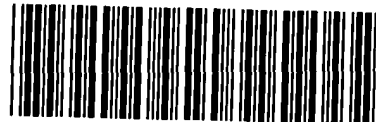


2 DEGREES LIMITED

**DIRECTOR'S REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

SATURDAY



A20 *A6EL5X42* 09/09/2017 #157
COMPANIES HOUSE

2 DEGREES LIMITED

COMPANY INFORMATION

Directors	M N Chilcott J D Tarin (resigned 30 September 2016)
Company secretary	Aldwych Secretaries Limited
Registered number	06485099
Registered office	9400 Garsington Road Oxford Business Park Oxford OX4 2HN
Independent auditors	James Cowper Kreston Chartered Accountants and Statutory Auditors 2 Chawley Park Cumnor Hill Oxford Oxfordshire OX2 9GG

2 DEGREES LIMITED

CONTENTS

	Page
Director's Report	1 - 2
Independent Auditors' Report	3 - 4
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Notes to the Financial Statements	8 - 21

2 DEGREES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The director presents his report and the financial statements for the year ended 31 December 2016.

Director's responsibilities statement

The director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the director must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the director is required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Directors

The directors who served during the year were:

M N Chilcott

J D Tarin (resigned 30 September 2016)

Disclosure of information to auditors

Each of the persons who are directors at the time when this Director's Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

The auditors, James Cowper Kreston, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

2 DEGREES LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

This report was approved by the board on 12 June 2017 and signed on its behalf.



.....
M N Chilcott
Director

2 DEGREES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF 2 DEGREES LIMITED

We have audited the financial statements of 2 Degrees Limited for the year ended 31 December 2016, set out on pages 5 to 21. The relevant financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 Auditors' 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.

Respective responsibilities of Directors and Auditors

As explained more fully in the Director's Responsibilities Statement on page 1, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit or loss 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.

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 1.2 to the financial statements concerning the Company's ability to continue as a going concern. The financial statements have been prepared on a going concern basis, the validity of which depends upon the success of the directors in raising further funding and generating sufficient working capital from fundraising and trading activities. The Company incurred a net loss of £572,672 during the year ended 31 December 2016 and this, together with the matters explained in note 2.2 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit, the information given in the Director's Report for the financial year for which the financial statements are prepared is consistent with those financial statements and this report has been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF 2 DEGREES LIMITED (CONTINUED)

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Director's 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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the director was not entitled to take advantage of the small companies' exemption from the requirement to prepare a Strategic Report.



Sue Staunton MA FCA CF (Senior Statutory Auditor)

for and on behalf of
James Cowper Kreston

Chartered Accountants and Statutory Auditors

2 Chawley Park
Cumnor Hill
Oxford
Oxfordshire
OX2 9GG

15 June 2017

2 DEGREES LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £	2015 £
Turnover		1,829,673	2,063,718
Gross profit		1,829,673	2,063,718
Administrative expenses		(2,423,044)	(3,166,061)
Operating loss		(593,371)	(1,102,343)
Interest receivable and similar income		36	5
Interest payable and expenses	6	(77,327)	(85,942)
Loss before tax		(670,662)	(1,188,280)
Tax on loss	7	97,990	169,625
Loss for the year		(572,672)	(1,018,655)
Other comprehensive income for the year			
Total comprehensive income for the year		(572,672)	(1,018,655)

2 DEGREES LIMITED
REGISTERED NUMBER: 06485099

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	2016 £	As restated 2015 £
Fixed assets			
Tangible assets	9	23,102	38,303
		<u>23,102</u>	<u>38,303</u>
Current assets			
Debtors: amounts falling due within one year	10	565,247	614,493
Cash at bank and in hand	11	187,301	119,923
		<u>752,548</u>	<u>734,416</u>
Creditors: amounts falling due within one year	12	(1,501,878)	(1,500,440)
Net current liabilities		<u>(749,330)</u>	<u>(766,024)</u>
Total assets less current liabilities		<u>(726,228)</u>	<u>(727,721)</u>
Creditors: amounts falling due after more than one year	13	(771,835)	(1,001,069)
Net liabilities		<u><u>(1,498,063)</u></u>	<u><u>(1,728,790)</u></u>
Capital and reserves			
Called up share capital	16	2,615	2,415
Share premium account		7,589,976	6,786,777
Profit and loss account		(9,090,654)	(8,517,982)
		<u><u>(1,498,063)</u></u>	<u><u>(1,728,790)</u></u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 12 June 2017.



M N Chilcott
Director

The notes on pages 8 to 21 form part of these financial statements.

2 DEGREES LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 January 2015 (as previously stated)	2,395	6,686,997	(7,484,472)	(795,080)
Prior year adjustment	-	-	(14,855)	(14,855)
At 1 January 2015 (as restated)	2,395	6,686,997	(7,499,327)	(809,935)
Comprehensive income for the year				
Loss for the year	-	-	(1,018,655)	(1,018,655)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	(1,018,655)	(1,018,655)
Shares issued during the year	20	99,780	-	99,800
Total transactions with owners	20	99,780	-	99,800
At 1 January 2016	2,415	6,786,777	(8,517,982)	(1,728,790)
Comprehensive income for the year				
Loss for the year	-	-	(572,672)	(572,672)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	(572,672)	(572,672)
Shares issued during the year	200	803,199	-	803,399
Total transactions with owners	200	803,199	-	803,399
At 31 December 2016	2,615	7,589,976	(9,090,654)	(1,498,063)

2 DEGREES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. General information

2 Degrees Limited are a private limited company incorporated and domiciled in England and Wales. The registered office is 9400 Garsington Road, Oxford Business Park, Oxford, OX4 2HN. The Company's principal activities are that of the design and development of leading collaboration platforms and services for sustainable business.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company accounting policies.

The following principal accounting policies have been applied:

2.2 Going concern

At the balance sheet date, total liabilities exceeded total assets by £1,498,063 (2015: £1,728,790) and this included net current liabilities of £749,330 (2015: £766,024). During the year ended 31 December 2016, the Company made a loss after tax for the year of £572,672 (2015: £1,018,655). Notwithstanding these results for the year, the directors believe it is appropriate to prepare the financial statements on a going concern basis for the following reasons outlined below.

Included within creditors are the following items:

- a) £979,478 of convertible loan notes due to be converted to equity on the earlier of (i) 31 December 2017 ii) a change of control iii) a qualifying investment round.
- b) £717,740 of repayable loans due for repayment during January 2018.

Individuals who have made repayable loans to the Company totalling £620,121 have confirmed in writing that they will provide continued support by extending the terms of repayment of their loans and all accrued interest for at least a further 12 months from 7 January 2018.

Detailed projections showing the Company to be a going concern have been prepared and approved by the directors and are considered to be achievable with the support from creditors outlined above. If required the directors will review the business plan and budgeted level of expenditure and cut costs accordingly to ensure the Company can meet its liabilities as they fall due. Additionally, further investment will be sought if deemed necessary.

2 DEGREES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.4 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

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

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.6 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.8 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-putable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Investments in non-convertible preference shares and in non-putable ordinary and preference shares are measured:

- at fair value with changes recognised in the Statement of Comprehensive Income if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an 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.

2 DEGREES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.8 Financial instruments (continued)

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

2.9 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.10 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

2.11 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2 DEGREES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.12 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of Comprehensive Income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of Financial Position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to Statement of Comprehensive Income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Statement of Comprehensive Income is charged with fair value of goods and services received.

2.13 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 January 2015 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.14 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. 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 payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.15 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Statement of Financial Position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Statement of Financial Position date.

2 DEGREES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.16 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.17 Taxation

Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

3. Auditors' remuneration

Fees payable to the Company's auditor for the audit of the Company's annual financial statements totalled £4,050 (2015 - £4,000).

4. Employees

The average monthly number of employees, including directors, during the year was 38 (2015 - 50).

5. Directors' remuneration

	2016 £	2015 £
Directors' emoluments	154,117	176,600
	<u>154,117</u>	<u>176,600</u>

6. Interest payable and similar charges

	2016 £	2015 £
Bank interest payable	77,327	85,942
	<u>77,327</u>	<u>85,942</u>

2 DEGREES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

7. Taxation

	2016 £	2015 £
Corporation tax		
UK corporation tax credit	(97,990)	(169,625)
	<u>(97,990)</u>	<u>(169,625)</u>
Total current tax	<u>(97,990)</u>	<u>(169,625)</u>

Factors affecting tax charge for the year

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2016 nor for the year ended 31 December 2015.

Included in other operating income is £5,230 in respect of a research and development expenditure credit.

The corporation tax credit is shown net of a notional tax charge of £1,046 relating to tax payable on the research and development expenditure credit. The notional tax deducted will be offset against the next available corporation tax liability.

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

2 DEGREES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

8. Intangible assets

	Patents £
Cost	
At 1 January 2016	280,000
At 31 December 2016	<u>280,000</u>
Amortisation	
At 1 January 2016	280,000
At 31 December 2016	<u>280,000</u>
Net book value	
At 31 December 2016	<u>-</u>
At 31 December 2015	<u>-</u>

2 DEGREES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

9. Tangible fixed assets

	Fixtures & fittings £	Computer equipment £	Total £
Cost or valuation			
At 1 January 2016	13,634	91,378	105,012
Additions	621	3,088	3,709
Disposals	-	(24,980)	(24,980)
At 31 December 2016	<u>14,255</u>	<u>69,486</u>	<u>83,741</u>
Depreciation			
At 1 January 2016	7,556	59,153	66,709
Charge for the period on owned assets	2,718	11,950	14,668
Disposals	-	(20,738)	(20,738)
At 31 December 2016	<u>10,274</u>	<u>50,365</u>	<u>60,639</u>
Net book value			
At 31 December 2016	<u>3,981</u>	<u>19,121</u>	<u>23,102</u>
At 31 December 2015	<u>6,078</u>	<u>32,225</u>	<u>38,303</u>

10. Debtors

	2016 £	2015 £
Trade debtors	245,963	472,718
Other debtors	117,911	103,728
Prepayments and accrued income	201,373	38,047
	<u>565,247</u>	<u>614,493</u>

11. Cash and cash equivalents

	2016 £	2015 £
Cash at bank and in hand	187,301	119,923
	<u>187,301</u>	<u>119,923</u>

2 DEGREES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

12. Creditors: Amounts falling due within one year

	2016 £	As restated 2015 £
Convertible loan notes	979,478	-
Repayable loans	-	810,334
Trade creditors	76,108	33,774
Other taxation and social security	90,037	191,931
Other creditors	23,446	7,113
Accruals and deferred income	332,809	457,288
	<u>1,501,878</u>	<u>1,500,440</u>

During the year ended 31 December 2016, £803,400 of unsecured loans were converted into 200,850 ordinary shares at £4 per share. All interest accrued to date was written off as part of the deal.

Under the convertible loan note agreement, the principal and interest will be converted into equity on the earlier of (i) 31 December 2017, (ii) a change of control, (iii) a qualifying investment round.

13. Creditors: Amounts falling due after more than one year

	2016 £	2015 £
Repayable loans	717,740	634,342
Convertible loan notes	-	245,154
Accruals and deferred income	54,095	121,573
	<u>771,835</u>	<u>1,001,069</u>

Secured loans

The repayable loan of £717,740 (2015: £634,342) is due for repayment during January 2018.

Included within accruals and deferred income is an amount for £54,095 (2015: £91,344) relating to interest accrued on the repayable loan due for repayment in January 2018.

2 DEGREES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

14. Loans

Analysis of the maturity of loans is given below:

	2016 £	2015 £
Amounts falling due within one year		
Other loans	-	810,334
	<u>-</u>	<u>810,334</u>
Amounts falling due 1-2 years		
Other loans	717,740	634,342
	<u>717,740</u>	<u>634,342</u>
	<u>717,740</u>	<u>1,444,676</u>

15. Financial instruments

	2016 £	2015 £
Financial assets		
Financial assets that are debt instruments that are measured at amortised cost	608,413	696,369
	<u>608,413</u>	<u>696,369</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(1,866,402)	(2,075,110)
	<u>(1,866,402)</u>	<u>(2,075,110)</u>

Financial assets that are debt instruments that are measured at amortised cost comprise cash and cash equivalents, trade debtors, other debtors and accrued income.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors, deferred income, repayable loans and convertible loan notes.

2 DEGREES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

16. Share capital

	2016 £	2015 £
Shares classified as equity		
Allotted, called up and fully paid		
2,575,000 (2015 - 2,375,000) Ordinary shares of £0.001 each	2,575	2,375
40,000 Convertible Redeemable Preference shares of £0.001 each	40	40
	<u>2,615</u>	<u>2,415</u>

During the year ended 31 December 2016 the Company has allotted 200,850 Ordinary shares for a nominal value of £0.001 and a share premium of £3.999. This allotment has resulted from the conversion of £803,400 of unsecured loans.

17. Share based payments

	Weighted average exercise price (pence) 2016	Number 2016	Weighted average exercise price (pence) 2015	Number 2015
Outstanding at the beginning of the year	0.523	82,500	0.523	75,000
Granted during the year		74,800		22,500
Expired during the year		-		(15,000)
Outstanding at the end of the year	<u>0.523</u>	<u>157,300</u>	<u>0.523</u>	<u>82,500</u>

	2016 £	2015 £
	<u>-</u>	<u>-</u>

18. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £30,829 (2015: £6,839).

2 DEGREES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

19. Related party transactions

At the year end the Company owed M Chilcott, a director of the Company £155,486 (2015: £136,391) in relation to a repayable loan. Interest in relation to this of £10,884 (2015: £9,547) has been charged to the statement of comprehensive income during the year. Interest accrued to 31 December 2015 of £19,095 was rolled up into the principal of the loan and the loan repayment date rescheduled to 7 January 2018. Therefore at the year end interest of £10,884 (2015: 19,094) was owed to the director.

At the year end the Company owed J Tarin, a director of the Company up until 30 September 2016, £146,054 (2015: £129,325) in relation to a repayable loan. Interest in relation to this of £10,224 (2015: £9,053) has been charged to the statement of comprehensive income during the year. Interest accrued to 31 December 2015 of £16,730 was rolled up into the principal of the loan and the loan repayment date rescheduled to 7 January 2018. Therefore at the year end interest of £10,224 (2015: £16,730) was owed to J Tarin.

20. Post balance sheet events

On 28 April 2017 the Company issued £100,000 of convertible loan notes.

On 28 February 2017, Private Client Partners, a majority shareholder, transferred its shareholding of 777,707 shares in the Company to Pinecray Limited, an existing shareholder. This has not resulted in any change to the ultimate controlling party.

21. Controlling party

In the opinion of the director, the Company is not controlled by any one person.

2 DEGREES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

22. First time adoption of FRS 102

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.