

Parity

Annual Report and Accounts 2022

Parity Group plc

Company number: 03539413

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Table of Contents

Strategic Report

Corporate Information	3
Chairman's Statement.....	4
Operational and Financial Review	6
Principal Risks and Uncertainties	11
Section 172 of the Companies Act	14
Corporate Governance	
Corporate Governance Report.....	16
The Current Board.....	22
Corporate Social Responsibility Report.....	23
Remuneration Committee Report.....	26
Audit Committee Report	32
Directors' Report.....	35
Statement of Directors' Responsibilities	38
Independent Auditor's Report	40
Financial	
Accounts.....	52
Notes to the Financial Statements	58

Company Information

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Registered in England & Wales
No. 03539413

Advisors

Auditor

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Bankers

RBS Group

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London EC2M 4RB

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BN1 3TE

Nominated advisor & broker

Allenby Capital Ltd

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5 St Helen's Place
London
EC3A 6AB

Registrars

Equiniti Limited

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

Chairman's Statement

During 2022, we successfully rebuilt the recruitment business platform within Parity.

Previously diverted resource and funds have been refocused into the core business. We have replaced a lack of focus, over-weight management costs and rigid overheads with a highly motivated, fit for purpose team that trains and develops its own talent through the Parity Academy and has a clear cultural identity. This has been married to scalable infrastructure capable of flexing to the needs of the refocused business repositioning the Group back to its core, as a high-quality technology recruitment business.

The business team is led by Izzy (Isobel) Brown, our Director of Recruitment Business. She has created an organisation that delivers great service to both clients and contractors.

Supporting the team, we build and maintain talent pools of key in demand skills enabling us to meet client needs quickly and efficiently producing strong conversions and fill rates.

With our platform in place we are now tackling the next challenge to address the historic long-term decline in the top line revenue. The underlying driver of the fall in contract recruitment revenue over the last three years was the redirection of resource and funding away from the recruitment business, leaving it vulnerable and less effective. The most significant business loss was the Scottish interims framework in 2019 (worth circa £30m/year at its peak). Covid, and decisions by previous management that decimated the old recruitment team, have to date impacted the ability of the business to replace this lost revenue.

In addition to rebuilding the capabilities of the recruitment team, we made changes to the business, reducing expenditure and ensuring we have a flexible delivery model. This, along with the injection of funds from the sale and licence back of the Parity trademark in December 2022, enables us to make focused investment in key areas to support growth.

With a team and cost base capable of being leveraged, we now focus on adding to the top-line to drive profitability. We see the following as key areas of focus:

- Continued demand for the critical and highly skilled resources we deliver to our clients, with public sector an important segment of our business. The government announced in Q4 of 2022 that as part of their strategy to bring down public spending from 2025 it will be looking for technology investment to deliver efficiencies upon which they can reduce costs. As a supplier of the critical skills these technology investments need, we believe this will create an opportunity for us to deploy into new areas on critical projects, with one of our key areas for growth being the targeting of new clients within the existing frameworks where we have a strong track record of operating.
- We also have long-term relationships with key clients in the private sector and have proven capability to deliver at scale to commercially orientated businesses. We are now investing in new business development focused on taking the in-demand talent pools we have curated out to new clients.
- We established in 2022 a small permanent recruitment team with a mix of experienced permanent recruiters and graduates from our academy training programme. The team has started to build momentum and we are focusing business development resource to further develop the pipeline and conversion to revenue in 2023:

Together, these three areas are where we are focusing our time, effort and resource in 2023.

As mentioned previously, we had the opportunity to realise the value we held in owning the Parity trademark in the UK and EU, selling ownership of the trademarks to a third party that also holds business interests using the Parity name in a different sector. As part of the transaction, we have secured our perpetual right to continue to use the Parity name in the same way that we have always done and in the markets in which we operate. For the sale we have received £950k in cash and the perpetual right to use the Parity name with no future cost.

This is an important injection of cash for us to facilitate investment in 2023 in new business and at a time when fundraising in the markets has been challenged by the recent economic turmoil.

Having started this report with a focus on our colleagues, I will end on the same. Utilising capacity from the sale of the trademark has enabled us to keep pace with the market and address the costs of living crisis with a pay increase of 6% for our staff.

We have a strong and talented team at Parity, their commitment, ambition and integrity make for a great place to work and a solid foundation from which to grow. On behalf of the Board, I wish to thank them.

2023 is a year in which we will be working hard to maximise the opportunity to build shareholder value, leveraging the recruitment platform we have created and our position within the key markets in which we operate.



Mark Braund

Executive Chairman

15 May 2023

The Group has identified and defined alternative performance measures (APMs) for net fee income, NFI margin, adjusted EBITDA, adjusted operating loss, adjusted loss before tax, net debt, debtor days and creditor days. These are the key measures the Directors use to assess the group's underlying operational and financial performance. The APMs are fully explained and where appropriate reconciled to IFRS line items in note 1 to the Group Consolidated Financial Statements.

2022 Overview

- Private sector revenue up by 25% year on year to £18m.
- Public sector revenue declined to £22.6m in the year, pushing overall revenue down by 13% year on year.
- Net Fee Income for 2022 of £3.5m compared to £4.1m in 2021.
- Adjusted EBITDA⁽¹⁾ for 2022 of £0.4m vs £0.1m in the prior year.
- Significant improvement in operating performance in 2022 with break even at Adjusted Operating profit⁽²⁾ level compared to a £0.3m loss in the prior year.
- Other income in 2022 of £1m from the sale and licence back of the Parity trademarks in the UK and EU.
- Impairment of £2.0m of historic goodwill that dates back to 1999 and relates to non-core activities.
- Profit before Tax and before the goodwill impairment for 2022 was £0.6m vs loss of £1.1m in the prior year.
- After including the goodwill impairment, the reported Loss before Tax for FY2022 was £1.3m vs a loss of £1.1m in the prior year.

Performance highlights for 2022					
	2022		2021		Variance ²
	Adjusted ¹	Reported	Adjusted ¹	Reported	
Revenue (£ million)	40.6	40.6	47.0	47.0	-14%
Net Fee Income (£ million)	3.5	3.5	4.1	4.1	-15%
EBITDA (£ million) ³	0.4	1.3	0.1	(0.4)	300%
Operating loss (£ million)	(0.0)	(1.0)	(0.3)	(0.8)	-100%
Loss before tax (£ million)	(0.3)	(1.3)	(0.6)	(1.1)	-50%
Basic loss per share (pence)	(0.67)	(1.66)	(0.08)	(0.62)	
Net debt (£million) ⁴	(2.3)	(2.3)	(1.2)	(1.2)	

Notes

1 - Excludes from the Income Statement the impact of non-underlying items identified in note 6

2 - Variance compares 2022 adjusted against 2021 adjusted to provide a consistent view of performance

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

4 - Net debt represents cash and cash equivalents less loans and borrowings and excluding losses

The financial performance in 2022, as illustrated by the key performance indicators included in the table above and set out in the Directors' report on page 35, reflects a year of adjustment for the Group and ends with a business model now focused solely on generating its income from recruitment and related services.

During 2022, the last consultancy and legacy managed services contracts were completed and the final costs associated with these revenue streams removed. Contract recruitment revenue has declined since 2019 when the Scottish interims framework was lost, the impact of which has taken three years to unwind. 2022 saw the business deepen relationships with its key clients, growing revenue across the largest private sector and public sector clients. New clients have been added in both the public and private sectors and whilst only contributing modest revenues in 2022 there is an ambition to develop these accounts in 2023 alongside further new clients.

2022 has benefited from the full year impact of the decisions made in 2021 to realign and redistribute costs, adding to client facing resources whilst reducing corporate overheads. This along with the elimination of £0.8m of costs associated with non-core activities has kept operating costs low and despite the decline in revenue and NFI in 2022 the business has delivered a break-even position at adjusted operating profit.

The Group continues to utilise the asset-based lending facility provided by Leumi ABL and has recently extended the term of the facility to October 2025. During 2022, the Group has seen an increase in finance costs associated with its borrowing as a result of the rapid increase in interest rates and a delay in payment (since resolved) from a key client in the last quarter of 2022. With interest rates unlikely to fall significantly in 2023, the group has increased its focus and resource applied to finding efficiencies in existing working capital management.

Beyond the operating business, the Group continues to have responsibility for a legacy defined benefit pension scheme to which the Group is currently obligated to contribute approximately £0.3m per annum.

With the contraction in the business over the last few years and the cash outflows to service the legacy pension and maintain the overhead required for the Group's AIM listing, Parity has had limited funds to invest for growth. In 2023, the proceeds from the sale of the UK and EU 'Parity' trademarks will give the Group scope to make investments that support growth. Alongside these investments the directors will seek to identify further options to fund growth and mitigate the cash outflows not directly associated with delivering recruitment services.

With the last of the consulting and managed service projects concluded in the year, the Group has written off the remaining £2m of goodwill acquired in 1999 that relates to consulting activities.

Excluding this non-cash adjustment for goodwill impairment, the Group would have reported £0.6m profit before tax.

Revenue and net fee income

Growth in private sector revenue to £18m was a highlight of the year with both the addition of new clients and growth in the largest client. Towards the end of last year this client put a temporary pause on new assignments whilst it reconsidered planned projects in light of the economic conditions. However since the start of 2023, the client has recommenced recruitment creating further opportunity for the coming year. 2022 saw the business add eight new clients, between them generating modest revenues for the year but with active account management these are targets to grow in 2023.

Public sector revenue of £22.6m in 2022 was £10m lower than 2021. The largest contributor to the fall in public sector was from Scottish government with the residual run off from Scottish interims booked in 2021 not being replaced in 2022. In addition, projects with two clients within central government came to a conclusion in 2022, one as a result of a change framework and the other where budgetary constraints forced changes to project priorities. During the year, the Group took on six new NHS clients and although revenues are not yet significant the challenges and changes in the NHS and technology investments present opportunities for 2023.

Net Fee income for 2022 of £3.5m was 15% lower than 2021. Net fee income as a % of revenue for 2022 of 8.5% remains broadly in line with the prior year although between public and private sectors the change in mix of clients has had an impact on margins.

The conclusion of non-core consulting and legacy managed service engagements and switch to exclusively recruitment services has resulted in NFI margin for the private sector falling from 8.3% to 7.8%. However direct costs (included in operating costs) attributable to the consulting and managed service activities have been eliminated, offsetting the NFI margin impact at EBITDA level.

The public sector margin has increased from 8.6% to 9.3% year on year as a result of change in mix and concentration of clients against a reduced revenue.

	2022	2021
Revenue		
Public	£22.5m	£32.5m
Private	£18.0m	£14.4m
Net fee income		
Public	£2.1m	£2.8m
Private	£1.4m	£1.2m
% Net fee income		
Public	9.3%	8.6%
Private	7.8%	8.3%

Operating costs

The Group has benefited in 2022 from the cost realignment undertaken in 2021 and decisions to cease non-core activities. The elimination of costs associated with legacy managed service and consulting produced a net saving in 2022 of £0.6m. A further £0.1m net savings are attributable to lower management costs year on year.

GBP million

	2022	2021	Var
Employee benefit costs	2.0	2.7	(0.7)
Depreciation and amortisation	0.4	0.4	0.0
All other operating costs	1.1	1.2	(0.1)
Total	3.5	4.3	(0.8)

Depreciation and amortisation

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

Non-underlying items

The Board measures the performance of the Group after excluding costs (and income) that would not be incurred during the normal operation of the business and classify these exceptional costs under the category of non-underlying items. During the year, there were three items classified within non underlying items.

- £23k of costs associated with the end of a legacy managed service contract.
- £950k of income from the sale and licence back of the UK and EU Parity trademarks.
- With the cessation of non-recruitment activities in 2022, goodwill associated with consulting activities that was acquired in 1999 was impaired with a £1,952k impairment charge booked in 2022.

Further analysis of the non-underlying items is provided in note 6 on page 70

Taxation

A tax charge of £0.4m was calculated for the year (2021: £0.5m credit). The charge arises primarily as a result of the reduction in the defined benefit scheme surplus and an adjustment to deferred tax losses recognised.

Earnings per share and dividend

The basic loss per share from continuing operations was 1.66 pence (2021: loss of 0.62 pence per share).

The Board does not propose a dividend for 2022 (2021: nil).

Statement of financial position

Trade and other receivables

Trade receivables of £2.7m at the end of 2022 (2021: £2.1m) were £0.6m higher than the prior year. At the year end, debtor days were 25 (2021: 16).

Both the increases in trade receivables and debtor days are primarily attributable to a single key client whose outstanding debtor balance at the end of the year had increased by £0.6m but crucially had £1.4m overdue at the year-end compared with only £0.2m at the end of 2021.

Both the increase in the overall balance and the ageing of the key client debt was caused by a failure in the client's internal approval processes that was not resolved until after the end of the year. All outstanding amounts have now been fully paid by the client, and its account is back into line with normal business trading.

Within other receivables, the Group had a net recoverable VAT amount from HMRC of £0.5m (net VAT payable in at the end of 2021 of £0.1m). The VAT debtor has arisen as a result of increased remote working by UK base contractors (who charge VAT) on projects for clients outside the UK (to which no VAT is charged).

Trade and other payables

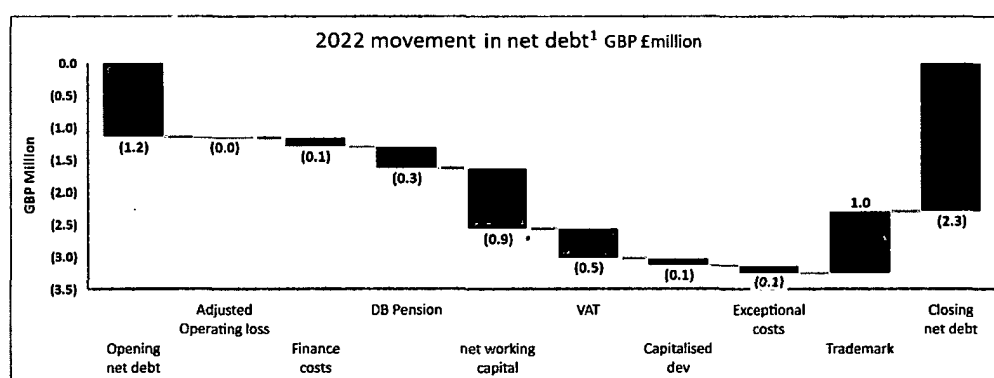
Trade and other payables decreased during the year by £0.3m to £3.3m (2021: £3.6m) due to the impact of reduced contractor numbers and no VAT creditor.

The Group's creditors are dominated by amounts due and payable to contractors which are settled promptly, either weekly or monthly and this means that creditor days remain stable. At the year end, creditor days were 23 days (2021: 23 days).

Loans and borrowings

Loans and borrowings represent the Group's debt under its asset-based lending ("ABL") facility. This is a working capital facility and linked to the same cycle as trade receivables. The facility is with Leumi ABL and has been in place since April 2021. In April 2023, the Group extended the duration of the facility with Leumi ABL. The original agreement was due to end in April 2024, but this has been extended to October 2025.

Cash flow and net debt



Net cash outflow in the year (excluding any adjustment for IFRS16) was a total of £1.1m.

- The core operations of the business (excluding the impact of timing differences) were cash neutral in 2022 with declines in income from clients offset by a lower cost base following the realignment in 2021. In addition to the core operations the business has a commitment to continue to fund the defined benefit pension scheme and pay ongoing expenses and this accounted for an outflow of

£0.3m. Financing costs representing the interest charges on drawdowns under the Leumi ABL facility were £0.2m in the year.

- Timing differences as a result of the delayed settlement of overdue debtors by a key client and the net receivable due from HMRC accounted for a £1.4m cash outflow in the period. Both of these timing differences have unwound since the end of the year with the key client settling in full all outstanding debts and the receipt of the VAT repayment and move to monthly VAT submissions to reduce the impact of VAT on working capital.
- One off costs in the period were to complete the development of the management information platform for the business and settlement of termination costs incurred in 2021. Offsetting these costs was the receipt at the end of the year of £1m from the sale and licence back of the trademark.

Removing the one off and significant timing variances from the cashflow reduces the net cash outflow for the business to £0.5m for 2022, equivalent to the cost of funding the historical defined benefit pension scheme commitments and the costs of debt financing.

Defined benefit pension surplus

Despite the volatility in the equity and bond markets during the latter parts of 2022 the defined pension scheme remains net positive with a calculated £1.3m surplus as at 31st December 2022 (2021: £1.9m surplus). Of the £0.7m reduction in the calculated surplus value, it is estimated that between £0.2m and £0.3m is attributable to losses incurred as a result of the volatility in the gilt markets in October 2022 and calls made by LDI funds during that period. The balance reflects performance of assets invested against measured liabilities of the scheme.

Having benefited from investment gains over the previous three years to deliver a surplus, the Trustees adjusted the investment strategy in 2021 to reduce exposure to historically more volatile equity markets and to invest in assets that closely mirror the scheme liabilities with the intention of locking in the gains. Despite the turmoil in markets in the last quarter of 2022, this strategy has ensured that the majority of recent years gains have been maintained.

During 2022, the Group paid £0.3m contributions to the scheme and the directors continue to explore opportunities, including a future buy out of the scheme, that would enable the group to eliminate the cash contributions it currently makes to the scheme.



Mike Johns
Chief Financial Officer
15 May 2023

Principal Risks and Uncertainties

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

Strategy fails to deliver anticipated growth		
Risk	Mitigation	Status
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. The board also stress tests growth forecasts to identify options and alternative actions if key objectives are not met.	No change
Legislation – e.g. IR35		
Risk	Mitigation	Status
The planned extension of IR35 off-payroll worker regulations to the private sector in the UK, which was delayed to April 2021, has caused limited short-term disruption as both clients and contractors adapted. In 2022 the government signalled a removal of IR35 enforcement and then subsequently reversed its decision to maintain the status quo.	Parity's mix of contractors is weighted towards the public sector, where the IR35 reforms were introduced in 2017, meaning that our exposure to the risk is limited. We have retained good knowledge from our experience of the 2017 implementation to the public sector, with the associated internal processes now business as usual. We have worked closely with our private sector clients to ensure a smooth transition. With IR35 now an ongoing consideration for both public and private sector contracting there is expected to be no further impact unless the government returns to amend the legislation as it briefly considered in 2022.	Reduced
Loss of key client accounts		
Risk	Mitigation	Status
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.	No change

Financial		
Risk	Mitigation	Status
The Group maintains credit facilities that enable it to borrow against assets on the balance sheet to meet short-term working capital requirements. Poor cash and liquidity management may result in strain on the Group's credit facilities and/or operational cash flow issues.	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.	No change
Technology		
Risk	Mitigation	Status
As an IT recruitment services provider, the Group relies on its IT systems to perform and manage the services we provide to clients. The failure or obsolescence of any of these systems could hinder the operation of end-to-end business processes.	The Group has its core IT systems in the Cloud, and these are managed remotely by third party providers against SLAs and with built in redundancy and where appropriate automatic back up. This provides the Group with a high level of resilience in its IT systems. ISO 9001 and ISO 27001 along with Cyber Essentials certifications are held ensuring that the business maintain high levels of data security and robust processes around its use and maintenance of its IT systems.	Reduced
Data		
Risk	Mitigation	Status
The Group routinely collects and uses personal data. Following the introduction of the General Data Protection Regulation ('GDPR') there is a risk of non-compliance with the legislation and therefore risk of litigation and the incurrence of fines.	The Group has implemented significant changes to its data collection and processing controls. The data privacy landscape is monitored, and ISO 27001 and Cyber Essentials certifications are held ensuring that the business maintain high levels of data security. The Group's policies and procedures relating to data protection are regularly reviewed and updated to reflect best practice.	No change

Increase in inflation		
Risk	Mitigation	Status
Rapid increase in inflation putting pressure on operating costs including payroll.	The vast majority of operating costs consist of contractor costs that are directly linked to revenue with net fee income usually based on a % margin rather than fixed rate. Pressure to increase contractor costs would only be possible with the agreement of the client to increase billing rates which would maintain the Group's net fee income. Beyond contractor costs the board recognise the effect that inflationary costs may have on performance, not only increasing the Group's costs directly costs but also placing pressure on employees meeting increasing cost of living. In 2023, the Board addressed employee cost of living with a 6% increase in basic salaries. With inflation at the highest level in more than 30 years the Board will continually monitor the impact regularly.	Increased

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.

In the decisions taken in the year ended 31 December 2022, the Directors have acted in the way they consider to be in good faith, most likely to promote the success of the Group and its continuing reputation for high standards of business conduct, and for the benefits of the stakeholders, having regard to the stakeholders and matters set out in S172 of the Companies Act 2006.

Key decisions made by the Directors are described more fully in the Strategic report from pages 3-15.

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 11 to 13. The Group's statement on going concern and future prospects is included in the Directors' Report on page 35 and Chairman's Statement on page 4.

Employees

The Board is committed to the Group being a responsible employer and strives to create a working environment where employees are engaged, informed and involved. The Group's employment policies and related information is set out in the Corporate Social Responsibility Report on page 23.

Community and the environment

The Board recognises its responsibility to achieve good environmental practice and make a positive contribution to the community. The Group's practices and policies in this regard are set out in the Corporate Social Responsibility Report on page 23.

Business conduct and relationships

The Board recognises the importance of a strong corporate culture that considers the best interests of its employees, business partners and shareholders. The Board recognises its responsibilities to other external stakeholders including its clients, contractors and suppliers. Its strong relationships with its clients are critical to driving growth. The Group's purpose, mission, vision and values are set out on page 25 and its ethics policies are set out in the Corporate Social Responsibility Report on page 23.

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 and we endeavour to explain these clearly and any issues or questions raised are properly considered. The Group's engagement with shareholders is set out in the Corporate Governance Report on page 16.

The Strategic Report, made up of pages 3 to 15 was approved by the Board on 15 May 2023 and is signed on its behalf by:

Mark Braund
Executive Chairman

Introduction

The Company applies the 2018 QCA Corporate Governance Code (the Code) and this Corporate Governance Report for the year ended 31 December 2022 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). Following the resignation of Gerard Brandon as a non-executive director on 31st March 2023, the Board has commenced a search for a replacement. Until a new appointment is made, the Board only has a single independent non-executive director who will also chair the board committees.

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 our stakeholders. This includes ensuring that Board meetings are held in an open manner, that the Directors receive accurate, timely and clear information and allowing sufficient time for agenda items to be discussed. I am also responsible for effective communications with shareholders and relaying any shareholder concerns to the Directors.

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

Deliver growth

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

The Group's strategy is to drive growth and profitability through the development of the Group's core competencies in recruitment. With the recruitment market continuing to evolve, there is opportunity to leverage Parity's brand, reputation and expertise to not only deliver traditional recruitment solutions but also to innovate and deliver value added solutions that solve challenges for its clients in sourcing and retaining critical talent.

Challenges faced by the Group in executing its strategy include repositioning the business service offerings, market competition and macro-economic factors. The principal risks and uncertainties faced by the Group and potential mitigation can be found on pages 11 to 13.

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 provide 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 these.

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

Wider stakeholder and social responsibilities

As a professional services business, Parity's strength derives from the commitment, capability and cultural diversity of its employees. The Group encourages the participation of all employees in the operation and development of the business by offering access to senior management, including executive directors, and adopting a policy of regular communications through business updates, all staff events, and the intranet.

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

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

The Group's Social, Environmental and Ethical policies can be found in the Corporate Social Responsibility Report on page 23.

Embed effective risk management

The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness and is assisted in this respect by the Audit Committee. The Group maintains an internal risk register which is updated and reviewed periodically by the Audit Committee.

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

The principal risks faced by the Group are presented on pages 11 to 13. The Board is not aware of any significant failings or weaknesses in the system of internal control.

Maintain a dynamic management framework

Maintain a well-functioning, balanced board

At the date of this report, the Board comprises myself as Executive Chairman, David Firth as Non-Executive Director, and Mike Johns as Chief Financial Officer. The table on page 29 sets out the dates of tenure of the current Directors on the Board. Gerard Brandon resigned as a Non-Executive Director with effect from 31st March 2023.

The Board has throughout the year had a balance of Executive and Non-Executive Directors with a range of backgrounds and skills such that no individual or small group of individuals can dominate the Board's decision making. The Non-Executive Directors ensure that independent judgement is brought to Board discussions and decisions.

Following the resignation of Gerard Brandon, David Firth became the Company's sole Non-Executive Director. The Board considers that there are no relationships or circumstances which are likely to affect the independent judgement of Mr Firth and he is therefore deemed by the Board to be independent.

The Board have commenced the process to appoint a replacement Non-Executive Director.

In my capacity as Executive Chairman I am responsible, in addition to board related matters, for overseeing the management of the day to day business of the Group. Supporting me in this are Mike Johns, Chief Financial Officer and Isobel Brown, Director, Recruitment Business. Together, the three of us form the executive management team responsible for the key decision making within the Group.

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

Whilst there is a clear division of responsibilities, Non-Executive Directors remain in regular contact with the Executive Directors outside of board meetings. For example, I have had catch up calls with the Non-Executive Directors in between board meetings and David Firth, as Chairman of the Audit Committee is in periodic contact with the CFO on financial matters. Non-Executive Directors are also available to support on material matters as and when that support is required.

As Executive Chairman, I am responsible for the leadership of the Board, ensuring its effectiveness on all aspects of its role. This includes ensuring that Board meetings are held in an open manner, that the Directors receive accurate, timely and clear information and allowing sufficient time for agenda items to be discussed. I am also responsible for effective communications with shareholders and relaying any shareholder concerns to the Directors. During the period under review, I met with the Non-Executive Directors without the other Executive Director being present.

Directors appointed since the last annual General Meeting, and those retiring by rotation will submit themselves for election or re-election at the next Annual General Meeting, as set out in the Directors' Report on page 35 and in the separate Notice of Annual General Meeting sent to all shareholders. I confirm that the performance of each Director continues to be effective and the individuals continue to demonstrate commitment to their role.

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

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

During the year, six scheduled Board meetings were convened. Details of attendance at Board meetings is summarised below. Committee attendance is shown for Committee members only.

	Board ¹	Audit	Nomination	Remuneration
Number held	6	2	0	0
Number attended				
David Firth	6/6	2/2		
Gerard Brandon	6/6			
Mike Johns	6/6			
Mark Braund	6/6	2/2		

¹ Excludes ad hoc meetings

All Directors who were members of the Board at the time attended the Group's Annual General Meeting on 8 June 2022 apart from Gerard Brandon.

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

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

The Audit Committee comprises David Firth as Non-Executive Director and Mark Braund as Executive Chairman and is chaired by David Firth. The Audit Committee has met twice in 2022. Details of the responsibilities of the Audit Committee are set out in the Audit Committee Report on pages 32 to 34. Where necessary, specialist external consultants are used to assist the Committee.

The Remuneration Committee comprises both the Non-Executive Director and the Executive Chairman and is chaired by David Firth. Details of the responsibilities of the Remuneration Committee are set out in the Remuneration Report on pages 26 to 31. Where necessary, specialist external consultants are used to assist the Committee. The Committee did not meet in 2022.

The Nomination Committee comprises both the Non-Executive Director and the Executive Chairman. It is chaired by Mark Braund. It is responsible for proposing candidates for appointment to the Board, having due regard to the balance and structure of the Board, as well as succession planning. The Committee did not meet in 2022.

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

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

Directors who have been appointed to the Board have been chosen because of the skills and experience they offer. The Directors' biographies, which are set out on page 22, illustrate the range of business backgrounds, skills, independence and experience contributed by each Board member. The Board is aware of the importance of attaining greater diversity amongst its members.

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

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

David Firth acted as the Senior Independent Director during 2022. 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 evaluates its own performance and that of its committees and individual Directors. The board has not undertaken an evaluation of its performance during 2022.

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 23.

A critical aspect of the Group's strategy is to be perceived as a trusted partner of its clients. In order to achieve this objective, a culture of teamwork, openness, integrity and professionalism forms a key element of our company principles and values which sets out the standards of behaviour we expect from all our employees. The Company's values are set out on page 25. The Board supports and promotes the principles of equal opportunities in employment and promotes a culture where every employee is treated fairly. The Board and management conduct themselves ethically at all times and promote a culture in line with the standards set out in the Company's intranet.

Maintain governance structures and processes that are fit for purpose

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

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

Authority is delegated to senior operational management, ensuring that proper management oversight exists at the appropriate level. The executive management team comprises the Executive Chairman, the Chief Financial Officer, and Isobel Brown, the Director, Recruitment Business. The executive management team meet regularly and can be attended by other senior management as appropriate. Any key issues from these meeting are reported to the main Board.

Build trust

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

The Board attaches great importance to providing shareholders with clear and transparent information on the Group's activities, strategy and financial position. Details of all shareholder communications are

provided on the Group's website (www.parity.net).

The Company engages where possible in regular dialogue with its major shareholders through presentations and meetings after the announcement of the Group's full year and interim results. Private and institutional shareholders are given an opportunity to communicate directly with the Board at the Annual General Meeting. Shareholders' queries received via the Company Secretary's email address at cosec@parity.net or by telephone to the Group's head office are responded to in person by the Company Secretary or by another appropriate employee.

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

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

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

The reports to the shareholders of the Audit and Remuneration Committee can be found on pages 32 and 26 respectively.



Mark Braund
Executive Chairman
15 May 2023

<p>Mark Braund (61) Executive Chairman</p> <p>Appointment Date: April 2021</p> <p>Experience: Previously Chief Executive of RedstoneConnect plc (now known as SmartSpace Software plc), Chief Executive of InterQuest Group plc and Chairman of Livingstone Group until the successful sale of the company Trustmarque in February 2023.</p> <p>Committees: Chairman of the Nominations Committee and member of the Remuneration, and Audit Committees.</p> <p>External Appointments: Chairman of REACT Group plc. Chairman of BCN Group</p> <p>Skills brought to the board: Significant experience across a number of business sectors, both in the UK and overseas including recruitment & HR services, outsourcing, managed services and digital software & technology.</p> <p>Number of Board meetings attended in 2022: 6/6</p> <p>Sector experience: Recruitment & HR services sector and relevant technology sectors.</p>	<p>David Firth (62) Non-Executive Director</p> <p>Appointment Date: September 2016</p> <p>Experience: Previously Finance Director of Penna Consulting for 16 years and Group Finance Director of Parity for 4 years</p> <p>Committees: Chairman of the Remuneration, and Audit Committees and member of the Nominations Committee.</p> <p>External Appointments: Non-Executive Director at Best of the Best plc, i-Nexus Global plc and Celadon Pharmaceuticals plc.</p> <p>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</p> <p>Number of Board meetings attended in 2022: 6/6</p> <p>Sector experience: People management, consultancy, finance, recruitment, IT services, motor retailing and advertising</p>	<p>Mike Johns (52) Chief Financial Officer</p> <p>Appointment Date: June 2020</p> <p>Experience: Previous work in the technology and data sectors across both financial and operational roles including CFO of SmartStream Technologies, CFO of Iris Financial Solutions, CEO of TIS Software and most recently CFO/COO at Oxford based 3D technology business Fuel3D</p> <p>Skills brought to the board: More than 20 years of board level experience, including of corporate transactions having completed a buy out, two trade sales, multiple fundraises and acquisitions. Experience in delivering growth and transformation strategies</p> <p>Number of Board meetings attended in 2022: 6/6</p> <p>Sector experience: Fintech, biotech, enterprise software, IT services, data and mobile commerce</p>
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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 companywide Teams calls, email and intranet. In 2022, the Group encouraged participation in an employee survey, which was completed anonymously. The results of this survey were very positive for the Company.

The Group incentivises employees through payment of bonuses and commissions linked to performance objectives. Where appropriate these objectives are linked to profitability. The Group has implemented an improved talent development programme in 2022.

Health & Safety

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

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

- First aid — There is in place a person qualified in first aid. First aid boxes are readily accessible, and records kept of all accidents and injuries.
- Fire safety — There is in place an evacuation marshal who will liaise with building management or local emergency authorities, as appropriate. Evacuation assembly points are agreed for every location and full evacuations are carried out when circumstances permit. Fire alarms are tested regularly.
- Employees' physical health — Any employee who believes he/she is suffering from an illness or condition related to their working environment is encouraged to report this to his/her manager for investigation.
- Employees' mental health — the Company has put in place additional measures to support employees with mental health issues, including external training for a selected member of staff to act as a mental health first aider.

Some of 2022 was impacted by the Covid-19 pandemic. The Company followed all government guidelines in respect of working from home and operated strict Covid-secure policies during the times offices were able to be occupied safely. All employees were supported with equipment to work effectively from home.

Annual Health and Safety audits are carried out to ensure high standards are maintained.

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

Social responsibilities

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

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

Environmental policy

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

Transport

Public transport is used whenever possible. Interest-free season ticket loans are made to staff as part of the benefits package. Collaborative working technologies (including Microsoft Teams) are used to communicate with clients, candidates and internally between offices, reducing the need for business travel and increasing efficiency. All employees are supported to work from home as has been needed during the Covid-19 pandemic.

Energy

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

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

Recycling

Appropriate containers are provided at all offices and recyclable waste collected is sent to recycling plants. The facilities used by the Group, such as toner cartridges, are recycled where possible by its office provider. When replaced, computers and peripherals are offered to employees at market value, local schools or charities, or sent to recycling plants.

Paper usage

The Group constantly strives to implement paper-saving practices to reduce wastage. Examples include scanned records, electronic timesheets, e-invoicing, e-payslips and electronic expense claims. As a result of the Covid-19 pandemic where all employees worked from home, the use of paper has reduced significantly with most business now being conducted digitally, including the negotiation and signing of contracts which makes use of digital signatures, reducing the need for paper copies to be printed and signed.

Ethics

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

Company Values

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

1. We do the right thing

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

2. We treat people as they want to be treated

We understand everyone is different and we are proud to celebrate that difference and seek to understand those that we work with in all capacities from colleagues to clients alike.

3. We believe that everyone has a voice

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

4. We create exceptional outcomes

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

5. We believe in being rewarded for the value we create

We recognise our role to bring value to all our stakeholders, whether providing valuable services to our contractors, candidates and customers, a great place to work for our colleagues or, delivering sound financial returns for our shareholders.

Anti-Bribery Act

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

During 2022 no instances of bribery or corruption were reported or identified.

Modern Slavery Policy

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

- Supply Chain Review – we continue to take positive steps to improve supply chain transparency and we continue to believe that we operate a supply chain with a very low inherent risk of slave and human trafficking potential. Our supply chain is mainly made up of UK based suppliers of professional services, computer software and equipment, office supplies and our contractor and associate workers. Nevertheless, this assessment is kept under continual review and due diligence is conducted with any new suppliers.
- Staff Signposting – Employees are signposted to the Modern Slavery Act 2015 and our Modern Slavery Policy at induction.

During 2022 no instances of modern slavery were reported or identified.

Remuneration Committee Report

Remuneration Committee

During 2022, the Remuneration Committee comprised of David Firth as Chairman, Gerard Brandon and Mark Braund. Following Gerard Brandon's resignation on 31 March 2023, the Committee is currently comprised of David Firth as Chairman, and Mark Braund. At the invitation of the Committee, other Directors may attend meetings, however individual Directors are excluded from discussions about their personal remuneration.

Until a second independent non-executive is recruited, the remuneration committee comprises of one independent non-executive and one executive director. To ensure that the committee is able to make independent decisions and, in line with the QCA code, resist inappropriate demands from executive directors and senior management, the following steps have been taken:

- As Chairman and currently the sole independent non-executive director on the remuneration committee, David Firth has the casting vote on all matters.

The committee members, and in particular the Chairman, are encouraged to seek advice from third party professionals including BPE Solicitors LLP and the Company's NOMAD on remuneration matters. The committee is responsible for reviewing the Group's remuneration policy, the emoluments of the Executive Directors and other senior management and the Group's pension arrangements, and for making recommendations thereon to the Board. The committee also makes recommendations to the Board in respect of awards of options under the Group's share option schemes. It also reviews the terms of service contracts with senior employees and Executive Directors and any compensation arrangements resulting from the termination by the Company of such contracts.

The committee has access to external advisors to assist it with ensuring that salary and benefits packages are competitive and appropriate. In addition, committee members keep themselves fully informed of all relevant developments and best practice by reference to the QCA's Remuneration Committee guide. Advice on share options is provided by BPE Solicitors LLP, which also provides 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 2022 are set out in the table on page 30.

Meetings

There were no meetings held during the year.

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 2022 were basic annual salary and benefits in kind, long-term incentives including share options, and pension arrangements.

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

complexity of their businesses, the geographical spread of their businesses, and their growth, expansion and change profile.

Performance bonus

There were no performance bonus payments paid in 2022.

Share option schemes

During 2022, the Group operated the following types of share option scheme: the Company Share Option Plans, and the EMI Share Option Plan

Share Option Plans

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

The rules of the Share Option Plans allow for annual grants to be awarded equivalent to a value of up to one times salary or up to two times salary in exceptional circumstances. A limit of 15% of the issued share capital of the Company in a ten-year period, on a rolling basis, is applicable to the headroom available to award options over the life of the Schemes. The EMI Share Option Plan was established in September 2019 and Rules of the other Plans were renewed in September 2019. Rules of all Plans expire in September 2029.

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

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

Share options awarded to the Executive Directors are disclosed in the table under the section Directors' Remuneration on page 30. No share options or warrants were issued in 2022. All of the options awarded to the Executive Directors and senior management have vested or lapsed, with the exception of the following grants:

On 24 November 2020, 2,000,000 share options were awarded to Mike Johns, Chief Financial Officer. The exercise price of the options is 7.75 pence and the share options granted have been divided into thirds with each third being subject to the following performance condition:

- i) To exercise the first third (1/3 in total) of the share options awarded, the share price must be greater than or equal to 12.00 pence for five consecutive days.
- ii) To exercise the second third (2/3 in total) of the share options awarded the share price must be greater than or equal to 15.00 pence for five consecutive days.
- iii) To exercise the final third (100% in total) of the share options awarded the share price must be greater than or equal to 18.00 pence for five consecutive days.

Further share options over 2,000,000 Ordinary Shares were awarded to Mike Johns, Chief Financial Officer, on 23 June 2021 on the recommendation of the Company's Remuneration Committee and represent approximately 1.9% of the Company's issued share capital.

These Share Options have an exercise price, calculated in accordance with the rules of the Parity Group 2019 EMI Options Plan and 2019 Unapproved Company Share Option Plan, of 10.25 pence per Ordinary Share, being the closing mid-market price per Ordinary Share on 22 June 2021. The Share Options will vest after three years and are subject to the following performance conditions:

- One quarter of the total grant of Share Options will be exercisable if the price per Ordinary Share

achieves or exceeds each of 15.0 pence, 20.0 pence, 25.0 pence and 30.0 pence, in each case for a period of at least 30 consecutive calendar days at any time during the vesting period.

Share Options were awarded to Isobel Brown, Director, Recruitment Business and a person discharging managerial responsibility over 500,000 ordinary shares of 2 pence each. The Options were granted on 1 October 2021 and represent approximately 0.49% of the Company's issued share capital. The purpose of the Options is to retain, reward and incentivise Isobel Brown as a key employee of the Company, on the recommendation of the Company's Remuneration Committee. The Options each have an exercise price, calculated in accordance with the rules of the Parity Group 2019 EMI Options Plan, of 6.25 pence per Option, being the closing mid-market price per Ordinary Share on 30 September 2021 and will vest after three years. The Options are subject to the following performance conditions:

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

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

Share Warrants

Share Warrants were awarded to Mark Braund, Executive Chairman over 3,500,000 ordinary shares of 2 pence each. The Warrants were granted on 1 October 2021 and represent approximately 3.4% of the Company's issued share capital. The Warrants have been awarded on the recommendation of the Company's Remuneration Committee to reward and incentivise Mark Braund in his capacity as Executive Chairman over the medium term and to retain him as a key director as the Company grows its core recruitment services to create long term value for shareholders. The Warrants have an exercise price of 6.25 pence per Warrant, being the closing mid-market price per Ordinary Share on 30 September 2021 and are exercisable for five years from the date of grant. The Warrants are also subject to performance conditions:

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

Share price

The Parity Group plc mid-market share price on 31 December 2022 was 6.25 pence. During the period 1 January 2022 to 31 December 2022 shares traded at market prices between 6.00 pence and 9.00 pence.

Directors' pension information

Executive Directors are entitled to a contributory company pension contribution.

Non-Executive Directors' remuneration

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

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

Service contracts and letters of appointment

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

Contractual arrangements for current Directors are summarised below:

Director	Contract date	Notice period	Contractual termination payment
David Firth ¹	31 May 2016	n/a	n/a
Mike Johns	8 June 2020	12 months	12 months rolling
Mark Braund	9 June 2021	12 months	12 months rolling

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

Other Non-Executive posts

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

Directors' remuneration

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

	Salary/ fees 2022 £'000	Bonus 2022 £'000	Benefits 2022 £'000	Compensation for loss of office 2022 £'000	Total emoluments 2022 £'000	Company pension contributions ⁶ 2022 £'000	Share-based payments 2022 £'000
Executive Directors							
Mike Johns	173	20	13	-	206	9	29
Mark Braund	125	-	2	-	127	7	20
Non-Executive Directors							
David Firth	45	-	-	-	45	-	-
Gerard Brandon ¹	35	-	-	-	35	-	-
Total emoluments	378	20	15	-	413	16	49

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

Notes

1. Resigned on 31/03/2023
2. Resigned on 09/06/2021
3. Appointed as Non-executive Chairman on 21/04/21 and into the role of Executive Chairman on 09/06/2021
4. Resigned on 21/04/2021

Executive Directors' share options

	As at 1 January 2022	Lapsed/ surrendered in the year	Exercised in the year	Awarded in the year	As at 31 December 2022	Exercise period	Exercise price per share
Mike Johns							
Executive share option plan							
2020	2,000,000	-	-	-	2,000,000	2023-2030	£0.0775
2021	2,000,000	-	-	-	2,000,000	2024-2031	£0.1025
Total	4,000,000	-	-	-	4,000,000		

Executive Directors' share warrants

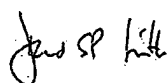
	As at 1 January 2022	Lapsed/ surrendered in the year	Exercised in the year	Awarded in the year	As at 31 December 2022	Exercise period	Exercise price per share
Mark Braund							
2021	3,500,000	-	-	-	3,500,000	2022-2027	£0.0625
Total	3,500,000	-	-	-	3,500,000		

Directors' interests in shares

The beneficial interests of the Directors who were serving at 31 December 2022 and their families in the ordinary share capital of the Company are shown below:

	Shareholding at 31 December 2021	% issued share capital	Shareholding at 31 December 2022	% issued share capital
David Firth	200,000	0.19	200,000	0.19
Gerard Brandon	571,613	0.55	571,613	0.55
Mike Johns	139,082	0.13	139,082	0.13
Mark Braund	134,660	0.13	134,660	0.13

For and on behalf of the Board



David Firth
Chairman of The Remuneration Committee
15 May 2023

Audit Committee Report

Audit Committee

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

The Audit Committee met twice in 2022. Audit Committee meetings are attended by the external auditors and the Executive Directors, at the invitation of the Committee. The external auditors meet separately with the Audit Committee on request, without the presence of the Executive Directors, to ensure open communication.

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

- the oversight responsibilities described in the foregoing paragraph;
- reviewing compliance with laws, regulations and the Group's code of conduct and policies;
- monitoring the integrity of the Group's financial statements and announcements relating to the Group's financial performance and reviewing significant financial reporting judgements, changes in accounting policies and practices, significant adjustments resulting from the audit and the application of the going concern assumption;
- reviewing the findings of the external audit with the external auditor;
- making recommendations to the Board, for it to put to the shareholders for their approval, regarding the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor;
- monitoring and reviewing the external auditor's independence and the effectiveness of the audit process;
- developing and implementing policy on the engagement of the external auditors to supply non-audit services;
- reviewing the risk management framework and risk assessments;
- reviewing the Group's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters; and
- reviewing and monitoring the adequacy and effectiveness of the Company's internal financial controls, internal control, and risk management systems.

Meetings

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

Matters considered

During the year, the Committee:

- reviewed the annual and interim report and financial statements of the Group, and the clarity of disclosures made;
- reviewed the significant judgements and estimates within the financial statements;
- oversaw the relationship with the external auditor, including a review of the external auditor's findings during the audit in relation to the year ended 31 December 2021;
- reviewed the Board's compliance with Section 172 of the Companies Act.

The audit in relation to the year ended 31 December 2021 was Grant Thornton's fourth audit of the Company since appointment in 2018. The Audit Committee took feedback with regard to the conduct of the audit from both Grant Thornton and the Chief Financial Officer. Neither party reported any performance or cooperation issues.

Internal audit

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

Significant issues relating to the Financial Statements

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

Judgements and estimates

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

- a clear distinction had been made between judgements and estimates;
- the only significant area of judgement was revenue;
- 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 cash generating unit (CGU). The Committee noted that:

- the goodwill attributed to the consultancy element of the business was written off in 2022 reflecting the refocus of the Group on its core recruitment business and the conclusion of the last significant contract within the consultancy business;
- the discount rates applied were commensurate with rates used within the Group's peer group;
- cash flow projections were based upon prudent growth projections; and
- the sensitivity analysis demonstrated that the remaining CGU had sufficient headroom to absorb the possible impact of key sensitivities.

Retirement benefit pension scheme

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.

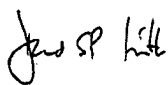
Going concern

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 2024 demonstrated sufficient facility headroom.

Deferred taxation

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

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



David Firth
Chairman of The Audit Committee
15 May 2023

The Directors present their report and the audited accounts for the year ended 31 December 2022.

Principal activities

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

Recruitment services include interim recruitment and permanent recruitment solutions to a diverse range of clients delivered to central and local government within the public sector and the private sector.

Review of business and future developments

A review of the business and its outlook, including commentary on the key performance indicators of revenue, net fee income, adjusted EBITDA, operating profit, debtor days and net cash, and the principal risks and uncertainties facing the Group is included in the Chairman's Report, and the Operating and Finance Review on pages 6 to 10. The Group's social, environmental and ethical policies are set out on pages 23 to 25. A statement on the application of the going concern principle is set out below. Details of financial instruments are set out in note 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 £1.3m (2021: £1.1m). Included within the results for the year is the impairment of goodwill associated with business activities in consultancy that were acquired in 1999. Excluding this impairment charge, the Group would have returned a net profit before tax for 2022 of £0.6m.

After a tax charge of £0.38m (2021: income of £0.47m), the retained loss of £1.7m (2021: £0.64m) has been transferred from reserves. The results for the year are set out in the consolidated income statement on page 52.

Dividends

The Directors do not recommend a final dividend (2021: nil pence per ordinary share). The total dividends for the year were nil pence per ordinary share (2021: 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 8 June 2022, 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 May 2023 is set out on page 22, together with details of membership of the Board committees.

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

Directors' interests

The Directors' beneficial interests in the ordinary share capital of the Company are set out within the remuneration report from page 26.

Principal shareholders

As at 2 May 2023 (being the latest practical date prior to the signing of the Directors' Report) the Company had received notification of the following substantial interests representing over 3% of the issued share capital:

	Number of Ordinary 2p shares	Percentage Held
IS Partners Investment Solutions	23,712,851	23.01%
Timothy Watts	23,474,500	22.77%
David Courtney	6,519,786	6.33%
Interactive Investor	4,864,192	4.72%
Barclays Smart Investor	4,807,201	4.66%
Hargreaves Lansdown	4,718,646	4.58%
Dominion Holdings	4,654,778	4.52%
Jarvis Investment Management	4,005,487	3.89%
John Cawthorne	3,623,310	3.52%
Redmayne Bentley	3,346,039	3.25%

Capital structure

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

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

Going concern

The financial statements have been prepared on a going concern basis. Discussion of the key risks to the Group is included within Principal Risks and Uncertainties on pages 11 to 13. As part of their assessment of going concern the Directors have reviewed the Group's cash flow forecasts for the period to 31 December 2024 and considered scenarios that reflect reasonably possible changes in trading performance. The scenarios model both changes to existing business and lower expectations from new business initiatives as set out below:

- The loss of a significant client that would result in a drop in contractor numbers by up to 15%. This models the periodic risk the business is exposed to when frameworks and key client contracts are up for renewal.
- Lower income from permanent recruitment.
- The development of new business initiatives within contract recruitment takes longer than planned resulting in a delay in income from these new business lines.

The directors have considered these changes both individually and as part of a scenario that combines multiple adverse changes in trading.

Under each scenario the directors have identified mitigating actions and the timelines under which those actions would need to be taken to reduce the financial impact of the lower trading expectations and continue to meet its obligations under the existing financing agreement with Leumi.

In addition to the opportunity to delay or curtail investment costs associated with new business initiatives the directors, as a result of actions taken by the Group over the last 3 years to resize and restructure the operations of the business, are also able to reduce costs within the existing business operations if trading conditions change and can do so without significant delay.

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 23 to 25. This statement covers the Group's Employment Policies, Environmental Policy and Health and Safety Policy.

Directors' and officers' liability insurance and indemnity

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

Political donations

There were no political donations made by the Group during the year (2021: none).

Energy and carbon report

None of the group's UK subsidiaries are large companies and therefore, are not obliged to report under SECR regulations. Accordingly, the group excluded the data from the subsidiary companies for its report. The parent company consumes less than 40MWh of energy per year and is, therefore, exempt from providing full disclosure in the director's report.

Corporate Governance

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

Annual General Meeting

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

By order of the Board



Mike Johns

Director

15 May 2023

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Statement of Directors' Responsibilities

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

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

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

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

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

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

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

Website publication

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

Internal control

The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness and is assisted in this respect by the Audit Committee. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Group's system of internal control, which materially complies with the Financial Reporting Council's Risk Management, Internal Control and Related Financial and Business Reporting September 2014 guidance has been in place throughout the year and up to the date of this report. The Directors confirm that they have reviewed the effectiveness of the Group's system

of internal controls during the year.

The Group did not consider it necessary to have a separate internal audit function but will continue to keep the need under review.

Risk management

The Group is exposed through its operations to the following financial risks:

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

The policies for managing these risks are set by the Board following recommendations from the Chief Finance Officer. Certain risks are managed centrally, while others are managed locally following guidelines communicated from the centre. The policies for each of the above risks, and the nature and extent of those risks, are described in detail in note 21 to the financial statements. Other risks and uncertainties are discussed on pages 11 to 13.

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

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

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



Mark Braund
Executive Chairman
15 May 2023



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 2022, which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Statements of Changes in Equity, the Statements of Financial Position, the Statements of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern


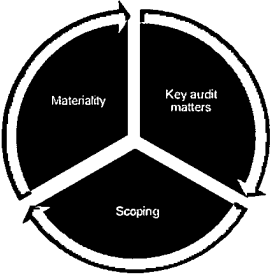
We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's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

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

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

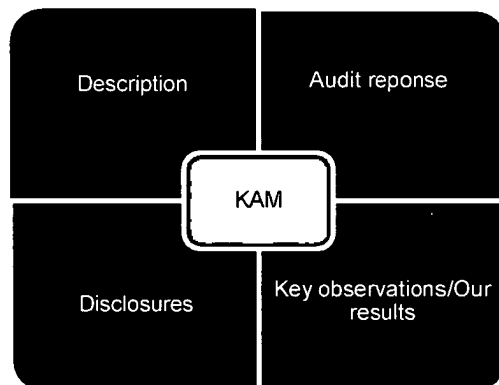
Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

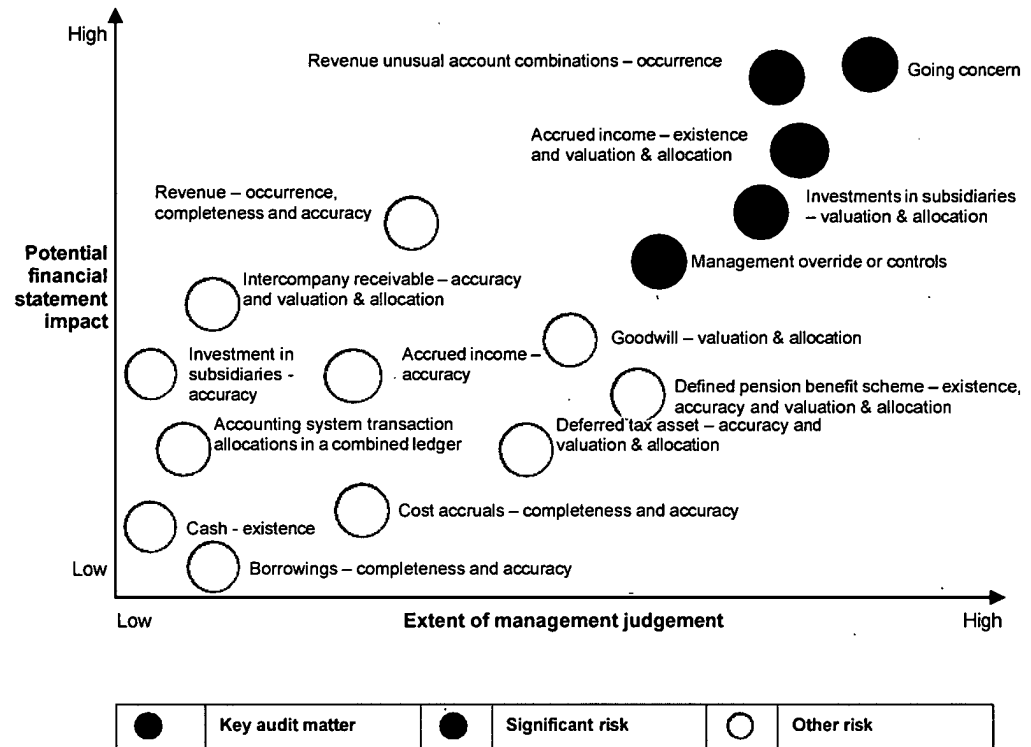
 Grant Thornton 	Overview of our audit approach
	<p>Overall materiality:</p> <p>Group: £203,000, which represents 0.5% of the group's revenue.</p> <p>Parent company: £152,000, which represents 0.25% of the parent company's total assets, capped at 75% of group materiality.</p>
	<p>Key audit matters were identified as:</p> <ul style="list-style-type: none"> • Going concern (same as previous year); • Revenue unusual account combinations - occurrence (occurrence and accuracy in the previous year); • Accrued income – existence and valuation & allocation (same as previous year); and • Investments in subsidiaries (parent company) – valuation & allocation (new). <p>Our auditor's report for the year ended 31 December 2021 included no key audit matters that have not been reported as key audit matters in our current year's report.</p>
	<p>Our full-scope audit work performed on the financial information of all components covered 100% of the revenue generated by the Group for the year, 100% of the Group's total assets at the year-end and 100% of the loss before tax of the Group for the year.</p> <p>Our audit approach was consistent with the prior year.</p>

Key audit matters

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



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



Key Audit Matter – Group

Going concern

We identified the going concern basis of accounting as one of the most significant assessed risks of material misstatement due to error.

Going concern was determined to be a significant risk as the group remains reliant on a committed working capital facility which has recently been extended to October 2025. This facility mandates that the group meets certain financial covenants throughout and at predetermined reporting dates within the going concern assessment period.

In addition, the strategic repositioning of the business towards recruitment solutions has yet to generate significant returns as the existing business continues to generate low margins and the newer, higher margin lines of business are as yet unproven, albeit detailed strategies are in place and investments in people have been made.

Relevant disclosures in the Annual Report and Accounts 2022

- Audit Committee Report: Significant issues relating to the Financial Statements
- Financial statements: Note 1, Accounting policies, basis of preparation

How our scope addressed the matter – Group

In responding to the key audit matter, we performed the following audit procedures:

- We considered the inherent risks associated with the Group's and the parent company's business model including effects arising from macro-economic uncertainties including inflationary increases in costs and expected payraises, and the strategic repositioning of the business to concentrate on recruitment solutions;
- Obtained management's base case profit and loss, balance sheet and cash flow forecasts covering the period to 31 December 2024;
- Assessed how these forecasts were compiled and assessed their appropriateness by understanding and corroborating underlying assumptions, challenging those assumptions and applying sensitivities where relevant;
- Assessed the accuracy of management's past forecasting by comparing their forecasts for three prior years to actual results. We also compared current year to date actual and forecast data to 31 March 2023 and considered the impact on the base case cash flow forecast;
- Obtained management's sensitised scenarios and reverse stress test. We considered whether the assumptions were consistent with our understanding of the business derived from other detailed audit work undertaken;
- Assessed the impact of the mitigating actions available to management in respect of the ability to restrict cash outflows, ability to meet covenants and the level of available facilities; and
- Assessed the adequacy of related disclosures within the Annual Report and Accounts 2022.

Our results

We have nothing to report in addition to that stated in the 'Conclusions relating to going concern' section of the report.

Key Audit Matter – Group

Revenue unusual account combinations – occurrence

We identified occurrence of revenue unusual account combinations as one of the most significant assessed risks of material misstatement due to fraud.

The majority of revenue across the Group is considered non-complex. Unusual account combinations outside of the normal business process are therefore considered an indicator of potential fraud due to their abnormality.

Under ISA (UK) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', there is a presumed risk of fraud in revenue recognition. The revenue recognised by the Group is one of the key factors that impacts adjusted EBITDA, underlying operating loss and underlying loss before tax and it is a key performance indicator for the Group.

Revenue is recognised in accordance with the Group's accounting policy and International Financial Reporting Standard ('IFRS') 15 'Revenue from Contracts with Customers'.

Relevant disclosures in the Annual Report and Accounts 2022

- Audit Committee Report: Significant issues relating to the Financial Statements
- Financial statements: Note 1, Revenue recognition
- Financial statements: Note 2, Segmental information

How our scope addressed the matter – Group

In responding to the key audit matter, we performed the following audit procedures:

- Assessed and documented the design and implementation of controls relating to the recording of revenue, determining whether they were appropriately designed and implemented to mitigate the risk of fraud in revenue recognition;
- Performed a walkthrough of the process for initiating and recording revenue transactions to ensure processes and controls were designed and implemented effectively across the population of revenue transactions;
- Assessed whether the accounting policies adopted by the directors are consistent and appropriate, in accordance with the requirements of IFRS 15, and whether management accounted for revenue in accordance with the accounting policies, including journal entries outside of the normal business process;
- Utilised audit data analytics techniques to identify potentially unusual transactions within revenue. For revenues we expect the majority of transactions to follow a simple process through revenue, receivables and VAT, followed by settlement in cash, with a limited number of other related accounts. We have analysed the account combinations of every transaction which impacts revenue or receivables during the period and selected for testing any transactions which were not in line with our understanding of the business. We then obtained supporting evidence for the occurrence of the transaction; and
- Supported the above audit data analytic by testing the design, implementation and operating effectiveness of bank reconciliation controls, and by undertaking a substantive test of detail on a sample of revenue transactions, agreeing sales invoices to timesheets, remittance and bank receipts, or alternative evidence where appropriate.

Our results

Our audit did not identify material misstatements in relation to the occurrence of revenue unusual account combinations.

Key Audit Matter – Group

Accrued income – existence and valuation & allocation

We identified accrued income as one of the most significant assessed risks of material misstatement due to error.

Accrued income primarily arises where temporary workers have provided their services, but the corresponding approved timesheets are outstanding at year end.

As such, the amount incurred, and margin earned thereon, has yet to be invoiced to the client. In making an accrual for time worked by contractors at the year-end date, management make an estimate of the time worked based on knowledge of the contracts in place, the number of working days outstanding and experience adjustments from prior periods. This estimation uncertainty has resulted in the audit team identifying accrued income as a significant risk.

How our scope addressed the matter – Group

In responding to the key audit matter, we performed the following audit procedures:

- Assessed whether the accounting policies adopted by the directors are in accordance with the requirements of IFRS 15, and whether management accounted for revenue in accordance with the accounting policies;
- Obtained management's reconciliation of accrued income to the trial balance at year-end, corroborated the inputs and evaluated the mathematical accuracy;
- Tested a sample of accrued income at year end to underlying documentation, including where relevant the subsequent invoice and receipt;
- Obtained post year-end payments and invoices and selected a sample to agree to the accrued income listings, to determine completeness of the estimate at year end; and
- Challenged management's assumptions underpinning the recognition of accrued income.

Relevant disclosures in the Annual Report and Accounts 2022

- Financial statements: Note 1, Accounting policies
- Note 17, Trade and other receivables

Our results

Our audit work did not identify material adjustments in relation to accrued income.

Key Audit Matter – Company

How our scope addressed the matter – Company

Investments in subsidiaries – valuation & allocation

We identified valuation of the investments in subsidiaries as one of the most significant assessed risks of material misstatement due to error.

International Accounting Standard (IAS) 36 'Impairment of Assets' requires management to assess at the end of each reporting period whether there is any indication that an asset may be impaired, and to perform an annual assessment to determine whether the Company's investments are impaired.

Management determine recoverability of the investment carrying values by calculating the discounted future cash flows of the relevant subsidiaries and net assets of subsidiaries ie ability to make dividends to recover value. 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. Changes in these assumptions may have a material effect on the financial statements within the next year.

In responding to the key audit matter, we performed the following audit procedures:

- Evaluated the arithmetical accuracy of the impairment calculation;
- Challenged management on whether the assumptions used within the calculation of weighted average cost of capital are reasonable and consistent with other similar groups in the market;
- Assessed whether trading, working capital and cash flow assumptions are reasonable based on the historical performance of each different investment and that the assumptions are consistent with our knowledge of the business;
- Tested the accuracy of management's forecasting through a comparison of budget to actual data, historical variance trends and inspection of the forecast cash flows; and
- Compared the investments held to the net assets of the subsidiary and challenged management on whether there were indicators of impairment.

Relevant disclosures in the Annual Report and Accounts 2022

- Financial statements: Note 1, Accounting policies
- Note 28, Subsidiaries

Key observations

Management posted a material impairment following the completion of their impairment review.

Based on our audit work, we are satisfied that the valuation methodologies and assumptions made in management's assessment of investment impairment are appropriate. Our audit did not identify further material adjustments.

Our application of materiality

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

Materiality was determined as follows:

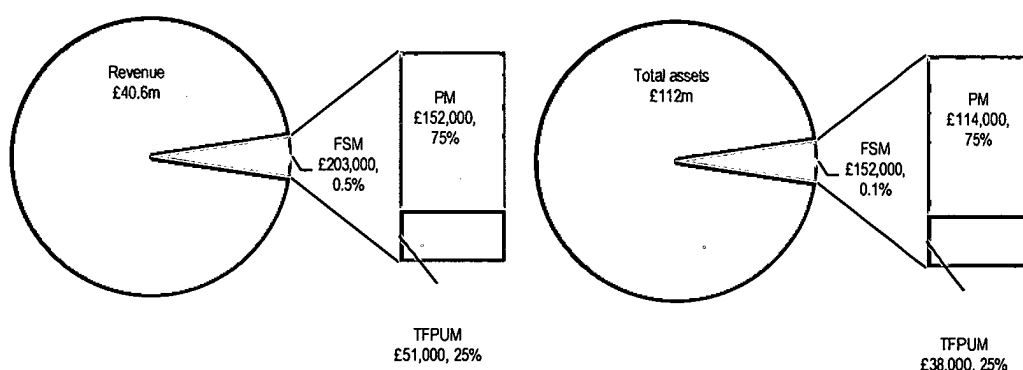
Materiality measure	Group	Parent company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£203,000, which is 0.5% of revenue for the year.	£152,000, which is 0.25% of parent's total assets, capped at 75% of Group materiality, with the resultant amount being the parent company's component materiality.
Significant judgements made by auditor in determining the materiality	<p>In determining materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> Revenue is considered to be the most appropriate benchmark for the Group because there is considerable volatility in loss before tax. Revenue is also a key performance indicator for the Group. <p>Materiality for the current year is lower than the level that we determined for the year ended 31 December 2021 to reflect the decrease in the Group's revenue for the year.</p>	<p>In determining materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> Total assets are considered to be the most appropriate benchmark for the parent company as the parent company's purpose is that of holding investments in the Group's subsidiary companies. The parent company does not undertake any trading activities. We have capped materiality at 75% of Group materiality to ensure sufficient testing to support the opinion on the group financial statements. <p>Materiality for the current year is higher than the level that we determined for the year ended 31 December 2021 as a combined effect of the change in benchmark to total assets during the year and capping at 75% of an amount derived from the Group's revenue for the year.</p>
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£152,000, which is 75% of financial statement materiality.	£114,000, which is 75% of financial statement materiality.
Significant judgements made by auditor in determining the performance materiality	<p>In determining performance materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> Our risk assessment – based on the results of our risk assessment procedures, including the consideration of the control environment; and 	<p>In determining performance materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> Our risk assessment – based on the results of our risk assessment procedures, including the consideration of the control environment;

Materiality measure	Group	Parent company
	<ul style="list-style-type: none"> Our experience with auditing the financial statements of the Group in previous years – based on the number of identified misstatements in the prior year audit and management's attitude to correcting misstatements identified. 	<ul style="list-style-type: none"> Our experience with auditing the financial statements of the parent company in previous years – based on the number of identified misstatements in the prior year audit and management's attitude to correcting misstatements identified.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	<p>We determined a lower level of specific materiality for the following areas:</p> <ul style="list-style-type: none"> Related party transactions; and Directors' remuneration and transactions with directors. 	<p>We determined a lower level of specific materiality for the following areas:</p> <ul style="list-style-type: none"> Related party transactions; and Directors' remuneration and transactions with directors.
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£10,200 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£7,600 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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

Overall materiality – Group

Overall materiality – Parent company



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

An overview of the scope of our audit

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

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

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

Identifying significant components

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

Type of work to be performed on financial information of parent and other components (including how it addressed the key audit matters)

- the parent company and all other significant components have been subject to full-scope audit procedures, which covers all areas of focus, including each identified KAM.

Performance of our audit

- all audit work on the parent company and other significant components was carried out by the Group engagement team using a hybrid of on-site, office and home working; and
- full-scope audit procedures were performed and achieved the coverage as set out below:

Audit approach	No. of components	% coverage total assets	% coverage revenue	% coverage loss before tax
Full-scope audit	3	100	100	100

Changes in approach from previous period

No changes have been made in our approach from the previous year.

Other information

The other information comprises the information included in the annual report and accounts 2022, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report and accounts 2022. 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.

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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

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

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

In the light of the knowledge and understanding of the group and the parent company and their 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

As explained more fully in the statement of directors' responsibilities set out on page 8, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of how the Group and the parent company are complying with the legal and regulatory frameworks by making enquiries of management. We corroborated our enquiries through our review of board minutes and discussions with the Audit Committee;
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and the parent company and determined that the most significant in the context of the Group and parent company are those related to the financial reporting framework, being UK-adopted international accounting, the Companies Act 2006 and the QCA Corporate Governance Code;
- We assessed the susceptibility of the Group's and the parent company's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
 - journal entries that increased revenues; and
 - potential management bias in determining accounting estimates, especially in relation to accrued income.

Our audit procedures included:

- obtaining an understanding of the design and implementation of controls that management has in place to prevent and detect fraud;
- journal entry testing, with a focus on those with unusual account combinations, those posted by specific employees, those posted with unexpected effective dates and those posted directly to the consolidation that increased revenue;

- challenging assumptions and judgements made by management in its significant accounting estimates; and
- testing the completeness of the Group's related party transactions.
- In addition, we completed audit procedures to conclude on the compliance of disclosures in the report and accounts with the applicable financial reporting framework requirements;
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- The engagement partner assessed whether the Group engagement team collectively had the appropriate competence and capabilities to identify and recognise non-compliance with laws and regulations through assessment of the team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation; and
 - knowledge of the industry in which the client operates.

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

Use of our report

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

Grant Thornton UK LLP

Marc Summers, BSc (Hons), FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
15 May 2023

Consolidated Income Statement for the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Revenue	3	40,648	46,962
Contractor costs		(37,184)	(42,882)
Net Fee Income		3,464	4,080
Other operating income	4	950	-
Operating costs	5	(5,443)	(4,902)
Operating loss		(1,029)	(822)
Analysed as:			
Underlying operating loss before non-underlying items		(4)	(269)
Non-underlying costs	6	(1,975)	(553)
Non underlying income	6	950	-
Operating loss		(1,029)	(822)
Finance costs	8	(310)	(281)
Loss before tax		(1,339)	(1,103)
Analysed as:			
Adjusted (loss) before tax ¹		(314)	(550)
Non-underlying costs	6	(1,975)	(553)
Non underlying income	6	950	-
Loss before tax	6	(1,339)	(1,103)
Tax (charge)/ credit	10	(376)	467
Loss for the year attributable to owners of the parent		(1,715)	(636)
Loss per share			
Basic	11	(1.66p)	(0.62p)
Diluted	11	(1.66p)	(0.62p)

All activities comprise continuing operations.

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

The notes on pages 58 to 89 form part of the financial statements.

Consolidated Statement of Comprehensive Income for the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Loss for the year		(1,715)	(636)
Other comprehensive income			
<i>Items that will never be reclassified to profit or loss</i>			
Remeasurement of defined benefit pension scheme	23	(841)	1,620
Deferred taxation on remeasurement of defined pension scheme	16	290	(567)
Other comprehensive (loss)/ income for the year after tax		(551)	1,053
Total comprehensive (loss)/ income for the year attributable to owners of the parent		(2,266)	417

The notes on pages 58 to 89 form part of the financial statements.

Statements of Changes in Equity for the year ended 31 December 2022

	Share capital £'000	Share premium reserve £'000	Capital redemption reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Consolidated						
At 1 January 2021	2,053	33,244	14,319	34,560	(77,537)	6,639
Share issues in the year	9	26	-	-	-	35
Share options – value of employee services	-	-	-	-	(64)	(64)
Transactions with owners	9	26	-	-	(64)	(29)
Loss for the year	-	-	-	-	(636)	(636)
Remeasurement of defined benefit pension scheme	-	-	-	-	1,620	1,620
Deferred taxation on remeasurement of defined pension scheme	-	-	-	-	(567)	(567)
At 31 December 2021	2,062	33,270	14,319	34,560	(77,184)	7,027
Share options – value of employee services	-	-	-	-	50	50
Transactions with owners	-	-	-	-	50	50
Loss for the year	-	-	-	-	(1,715)	(1,715)
Remeasurement of defined benefit pension scheme	-	-	-	-	(841)	(841)
Deferred taxation on remeasurement of defined pension scheme	-	-	-	-	290	290
At 31 December 2022	2,062	33,270	14,319	34,560	(79,400)	4,811

	Share capital £'000	Share premium reserve £'000	Capital Redemption reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Company						
At 1 January 2021	2,053	33,244	14,319	13,129	(54,750)	7,995
Share issues in the year	9	26	-	-	-	35
Share options – value of employee services	-	-	-	-	(39)	(39)
Transactions with owners	9	26	-	-	(39)	(4)
Profit for the year	-	-	-	-	700	700
At 31 December 2021	2,062	33,270	14,319	13,129	(54,089)	8,691
Share options – value of employee services	-	-	-	-	50	50
Transactions with owners	-	-	-	-	50	50
Loss for the year	-	-	-	-	(7,231)	(7,231)
At 31 December 2022	2,062	33,270	14,319	13,129	(61,270)	1,510

The notes on pages 58 to 89 form part of the financial statements.


Statements of Financial Position as at 31 December 2022

Company number 3539413

		Consolidated	
		2022	2021
	Notes	£'000	£'000
Assets			
Non-current assets			
Goodwill	12	2,642	4,594
Other intangible assets	13	188	84
Property, plant and equipment	14	10	15
Right-of-use assets	15	174	149
Trade and other receivables	17	-	29
Deferred tax assets	16	521	528
Retirement benefit asset	23	1,269	1,939
Total non-current assets		4,804	7,338
Current assets			
Trade and other receivables	17	5,909	4,768
Cash and cash equivalents		2,053	1,121
Total current assets		7,962	5,889
Total assets		12,766	13,227
Liabilities			
Current liabilities			
Loans and borrowings	18	(4,356)	(2,279)
Lease liabilities	15	(203)	(242)
Trade and other payables	19	(3,340)	(3,608)
Total current liabilities		(7,899)	(6,129)
Non-current liabilities			
Lease liabilities	15	(14)	(29)
Provisions	20	(42)	(42)
Total non-current liabilities		(56)	(71)
Total liabilities		(7,955)	(6,200)
Net assets		4,811	7,027
Shareholders' equity			
Called up share capital	24	2,062	2,062
Share premium reserve	22	33,270	33,270
Capital redemption reserve	22	14,319	14,319
Other reserves	22	34,560	34,560
Retained earnings	22	(79,400)	(77,184)
Total shareholders' equity		4,811	7,027

The notes on pages 58 to 89 form part of the financial statements.

Approved by the Directors and authorised for issue on 15 May 2023.



Mark Braund
Executive Chairman



Michael Johns
Chief Financial Officer

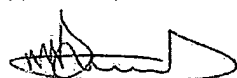
Company number 3539413

	Notes	Company	
		2022	2021
		£'000	£'000
Assets			
Non-current assets			
Trade and other receivables	17	-	94,850
Investments in subsidiaries	28	16,002	20,527
Total non-current assets		16,002	115,377
Current assets			
Trade and other receivables	17	94,850	-
Cash and cash equivalents		1,125	405
Total current assets		95,975	405
Total assets		111,977	115,782
Liabilities			
Current liabilities			
Trade and other payables	19	(110,467)	(16,048)
Total current liabilities		(110,467)	(16,048)
Non-current liabilities			
Trade and other payables	19	-	(91,043)
Total non-current liabilities		-	(91,043)
Total liabilities		(110,467)	(107,091)
Net assets		1,510	8,691
Shareholders' equity			
Called up share capital	24	2,062	2,062
Share premium reserve	22	33,270	33,270
Capital redemption reserve	22	14,319	14,319
Other reserves	22	13,129	13,129
Retained earnings	22	(61,270)	(54,089)
Total shareholders' equity		1,510	8,691

In accordance with Section 408 of the Companies Act 2006, the Company has not presented its own income statement or statement of comprehensive income. The loss for the year dealt with in the accounts of the Company was £7,231,000 (2021: profit of £700,000).

The notes on pages 58 to 89 form part of the financial statements.

Approved by the Directors and authorised for issue on 15 May 2023.



Mark Braund
Executive Chairman



Michael Johns
Chief Financial Officer

Statements of Cash Flows for the year ended 31 December 2022

	Notes	Consolidated		Company	
		2022 £'000	2021 £'000	2022 £'000	2021 £'000
Operating activities					
(Loss)/profit for the year		(1,715)	(636)	(7,231)	700
Adjustments for:					
Net finance expense/(income)	8	310	281	315	(1,732)
Share-based payment expense/(credit)	9	50	(64)	50	(39)
Income tax charge/ (credit)	10	376	(467)	-	(24)
Amortisation of intangible assets	13	3	3	-	-
Shares issued in lieu of Directors fees	22	-	35	-	35
Depreciation of property, plant and equipment	14	10	12	-	-
Depreciation and impairment of right-of-use assets	15	346	414	-	-
Loss on write down of lease assets	15	-	31	-	-
Provision for impairment of investment in subsidiaries	28	-	-	4,525	-
Impairment of goodwill	12	1,952	-	-	-
		1,332	(391)	(2,341)	(1,060)
Working capital movements					
(Increase)/decrease in trade and other receivables	17	(1,112)	1,352	-	-
(Decrease)/increase in trade and other payables	19	(343)	(1,249)	(117)	82
(Decrease) in provisions	20	-	(139)	-	-
Payments to retirement benefit plan	23	(331)	(322)	-	-
Net cash flows used in operating activities		(454)	(749)	(2,458)	(978)
Investing activities					
Purchase of property, plant and equipment	14	(5)	(4)	-	-
Development of intangible assets	13	(109)	(81)	-	-
Net cash flows used in investing activities		(114)	(85)	-	-
Financing activities					
Drawdown/(repayment) of finance facility	18	2,077	(662)	-	-
Principal repayment of lease liabilities	15	(433)	(490)	-	-
Movements on intercompany funding		-	-	3,321	1,147
Interest paid	8	(144)	(65)	(143)	(65)
Net cash flows from/(used in) financing activities		1,500	(1,217)	3,178	1,082
Net increase/(decrease) in cash and cash equivalents		932	(2,051)	720	104
Cash and cash equivalents at the beginning of the year		1,121	3,172	405	301
Cash and cash equivalents at the end of the year		2,053	1,121	1,125	405

The notes on pages 58 to 89 form part of the financial statements.

Notes to the Financial Statements for the year ended 31 December 2022

1 Accounting policies

Basis of preparation

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

Both the parent company financial statements and the Group financial statements have been prepared and approved by the Directors in accordance with company law and UK adopted international accounting standards. On publishing the parent company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements. Financial Information is presented in £'000.

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

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report (Review of business and future developments). The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Operational and Financial Review on pages 6 to 10 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 financial statements have been prepared on a going concern basis. Discussion of the key risks to the Group is included within Principal Risks and Uncertainties on pages 11 to 13. As part of their assessment of going concern the Directors have reviewed the Group's cash flow forecasts for the period to 31 December 2024 and considered scenarios that reflect reasonably possible changes in trading performance. The scenarios model both changes to existing business and lower expectations from new business initiatives as set out below:

- The loss of a significant client that would result in a drop in contractor numbers by up to 15%. This models the periodic risk the business is exposed to when frameworks and key client contracts are up for renewal.
- Lower income from permanent recruitment.
- The development of new business initiatives within contract recruitment takes longer than planned resulting in a delay in income from these new business lines.

The directors have considered these changes both individually and as part of a scenario that combines multiple adverse changes in trading.

Under each scenario the directors have identified mitigating actions and the timelines under which those actions would need to be taken to reduce the financial impact of the lower trading expectations and continue to meet its obligations under the existing financing agreement with Leumi.

In addition to the opportunity to delay or curtail investment costs associated with new business initiatives the directors, as a result of actions taken by the Group over the last 3 years to resize and restructure the operations of the business, are also able to reduce costs within the existing business operations if trading conditions change and can do so without significant delay.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2022. Subsidiaries are entities controlled by the Group. Control exists when the Group has:

- existing rights that give it the ability to direct the relevant activities that significantly affect the subsidiary's returns; and
- exposure, or rights, to variable returns from its involvement with the subsidiary; and
- the ability to use its power over the subsidiary to affect the amount of the Group's returns.

The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

In accordance with Section 408 of the Companies Act 2006, the Company has not presented its own income statement or statement of comprehensive income. The loss for the year dealt with in the accounts of the Company was £7,231,000 (2021: profit of £700,000).

Business combinations

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

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

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

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

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

Measurement convention

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

Alternative performance measures

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

Net fee income

Net fee income represents revenue less cost of sales and consist of the margin earned on the placement of contractors, the fees earned on permanent recruitment and the revenue less the cost of third party contractors for managed service and consultancy work.

NFI margin is the net fee income expressed as a percentage of revenue.

Both net fee income and NFI margin are metrics commonly used by businesses delivering recruitment services to measure the element of revenue that is attributable to the recruitment based services that the group provides to clients.

The Directors consider that net fee income and NFI margin are important measurements used by the Board to evaluate the performance of the Group.

Non-underlying items

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

Adjusted EBITDA

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

Adjusted EBITDA

(£ 000's)

	2022	2021
Operating loss	(1,029)	(822)
Add back:		
Adjustment for amortisation & depreciation	360	460
Adjustment for goodwill impairment	1,952	-
EBITDA	1,283	(362)
Adjustment for share based payment charge/(income)	50	(64)
Add back Non underlying items:		
Income from trademark sale	(950)	-
Non underlying costs	23	553
Adjusted EBITDA	406	127

Adjusted operating loss is equal to operating loss before non-underlying items.

Adjusted Operating loss

(£ 000's)

	2022	2021
Operating loss	(1,029)	(822)
Add back non underlying items:		
goodwill impairment	1,952	0
income from trademark sale	(950)	0
non underlying costs	23	553
Adjusted Operating loss	(4)	(269)

Adjusted loss before tax is calculated as loss before tax and before non-underlying items

Adjusted net loss before tax

(£ 000's)

Net loss before tax

2022	2021
(1,339)	(1,103)

Add back non underlying items:

goodwill impairment

1,952	0
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income from trademark sale

(950)	0
-------	---

non underlying costs

<u>23</u>	<u>553</u>
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Adjusted net loss before tax

<u>(314)</u>	<u>(550)</u>
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Net profit/(loss) before tax and before goodwill impairment

613	(1,103)
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Net debt

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

Debtor days

Debtor days or DSO is calculated as the year-end balance on trade receivables / total revenue *365. Debtor days is regarded as a useful measure of the efficiency of the business in collecting debts owed to it by clients.

Creditor days

Creditor days are calculated as the year-end balance of trade payables / (contractor costs + operating expenses - employee benefit costs) *365. Credit days are a useful measure of the efficiency with which the business pays amounts it owes to suppliers.

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 to which it is expected to be entitled in exchange for services to a customer, net of refund liabilities and value added tax.

Revenue for the provision of recruitment services

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

The Group presents revenues gross of the costs of the temporary workers where it acts as principal under IFRS 15 and net of the costs of temporary workers where it acts as agent. The Group acts as principal in the large majority of its

contracts, where it has the primary responsibility for fulfilling the promise to supply a worker to a customer and has control over that supply. The Group acts as agent where it does not have such control.

Revenue for the provision of consultancy services

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

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

Other operating income

Other income comprises income received by the Group for the sale of assets that it owns that are not considered to be related to its normal trading activity or classified as financing income.

On 30th December 2022 the Group sold the rights to the trademarks registered by group companies in the 'Parity' name for a consideration of £950,000. This represents the sale of an asset owned by the Group and is a one-off transaction that is not considered part of the normal trading activities of the group.

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.

Taxation

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

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

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

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

Foreign currencies

Company

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

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

Group

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income. On disposal of a foreign operation, the cumulative exchange differences recognised in other comprehensive income relating to that operation up to the date of disposal are transferred to the consolidated income statement as part of the profit or loss on disposal.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker are the executive directors on 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
Office equipment

The lesser of the asset life and the remaining length of the lease
Between 3 and 5 years

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

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

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

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

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

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

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

Cash and cash equivalents

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

Financial instruments

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

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

The Group's financial assets include cash and cash equivalents and trade and other receivables. After initial recognition, these are measured at amortised cost using the effective interest method. All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, except for

impairment of trade receivables which is presented within operating expenses. Unless otherwise indicated, the carrying amounts of the Group's financial assets are a reasonable approximation of their fair values.

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

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

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

Amounts recoverable on contracts and accrued income

Amounts recoverable on contracts which are expected to benefit performance and be recoverable over the life of the contracts are recognised in the statement of financial position within trade and other receivables and charged to the income statement over the life of the contract so as to match costs with revenues.

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

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

Leased assets

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

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

Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the

obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

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

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

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

Pensions

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

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

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

Share capital

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

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

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

For the purposes of the disclosures given in note 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

Revenue recognition

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

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

Estimation uncertainty

Retirement benefit liability

The costs, assets and liabilities of the defined benefit scheme operated by the Group are determined using methods relying on actuarial estimates and assumptions. Details of the key assumptions and sensitivities on those assumptions are set out in note 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.

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 executive directors on the Board), have been used as the basis to define reporting segments.

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

During the period the Group derived revenue from two operating segments relating to customer sectors, being the public sector and private sector. The reporting of financial information presented to the chief operating decision maker, being the Group board of directors, is consistent with these reporting segments. These reporting segments are supported by a combined back office and therefore there is no allocation of overheads between sectors.

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

	Public sector 2022 £'000	Private sector 2022 £'000	Total 2022 £'000
Revenue	22,616	18,032	40,648
Contractor costs	(20,530)	(16,654)	(37,184)
Net fee income	2,086	1,378	3,464

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

No items below net fee income are allocated to segments. All assets and liabilities are based in the UK and are not split by operating segment.

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 disaggregated by pattern of revenue recognition is as follows:

	2022 £'000	2021 £'000
Services transferred over time	40,484	46,934
Services transferred at a point in time	164	28
Revenue	40,648	46,962

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

	2022 £'000	2021 £'000
United Kingdom	37,946	43,967
European Union	2,702	2,994
Other	-	1
Revenue	40,648	46,962

The largest single customer in the public sector contributed 22% or £5.0m to public sector revenue (2021: 26% or £8.2m). The largest single customer in the private sector contributed 79% or £14.3m to private sector revenue (2021: 79% or £11.7m).

4 Other operating income

	2022 £'000	2021 £'000
Sale and licence back of Parity trademark in UK & EU	950	-

On 30th December 2022 the Group sold the rights to the trademarks registered by group companies in the 'Parity' name for a consideration of £950,000. As part of the transaction the Group has a perpetual licence to continue to use the trademarks in all the sectors that it currently operates and has operated in the past.

5 Operating expenses

	Consolidated	
	2022 £'000	2021 £'000
Employee benefit costs		
- wages and salaries	1,741	2,818
- social security costs	195	316
- other pension costs	74	86
- Equity settled share-based payment charge	50	(64)
	2,060	3,156
Depreciation, amortisation and impairment		
Amortisation of intangible assets - software	3	3
Depreciation of owned property, plant and equipment	10	12
Depreciation of right-of-use assets	346	414
Impairment of right-of-use assets	-	31
Goodwill impairment charge (note 12)	1,952	-
	2,311	460
All other operating expenses		
Occupancy costs	37	43
IT costs	163	236
Net exchange (gain)/loss	9	15
Other operating costs	863	992
	1,072	1,286
Total operating expenses	5,443	4,902

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

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

	Grant Thornton UK LLP	
	2022 £'000	2021 £'000
Consolidated		
Fees payable to the auditor of the Group's annual financial statements	118	15
Fees payable to the Group's auditor for other services	-	-
The audit of the Company's subsidiaries pursuant to legislation	-	67
Total	118	82
Tax compliance	24	17
Other services	3	-
Total fees	145	99

All other services have been performed in the UK.

6 Non-underlying items

	2022 £'000	2021 £'000
Restructuring costs included in operating expenses (note 5)		
- Costs related to employees	23	502
- Costs related to premises	-	31
- Other costs	-	20
	23	553
Goodwill impairment charge (note 12)	1,952	-
Non-underlying costs	1,975	553
Income from sale and licence back of Parity trademark in UK & EU (note 4)	(950)	-
Total non-underlying items	1,025	553

Items are classified as non-underlying by nature of their magnitude, incidence or unpredictable nature and their separate identification results in a calculation of an underlying profit measure that is consistent with that reviewed by the Board in their monitoring of the performance of the Group.

Non-underlying items during 2022 include costs related to payments made to employees engaged in the termination of the BAT managed service contract.

7 Average staff numbers

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

	2022 Number	2021 Number
Group	37	38

The total above includes 4 (2021: 4) employees of the Company.

At 31 December 2022, the Group had 35 employees (2021: 35).

	2022 £'000	2021 £'000
Interest expense on financial liabilities	143	65
Interest expense on lease liabilities	9	8
Interest income on lease assets	(2)	(3)
Net finance costs in respect of post-retirement benefits	160	211
	310	281

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 £39,000 (2021: £25,000).

9 Share-based payments

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

- HMRC approved schemes for Executive Directors and senior staff; and
- an unapproved scheme for Executive Directors and senior staff.

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

Under the approved and unapproved schemes, options vest if the share price averages a target price for a defined period (either 5 consecutive days or 30 consecutive day) 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.

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 an expense of £50,000 (2021: income of £64,000). Share-based remuneration relating to key management personnel is disclosed in note 26.

	2022 Weighted average exercise price (p)	2022 Number	2021 Weighted average exercise price (p)	2021 Number
Outstanding at beginning of the year	7	8,010,000	9	11,919,040
Granted during the year	-	-	7	6,000,000
Exercised during the year	-	-	-	-
Lapsed during the year	-	-	(9)	(9,909,040)
Outstanding at the end of the year	7	8,010,000	7	8,010,000

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

2022 Exercise price (p)	2022 Weighted average contractual life (years)	2022 Number	2021 Exercise price (p)	2021 Weighted average contractual life (years)	2021 Number
7-11	8	8,000,000	7-11	9	8,000,000
11-17	-	-	11-17	-	-
17-28	-	10,000	17-28	1	10,000
		8,010,000			8,010,000

Of the total number of options and warrants outstanding at the end of the year 10,000 (2021: 10,000) had vested and were exercisable at the end of the year. The weighted average exercise price of those options was 26 pence (2021: 26 pence).

No options or warrants were exercised during the year (2021: none).

No options or warrants were granted during the year (2021: 6,000,000). The weighted average fair value of options and warrants granted in 2021 was 1 pence.

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

	2022	2021
Option valuation model	N/a	Stochastic
Weighted average share price at grant date (p)	N/a	7
Weighted average exercise price (p)	N/a	7
Weighted average contractual life (years)	N/a	10
Weighted average expected life (years)	N/a	5
Expected volatility	N/a	47.7-48.0%
Weighted average risk-free rate	N/a	0.61%
Expected dividend growth rate	N/a	0%

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

Share options issued to defined benefit pension scheme

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

	2022 £'000	2021 £'000
Current tax		
Current tax on profit for the year	75	-
Total current tax expense	75	-
Deferred tax		
Accelerated capital allowances	52	(2)
Recognition of deferred tax asset on past trading losses	290	(678)
Origination and reversal of other temporary differences	-	98
Adjustments in respect of prior periods	(41)	115
Change in corporation tax rate	-	-
Total deferred tax charge	301	(467)
Tax charge	376	(467)

The adjustment in respect of prior periods of £41,000 (2021: £115,000) largely relates to decisions to claim or disclaim capital allowances.

Trade and other payables includes an accrual for £75,000 representing the current tax on profits for 2022 (2021: nil)

The Group's profits for this accounting period are subject to tax at a rate of 19% (2021: 19%).

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

	2022 £'000	2021 £'000
Loss before tax	(1,339)	(1,103)
Expected tax credit based on the standard rate of UK corporation tax of 19% (2021: 19%)	(254)	(210)
Expenses not allowable for tax purposes	8	-
Adjustments in respect of prior periods	(41)	115
Tax losses not recognised	259	253
Tax losses recognised	-	(678)
Goodwill impairment not allowable	371	-
Change in corporation tax rate	40	33
Other	(7)	20
Tax charge	376	(467)

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

	2022			2021		
	Before tax £'000	Tax £'000	After tax £'000	Before tax £'000	Tax £'000	After tax £'000
Remeasurement of defined benefit pension scheme	(841)	290	(551)	1,620	(567)	1,053

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.

	2022			2021		
	Loss 2022 £'000	Weighted average number of shares 2022 '000	Loss per share 2022 Pence	Loss 2021 £'000	Weighted average number of shares 2021 '000	Loss per share 2021 Pence
Basic	(1,715)	103,075	(1.66)	(636)	102,854	(0.62)
Effect of dilutive options	-	-	-	-	-	-
Diluted	(1,715)	103,075	(1.66)	(636)	102,854	(0.62)

As at 31 December 2022 the number of ordinary shares in issue was 103,075,633 (2021: 103,075,633). There were 8,010,000 options that had a potential dilutive effect in 2022 (2021: 8,010,000).

12 Goodwill

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

Carrying amounts are as follows:

	Parity Professionals Limited £'000	Parity Consultancy Services Limited £'000	Total £'000
Carrying value			
Balance at 1 January 2021 and 31 December 2021	2,642	1,952	4,594
Impairment charge	-	(1,952)	(1,952)
Balance at 31 December 2022	2,642	-	2,642

Goodwill was tested for impairment in accordance with IAS 36 at the year end and an impairment charge of £1,952,000 was recognised to reflect the cessation during 2022 of the consultancy activities undertaken by Parity Consultancy Services Limited to which the goodwill from historic acquisitions related.

The recoverable amounts of the CGUs are based on value in use calculations using the pre-tax cash flows based on forecasts approved by management for 2023. Years from 2024 to 2028 are based on the forecast for 2023 projected forward at expected growth rates, with growth of 2% assumed beyond these years which is line with the long-term growth rates for the United Kingdom. This approach is considered prudent based on current expectations of the 2023 long-term growth rate.

Major assumptions are as follows:

	Parity Professionals Limited %	Parity Consultancy Services Limited %
2022		
Discount rate	17.2	n/a
Forecast revenue growth	4-27	n/a
Operating margin 2022	1	n/a
Operating margin 2023 onward	1.4-4.4	n/a
2021		
Discount rate	11.5	11.5
Forecast revenue growth	5.0-11.5	11.3-14.9
Operating margin 2021	3.3	14.0
Operating margin 2022 onward	4.8-5.8	14.7-15.3

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

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

- There is focused investment in growing new clients and service lines that leverage high value talent pools created by the Group in servicing its existing clients;
- The business plans to invest in additional headcount to support key areas of new business within recruitment and permanent recruitment; and
- Market indicators and recent engagements with clients support the increased demand for high skilled IT and data professionals and help underwrite the growth forecasts.

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

13 Other intangible assets

	Software		Intellectual property		Total	
	2022	2021	2022	2021	2022	2021
	£'000	£'000	£'000	£'000	£'000	£'000
Consolidated						
Cost						
At 1 January	408	408	81	-	489	408
Additions	-	-	107	81	107	81
At 31 December	408	408	188	81	596	489
Accumulated amortisation						
At 1 January	405	402	-	-	405	402
Charge for the year	3	3	-	-	3	3
At 31 December	408	405	-	-	408	405
Net book value	-	3	188	81	188	84

In 2021 and 2022 the Group made an investment in the development of a data warehouse to support the ongoing business operations. The additions to Intellectual Property represent the costs associated with building the data warehouse and creating the data asset within the data warehouse. This development was completed at the end of December 2022.

The Company does not hold any intangible assets.

As at 31 December 2022, neither the Group nor the Company had any capital commitments contracted for but not provided for the purchase of intangible assets (2021: £nil).

14 Property, plant and equipment

	Office equipment		Total	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Consolidated				
Cost				
At 1 January	208	204	208	204
Additions	5	4	5	4
At 31 December	213	208	213	208
Accumulated depreciation				
At 1 January	193	181	193	181
Charge for the year	10	12	10	12
At 31 December	203	193	203	193
Net book value	10	15	10	15

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

As at 31 December 2022, neither the Group nor the Company had any capital commitments contracted for but not provided for the purchase of property, plant and equipment (2021: £nil).

15 Leases

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

	Parity Group plc	
	2022	2021
	£'000	£'000
Right-of-use assets		
Buildings	174	149
IT equipment	-	-
	174	149
Lease liabilities		
Current	203	242
Non-current	14	29
	217	271

Additions to right-of-use assets during the year were £370,000 (2021: £345,000). The total cash outflow for lease liabilities during the year was £434,000 (2021: £490,000).

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

	2022	2021
	£'000	£'000
<i>Depreciation charge on right-of-use assets</i>		
- Buildings	346	414
- IT equipment	-	-
<i>Impairment charge on right-of-use-assets</i>		
- Buildings	-	31
Total depreciation and impairment charge on right-of-use assets	346	445
Rent concession	-	-
Interest expense included in finance costs	9	8

Future minimum lease payments at 31 December 2022 were as follows:

	Minimum payments	Interest	Present value
	2022	2022	2022
	£'000	£'000	£'000
Less than one year	203	0	203
Between one and two years	14	0	14
	217	0	217

At 31 December 2022, the Group was committed to £nil (2021: £nil) of future lease payments in respect of leases not yet commenced.

All leases held during 2022 were accounted for under IFRS 16.

16 Deferred taxation

	Consolidated	
	2022	2021
	£'000	£'000
At 1 January	528	627
<i>Recognised in other comprehensive income</i>		
Remeasurement of defined benefit pension scheme	290	(567)
<i>Recognised in the income statement</i>		
Adjustments in relation to prior periods	(41)	(115)
Recognition of deferred tax asset for prior trading losses	(294)	678
Capital allowances in excess of depreciation	52	2
Other short-term timing differences	(14)	(97)
At 31 December	521	528

The deferred asset of £521,000 (2021: £528,000) comprises:

	Consolidated	
	2022	2021
	£'000	£'000
Depreciation in excess of capital allowances	511	520
Other short-term timing differences	10	8
Trading losses	444	678
Retirement benefit asset	(444)	(678)
	521	528

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.

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 support the unwinding of the deferred tax asset.

At the balance sheet date, the Directors also considered whether recognising a deferred tax asset in Parity Consultancy Services Limited was appropriate. This company has a calculated surplus on its defined benefit pension scheme as at the balance sheet date of £1,269,000. With a statutory tax rate of 35% levied on surplus pension payments paid to employers there is a potential deferred tax liability for 2022 of £444,000 (2021: £678,000). Parity Consultancy Services Limited currently has a deferred tax asset of £240,000 (2021: £272,000) which can be offset against the deferred tax liability to be unwound on the defined benefit scheme.

The Group has unrecognised carried forward tax losses of £32,912,000 (2021: £32,679,000). The Group has unrecognised capital losses carried forward of £282,441,000 (2021: £282,441,000). These losses may be carried forward indefinitely.

The Company has unrecognised carried forward tax losses of £26,781,000 (2021: £26,522,000). The Company has unrecognised capital losses carried forward of £281,875,000 (2021: £281,875,000). These losses may be carried forward indefinitely.

17 Trade and other receivables

	Consolidated		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade receivables	2,746	2,116	-	-
Accrued income	2,283	2,435	-	-
Amounts owed by subsidiary undertakings	-	-	94,850	-
Other receivables	592	75	-	-
Prepayments	288	142	-	-
	5,909	4,768	94,850	-
Amounts falling due after one year:				
Amounts owed by subsidiary undertakings	-	-	-	94,850
Other receivables	-	29	-	-
	-	29	-	94,850
Total	5,909	4,797	94,850	94,850

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

£2,746,000 (2021: £2,116,000) of the Group's trade receivables and £2,283,000 (2021: £2,435,000) 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 2022 totalled £4,356,000 (2021: £2,279,000).

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

	Contract Assets	
	2022	2021
	£'000	£'000
At 1 January	2,435	3,591
Billed and cash received during the year	(2,435)	(3,591)
Amounts accrued at year end	2,283	2,435
At 31 December	2,283	2,435

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

The balance of impaired losses for the Group at 31 December 2022 was £nil (2021: £nil). All debts at 31 December 2022 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 2022 and on subsequent years' forecast projections.

A review of and simplification of the group structure is underway that will result in a consolidation and netting of amounts due to and from subsidiary undertakings and as a result all amounts due to and from subsidiary undertakings are considered as current.

As at 31 December 2022 trade receivables of £2,244,000 (2021: £523,000) were past due but not impaired and relate to customers where there is no evidence of unwillingness or of an inability to settle the debt. Included within the past due amount is £1,479,000 due from a single client, the full amount of which has since been paid by the client. The ageing of Group trade receivables is as follows:

	2022			2021		
	Gross £'000	Impaired £'000	Total £'000	Gross £'000	Impaired £'000	Total £'000
Not past due	502	-	502	1,593	-	1,593
31-60 days and past due	757	-	757	310	-	310
61-90 days	1,165	-	1,165	131	-	131
>90 days	322	-	322	82	-	82
Total	2,746	-	2,746	2,116	-	2,116

The Group applies the IFRS9 simplified approach to measuring expected credit losses which use a lifetime expected loss allowance for all trade receivables and the credit loss is not material.

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	
	2022	2021
	£'000	£'000
Current		
Bank and other borrowings due within one year or on demand:		
Asset-based financing facility	4,356	2,279
Other borrowings	-	-
Total	4,356	2,279

	Loans and borrowings £000
Balance at 1 January 2022	2,279
New borrowings	2,077
Balance at 31 December 2022	4,356

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

19 Trade and other payables

	Consolidated		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Payments in advance	-	11	-	-
Trade payables	2,368	2,494	-	-
Amounts due to subsidiary undertakings	-	-	110,322	15,786
Other tax and social security payables	296	367	77	77
Other payables and accruals	676	736	68	185
	3,340	3,608	110,467	16,048
Amounts falling due after one year:				
Amounts due to subsidiary undertakings	-	-	-	91,043
Total	3,340	3,608	110,467	107,091

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

A review of and simplification of the group structure is underway that will result in a consolidation and netting of amounts due to and from subsidiary undertakings and as a result all amounts due to and from subsidiary undertakings are considered as current liabilities.

20 Provisions

Consolidated	Leasehold dilapidations £'000
At 31 December 2021 and 31 December 2022	42
Due within one year	-
Due after one year	42
Total	42

The Company had no provisions at 31 December 2022 (2021: £nil).

Leasehold dilapidations

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

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 of the amortised cost by category of the financial instruments held by the Group is provided below:

	Amortised cost £'000
Consolidated	
As 31 December 2022	
Financial assets	
Cash and cash equivalents	2,053
Trade and other short-term receivables	5,080
	7,133
Financial liabilities	
Borrowings	4,356
Lease liabilities	217
Trade and other short-term payables	3,044
	7,617
As 31 December 2021	
Financial assets	
Non-current trade and other receivables	29
Cash and cash equivalents	1,121
Trade and other short-term receivables	4,626
	5,776
Financial liabilities	
Asset-based financing facility	2,279
Lease liabilities	272
Trade and other short-term payables	3,597
	6,148

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

	Amortised cost £'000
Company	
As 31 December 2022	
Financial assets	
Non-current trade and other receivables	-
Cash and cash equivalents	1,125
Trade and other short-term receivables	94,850
	95,975
Financial liabilities	
Non-current trade and other payables	-
Trade and other short-term payables	110,467
	110,467

As 31 December 2021

Financial assets

Non-current trade and other receivables	94,850
Cash and cash equivalents	405
Trade and other short-term receivables	-
	95,255

Financial liabilities

Non-current trade and other payables	91,043
Trade and other short-term payables	16,048
	107,091

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

Fair values of financial instruments

The fair values of all of the Group's and the Company's financial instruments are the same as their carrying values.

General objectives, policies and processes – risk management

The Group is exposed through its operations to the following financial instrument risks: credit risk; liquidity risk; interest rate risk; and foreign currency risk.

The policy for managing these risks is set by the Board following recommendations from the Chief Financial Officer. 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 93% of generated revenues from the UK (2021: 94%). Approximately 56% (2021: 69%) of the Group's turnover is derived from the public sector. The largest customer balance represents 35% (2021: 27%) 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.

	2022		2021	
	Carrying value £'000	Maximum exposure £'000	Carrying value £'000	Maximum exposure £'000
Financial assets				
Cash and cash equivalents	2,053	2,053	1,121	1,121
Trade and other receivables	5,080	5,080	4,655	4,655
	7,133	7,133	5,776	5,776

Interest rate risk

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

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

Throughout 2022 the Group's variable rate borrowings were denominated in Sterling and Euro. Interest costs on borrowings from the asset-based financing facility with Leumi ABL in 2022 were charged at 2.0% above base rate (2021: 2.0%) for the borrowing against the billed receivable and 2.9% for borrowings against the unbilled receivable (2021: 2.9%). The Leumi facility has an initial 3 year term of commitment that has recently been extended until October 2025, 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 £39,000 higher/lower (2021: £25,000) and net assets £39,000 lower/higher (2021: £25,000). The Directors consider a 2% 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 2022, the loan balance due by the Company to Parity International BV, translated into Sterling, was £30,426,000 (2021: £28,066,000).

Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group no longer has any active overseas operations but does retain certain overseas subsidiaries that are not trading. The Group's net assets arising from overseas operations are exposed to currency risk resulting in gains or losses on retranslation into sterling. The asset exposure is mainly in respect of intercompany balances.

The Group does not hedge its net investment in overseas operations as it does not consider that the potential financial impact of such hedging techniques warrants the reduction in volatility in consolidated net assets.

The business has limited transactions in foreign currency. The hedging of individual contracts is considered on a case by case basis. Owing to the small value and volume of such contracts no hedging transactions were entered in 2022 or 2021.

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 2022 the Company recorded a translation loss of £1,568,000 (2021: gain of £1,965,000). As at 31 December 2022, the loan balance due by the Company, translated into Sterling, was £30,426,000 (2021: £28,066,000).

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

	Functional currency of individual entity					
	Sterling		Euro		Total	
	2022	2021	2022	2021	2022	2021
Net foreign currency financial assets	£'000	£'000	£'000	£'000	£'000	£'000
Sterling	-	-	(2,548)	(2,462)	(2,548)	(2,462)
Euro	(30,073)	(27,279)	-	-	(30,073)	(27,279)
US Dollar	-	4	-	-	-	4
Total net exposure	(30,073)	(27,275)	(2,548)	(2,462)	(32,621)	(29,737)

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

	Sterling	
	2022 £'000	2021 £'000
Net foreign currency financial assets		
Euro	(30,254)	(27,680)
US Dollar	-	4
Total net exposure	(30,254)	(27,676)

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 £3,007,000 higher/lower (2021: £2,728,000). 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				
	Up to 1 month	Between 1 month and 1 year	Over 1 year	Total
At 31 December 2022	£'000	£'000	£'000	£'000
Trade and other payables	3,340	-	-	3,340
Lease liabilities	203	14	-	217
Borrowings	4,356	-	-	4,356
Total	7,899	14	-	7,899

	Up to 1 month	Between 1 month and 1 year	Over 1 year	Total
At 31 December 2021	£'000	£'000	£'000	£'000
Trade and other payables	3,597	-	-	3,597
Lease liabilities	243	29	-	272
Borrowings	2,279	-	-	2,279
Total	6,119	29	-	6,148

Company				
	Up to 1 month	Between 1 month and 1 year	Over 1 year	Total
At 31 December 2022	£'000	£'000	£'000	£'000
Trade and other payables	110,467	-	-	110,467
Total	110,467	-	-	110,467

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

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

During 2022 the Group used an asset-based finance facility with Leumi ABL which is still being utilised. The facility enables the Group to borrow against both trade debt and accrued income and the current Leumi facility provides for borrowing of up to £9.0m depending on the availability of appropriate assets as security.

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

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

The Group's net debt position is as follows:

Consolidated	2022 £'000	2021 £'000
Cash and cash equivalents	2,053	1,121
Asset-based borrowings	(4,356)	(2,279)
Net debt before lease liabilities	(2,303)	(1,158)
Lease liabilities	(217)	(272)
Net debt	(2,520)	(1,430)

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 (2021: 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 2022, no new ordinary shares were issued (2021: 451,613). No share options were exercised during the year (2021: none).

Share premium reserve

Share premium is the amount subscribed for share capital in excess of nominal value. During 2022 no new ordinary shares were issued (2021: 451,613 at a premium of 5.75p per share).

Capital redemption reserve

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

Other reserves

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

Retained earnings

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

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 during the year were £74,000 (2021: £86,000).

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 10 years (2021: 13 years) and can be attributed to the scheme members as follows:

	Number of members	Weighted average liability duration (years)
Pensioner members	62	9.9
Deferred members	5	13.8
Total	67	10

There was one retirement during the year (2021: none). There was a reduction by one member during the year (2021: reduction of two members).

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. Contribution levels were revised in September 2022. Contributions of £13,574 per month, increasing in line with the increase in RPI in the 12 months ended in the previous September, are to be paid, with the first increase in January 2023. The final contribution will be in October 2024. There will also be contributions to meet the scheme's running costs based on a budget agreed between the trustees of the scheme and the Group. For the year total contributions including contributions to running costs were £331k (2021: £322k) Funding requirements are formally set out in the Statement of Funding Principles, Schedule of Contributions and Recovery Plan agreed between the Trustees and the Group.

The valuation for IAS 19 has been provided by Cartwright Group Limited, a company that specialises in providing actuarial services, as at 31 December 2022.

	2022	2021
Rate of increase of pensions in payment	3.6-3.9%	3.8-4.0%
Discount rate	4.8%	1.9%
Retail price inflation	3.2%	3.6%
Consumer price inflation	2.2%	2.6%

The assumption for future investment returns is 1.8% (2021: 2.0%).

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_2021 projection based on year of birth with a long-term rate of improvement of 1.25% p.a. (2021: CMI_2020 and 1.25% p.a.). This results in the following life expectancies:

- Male aged 65 at 31 December 2022 has a life expectancy of 86.5 years (2021: 86.4 years)
- Female aged 65 at 31 December 2022 has a life expectancy of 88.8 years (2021: 88.8 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 (2021: £20,000), first recognised as a past service cost recognised in the income statement for the year ended 31 December 2018.

Reconciliation to consolidated statement of financial position

	2022 £'000	2021 £'000
Fair value of plan assets	16,734	24,478
Present value of funded obligations	(15,465)	(22,539)
At the end of the year	1,269	1,939

Reconciliation of plan assets

	2022 £'000	2021 £'000
At the beginning of the year	24,478	25,143
Expected return	455	320
Contribution by Group	331	322
Benefits paid	(978)	(964)
Expenses met by scheme	(196)	(213)
Actuarial loss	(7,356)	(130)
Plan assets at the end of the year	16,734	24,478

Contributions to the scheme included £nil of additional payments (2021: £nil). The actuarial loss on plan assets relates to the fall in value of the scheme's investments reflecting uncertainty in global equity markets experienced in 2022.

Composition of plan assets

	2022 £'000	2021 £'000
Diversified growth funds – Quoted	16,607	24,308
Liability driven investment funds – Quoted	-	-
Options in Parity Group plc	96	96
Cash	31	74
Total plan assets	16,734	24,478

Reconciliation of plan liabilities

	2022 £'000	2021 £'000
At the beginning of the year	22,539	24,935
Interest cost	419	318
Benefits paid	(978)	(964)
Actuarial gain	(6,515)	(1,750)
Plan liabilities at the end of the year	15,465	22,539

Amounts recognised in the consolidated income statement

	2022 £'000	2021 £'000
<i>Included in finance costs</i>		
Expected return on plan assets, net of expenses	259	107
Unwinding of discount on plan liabilities (interest cost)	(419)	(318)
Net finance costs in respect of post-retirement benefits	(160)	(211)

Amounts recognised in the consolidated statement of comprehensive income

	2022 £'000	2021 £'000
Actuarial loss on plan assets	(7,356)	(130)
Actuarial gain on plan liabilities	6,515	1,750
Remeasurement of defined benefit pension scheme	(841)	1,620

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

Defined benefit obligation trends

	2022 £'000	2021 £'000	2020 £'000	2019 £'000	2018 £'000
Plan assets	16,734	24,478	25,143	22,670	20,099
Plan liabilities	(15,465)	(22,539)	(24,935)	(23,562)	(22,041)
Surplus/(deficit)	1,269	1,939	208	(892)	(1,942)
Experience adjustments on assets	(7,356)	(130)	2,943	2,761	(1,586)
	(30.0%)	(0.5%)	13.3%	13.9%	(7.3%)
Experience adjustments on liabilities	6,515	1,750	(1,902)	(1,830)	581
	28.9%	7.2%	(8.3%)	(8.4%)	2.6%

Sensitivity analysis

	Liabilities £'000	Assets £'000	Surplus/(deficit) £'000	Increase/ (decrease) in surplus £'000
Effect of change in assumptions				
No change	15,465	16,734	1,269	-
0.25% rise in discount rate	14,955	16,734	1,779	510
0.25% fall in discount rate	15,975	16,734	759	(510)
0.25% rise in inflation	15,527	16,734	1,207	(62)
0.25% fall in inflation	15,403	16,734	1,331	62

24 Share capital

Authorised share capital

	Ordinary shares 2p each 2022 Number	2022 £'000
Authorised at 1 January and 31 December	409,044,603	8,181

	Ordinary shares 2p each	
	2022	2022
	Number	£'000
Issued and fully paid at 1 January	103,075,633	2,062
Shares issued during the year	-	-
Issued and fully paid at 31 December	103,075,633	2,062

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 the 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 Director, Recruitment Business. The total remuneration received by key management for 2022 was £574,000 (2021: £1,118,000). 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 Michael Johns, is disclosed in detail within the remuneration report on page 30.

	2022	2021
	£'000	£'000
Short-term employee benefits	503	843
Post-employment benefits	21	32
Compensation for loss of office	-	308
Share-based payments (note 9)	50	(65)
	574	1,118

27 Related party transactions

Consolidated

During the year the Group continued to use the marketing services of CRM Squad. The Executive Chairman Mark Braund is an owner and Director of CRM Squad. The total value of services received from CRM squad in 2022 is £66,530. (2021: £12,180).

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 below:

	Operating expenses	Finance income	Finance expense	Operating expenses	Finance income	Finance expense
	2022	2022	2022	2021	2021	2021
	£'000	£'000	£'000	£'000	£'000	£'000
Expenses incurred from Group subsidiaries	(162)	-	(2,198)	(208)	-	(1,350)
Income generated from Group subsidiaries	-	1,886	-	-	1,181	-

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

	2022 £'000	2021 £'000
Amounts owed by subsidiary undertakings (note 17):		
Falling due within one year	94,850	-
Falling due after one year	-	94,850
Amounts due to subsidiary undertakings (note 19):		
Falling due within one year	(110,322)	(15,786)
Falling due after one year	-	(91,043)

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. Parity Holdings Limited is a direct subsidiary of Parity Group plc and is incorporated in the United Kingdom. All of the above entities have their registered office at 82 St John Street London EC1M 4JN.

For the year ended 31 December 2022 Parity Group plc has provided a guarantee in respect of all liabilities due by the following subsidiaries:

Parity Holdings Limited
Parity Consultancy Services Limited
Parity Professionals Limited
Parity Eurosoft Limited

This entitles them to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Parity Professionals Limited is a specialist IT and data recruitment services company. Parity Consultancy Services Limited provides IT and data services including consultancy and value-added recruitment services.

During 2022, management continued to simplify the group structure. All UK dormant companies have been wound up and will be struck off in due time.

The Company's investment in continuing subsidiaries was reviewed for impairment at the balance sheet date based on the performance of 2022 and on subsequent years' forecast projections. A discounted future cash flow method was employed for the review. As a result of this review, a provision £4,525,000 was made. The provision is equal to the value of the investment in Parity Consultancy Limited held by Parity Holdings Limited and reflects the refocus of the business away from consultancy activities to its core recruitment solutions. The carrying value of the investment is £16,002,000 (2021: £20,527,000). The assessment was performed on a value in use basis using discount rates of 17.24% (2021: 11.5%) 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, and are wholly owned by the Group ultimate parent Parity Group plc.

Parity Eurosoft Limited (registered office 82 St John Street, London EC1M 4JN)
Parity International BV (registered at Keizersgracht 62-64, 1015 CS Amsterdam, Netherlands)
Parity Limited (registered office 82 St John Street, London EC1M 4JN)
Parity Resources Limited (registered office 82 St John Street, London EC1M 4JN)
Parity Solutions (Dublin 1999) Limited (registered at 13-18 City Quay, Dublin 2 D02 ED70, Ireland)
Parity Solutions (Ireland) Limited (registered at Forsyth House, Cromac Square, Belfast, Northern Ireland, BT2 8LA)
Personnel Solutions Inc. (registered at 39 Broadway, New York, NY10006, USA)
Teltech International Corp. (registered at 39 Broadway, New York, NY10006, USA)