16 April 2020

PARITY GROUP PLC

FULL YEAR RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

Parity Group plc ("Parity" or the "Group"), the data and technology focussed professional services business, announces its full year results for the year ended 31 December 2019.

2019 Financial Headlines:

- Group revenues £80.4m (2018: £86.1m)
- Adjusted profit before tax[1] £115k (2018: £853k)
- Loss before tax £1,057k (2018: profit before tax £358k)
- Continued positive cash flow from operations of £3.4m (2018: £0.6m)
- Net cash positive at year end £0.9m (2018: net debt of £1.1m)

1 Adjusted profit before tax is defined as profit before tax and non-recurring items

2019 Strategic and Operational Headlines:

- **Significant business restructuring delivers gross £3.3m of annualised cost savings**
    - Cost savings higher than anticipated
    - Net annualised cost savings, after reinvestment in new team, of £2.0m
    - Staff numbers reduced by net 44%
    - Started shift to flexible and scalable outsourced operating model
- **Investment in new team to drive new higher margin business model**
    - Focus on consultancy and higher margin recruitment
    - New heads of consultancy and resourcing delivering new opportunities
    - Dedicated Learning & Development offer within consultancy service
- **Refreshed market proposition and brand gaining good traction with clients**
    - Good progress in securing government and private sector data services work including NHS Digital and NHS Health Data Research and consulting work supporting BooHoo.com
    - Brand relaunched with more active communications and reputation management

2020 Outlook:

Board unable to forecast with any certainty 2020 revenue and profit before tax performance at this time in light of ongoing Covid-19 uncertainties

- Covid-19 impacts will, in part, be mitigated by cost savings already achieved in 2019
- Further organisational design and process mapping work instigated before the pandemic will deliver additional gross annualised savings, targeted to be £700k, in 2020
- In direct response to the pandemic, management have agreed a 20% reduction in salaries with all Directors and staff for the three months starting 1 April 2020
- Management are conducting a daily review of Covid-19 impacts with clients and contractors to assess supply and demand in as close to real time as possible. This review

process is designed to give the advanced warning required to be able to manage impacts on the business and to help clients fill potential gaps in their workforces

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

John Conoley, Non-Executive Chairman of Parity Group, said:

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

"Parity's business is heavily weighted towards the public sector, which accounted for approximately 70% of revenues in 2019. We are already seeing signs that Government expenditure will be more resilient as much of it is aligned to the provision of key public services. However due to the ongoing uncertainty caused by Covid-19, Parity expects there will be an impact on revenues for the current year, the exact extent of this impact remains impossible to quantify at this stage.

"In 2019 we made great progress in implementing our new strategy and the transformation of our business is on track. We have moved to a new business model, taken a significant level of cost out of the business and invested in new talent. That we have been able to achieve such a significant organisational change whilst still reporting a modest adjusted profit before tax, and improving our cash position, gives us confidence in the future of the business."

Matthew Bayfield, Chief Executive, said:

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

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

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

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

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This announcement contains certain statements that are or may be forward-looking with respect to the financial condition, results or operations and business of Parity Group plc. By their nature forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to (i) adverse changes to the current outlook for the UK IT recruitment and solutions market, (ii) adverse changes in tax laws and regulations, (iii) the risks associated with the introduction of new products and services, (iv) pricing and product initiatives of competitors, (v) changes in technology or consumer demand, (vi) the termination or delay of key contracts and (vii) volatility in financial markets.

Chairman's report

2019 – Transformation on track

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

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

Strategy

Our strategy is a reflection of our client's needs. Data is a huge challenge for businesses; the volume of data in data centre storage is five times higher than it was five years ago and that rate of growth is forecast to continue. For businesses, that makes decision making more complex and the analysis of data more difficult, and to make matters more challenging, data analytic skills are scarce and data gurus at a premium.

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

Board and people

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

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

Results

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

Financing and dividend

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

Current trading and outlook

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

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

However in light of the ongoing Covid-19 the Board is unable to forecast with any certainty 2020 revenue and profit before tax performance at this time. We anticipate that Covid-19 impacts will, in part, be mitigated by cost savings already achieved in 2019 and further organisational design and process mapping work instigated before the pandemic will deliver additional savings in 2020.

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

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

Chief Executive's statement

A restructured business, focussed on growth

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

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

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

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

- refresh our senior management with new skills in consulting, learning and development and marketing;
- implement a new single operating model;
- refresh the Parity brand and upgrade our web presence;
- review the role of technology in recruitment services and investigate how AI can help us keep ahead of market changes;
- create a new business function; and
- set out to reduce our overheads both to be able to afford the investment required and to improve the company's net margins and cash position.

Progress on many fronts

Stronger financially

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

The cost of achieving these savings was a restructuring charge of £1.2m in the full year, we will see a return on the cost of these net savings in less than 8 months. We were also able to implement these cost savings whilst making a significant further improvement to our net cash position. Helped by a reduction in working capital, we generated £3.4m of cash from operations during the year and were net cash positive at the year end. The business is now less constrained by debt, this enables us to plan for the future with greater confidence.

A refreshed and strengthened management team

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

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

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

Lee-Ann Falconer joined as Head of Resourcing earlier this year with a wealth of experience within resourcing, recruitment and leadership across a number of sectors. Based in Edinburgh, Lee-Ann is helping us to focus our recruitment business on higher margin briefs, specialising in real data experts who we can identify from our growing community.

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

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

A new business model and refreshed brand

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

- **Data Solutions.** We help our clients architect and develop their data strategy, designing and delivering data solutions that drive confident commercial decision making.
- **People Solutions.** We understand the people who understand data. With the most experienced community of talent in the market, we can help our clients build a team of data experts and leaders to transform their businesses.
- **Development Solutions.** We can help our clients become data driven organisations. Through training, shaping and developing their existing teams' skills and behaviours to deliver high performance even within complex data environments.

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

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

Artificial Intelligence (AI) in our market place

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

In November we announced a strategic partnership with Integumen which we believe will help accelerate Parity's transformation from a predominantly commoditised recruitment business to a data consultancy service provider of intelligent data management systems, extracting value using analytics, with a focus on return on investment for our clients. Integumen's proprietary software includes full GDPR compliance with secure cloud data migration from existing legacy systems to a digital workplace through the military grade encryption "Drive4Growth" AI platform powered by Integumen's Rinodrive.

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

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

Building a higher margin business

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

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

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

Conclusion

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

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

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

Operational and Financial Review

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

	2019 £000's	2018 £000's
Key Financials		
Revenue	**80,409**	86,112
Adjusted profit before tax[1]	**115**	853
Net cash/(debt)	**899**	(1,090)

1 Adjusted profit before tax is defined as profit before tax and non-recurring items

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

Adjusted profit before tax fell to £0.1m from £0.9m as a result of lower contract recruitment revenues and also due to 2018 including revenues from the MoD MCOCS consultancy project. The Group has taken action on overheads during the year, primarily people costs, achieving an annualised net cost out of £2.0m. The majority of the cost actions were taken in Q2 2019 and Q3 2019 with only a partial impact to the 2019 results.

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

Segmental performance

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

Reconciliation of external contribution to operating profit

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

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

Recruitment

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

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

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

Consultancy

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

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

Selling and Administrative Costs

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

Depreciation and Amortisation

In accordance with IFRS 16, the 2019 results are presented with lease assets and liabilities recognised in the Group's Statement of Financial Position, where the Group is the lessee. Consequently, depreciation and amortisation include £0.7m of expenses that were classified as operating expenses in 2018.

Non-recurring items

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

Taxation

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

Discontinued operations

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

Earnings per share and dividend

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

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

Statement of Financial Position

Trade and other receivables

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

Trade and other payables

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

Loans and borrowings

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

Cash flow and net debt

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

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

Defined Benefit Pension Deficit

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

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

Consolidated Income Statement for the year ended 31 December 2019

	Notes	Before non-recurring items 2019 £'000	Non-recurring items (note 5) 2019 £'000	**Total 2019 £'000**	Before non-recurring items 2018 £'000	Non-recurring items (note 5) 2018 £'000	**Total 2018 £'000**
Continuing operations							
Revenue	3	80,409	-	**80,409**	86,112	-	86,112
Employee benefit costs	4	(4,876)	(867)	**(5,743)**	(5,976)	(299)	(6,275)
Depreciation, amortisation and impairment	4	(806)	(142)	**(948)**	(194)	-	(194)
All other operating expenses	4	(74,280)	(163)	**(74,443)**	(78,724)	(196)	(78,920)
Total operating expenses		(79,962)	(1,172)	**(81,134)**	(84,894)	(495)	(85,389)
Operating profit/(loss)		447	(1,172)	**(725)**	1,218	(495)	723
Finance costs	7	(332)	-	**(332)**	(365)	-	(365)
Profit/(loss) before tax		115	(1,172)	**(1,057)**	853	(495)	358
Tax (charge)/credit	9	(149)	124	**(25)**	(16)	79	63
(Loss)/profit for the year from continuing operations		(34)	(1,048)	**(1,082)**	837	(416)	421
Discontinued operations							
Loss from discontinued operations after tax	8	-	-	**-**	(381)	-	(381)
(Loss)/profit for the year attributable to owners of the parent		(34)	(1,048)	**(1,082)**	456	(416)	40

	Notes	2019	2018
(Loss)/earnings per share – Continuing operations			
Basic	10	(1.05p)	0.41p
Diluted	10	(1.05p)	0.41p
(Loss)/earnings per share – Continuing and discontinued operations			
Basic	10	(1.05p)	0.04p
Diluted	10	(1.05p)	0.04p

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

	Notes	**2019 £'000**	2018 £'000
(Loss)/profit for the year		**(1,082)**	40
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**-**	(3)
Items that will never be reclassified to profit or loss			
Remeasurement of defined benefit pension scheme		**931**	(1,005)
Deferred taxation on remeasurement of defined pension scheme	12	**(158)**	171
Other comprehensive income/(expense) for the year after tax		**773**	(837)
Total comprehensive expense for the year attributable to owners of the parent		**(309)**	(797)

Consolidated Statement of Changes in Equity for the year ended 31 December 2019

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

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

Consolidated Statement of Financial Position as at 31 December 2019

	Notes	2019 £'000	2018 £'000
Assets			
Non-current assets			
Goodwill	11	**4,594**	4,594
Other intangible assets		**32**	86
Property, plant and equipment		**43**	69
Right-of-use assets		**395**	-
Deferred tax assets	12	**970**	1,153
Total non-current assets		**6,034**	5,902
Current assets			
Trade and other receivables		**6,739**	12,018
Cash and cash equivalents		**4,116**	5,829
Total current assets		**10,855**	17,847
Total assets		**16,889**	23,749
Liabilities			
Current liabilities			
Loans and borrowings		**(2,719)**	(6,919)
Lease liabilities		**(325)**	-
Trade and other payables		**(6,012)**	(8,261)
Provisions		**(324)**	(43)
Total current liabilities		**(9,380)**	(15,223)
Non-current liabilities			
Lease liabilities		**(173)**	-
Provisions		**(21)**	(20)
Retirement benefit liability		**(892)**	(1,942)
Total non-current liabilities		**(1,086)**	(1,962)
Total liabilities		**(10,466)**	(17,185)
Net assets		**6,423**	6,564

Shareholders' equity		
Called up share capital	**2,053**	2,053
Share premium reserve	**33,244**	33,244
Capital redemption reserve	**14,319**	14,319
Other reserves	**34,560**	34,560
Retained earnings	**(77,753)**	(77,612)
Total shareholders' equity	**6,423**	6,564

Consolidated Statement of Cash Flows for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Operating activities			
(Loss)/profit for the year		**(1,082)**	40
Adjustments for:			
Net finance expense	7	**332**	365
Share-based payment expense		**162**	129
Income tax charge/(credit)	9	**25**	(236)
Amortisation of intangible assets		**52**	165
Depreciation of property, plant and equipment		**56**	53
Depreciation and impairment of right-of-use assets		**840**	-
Loss on write down of assets		**16**	-
Loss on disposal of subsidiary		**-**	306
		401	822
Working capital movements			
Decrease in trade and other receivables		**5,233**	204
(Decrease)/increase in trade and other payables		**(2,249)**	(141)
Increase in provisions		**282**	45
Payments to retirement benefit plan		**(249)**	(326)
Net cash flows from/(used in) operating activities		**3,418**	604
Investing activities			
Purchase of intangible assets		**-**	(14)
Purchase of property, plant and equipment		**(44)**	(35)
Net proceeds from disposal of subsidiary		**-**	114
Net cash flows (used in)/from investing activities		**(44)**	65
Financing activities			
Issue of ordinary shares		**-**	43
(Repayment)/drawdown of finance facility		**(4,192)**	330
Principal repayment of lease liabilities		**(764)**	-
Interest paid	7	**(131)**	(181)
Net cash flows (used in)/from financing activities		**(5,087)**	192
Net (decrease)/increase in cash and cash equivalents		**(1,713)**	861
Cash and cash equivalents at the beginning of the year		**5,829**	4,968
Cash and cash equivalents at the end of the year		**4,116**	5,829

Notes to the audited preliminary results

1 Accounting policies

Basis of preparation

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

The financial information set out in these audited preliminary results constitutes the Group's audited consolidated accounts for 2019 and 2018. The notes in these audited preliminary results have been extracted from the Group's audited consolidated accounts for the year ended 31 December 2019.

The financial information set out in these audited preliminary results has been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The policies have been consistently applied to all the years presented unless otherwise stated.

The financial statements have been prepared on a going concern basis. The Directors have reviewed the Group's cash flow forecasts for the period to 31 December 2021, taking account of reasonably possible changes in trading performance, including potential downsides from the impact of Covid-19. Downside sensitivities have included reduced levels of new business, lower contractor extensions and reduced contractor utilisation in the event that some contractors are unable to work or have their contracts terminated. In these scenarios, the Directors do not anticipate issues with the Group's financing requirements. The Group is currently well capitalised with its financing facility providing a comfortable level of headroom. Measures have already been taken to protect the Group from a downturn in revenues and there are further mitigating actions which would be taken if required. Nevertheless, the Directors acknowledge the significant uncertainty caused by the Covid-19 pandemic and are closely monitoring the outlook for the Group. The Directors cannot be certain as to the severity and duration of these impacts and therefore there is a material uncertainty which may cast significant doubt on the Group's and parent company's going concern.

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

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

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

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

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

2 Segmental information

Factors that management used to identify the Group's reporting segments

In accordance with IFRS 8 'Operating Segments' the Group's management structure, and the reporting of financial information to the Chief Operating Decision Maker (the Group Board), have been used as the basis to define reporting segments.

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

During the period, the Group initiated a strategic reorganisation such that reporting of financial information to the Chief Operating Decision Maker (the Group Board) by operating segments changed. In 2019 the Group derived revenue from two operating segments, being Recruitment (previously Parity Professionals) and Consultancy (previously Parity Consultancy Services). These service lines are supported by a single sales, marketing and back office function. Accordingly, internal overheads are not allocated to service lines. In accordance with IFRS 8 'Operating Segments', segmental information from prior periods has been restated.

The Group's operating segments are defined as follows:

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

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

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

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

Measurement of operating segment contribution

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

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

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

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

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

All segment assets and liabilities are based in the UK.

3 Revenue

All of the Group's revenue derives from contracts with customers. Trade receivables, amounts recoverable on contracts and accrued income arise from contracts with customers. Changes to the Group's contract assets are attributable solely to the satisfaction of performance obligations.

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

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

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

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

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

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

4 Operating expenses

Continuing operations	**2019 £'000**	2018 £'000
Employee benefit costs		
- wages and salaries	**5,008**	5,478
- social security costs	**576**	623
- other pension costs	**159**	174
	5,743	6,275
Depreciation, amortisation and impairment		
Amortisation of intangible assets - software	**52**	155
Depreciation of leased property, plant and equipment	**7**	11
Depreciation of owned property, plant and equipment	**49**	28
Depreciation of right-of-use assets	**698**	-
Impairment of right-of-use assets	**142**	-
	948	194
All other operating expenses		
Contractor costs	**72,031**	76,067
Sub-contracted direct costs	**271**	363
Operating lease rentals - plant and machinery	**-**	8
- land and buildings	**-**	661
Other occupancy costs	**170**	156
IT costs	**317**	326
Net exchange loss/(gain)	**13**	(6)
Equity settled share-based payment charge	**162**	129
Other operating costs	**1,479**	1,216
	74,443	78,920
Total operating expenses	**81,134**	85,389

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

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

All other services have been performed in the UK.

5 Non-recurring items

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

Non-recurring items during 2019 included:

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

Non-recurring items during 2018 included:

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

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

6 Average staff numbers

	2019 Number	2018 Number
Continuing operations		
Recruitment – United Kingdom[1]	**60**	86
Consultancy – United Kingdom, including corporate office[2]	**16**	23
	76	109
Discontinued operations		
Consultancy[3]	**-**	15

[1] Includes 18 (2018: 20) employees providing shared services across the Group

[2] Includes 4 (2018: 4) employees of the Company

[3] 2018 average for 4 months

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

7 Finance costs

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

The interest expense on financial liabilities represents interest paid on the Group's asset-based financing facilities. A 1% increase in the base rate would have increased annual borrowing costs by approximately £26,000 (2018: £37,000).

8 Discontinued operations

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

9 Taxation

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

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

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

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

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

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

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

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

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

10 Earnings per ordinary share

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

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

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

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

11 Goodwill

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

Carrying amounts are as follows:

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

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

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

Major assumptions are as follows:

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

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

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

- The CGU is the focal point of the Group's strategy and growth plans;
- The CGU is relatively small so higher rates of growth are achievable from a smaller base;

- The business has invested in new senior hires and new marketing and branding to focus on consultancy opportunities; and
- New client wins in 2019 and contract extensions help to underwrite the growth forecasts.

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

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

12 Deferred taxation

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

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

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

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

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

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

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

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

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

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

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

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