

Registered number 06485099

2 DEGREES LIMITED

ABBREVIATED ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2011

THURSDAY



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27/09/2012

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COMPANIES HOUSE

2 DEGREES LIMITED

INDEPENDENT AUDITOR'S REPORT TO 2 DEGREES LIMITED UNDER SECTION 449 OF THE COMPANIES ACT 2006

We have examined the abbreviated accounts set out on pages 3 to 8, together with the financial statements of 2 Degrees Limited for the year ended 31 December 2011 prepared under section 396 of the Companies Act 2006

This report is made solely to the company in accordance with section 449 of the Companies Act 2006. Our work has been undertaken so that we might state to the company those matters we are required to state to it in a special 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, for our work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

The directors are responsible for preparing the abbreviated accounts in accordance with section 444 of the Companies Act 2006. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts to the Registrar of Companies and whether the abbreviated accounts have been properly prepared in accordance with the regulations made under that section and to report our opinion to you.

We conducted our work in accordance with Bulletin 2008/4 issued by the Auditing Practices Board. In accordance with that Bulletin we have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts are properly prepared.

OPINION ON FINANCIAL STATEMENTS

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with section 444(3) of the Companies Act 2006, and the abbreviated accounts on pages 3 to 8 have been properly prepared in accordance with the regulations made under that section.

2 DEGREES LIMITED

**INDEPENDENT AUDITOR'S REPORT TO 2 DEGREES LIMITED
UNDER SECTION 449 OF THE COMPANIES ACT 2006**

OTHER INFORMATION

On 25 September 2012 we reported as auditor to the company on the financial statements prepared under section 396 of the Companies Act 2006 and included the following statement

EMPHASIS OF MATTER

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure in note 12 to the financial statements concerning the company's ability to continue as a going concern. The company incurred a net loss of £1,433,156 during the year ended 31 December 2011 and together with the matters explained in note 12 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.



Mrs Sue Staunton MA ACA CF (Senior Statutory Auditor)

for and on behalf of
James Cowper LLP

Chartered Accountants and Statutory Auditor

for and on behalf of

James Cowper LLP

2 Chawley Park
Cumnor Hill
Oxford
Oxfordshire
OX2 9GG

25 September 2012

2 DEGREES LIMITED
REGISTERED NUMBER: 06485099

ABBREVIATED BALANCE SHEET
AS AT 31 DECEMBER 2011

	Note	2011 £	2010 £
FIXED ASSETS			
Intangible assets	2	-	70,000
Tangible assets	3	20,888	15,093
Investments	4	170,907	-
		<u>191,795</u>	<u>85,093</u>
CURRENT ASSETS			
Debtors		181,566	239,186
Cash at bank and in hand		759,161	334,879
		<u>940,727</u>	<u>574,065</u>
CREDITORS: amounts falling due within one year		<u>(109,729)</u>	<u>(230,894)</u>
NET CURRENT ASSETS		<u>830,998</u>	<u>343,171</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,022,793</u>	<u>428,264</u>
CREDITORS amounts falling due after more than one year		<u>(2,075,969)</u>	<u>(1,018,063)</u>
NET LIABILITIES		<u>(1,053,176)</u>	<u>(589,799)</u>
CAPITAL AND RESERVES			
Called up share capital	5	1,596	1,402
Share premium account		2,821,020	1,851,214
Profit and loss account		<u>(3,875,792)</u>	<u>(2,442,415)</u>
SHAREHOLDERS' DEFICIT		<u>(1,053,176)</u>	<u>(589,799)</u>

The abbreviated accounts, which have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006, were approved and authorised for issue by the board and were signed on its behalf by



M N Chilcott
Director

Date 24 September 2012

The notes on pages 4 to 8 form part of these financial statements

2 DEGREES LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2011

1 ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The full financial statements, from which these abbreviated accounts have been extracted, have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

The company is the parent undertaking of a small group and as such is not required by the Companies Act 2006 to prepare group accounts. These financial statements therefore present information about the company as an individual undertaking and not about its group.

1.2 Going concern

At the balance sheet date, total liabilities exceeded total assets by £1,053,176 (2010 £589,799) that included net current assets of £830,998 (2010 £343,171) having made a loss after tax in the year of £1,433,377 (2010 £1,398,879)

The directors believe it is appropriate to prepare the financial statements on a going concern basis for the following reasons:

The company raised additional funding of £300,000 in January 2012 to further improve the company's liquidity.

The directors are in negotiations with external investors to raise in excess of £1m. This round of funding is expected to be complete by February 2013.

Following this funding it is anticipated that the company will have sufficient liquid assets to fund any working capital requirements and meet any liabilities as they fall due.

Detailed projections have been prepared and approved by the directors and are considered to be achievable. These projections show the company to be a going concern.

1.3 Cash flow

The financial statements do not include a Cash Flow Statement because the company, as a small reporting entity, is exempt from the requirement to prepare such a statement under the Financial Reporting Standard for Smaller Entities (effective April 2008).

1.4 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

Included within turnover is sponsorship and delegate revenue of £46,860 relating to the 2 Degrees Summit Event held in January 2012. The Directors have recognised this revenue in the financial statements on the basis that the sponsors received some of the benefit of their sponsorship prior to the event. In the opinion of the directors, if the revenue was not included the financial statements would not show a true and fair view.

1.5 Intangible fixed assets and amortisation

Patents and licenses are to be amortised at 25% per annum on a straight line basis in order to write off each asset over its estimated useful life.

2 DEGREES LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2011

1 ACCOUNTING POLICIES (continued)

1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Fixtures & fittings	- 25% straight line
Computer equipment	- 25-33% straight line

1.7 Investments

Investments held as fixed assets are shown at cost less provision for impairment.

1.8 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Profit and Loss Account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.9 Operating leases

Rentals under operating leases are charged to the Profit and Loss Account on a straight line basis over the lease term.

1.10 Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

1.11 Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

1.12 R&D tax credit

R&D tax credit is recognised when it is probable the tax credit in relation to research and development carried out will be received.

2 DEGREES LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2011

2 INTANGIBLE FIXED ASSETS

	£
Cost	
At 1 January 2011 and 31 December 2011	280,000
Amortisation	
At 1 January 2011	210,000
Charge for the year	70,000
At 31 December 2011	280,000
Net book value	
At 31 December 2011	-
At 31 December 2010	70,000

3. TANGIBLE FIXED ASSETS

	£
Cost	
At 1 January 2011	24,363
Additions	16,437
At 31 December 2011	40,800
Depreciation	
At 1 January 2011	9,270
Charge for the year	10,642
At 31 December 2011	19,912
Net book value	
At 31 December 2011	20,888
At 31 December 2010	15,093

4 FIXED ASSET INVESTMENTS

	£
Cost or valuation	
Additions	170,907
At 31 December 2011	170,907
Net book value	
At 31 December 2011	170,907

2 DEGREES LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2011

4 FIXED ASSET INVESTMENTS (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the company

The aggregate of the share capital and reserves as at 31 December 2011 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows

Name	Aggregate of share capital and reserves £	Profit/(loss) £
2 Degrees Communities Limited	(17,937)	(10,359)
2 Degrees Inc	(170,907)	(170,907)
	<u> </u>	<u> </u>

5. SHARE CAPITAL

	2011 £	2010 £
Allotted, called up and fully paid		
1,555,500 (2010 - 1,361,500) Ordinary shares of £0.001 each	1,556	1,362
40,000 Convertible Redeemable Preference shares of £0.001 each	40	40
	<u> </u>	<u> </u>
	<u>1,596</u>	<u>1,402</u>

During the year the company issued 194,000 0.1p Ordinary shares for £5 per share. The total consideration received was £970,000.

Convertible Preference shares are redeemable, with no time limit or fixed redemption date, by the holder as part of any future fund-raising in excess of £2million.

2 DEGREES LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2011

6. DIRECTORS' BENEFITS: ADVANCES, CREDIT AND GUARANTEES

At the year end the company owed M Chilcott, a director of the company, £95,010 (2010 £95,010) in relation to a repayable loan. Interest in relation to this of £6,651 (2010 £3,060) has been charged to the Profit and Loss account during the year. At the year end interest of £9,711 (2010 £3,060) was owed to the director. The terms and conditions of the loan are included within note 11.

At the year end the company owed J Tann, a director of the company, £86,160 (2010 £86,160) in relation to a repayable loan. Interest in relation to this of £6,031 (2010 £2,776) has been charged to the Profit and Loss account during the year. At the year end interest of £8,807 (2010 £2,776) was owed to the director. The terms and conditions of the loan are included within note 11.

At the year end M Chilcott, a director of the company, held £110,508 (2010 £110,508) of convertible loan notes. Interest in relation to this of £4,420 (2011 £4,420) has been charged to the Profit and Loss account during the year. At the year end interest of £9,344 (2010 £5,014) was owed to the director. The terms and conditions of the convertible loan notes are included within note 11.

At the year end J Tann, a director of the company, held £110,508 (2010 £110,508) of convertible loan notes. Interest in relation to this of £4,420 (2011 £4,420) has been charged to the Profit and Loss account during the year. At the year end interest of £9,344 (2010 £5,014) was owed to the director. The terms and conditions of the convertible loan notes are included within note 11.

During the year J Tann, a director of the company, provided a loan of £312,500 (2010 £Nil). This was converted into 62,500 equity shares during the share issue.

During the year J Patrick, a director of the company, received £22,500 (2010 £Nil) as compensation for loss of office.