
2 DEGREES LIMITED

FINANCIAL STATEMENTS
INFORMATION FOR FILING WITH THE REGISTRAR
FOR THE YEAR ENDED 31 DECEMBER 2021

SATURDAY



ABFMMCE1

A14

29/10/2022

#64

COMPANIES HOUSE

2 DEGREES LIMITED
REGISTERED NUMBER:06485099

BALANCE SHEET
AS AT 31 DECEMBER 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible assets	4	19,180	8,801
		<u>19,180</u>	<u>8,801</u>
Current assets			
Debtors: amounts falling due within one year	5	449,919	259,779
Cash at bank and in hand		122,988	314,740
		<u>572,907</u>	<u>574,519</u>
Creditors: amounts falling due within one year	6	(1,816,419)	(1,922,588)
Net current liabilities		<u>(1,243,512)</u>	<u>(1,348,069)</u>
Total assets less current liabilities		<u>(1,224,332)</u>	<u>(1,339,268)</u>
Creditors: amounts falling due after more than one year	7	(43,662)	(50,000)
Net liabilities		<u><u>(1,267,994)</u></u>	<u><u>(1,389,268)</u></u>
Capital and reserves			
Called up share capital	8	6,288	5,126
Share premium account		12,792,305	11,493,464
Profit and loss account		(14,066,587)	(12,887,858)
		<u><u>(1,267,994)</u></u>	<u><u>(1,389,268)</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 have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The Company has opted not to file the statement of comprehensive income in accordance with provisions applicable to companies subject to the small companies' regime.

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

Martin Nicholas Chilcott
Director

Martin Chilcott 19.10.22.

2 DEGREES LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2021	5,126	11,493,464	(12,887,858)	(1,389,268)
Loss for the year	-	-	(1,178,729)	(1,178,729)
Shares issued during the year	1,162	1,298,841	-	1,300,003
At 31 December 2021	<u>6,288</u>	<u>12,792,305</u>	<u>(14,066,587)</u>	<u>(1,267,994)</u>

The notes on pages 4 to 12 form part of these financial statements.

2 DEGREES LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2020	4,762	11,129,638	(12,116,424)	(982,024)
Loss for the year	-	-	(773,113)	(773,113)
Shares issued during the year	364	363,826	-	364,190
Share based payment charge	-	-	1,679	1,679
At 31 December 2020	5,126	11,493,464	(12,887,858)	(1,389,268)

The notes on pages 4 to 12 form part of these financial statements.

2 DEGREES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. General information

2 Degrees Limited is a private company limited by shares and incorporated 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 design and development of Software as a Service (SaaS) tools to help businesses reduce environmental impacts and carbon emissions.

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 following principal accounting policies have been applied:

2.2 Going concern

At the year end the Company had cash reserves of £122,988 (2020: £314,740) having made a loss for the year of £1,178,729 (2020: £773,113). Since the year end, the company has raised further investment by way of issuing shares and convertible loan notes for total consideration of £950,000 (further detail is provided in note 13). In order to continue the current strategy and support growth plans, the Directors recognise that the company will need to raise further funds.

The Directors are confident that they will continue to secure this funding, as and when required, through a mixture of debt and equity. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements. However, there are no formal agreements in place to confirm the availability of adequate funding for a period of at least 12 months from the date of signing these financial statements. This represents a material uncertainty that may cast significant doubt upon the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

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 DEGREES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.4 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss 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.

2.5 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

2.6 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.7 Foreign currency translation

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. 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 profit or loss.

2.8 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 profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

2 DEGREES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.9 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet 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 profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, profit or loss is charged with fair value of goods and services received.

2.10 Taxation

Tax is recognised in profit or loss 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 balance sheet date in the countries where the Company operates and generates income.

2.11 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.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

2 DEGREES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.11 Tangible fixed assets (continued)

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 and fittings	- 25% straight line
Office 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 profit or loss.

2.12 Debtors

Short-term debtors are measured at transaction price, less any impairment.

2.13 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.

2.14 Creditors

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

2.15 Financial instruments

The Company only enters into basic financial instrument 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 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 in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

2 DEGREES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.15 Financial instruments (continued)

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 balance sheet date.

3. Employees

The average monthly number of employees, including directors, during the year was 25 (2020 -14).

2 DEGREES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

4. Tangible fixed assets

	Fixtures and fittings £	Office equipment £	Total £
Cost or valuation			
At 1 January 2021	14,556	61,964	76,520
Additions	-	16,551	16,551
At 31 December 2021	<u>14,556</u>	<u>78,515</u>	<u>93,071</u>
Depreciation			
At 1 January 2021	14,436	53,283	67,719
Charge for the year on owned assets	75	6,097	6,172
At 31 December 2021	<u>14,511</u>	<u>59,380</u>	<u>73,891</u>
Net book value			
At 31 December 2021	<u>45</u>	<u>19,135</u>	<u>19,180</u>
At 31 December 2020	<u>120</u>	<u>8,681</u>	<u>8,801</u>

2 DEGREES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

5. Debtors

	2021 £	2020 £
Trade debtors	324,017	156,661
Corporation tax recoverable	95,529	73,089
Prepayments and accrued income	30,373	30,029
	<u>449,919</u>	<u>259,779</u>

6. Creditors: Amounts falling due within one year

	2021 £	2020 £
Bank loans	3,838	-
Other loans	969,039	969,039
Trade creditors	73,910	88,009
Other taxation and social security	46,344	84,822
Other creditors	12,206	414,914
Accruals and deferred income	711,082	365,804
	<u>1,816,419</u>	<u>1,922,588</u>

Other loans are unsecured, repayable on demand and attract interest at a rate of 7% per annum.

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

	2021 £	2020 £
Bank loans	<u>43,662</u>	<u>50,000</u>

The aggregate amount of liabilities repayable wholly or in part more than five years after the balance sheet date is:

	2021 £	2020 £
Repayable by instalments	<u>20,632</u>	<u>5,851</u>

The term of the bank loan was extended to 10 years in November 2021 and the value of monthly repayments was amended accordingly. The loan attracts interest at a rate of 2.5% per annum.

2 DEGREES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

8. Share capital

	2021 £	2020 £
Authorised, allotted, called up and fully paid		
6,287,618 (2020 -5,126,000) Ordinary shares shares of £0.001 each	6,288	5,126

During the year ended 31 December 2021 the Company issued 1,161,618 Ordinary shares of £0.001 nominal value for a total consideration of £1,298,838.

9. Share based payments

	Weighted average exercise price (pence) 2021	Number 2021	Weighted average exercise price (pence) 2020	Number 2020
Outstanding at the beginning of the year	19	229,550	75	52,050
Granted during the year	0.523	60,000	0.523	200,000
Forfeited during the year		-	0.523	(22,500)
Outstanding at the end of the year	9	289,550	19	229,550

Share options have been valued using a Black-Scholes model. The weighted average share price of options in issue at the year end was 15p (2020: 19p). The valuation models use a risk free rate based on the 10 year UK Government gilt yield at the date of issue and a volatility rate of 50%. All share option agreements cover a 10 year term.

2 DEGREES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

10. 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 £29,448 (2020: £14,952). Contributions payable at the year end total £9,817 (2020: £4,414) and are included in other creditors.

11. Related party transactions

At the year end, the Company owed £182,586 (2020: £182,586) to directors of the Company in relation to repayable loans. Interest of £12,781 (2020: £12,781) has been charged on these loans during the year.

During the year ended 31 December 2021, the Company granted 60,000 share options to a Director (2020: 60,000). 120,000 share options were outstanding at the year end (2020: 60,000).

During the year, the Company issued management charges of £47,838 (2020: £100,940) to a company related through common directors and shareholders. At the year end, £10,068 (2020: £17,837) was owed to 2 Degrees Limited in relation to these charges.

During the year, the Company was invoiced £8,400 by directors/companies related through common directors. Invoices totalling £4,500 were settled through share issues and the remainder were settled in cash during the year ended 31 December 2021.

12. Prior year adjustments

Revenue and other operating income for the year ended 31 December 2020 have been restated by £146,342 to reflect rental income and management charges separately to revenue earned from the design and development of software tools. This has had no impact on the profit reported for the year ended 31 December 2021 or net liabilities reported as at 31 December 2021.

13. Post balance sheet events

On the 4 May 2022, 343,750 ordinary shares were issued for consideration of £550,000.

Convertible loan notes totalling £400,000 were issued in August 2022. Interest is payable on the loan notes at a rate of 8%. The loan notes are convertible in the event of a fundraise and repayable in the event of an exit.

14. Auditors' information

The auditors' report on the financial statements for the year ended 31 December 2021 was unqualified but drew attention by way of emphasis to a material uncertainty in relation to going concern.

The audit report was signed on 20/10/22 by Samantha Cooper (Senior Statutory Auditor) on behalf of CLA Evelyn Partners Limited.