PARITY GROUP PLC

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

16 May 2023

Parity Group plc ("Parity" or the "Group"), the data and technology focused professional services business, announces its full year results for the year ended 31 December 2022.

Headlines

In 2022, we completed the transformation of the business, refocusing on its core recruitment strengths. We have delivered a significantly improved operating performance despite the expected reduction in net fee income during the year and have rebuilt a highly motivated, lean and, capable team that is supported by a flexible and scalable infrastructure.

- Significantly improved operating performance with Adjusted EBITDA of £0.4m vs £0.1m in the prior year.
- Net Fee Income for 2022 of £3.5m compared to £4.1m in 2021.
- Break even at adjusted operating profit level compared to a £0.3m loss in the prior year.
- Other income in FY2022 of £1m from the sale and licence back of the Parity trademarks in the UK and EU.
- As a result of the refocus back to recruitment, historic goodwill associated with consulting activities acquired in 1999 was impaired with a £2m charge.
- As a result of the goodwill impairment charge Loss before tax for 2022 was £1.3m compared to £1.1m in 2021.

Key Financials

Key financials for 2022 GBP million	**2022**	**2021**
Revenue	40.6	47.0
Net Fee Income	**3.5**	4.1
Adjusted EBITDA [1]	**0.4**	0.1
Adjusted Operating loss [2]	(0.0)	(0.3)
Loss before tax	(1.3)	(1.1)
Net debt (£million) [3]	(2.3)	(1.2)

Notes

1 - Adjusted EBITDA is calculated as Operating profit excluding Amortisation and Depreciation, share based payments and non underlying items

2 - Adjusted operating loss is calculated as Operating loss excluding non underlying items

3 - Net debt represents cash and cash equivalents less loans and borrowings and excluding leases

Mark Braund, Executive Chairman of Parity Group plc, said:

“2022 has seen us complete the shift back to focus on recruitment and reshape the organisation, ensuring that we have a structure that is both efficient and scalable. In amongst all the change, we have continued to invest in our teams and develop our staff, cementing our culture and a much-improved focus on what we are ‘great’ at.

The additional funding from the sale of the trademark has given us scope to make investments in new business areas to drive longer-term sustainable profit and growth.

In 2023 we are looking to build on the investments we have and continue to make in new business areas and will also explore other opportunities to support the long term development of the business and shareholder value.”

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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.

Operational and Financial Review

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		
	Adjusted 1	Reported	Adjusted 1	Reported	Variance 2
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 leases

The financial performance in 2022, as illustrated by the key performance indicators included in the table above and set out in the Directors' report, 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.

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.

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.

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.

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			
Items that will never be reclassified to profit or loss			
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

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

Consolidated	**Share capital £'000**	**Share premium reserve £'000**	**Capital redemption reserve £'000**	**Other reserves £'000**	**Retained earnings £'000**	**Total £'000**
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**

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

Statements of Cash Flows for the year ended 31 December 2022

		Consolidated	
	Notes	**2022 £'000**	2021 £'000
Operating activities			
(Loss)/profit for the year		**(1,715)**	(636)
Adjustments for:			
Net finance expense/(income)	8	**310**	281
Share-based payment expense/(credit)	9	**50**	(64)
Income tax charge/ (credit)	10	**376**	(467)
Amortisation of intangible assets	13	**3**	3
Shares issued in lieu of Directors fees	22	**-**	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	**-**	-
Impairment of goodwill	12	**1,952**	-
		1,332	(391)
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)
(Decrease) in provisions	20	**-**	(139)
Payments to retirement benefit plan	23	**(331)**	(322)
Net cash flows used in operating activities		**(454)**	(749)
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		**-**	-
Interest paid	8	**(144)**	(65)
Net cash flows from/(used in) financing activities		**1,500**	(1,217)
Net increase/(decrease) in cash and cash equivalents		**932**	(2,051)
Cash and cash equivalents at the beginning of the year		**1,121**	3,172
Cash and cash equivalents at the end of the year		**2,053**	1,121

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 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. 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.

<u>Adjusted Operating loss</u>		
(£ 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)	**2022**	**2021**
Net loss before tax	(1,339)	(1,103)
Add back non underlying items:		
goodwill impairment	1,952	0
income from trademark sale	(950)	0
non underlying costs	23	553
Adjusted net loss before tax	**(314)**	**(550)**
Net profit/(loss) before tax and before goodwill impairment	613	(1,103)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Leased assets

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

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

Provisions

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

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

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

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

Pensions

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

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

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

Share capital

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

(a) they include no contractual obligations upon the company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company (or Group); and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

For the purposes of the disclosures given in note 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	2021
	£'000	£'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	2021
	£'000	£'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

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

	Grant Thornton UK LLP	
	2022	2021
Consolidated	£'000	£'000
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).

8 Finance costs

	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	2021
	£'000	£'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	**Tax**	**After tax**	Before tax	Tax	After tax
	£'000	**£'000**	**£'000**	£'000	£'000	£'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.

	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.

As at 31 December 2022, the Group had no 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

As at 31 December 2022, the Group had no 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:

	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
Depreciation charge on right-of-use assets		
- Buildings	**346**	414
- IT equipment	**-**	-
Impairment charge on right-of-use-assets		
- 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 2022 £'000	**Interest 2022 £'000**	**Present value 2022 £'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
Recognised in other comprehensive income		
Remeasurement of defined benefit pension scheme	**290**	(567)
Recognised in the income statement		
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.

17 Trade and other receivables

	Consolidated	
	2022	2021
	£'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	**-**	-
Other receivables	**592**	75
Prepayments	**288**	142
	5,909	4,768
Amounts falling due after one year:		
Amounts owed by subsidiary undertakings	**-**	-
Other receivables	**-**	29
	-	29
Total	**5,909**	4,797

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.

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	**Impaired**	**Total**	Gross	Impaired	Total
	£'000	**£'000**	**£'000**	£'000	£'000	£'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.

Other receivables in the Group 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

Changes in liabilities from financing activities

	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	
	2022	2021
	£'000	£'000
Amounts falling due within one year:		
Payments in advance	**-**	11
Trade payables	**2,368**	2,494
Amounts due to subsidiary undertakings	**-**	-
Other tax and social security payables	**296**	367
Other payables and accruals	**676**	736
Total	**3,340**	3,608

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**

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.

21 Financial instruments – risk management

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

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

Principal financial instruments

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

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

Consolidated	Amortised cost £'000
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

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.

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)

Sensitivity analysis – Group

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		**Between 1**		
	Up to	**month and**	**Over**	
At 31 December 2022	**1 month**	**1 year**	**1 year**	**Total**
	£'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**

		Between 1		
	Up to	month and	Over	
At 31 December 2021	1 month	1 year	1 year	Total
	£'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

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:

	2022	2021
Consolidated	**£'000**	£'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.

Principal actuarial assumptions

	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
Included in finance costs		
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	2021
	£'000	£'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	2021	2020	2019	2018
	£'000	£'000	£'000	£'000	£'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

Effect of change in assumptions	**Liabilities £'000**	**Assets £'000**	**Surplus/(deficit) £'000**	**Increase/ (decrease) in surplus £'000**
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	**2022**
	Number	**£'000**
Authorised at 1 January and 31 December	**409,044,603**	**8,181**

Issued share capital

	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.

	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).