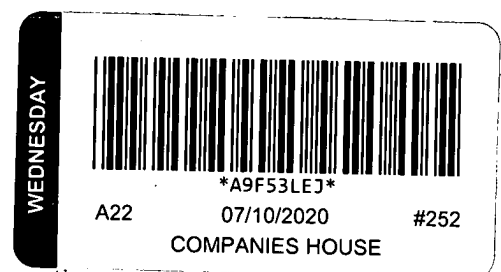


Parseq Limited

Annual Report and Consolidated Financial Statements
for the year ended 31 December 2019

Registered number 05815806



Parseq Limited
Annual report
for the year ended 31 December 2019

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Parseq Limited

Directors and advisers

Directors

R Cassis

A Chan

R Littlewood

C Naylor-Smith

Company Secretary

A Chan

Registered office

Lowton Way

Hellaby

Rotherham

South Yorkshire

England

S66 8RY

Independent auditors

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Bankers

Natwest

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69 Bridge Street

Worksop

S80 1DJ

Website

www.parseq.com

Parseq Limited

Strategic report for the year ended 31 December 2019

The Directors present their strategic report for the group for the year ended 31 December 2019.

Review of the business

Following the successful sale of its Contact Centre division in August 2018, the Parseq group of companies now solely consist of its original and core successful business, Finance and Administration (F&A), performing back office outsourcing activities. Subsequent to this, the shared group functions were wound down in the 2018 and 2019 financial years leaving a streamlined and focused business.

In February 2019, Parseq Ltd group was sold by its former private equity shareholder to the private investment group, Parabellum Investments, headed by Rami Cassis, who was the previous entrepreneur of the original F&A business before the private equity investment in 2011. This new ownership and governance structure have provided a more direct and focused management team enabling the business to be more agile with an improved ability for investment in its people, facilities, technology and clients.

The Parseq business continues to build upon its prior achievements in accreditations, technology, compliance and its service to clients. In 2019 Parseq has expanded its off-shore services by investing in a processing centre in Sofia, Bulgaria in addition to Chennai, India which is now complementing very effectively its UK based technology hub. This has allowed direct servicing of clients in these markets and is allowing Parseq to rival its largest competitors' service offerings. The business is continuing to organically expand these sites in the 2020 financial year.

Parseq has a closely defined strategy for its technology and services and is seeing more of its client interactions moving away from paper. This shift is facilitated and driven by Parseq's own developed processing software, particularly in the areas of invoice and payment processing.

Parseq has been successful at winning new business and prides itself in being dynamic and flexible in its client implementations leading to fast and bespoke client solutions. The business has also won a significant government contract which further underlines Parseq's ability to scale and provide differentiated and flexible services. To coincide with the government contract, Parseq has undertaken the construction of a new warehouse and processing centre at Parseq's main Hellaby site. The outlook for the current 2020 financial year and the forecast beyond contains strong organic growth underpinned by current onboarding client contracts and developed pipeline opportunities.

The business has been able to mitigate the impact of the Covid-19 crisis with tight cost control and quick flexing of its operations and resources during temporary reductions seen in some of its transactional client volume. In contrast, this has allowed Parseq to greatly assist and add value to its clients during this difficult period by not just retaining the level and quality of its operations, but providing additional services to its clients whilst their own operations were reduced or impaired.

Principal risks and uncertainties

The Directors consider the specific risks related to the company's business as a loss of business from significant clients, regulatory compliance and effective management of finances.

Parseq Limited

Strategic report

for the year ended 31 December 2019 (continued)

Key performance indicators

Parseq's key financial and other performance indicators during the financial year were as follows:

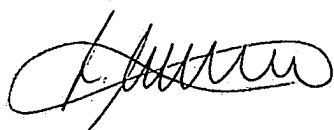
	2019	2018
	£'000	£'000
Turnover from continuing operations	10,397	8,136
EBITDA from continuing operations	3,533	1,478
Operating profit from continuing operations	2,713	739
Total shareholders' funds	4,963	3,270

The increase in turnover and EBITDA from continuing operations corresponds to the business's successful growth strategy. Shareholders' funds and EBITDA are further strengthened in the 2019 financial year by the waiver of the remaining parent company loan in February 2019.

Future developments

The directors plan to continue to expand the Parseq F&A business, working towards increasing the current customer base, acquisition of new business and enhancing product offerings through development of existing and new outsourcing technology.

On behalf of the Board



R Littlewood

Director

1 October 2020

Parseq Limited

Directors' report for the year ended 31 December 2019

The Directors present their Directors' report and the audited financial statements of the group for the year ended 31 December 2019.

Principal activities

The Parseq group's focus now centres on its back-office outsourcing services to banks and financial institutions. This includes payment, credit and invoice processing, along with digital mailroom services supplied across various market sectors.

Future developments

As noted in the Strategic Report the group plans to continue to expand the business through acquiring new customers and cross selling within the existing customer base.

Results and dividends

The profit for the financial year amounted to £1,693k (2018: profit of £756k). The Directors do not propose a dividend payment (2018: nil).

Financial risk management

The group's operations expose it to a variety of financial risks that include the effects of changes in price risk, credit risk, liquidity risk, interest rate and cash flow risk. The group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the group by regularly monitoring levels of debt finance and the related finance costs. The group does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied. The responsibility of monitoring financial risk management is that of the Board and the policies set by the Board of Directors are implemented by the group's finance department.

Post balance sheet events

In February 2020 the group completed the refinancing of its term loan.

Going Concern

The company and group meet its day to day working capital requirements through its invoice discount facility. The group also has a fixed term loan facility which was put in place in February 2020 for a period of 5 years. The directors have obtained confirmation from the ultimate parent company, Parabellum Investments Limited, of its continued support to the company and group.

After making enquiries, the directors have a reasonable expectation that the company and group have adequate resources to continue in operational existence for the foreseeable future. The Company and group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company and group should be able to meet its liabilities as they fall due. These have additionally been sensitised to assess any impact from a shortfall in business performance. The company and group therefore continue to adopt the going concern basis in preparing its financial statements.

Parseq Limited

Directors' report for the ended 31 December 2019 (continued)

COVID-19

As part of their assessment of the going concern basis of preparation, the directors have considered the existing and potential impact of the COVID-19 pandemic on the company's trade, workforce, supply chain and the wider economies in which it operates. While there has not been a significant COVID-19 impact on the business to date, to aid the directors in assessing the impact on the company, forecasts have been prepared incorporating various potential outcomes in response to the expected wider economic downturn resulting from the pandemic. These forecasts have not caused the directors to consider the going concern basis of preparation of the accounts to be inappropriate. The directors therefore consider the impact of the COVID-19 on the business to be a non-adjusting post balance sheet event as stated in note 22 to the financial statements.

Directors

The Directors of the company who held office during the year and up to the date of signing the financial statements were:

- R Cassis
- R Littlewood (Appointed 21 February 2019)
- A Chan (Appointed 21 February 2019)
- C Naylor-Smith (Appointed 21 February 2019)
- P Hooft (Resigned 21 February 2019)
- J Szpiro (Resigned 21 February 2019)

Disabled employees

The group is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The group gives full and fair consideration to applications for employment for disabled persons, having regard to their particular aptitudes and abilities.

Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the group. If members of staff become disabled the group continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

Employee involvement

The group systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the group is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the group plays a major role in maintaining its competitive advantage. The group encourages the involvement of employees by means of staff suggestion schemes and regular staff communication forums.

Directors' indemnities

The Company maintains liability insurance for its Directors and officers. Following shareholder approval in May 2008 the Company has also provided an indemnity for its Directors and the Company Secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006. The third party indemnity was in force during the financial year and also at the date of the approval of the financial statements.

Parseq Limited

Directors' report for the ended 31 December 2019 (continued)

Statement of Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and company financial statements in accordance with United Kingdom

Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

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

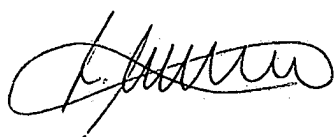
Disclosure of information to the auditors

So far as each Director is aware, there is no relevant audit information of which the company's auditors are unaware. Relevant information is defined as information needed by the company's auditors in connection with preparing their report. Each Director has taken all the steps (such as making enquiries of other Directors and the auditors and any other steps required by the Director's duty to exercise due care, skill and diligence) that they ought to have taken in their duty as a Director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

The auditors, BHP LLP, have indicated their willingness to continue in office.

On behalf of the Board



R Littlewood

Director

1 October 2020

Parseq Limited

Independent auditor's report to the members of Parseq Limited

Report on the audit of the financial statements

Opinion

We have audited the consolidated financial statements of Parseq Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cashflows 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 United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

Parseq Limited

Independent auditor's report to the members of Parseq Limited (continued)

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 our audit:

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters where 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

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 group's and 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.

Parseq Limited

Independent auditor's report to the members of Parseq Limited (continued)

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: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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



Charles Ringrose (Senior Statutory Auditor)
for and on behalf of BHP LLP
Chartered Accountants
Statutory Auditor
2 Rutland Park
Sheffield
S10 2PD

1 October 2020
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Parseq Limited

Consolidated statement of comprehensive income for the year ended 31 December 2019

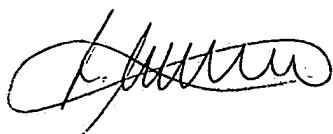
		Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
		2019	2019	2019	2018	2018	2018
	Notes	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	3	10,397	17	10,414	8,136	18,622	26,758
Cost of sales		(5,004)	(26)	(5,030)	(4,013)	(14,279)	(18,292)
Gross profit	3	5,393	(9)	5,384	4,123	4,343	8,466
Loss on disposal of operations			-	-	-	(485)	(485)
		5,393	(9)	5,384	4,123	3,858	7,978
Total administrative expenses		(2,680)	(32)	(2,712)	(3,384)	(3,332)	(6,716)
Administrative expenses		(4,974)	(32)	(5,006)	(4,715)	(3,332)	(8,047)
Administrative income - exceptional items	7	2,294	-	2,294	1,331	-	1,331
Operating profit/ (loss) before exceptional items		419	(41)	378	(592)	526	(66)
Operating profit/ (loss)	3, 4	2,713	(41)	2,672	739	526	1,265
Interest payable and similar expenses	8	(536)	-	(536)	(445)	(129)	(574)
Profit / (loss) before taxation		2,177	(41)	2,136	294	397	691
Tax on Profit / (loss)	9	(443)	-	(443)	19	46	65
Profit / (loss) for the financial year		1,734	(41)	1,693	313	443	756
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income / (expense) for the year		1,734	(41)	1,693	313	443	756

Parseq Limited

Group balance sheet as at 31 December 2019

	Notes	2019 £'000	2018 £'000
Fixed assets			
Intangible assets	10	792	1,006
Tangible assets	11	7,875	6,546
		8,667	7,552
Current assets			
Stocks		27	27
Debtors: amounts falling due after more than one year	13	500	626
Debtors: amounts falling due within one year	13	3,932	6,446
Cash at bank and in hand		87	44
		4,546	7,143
Creditors: amounts falling due within one year	14	(7,762)	(9,831)
Net current liabilities		(3,216)	(2,688)
Total assets less current liabilities		5,451	4,864
Creditors: amounts falling due after more than one year	15	(488)	(1,594)
Net assets		4,963	3,270
Capital and reserves			
Called up share capital	20	5,000	5,000
Share premium account		1,025	1,025
Accumulated losses		(1,062)	(2,755)
Total shareholders' funds		4,963	3,270

The notes on pages 16 to 39 are an integral part of these financial statements. The financial statements on pages 10 to 39 were approved and authorised for issue by the board of Directors on 1 October 2020 and were signed on its behalf by:



R Littlewood

Director

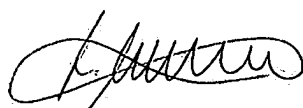
Registered number 05815806

Parseq Limited

Company balance sheet as at 31 December 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Intangible assets	10	788	1,002
Tangible assets	11	1,814	1,393
Investments	12	2,500	2,500
		5,102	4,895
Current assets			
Stocks		27	27
Debtors: amounts falling due after more than one year	13	420	617
Debtors: amounts falling due within one year	13	3,920	6,457
Cash at bank and in hand		76	40
		4,443	7,141
Creditors: amounts falling due within one year	14	(5,837)	(8,345)
Net current liabilities		(1,394)	(1,204)
Total assets less current liabilities		3,708	3,691
Creditors: amounts falling due after more than one year	15	(488)	(1,594)
Net assets		3,220	2,097
Capital and reserves			
Called up share capital	20	5,000	5,000
Merger reserve		(4,645)	(4,645)
Share premium account		1,025	1,025
Retained earnings		1,840	717
Total shareholders' funds		3,220	2,097

The notes on pages 16 to 39 are an integral part of these financial statements. No Statement of Comprehensive Income is presented for the Company, as permitted by section 408 of the Companies Act 2006. The company profit for the financial year is £1,123k (2018: £6,334k profit). The financial statements on pages 10 to 39 were approved and authorised for issue by the board of Directors on 1 October 2020 and were signed on its behalf by:



R Littlewood
Director

Registered number 05815806

Parseq Limited

Consolidated statement of changes in equity for the year ended 31 December 2019

	Called up share capital £'000	Share premium £'000	Accumulated losses £'000	Total shareholders' funds £'000
Balance as at 1 January 2018	5,000	1,025	(3,511)	2,514
Profit for the year	-	-	756	756
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	756	756
Balance as at 31 December 2018 and 1 January 2019	5,000	1,025	(2,755)	3,270
Profit for the year	-	-	1,693	1,693
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	1,693	1,693
Balance as at 31 December 2019	5,000	1,025	(1,062)	4,963

Parseq Limited

Company statement of changes in equity for the year ended 31 December 2019

	Called up share capital	Share premium	Merger Reserve	(Accumulated losses)/ Retained earnings	Total shareholders' (deficit)/ funds
	£'000	£'000	£'000	£'000	£'000
Balance as at 1 January 2018	5,000	1,025	(4,645)	(5,617)	(4,237)
Profit for the year	-	-	-	6,334	6,334
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	6,334	6,334
Balance as at 31 December 2018 and 1 January 2019	5,000	1,025	(4,645)	717	2,097
Profit for the year	-	-	-	1,123	1,123
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	1,123	1,123
Balance as at 31 December 2019	5,000	1,025	(4,645)	1,840	3,220

Parseq Limited

Consolidated statement of cash flows for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Net cash from operating activities	19	3,309	2,207
Tax received		-	22
Net cash generated from operating activities		3,309	2,229
Cash flow from investing activities			
Disposal of subsidiaries	19	-	1,001
Purchase of intangible assets	10	(145)	(98)
Purchase of tangible assets	11	(3,791)	(514)
Net cash used in investing activities		(3,936)	389
Cash flow from financing activities			
Repayment of borrowings	16	(2,208)	(2,908)
Increase in borrowings	16	3,414	783
Interest paid	8	(536)	(574)
Net cash generated from/ (used in) financing activities		670	(2,699)
Net increase/ (decrease) in cash and cash equivalents		43	(81)
Cash and cash equivalents at the beginning of the year		44	125
Cash and cash equivalents at the end of the year		87	44
Cash and cash equivalents consists of:			
Cash at bank and in hand		87	44
Cash and cash equivalents		87	44

Parseq Limited

Notes to the financial statements for the year ended 31 December 2019

1 Accounting policies

General information

Parseq Limited ('the company') and its subsidiaries (together 'the group') carry out activities of business to business services as a technology led Business Process Outsourcer (BPO).

The company is a private company limited by shares and is incorporated and domiciled in England. The address of the registered office is Lowton Way, Hellaby, South Yorkshire, S66 8RY.

Statement of compliance

The group and individual financial statements of Parseq Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

Accounting convention and basis of preparation

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

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 £000.

The company has taken advantage of the exemption in section 408 of the Companies Act from disclosing its individual statement of comprehensive income.

Going concern

The company and group meet their day to day working capital requirements through its invoice discount facility which has a committed term extending beyond 12 months from the date of these financial statements. The group also has a fixed term loan facility commencing February 2020 for 5 years. The directors have obtained confirmation from the ultimate parent company, Parabellum Investments Limited, of its continued support to the company and group.

After making enquiries, the directors have a reasonable expectation that the company and group have adequate resources to continue in operational existence for the foreseeable future. The Company and group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company and group should be able to meet its liabilities as they fall due. These have additionally been sensitised to assess any impact from a shortfall in business performance. The company and group therefore continue to adopt the going concern basis in preparing its financial statements. Further details including the directors' consideration of the effect of Covid-19 are shown on pages 4 and 5 of the Director's Report and in Note 22 to the financial statements.

Parseq Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions (section 1 paragraph 1.12). The company has taken advantage of the exemption of non-disclosure of certain financial instrument disclosures.

Basis of consolidation

The consolidated financial statements include the results of the company and its subsidiaries. Results of businesses acquired during the year are included from the effective date of acquisition.

A subsidiary is an entity controlled by the group. Control is the power to govern financial and operating policies of an entity so as to obtain benefits from its activities.

Accounting policies are consistent across the group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Turnover

This includes the sale of processing, IT hosting and maintenance services, inbound and outbound contact centre services, and is recognised by reference to the stage of completion of the transaction at the statement of financial position date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group;
- the state of completion of the transaction at the statement of financial position date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Provision is made in respect of invoices which are considered to be disputed (by management) and debts outstanding in excess of six months to the extent considered necessary by management.

Exceptional items

Exceptional items are those significant items which are separately disclosed by virtue of their size or incidence to enable a full understanding of the group's financial performance.

Tangible assets and depreciation

Tangible assets are stated at historical purchase cost, together with any incidental expenses of acquisitions, less any accumulated depreciation. Depreciation is provided to write off the cost of all tangible fixed assets evenly over the expected useful lives of the assets. The expected useful lives for this purpose are:

Freehold buildings:	40 years
Freehold land:	Not depreciated
Computer equipment:	3 to 5 years
Furniture, fittings and equipment:	3 to 10 years

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the statement of comprehensive income.

Parseq Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

Intangible assets and amortisation

Intangible assets are stated at historical purchase cost less any accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives as follows:

Software:	up to 5 years
Customer contracts and brands:	up to 3 years

Amortisation is charged to administrative expenses in the statement of comprehensive income.

When factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

Costs associated with maintaining computer software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Other development expenditure that do not meet these criteria are recognised as an expense as incurred.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Investments

Investments in subsidiaries are stated at cost less any amounts written off for permanent diminution in value. Impairment reviews are performed by Directors where there has been an indication of potential impairment.

Stock

The Group carries stocks of fuel as part of its disaster recovery policy. Stock is valued at the lower of cost and net realisable value.

Parseq Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity respectively.

i) *Current tax*

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

i) *Deferred tax*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the years in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Leasing

Assets acquired under hire purchase contracts are capitalised and depreciated in the same manner as other tangible assets. Assets acquired under finance leases are capitalised and depreciated over the lower of the useful lives and terms of the lease. Rentals payable are apportioned between the finance element, which is charged to the statement of comprehensive income, and the capital element which reduces the outstanding obligation for future instalments.

Rentals payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease term. Incentives received to enter into an operating lease are credited to the statement of comprehensive income to reduce the lease expense on a straight-line basis over the period of the lease.

Parseq Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

Borrowings

Interest bearing bank loans and overdrafts are initially recorded at their fair value, which is generally the proceeds received plus those transactions costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Subsequently, these liabilities are held at amortised cost using the effective interest method.

Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event; it is probable an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Employee Benefits

The group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

i) *Defined contribution pension plans*

The company funds individual employee defined contribution personal pension plans. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further obligations. All contributions to employee personal pension plans are charged to the statement of comprehensive income as they are incurred. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

ii) *Short term benefits*

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

iii) *Bonus plans*

The group operates an annual bonus plan for employees. An expense is recognised in the statement of comprehensive income when the company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

Foreign currency

The group's functional currency is the pound sterling. Monetary assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the date of the balance sheet or at the agreed contractual rate. Transactions in foreign currency are converted to sterling at the rate ruling at the date of the transaction. All differences on exchange are taken to the statement of comprehensive income.

Financial instruments

The Group has chosen to adopt sections 11 and 12 of FRS 102 in respect of financial instruments. The company's subsidiaries do not have any complex financial instruments and thus only apply section 11 of FRS 102.

Parseq Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

Basic financial assets, including trade and other receivables, cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire or are settled, or substantially all the risks and rewards of ownership of the asset are transferred to another party.

Financial instruments (continued)

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction where the debt instrument is measured at the present value of minimum lease payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Directly attributable debt instrument arrangement fees are capitalised and amortised over the period of the facility to which it relates.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

The company has issued equity instruments to certain employees, the accounting treatment of which is noted above.

Related party transactions

The group discloses related party transactions with related parties which are not wholly owned within the same group. It does not disclose transactions with members of the same group that are wholly owned.

Parseq Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

2 Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

i) *Useful economic lives of tangible assets*

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

ii) *Useful economic lives and carrying value of intangible assets*

The annual amortisation charge for intangible assets is sensitive to changes in the estimated useful economic lives of the assets. The useful economic lives are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, and economic utilisation. Management assess goodwill for impairment when there are indicators of impairment and it is sensitive to the same estimates as noted above.

iii) *Impairment of debtors*

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including current credit rating of the debtor, the ageing profile of debtors and historical experience.

iv) *Carrying value of investments*

The carrying value of investments is sensitive to the performance, future prospects and balance sheet position of the underlying subsidiaries. The carrying values are re-assessed annually. They are amended when necessary to reflect current estimates of fair value.

v) *Valuation of accruals and provisions*

Certain provisions and accruals require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. Where applicable, the timing of cashflows and the discount rates used to establish net present value of the obligations require management's judgement.

Parseq Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

3 Turnover

The Group's turnover is derived entirely from its principal activity. The analysis by geographical area of the Group's turnover is as follows:

	2019	2018
	£'000	£'000
United Kingdom	10,092	26,384
Rest of Europe	305	374
	10,397	26,758

4 Operating profit/ (loss)

	2019	2018
	£'000	£'000
Operating profit/ (loss) is stated after charging/ (crediting):		
Depreciation of tangible assets		
- owned assets	219	488
- leased assets	242	110
Operating lease charges	209	686
Amortisation of intangibles	359	366
Exceptional income	(2,294)	(1,331)
Services provided by the group's auditors:		
- fees payable for audit services – company	20	25
- fees payable for audit services – group	21	20
- fees payable for tax services - company	6	4
- fees payable for tax services - group	7	2

5 Directors' emoluments and key management compensation

Directors received aggregate emoluments during the financial year of £368k (2018: £nil). Nil retirement benefits were accrued to Directors under a defined contribution scheme during the year (2018: £nil).

No director exercised share options during the financial year. Key management excluding the directors noted above received aggregate emoluments during the financial year of £nil (2018: £508k) including amounts accrued under a defined contribution scheme.

Parseq Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

6 Employee information

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

	2019 Number	2018 Number
Production and support	118	971
Sales	7	9
Administration	59	90
	184	1,070

Staff costs for the above persons

	2019 £'000	2018 £'000
Wages and salaries	4,068	18,079
Social security costs	366	1,268
Other pension costs	78	193
	4,512	19,540

Pension costs incurred during the year were £91k (2018: £92k) of which contributions accrued to be paid at the year-end is £18k (2018: £25k).

7 Administrative income/ (expenses) – exceptional items

		2019 £'000	2018 £'000
Restructuring costs	(a)	(96)	(269)
Shareholder Loan waiver	(b)	1,327	1,600
Building cost net contribution	(c)	1,063	-
		2,294	1,331

- a) Subsequent to the sale of the group's Contact Centre division in August 2018, the opportunity was taken to restructure operational and functional processes and management personnel. A small element of this restructure continued into 2019.
- b) In February 2019, as part of the sale of the Parseq Group, the parent company loan was waived. In March 2018 a restructuring of the company's loan arrangements with its parent company was undertaken resulting in £1.6m of the loan being waived.
- c) The undertaking of a new client contract included the construction of a new building at its Hellaby freehold site. This credit represents the net impact of the release of a contribution to the build funded by the client and an impairment to the freehold property value.

Parseq Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

8 Interest payable and similar expenses

	2019 £'000	2018 £'000
Amortisation of issue costs of bank loan	104	191
Interest payable on bank loans and overdrafts	406	222
Interest on finance leases	14	52
Interest payable on inter-group loans	12	109
	536	574

9 Tax on profit

	2019 £'000	2018 £'000
(a) Analysis of charge/ (credit) for the year		
Current tax:		
UK corporation tax on results of the year	-	-
Adjustments in respect of prior periods	-	(20)
Total current tax	-	(20)
Deferred tax:		
Origination and reversal of timing differences	541	60
Adjustments in respect of previous periods	-	160
Additional losses recognised	-	(285)
Impact of change in UK tax rate	(98)	20
Total deferred tax	443	(45)
Total tax on loss	443	(65)

Parseq Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

9 Tax on profit (continued)

(b) Factors affecting the tax charge/ (credit) for the year

The taxation assessed for the year is higher (2018: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2019. The differences are explained below:

	2019	2018
	£'000	£'000
Profit on ordinary activities before taxation	2,136	691
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2017: 19.28%)	406	131
Effects of:		
Expenses/ (income) not deductible for tax purposes	150	(371)
Other tax adjustments, reliefs and transfers	41	-
Trading losses carried forward	-	36
Deferred tax – losses utilised	-	(22)
Fixed asset timing differences	(19)	-
Deferred tax - not recognised	(37)	161
Adjustments to tax charge in respect of prior years	-	(20)
Re-measurement of deferred tax – change in UK tax rate	(98)	20
Total tax charge/ (credit)	443	(65)

Parseq Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

10 Intangible assets

Group

	Software	Total
	£'000	£'000
Cost		
At 1 January 2019	2,089	2,089
Additions	145	145
Disposals	-	-
At 31 December 2019	2,234	2,234
Accumulated amortisation		
At 1 January 2019	1,083	1,083
Charge for the year	359	359
Disposals	-	-
At 31 December 2019	1,442	1,442
Net book amount		
At 31 December 2019	792	792
At 31 December 2018	1,006	1,006

Parseq Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

10 Intangible assets (continued)

Company

	Software	Total
	£'000	£'000
Cost		
At 1 January 2019	2,064	2,064
Additions	145	145
Disposals	-	-
At 31 December 2019	2,209	2,209
Accumulated amortisation		
At 1 January 2019	1,062	1,062
Charge for the year	359	359
Disposals	-	-
At 31 December 2019	1,421	1,421
Net book amount		
At 31 December 2019	788	788
At 31 December 2018	1,002	1,002

Assets held under finance leases and capitalised within software:

	2019		2018	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Cost	1,275	1,275	1,275	1,275
Accumulated depreciation	(811)	(811)	(569)	(569)
Net book amount	464	464	706	706

Parseq Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

11 Tangible assets

Group	Freehold land and buildings	Computer equipment	Furniture, fittings & equipment	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
1 January 2019	7,923	2,948	1,989	423	13,283
Additions	-	257	599	2,935	3,791
Disposals	-	(61)	(252)	-	(313)
At 31 December 2019	7,923	3,144	2,336	3,358	16,761
Accumulated depreciation					
1 January 2019	2,772	2,442	1,523	-	6,737
Charge for the year	113	127	221	-	461
Impairment	-	-	-	2,001	2,001
Disposals	-	(61)	(252)	-	(313)
At 31 December 2019	2,885	2,508	1,492	2,001	8,886
Net book amount					
At 31 December 2019	5,038	636	844	1,357	7,875
At 31 December 2018	5,151	506	466	423	6,546

Parseq Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

11 Tangible assets (continued)

Company	Computer equipment £'000	Furniture, fittings & equipment £'000	Assets under construction £'000	Total £'000
Cost				
At 1 January 2019	2,993	805	318	4,116
Additions	247	597	2,936	3,780
Disposals	-	(5)	-	(5)
Transfer to other group company	-	-	(3,012)	(3,012)
At 31 December 2019	3,240	1,397	242	4,879
Accumulated depreciation				
At 1 January 2019	2,384	339	-	2,723
Charge for the year	126	221	-	347
Disposals	-	(5)	-	(5)
At 31 December 2019	2,510	555	-	3,065
Net book amount				
At 31 December 2019	730	842	242	1,814
At 31 December 2018	609	466	318	1,393

Assets held under finance leases and capitalised in computer equipment, and furniture, fittings and equipment:

	2019		2018	
	Group £'000	Company £'000	Group £'000	Company £'000
Cost	1,279	1,279	600	600
Accumulated depreciation	(508)	(508)	(346)	(346)
Net book amount	771	771	254	254

Parseq Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

12 Investments

Shares in group undertakings	2019	2018
	£'000	£'000
As at 1 January	2,500	2,500
Impairment	-	-
As at 31 December	2,500	2,500

Investments in group undertakings are stated at cost plus the fair value of any additional costs directly attributable to the acquisition of those shares. The company's subsidiary undertakings are:

Company	Holding	Percentage	Principal activity
Parseq (Hellaby) Limited	Ordinary	100%	Dormant
DMR Connect Limited	Ordinary	100%	Provision of debt collection services
Active Business Services Limited	Ordinary	100%	Property holding company
Parseq Services Limited	Ordinary	100%	Dormant
Parseq Bulgaria Limited	Ordinary	100%	Provision of back office processing

Parseq Bulgaria Limited was incorporated on 28th March 2019 and is registered at Sofia, 83 Ekzarh Iossif Street, Entrance 2, floor 2. All other subsidiary undertaking are trading and registered in England and Wales at the address on page 1. The Directors believe that the carrying value of the investments is supported by their underlying net assets.

Parseq Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

13 Debtors

	2019		2018	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Trade debtors	1,430	1,471	3,343	3,303
Amounts owed by group undertakings	-	12	-	70
Amounts owed by parent company	1,342	1,342	-	-
Other debtors	73	73	281	281
Deferred tax asset (note 17)	-	-	317	314
Prepayments and accrued income	1,087	1,022	2,505	2,489
	3,932	3,920	6,446	6,457
Amounts falling due after one year				
Deferred tax (note 17)	500	420	626	617
	500	420	626	617
	4,432	4,340	7,072	7,074

The amounts owed from group undertakings are unsecured, interest free, have no fixed repayment date and are repayable on demand.

Parseq Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

14 Creditors: amounts falling due within one year

	2019		2018	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Bank loans and overdrafts (note 16)	4,137	1,557	3,198	1,414
Trade creditors	1,267	1,267	2,922	2,913
Amounts owed to group undertakings	-	665	37	375
Taxation and social security	236	236	363	363
Other creditors	1,011	1,012	2,094	2,094
Finance leases (note 16)	401	401	342	342
Accruals and deferred income	710	699	875	844
	7,762	5,837	9,831	8,345

Loans and other borrowings are further detailed in note 16. The amounts owed to group undertakings are unsecured, interest free, have no fixed repayment date and are repayable on demand.

15 Creditors: amounts falling due after more than one year

	2019		2018	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Amounts owed to parent company	-	-	1,315	1,315
Finance leases (note 16)	488	488	279	279
	488	488	1,594	1,594

Parseq Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

16 Loans and other borrowing

	2019		2018	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Bank overdrafts (a)	1,404	1,404	1,414	1,414
Bank loans (b)	2,732	152	1,784	-
Obligations under finance leases	889	889	621	621
	5,025	2,445	3,819	2,035

(a) Bank overdrafts reflect the debt financing provided by an Invoice Discount Facility.

(b) The bank loan outstanding at 31 December 2019 was refinanced and a new term loan put in place in February 2020 with a 5 year term carrying an interest rate of 4.65% above LIBOR.

Finance leases

Future minimum payments under finance leases are as follows:

	2019		2018	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
No later than 1 year	419	419	360	360
Later than one year, and no later than 5 years	500	500	289	289
	919	919	649	649
Future finance charges on finance lease liabilities	(30)	(30)	(28)	(28)
Present value of finance lease liabilities	889	889	621	621

Parseq Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

17 Deferred taxation

	2019		2018	
	Deferred taxation asset £'000	Deferred taxation provision £'000	Deferred taxation asset £'000	Deferred taxation provision £'000
Group				
At 1 January	943	-	948	(50)
Charged to statement of comprehensive income	(443)	-	(5)	-
Disposal	-	-	-	50
At 31 December	500	-	943	-
Company				
At 1 January	931	-	942	-
Charged to statement of comprehensive income	(511)	-	(12)	-
At 31 December	420	-	931	-

Parseq Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

17 Deferred taxation (continued)

Deferred tax charged in the financial year, provided in the financial statements at year end and the amounts, for which no provision has been made, are as follows:

	2019		2018	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Tax effect of timing differences because of:				
Depreciation in excess of capital allowances	80	124	278	265
Losses	420	296	665	666
Deferred tax asset	500	420	943	931
Capital allowances in excess of depreciation	-	-	-	-
Deferred tax provision	-	-	-	-

Deferred tax has been recognised in line with the corporation tax rates when the applicable asset or liability was expected to reverse as indicated in note 9.

18 Operating lease commitments

The group and company had the following minimum lease payments under non-cancellable operating leases for each of the following periods:

	Group		Company	
	31 December 2019 £'000	31 December 2018 £'000	31 December 2019 £'000	31 December 2018 £'000
Payments due:				
Not later than one year	110	186	110	186
Between 1 year and 5 years	120	23	120	23
Later than 5 years	-	-	-	-
Total commitment	230	209	230	209

Parseq Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

19 Notes to the cash flow statement

Reconciliation of the (loss)/ profit for the financial year to cash flow from operating activities	Discontinued operations 2019 £'000	Continuing operations 2019 £'000	Total 2019 £'000	Total 2018 £'000
Operating (loss)/ profit	(41)	2,713	2,672	1,265
Depreciation, amortisation and impairment charges	-	2,821	2,821	963
Working capital movements:				
- decrease in debtors	-	2,198	2,198	7,082
- decrease in creditors	-	(4,382)	(4,382)	(7,103)
Cash flow from operating activities	(41)	3,350	3,309	2,207

Analysis of changes in net debt

	At 1 January 2019 £'000	Cash Flow £'000	Discontinued operations £'000	Decrease in borrowings £'000	Increase in borrowings £'000	At 31 December 2019 £'000
Cash at bank and in hand	(44)	(43)	-	-	-	(87)
	(44)	(43)	-	-	-	(87)
Overdrafts	1,414	-	-	(10)		1,404
Bank loans	1,784	-	-	(1,804)	2,752	2,732
Finance lease obligations	621	-	-	(394)	662	889
	3,819	-	-	(2,208)	3,414	5,025
Total net debt	3,775	(43)	-	(2,208)	3,414	4,938

Parseq Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

20 Called up share capital

Company	2019 £'000	2018 £'000
Allotted, called up and fully paid		
15,049 (2017: 15,333) 'A' ordinary shares of 1p each	-	-
5,000,000 (2017: 5,000,000) 'A2' ordinary shares of £1 each	5,000	5,000
85 (2017: 85) 'D' ordinary shares of 12p each	-	-
170 (2017: 170) 'E' ordinary shares of 4p each	-	-
85 (2017: 85) 'F' ordinary shares of 2.9p each	-	-
1,049 (2017: 1,133) 'G' ordinary shares of 0.01p each	-	-
284 (2017: nil) 'H' ordinary shares of 0.01p each	-	-
	5,000	5,000

Five classes of shares (D, E, F, G and H) were authorised for the purpose of providing share incentives to the management team which entitled the holder to a percentage of equity returns from the company on exit above a specified hurdle value. These shares were repurchased back by the company in February 2020.

21 Discontinued operations

In February 2019, a subsidiary of group, Parseq Managed Services Limited, began to cease its trade. The subsidiary contributed a loss of £58k (2018: £1k) to the Parseq group.

On 21 August 2018, the Contact Centre division of the Parseq group was sold and during the 2018 financial year the division contributed 2018 post-tax profits to the Parseq group of £443k (2019: nil). The net assets of the division at the date of disposal were £3,980k and a loss on disposal of £485k was recognised in the 2018 statement of comprehensive income.

22 Post balance sheet events

In February 2020 the group refinanced its term loan facilities with a 5 year facility.

As part of their assessment of the going concern basis of preparation, the directors have considered the impact of the COVID-19 pandemic on the company's trade, workforce, supply chain and the wider economies in which it operates. To aid the directors in assessing the impact on the company, revised forecasts have been prepared incorporating various potential outcomes in response to the wider economic downturn resulting from the pandemic. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future from assessing these forecasts. It is the view of the directors that the events which have impacted the company are the direct result of Government and international policy in response to the pandemic (for example restrictions on travel, trade and personal interactions) and such policy only arose after the balance sheet date. The directors therefore consider the impact of the COVID-19 on the business to be a non-adjusting post balance sheet event.

Parseq Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

23 Contingent liabilities

The company has entered into a cross corporate guarantee with its subsidiary undertaking, Active Business Services Limited, in respect of the groups banking facilities. The business has guaranteed certain payments totalling £400k payable by its parent company, Parabellum Investment (UK) Limited. This is not expected to be a liability of the company and as such is not recognised in these financial statements. The company had no other contingent liabilities as at 31 December 2018 and 31 December 2017.

24 Related party transactions

The company had no related party transactions during the financial year.

25 Ultimate parent undertaking and ultimate controlling party

Following a sale of the Parseq group in February 2019, the ultimate parent undertaking is Parabellum Investments Limited, a limited company registered in Jersey, and the ultimate controlling party is Rami Cassis.