

PARITY CONSULTANCY SERVICES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021



PARITY CONSULTANCY SERVICES LIMITED

COMPANY INFORMATION

Directors	M Johns	(Appointed 30 June 2020)
	M Bayfield	(Resigned 9 June 2021)
	M Braund	(Appointed 9 June 2021)

Company number	00969618
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Registered office	82 St John Street London EC1M 4JN
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Auditor	Grant Thornton UK LLP 30 Finsbury Square London EC2A 1AG
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PARITY CONSULTANCY SERVICES LIMITED

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PARITY CONSULTANCY SERVICES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present the strategic report for the year ended 31 December 2021.

Results and dividend

The company's loss for the year before tax was £1,138,000 (2020: £865,000). The loss for the year after tax was £537,000 (2020: £928,000). The Directors do not recommend the payment of a dividend (2019: £0).

Review of the business and future developments

Parity Consultancy Services provides data and technology solutions to its clients ranging from recruitment based solutions to managed services. The Company is focused on growing its recruitment related services, including its permanent recruitment revenue and value added services providing a hybrid recruitment solution to clients.

In 2021 the business has been impacted by the continuing Covid-19 pandemic and strategy to increase data led consultancy failing to ignite. Following a change in management within the Parity Group the Company has realigned its business to support the Group's focus on recruitment related services.

Key clients during the year included the Department of Education and BAT, with contract renewals at both clients extending into 2022.

As part of the management change and strategy review for Parity Group during the year, operating costs were realigned, reducing costs during the second half of 2021 and providing the opportunity to invest in new business opportunities in 2022. This is over and above the cost reduction made over the last 3 years as the Parity Group streamlined and improved its operational efficiency.

On 20 April 2021 the Company signed an agreement with Leumi ABL for a new 3-year £9m ABL facility. The new facility increases the amount that can be borrowed against receivables and crucially the Group will only pay fees on amounts it borrows (under the expiring PNC facility the Group were charged a 1% fee for any unutilised facility). The new facility has a fixed rate for borrowing of 2% above base for receivables (expiring PNC facility has a rate of 2% above base for receivables and an additional 1% charge for unutilised funds). It is expected that the new terms will reduce annual borrowing costs and the increase in amounts that can be borrowed against receivables will give the group greater flexibility when utilising the facility.

The Covid-19 pandemic created uncertainty for the business in 2020 and 2021, however it has remained fully operational throughout. While uncertainties remain as to the macro-economic impact of the pandemic, the business is now leaner and more efficient and well placed when the market recovers to capitalise on revenue growth opportunities that deliver increased profitability.

PARITY CONSULTANCY SERVICES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Risks and uncertainties

There are a number of potential risks and uncertainties that could have an adverse impact on the company's long-term performance. Risk management is seen as an important element of internal control and is used to mitigate the company's exposure to such risks. The Company's risk management is an integral part of the Parity Group risk review process. The key risks facing the business and how we address them are outlined below.

Impact of Covid-19 and macro-economic uncertainty		
Risk	Mitigation	Status
Whilst the primary risk of the Covid pandemic is generally agreed to have passed, there is a residual effect as Covid continues to result in a higher than normal number of lost working days due to sickness. The lost working days, if continued for a prolonged period, could result in a material loss of revenue.	The Board recognise that the risk to the Company from Covid has been mitigated to date by a client base weighted towards the public sector (with government expenditure having been more resilient as it supports key public services) and core revenue being generated by a highly skilled contractor base. These contractors are able to carry out their work remotely from a client and therefore it is expected that with the reducing seriousness of Covid infections any future lost working days will be limited as contractors can continue to work even if isolating at home.	Reduced
Strategy fails to deliver anticipated growth		
Risk	Mitigation	Status
The Company's anticipated growth may not be achievable if the Group is unable to implement its strategy effectively.	The Board seeks to mitigate this through a robust assessment of its opportunities, the feedback from its clients and potential clients, clear priorities and focus on delivering key objectives and incentivising its team to deliver against those objectives.	No change
Loss of key client accounts		
Risk	Mitigation	Status
A portion of the Company's revenues are dependent on the award of framework agreements as an approved supplier. It is possible that the Company will lose this status.	We seek to mitigate this through closely monitoring our service level agreements and ensuring the quality of our delivery. The Company also has a deliberate focus on winning new client framework agreements to continue to diversify its revenue streams.	No change
Financial		
Risk	Mitigation	Status
The Company maintains credit facilities that enable it to borrow against assets on the balance sheet to meet short term working capital requirements. The Company shares its treasury management with the Parity group and poor cash and liquidity management may	The Company actively monitors its liquidity position to ensure it has sufficient available funds and working capital in order to operate and meet its planned commitments and has a credit risk policy that requires appropriate status checks and or references as necessary.	No change

PARITY CONSULTANCY SERVICES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

result in strain on the Group's credit facilities and/or operational cash flow issues.		
Technology		
Risk As an IT services provider the Group relies on its IT, telecommunications, and infrastructure systems to perform and manage the services we provide to clients. The failure or obsolescence of any of these systems could hinder the operation of end-to-end business processes.	Mitigation The Group has moved its core IT telecoms systems into the Cloud, and these are managed remotely and are backed up automatically thus providing the Group with a high level of reliance. Having made these changes during 2020 and managed the new services for more than 12 months there is evidence that there is greater resilience and therefore lower risk of failure. ISO 27001 and Cyber Essentials certifications are held ensuring that the business maintain high levels of data security.	Status Reduced
Data		
Risk The Group routinely collects and uses personal data. Following the introduction of the General Data Protection Regulation ('GDPR') there is a risk of non-compliance with the legislation and therefore risk of litigation and the incurrance of fines.	Mitigation The Group has implemented significant changes to its data collection and processing controls. The data privacy landscape is monitored, and ISO 27001 and Cyber Essentials certifications are held ensuring that the business maintain high levels of data security.	Status No change

PARITY CONSULTANCY SERVICES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Policy and practice on payment of creditors

The company seeks to abide by the payment terms agreed with the suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. A major part of the payables are contractors whose payment terms are around 10 days.

Employment policies

The company is committed to offering equal employment opportunities and its policies are designed to attract, retain and motivate the very best staff regardless of sex, age, race, religion or disability. The company encourages the participation of all employees in the operation and development of the business by offering open access to senior management, including the executive directors. The company incentivises certain employees through the payment of bonuses linked to performance objectives, which are agreed at the start of the year. Where appropriate, these objectives are linked to growth in profits. The company also has a structured approach to performance appraisal and career development and ensures that every employee has an annual performance review and has clear objectives and performance standards.

Environmental policy

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

Health and safety

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

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

- First aid – Each office has a person qualified in first aid. First aid boxes are readily accessible and records kept of all accidents and injuries.
- Fire safety – All Parity offices now operate from shared workspaces and we coordinate fire evacuation plans with local building management, agreeing evacuation assembly points for every location. Each office has at least one Parity evacuation marshal who will liaise with building management. Fire alarms are tested regularly.
- Employees' health – Any employee who believes he/she is suffering from an illness or condition related to their working environment is encouraged to report this to his/her manager for investigation.

Much of 2020 was impacted by the Covid-19 pandemic. The Company followed all government guidelines in respect of working from home and operated strict Covid-secure policies during times offices were able to be occupied safely. All employees were supported with equipment to work effectively from home.

Annual health and safety audits are carried out to ensure high standards are maintained. Some audits have been delayed due to office access as a result of Covid-19. As part of its benefit package the Company offers a number of benefits to support the health and wellbeing of its staff, as well as an employee assistance helpline.

PARITY CONSULTANCY SERVICES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

New Directors receive a comprehensive, formal and tailored induction as part of Parity Group plc's programme for new directors. This induction includes an introduction to the operations of the company as part of the wider Parity Group including corporate governance, the legislative framework and visits to Group premises. They can access professional advice on their duties from the Company Secretary or, if they deem necessary, from an independent advisor. During the year, the Board has, as part of the wider Parity Group, had regard to the matters set out above and further details as to how the Directors have fulfilled their duties are set out below. The Company and Directors operate as part of the wider Parity Group and further information on how the Parity Group fulfils its duties under Section 172 of the Companies Act 2006 are included in the Annual Report and Accounts of Parity Group plc.

Risk management

The Board recognises the importance of identification, evaluation and management of the Group's risks. Details of the principal risks and uncertainties of the Group are set out within pages 1 and 3 and include the Company's statement on going concern and future prospects.

Employees

The Board is committed to being a responsible employer and strives to create a working environment where employees are engaged, informed and involved.

Community and the environment

The Board recognises its responsibility to achieve good environmental practice and make a positive contribution to the community.

Business conduct and relationships

The Board recognises the importance of a strong corporate culture that considers the best interests of its employees, business partners and shareholders. The Board recognises its responsibilities to other external stakeholders including its clients, contractors and suppliers. Its strong relationships with its clients are critical to driving growth.

Shareholders

The Board is committed to openly engaging with our shareholders and recognises the importance of continuing communications. It is important that shareholders understand the Group's strategy and objectives so we endeavour to explain these clearly and any issues or questions raised are properly considered.

On behalf of the board

M Johns

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M Johns

Director

19 October 2022

PARITY CONSULTANCY SERVICES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their annual report and financial statements for the year ended 31 December 2021.

Principal activities

The principal activity of the company continued to be providing value added professional services focused around data and IT.

Results and dividends

The results for the year are set out on page 11.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

M Johns	(Appointed 30 June 2020)
M Braund	(Appointed 9 June 2021)
M Bayfield	(Resigned 9 June 2021)

Supplier payment policy

The company's current policy concerning the payment of trade creditors is to follow the CBI's Prompt Payers Code (copies are available from the CBI, Centre Point, 103 New Oxford Street, London WC1A 1DU).

The company's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the company's contractual and other legal obligations.

Auditor

In accordance with the company's articles, a resolution proposing that Grant Thornton UK LLP be reappointed as auditor of the company will be put at a General Meeting.

Statement of disclosure to auditor

Each director in office at the date of approval of this annual report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

PARITY CONSULTANCY SERVICES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Key performance indicators

The company's key financial performance indicator is turnover and during the year this was as follows:

- 2021: £3.5m (2020: £6.0m)

Going concern and financial support

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described above, in the financial statements and in the Loans and borrowings and Financial instruments notes to the accounts.

The company statement of financial position shows net liabilities of £2,730,000 (2020: £3,222,000).

Notwithstanding this fact, the financial statements have been prepared on a going concern basis, which the directors believe to be appropriate because the directors have received assurances from the board of directors of its ultimate parent, Parity Group plc, that they will continue to make adequate funding available via intercompany accounts for the foreseeable future and support letters have been obtained confirming that there are no current plans for the inter-company creditor to be recalled within the going concern period other than as part of the ongoing group simplification exercise. As with any company placing reliance on a parent company for financial support, the directors acknowledge that there can be no certainty that this support will continue, although at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The borrowing facilities available to Parity Group plc are in the form of an asset-based finance facility. The facility contains certain financial covenants which have been met throughout the year. On 20 April 2021, the Group signed an agreement with Leumi ABL for a new 3-year £9m facility. The directors expect the company to meet its financial covenants for the next 12 months based on financial forecasts that have been prepared.

On behalf of the board

M Johns

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M Johns

Director

Date: 19 October 2022

PARITY CONSULTANCY SERVICES LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PARITY CONSULTANCY SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PARITY CONSULTANCY SERVICES LIMITED

Independent auditor's report to the members of Parity Consultancy Services Limited

Opinion

We have audited the financial statements of Parity Consultancy Services Limited (the 'company') for the year ended 31 December 2021, which comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

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

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

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report,¹ other than the financial statements and our auditor's report thereon. Our opinion on the financial

PARITY CONSULTANCY SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PARITY CONSULTANCY SERVICES LIMITED

statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

PARITY CONSULTANCY SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PARITY CONSULTANCY SERVICES LIMITED

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of how the Company is complying with the legal and regulatory frameworks by making enquiries of management. We corroborated our enquiries through our review of board minutes;
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant in the context of the Company are those related to the financial reporting framework, being international accounting standards in conformity with the requirements of the Companies Act 2006 and the Companies Act 2006;
- In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to health and safety, employee matters, environmental, and bribery and corruption practices;
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
 - journal entries that increased revenues; and
 - potential management bias in determining accounting estimates.
- Our audit procedures included:
 - obtaining an understanding of the design and implementation of controls that management has in place to prevent and detect fraud;
 - journal entry testing, with a focus on material manual journals, including those with unusual account combinations;
 - challenging assumptions and judgements made by management in its significant accounting estimates; and
 - testing the completeness of the related party transaction disclosures.

In addition, we completed audit procedures to conclude on the compliance of disclosures in the report and accounts with the applicable financial reporting framework requirements;

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;

PARITY CONSULTANCY SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PARITY CONSULTANCY SERVICES LIMITED

- The engagement partner assessed whether the engagement team collectively had the appropriate competence and capabilities to identify and recognise non-compliance with laws and regulations through assessment of the team's: understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation; and knowledge of the industry in which the client operates.

Use of our report

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

Grant Thornton UK LLP

Marc Summers BSc(Hons) FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
19 October 2022

PARITY CONSULTANCY SERVICES LIMITED**INCOME STATEMENT****FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	2021 £'000	2020 £'000
Revenue	3	3,528	5,979
Employee benefit costs	5	(628)	(760)
Non-underlying items	4	(46)	(15)
All other operating costs		(3,089)	(5,109)
Total operating expenses		(3,763)	(5,884)
Operating (loss)/profit		(235)	95
Finance income	8	408	418
Finance costs	9	(1,311)	(1,378)
Loss before taxation		(1,138)	(865)
Income tax credit/(expense)	10	601	(63)
Loss for the year		<u>(537)</u>	<u>(928)</u>

The income statement has been prepared on the basis that all operations are continuing operations.

The notes on pages 19 to 41 form part of the financial statements

PARITY CONSULTANCY SERVICES LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	£'000	£'000
Loss for the year	(537)	(928)
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Actuarial gain on defined benefit pension schemes	1,620	1,041
Deferred tax relating to actuarial gains and losses	(567)	(198)
Total items that will not be reclassified to profit or loss	1,053	843
Total comprehensive income/ (loss) for the year	516	(85)

The notes on pages 17 to 39 form part of the financial statements

PARITY CONSULTANCY SERVICES LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2021**

	Notes	2021 £'000	2020 £'000
Non-current assets			
Trade and other receivables	11	32,416	30,136
Deferred tax asset	14	272	292
Retirement benefit surplus	15	1,939	208
		<u>34,627</u>	<u>30,636</u>
Current assets			
Trade and other receivables	11	15,051	18,723
Cash and cash equivalents		10	949
		<u>15,061</u>	<u>19,672</u>
Total assets		<u>49,688</u>	<u>50,308</u>
Current liabilities			
Trade and other payables	13	342	737
Borrowings	12	1	89
		<u>343</u>	<u>826</u>
Net current assets		<u>14,718</u>	<u>18,846</u>
Non-current liabilities			
Trade and other payables	13	52,075	52,704
Retirement benefit obligations	15	-	-
		<u>52,075</u>	<u>52,704</u>
Total liabilities		<u>52,418</u>	<u>53,530</u>
Net liabilities		<u>(2,730)</u>	<u>(3,222)</u>
Equity			
Called up share capital	16	20,000	20,000
Retained earnings		(22,730)	(23,222)
Total equity		<u>(2,730)</u>	<u>(3,222)</u>

The notes on pages 19 to 41 form part of the financial statements

PARITY CONSULTANCY SERVICES LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2021

The financial statements were approved by the board of directors and authorised for issue on 19 October 2022 and are signed on its behalf by:

M Johns

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M Johns

Director

Company Registration No. 00969618

PARITY CONSULTANCY SERVICES LIMITED**STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	Share capital £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2020		20,000	(23,131)	(3,131)
Year ended 31 December 2020:				
Loss for the year		-	(928)	(928)
Other comprehensive income:				
Actuarial gains on defined benefit plans		-	1,041	1,041
Tax relating to other comprehensive income		-	(198)	(198)
Total comprehensive income for the year		-	(85)	(85)
Credit to equity for equity settled share-based payments		-	(6)	(6)
Balance at 31 December 2020		20,000	(23,222)	(3,222)
Year ended 31 December 2021:				
Loss for the year		-	(537)	(537)
Other comprehensive income:				
Actuarial gains on defined benefit plans		-	1,620	1,620
Tax relating to other comprehensive income		-	(567)	(567)
Total comprehensive income for the year		-	516	516
Charge to equity for equity settled share-based payments		-	(24)	(24)
Balance at 31 December 2021		20,000	(22,730)	(2,730)

The notes on pages 19 to 41 form part of the financial statements

PARITY CONSULTANCY SERVICES LIMITED**STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	2021 £'000	£'000	2020 £'000	£'000
Loss for the year after tax		(537)		(928)	
Adjustments for:					
Taxation charged		(547)		63	
Finance costs		903		960	
Equity settled share based payment expense		(24)		(6)	
Pension scheme contributions		(322)		(325)	
(Decrease)/increase in provisions		-		(80)	
Decrease in trade and other receivables		240		246	
(Decrease)/ increase in trade and other payables		(395)		9	
Intercompany trading movement		(498)		(81)	
Cash absorbed by operations			(1,180)		(142)
Net cash outflow from operating activities			(1,180)		(142)
Repayment of borrowings		(88)		(87)	
Payment of lease liabilities		-		-	
Intercompany funding movement		329		133	
Net cash generated from financing activities			241		46
Net decrease in cash and cash equivalents			(939)		(96)
Cash and cash equivalents at beginning of year			949		1,045
Cash and cash equivalents at end of year			10		949

The notes on pages 19 to 41 form part of the financial statements

PARITY CONSULTANCY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

Company information

Parity Consultancy Services Limited is a private company limited by shares incorporated in England and Wales. The registered office is 82 St John Street, London, EC1M 4JN. The company's principal activities and nature of its operations are disclosed in the directors' report.

1.1 Accounting convention

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006, except as otherwise stated.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £1,000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described above, in the financial statements and in the Loans and borrowings and Financial instruments notes to the accounts.

The company statement of financial position shows net liabilities of £2,730,000 (2020: £3,222,000).

Notwithstanding this fact, the financial statements have been prepared on a going concern basis, which the directors believe to be appropriate because the directors have received assurances from the board of directors of its ultimate parent, Parity Group plc, that they will continue to make adequate funding available via intercompany accounts for the foreseeable future and support letters have been obtained confirming that there are no current plans for the inter-company creditor to be recalled within the going concern period other than as part of the ongoing group simplification exercise. As with any company placing reliance on a parent company for financial support, the directors acknowledge that there can be no certainty that this support will continue, although at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The borrowing facilities available to Parity Group plc are in the form of an asset-based finance facility. The facility contains certain financial covenants which have been met throughout the year. On 20 April 2021, the Group signed an agreement with Leumi ABL for a new 3-year £9m facility. The directors expect the company to meet its financial covenants for the next 12 months based on financial forecasts that have been prepared.

PARITY CONSULTANCY SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

1.3 Revenue

The Company generates revenue through the provision of consultancy services.

To determine whether to recognise revenue, the company 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
5. Recognising revenue when and as performance obligations are satisfied.

Revenue is recognised over time, when the company satisfies its performance obligations by transferring promised services to its customers. Revenue is measured at the transaction price, being the amount of consideration expected to be entitled in exchange for services to a customer, net of value added tax.

Performance obligations on consultancy services contracts are satisfied over time if the service creates an asset that the customer controls and the company 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 company incurs a number of incremental costs, such as commissions paid to sales staff. As the amortisation period of these costs, if capitalised, would be less than one year, the company makes use of the practical expedient in IFRS 15 and expenses them as incurred.

1.4 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

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.

1.5 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

PARITY CONSULTANCY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

1.6 Financial assets

Financial assets and liabilities are recognised when the Company 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 Company has no financial assets categorised as FVTPL or FVOCI.

The Company'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 and 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 Company'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 Company 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 Company 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 as defined above, net of bank overdrafts.

The Company'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 Company has no financial liabilities categorised as FVTPL. Unless otherwise indicated, the carrying amounts of the Company's financial liabilities are a reasonable approximation of their fair values.

1.7 Equity instruments

Financial instruments issued by the company are treated as equity only to the extent that they do not meet the definition of a financial liability. The company's ordinary shares are classified as equity instruments. For the purposes of the disclosures given in the Financial instruments note, the company considers its capital to comprise its ordinary share capital, share premium and other reserves, net of accumulated retained losses. There have been no changes in what the company considers to be capital since the previous period.

1.8 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.

PARITY CONSULTANCY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

Current tax

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

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 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.

1.9 Provisions

A provision is recognised in the balance sheet when the company 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 company 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 company'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.

1.10 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

PARITY CONSULTANCY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

1.11 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

The cost of providing benefits under defined benefit plans is determined separately for each plan using the projected unit credit method, and is based on actuarial advice.

The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost. The cost of plan introductions, benefit changes, settlements and curtailments are recognised as an expense in measuring profit or loss in the period in which they arise.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Remeasurement changes comprise actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability excluding amounts included in net interest. These are recognised immediately in other comprehensive income in the period in which they occur and are not reclassified to profit and loss in subsequent periods.

The net defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

The company operates two retirement benefit schemes: the 'Parity Retirement Benefit Plan' and a defined contribution plan. The assets of the defined contribution plan are held in separate, independently administered funds. The Company's contributions to defined contribution plans are charged to the income statement in the period to which the contributions relate.

The 'Parity Retirement Benefit Plan' is a defined benefit pension fund with assets held separately from the Company. 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 Company'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 Company'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 Company, 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.

PARITY CONSULTANCY SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

1.12 Share-based payments

The ultimate parent company, Parity Group plc, operates various share-based award schemes. The fair value of the award at the date of grant is recognised in the income statement (together with a corresponding increase in shareholders' equity) on a straight line basis over the vesting period, based on an estimate of the number of shares that will eventually vest. No expense is recognised for awards that do not ultimately vest, except for awards where vesting rests upon a market condition.

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied.

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.

Where equity instruments are granted to persons other than employees, the fair value of goods and services received is charged against other comprehensive income.

1.13 Non-underlying items

Items are classified as non-underlying by nature of their magnitude, incidence or unpredictable nature and their separate identification results in a calculation of an underlying profit measure that is consistent with that reviewed by the Board in their monitoring of the performance of the Group. Events which may give rise to the classification of items as non-underlying include gains or losses on the disposal of a business, restructuring of a business, transaction costs, litigation and similar settlements, asset impairments and onerous contracts.

In previous periods, the Group's results separately presented non-recurring items as a separate section of the income statement. The directors consider that all items previously classified as non-recurring are non-underlying.

1.14 Dividends

Final dividends proposed by the Board of Directors and unpaid at the year-end are not recognised in the financial statements. Interim dividends, which do not require shareholder approval, are recognised when paid.

1.15 Amounts recoverable on contracts and payments in advance

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.

1.16 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.

PARITY CONSULTANCY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

2 Critical accounting estimates and judgements

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 company and the estimates that have the most significant effect on the financial statements.

Critical judgements

Recognition of deferred tax asset

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

Key sources of estimation uncertainty

Retirement benefit liability

The costs, assets and liabilities of the defined benefit scheme operated by the Company 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 21. The Company 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.

Intercompany receivables

The Company reviews receivables due from subsidiary undertakings to test whether they are recoverable. Provision is made for where there is uncertainty as to full recovery. Changes in the assumptions used may have a material effect on the income statement and statement of financial position within the next year.

3 Revenue

All of the company's revenue derives from contracts with customers. Trade receivables and amounts recoverable on contracts as presented in the Trade and other receivables note to these accounts arise from contracts with customers. Changes to the company's contract assets are attributable solely to the satisfaction of performance obligations.

	2021	2020
	£'000	£'000
Revenue analysed by class of business		
Services transferred over time	3,528	5,979

All of the company's revenue is derived from customers in the UK.

PARITY CONSULTANCY SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

4	Non-underlying items	2021	2020
		£'000	£'000
	Restructuring - employee benefit costs	46	15
		<u> </u>	<u> </u>

Non-underlying items during 2021 include costs related to the restructuring of the Parity Group following the change in management, including employee termination payments and fees for professional services.

5	Operating profit/(loss)	2021	2020
		£'000	£'000
	Operating profit/(loss) for the year is stated after charging/(crediting):		
	Wages and salaries	545	646
	Social security costs	60	85
	Pension costs	23	29
		<u> </u>	<u> </u>
		628	760
	Share-based payments	(24)	(6)
	All other operating costs	3,159	5,130
		<u> </u>	<u> </u>
	Total operating expenses	3,763	5,884
		<u> </u>	<u> </u>

The audit fee of £25,000 is borne by the company's ultimate parent, Parity Group plc.

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

2021	2020
Number	Number
8	11
<u> </u>	<u> </u>

7 Director's emoluments

During the year, the directors of Parity Consultancy Services Limited received their emoluments from other companies within the Parity Group. The portion of these emoluments paid to directors which relates to the Company was £40,000 (2020: £68,000). The portion of company pension contributions for directors which relates to the Company was £3,000 (2020: £2,000).

PARITY CONSULTANCY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

8	Investment income	2021	2020
		£'000	£'000
	Interest income		
	Interest receivable on group funding balances	408	418
		<u> </u>	<u> </u>
9	Finance costs	2021	2020
		£'000	£'000
	Unwinding of discount on pension obligation	318	461
	Return on pension assets	(107)	(195)
	Interest payable on loans from group undertakings	1,100	1,112
		<u> </u>	<u> </u>
	Total interest expense	1,311	1,378
		<u> </u>	<u> </u>
10	Income tax (credit)/expense	2021	2020
		£'000	£'000
	Current tax		
	UK corporation tax on profits for the current period	(54)	(40)
		<u> </u>	<u> </u>
	Deferred tax		
	Origination and reversal of temporary differences	(547)	103
		<u> </u>	<u> </u>
	Total tax (credit)/charge	(601)	63
		<u> </u>	<u> </u>
The charge for the year can be reconciled to the loss per the income statement as follows:			
		2021	2020
		£'000	£'000
	Loss before taxation	(1,138)	(865)
		<u> </u>	<u> </u>
	Expected tax credit based on a corporation tax rate of 19.00% (2020: 19.00%)	(216)	(164)
	Effect of expenses not deductible in determining taxable profit	294	227
	Effect of recognition of deferred tax asset in relation to past trading losses	(679)	-
		<u> </u>	<u> </u>
	Taxation (credit)/charge for the year	(601)	63
		<u> </u>	<u> </u>

PARITY CONSULTANCY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

10 Income tax (credit)/expense

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2021 £'000	2020 £'000
Deferred tax arising on:		
Actuarial differences recognised as other comprehensive income	567	198

11 Trade and other receivables

	2021 £'000	2020 £'000
Amounts falling due within one year:		
Trade receivables	120	295
Amounts owed by group undertakings	14,792	18,224
Accrued income	139	204
	15,051	18,723
Amounts falling due after one year:		
Amounts owed by group undertakings	32,416	30,136
	47,467	48,859

12 Borrowings

	2021 £'000	2020 £'000
Unsecured borrowings at amortised cost		
Invoice financing	1	89

Analysis of borrowings

	2021 £'000	2020 £'000
Current liabilities	1	89

The company has no authorised overdraft facility. The invoice financing under asset-based facilities were secured by trade receivables of £120,000 (2020 £295,000) and accrued income of £139,000 (2020 £204,000). Further details of the company's banking facilities are given in the financial instruments note.

PARITY CONSULTANCY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

13 Trade and other payables

	2021 £'000	2020 £'000
Amounts falling due within one year:		
Trade payables	-	27
Amounts owed to group undertakings	-	-
Other payables and accruals	167	285
Fees in advance	11	27
Social security and other taxation	164	398
	<u>342</u>	<u>737</u>
Amounts falling due after one year:		
Amounts owed to group undertakings	52,075	52,704
	<u>52,417</u>	<u>53,441</u>
Total trade and other payables	<u>52,417</u>	<u>53,441</u>

14 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	Past trading losses £'000	Depreciation in excess of capital allowances £'000	Retirement benefit obligations £'000	Total £'000
Deferred tax asset at 1 January 2020	-	(440)	(152)	(592)
Deferred tax movements in prior year				
Debit to profit or loss	-	109	(7)	102
Debit to other comprehensive income	-	-	198	198
	<u>-</u>	<u>109</u>	<u>191</u>	<u>299</u>
Deferred tax asset at 1 January 2021	-	(331)	39	(292)
Deferred tax movements in current year				
Debit/(Credit) to profit or loss	(678)	59	72	(547)
Debit to other comprehensive income	-	-	567	567
	<u>(678)</u>	<u>59</u>	<u>639</u>	<u>19</u>
Deferred tax asset at 31 December 2021	<u>(678)</u>	<u>(272)</u>	<u>678</u>	<u>(272)</u>

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 the Company 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 the Company.

PARITY CONSULTANCY SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

14 Deferred taxation (Continued)

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 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 the Company. The review concluded that as the Company has a deferred tax liability of £678,000 (2020: £39,000) related to its defined benefit pension plan, a deferred tax asset for previously unrecognised unused tax losses of £678,000 would be recognised to offset the liability.

The Directors believe that the deferred tax asset recognised is recoverable based on the future earning potential of the Company. The Company currently has a deferred tax asset of £272,000 (2020: £292,000) which can be offset against the deferred tax liability to be unwound on the same defined benefit scheme. The Company has unrecognised carried forward tax losses of £859,000 (2020: £519,000). These losses may be carried forward indefinitely.

15 Retirement benefit schemes

The Company operates two pension schemes: the Parity Group Retirement Benefit Plan and a defined contribution plan. All assets of the defined contribution plan are held in separately administered funds. Employer contributions to the defined contribution scheme during the year were £23,000 (2020: £29,000).

Defined contribution scheme

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

PARITY CONSULTANCY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

15 Retirement benefit schemes

Defined benefit scheme

In March 1995, the Company 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.

Valuation

The weighted average liability duration is approximately 13 years (2020: 14 years) and can be attributed to the scheme members as follows:

	Number of members	Weighted average liability duration (years)
Pensioner members	61	13
Deferred members	6	18
Total	67	31

There were no retirements during the year (2020: one). There was no change in total members during the year (2020: no change).

PARITY CONSULTANCY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

15 Retirement benefit schemes

Funding

The Plan is funded by the Company based on the triennial actuarial valuation of the scheme's technical provisions. The actuarial valuation is subject to more prudent assumptions than the accounting valuation under IAS 19. The triennial actuarial valuation due at April 2018 was finalised during 2019 and resulted in an increase in monthly contributions from £17,260 per month to £24,300 per month. Funding requirements are formally set out in the Statement of Funding Principles, Schedule of Contributions and Recovery Plan agreed between the Trustees and the Company.

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

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

	2021	2020
<i>Key assumptions</i>	%	%
Discount rate	1.9	1.3
Pension growth rate	3.8-4.0	3.6-3.9
Retail price inflation	3.6	3.2
Consumer price inflation	2.6	2.2

Mortality assumptions

- Male aged 65 at 31 December 2021 has a life expectancy of 86 years (2020: 86 years)
- Female aged 65 at 31 December 2021 has a life expectancy of 89 years (2019: 89 years)

PARITY CONSULTANCY SERVICES LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****15 Retirement benefit schemes****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 Company'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 was recorded in 2018 to increase the scheme deficit by £20,000. The increase in liability has been treated as a past service cost recognised in the income statement for the year ended 31 December 2018 as a non-recurring item.

	2021	2020
	£'000	£'000
<i>Amounts recognised in the income statement</i>		
Net interest on defined benefit liability/(asset)	211	266

	2021	2020
	£'000	£'000
<i>Amounts recognised in other comprehensive income</i>		
Actuarial (loss)/ gain on plan assets	(130)	2,943
Actuarial gain/ (loss) on plan liabilities	1,750	(1,902)
Total income	1,620	1,041

The amounts included in the statement of financial position arising from the company's obligations in respect of defined benefit plans are as follows:

	2021	2020
	£'000	£'000
Present value of defined benefit obligations	(22,539)	(24,935)
Fair value of plan assets	24,478	25,143
Surplus in scheme	1,939	208

PARITY CONSULTANCY SERVICES LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****15 Retirement benefit schemes**

	2021	2020
	£'000	£'000
<i>Movements in the present value of defined benefit obligations</i>		
At 1 January	24,935	23,562
Benefits paid	(964)	(990)
Actuarial gains and losses	(1,750)	1,902
Interest cost	318	461
	<u>22,539</u>	<u>24,935</u>
At 31 December	<u>22,539</u>	<u>24,935</u>

The defined benefit obligations arise from plans which are wholly or partly funded.

	2021	2020
	£'000	£'000
<i>Movements in the fair value of plan assets:</i>		
At 1 January	25,143	22,670
Interest income	107	195
Actuarial (loss)/ gain	(130)	2,943
Benefits paid	(964)	(990)
Contributions by the employer	322	325
	<u>24,478</u>	<u>25,143</u>
At 31 December	<u>24,478</u>	<u>25,143</u>

Sensitivity of the defined benefit obligations to changes in assumptions

Effect of change in assumptions	Liabilities	Assets	Surplus/(deficit)	Increase/ (decrease) in surplus
	£'000	£'000	£'000	£'000
No change	22,539	24,478	1,939	-
0.25% rise in discount rate	21,805	24,478	2,673	734
0.25% fall in discount rate	23,273	24,478	1,205	(734)
0.25% rise in inflation	22,639	24,478	1,839	(100)
0.25% fall in inflation	22,439	24,478	2,039	100

PARITY CONSULTANCY SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

15 Retirement benefit schemes

The fair value of plan assets at the reporting period end was as follows:

	Quoted 2021 £'000	Unquoted 2021 £'000	Quoted 2020 £'000	Unquoted 2020 £'000
Diversified growth funds	-	24,308	-	20,139
Liability driven investments	-	-	-	4,827
Options in Parity Group plc	-	96	-	96
Cash	-	74	-	81
	<u>-</u>	<u>24,778</u>	<u>-</u>	<u>25,143</u>
Defined benefit obligation trends				
	2021 £'000	2020 £'000	2019 £'000	2018 £'000
Fair value of scheme assets	24,478	25,143	22,670	20,099
Present value of defined benefit obligations	(22,539)	(24,935)	(23,562)	(22,041)
Surplus/(deficit) in scheme	<u>1,939</u>	<u>208</u>	<u>(892)</u>	<u>(1,059)</u>
Experience adjustments on scheme assets	<u>(130)</u>	<u>2,943</u>	<u>2,761</u>	<u>(1,586)</u>
Percentage of scheme assets	<u>(0.50%)</u>	<u>13.30%</u>	<u>13.90%</u>	<u>(7.30)%</u>
Experience adjustments on scheme liabilities	<u>1,750</u>	<u>(1,902)</u>	<u>(1,830)</u>	<u>581</u>
Percentage of scheme liabilities	<u>7.20%</u>	<u>(8.30)%</u>	<u>(8.40)%</u>	<u>2.60%</u>
	<u>7.20%</u>	<u>(8.30)%</u>	<u>(8.40)%</u>	<u>2.60%</u>

16 Share capital

	2021 £'000	2020 £'000
Ordinary share capital		
Authorised		
20,000,000 ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>
Issued and fully paid		
20,000,000 ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>

The holder of ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the company.

PARITY CONSULTANCY SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

17 Reserves

Details of the share option scheme operated by the Parity Group are given in the financial statements of Parity Group plc, the ultimate parent company. The share options details have not been replicated in these financial statements as the value of employee services in the current and prior period is not considered material.

Share capital is the amount subscribed for ordinary shares at nominal value.

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

18 Contingent liabilities

In the normal course of business, the company 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 the company 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 company's management believes the resolution of any known claims or legal proceedings will not have a material further impact on the financial position of the company.

In April 2021 the Company entered into a guarantee agreement with Leumi ABL Ltd whereby it guarantees the obligations of Parity Professionals Ltd under its asset-based lending facilities. Under this guarantee as at 31 December 2021 the company had a contingent liability of £2,279,000. Prior to this date the Company had an agreement with PNC Financial Services UK Ltd that had a similar guarantee and as at 31st December 2020 the Company had a contingent liability of £2,851,000.

PARITY CONSULTANCY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

19 Related party transactions

The company entered into transactions with other group undertakings as shown in the table below:

	2021	2020
	£'000	£'000
Operating costs charged from fellow group undertakings	(498)	(531)
Interest received from fellow group undertakings	408	418
Interest paid to parent undertakings	(1,100)	(1,112)

All related party transactions have been carried out on an arm's length basis.

At the year end, the company had the following amounts receivable from and payable to other group undertakings:

	2021	2020
	£'000	£'000
Amounts falling due within one year:		
Owed by parent undertakings	5,242	6,320
Owed by fellow group undertakings	9,550	11,904
	<u>14,792</u>	<u>18,224</u>
Amounts owed from group undertakings included in debtors		
Amounts falling due after one year:		
Owed by parent undertakings	19,728	19,320
Owed by fellow group undertakings	12,688	10,816
	<u>32,416</u>	<u>30,136</u>
Amounts owed from group undertakings included in debtors		
Amounts falling due within one year:		
Amounts owed to fellow group undertakings	-	-
	<u>-</u>	<u>-</u>
Amounts owed to group undertakings included in creditors		
Amounts falling due after one year:		
Amounts owed to parent undertakings	52,075	52,704
Amounts owed to fellow group undertakings	-	-
	<u>52,075</u>	<u>52,704</u>
Amounts owed to group undertakings included in creditors		

PARITY CONSULTANCY SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

20 Financial instruments

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

	2021 Amortised cost £'000	2020 Amortised cost £'000
Financial assets		
Non-current trade and other receivables	32,416	30,176
Net cash and cash equivalents	10	949
Trade and other short-term receivables	15,051	18,723
	<u>47,477</u>	<u>49,848</u>
Total financial assets	<u>47,477</u>	<u>49,848</u>
Financial liabilities		
Non-current trade and other payables	52,075	52,704
Asset-based financing facility	1	89
Finance lease liabilities	-	-
Trade and other short term payables	331	710
	<u>52,407</u>	<u>53,503</u>
Total financial liabilities	<u>52,407</u>	<u>53,503</u>

All material financial assets and liabilities are held in Sterling.

Financial assets

The financial assets of the Company consist of £10,000 (2020: £949,000) cash and cash equivalents.

Other than at external reporting points, surplus cash is pooled with other companies within Parity Group plc and may be paid into the invoice financing facility (see below) to reduce borrowings and interest costs across the group.

Amounts owed by group undertakings relating to trading balances are repayable on demand and non-interest bearing. Amounts owed by group undertakings relating to funding balances bear interest at 2.0% above the prevailing Bank of England base rate. Intercompany funding balances are presented as long term below as there is no expectation that they will be repaid within 12 months.

Financial liabilities

Trade payables, other tax and social security and other payables and accruals are non-interest bearing.

Amounts owed to group undertakings relating to trading balances are repayable on demand and non-interest bearing. Amounts owed to group undertakings relating to funding balances bear interest at 2.0% above the prevailing Bank of England base rate. Intercompany funding balances are presented as long term below as there is no expectation that they will be repaid within 12 months.

PARITY CONSULTANCY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

20 Financial instruments

Invoice financing facilities

The Company had an asset-based facility agreement with PNC Financial Services UK Ltd from 7 December 2010 until 19th April 2021. Borrowing availability under the facility was dependent on the value of invoices raised and accrued income. The facility, which was shared with Parity Professionals Limited, had a maximum drawdown of £10 million.

On 20 April 2021 the Company signed an agreement with Leumi ABL for a new 3-year £9m ABL facility. The new facility increases the amount that can be borrowed against receivables and crucially the Group will only pay fees on amounts it borrows (under the expiring PNC facility the Group were charged a 1% fee for any unutilised facility). The new facility has a fixed rate for borrowing of 2% above base for receivables (expiring PNC facility has a rate of 2% above base for receivables and an additional 1% charge for unutilised funds). It is expected that the new terms will reduce annual borrowing costs and the increase in amounts that can be borrowed against receivables will give the group greater flexibility when utilising the facility.

Borrowings under these facilities carry a floating rate of interest linked to the Bank of England base rate. At the year end £1,000 had been drawn down (2020: £89,000).

Fair value of financial instruments

At the year end, there were no material differences between the book value and the fair value of the Company's financial assets and liabilities (2020: £Nil). There are no derivative financial instruments at the year end (2020: none).

Financial instrument risk exposure and management

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company'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 Company'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 Company, from which financial instrument risk arises, are trade receivables, cash and cash equivalents, trade and other payables and bank borrowings.

General objectives, policies and processes – risk management

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

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

PARITY CONSULTANCY SERVICES LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****20 Financial instruments****Credit risk**

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

The Company is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, 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 Company does not enter into derivatives to manage credit risk.

The following table illustrates the concentrations of credit risk within the Company at the balance sheet date:

	2021 Total £'000	2021 0-60 days £'000	2021 >60 days £'000
Gross trade receivables	120	120	-
Impairment provisions	-	-	-
Net trade receivables	120	120	-
	2020 Total £'000	2020 0-60 days £'000	2020 >60 days £'000
Gross trade receivables	295	268	27
Impairment provisions	-	-	-
Net trade receivables	295	268	27

There is no difference between the carrying amount of trade receivables and the Company's maximum credit risk exposure.

PARITY CONSULTANCY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

20 Financial instruments

Liquidity risk

Liquidity risk arises from the Company's management of working capital and the finance charges on its borrowings under its invoice financing arrangements. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The liquidity of the Company is managed centrally, within Parity Group, with daily transfers to operating entities to maintain a pre-determined cash balance. The level of the Company facility is approved periodically by the Board and negotiated with the Company's current bankers. At the reporting date, cash flow projections were considered by the Board and the Company is forecast to have sufficient funds and available funding facilities to meet its obligations as they fall due.

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.

The Group transfers funds to and from the Company's bank current account on a daily basis, ensuring sufficient funds are in place to cover outstanding payments. As a result, the Company has minimal interest rate exposure. The Directors consider that reasonably possible changes in the interest rate would not have a significant effect on the amount of interest payable.

Management of capital structure

The Company is both equity and debt funded and these two elements combine to make up the capital structure of the business.

The 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 Company sets the amount of capital it requires in proportion to risk. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

During the year, the company's strategy, which was unchanged from 2020, was to keep net debt to a minimum through profitable trading and good cash management.

21 Controlling party

The immediate parent company is Parity Holdings Limited, a company incorporated in the United Kingdom. The ultimate parent undertaking and ultimate controlling party is Parity Group plc, a company incorporated in the United Kingdom.

The largest group in which the results of the company are consolidated is that headed by Parity Group plc, which is registered at 82 St John Street, London EC1M 4JN. No other group financial statements include the results of the Company. The consolidated financial statements of Parity Group plc for the year ended 31 December 2020 are available to the public and can be obtained from the Company Secretary at 82 St John Street, London EC1M 4JN.