

**2 DEGREES LIMITED**

**ABBREVIATED ACCOUNTS**

**FOR THE YEAR ENDED 31 DECEMBER 2013**

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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 2013 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.

#### **UNQUALIFIED OPINION**

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**

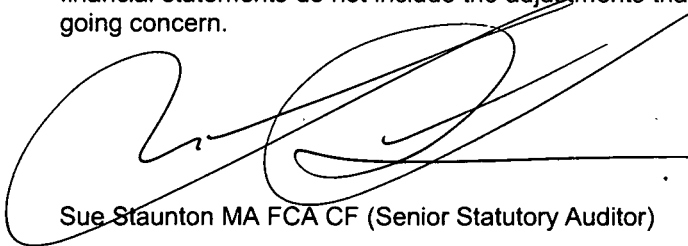
**INDEPENDENT AUDITOR'S REPORT TO 2 DEGREES LIMITED  
UNDER SECTION 449 OF THE COMPANIES ACT 2006**

**OTHER INFORMATION**

We reported as auditor to the members of the company on the financial statements prepared under section 396 of the Companies Act 2006 and our report included the following paragraph:

**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 company incurred a net loss of £1,418,534 during the year ended 31 December 2013 and this together with the matters explained in note 1.2 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.



Sue Staunton MA FCA CF (Senior Statutory Auditor)

for and on behalf of  
**James Cowper LLP**

Chartered Accountants and Statutory Auditor

2 Chawley Park  
Cumnor Hill  
Oxford  
Oxfordshire  
OX2 9GG


Date: *19 August 2014.*

**2 DEGREES LIMITED**  
**REGISTERED NUMBER: 06485099**

**ABBREVIATED BALANCE SHEET**  
**AS AT 31 DECEMBER 2013**

	Note	2013 £	2012 £
<b>FIXED ASSETS</b>			
Tangible assets	3	31,096	25,045
Investments	4	-	226,693
		<u>31,096</u>	<u>251,738</u>
<b>CURRENT ASSETS</b>			
Debtors		507,811	375,998
Cash at bank		237,495	217,548
		<u>745,306</u>	<u>593,546</u>
<b>CREDITORS: amounts falling due within one year</b>		<u>(3,415,148)</u>	<u>(565,958)</u>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<u>(2,669,842)</u>	<u>27,588</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(2,638,746)</u>	<u>279,326</u>
<b>CREDITORS: amounts falling due after more than one year</b>	5	<u>(858,408)</u>	<u>(2,824,446)</u>
<b>NET LIABILITIES</b>		<u><u>(3,497,154)</u></u>	<u><u>(2,545,120)</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	6	1,689	1,596
Share premium account		3,287,427	2,821,020
Profit and loss account		<u>(6,786,270)</u>	<u>(5,367,736)</u>
<b>SHAREHOLDERS' DEFICIT</b>		<u><u>(3,497,154)</u></u>	<u><u>(2,545,120)</u></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: **15 AUG 2014**

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 2013**

#### **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 £3,497,154 (2012: 2,545,120) that included net current assets/(liabilities) of (£2,669,842) (2012: £27,588) having made a loss after tax in the year of £1,418,534 (2012: £1,491,944).

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

Net current liabilities include £2,765,990 of convertible loan notes which are in the process of being converted to equity within the year. Further details are provided in note 12.

As per note 19, the company issued £610,000 of convertible loan notes post year end.

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.

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.

##### **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.

Turnover is recognised in accordance with the contractual obligations of the contract or service:

Where the company's contractual obligations are performed gradually over time, revenue is recognised as the contract activity progresses to reflect the company's partial performance of its contractual obligations.

Where the company's right to consideration does not arise until the occurrence of a critical event, revenue is not recognised until that event occurs.

## 2 DEGREES LIMITED

### NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2013

#### 1. ACCOUNTING POLICIES (continued)

##### 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.

##### 1.6 Research and development

Research and development expenditure is written off in the year in which it is incurred.

##### 1.7 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

##### 1.8 Investments

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

##### 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

The R&D tax credit is recognised when it is certain that 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 2013

#### 2. INTANGIBLE FIXED ASSETS

	£
<b>Cost</b>	
At 1 January 2013 and 31 December 2013	280,000
<b>Amortisation</b>	
At 1 January 2013 and 31 December 2013	280,000
<b>Net book value</b>	
At 31 December 2013	-

#### 3. TANGIBLE FIXED ASSETS

	£
<b>Cost</b>	
At 1 January 2013	58,981
Additions	21,155
Disposals	(6,095)
At 31 December 2013	74,041
<b>Depreciation</b>	
At 1 January 2013	33,936
Charge for the year	14,792
On disposals	(5,783)
At 31 December 2013	42,945
<b>Net book value</b>	
At 31 December 2013	31,096
At 31 December 2012	25,045

#### 4. FIXED ASSET INVESTMENTS

	£
<b>Cost or valuation</b>	
At 1 January 2013	226,693
Additions	1,437
Impairment	(228,130)
At 31 December 2013	-
<b>Net book value</b>	
At 31 December 2013	-
At 31 December 2012	226,693

## 2 DEGREES LIMITED

### NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2013

#### 4. FIXED ASSET INVESTMENTS (continued)

##### Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding
2 Degrees Communities Limited	Ordinary	100 %
2 Degrees Inc	Ordinary	100 %

Name	Business	Registered country
2 Degrees Communities Limited	Dormant company	UK
2 Degrees Inc	Operation of an environmental and climate change network	USA

The aggregate of the share capital and reserves as at 31 December 2013 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	-	-
2 Degrees Inc	(228,130)	(2,965)

Included within investments at 31 December 2012 was a loan to 2 Degrees Inc of £226,693. During the year the directors performed an impairment review of this loan and consider it to be wholly impaired at 31 December 2013.

#### 5. CREDITORS:

##### Amounts falling due after more than one year

Following the year end the company reached an agreement with its investors over the interest accruing on the convertible loan notes which expired on 31 December 2013. Under the terms of this agreement, the payment of this interest has been deferred until December 2015 and January 2016 at which time it will either be converted into ordinary share capital or repaid in full.



## 2 DEGREES LIMITED

### NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2013

#### 6. SHARE CAPITAL

	2013 £	2012 £
<b>Allotted, called up and fully paid</b>		
1,648,800 (2012 - 1,555,500) Ordinary shares of £0.001 each	1,649	1,556
40,000 Convertible Redeemable Preference shares of £0.001 each	40	40
	<u>1,689</u>	<u>1,596</u>

During the year the company issued 93,300 £0.001 Ordinary shares for £5 per share. The total consideration received was £466,500.

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.

#### 7. DIRECTORS' BENEFITS: ADVANCES, CREDIT AND GUARANTEES

At the year end the company owed M Chilcott, a director of the company, £95,010 (2012: £95,010) in relation to a repayable loan. Interest in relation to this of £6,651 (2012: £6,651) has been charged to the Profit and Loss account during the year. At the year end interest of £23,013 (2012: £16,362) was owed to the director. The terms and conditions of the loan are included within note 13.

At the year end the company owed J Tarin, a director of the company, £86,160 (2012: £86,160) in relation to a repayable loan. Interest in relation to this of £6,031 (2012: £6,031) has been charged to the Profit and Loss account during the year. At the year end interest of £20,869 (2012: £14,838) was owed to the director. The terms and conditions of the loan are included within note 13.

At the year end M Chilcott, a director of the company, held £110,508 (2012: £110,508) of convertible loan notes. Interest in relation to this of £4,420 (2012: £4,420) has been charged to the Profit and Loss account during the year. At the year end interest of £18,184 (2012: £13,764) was owed to the director. The terms and conditions of the convertible loan notes are included within note 13.

At the year end J Tarin, a director of the company, held £110,508 (2012: £110,508) of convertible loan notes. Interest in relation to this of £4,420 (2012: £4,420) has been charged to the Profit and Loss account during the year. At the year end interest of £18,184 (2012: £13,764) was owed to the director. The terms and conditions of the convertible loan notes are included within note 13.