Registered number: 06485099

2 DEGREES LIMITED

ABBREVIATED ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2012

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 2012 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

On 19 July 2013 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 £1,491,944 during the year ended 31 December 2012 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

In addition to the above, we have considered the adequacy of the disclosure in note 13 to the financial statements concerning the disclosure of the convertible loan notes as liabilities due in more than one year The convertible loan notes do not meet the criteria of equity under the Financial Reporting Standards for Smaller Entities "FRSSE" or Financial Reporting Standard 25 - Financial Instruments ("FRS 25") and, therefore, have been disclosed as liabilities within the financial statements However, all convertible loan notes will convert to fully paid Ordinary Shares automatically on 31 December 2013 Because of this, in the opinion of the directors, the disclosure of the convertible loan notes as liabilities falling due within one year within the financial statements would distort the net current position and the financial statements would not show a true and fair view

Sue Staunton MA ACA 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

19 July 2013

2 DEGREES LIMITED
REGISTERED NUMBER. 06485099

ABBREVIATED BALANCE SHEET
AS AT 31 DECEMBER 2012

	Note	2012 £	2012 £	2011 £	2011 £
FIXED ASSETS					
Tangible assets	3		**25,045**		20,888
Investments	4		**226,693**		170,907
			251,738		191,795
CURRENT ASSETS					
Debtors		**375,998**		181,566	
Cash at bank		**217,548**		759,161	
		593,546		940,727	
CREDITORS: amounts falling due within one year		**(565,958)**		(109,729)	
NET CURRENT ASSETS			**27,588**		830,998
TOTAL ASSETS LESS CURRENT LIABILITIES			**279,326**		1,022,793
CREDITORS: amounts falling due after more than one year	5		**(2,824,446)**		(2,075,969)
NET LIABILITIES			**(2,545,120)**		(1,053,176)
CAPITAL AND RESERVES					
Called up share capital	6		**1,596**		1,596
Share premium account			**2,821,020**		2,821,020
Profit and loss account			**(5,367,736)**		(3,875,792)
SHAREHOLDERS' DEFICIT			**(2,545,120)**		(1,053,176)

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

Mark Chilcott

M N Chilcott
Director

Date 18 July 2013

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

NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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 £2,545,120 (2011 £1,053,176) that included net current assets of £27,588 (2011 £830,998) having made a loss after tax in the year of £1,491,944 (2011 £1,433,377)

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

Net liabilities include £2,283,602 of convertible loan notes and accrued interest which automatically convert to equity on 31 December 2013

The company issued 93,300 Ordinary shares on 22 February 2013 for total consideration of £466,500

The company issued £400,000 of convertible loan notes on 21 January 2013

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

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 peformance 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

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 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 certain that the tax credit in relation to research and development carried out will be received

NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2012

2 INTANGIBLE FIXED ASSETS

	£
Cost	
At 1 January 2012 and 31 December 2012	280,000
Amortisation	
At 1 January 2012 and 31 December 2012	280,000
Net book value	
At 31 December 2012	-

3 TANGIBLE FIXED ASSETS

	£
Cost	
At 1 January 2012	40,800
Additions	18,181
At 31 December 2012	58,981
Depreciation	
At 1 January 2012	19,912
Charge for the year	14,024
At 31 December 2012	33,936
Net book value	
At 31 December 2012	25,045
At 31 December 2011	20,888

4. FIXED ASSET INVESTMENTS

	£
Cost or valuation	
At 1 January 2012	170,907
Additions	55,786
At 31 December 2012	226,693
Net book value	
At 31 December 2012	226,693
At 31 December 2011	170,907

4 FIXED ASSET INVESTMENTS (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the company

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 2012 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
2 Degrees Inc	(226,693)	(55,786)

Included within the loans to subsidiaries are amounts owed of £226,693 (2012 £170,907) The directors peform an annual impairment review of the loan to its subsidiary Although activity within the subsidiary has been temporarily reduced due to current cash restraints, in the opinion of the directors, the amount is still deemed to be recoverable as the investment with the USA has generated a number of memberships and the company has established valuable contacts and relationships which will ultimately lead to future sources of revenue

5 CREDITORS:
Amounts falling due after more than one year

Convertible loan notes of £515,990 attract interest at 4% per annum until the conversion date of 31 December 2013, whereupon they will be converted into fully paid Ordinary Shares

£1,000,000 of convertible loan notes were issued on 24 November 2011 which attract interest at 7% until the conversion date of 31 December 2013, whereupon they will be converted into fully paid Ordinary Shares

£300,000 of convertible loan notes were issued on 10 January 2012 which attract interest at 7% until the conversion date of 31 December 2013, whereupon they will be converted into fully paid Ordinary Shares

£300,000 of convertible loan notes were issued on 1 October 2012 which attract interest at 7% until the conversion date of 31 December 2013, whereupon they will be converted into fully paid Ordinary Shares

The convertible loan notes do not meet the criteria of equity under the Financial Reporting Standards for Smaller Entities "FRSSE" or Financial Reporting Standard 25 - Financial Instruments ("FRS 25") and, therefore, have been disclosed as liabilities within the financial statements However, all convertible loan notes will convert to fully paid Ordinary Shares automatically on 31 December 2013 Because of this, in the opinion of the directors, the disclosure of the convertible loan notes as liabilities falling due within one year within the financial statements would distort the net current position and the financial statements would not show a true and fair view

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2012

6 SHARE CAPITAL

	2012	2011
	£	£
Allotted, called up and fully paid		
1,555,550 (2011 - 1,555,550) Ordinary shares of £0 001 each	**1,556**	1,556
40,000 Convertible Redeemable Preference shares of £0 001 each	**40**	40
	1,596	1,596

7 DIRECTORS' BENEFITS. ADVANCES, CREDIT AND GUARANTEES

At the year end the company owed M Chilcott, a director of the company, £95,010 (2011 £95,010) in relation to a repayable loan Interest in relation to this of £6,651 (2011 £6,651) has been charged to the Profit and Loss account during the year At the year end interest of £16,362 (2011 £9,711) was owed to the director The terms and conditions of the loan are included within note 5

At the year end the company owed J Tarin, a director of the company, £86,160 (2011 £86,160) in relation to a repayable loan Interest in relation to this of £6,031 (2011 £6,031) has been charged to the Profit and Loss account during the year At the year end interest of £14,838 (2011 £8,807) was owed to the director The terms and conditions of the loan are included within note 5

At the year end M Chilcott, a director of the company, held £110,508 (2011 £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 £13,764 (2011 £9,344) was owed to the director The terms and conditions of the covertible loan notes are included within note 5

At the year end J Tarin, a director of the company, held £110,508 (2011 £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 £13,764 (2011 £9,344) was owed to the director The terms and conditions of the covertible loan notes are included within note 5