a culture in line with the standards set out in the Company's intranet.

## **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](http://www.parity.net)).

All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures, applicable rules and regulations are observed. There is an agreed procedure for Directors to obtain independent professional advice, if necessary, at the Group's expense. New Directors receive a comprehensive, formal and tailored induction to the Group's operations including corporate governance, the legislative framework.

Authority is delegated to senior operational management through Group authorisation limits on a structured basis, ensuring that proper management oversight exists at the appropriate level. The Executive committee comprises the Chief Executive Officer, the Group Finance Director, and the senior operational managers. The Executive Committee meetings are held monthly and are attended by other senior

management as appropriate. Any key issues from these meetings 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](http://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 [cosc@parity.net](mailto:cosc@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.

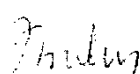
All members of the Board usually attend the Annual General Meeting. The chairmen of the Audit, Remuneration and Nomination Committees will normally be available to answer shareholders' questions at that meeting. Notice of the Meeting is posted to shareholders with the report and accounts no fewer than 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](http://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 46 and 39 respectively.



**John Conoley**  
Non-Executive Chairman  
15 April 2020





**John Conoley (59)**  
Non-Executive Director

**Appointment Date:**  
April 2017

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

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

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

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

**Number of Board meetings attended in 2019:**  
9/9

**Sector experience:**  
Technology software and services



**David Firth (59)**  
Non-Executive Director

**Appointment Date:**  
September 2016

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

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

**External Appointments:**  
Non-Executive Director at Best of the Best plc and Non-Executive Director at Summerway Capital plc

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

**Number of Board meetings attended in 2019:**  
9/9

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



**Matthew Bayfield (45)**  
Chief Executive Officer

**Appointment Date:**  
February 2019

**Experience:**  
Matthew joined the senior management team of Parity in May 2018. Prior to this Matthew has held positions as CEO of Field London, Head of Data for Ogilvy and Mather, and Managing Director and Founder of Tree London.

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

**Number of Board meetings attended in 2019:**  
8/8

**Sector experience:**  
IT services, management consulting and data consultancy





**Roger Antony (53)  
Group Finance Director**

**Appointment Date:**  
April 2018

**Experience:**

Prior to his appointment, Roger held the position of Group Financial Controller since 2006, and prior to that the role of Financial Controller for the International Resources Division

**Skills brought to the board:**

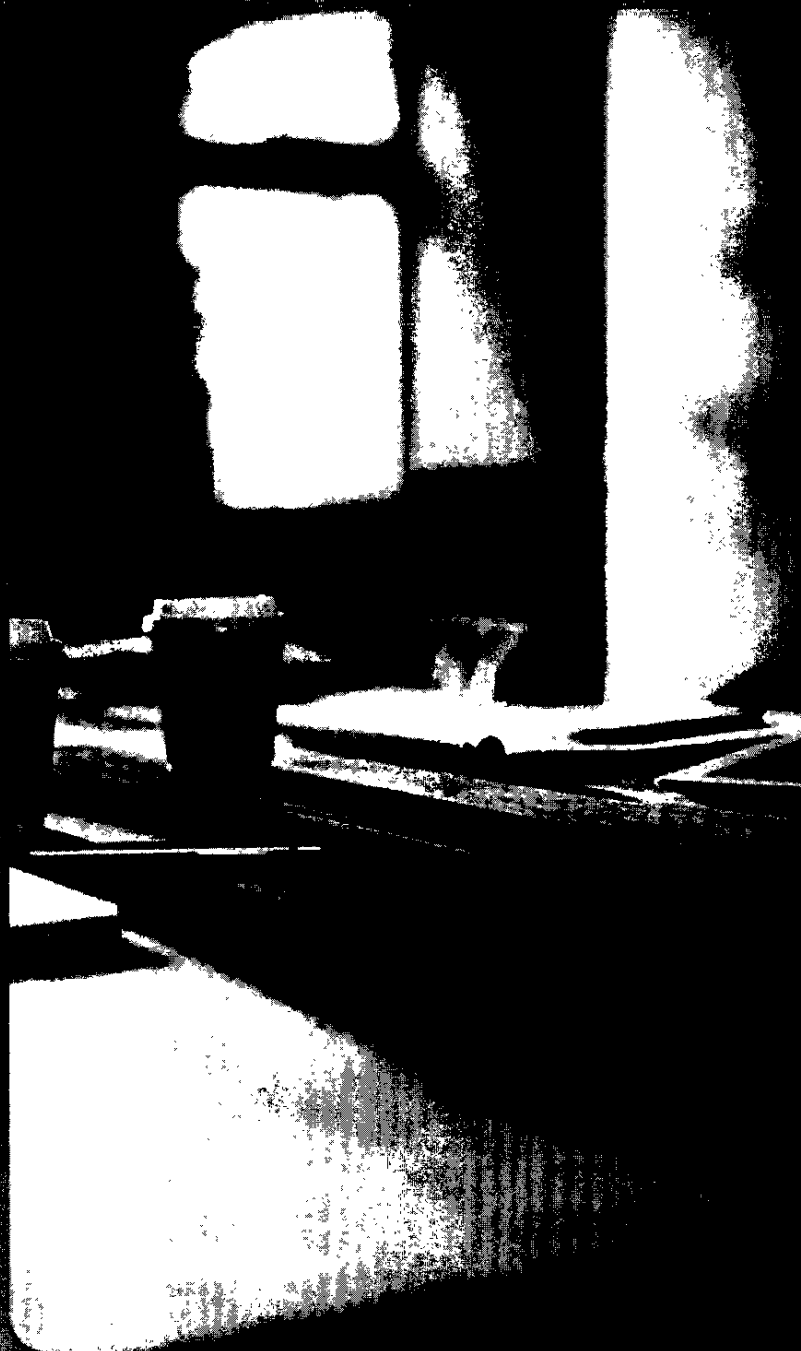
Roger joined the Parity Group after qualifying as an accountant in 1997, and previously held managerial roles within a variety of listed entity finance departments

**Number of Board meetings  
attended in 2019:**

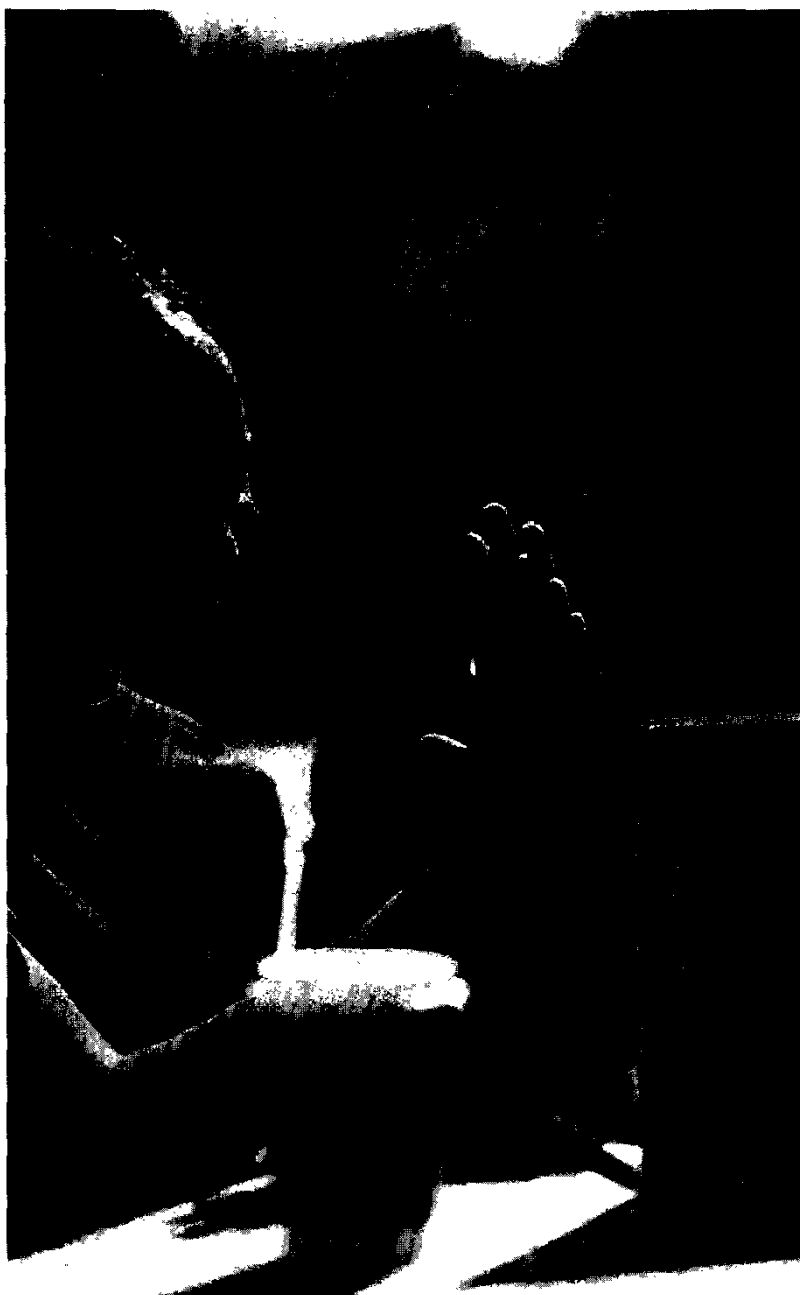
9/9

**Sector experience:**

IT services, recruitment and retail



# Corporate Social Responsibility Report



## Employment policies

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

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

The Group incentivises employees through share-based incentives and the payment of bonuses and commissions linked to performance objectives. Where appropriate these objectives are linked to profitability. Following the recent Board changes the Group is currently reviewing its approach to performance appraisal and career progression, with a view to implementing an improved talent development programme.

## Health & Safety

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

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

- First aid — Each office has a person qualified in first aid. First aid boxes are readily accessible and records kept of all accidents and injuries.
- Fire safety — Each office has an evacuation marshal who will liaise

with building management or local emergency authorities, as appropriate. Evacuation assembly points are agreed for every location and a full evacuation carried out every six months. Fire alarms are tested regularly.

- Employees' physical health — Any employee who believes he/she is suffering from an illness or condition related to their working environment is encouraged to report this to his/her manager for investigation.
- Employees' mental health — During the year the Company put in place additional measures to support employees with mental health issues, including external training for selected members of staff so that they could act as mental health first aiders.

Annual Health and Safety audits are carried out at every Parity office to ensure high standards are maintained.

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

### Social responsibilities

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

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



### Environmental policy

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

#### Transport

Public transport is used whenever possible. Interest-free season ticket loans are made to staff as part of the benefits package. Teleconference facilities are extended to main office locations to minimise business travel and increase efficiency.

#### Energy

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

Whenever economically justifiable, the paper and other consumables used are made from environmentally-friendly or

recycled material or from renewable resources.

#### Recycling

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

#### Paper usage

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

### 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,

# Corporate Social Responsibility Report

Integrity and professionalism forms a key element of our company principles and values which sets out the standards of behaviour we expect from all our employees.

Our values:

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

## Anti-Bribery Act

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

During the year under review the policy was reviewed. As a result of the review, the Company amended its policy with regard to incentive payments offered to its staff by external payroll companies for contractor referrals. This practice was discontinued in the interests of greater financial transparency for the Company's contractors.

During 2019 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 have been taken during 2019:

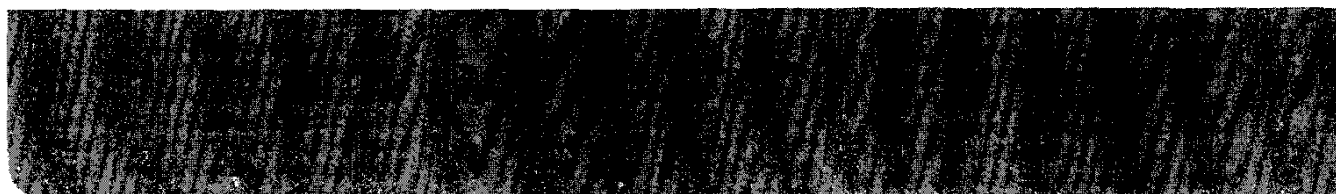
- Supply Chain Review – we continue to take positive steps to improve supply chain transparency. Following the annual review of our policy and supply chain, we continue to believe that we operate a supply chain with a very low inherent risk of slave and human trafficking potential. Our supply chain is mainly made up of UK based suppliers of professional services, computer software and equipment, office supplies and our contractor and associate workers. Nevertheless, this assessment is kept under continual review and due diligence is conducted with any new suppliers.
- Staff Training – during 2019 we updated our training content provided to all new employees on the Modern Slavery Act 2015 and our Modern Slavery Policy as part of our

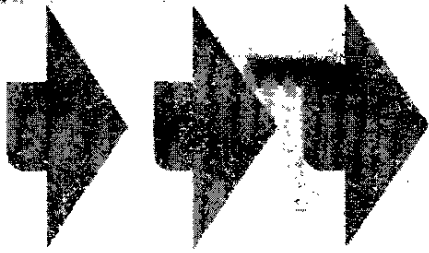
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Parity Group has a zero-tolerance approach to modern slavery and is committed to acting ethically and with integrity in all its business dealings and relationships, and to implement and enforce effective systems and controls to ensure modern slavery is not taking place anywhere in its own business, or its supply chain. The following actions have been taken during 2019:

onboarding programme to ensure all employees are aware of their responsibilities.

During 2019 no instances of modern slavery were reported or identified.





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



# Remuneration Committee Report

## Remuneration Committee

The Remuneration Committee comprises David Firth as Chairman and John Conoley. At the invitation of the Committee, other Directors may attend meetings however individual Directors are excluded from discussions about their personal remuneration.

The committee is responsible for reviewing the Group's remuneration policy, the emoluments of the Executive Directors and other senior management and the Group's pension arrangements, and for making recommendations thereon to the Board. The committee also makes recommendations to the Board in respect of awards of options under the Group's share option schemes. It also reviews the terms of service contracts with senior employees and Executive Directors and any compensation arrangements resulting from the termination by the Company of such contracts.

The committee has access to external advisors to assist it with ensuring that salary and benefits packages are competitive and appropriate. In addition, committee members keep themselves fully informed of all relevant developments and best practice by reference to the QCA's Remuneration Committee guide. Advice on share options is provided by Pinsent Masons, who also provide other legal services to the Group.

The Board determines the remuneration of all Non-Executive Directors within the limits set out in the Company's Articles of Association. Non-executive Directors are not involved in any decisions about their own remuneration. Details of Directors' remuneration for the year ended 31 December 2019 are set out in the table on page 42.

## Meetings

There were five meetings held during the

year. Attendance at the meetings can be found in the table on page 28.

## Matters considered

During the year, the Committee:

- Reviewed and approved the salaries of Executive Directors, including the salary of new Chief Executive Officer Matthew Bayfield on his appointment, in line with the remuneration policy set out below;
- Approved the renewal of the Group's existing long term incentive plans, following the expiry of the previous plans, and oversaw the adoption of a new EMI share option scheme, in conjunction with the Group's legal advisor and the Group's nominated advisor; and
- Approved the granting of share options to Chief Executive Officer Matthew Bayfield as detailed below, and the granting of share options to members of senior management, with balanced consideration towards motivating and retaining those employees capable of delivering superior performance.

## 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 2019 were basic annual salary and benefits in kind, long term incentives including share options, and pension arrangements.

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

## Performance bonus

The terms of an incentive bonus for Executive Directors are agreed annually. For 2019, it was agreed that no performance bonus would be earned by, or paid to, Executive Directors.

## Share option schemes

During 2019 the Group operated the following types of share option scheme: the Company Share Option Plans, the EMI Share Option Plan and the Savings Related Share Option (Sharesave) Scheme.

## Share Option Plans

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

The rules of the Share Option Plans allow for annual grants to be awarded equivalent to a value of up to one times salary or up to two times salary

# Remuneration Committee Report

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 within the Remuneration Report on page 43. All of the options awarded to the Executive Directors have vested or lapsed, with the exception of the following grants:

On 18 May 2018 1,000,000 share options were awarded to Roger Antony. The exercise price of the options is 12.8 pence and the share options granted have been divided into thirds with each third being subject to the following performance condition:

- i) To exercise the first third (1/3 in total) of the share options awarded, the share price must be greater than or equal to 16.00 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 19.20 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 22.40 pence for 5 consecutive days.

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

- i) To exercise the first third (1/3 in total) of the share options awarded, the share price must be greater than or equal to 16.56 pence for 5 consecutive days.
- ii) To exercise the second third (2/3 in total) of the share options awarded the share price must be greater than or equal to 19.88 pence for 5 consecutive days.
- iii) To exercise the final third (100% in total) of the share options awarded the share price must be greater than or equal to 23.19 pence for 5 consecutive days.

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

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

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

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

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

## Sharesave Scheme

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

In May 2018, the Group made a grant of options under the Sharesave Scheme. Options were granted in conjunction with a three year savings contract, up to a monthly limit of £250. Options were granted at a discount of less than 10% to the market price. No options were granted under the Sharesave Scheme in 2019. None of the Directors held options under the Sharesave Scheme at 31 December 2019.

## Share price

The Parity Group plc mid-market share price on 31 December 2019 was 10.00 pence. During the period 1 January 2019 to 31 December 2019 shares traded at market prices between 6.63 pence and 10.35 pence.

## Directors' pension information

Executive Directors are entitled to



a contributory company pension contribution of 5% of basic salary.

### Non-Executive Directors' remuneration

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

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

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 to the right:



### 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.

Director	Contract date	Term of office	Contractual termination provision
John Gifford	1 April 2019	12 months	At the discretion of the Board
David Smith	5 July 2019	12 months	At the discretion of the Board
Margaret Bevilacqua	17 February 2019	24 months	6 months rolling
Roger Antony	22 April 2018	6 months	6 months rolling

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

# Remuneration Committee Report

## Directors' remuneration

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

	Salary/fees 2019 £'000	Benefits 2019 £'000	Compensation for loss of office 2019 £'000	Total emoluments 2019 £'000	Company pension contributions <sup>3</sup> 2019 £'000	Share-based payments 2019 £'000
<b>Executive Directors</b>						
Matthew Bayfield <sup>1</sup>	206	11	-	217	10	30
Roger Antony	159	12	-	171	8	23
Alan Rommel <sup>2</sup>	54	3	230	287	2	76
<b>Non-Executive Directors</b>						
John Conoley	60	-	-	60	-	-
David Firth	45	-	-	45	-	-
<b>Total emoluments</b>	<b>524</b>	<b>26</b>	<b>230</b>	<b>780</b>	<b>20</b>	<b>129</b>

	Salary/ fees 2018 £'000	Benefits 2018 £'000	Compensation for loss of office 2018 £'000	Total emoluments 2018 £'000	Company pension contributions <sup>3</sup> 2018 £'000	Share-based payments 2018 £'000
<b>Executive Directors</b>						
Alan Rommel	200	13	-	213	10	33
Roger Antony	150	12	-	162	8	19
<b>Non-Executive Directors</b>						
John Conoley	60	-	-	60	-	-
David Firth	45	-	-	45	-	-
<b>Total emoluments</b>	<b>455</b>	<b>25</b>	<b>-</b>	<b>480</b>	<b>18</b>	<b>52</b>

1. Matthew Bayfield was appointed as a Board Director on 5 February 2019

2. Alan Rommel resigned as a Board Director on 9 April 2019

3. Company pension contributions disclosed in the table above represent the contractual pension entitlements due to the Directors of the company

**Executive Directors' share options**

	As at 1 January 2019	Lapsed/ surrendered in the year	Exercised in the year	Awarded in the year	As at 31 December 2019	Exercise period	Exercise price per share
<b>Matthew Bayfield<sup>1</sup></b>							
Executive share option plan							
2018	500,000	-	-	-	500,000	2021-2028	£0.1325
2019	-	-	-	3,000,000	3,000,000	2022-2029	£0.0775
Sub-total	500,000	-	-	3,000,000	3,500,000		
<b>Roger Antony</b>							
Executive share option plan							
2010	100,000	-	-	-	100,000	2013-2020	£0.0875
2013	20,000	-	-	-	20,000	2016-2023	£0.2650
2016	800,000	-	-	-	800,000	2019-2026	£0.0862
2018	1,000,000	-	-	-	1,000,000	2021-2028	£0.1280
Sub-total	1,920,000	-	-	-	1,920,000		
<b>Total</b>	<b>2,420,000</b>	<b>-</b>	<b>-</b>	<b>3,000,000</b>	<b>5,420,000</b>		

1. Matthew Bayfield was appointed as a Board Director on 5 February 2019

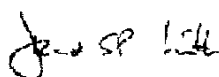
# Remuneration Committee Report

## Directors' interests in shares

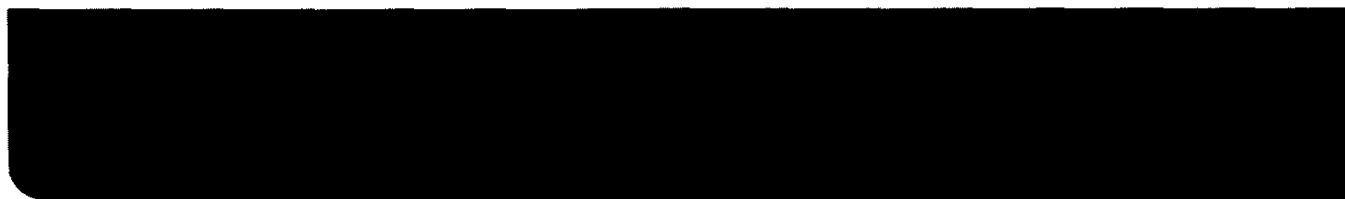
The beneficial interests of the Directors who served during the year and their families in the ordinary share capital of the Company are shown below:

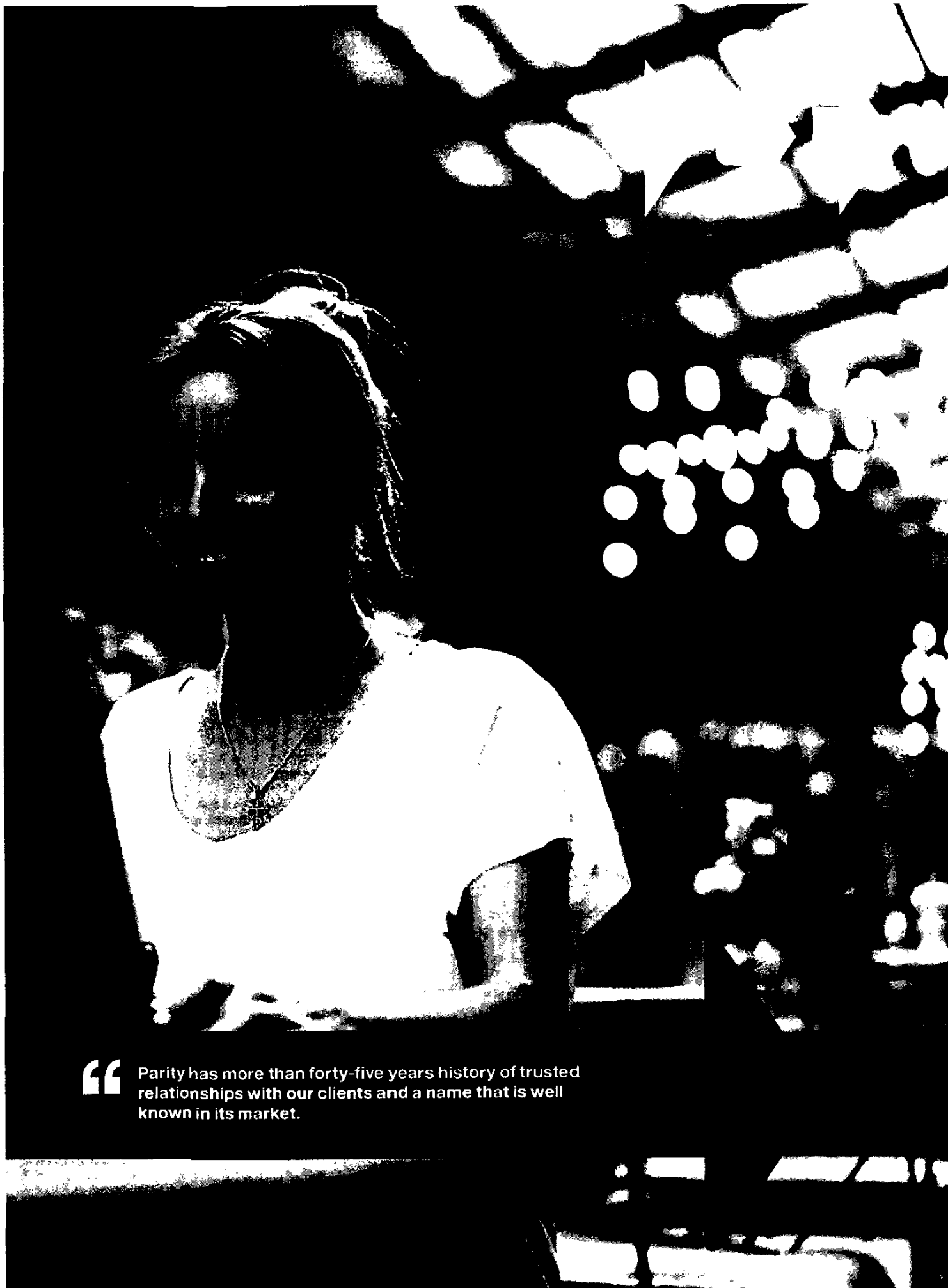
	Shareholding at 31 December 2018	% issued share capital	Shareholding at 31 December 2019	% issued share capital
John Conoley	-	-	194,636	0.19
David Firth	200,000	0.19	200,000	0.19
Matthew Bayfield	-	-	51,282	0.05
Roger Antony	100,000	0.10	153,515	0.15
Alan Rommel	410,632	0.40	-	-

For and on behalf of the Board



**David Firth**  
Chairman of The Remuneration Committee  
15 April 2020





“

Parity has more than forty-five years history of trusted relationships with our clients and a name that is well known in its market.

# Audit Committee Report

## Audit Committee

The Audit Committee is a sub-committee of the Board, and comprises David Firth as Chairman, and John Conoley. Both David Firth and John Conoley are Non-Executive Directors and are considered to be independent by the Board. Their biographies can be found on page 32.

The Audit Committee meets at least three times a year. Audit Committee meetings are attended by the external auditors and the Executive Directors, at the invitation of the Committee. The external auditors meet separately with the Audit Committee on request, without the presence of the Executive Directors, to ensure open communication.

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

- the oversight responsibilities described in the foregoing paragraph;
- reviewing compliance with laws, regulations and the Group's code of conduct and policies;
- monitoring the integrity of the Group's financial statements and announcements relating to the Group's financial performance and reviewing significant financial reporting judgements, changes in accounting policies and practices, significant adjustments resulting from the audit and the application of the going concern assumption;
- reviewing the findings of the external audit with the external auditor;
- making recommendations to

the Board, for it to put to the shareholders for their approval, regarding the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor;

- monitoring and reviewing the external auditor's independence and the effectiveness of the audit process;
- developing and implementing policy on the engagement of the external auditors to supply non-audit services;
- reviewing the risk management framework and risk assessments;
- reviewing the Group's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters; and
- reviewing and monitoring the adequacy and effectiveness of the Company's internal financial controls, internal control, and risk management systems.

## Meetings

There were three meetings held during the year. Attendance at the meetings can be found in the table on page 28.

## 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;
- 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 2018;
- reviewed the Group's Risk Register and considered changes to the Group's risk profile;
- reviewed the Group Authority Levels; and

- reviewed the external auditor's Audit Plan in relation to the year ended 31 December 2019.

## External Auditor

The audit in relation to the year ended 31 December 2018 was Grant Thornton's first 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 Finance Director. 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 discounts rates applied were commensurate with rates used within the Group's peer group;
- cash flow projections were based upon prudent growth projections; and
- the sensitivity analysis demonstrated that both CGUs had sufficient headroom to absorb the possible impact of key sensitivities.

#### Retirement benefit liability

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

#### 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 2021 demonstrated sufficient facility headroom. These projections were updated and reviewed in April 2020 for the effects of the Covid-19 pandemic as described in the Directors' report on page 49.

#### 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.

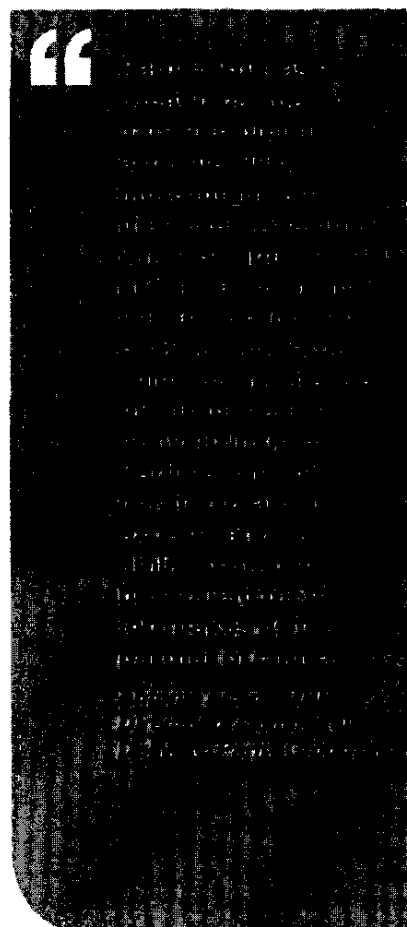
#### IFRS 16

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

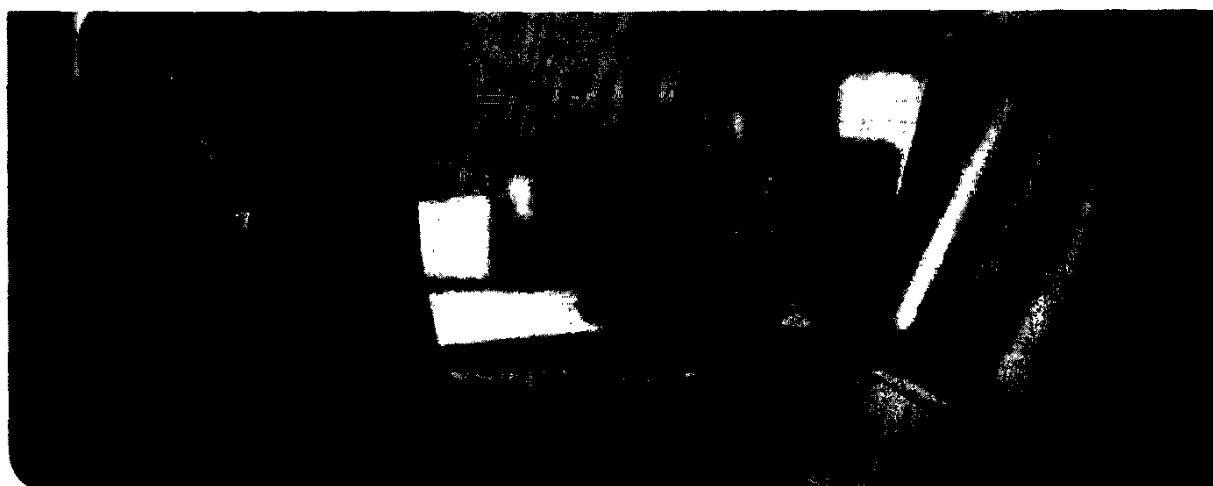
- the new standard would result in the Company recognising £1.1m in right of use assets, and £1.1m in lease liabilities, in its Statement of Financial Position as at 31 December 2019;
- there was minimal impact on the Income Statement with the exception of an impairment charges on two empty properties resulting in a non-recurring charge of £0.1m.

*David Firth*

David Firth  
Chairman of The Audit Committee  
15 April 2020



# Directors' Report



The Directors present their report and the audited accounts for the year ended 31 December 2019.

## Principal activities

The Group delivers a range of recruitment and data and technology solutions to clients across the public and private sectors. During the period under review the Group operated through two service lines: Recruitment and Consultancy.

The principal activity of the Recruitment service line is to provide recruitment, predominately interim recruitment, and graduate placement services, to a diverse range of clients. In 2019 its clients' market sectors included central and local government within the public sector and retail, housing, utilities and education in the private sector.

The principal activities of the Consultancy service line comprise data consultancy services and business intelligence solutions. Consultancy delivered its services during the year to central government departments in the public sector and to FMCG, health and food services clients in the private sector.

## Review of business and future developments

A review of the business and its outlook, including commentary on the key performance indicators of revenue, external contribution, debtor days and net cash, and the principal risks and uncertainties facing the Group is included in the Chairman's Report, Chief Executive's Letter and the Operating and Finance Review on pages 6 to 23. The Group's social, environmental and ethical policies are set out on pages 34 to 36. A statement on the application of the going concern principle is set out below. Details of financial instruments are set out in note 21 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 £1.06m (2018: profit before tax from continuing operations £0.36m). After a tax charge of £0.03m (2018: tax credit of £0.06m and a loss after tax from discontinued operations of £0.38m), the retained loss of £1.08m (2018: retained profit of £0.04m) has been transferred

from reserves. The results for the year are set out in the consolidated income statement on page 62.

## Dividends

The Directors do not recommend a final dividend (2018: nil pence per ordinary share). The total dividends for the year were nil pence per ordinary share (2018: 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 23.

## Purchase of own shares

At the end of the year, the Company had authority, under the shareholders' resolution of 30 May 2019, 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 15 April 2020 is set out on page 32, together with details of membership of the Board committees.

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

## Directors' interests

The Directors' beneficial interests in the ordinary share capital of the Company are set out within the remuneration report on page 44.

## Principal shareholders

As shown in the table below at 14 April

2020 (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:

## Capital structure

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

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

## Going concern

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 2021, taking account of reasonably possible changes in trading performance, including potential downsides from the impact of Covid-19. Discussion of this risk is included within Principal Risks and Uncertainties on page 23. Downside sensitivities have included reduced levels of new business, lower contractor extensions and reduced contractor utilisation in the event that some contractors are unable to work or have their contracts terminated. In these scenarios, the Directors do not anticipate issues with the Group's financing requirements. The Group is currently well capitalised with its financing facility providing a comfortable level of headroom. Measures have already been taken to protect the Group from a downturn in revenues and there are further mitigating actions which would be taken if required. Nevertheless, the Directors acknowledge the significant uncertainty caused by the Covid-19 pandemic and are closely monitoring the outlook for the Group. The Directors cannot be certain as to the severity and duration of these impacts and therefore there is a material uncertainty which may cast significant doubt on the Group's and parent company's going concern. Attention is drawn to the independent auditor's report on page 54.

The financing facility provided by PNC was renewed in May 2019 with a minimum term of 2 years.

The Company is not party to any significant agreements that take effect, alter or terminate upon a change of control of the Company following a takeover bid, except for the finance facility agreement with PNC. There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

	Number of ordinary 2p shares	Percentage held
Helium Rising Stars Fund	22,762,851	22.18%
Timothy Watts	12,359,000	12.04%
David Courtney	6,566,031	6.40%
Barclays Wealth	6,327,810	6.17%
GI Ranch Corporation	4,654,778	4.54%
Hargreaves Lansdown	4,134,191	4.03%
Interactive Investor	3,715,823	3.62%
Citrine Investments	3,558,766	3.47%
John Cawthorne	3,223,310	3.14%
Redmayne Bentley	3,223,302	3.14%
Brewin Dolphin	3,195,578	3.11%

# Directors' Report

## 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 34 to 36. 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 (2018: none).

## Corporate Governance

The Corporate Governance Report on pages 26 to 30 forms part of the Directors' Report.

## Auditor

Pursuant to section 489 of the Companies Act 2006, resolutions will be proposed at the 2020 Annual General Meeting to reappoint Grant Thornton UK LLP as auditor to the Company and to authorise the Directors to determine their remuneration.

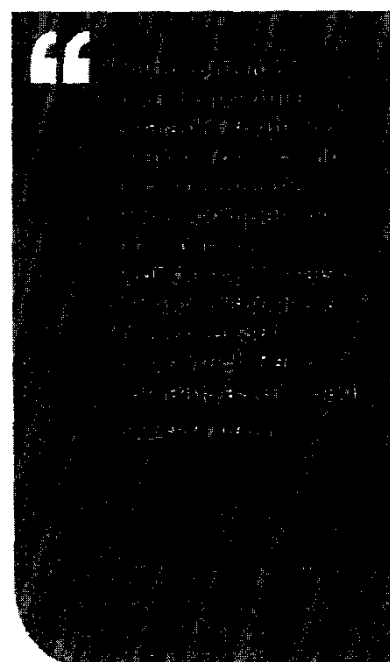
## Annual General Meeting

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



Roger Antony  
Director  
15 April 2020





# Statement of Directors' Responsibilities

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

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

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent Company financial statements on the same basis.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as

applicable, matters related to going concern; and

- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

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

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

## Website publication

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

of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the 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:

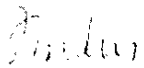
- Interest rate risk;
- Foreign currency risk;
- Liquidity risk; and
- Credit risk.

The policies for managing these risks are set by the Board following recommendations from the Group Finance Director. Certain risks are managed centrally, while others are managed locally following guidelines communicated from the centre. The policies for each of the above risks, and the nature and extent of those risks, are described in detail in note 21 to the financial statements. Other risks and uncertainties are discussed on page 23.

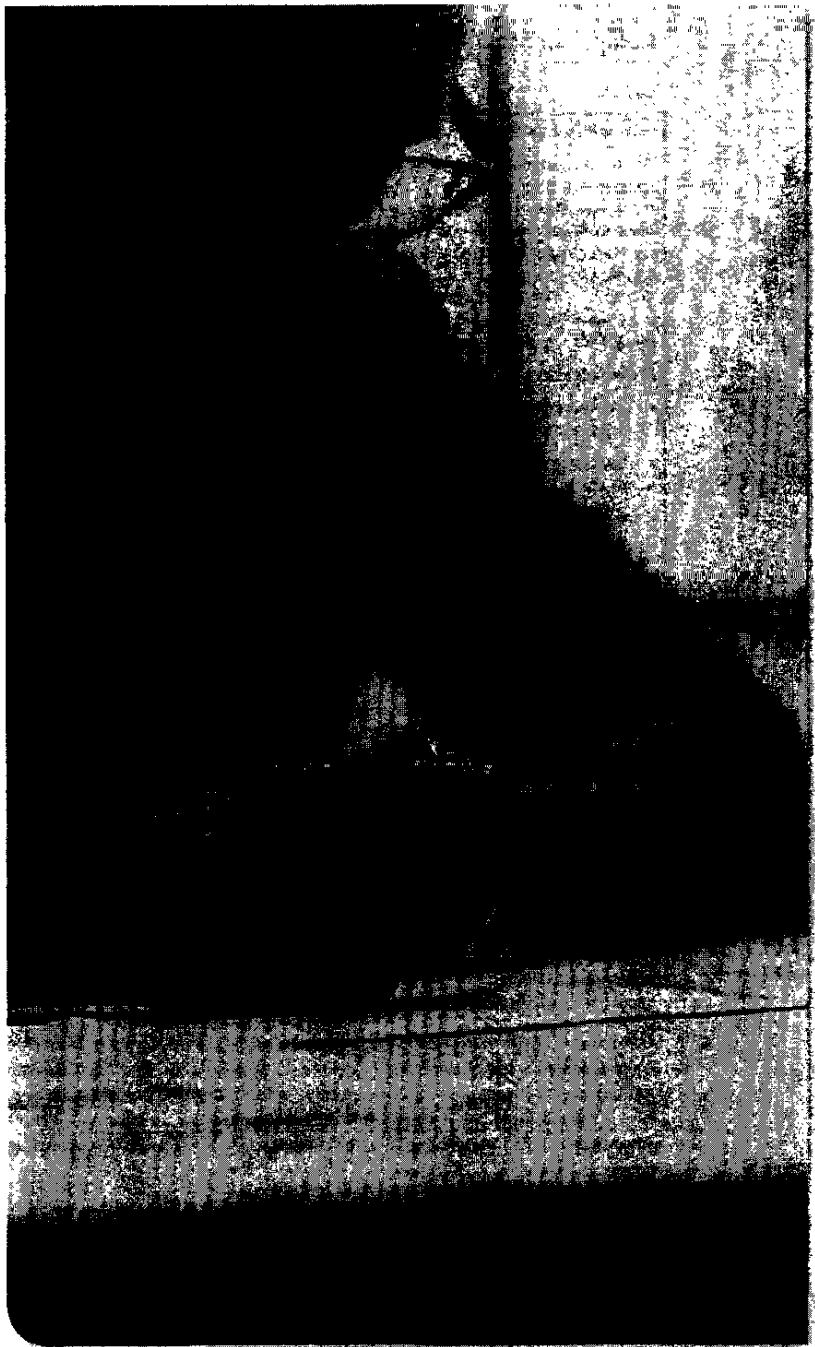
Each of the persons who is a Director as at the date of approval of this annual report confirms that:

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

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



John Conoley  
Non-Executive Chairman  
15 April 2020



# Independent Auditor's Report

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

### Opinion

#### Our opinion on the financial statements is unmodified

We have audited the financial statements of Parity Group plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019, which comprise the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated and Company Statements of changes in equity, Consolidated and Company Statements of financial position, Consolidated and Company Statements of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 2019 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union 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.

### The impact of uncertainties arising from the UK exiting the European Union on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's and parent company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group's and parent company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a group and parent company associated with a course of action such as Brexit.

### Material uncertainty related to going concern

We draw attention to note 1 in the financial statements, which indicates that the Directors cannot be certain as to the severity and duration of the impacts of Covid-19 on the business of the group and parent company. These events or conditions, along with the other matters set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the group's and parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.



Grant Thornton

## Overview of our audit approach

- Overall materiality: £431,000, which represented 0.5% of the group's expected revenue at the planning stage of the audit; and
- Key audit matters identified were revenue recognition and transition to IFRS 16 'Leases'.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, 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 addition to the matter described in the material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

## Key Audit Matter – Group

## Revenue recognition

Under International Standard on Auditing (UK) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.

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 operating segments with separate revenue streams:

- Recruitment – provides targeted recruitment of temporary and permanent professionals to support IT and business change programmes. Recruitment provides 91% (2018: 90%) of the continuing group's revenues.
- Consultancy – provides business and IT consultancy services focusing on the provision of data solutions and delivery of IT projects. Consultancy provides 9% (2018: 10%) of the continuing group's revenues.

Due to the size of the balance and volume of transactions, we identified the occurrence of revenue recognition as a significant risk, which was one of the most significant assessed risks of material misstatement.

## How the matter was addressed in the audit – Group

Our audit work included, but was not restricted to:

- Assessing the stated accounting policies in respect of revenue recognition policies and whether these are consistent with IFRS 15.

For Recruitment revenue:

- Testing the operating effectiveness of the key control for temporary professional's revenue recognition. The key control tested being authorisation of the contractor timesheet by the customer; and
- Substantively testing permanent revenue transactions by agreeing a sample of sales invoices to evidence of commencement of employment and bank receipts.

For Consultancy revenue:

- Substantively testing revenue transactions by agreeing a sample of sales invoices to bank receipt and remittance, or alternative evidence where the invoice was not paid during the year.

Further to the above, we also focused our testing on accrued income by carrying out the following tests:

- Obtaining and reconciling the accrued income listing to the trial balance;
- Gaining an understanding of the systems and controls in place for recognising accrued income; and
- Statistically testing a sample of transactions by agreeing revenue recognised to authorised timesheets or alternative supporting documentation, and sales invoices post year end.

The group's accounting policy on revenue recognition is shown in note 1 to the financial statements. The Audit Committee identified revenue recognition as a significant issue in its report on page 46, where the Audit Committee also described the action that it has taken to address this issue.

## Key observations

Based on our audit work we did not identify any material instances of revenue not being recognised in accordance with stated accounting policies and IFRS 15.

Key Audit Matter – Group	How the matter was addressed in the audit – Group
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<p><b>Transition to IFRS 16 'Leases'</b></p> <p>IFRS 16 has been adopted by the Group for the first time in the period. Management have elected to adopt the modified retrospective approach to transitioning to the new standard.</p> <p>Application resulted in the recognition on transition of total lease liabilities of £1,057,000 and right-of-use assets of £1,063,000.</p> <p>The process for measuring the impact of IFRS 16 is complex and requires significant judgement, therefore we identified the transition to IFRS 16 as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> <li>Assessing the accounting policy and disclosures for compliance with IFRS 16;</li> <li>Testing the arithmetical accuracy and integrity of the underlying data, by checking the consistency of the formulas and agreeing a sample of inputs to supporting documentation including lease agreements;</li> <li>Testing the completeness of the leases identified by viewing lease agreements and payments and checking that they are included on the listing; and</li> <li>Assessing the reasonableness of the discount rate applied by carrying out a sensitivity analysis and obtaining corroborative evidence to support the judgements made by management for the key assumptions in applying IFRS 16.</li> </ul> <p>The group's accounting policy and related disclosures in relation to IFRS 16 is shown on page 70.</p> <p><b>Key observations</b></p> <p>Based on our audit work we did not identify any material misstatements on the transition to IFRS 16.</p>
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**Our application of materiality**

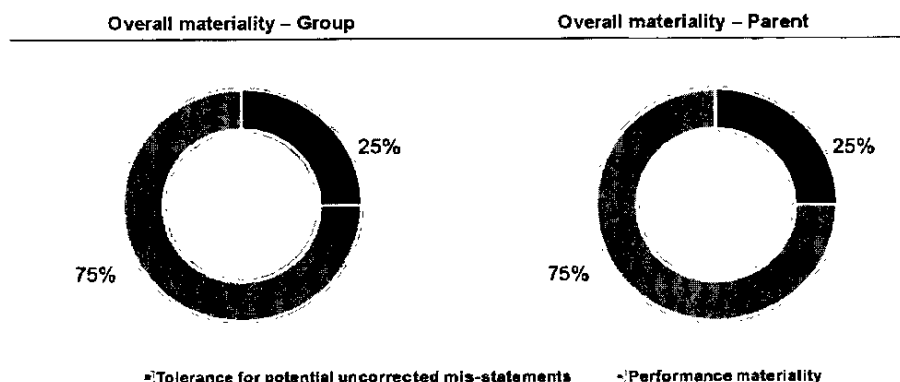
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality measure	Group	Parent company
Financial statements as a whole	<p>£431,000 which was 0.5% of the group's expected revenue at the planning stage of the audit. This benchmark is considered the most appropriate because revenue is the key driver of the business and is less volatile than group profit before tax.</p> <p>Materiality for the current year is lower than the level that we determined for the year ended 31 December 2018 to reflect the fall in revenue compared to the prior year.</p>	<p>£411,000, which is 2% of the parent company's investments in subsidiaries. This benchmark is considered the most appropriate because the parent company is a holding company.</p> <p>Materiality for the current year is the same as the level that we determined for the year ended 31 December 2018.</p>
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Specific materiality	We also determine a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.	We also determine a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.
Communication of misstatements to the audit committee	£22,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£21,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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





#### An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included:

- we determined that two of the trading subsidiaries (Parity Professionals Limited and Parity Consultancy Services Limited) required full scope audits of their financial information for group purposes;
- the group team determined the component materialities, which ranged from £206,000 to £411,000, having regard to the mix of size and risk profile of the group across the components;
- work carried out by the group engagement team at the group's London head office only;
- advanced audit procedures, focussing on revenue and payroll testing; and
- full scope procedures on 100% of revenue generated by the group, and the total assets and total loss of the group.

#### Other information

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

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

We have nothing to report in this regard.

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

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

#### 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 statement of directors' responsibilities set out on page 52, 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.

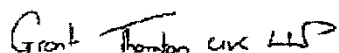
**Auditor's responsibilities for the audit of the financial statements**

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**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 FCA  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
LONDON  
15 April 2020

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My decision to join Parity was based on the proven change in direction for the business. I am passionate about modern business with a genuine dedication to human capital and a recognition of the importance of people in digital transformations. My experience in the professional staffing sector has led me to the conclusion that all staffing businesses will need to evolve or run the risk of falling away in the wave of digital revolution. Parity is leading the way in disrupting the market.

*Lee-Ann Falcous - Director of Commercial Acquisition, Parity Group plc*

## Section three

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**Consolidated Income Statement for the year ended 31 December 2019**

	Notes	Before non-recurring items 2019 £'000	Non-recurring items (note 5) 2019 £'000	Total 2019 £'000	Before non-recurring items 2018 £'000	Non-recurring items (note 5) 2018 £'000	Total 2018 £'000
<b>Continuing operations</b>							
Revenue	3	80,409	-	80,409	86,112	-	86,112
Employee benefit costs	4	(4,876)	(867)	(5,743)	(5,976)	(299)	(6,275)
Depreciation, amortisation and impairment	4	(806)	(142)	(948)	(194)	-	(194)
All other operating expenses	4	(74,280)	(163)	(74,443)	(78,724)	(196)	(78,920)
Total operating expenses		(79,962)	(1,172)	(81,134)	(84,894)	(495)	(85,389)
Operating profit/(loss)		447	(1,172)	(725)	1,218	(495)	723
Finance costs	7	(332)	-	(332)	(365)	-	(365)
Profit/(loss) before tax		115	(1,172)	(1,057)	853	(495)	358
Tax (charge)/credit	10	(149)	124	(25)	(16)	79	63
<b>(Loss)/profit for the year from continuing operations</b>		(34)	(1,048)	(1,082)	837	(416)	421
<b>Discontinued operations</b>							
Loss from discontinued operations after tax	8	-	-	-	(381)	-	(381)
<b>(Loss)/profit for the year attributable to owners of the parent</b>		(34)	(1,048)	(1,082)	456	(416)	40
<b>(Loss)/earnings per share – Continuing operations</b>							
Basic	11			(1.05p)			0.41p
Diluted	11			(1.05p)			0.41p
<b>(Loss)/earnings per share – Continuing and discontinued operations</b>							
Basic	11			(1.05p)			0.04p
Diluted	11			(1.05p)			0.04p

The notes on pages 70 to 101 form part of the financial statements.

## Consolidated Statement of Comprehensive Income for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
<b>(Loss)/profit for the year</b>		<b>(1,082)</b>	<b>40</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		-	(3)
<i>Items that will never be reclassified to profit or loss</i>			
Remeasurement of defined benefit pension scheme	23	931	(1,005)
Deferred taxation on remeasurement of defined pension scheme	16	(158)	171
<b>Other comprehensive income/(expense) for the year after tax</b>		<b>773</b>	<b>(837)</b>
<b>Total comprehensive expense for the year attributable to owners of the parent</b>		<b>(309)</b>	<b>(797)</b>

The notes on pages 70 to 101 form part of the financial statements.

**Statements of Changes in Equity for the year ended 31 December 2019**

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

<b>Consolidated</b>	<b>Share capital £'000</b>	<b>Share premium reserve £'000</b>	<b>Capital redemption reserve £'000</b>	<b>Other reserves £'000</b>	<b>Retained earnings £'000</b>	<b>Total £'000</b>
At 1 January 2018	2,043	33,211	14,319	44,160	(86,544)	7,189
Issue of new ordinary shares	10	33	-	-	-	43
Share options – value of employee services	-	-	-	-	129	129
<b>Transactions with owners</b>	<b>10</b>	<b>33</b>	<b>-</b>	<b>-</b>	<b>129</b>	<b>172</b>
Profit for the year	-	-	-	-	40	40
Exchange differences on translation of foreign operations	-	-	-	-	(3)	(3)
Remeasurement of defined benefit pension scheme	-	-	-	-	(1,005)	(1,005)
Deferred taxation on remeasurement of defined pension scheme taken directly to equity	-	-	-	-	171	171
Reallocation of impairment charge (note 22)	-	-	-	(9,600)	9,600	-
<b>At 31 December 2018</b>	<b>2,053</b>	<b>33,244</b>	<b>14,319</b>	<b>34,560</b>	<b>(77,612)</b>	<b>6,564</b>



# Statements of Changes in Equity for the year ended 31 December 2019 (continued)

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

Company	Share capital £'000	Share premium reserve £'000	Capital redemption reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
<b>At 1 January 2018</b>	2,043	33,211	14,319	22,729	(59,812)	12,490
Issue of new ordinary shares	10	33	-	-	-	43
Share options – value of employee services	-	-	-	-	52	52
Transactions with owners	10	33	-	-	52	95
Loss for the year	-	-	-	-	(1,887)	(1,887)
Reallocation of impairment charge (note 22)	-	-	-	(9,600)	9,600	-
<b>At 31 December 2018</b>	2,053	33,244	14,319	13,129	(52,047)	10,698

The notes on pages 70 to 101 form part of the financial statements.

## Statements of Financial Position as at 31 December 2019

Company number 3539413

		Consolidated		Company	
	Notes	2019 £'000	2018 £'000	2019 £'000	2018 £'000
<b>Assets</b>					
<b>Non-current assets</b>					
Goodwill	12	4,594	4,594	-	-
Other intangible assets	13	32	86	-	-
Property, plant and equipment	14	43	69	-	-
Right-of-use assets	15	395	-	-	-
Trade and other receivables	17	-	-	131,946	123,510
Investments in subsidiaries	28	-	-	20,527	20,527
Deferred tax assets	16	970	1,153	-	-
<b>Total non-current assets</b>		<b>6,034</b>	<b>5,902</b>	<b>152,473</b>	<b>144,037</b>
<b>Current assets</b>					
Trade and other receivables	17	6,739	12,018	2,130	2,304
Cash and cash equivalents		4,116	5,829	117	387
<b>Total current assets</b>		<b>10,855</b>	<b>17,847</b>	<b>2,247</b>	<b>2,691</b>
<b>Total assets</b>		<b>16,889</b>	<b>23,749</b>	<b>154,720</b>	<b>146,728</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Loans and borrowings	18	(2,719)	(6,919)	-	-
Lease liabilities	15	(325)	-	-	-
Trade and other payables	19	(6,012)	(8,261)	(14,357)	(12,917)
Provisions	20	(324)	(43)	-	-
<b>Total current liabilities</b>		<b>(9,380)</b>	<b>(15,223)</b>	<b>(14,357)</b>	<b>(12,917)</b>
<b>Non-current liabilities</b>					
Lease liabilities	15	(173)	-	-	-
Trade and other payables	19	-	-	(129,530)	(123,113)
Provisions	20	(21)	(20)	-	-
Retirement benefit liability	23	(892)	(1,942)	-	-
<b>Total non-current liabilities</b>		<b>(1,086)</b>	<b>(1,962)</b>	<b>(129,530)</b>	<b>(123,113)</b>
<b>Total liabilities</b>		<b>(10,466)</b>	<b>(17,185)</b>	<b>(143,887)</b>	<b>(136,030)</b>
<b>Net assets</b>		<b>6,423</b>	<b>6,564</b>	<b>10,833</b>	<b>10,698</b>

## Statements of Financial Position as at 31 December 2019 (continued)

	Notes	Consolidated		Company	
		2019 £'000	2018 £'000	2019 £'000	2018 £'000
<b>Shareholders' equity</b>					
Called up share capital	24	2,053	2,053	2,053	2,053
Share premium reserve	22	33,244	33,244	33,244	33,244
Capital redemption reserve	22	14,319	14,319	14,319	14,319
Other reserves	22	34,560	34,560	13,129	13,129
Retained earnings	22	(77,753)	(77,612)	(51,912)	(52,047)
<b>Total shareholders' equity</b>		<b>6,423</b>	<b>6,564</b>	<b>10,833</b>	<b>10,698</b>

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 £14,000 (2018: loss of £1,887,000).

The notes on pages 70 to 101 form part of the financial statements.

Approved by the Directors and authorised for issue on 15 April 2020.



**Matthew Bayfield**  
Chief Executive Officer



**Roger Antony**  
Group Finance Director

**Statements of Cash Flows for the year ended 31 December 2019**

		Consolidated		Company	
	Notes	2019 £'000	2018 £'000	2019 £'000	2018 £'000
<b>Operating activities</b>					
(Loss)/profit for the year		(1,082)	40	14	(1,887)
<b>Adjustments for:</b>					
Net finance expense	7	332	365	(1,446)	625
Share-based payment expense	9	162	129	121	52
Income tax charge/(credit)	10	25	(236)	(334)	(239)
Intercompany loans written off	27	-	-	-	(395)
Amortisation of intangible assets	13	52	165	-	-
Depreciation of property, plant and equipment	14	56	53	-	1
Depreciation and impairment of right-of-use assets	15	840	-	-	-
Loss on write down of assets	13, 14	16	-	-	-
Loss on disposal of subsidiary	8	-	306	-	-
		401	822	(1,645)	(1,843)
<b>Working capital movements</b>					
Decrease in trade and other receivables	17	5,233	204	1	-
(Decrease)/increase in trade and other payables	19	(2,249)	(141)	39	(53)
Increase in provisions	20	282	45	-	-
Payments to retirement benefit plan	23	(249)	(326)	-	-
<b>Net cash flows from/(used in) operating activities</b>		<b>3,418</b>	<b>604</b>	<b>(1,605)</b>	<b>(1,896)</b>
<b>Investing activities</b>					
Purchase of intangible assets	13	-	(14)	-	-
Purchase of property, plant and equipment	14	(44)	(35)	-	-
Net proceeds from disposal of subsidiary	8	-	114	-	-
<b>Net cash flows (used in)/from investing activities</b>		<b>(44)</b>	<b>65</b>	<b>-</b>	<b>-</b>

**Statements of Cash Flows for the year ended 31 December 2019 (continued)**

	Notes	Consolidated		Company	
		2019 £'000	2018 £'000	2019 £'000	2018 £'000
<b>Financing activities</b>					
Issue of ordinary shares		-	43	-	43
(Repayment)/drawdown of finance facility	18	(4,192)	330	-	-
Principal repayment of lease liabilities	15	(764)	-	-	-
Net movements on intercompany funding		-	-	1,466	2,305
Interest paid	7	(131)	(181)	(131)	(181)
<b>Net cash flows (used in)/from financing activities</b>		<b>(5,087)</b>	<b>192</b>	<b>1,335</b>	<b>2,167</b>
<i>Net (decrease)/increase in cash and cash equivalents</i>		<i>(1,713)</i>	<i>861</i>	<i>(270)</i>	<i>271</i>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>5,829</b>	<b>4,968</b>	<b>387</b>	<b>116</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>4,116</b>	<b>5,829</b>	<b>117</b>	<b>387</b>

The notes on pages 70 to 101 form part of the financial statements.

## Notes to the Financial Statements for the year ended 31 December 2019

### 1 Accounting policies

#### Basis of preparation

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

Both the parent company financial statements and the Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). On publishing the parent company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

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

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report (Review of business and future developments). The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Operational and Financial Review on pages 18 to 21 and in note 21 to the financial statements. Note 21 also includes the Group's objectives for managing capital.

As outlined in note 21, the Group meets its day to day working capital requirements through an asset-based finance facility. The facility contains certain financial covenants which have been met throughout the period. The current facility, which has been in place since 2010, was renegotiated in May 2019 on improved terms and is subject to a minimum term which expires in May 2021, after which the facility will continue subject to three months' notice from either party.

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 2021, taking account of reasonably possible changes in trading performance, including potential downsides from the impact of Covid-19. Discussion of this risk is included within Principal Risks and Uncertainties on page 23. Downside sensitivities have included reduced levels of new business, lower contractor extensions and reduced

contractor utilisation in the event that some contractors are unable to work or have their contracts terminated. In these scenarios, the Directors do not anticipate issues with the Group's financing requirements. The Group is currently well capitalised with its financing facility providing a comfortable level of headroom. Measures have already been taken to protect the Group from a downturn in revenues and there are further mitigating actions which would be taken if required. Nevertheless, the Directors acknowledge the significant uncertainty caused by the Covid-19 pandemic and are closely monitoring the outlook for the Group. The Directors cannot be certain as to the severity and duration of these impacts and therefore there is a material uncertainty which may cast significant doubt on the Group's and parent company's going concern. Attention is drawn to the independent auditor's report on page 54.

#### Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2019. 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 £14,000 (2018: loss of £1,887,000).

#### Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The related costs of acquisition other than those associated with the issue of debt or equity securities, are recognised in the profit and loss as incurred. The acquiree's identifiable assets and liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) 'Business Combinations' are recognised at their fair value at the acquisition date.

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

##### IFRS 16 'Leases'

The Group adopted IFRS 16 from 1 January 2019, replacing IAS 17 'Leases' and related Interpretations. This represents a change in accounting for lease arrangements in which the Group acts as lessee whereby operating leases previously treated solely through profit and loss are to be recorded in the statement of financial position in the form of a right-of-use asset and a lease liability, subject to exemptions for low-value leases. The nature of the costs changes from operating expenses to predominantly depreciation with an interest expense on the lease liability. The Group has been mainly impacted by IFRS 16 on its leases for office premises.

In accordance with the transition provisions of IFRS 16, comparative information has not been restated, with the cumulative effect of initially applying the standard recognised as an adjustment to opening retained earnings at 1 January 2019. Lease liabilities previously assessed as operating leases have been measured on 1 January 2019 at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at that date of 3.10%. Associated right-of-use assets have been measured at amounts equal to the lease liabilities, adjusted for any prepaid or accrued lease payments.

The Group has applied practical expedients permitted by IFRS 16 as follows:

- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review. There were no onerous leases at 1 January 2019
- Excluding initial direct costs from the measurement of right-of-use assets at the date of initial application

Application resulted in the recognition of total lease liabilities of £1,057,000 and right-of-use assets of £1,063,000, resulting in an increase to retained earnings of £6,000.

The following is a reconciliation of total operating lease commitments at 31 December 2018 (as disclosed in the financial statements to 31 December 2018) to the lease liabilities recognised at 1 January 2019:

	£'000
<b>Operating lease commitments disclosed at 31 December 2018</b>	<b>1,132</b>
Not recognised within the scope of IFRS 16	(37)
Effect of discounting using incremental borrowing rate	(38)
<b>Lease liabilities recognised under IFRS 16 at 1 January 2019</b>	<b>1,057</b>

**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.

#### 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.

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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 incurs 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.

#### Non-recurring items

Items which are both material and non-recurring are presented as non-recurring items within the relevant income statement category. The separate reporting of non-recurring items helps provide a better indication of the Group's underlying business performance. Events which may give rise to the classification of items as non-recurring, if of a material value, 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.

#### 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.

#### Discontinued operations

A discontinued operation is a component of the Group's business that represents

a separate major line of business or geographical area of operations or its subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale.

Discontinued operations are presented in the income statement as a single line which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the remeasurement to fair value less costs to sell or on disposal of the assets or disposal groups constituting discontinued operations.

#### Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker is the Group Board.

#### Intangible assets

##### Goodwill

Goodwill represents the excess of the cost of acquisition of a business combination over the Group's share of the fair value of identifiable net assets of the business acquired.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

Gains and losses on disposal of a business include the carrying amount of goodwill relating to the business sold in determining the gain or loss on disposal, except for goodwill arising on business combinations on or before 31 December 1997 which has been deducted from shareholders' equity and remains indefinitely in shareholders' equity.

##### Software

The carrying amount of software is its cost less any accumulated amortisation and provision for impairment. Software is amortised on a straight-line basis over its expected useful economic life of three to seven years.

#### Property, plant and equipment

Property, plant and equipment are stated at cost, net of depreciation and provision for impairment.



Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its expected useful economic life, as follows:

**Leasehold Improvements** – The lesser of the asset life and the remaining length of the lease.

**Office equipment** – Between 3 and 5 years

The carrying value of property, plant and equipment is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

#### **Impairment of non-financial assets (excluding deferred tax assets)**

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, the latter being the higher of the fair value less costs to sell associated with the cash generating unit (CGU) and its value in use. Value in use calculations are performed using cash flow projections for the CGU to which the goodwill relates, discounted at a pre-tax rate which reflects the asset specific risks and the time value of money.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Goodwill is tested for impairment at each reporting date. The carrying value of other intangible assets and property, plant and equipment is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets, being the cash generating unit. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups

of CGUs that are expected to benefit from the synergies of the combination.

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

#### **Financial instruments**

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

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

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

Impairment provisions are recognised using the expected credit loss model. Measurement of expected credit losses

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

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand, short term deposits and other short term liquid investments. In the statement of cash flows, cash and cash equivalents comprise cash and cash equivalents, net of bank overdrafts.

The Group's financial liabilities include bank borrowings, 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

As described above, the Group has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under IAS 17.

#### Accounting policy applicable from 1 January 2019

For any new contracts entered in to on or after 1 January 2019, the Group considers whether a contract is, or contains, a lease. A lease is a contract that conveys the right to use an asset for a period of time in exchange for consideration. The Group leases various office premises and some IT equipment. All lease payments under the Group's leases are fixed rather than variable.

At the commencement of the 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.

#### Accounting policy applicable before 1 January 2019

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

#### Provisions

A provision is recognised 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 21, the Group considers its capital to comprise its cash and cash equivalents, its asset-based bank borrowings, and its equity attributable to equity holders, comprising issued capital, reserves and retained earnings, as disclosed in the statement of changes in equity.

#### Financial guarantee contracts

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

does not recognise liabilities under the contracts until it becomes probable that any Group company will be required to make a payment under the guarantee.

#### Share-based payment transactions

Share-based payment arrangements in which the Group and Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group and Company.

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

#### Significant management judgements in applying accounting policies and estimation uncertainty

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

#### Significant management judgements

#### Recognition of deferred tax asset

No deferred tax asset has been recognised for unused tax losses carried forward within Parity Consultancy Services Limited as management believes that their recovery is too uncertain. As discussed in note 16, management's review concluded that given the company's history of relatively recent tax losses and the requirement to provide convincing evidence that sufficient taxable profit will be available, a deferred tax asset would not be recognised for tax losses carried forward. If it had been determined that utilisation of the losses was more certain, then full or partial recognition of a deferred tax asset would have taken place, in the range of £0-£0.7m.

#### Revenue recognition

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

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

#### Estimation uncertainty

##### Retirement benefit liability

The costs, assets and liabilities of the defined benefit scheme operated by the Group are determined using methods relying on actuarial estimates and assumptions. Details of the key assumptions and sensitivities on those assumptions are set out in note 23. 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 28. Changes in the assumptions used may have a material effect on the income statement and statement of financial position within the next year.

#### Goodwill impairment

The Group is required to test annually whether goodwill is impaired. Details of the key assumptions are set out in note 12. Although management have assessed that changes in key assumptions are unlikely to cause a material effect in the carrying value of goodwill within the next year given the level of headroom at the balance sheet date, estimates of future cash flows and discount rates could change in the longer term such that an impairment arises.

#### Alternative performance measures

The Group uses the alternative performance measure of adjusted profit before tax to report its results. This is defined as profit before tax and non-recurring items and reconciles to the loss for the year as follows:

	2019 £'000	2018 £'000
<b>Adjusted profit before tax</b>	<b>115</b>	<b>853</b>
Non-recurring items	(1,172)	(495)
Tax (charge)/credit	(25)	63
<b>(Loss)/profit for the year from continuing operations</b>	<b>(1,082)</b>	<b>421</b>

## 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 initiated a strategic reorganisation such that reporting of financial information to the Chief Operating Decision Maker (the Group Board) by operating segments changed. In 2019 the Group derived revenue from two operating segments, being Recruitment (previously Parity Professionals) and Consultancy (previously Parity Consultancy Services). These service lines are supported by a single sales, marketing and back office function. Accordingly, Internal

overheads are not allocated to service lines. In accordance with IFRS 8 'Operating Segments', segmental information from prior periods has been restated.

The Group's operating segments are defined as follows:

- **Recruitment** – targeted recruitment of temporary and permanent professionals to support IT and business change programmes. Recruitment provides 91% (2018: 90%) of the continuing Group's revenues.
- **Consultancy** – business and IT consultancy services focusing on the provision of data solutions and delivery of IT projects. Consultancy provides 9% (2018: 10%) of the

continuing Group's revenues.

The internal financial information prepared for the Group Board includes external contribution at a segmental level, and the Group Board allocates resources on the basis of this information.

Segment external contribution, defined as gross revenue less contractor and sub-contracted direct costs, profit before tax, and assets and liabilities are internally reported at a Group level.

Selling and administrative expenses include sales and delivery costs plus central costs and salaries of Directors and support staff. These are not allocated to reporting segments for internal reporting purposes.

#### Measurement of operating segment contribution

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

The Group evaluates performance on the basis of results before tax and non-recurring items, such as restructuring costs.

Inter-segment sales are priced on the same basis as sales to external customers, with a discount applied to encourage the use of Group resources at a rate acceptable to the tax authorities. Inter-segment revenue in the year is a result of Recruitment selling IT recruitment services to Consultancy. These amounts are eliminated in the segmental reporting below.

	Recruitment 2019 £'000	Consultancy 2019 £'000	Total 2019 £'000
Gross revenue from external customers	73,548	6,861	80,409
Contractor costs	(66,793)	-	(66,793)
<b>Net revenue</b>	<b>6,755</b>	<b>6,861</b>	<b>13,616</b>
Sub-contracted direct costs	-	(5,514)	(5,514)
<b>External contribution</b>	<b>6,755</b>	<b>1,347</b>	<b>8,102</b>
Selling and administrative expenses			(6,687)
Depreciation and amortisation			(806)
Share-based payment			(162)
<b>Operating profit before non-recurring items</b>			<b>447</b>
Finance costs			(332)
<b>Adjusted profit before tax</b>			<b>115</b>
Non-recurring items			(1,172)
<b>Loss before tax</b>			<b>(1,057)</b>

	Recruitment 2018 (Restated) £'000	Consultancy 2018 (Restated) £'000	Total 2018 (Restated) £'000
<b>Continuing operations</b>			
Gross revenue from external customers	77,616	8,496	86,112
Contractor costs	(69,935)	-	(69,935)
<b>Net revenue</b>	<b>7,681</b>	<b>8,496</b>	<b>16,177</b>
Sub-contracted direct costs	-	(6,500)	(6,500)
<b>External contribution</b>	<b>7,681</b>	<b>1,996</b>	<b>9,677</b>
Selling and administrative expenses			(8,136)
Depreciation and amortisation			(194)
Share-based payment			(129)
<b>Operating profit before non-recurring items</b>			<b>1,218</b>
Finance costs			(365)
<b>Adjusted profit before tax</b>			<b>853</b>
Non-recurring items			(495)
<b>Profit before tax</b>			<b>358</b>

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 17 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 from external customers disaggregated by pattern of revenue recognition is as follows:

	Recruitment 2019 £'000	Consultancy 2019 £'000	Recruitment 2018 £'000	Consultancy 2018 £'000
<b>Continuing operations</b>				
Services transferred over time	73,162	6,861	76,978	8,496
Services transferred at a point in time	386	-	638	-
<b>Revenue from external customers</b>	<b>73,548</b>	<b>6,861</b>	<b>77,616</b>	<b>8,496</b>

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

	Recruitment 2019 £'000	Consultancy 2019 £'000	Recruitment 2018 £'000	Consultancy 2018 £'000
<b>Continuing operations</b>				
UK	71,143	6,861	76,033	8,496
Rest of EU	2,405	-	1,583	-
<b>Revenue from external customers</b>	<b>73,548</b>	<b>6,861</b>	<b>77,616</b>	<b>8,496</b>

72% (2018: 72%) or £53.2m (2018: £56.0m) of Recruitment revenue from external customers was generated in the public sector. 80% (2018: 83%) or £5.5m (2018: £7.0m) of Consultancy revenue was generated in the public sector.

The largest single customer in Recruitment contributed revenue of 19% or £14.6m and was in the public sector (2018: 14% or £11.7m and in the public sector). The largest single customer in Consultancy contributed revenue of 70% or £4.8m and was in the public sector (2018: 64% or £5.4m and in the public sector).

#### 4 Operating expenses

	Consolidated	
	2019 £'000	2018 £'000
<b>Continuing operations</b>		
<i>Employee benefit costs</i>		
- wages and salaries	5,008	5,478
- social security costs	576	623
- other pension costs	159	174
	<b>5,743</b>	<b>6,275</b>
<i>Depreciation, amortisation and impairment</i>		
Amortisation of intangible assets - software	52	155
Depreciation of leased property, plant and equipment	7	11
Depreciation of owned property, plant and equipment	49	28
Depreciation of right-of-use assets	698	-
Impairment of right-of-use assets	142	-
	<b>948</b>	<b>194</b>
<i>All other operating expenses</i>		
Contractor costs	72,031	76,067
Sub-contracted direct costs	271	363
Operating lease rentals		8
- plant and machinery		
- land and buildings	-	661
Other occupancy costs	170	156
IT costs	317	328
Net exchange loss/(gain)	13	(6)
Equity settled share-based payment charge	162	129
Other operating costs	1,479	1,216
	<b>74,443</b>	<b>78,920</b>
<b>Total operating expenses</b>	<b>81,134</b>	<b>85,389</b>

Disclosures relating to the remuneration of Directors are set out on page 39.

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

Consolidated	Grant Thornton UK LLP	
	2019 £'000	2018 £'000
Audit of the Group, Company and subsidiary financial statements	65	65
Tax compliance	16	14
Other services	16	14
<b>Total fees</b>	<b>81</b>	<b>79</b>

All other services have been performed in the UK.

## 5 Non-recurring items

	2019 £'000	2018 £'000
<b>Continuing operations</b>		
Restructuring		
- Costs related to employees	940	318
- Costs related to premises	230	-
- Other costs	68	122
Legal costs	-	35
Past service cost for defined benefit pension scheme	-	20
Receipt from previously impaired receivable	(66)	-
	<b>1,172</b>	<b>495</b>

### Non-recurring items during 2019 included:

- Costs related to the restructuring of the Group, following its new strategic direction under a new CEO and in reaction to the loss of a significant contract within the tightening recruitment market. Costs include employee termination payments and fees for professional services
- Impairment of right-of-use assets and provisions for other property costs following the decision to vacate two office premises ahead of their planned lease end dates in order to secure office space at premises more appropriate for the restructured business
- Receipt of a cash amount in respect of a previously impaired receivable, related to the Initium business that was sold in 2018

### Non-recurring items during 2018 included:

- Costs related to restructuring of Parity Consultancy Services to align to the Group's strategy of focusing on the data consultancy market. Costs include employee termination payments, fees for professional services and costs of changes in management structure
- Legal costs for professional services fees in respect of one-off cases with no significant further related costs anticipated
- Past service cost for the Group's defined benefit pension scheme in respect of GMP equalisation as discussed in note 23

The restructurings that took place in 2018 and 2019 are distinct events. In 2018, restructuring focused solely on the realignment of Parity Consultancy Services, however the restructuring in 2019 was a separate and more significant Group-wide exercise, based on following the Group's new strategic direction and the right-sizing of the business required following the loss of a significant contract.

## 6 Average staff numbers

	2019 Number	2018 Number
<b>Continuing operations</b>		
Recruitment ~ United Kingdom <sup>1</sup>	60	86
Consultancy ~ United Kingdom, including corporate office <sup>2</sup>	16	23
	<b>76</b>	<b>109</b>
<b>Discontinued operations</b>		
Consultancy <sup>3</sup>	-	15

<sup>1</sup> Includes 18 (2018: 20) employees providing shared services across the Group

<sup>2</sup> Includes 4 (2018: 4) employees of the Company

<sup>3</sup> 2018 average for 4 months

At 31 December 2019, the Group had 57 continuing employees (2018: 101).

## 7 Finance costs

	2019 £'000	2018 £'000
<i>Finance costs</i>		
Interest expense on financial liabilities	131	181
Interest expense on lease liabilities	24	-
Net finance costs in respect of post-retirement benefits	177	184
	<b>332</b>	<b>365</b>

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 £26,000 (2018: £37,000).

## 8 Discontinued operations

In April 2018 the Group sold Initium Limited following the strategic decision made to place greater focus on the Group's core business. As such, Initium Limited's operating result for the comparative year, including the loss on disposal and the impairment of goodwill associated with the Initium cash generating unit, is presented as discontinued.

## 9 Share-based payments

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

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

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

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

All employee options have a maximum term of ten years from the date of grant. The total share-based remuneration recognised in the income statement was £162,000 (2018: £129,000). Share-based remuneration relating to key management personnel is disclosed in note 26.

	2019 Weighted average exercise price (p)	2019 Number	2018 Weighted average exercise price (p)	2018 Number
Outstanding at beginning of the year	11	9,619,440	11	4,555,000
Granted during the year	8	3,750,000	12	6,371,240
Exercised during the year	-	-	9	(500,000)
Lapsed during the year	11	(2,212,400)	17	(806,800)
Outstanding at the end of the year	10	11,157,040	11	9,619,440

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

2019 Exercise price (p)	2019 Weighted average contractual life (years)	2019 Number	2018 Exercise price (p)	2018 Weighted average contractual life (years)	2018 Number
7-11	8	7,292,040	7-11	7	5,234,440
11-17	8	3,600,000	11-17	9	4,100,000
17-28	3	265,000	17-28	4	285,000
		<b>11,157,040</b>			<b>9,619,440</b>



## 9 Share-based payments (continued)

Of the total number of options outstanding at the end of the year 3,190,000 (2018: 1,085,000) had vested and were exercisable at the end of the year. The weighted average exercise price of those options was 10 pence (2018: 13 pence).

No options were exercised during the year (2018: 500,000 at an average exercise price of 9 pence).

3,750,000 options were granted during the year (2018: 6,371,240) at a weighted average fair value of 3 pence (2018: 6 pence).

The following information is relevant in determining the fair value of options granted during the year under equity-settled share-based remuneration schemes operated by the Group. There are no cash-settled schemes.

	2019	2018	2018
Option valuation model	Stochastic	Stochastic	Black-Scholes
Weighted average share price at grant date (p)	8	13	14
Weighted average exercise price (p)	8	13	10
Weighted average contractual life (years)	10	10	10
Weighted average expected life (years)	5	5	3
Expected volatility	47.1-50.2%	47.0-51.7%	47.5%
Weighted average risk-free rate	0.77%	1.18%	0.93%
Expected dividend growth rate	0%	0%	0%

The volatility assumption is calculated as the historic volatility of the share price over a 3 and 5 year period prior to grant date.

### Share options issued to defined benefit pension scheme

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

## 10 Taxation

	2019 £'000	2018 £'000
<b>Current tax</b>		
Current tax on profit for the year	-	-
<b>Total current tax expense</b>	-	-
<b>Deferred tax</b>		
Accelerated capital allowances	(12)	15
Origination and reversal of other temporary differences	(20)	72
Adjustments in respect of prior periods	57	(150)
<b>Total deferred tax charge/(credit)</b>	25	(63)
<b>Tax charge/(credit) on continuing operations</b>	25	(63)

The tax credit on continuing operations in 2018 excludes the tax credit from discontinued operations of £173,000, comprising a current tax credit of £173,000 and a deferred tax expense of £nil. This has been included in loss from discontinued operations after tax.

The adjustment in respect of prior periods of £57,000 (2018: credit of £150,000) largely relates to decisions to claim or disclaim capital allowances.

There is no current tax payable by the Group for 2019 (2018: £nil).

**10 Taxation (continued)**

The Group's profits for this accounting period are subject to tax at a rate of 19% (2018: 19%). A reduction to 17% effective 1 April 2020 was substantively enacted on 15 September 2016. As such, the tax rate of 17% (2018: 17%) has been applied in calculating the UK deferred tax position of the Group.

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

	2019 £'000	2018 £'000
(Loss)/profit before tax from continuing operations	(1,057)	358
Expected tax (credit)/charge based on the standard rate of UK corporation tax of 19% (2018: 19%)	(201)	68
Expenses not allowable for tax purposes	69	29
Adjustments in respect of prior periods	57	(150)
Tax losses not recognised	91	-
Other	9	(10)
<b>Tax charge/(credit) on continuing operations</b>	<b>25</b>	<b>(63)</b>

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

	2019			2018		
	Before tax £'000	Tax £'000	After tax £'000	Before tax £'000	Tax £'000	After tax £'000
Exchange differences on translation of foreign operations	-	-	-	(3)	-	(3)
Remeasurement of defined benefit pension scheme	931	(158)	773	(1,005)	171	(834)
	<b>931</b>	<b>(158)</b>	<b>773</b>	<b>(1,008)</b>	<b>171</b>	<b>(837)</b>

## 11 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 2019 £'000	Weighted average number of shares 2019 '000	Loss per share 2019 Pence	Earnings/ (loss) 2018 £'000	Weighted average number of shares 2018 '000	Earnings/ (loss) per share 2018 Pence
<b>Continuing operations</b>						
Basic	(1,082)	102,624	(1.05)	421	102,464	0.41
Effect of dilutive options	-	-	-	-	1,126	-
Diluted	(1,082)	102,624	(1.05)	421	103,590	0.41
<b>Discontinued operations</b>						
Basic	-	-	-	(381)	102,464	(0.37)
Effect of dilutive options	-	-	-	-	-	-
Diluted	-	-	-	(381)	102,464	(0.37)
<b>Continuing and discontinued operations</b>						
Basic	(1,082)	102,624	(1.05)	40	102,464	0.04
Effect of dilutive options	-	-	-	-	1,126	-
Diluted	(1,082)	102,624	(1.05)	40	103,590	0.04

As at 31 December 2019 the number of ordinary shares in issue was 102,624,020 (2018: 102,624,020).

## 12 Goodwill

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

Carrying amounts are as follows:

	Recruitment £'000	Consultancy £'000	Total £'000
<b>Carrying value</b>			
Balance at 1 January 2018 and 31 December 2018	2,642	1,952	4,594
<b>Balance at 1 January 2019 and 31 December 2019</b>	<b>2,642</b>	<b>1,952</b>	<b>4,594</b>

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

The recoverable amounts of the CGUs are based on value in use calculations using the pre-tax cash flows based on budgets approved by management for 2020. Years from 2021 to 2023 are based on the budget for 2020 projected forward at expected growth rates. Years from 2024 onward assume no further growth. This approach is considered prudent based on current expectations of the 2020 long-term growth rate.

## 12 Goodwill (continued)

Major assumptions are as follows:

	Recruitment %	Consultancy %
<b>2019</b>		
Discount rate	13.0	12.5
Forecast revenue growth (years 1 to 4)	2.0	10.0
Operating margin 2020	2.4	8.5
Operating margin 2021 onward	2.5-2.8	8.9-9.9
<b>2018</b>		
Discount rate	13.0	11.5
Forecast revenue growth (years 1 to 4)	2.0	10.0
Operating margin 2019	1.9	6.1
Operating margin 2020 onward	2.0-2.3	7.8-10.5

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

Forecast revenue growth is expressed as the compound growth rate over the next 4 years from 2020 to 2023. Growth for the Recruitment CGU is based upon the long-term growth rate for the UK economy. Growth for the Consultancy CGU is assumed to be higher than the long-term growth rate due to the following factors:

- The CGU is the focal point of the Group's strategy and growth plans;
- The CGU is relatively small so higher rates of growth are achievable from a smaller base;
- The business has invested in new senior hires and new marketing and branding to focus on consultancy opportunities; and
- New client wins in 2019 and contract extensions help to underwrite the growth forecasts.

For all CGUs the rates are based on past experience of growth in revenues and future expectations of economic conditions. Operating margins are based on past experience.

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

## 13 Other intangible assets

	Software		Intellectual property		Total	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
<b>Consolidated</b>						
<b>Cost</b>						
At 1 January	440	1,088	109	109	549	1,197
Additions	-	14	-	-	-	14
Disposals	(32)	(662)	(109)	-	(141)	(662)
At 31 December	408	440	-	109	408	549
<b>Accumulated amortisation</b>						
At 1 January	354	861	109	109	463	970
Charge for the year	52	155	-	-	52	155
Disposals	(30)	(662)	(109)	-	(139)	(662)
At 31 December	376	354	-	109	376	463
<b>Net book amount</b>	<b>32</b>	<b>86</b>	<b>-</b>	<b>-</b>	<b>32</b>	<b>86</b>

The Company does not hold any intangible assets.

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

**14 Property, plant and equipment**

<b>Consolidated</b>	<b>Leasehold improvements £'000</b>	<b>Office equipment £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
Balance at 1 January 2018	16	1,141	1,157
Additions	-	30	30
Disposals	(14)	(959)	(973)
Balance at 31 December 2018 and 1 January 2019	2	212	214
Additions	-	44	44
Disposals	(2)	(52)	(54)
Balance at 31 December 2019	-	204	204
<b>Accumulated depreciation</b>			
Balance at 1 January 2018	16	1,063	1,079
Depreciation charge for the year	-	39	39
Disposals	(14)	(959)	(973)
Balance at 31 December 2018 and 1 January 2019	2	143	145
Depreciation charge for the year	-	56	56
Disposals	(2)	(38)	(40)
Balance at 31 December 2019	-	161	161
<b>Net book value</b>			
At 1 January 2018	-	78	78
At 31 December 2018 and 1 January 2019	-	69	69
At 31 December 2019	-	43	43

<b>Company</b>	<b>Leasehold improvements £'000</b>	<b>Office equipment £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
Balance at 1 January 2018	1	3	4
Balance at 31 December 2018 and 1 January 2019	1	3	4
Disposals	(1)	(3)	(4)
Balance at 31 December 2019	-	-	-
<b>Accumulated depreciation</b>			
Balance at 1 January 2018	1	3	4
Balance at 31 December 2018 and 1 January 2019	1	3	4
Disposals	(1)	(3)	(4)
Balance at 31 December 2019	-	-	-
<b>Net book value</b>			
At 1 January 2018	-	-	-
At 31 December 2018 and 1 January 2019	-	-	-
At 31 December 2019	-	-	-

As at 31 December 2019, neither the Group nor the Company had any capital commitments contracted for but not provided for the purchase of tangible assets (2018: £nil).

## 15 Leases

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

	31 December 2019 £'000	1 January 2019* £'000
<b>Right-of-use assets</b>		
Buildings	392	1,052
IT equipment	3	11
	395	1,063
<b>Lease liabilities</b>		
Current	325	677
Non-current	173	380
	498	1,057

\* On adoption of IFRS 16

In the previous year, the Group only recognised lease assets and liabilities in relation to leases that were classified as finance leases under IAS 17. The assets were presented in property, plant and equipment and the liabilities were presented in loans and borrowings. For adjustments recognised on adoption of IFRS 16 on 1 January 2019, refer to page 70.

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

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

	2019 £'000	2018 £'000
<b>Depreciation charge on right-of-use assets</b>		
– Buildings	690	-
– IT equipment	8	-
<b>Impairment charge on right-of-use assets</b>		
– Buildings	142	-
<b>Total depreciation and impairment charge on right-of-use assets</b>	840	-
<b>Interest expense included in finance costs</b>	24	-

Future minimum lease payments at 31 December 2019 were as follows:

	Minimum payments 2019 £'000	Interest 2019 £'000	Present value 2019 £'000
Less than one year	333	(8)	325
Between one and two years	90	(4)	86
Between two and three years	59	(2)	57
Between three and four years	30	-	30
	512	(14)	498

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

## 16 Deferred taxation

	Consolidated	
	2019 £'000	2018 £'000
At 1 January	1,153	919
<i>Recognised in other comprehensive income</i>		
Remeasurement of defined benefit pension scheme	(158)	171
<i>Recognised in the Income statement</i>		
Adjustments in relation to prior periods	(57)	150
Capital allowances in excess of depreciation	12	(15)
Other short-term timing differences	20	(72)
<b>At 31 December</b>	<b>970</b>	<b>1,153</b>

The deferred tax asset of £970,000 (2018: £1,153,000) comprises:

	Consolidated	
	2019 £'000	2018 £'000
Depreciation in excess of capital allowances	775	820
Other short-term timing differences	43	3
Retirement benefit liability	152	330
	<b>970</b>	<b>1,153</b>

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

A deferred tax asset for unused tax losses carried forward is normally recognised on the same basis as for deductible temporary

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

be taken and deferred tax would remain unrecognised for tax losses carried forward by the company.

The Directors believe that the deferred tax asset recognised is recoverable based on the future earning potential of the Group and the individual subsidiaries. The forecasts for Parity Professionals Limited comfortably support the unwinding of the deferred tax asset held by this company of £378,000 (2018: £404,000) and the forecasts for Parity Consultancy Services Limited comfortably support the unwinding of the deferred tax asset held by this company of £592,000 (2018: £749,000).

The deferred tax assets at 31 December 2019 and 2018 have been calculated on the rate of 17% substantively enacted at the balance sheet date.

## 16 Deferred taxation (continued)

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

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

	Asset 2018 £'000	(Charge)/credit to income statement 2018 £'000	Credit to other comprehensive income 2018 £'000
Depreciation in excess of capital allowances	820	135	-
Other short-term timing differences	3	(51)	-
Retirement benefit liability	330	(21)	171
<b>At 31 December 2018</b>	<b>1,153</b>	<b>63</b>	<b>171</b>

The Group has unrecognised carried forward tax losses of £30,599,000 (2018: £30,187,000). The Group has unrecognised capital losses carried forward of £282,441,000 (2018: £282,068,000). These losses may be carried forward indefinitely.

The Company has unrecognised carried forward tax losses of £25,391,000 (2018: £24,979,000). The Company has unrecognised capital losses carried forward of £281,875,000 (2018: £281,875,000). These losses may be carried forward indefinitely.

## 17 Trade and other receivables

	Consolidated		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Amounts falling due within one year:				
Trade receivables	2,624	6,455	-	-
Accrued income	1,387	3,265	-	-
Amounts recoverable on contracts	2,495	1,994	-	-
Amounts owed by subsidiary undertakings	-	-	2,129	2,302
Other receivables	46	27	-	-
Prepayments	187	277	1	2
	<b>6,739</b>	<b>12,018</b>	<b>2,130</b>	<b>2,304</b>
Amounts falling due after one year:				
Amounts owed by subsidiary undertakings	-	-	131,946	123,510
<b>Total</b>	<b>6,739</b>	<b>12,018</b>	<b>134,076</b>	<b>125,814</b>



## 17 Trade and other receivables (continued)

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

£2,624,000 (2018: £6,455,000) of the Group's trade receivables and £3,882,000 (2018: £4,674,000) 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 2019 totalled £2,719,000 (2018: £6,911,000).

The Group records impairment losses on its trade receivables separately from gross receivables. Factors considered in making provisions for receivables include the ability of the customer to settle the debt, the age of the debt and any other circumstance particular to the transaction that may impact recoverability.

The balance of impaired losses for the continuing Group at 31 December 2019 was £nil (2018: £nil). All debts at 31 December 2019 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 2019 and on subsequent years' forecast projections. A discounted future cash flow method was employed for the review. As a result of this review, no provision was deemed necessary. The assessment was performed on a value in use basis using discount rates of between 12.5% and 13.0% (2018: between 11.5% and 13.0%) and the other parameters used in the goodwill impairment review, as outlined in note 12.

As at 31 December 2019 trade receivables of £322,000 (2018: £1,155,000) 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:

	2019			2018		
	Gross £'000	Impaired £'000	Total £'000	Gross £'000	Impaired £'000	Total £'000
Not past due	2,302	-	2,302	5,300	-	5,300
31-60 days and past due	260	-	260	820	-	820
61-90 days	38	-	38	288	-	288
>90 days	24	-	24	47	-	47
<b>Total</b>	<b>2,624</b>	<b>-</b>	<b>2,624</b>	<b>6,455</b>	<b>-</b>	<b>6,455</b>

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.

## 18 Loans & borrowings

	Consolidated	
	2019 £'000	2018 £'000
<b>Current</b>		
Bank and other borrowings due within one year or on demand:		
Asset-based financing facility	2,719	6,911
Finance lease liabilities under IAS 17	-	8
	<b>2,719</b>	<b>6,919</b>

Changes in liabilities from financing activities	Loans and borrowings £'000	Finance lease liabilities under IAS 17 £'000
Balance at 1 January 2019	6,911	8
Repayment of borrowings	(4,192)	-
Payment of finance lease liabilities	-	(8)
<b>Balance at 31 December 2019</b>	<b>2,719</b>	<b>-</b>

Further details of the Group's banking facilities are given in note 21.

**19 Trade and other payables**

	Consolidated		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Amounts falling due within one year:				
Payments in advance	134	30	-	-
Trade payables	3,972	5,919	-	1
Amounts due to subsidiary undertakings	-	-	14,197	12,796
Other tax and social security payables	860	1,486	22	23
Other payables and accruals	1,046	826	138	97
	6,012	8,261	14,357	12,917
Amounts falling due after one year:				
Amounts due to subsidiary undertakings	-	-	129,530	123,113
<b>Total</b>	<b>6,012</b>	<b>8,261</b>	<b>143,887</b>	<b>136,030</b>

**20 Provisions**

Consolidated	Leasehold dilapidations £'000	Restructuring £'000	Total £'000
At 1 January 2019	20	43	63
Used in year	-	(29)	(29)
Reversed in year	-	(14)	(14)
Created in year	1	324	325
<b>At 31 December 2019</b>	<b>21</b>	<b>324</b>	<b>345</b>
Due within one year	-	324	324
Due after one year	21	-	21
<b>Total</b>	<b>21</b>	<b>324</b>	<b>345</b>

The Company had no provisions at 31 December 2019 (2018: £nil).

**Leasehold dilapidations**

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

**Restructuring**

Restructuring costs relate to estimated amounts to be settled in relation to the restructuring of the Group, including costs relating to employee terminations and vacant office costs not included within impairments to right-of-use assets. These provisions are expected to be settled within one year. The main uncertainty relates to the estimation of costs that will be incurred

## 21 Financial Instruments – risk management

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

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

### Principal financial instruments

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

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

	Amortised cost £'000	Total £'000
<b>Consolidated</b>		
<b>As at 31 December 2019</b>		
<b>Financial assets</b>		
Net cash and cash equivalents	4,116	4,116
Trade and other short term receivables	6,552	6,552
	10,668	10,668
<b>Financial liabilities</b>		
Asset-based financing facility	2,719	2,719
Lease liabilities	498	498
Trade and other short term payables	5,878	5,878
	9,095	9,095
<b>As at 31 December 2018</b>		
<b>Financial assets</b>		
Net cash and cash equivalents	5,829	5,829
Trade and other short term receivables	11,741	11,741
	17,570	17,570
<b>Financial liabilities</b>		
Asset-based financing facility	6,911	6,911
Lease liabilities	8	8
Trade and other short term payables	8,231	8,231
	15,150	15,150

## 21 Financial instruments – risk management (continued)

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

Company	Amortised cost £'000	Total £'000
<b>As at 31 December 2019</b>		
<b>Financial assets</b>		
Non-current trade and other receivables	131,946	131,946
Net cash and cash equivalents	117	117
Trade and other short term receivables	2,129	2,129
	<b>134,192</b>	<b>134,192</b>
<b>Financial liabilities</b>		
Non-current trade and other payables	129,530	129,530
Trade and other short term payables	14,357	14,357
	<b>143,887</b>	<b>143,887</b>
<b>As at 31 December 2018</b>		
<b>Financial assets</b>		
Non-current trade and other receivables	123,510	123,510
Net cash and cash equivalents	387	387
Trade and other short term receivables	2,302	2,302
	<b>126,199</b>	<b>126,199</b>
<b>Financial liabilities</b>		
Non-current trade and other payables	123,113	123,113
Trade and other short term payables	12,917	12,917
	<b>136,030</b>	<b>136,030</b>

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

### Credit risk

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

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

The Group operates primarily in the UK with 97% of generated revenues from the UK (2017: 98%). Approximately 73% (2018: 73%) of the Group's turnover is derived from the public sector. The largest customer balance represents 17% (2018: 12%) 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 17.

## 21 Financial instruments – risk management (continued)

	2019		2018	
	Carrying value £'000	Maximum exposure £'000	Carrying value £'000	Maximum exposure £'000
<b>Financial assets</b>				
Cash and cash equivalents	4,116	4,116	5,829	5,829
Trade and other receivables	6,552	6,552	11,741	11,741
	10,668	10,668	17,570	17,570

**Interest rate risk**

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

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

Throughout 2019 and 2018 the Group's variable rate borrowings were denominated in Sterling. Interest costs on borrowings from the asset-based financing facility with PNC was charged at 2.35% above base rate from January to April 2019 and 2.00% above base rate from May to December 2019 (all of 2018: 2.35%). The facility has a minimum term of commitment to May 2021, 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 £26,000 higher/lower (2018: £37,000) and net assets £26,000 lower/higher (2018: £37,000). 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 2019, the loan balance due by the Company to Parity International BV, translated into Sterling, was £27,216,000 (2018: £28,307,000).

**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 continuing business has few transactions in foreign currency. The hedging of individual contracts is considered on a case by case basis. Owing to the small value and volume of such contracts no hedging transactions were entered in 2019 or 2018.

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 2019 the Company recorded a translation gain of £1,641,000 (2018: loss of £352,000). As at 31 December 2019, the loan balance due by the Company, translated into Sterling, was £27,216,000 (2018: £28,307,000).

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

	Functional currency of individual entity					
	Sterling		Euro		Total	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
<b>Net foreign currency financial assets</b>						
Sterling	-	-	(2,359)	(2,296)	(2,359)	(2,296)
Euro	(27,078)	(27,782)	-	-	(27,078)	(27,782)
US Dollar	4	5	-	-	4	5
<b>Total net exposure</b>	(27,074)	(27,777)	(2,359)	(2,296)	(29,433)	(30,073)

## 21 Financial instruments – risk management (continued)

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

	Sterling	
	2019 £'000	2018 £'000
<b>Net foreign currency financial assets</b>		
<b>Current</b>		
Euro	(27,208)	(28,032)
US Dollar	4	5
<b>Total net exposure</b>	<b>(27,204)</b>	<b>(28,027)</b>

### 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 £2,708,000 higher/lower (2018: £2,778,000). 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 2018	Up to 1 month £'000	Between 1 month and 1 year £'000	Over 1 year £'000	Total £'000
Trade and other payables	5,878	-	-	5,878
Lease liabilities	272	53	173	498
Borrowings	2,719	-	-	2,719
<b>Total</b>	<b>8,869</b>	<b>53</b>	<b>173</b>	<b>9,095</b>

At 31 December 2018	Up to 1 month £'000	Between 1 month and 1 year £'000	Over 1 year £'000	Total £'000
Trade and other payables	8,231	-	-	8,231
Borrowings	6,911	8	-	6,919
<b>Total</b>	<b>15,142</b>	<b>8</b>	<b>-</b>	<b>15,150</b>

## 21 Financial instruments – risk management (continued)

### Company

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

At 31 December 2018	Up to 1 month £'000	Between 1 month and 1 year £'000	Over 1 year £'000	Total £'000
Trade and other payables	12,917	-	123,113	136,030
<b>Total</b>	<b>12,917</b>	<b>-</b>	<b>123,113</b>	<b>136,030</b>

More detail on trade and other payables is given in note 19.

### 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 long-term external debt, except for lease liabilities which are explained more fully in note 15.

The Group uses an asset-based financing facility with PNC Business Credit, a member of The PNC Financial Services Group, Inc. The facility, which enables the Group to borrow against both trade debt and accrued income and provides for borrowing of up to £10.0m 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 cash position is as follows:

Consolidated	2019 £'000	2018 £'000
Cash and cash equivalents	4,116	5,829
Asset-based borrowings	(2,719)	(6,911)
Lease liabilities	(498)	(8)
<b>Net cash/(debt)</b>	<b>899</b>	<b>(1,090)</b>

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

The Company does not 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.

## 22 Reserves

The Board is not proposing a dividend for the year (2018: 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 2019, no share options were exercised (2018: 500,000 share options exercised, increasing share capital from £2,043,000 to £2,053,000).

### Share premium reserve

Share premium is the amount subscribed for share capital in excess of nominal value. There was no movement in the share premium reserve for the year (2018: Increase from £33,211,000 to £33,244,000).

### 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.

During 2018 a reallocation was made in respect of an impairment of Parity Group plc's investment in Parity Holdings Limited. The impairment charge of £9,600,000 was recorded as a loss in retained earnings in 2010. Given that this other reserve is represented by Parity Group plc's investment in Parity Holdings Limited, the reserve can be used in order to absorb impairments in the related investment. On this basis the impairment previously recorded in retained earnings is was reallocated to other reserves in the Group and Company.

### Retained earnings

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

## 23 Pension commitments

The Group operates a small number of pension schemes. With the exception of the Parity Group Retirement Benefits Plan, all of the schemes are defined contribution plans and the assets are held in separately administered funds. Contributions to defined contribution schemes from continuing operations during the year were £159,000 (2018: £174,000).

### 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 (2018: 13 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	7	17
<b>Total</b>	<b>68</b>	<b>13</b>

There were no retirements during the year (2018: 1). There was no change in total members during the year (2018: no change).



## 23 Pension commitments (continued)

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

In March 2016, agreement was reached with the Trustees to link amounts payable to company performance and affordability on a sliding scale as part of the 2015 triennial valuation review. As a result, monthly contributions of £16,000 resumed from May 2016 until March 2035, with conditional annual bonus payments predicated on the Group's financial performance and the divestment of non-core assets. The contributions increase each year in line with RPI with the first increase applied on 1 January 2017. The balance of the deficit is expected to be met by asset outperformance. The core contributions

in 2019 were £17,260 per month (2018: £18,700 per month) following the inflationary increase. As a result of the triennial actuarial valuation, contributions were then increased to £24,300 per month from July 2019. Pursuant to the agreement, no additional lump sum contributions were made during 2019. During 2018, a bonus payment of £25,600 was paid based upon the Group's 2017 financial results, in addition to a lump sum contribution of £100,000 following the disposal of Initium Limited.

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

In 2017 the Trustees changed the investment strategy and fund choices in order to reduce the volatility of the deficit whilst increasing the longer term expected investment return. This was achieved by using liability driven investment, which provides leveraged exposure to bond-like assets. The leverage was used to reduce deficit volatility and has allowed a greater share of the assets to be invested in growth assets, as set out

in the Composition of Plan Assets table on page 98. The liability driven investments significantly reduced both interest rate and inflation risk so that, using a stochastic 'value at risk' model, the overall investment risk reduced by approximately one third. The main funding risks are as follows:

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

The valuation for IAS 19 has been provided by Cartwright Group Limited, a company that specialises in providing actuarial services, as at 31 December 2019.

### Principal actuarial assumptions

	2019	2018
Rate of increase of pensions in payment	3.6-3.9%	3.7-4.0%
Discount rate	2.0%	2.8%
Retail price inflation	3.2%	3.4%
Consumer price inflation	2.2%	2.4%

In accordance with the revised IAS 19, the assumption for future investment returns is the same discount rate of 2.0% (2018: 2.8%) 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\_2018 projection based on year of birth with a long term rate of improvement of 1.25% p.a. (2018: CMI\_2017 and 1.25% p.a.). This results in the following life expectancies:

- Male aged 65 at 31 December 2019 has a life expectancy of 86 years (2018: 87 years)
- Female aged 65 at 31 December 2019 has a life expectancy of 89 years (2018: 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 (2018: £20,000). The increase in liability was been treated as a past service cost recognised in the income statement for the year ended 31 December 2018 as a non-recurring item.

**23 Pension commitments (continued)**

<i>Reconciliation to consolidated statement of financial position</i>	2019 £'000	2018 £'000
Fair value of plan assets	22,670	20,099
Present value of funded obligations	(23,562)	(22,041)
<b>At the end of the year</b>	<b>(892)</b>	<b>(1,942)</b>

<i>Reconciliation of plan assets</i>	2019 £'000	2018 £'000
At the beginning of the year	20,099	21,880
Expected return	549	525
Contribution by Group	296	326
Benefits paid	(913)	(888)
Expenses met by scheme	(122)	(158)
Actuarial gain/(loss)	2,761	(1,586)
<b>Plan assets at the end of the year</b>	<b>22,670</b>	<b>20,099</b>

Contributions to the scheme included £nil of additional payments (2018: £125,600). Details of these payments are set out on page 97. The actuarial gain on plan assets relates to the rise in value of the scheme's investments reflecting strong performances in global equity markets experienced in 2019.

<i>Composition of plan assets</i>	2019 £'000	2018 £'000
Diversified growth funds – Quoted	15,570	11,343
Liability driven investment funds – Quoted	6,938	8,589
Options in Parity Group plc	96	96
Cash	66	71
<b>Total plan assets</b>	<b>22,670</b>	<b>20,099</b>

During the year under review, assets were reallocated between diversified growth funds (DGF) and liability driven investment funds (LDI) as scheme liabilities were over-hedged by LDI and in order to seek a greater return on investment from DGF.

<i>Reconciliation of plan liabilities</i>	2019 £'000	2018 £'000
At the beginning of the year	22,041	22,939
Interest cost	604	551
Past service cost	-	20
Benefits paid	(913)	(888)
Actuarial loss/(gain)	1,830	(581)
<b>Plan liabilities at the end of the year</b>	<b>23,562</b>	<b>22,041</b>

## 23 Pension commitments (continued)

<i>Amounts recognised in the consolidated income statement</i>	2019 £'000	2018 £'000
<i>Included in finance costs</i>		
Expected return on plan assets, net of expenses	427	367
Unwinding of discount on plan liabilities (interest cost)	(604)	(551)
<b>Net finance costs in respect of post-retirement benefits</b>	<b>(177)</b>	<b>(184)</b>

<i>Amounts recognised in the consolidated statement of comprehensive income</i>	2019 £'000	2018 £'000
Actuarial gain/(loss) on plan assets	2,761	(1,586)
Actuarial (loss)/gain on plan liabilities	(1,830)	581
<b>Remeasurement of defined benefit pension scheme</b>	<b>931</b>	<b>(1,005)</b>

<i>Defined benefit obligation trends</i>	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Plan assets	22,670	20,099	21,880	22,465	19,703
Plan liabilities	(23,562)	(22,041)	(22,939)	(24,313)	(21,194)
Deficit	(892)	(1,942)	(1,059)	(1,848)	(1,491)
<b>Experience adjustments on assets</b>	<b>2,761</b>	<b>(1,586)</b>	<b>609</b>	<b>2,926</b>	<b>(401)</b>
	13.9%	(7.3%)	2.9%	15.0%	(2.0%)
<b>Experience adjustments on liabilities</b>	<b>(1,830)</b>	<b>581</b>	<b>(191)</b>	<b>3,339</b>	<b>(1,249)</b>
	(8.4%)	2.6%	(0.8%)	15.9%	(5.6%)

*Sensitivity analysis*

<i>Effect of change in assumptions</i>	Liabilities £'000	Assets £'000	Deficit £'000	Increase/ (decrease) in deficit £'000
No change	23,562	22,670	(892)	-
0.25% rise in discount rate	22,813	22,670	(143)	(749)
0.25% fall in discount rate	24,350	22,670	(1,680)	788
0.25% rise in inflation	23,675	22,670	(1,005)	113
0.25% fall in inflation	23,451	22,670	(781)	(111)

## 24 Share capital

	Ordinary shares 2p each	
	2019 Number	2019 £'000
<b>Authorised share capital</b>		
<b>Authorised at 1 January and 31 December</b>	<b>409,044,603</b>	<b>8,181</b>

	Ordinary shares 2p each	
	2019 Number	2019 £'000
<b>Issued share capital</b>		
<b>Issued and fully paid at 1 January and 31 December</b>	<b>102,624,020</b>	<b>2,053</b>

## 25 Contingencies

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

## 26 Key management remuneration

Key management comprises the Group's Board of Directors, along with the Group Operations Director, who left the Group during the year, and the Commercial Director, the Head of Consulting and the Head of L&D Practice, all of whom joined the Group during the year. The total remuneration received by key management for 2019 was £1,402,000 (2018: £1,059,000). 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 39.

	2019 £'000	2018 £'000
Short-term employee benefits	859	918
Post-employment benefits	34	35
Compensation for loss of office	356	10
Share-based payments (note 9)	153	96
	<b>1,402</b>	<b>1,059</b>

## 27 Related party transactions

### Consolidated

There were no related party transactions during the year (2018: none).

### Company

Details of the Company's holdings in Group undertakings are given in note 28. The Company entered into transactions with Group undertakings as shown in the table overleaf:

**27 Related party transactions (continued)**

	Operating expenses 2019 £'000	Finance income 2019 £'000	Finance expense 2019 £'000	Operating expenses 2018 £'000	Finance income 2018 £'000	Finance expense 2018 £'000	Loans written off 2018 £'000
Expenses incurred from Group subsidiaries	(735)	-	(2,165)	(558)	-	(1,811)	(395)
Income generated from Group subsidiaries	-	2,101	-	54	1,818	-	-

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

	2019 £'000	2018 £'000
Amounts owed by subsidiary undertakings (note 17):		
Falling due within one year	2,129	2,302
Falling due after one year	131,946	123,510
Amounts due to subsidiary undertakings (note 19):		
Falling due within one year	(14,197)	(12,796)
Falling due after one year	(129,530)	(123,113)

**28 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. Initium Limited was been included in these consolidated financial statements as a discontinued operation in 2018 with trading results included to the date of disposal in April 2018 in the comparative year. Parity Solutions Limited is a direct subsidiary of Parity Holdings Limited and is incorporated in the United Kingdom. Parity Holdings Limited is a direct subsidiary of Parity Group plc and is incorporated in the United Kingdom.

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

The Company's investment in continuing subsidiaries was reviewed for impairment at the balance sheet date based on the performance of 2019 and on subsequent years' forecast projections. A discounted future cash flow method was employed for the review. As a result of this review, no provision was deemed necessary, leaving a carrying value of £20,527,000 (2018: £20,527,000). The assessment was performed on a value in use basis using discount rates of between 12.5% and 13.0% (2018: between 11.5% and 13.0%) and the other parameters used in the goodwill impairment review, as outlined in note 12.

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

**Parity 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)

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## Corporate Information

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Registered in England & Wales  
No. 3539413

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

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

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Further information for shareholders including copies of the Annual and Interim Reports can be obtained from the company secretary's office at the registered office address below or from the Parity Group plc website at [www.parity.net](http://www.parity.net)

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Parity Group plc  
2nd Floor, The Ministry,  
79-81 Borough Road,  
London SE1 1DN

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

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1. **Product Name:** [Product Name]  
 2. **Product Code:** [Product Code]  
 3. **Product Description:** [Product Description]  
 4. **Product Category:** [Product Category]  
 5. **Product Price:** [Product Price]  
 6. **Product Weight:** [Product Weight]  
 7. **Product Dimensions:** [Product Dimensions]  
 8. **Product Material:** [Product Material]  
 9. **Product Color:** [Product Color]  
 10. **Product Image:** [Product Image]

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