

Company registration number 11221126 (England and Wales)

QUANTA LAW LIMITED
UNAUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
PAGES FOR FILING WITH REGISTRAR

QUANTA LAW LIMITED

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QUANTA LAW LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2021

	Notes	2021 £	£	2020 £	£
Fixed assets					
Tangible assets	4		57,823		124,891
Current assets					
Debtors	5	37,459,970		31,670,068	
Cash at bank and in hand		124,381		11,852	
		<u>37,584,351</u>		<u>31,681,920</u>	
Creditors: amounts falling due within one year	6	<u>(49,556,223)</u>		<u>(36,684,106)</u>	
Net current liabilities			<u>(11,971,872)</u>		<u>(5,002,186)</u>
Total assets less current liabilities			<u>(11,914,049)</u>		<u>(4,877,295)</u>
Creditors: amounts falling due after more than one year	7		<u>(3,068,644)</u>		<u>(49,167)</u>
Net liabilities			<u><u>(14,982,693)</u></u>		<u><u>(4,926,462)</u></u>
Capital and reserves					
Called up share capital			100		100
Profit and loss reserves			<u>(14,982,793)</u>		<u>(4,926,562)</u>
Total equity			<u><u>(14,982,693)</u></u>		<u><u>(4,926,462)</u></u>

The director of the company has elected not to include a copy of the profit and loss account within the financial statements.

For the financial year ended 31 December 2021 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

The director acknowledges his responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The member has not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476.

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved and signed by the director and authorised for issue on 12 December 2022

J M Ryan
Director

Company Registration No. 11221126

QUANTA LAW LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

Company information

Quanta Law Limited is a private company limited by shares incorporated in England and Wales. The registered office is Floor 2, Southgate 2, Wilmslow Road, Heald Green, Cheadle, Greater Manchester, England, SK8 3PW.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

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 £.

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

1.2 Going concern

These financial statements are prepared on the going concern basis. The director has a reasonable expectation that the company will continue in operational existence for the foreseeable future. However, the director is aware of certain material uncertainties which may cause doubt on the company's ability to continue as a going concern.

The company has made a loss of £10.1m for the reporting period and has net liabilities of £15m at the balance sheet date.

The shareholders and directors of Quanta Law acknowledge issues around cashflow have arisen due to delays to settlement of cases caused by the legal system slowing down during the pandemic, reviews of case files by FOS / FSCS and a general reluctance by banks to acknowledge customers concerns regarding overcharging and mis-sale of their mortgage products. These factors have delayed the settlement of files and have had a negative impact on cashflows within the business.

To improve profitability and cashflow, Quanta Law has diversified into other areas with shorter timespan to settlement which have resulted in settlements success for clients and positive cashflow for the business. Further steps have been taken to reduce opex costs such as:-

- Reduction in property costs by moving to smaller offices
- Reduction of staff to concentrate on key areas of the business.

As well as rolling out a programme of cost reduction, Quanta Law is currently in negotiations with HMRC to reclaim £1.88m worth of unclaimed VAT. Once received these funds will be used to reduce liabilities that have fallen due.

The shareholder and board have also agreed to a debt for equity swap in 2022 of £23.2m. This will have a further significant impact to make the balance sheet stronger and reduce debt interest payments.

A significant number of cases and significant debt has been taken over by another law firm to further reduce the debt burden on Quanta Law balance sheet and make the firm stronger for the future.

The restated equity position and other measures will ensure that the company have sufficient funds to pay its debts in the coming accounting period. On this basis the directors consider that the company remains a going concern and the financial statements have been prepared on that basis.

QUANTA LAW LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

1.4 Tangible fixed assets

Tangible fixed assets 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:

Fixtures and fittings	33.33% Straight line
Computers	33.33% Straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

QUANTA LAW LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.6 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and 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.

1.7 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1.8 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.9 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

QUANTA LAW LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

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 stock or fixed 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.

1.11 Retirement benefits

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

1.12 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.13 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

QUANTA LAW LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the director is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Employees

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

	2021 Number	2020 Number
Total	47	73

4 Tangible fixed assets

	Plant and machinery etc
	£
Cost	
At 1 January 2021	208,475
Additions	2,606
At 31 December 2021	211,081
Depreciation and impairment	
At 1 January 2021	83,584
Depreciation charged in the year	69,674
At 31 December 2021	153,258
Carrying amount	
At 31 December 2021	57,823
At 31 December 2020	124,891

QUANTA LAW LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

5 Debtors

	2021	2020
	£	£
Amounts falling due within one year:		
Trade debtors	329,235	531,226
Other debtors	37,130,735	31,138,842
	<u>37,459,970</u>	<u>31,670,068</u>

6 Creditors: amounts falling due within one year

	2021	2020
	£	£
Bank loans	10,000	833
Trade creditors	5,273,133	1,873,876
Taxation and social security	1,368,946	603,869
Other creditors	42,904,144	34,205,528
	<u>49,556,223</u>	<u>36,684,106</u>

7 Creditors: amounts falling due after more than one year

	2021	2020
	£	£
Bank loans and overdrafts	<u>3,068,644</u>	<u>49,167</u>

8 Events after the reporting date

On January 26, 2022, an agreement was reached with ME Finance and Investments Limited, which provides credit facilities to the company, to convert the credit facility to preferential equity in the company. The transaction has an effective date of January 26, 2022. The consideration is comprised of 23.2million shares (valued at £1 each) in Quanta Law Limited.

9 Related party transactions

The following amounts were outstanding at the reporting end date:

	2021	2020
	£	£
Amounts due to related parties		
Other related parties	<u>24,871,652</u>	<u>9,228,762</u>

The following amounts were outstanding at the reporting end date:

	2021	2020
	£	£
Amounts due from related parties		
Other related parties	<u>24,000</u>	<u>24,000</u>

QUANTA LAW LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

10 Directors' transactions

Dividends totalling £0 (2020 - £0) were paid in the year in respect of shares held by the company's directors.

At the year end, a balance of £56,282 (2020: £Nil) was due to the director.

The above loan is unsecured and attracts interest of 10% per annum. During the year an interest amounting to £14,282 was paid to the director.

11 Controlling party

The ultimate controlling party of the company is Robert Scott Cooper by virtue of his 100% shareholding.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.