1414 DEGREES LIMITED

ACN 138 803 620

ANNUAL REPORT

FOR THE YEAR ENDED
30 JUNE 2016

1414 DEGREES LIMITED
ACN 138 803 620

ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2016

CONTENTS

1414 DEGREES LIMITED
ACN 138 803 620

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2016

The directors of 1414 Degrees Limited present their report on the company for the financial year ended 30 June 2016.

DIRECTORS

The following persons were directors of 1414 Degrees Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:
Robert John Keith Shepherd
Matthew Johnson
Kevin Charles Moriarty (appointed 29/6/2016)
Harold George Tomblin (resigned 2/2/2015)
John Henry Moss (resigned 31/10/2016)
Jonathon Whalley (resigned 31/10/2016)

COMPANY SECRETARY

Robert John Keith Shepherd
Pierre Andre Van Der Merwe (appointed 18/10/2016)

PRINCIPAL ACTIVITIES

1414 Degrees Limited is conducting Research & Development into the development of bulk energy storage solutions for energy security in light of the expanding distributed renewables generation that is a feature of modern electricity grids.

DIVIDENDS

No dividends have been paid during or since the financial year ended 30 June 2016.

REVIEW OF OPERATIONS

A summary of economic revenues and results is set out below:

The company's operating loss after income tax expense for the year ended 30 June 2016 was $294,495 (2015: loss $266,187).

During the year the company capitalised $751,013 (2015: $145,291) in the Development of its thermal energy storage system (TESS) and received a further $211,955 (2015: $168,045) relating to the Accelerating Commercialisation grant agreement. During the year this grant was fully applied to the capitalised Development Costs. The company also claimed R&D income tax incentive of $100,100 (2015: $74,650). In 2016 this amount was also applied to capitalised development costs

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The company commenced capitalising costs in relation to the development of its thermal energy storage system.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The company converted to a public company on 8 December 2016 and changed its name to 1414 Degrees Limited from Latent Heat Storage Pty Ltd.
The company undertook an 18:1 share split on 16 August 2016.
In the period ending 31 March 2017 the company issued a further 43,323,229 shares raising $2,551,620.

ENVIRONMENTAL REGULATION

The company is not subject to significant environmental regulations and is not aware of any breaches of any environmental regulations during the

MEETINGS OF DIRECTORS

The number of meetings of the board of directors (including board committees) held during the year ended 30 June 2016, and the number of meetings attended by each director are set out below:

Directors	Board		Committee	
	Held	Attended	Held	Attended
Robert John Keith Shepherd	4	3	0	0
Matthew Johnson	4	4	0	0
Kevin Charles Moriarty (appointed 29/6/2016)	0	0	0	0
John Henry Moss (resigned 31/10/2016)	4	3	0	0
Jonathon Whalley (resigned 31/10/2016)	4	4	0	0

1414 DEGREES LIMITED
ACN 138 803 620

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2016

INDEMNIFICATION OF OFFICERS AND AUDITORS

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of 1414 Degrees Limited.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which a company member is a party, for the purpose of taking responsibility on behalf of the company member for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of directors.

Robert Shepherd

Matthew Johnson

Adelaide, this 7th day of July 2017

1414 DEGREES LIMITED
ACN 138 803 620

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 AU$	2015 AU$
Revenue	4	46	80,431
Research and Development Expenses		-	145,291
Administration Expenses		204,315	128,914
Marketing Expenses		578	542
Other Expenses		15,108	431
Finance Costs		74,540	71,440
Profit / (Loss) before income tax		(294,495)	(266,187)
Income tax benefit / (expense)	6	-	-
Profit / (Loss) for the year		(294,495)	(266,187)
Other comprehensive income for the year			
Items that will be reclassified subsequently to profit or loss:		-	-
		-	-
Total comprehensive income for the year		(294,495)	(266,187)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

1414 DEGREES LIMITED
ACN 138 803 620

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Note	2016 AU$	2015 AU$
ASSETS			
Current assets			
Cash and cash equivalents	7	14,005	119,833
Trade and other receivables	8	241,649	74,650
Other current assets	9	-	-
Total current assets		255,654	194,483
Non-current assets			
Intangible Assets	9	295,993	-
Total non-current assets		295,993	-
Total assets		551,647	194,483
LIABILITIES			
Current liabilities			
Trade and other payables	10	418,311	173,227
Deferred revenue	11	-	142,965
Total current liabilities		418,311	316,192
Non-current liabilities			
Convertible notes	12	-	667,440
Total non-current liabilities		-	667,440
Total liabilities		418,311	983,632
Net assets		133,336	(789,149)
EQUITY			
Contributed equity	13	2,217,780	1,000,800
Accumulated losses		(2,084,444)	(1,789,949)
Total equity		133,336	(789,149)

The above statement of financial position should be read in conjunction with the accompanying notes.

1414 DEGREES LIMITED
ACN 138 803 620

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 AU$	2015 AU$
Cash flows from operating activities			
Cash paid to suppliers (inc GST)		(229,590)	(176,783)
Research & Development tax offset received		74,650	104,229
Government grants		211,955	173,826
Interest received		46	-
Net cash inflow/(outflow) from operating activities	14	57,061	101,272
Cash flows from investing activities			
Payments for product development activities		(512,862)	(25,080)
Net cash inflow/(outflow) from investing activities		(512,862)	(25,080)
Cash flows from financing activities			
Proceeds from the issue of convertible notes		349,973	41,000
Net cash inflow/(outflow) from financing activities		349,973	41,000
Net increase/(decrease) in cash and cash equivalents		(105,828)	117,192
Cash and cash equivalents at beginning of period		119,833	2,641
Cash and cash equivalents at end of period	7	14,005	119,833

The above statement of cash flows should be read in conjunction with the accompanying notes.

1414 DEGREES LIMITED
ACN 138 803 620

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

	Contributed equity $	Accumulated Losses $	Total equity $
At 1 July 2014	1,000,800	(1,523,762)	(522,962)
Loss for the year	-	(266,187)	(266,187)
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	(266,187)	(266,187)
Transactions with owners in their capacity as owners			
Dividends paid	-	-	-
Contributions of equity net of transaction costs	-	-	-
	-	-	-
At 30 June 2015	1,000,800	(1,789,949)	(789,149)
Loss for the year	-	(294,495)	(294,495)
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	(294,495)	(294,495)
Transactions with owners in their capacity as owners			
Dividends paid	-	-	-
Conversion of convertible notes	1,216,980	-	1,216,980
	1,216,980	-	1,216,980
At 30 June 2016	2,217,780	(2,084,444)	133,336

The above statement of changes in equity should be read in conjunction with the accompanying notes.

1414 DEGREES LIMITED
ACN 138 803 620

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1 CORPORATE INFORMATION

The financial statements of 1414 Degrees Limited for the year ended 30 June 2016 were authorised for issue in accordance with a resolution of the directors on DATE and cover the company as required by Australian Accounting Standards.

The financial statements are presented in the Australian currency.

1414 Degrees Limited is a company limited by shares incorporated and domiciled in Australia.

The address of the company's registered office and principal place of business is 193 West Terrace, Adelaide SA 5000.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

These financial statements are general purpose financial statements prepared in accordance with Australian Accounting Standards, Australian Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. The company is a for-profit company for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied. Amounts have been rounded to whole dollars.

The company has made a loss of $294,495 for the year ended 30 June 2016 and has net current liabilities of $162,657 as at that date. The company has taken the following actions in response;

- In the period ending 31 March 2017 the company issued a further 43,323,229 shares raising $2,551,620 resulting in a substantial net asset balance at that date
- On 19 June 2017, the company had $1,563,753 in cash and cash equivalents which the directors believe is sufficient to meet planned expenditure of the company. This expectation is based on management's cash flow forecasting. The company's fixed cost base is minimal which enables management to control costs in line with cash inflows.

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements.
The accounting policies have been consistently applied, unless otherwise stated.

(b) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.
All revenue is stated net of the amount of goods and services tax (GST).

Grant revenue

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the company will comply with all the attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to intangible assets are deducted from the cost of the asset.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

1414 DEGREES LIMITED
ACN 138 803 620

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Goods and Services Tax (GST)

Revenues and expenses are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(d) Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled. Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit.

Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances relating to amounts recognised directly in other comprehensive income are also recognised in other comprehensive income.

(e) Impairment of Assets

At the end of each reporting period, the company assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs.

(f) Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and at bank, deposits held at call with financial institutions, other short term, highly liquid investments with maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

(g) Intangible Assets

Product Development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably. Expenditure capitalised comprises costs of materials and services. The carrying value of development costs is reviewed annually when the asset is not yet available for use, or when events or circumstances indicate that the carrying value may be impaired. As the asset is not yet available for use, the useful life has not yet been determined.

(h) Leases

Leases of property, plant and equipment where the company has substantially all the risks and rewards of ownership are classified as finance leases and capitalised at inception of the lease at the fair value of the leased property, or if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases where the lessor retains substantially all the risks and rewards of ownership of the net asset are classified as operating leases. Payments made under operating leases (net of incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the company prior to the year end and which are unpaid. These amounts are unsecured and are usually paid within 30 days of recognition.

All trade and other payables are non interest bearing.

(j) Contributed Equity

Ordinary shares are classified as equity.

Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit.

(k) Financial Instruments

Recognition

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the company becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Classification and Subsequent Measurement

(i) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(ii) Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

(iii) Financial Liabilities

The company's financial liabilities are borrowings and compound instruments (convertible notes).

Non-derivative financial liabilities (borrowings, excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

The component part of the convertible notes issued by the company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Conversion options that will be settled by the exchange of a fixed amount of the company's own equity instruments under an option by the holders is an equity instrument, and if under an option by the company is a liability instrument. The conversion option classified as a liability instrument's value is estimated at fair value on issue.

The liability component is determined by calculating the outflow of money required to repay the convertible notes in full. The liability is recognised until extinguished upon conversion or at the instrument's maturity date. The equity component of the convertible note is determined by deducting the liability component from the face value of the convertible note. Each component shall be classified separately as financial liability or equity instruments in accordance with AASB 132.

Where the convertible note includes a discount on conversion, the maximum costs of the discount is calculated based on the face value of the convertible note at inception. The cost is then accrued as additional interest applied using the effective interest method. In the event of the repayment, cancellation or amendment to the convertible note, any additional interest accrued will be reversed in the statement of profit or loss and other comprehensive income.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Accounting Standards Issued But Not Yet Effective

Certain new accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2015. At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective or adopted.

Standards and Interpretations in issue not yet adopted	reporting periods beginning	applied in the financial year
AASB 9 'Financial Instruments'	1-Jan-18	30-Jun-19
AAASB 15 'Revenue from Contracts with Customers'	1-Jan-18	30-Jun-19
AASB 16 'Leases'	1-Jan-19	30-Jun-20

The company is not able to reasonably estimate the potential imapct of AASB 15 and AASB 16 as it has not entered into transactions covered by these standards. AASB 9 is not expected to have a material impact based on the transactions presently entered into bny the company.

(m) Application of new and revised Accounting Standards

The company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the company.

NOTE 3 ACCOUNTING ESTIMATES AND JUDGEMENTS

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

Key Estimates - Impairment

The company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key

With respect to cash flow projections for intangible assets with an indefinite useful life and those with a finite useful life but not yet considered ready for use, relevant inputs have been factored into valuation models for the next 5 years on the basis of management's expectations regarding the growth of the market and the company's ability to capture market share. Pre-tax discount rates of 5% have been used in all models.

No impairment has been recognised in respect of intangible assets at the end of the reporting period.

Key Judgements - Product Development

Included within intangible assets at the end of the reporting period is Product Development with a net carrying value of $295,993 (2015: nil) being the carrying value of the Product Development intangible asset of $776,093 (2015: $25,080) less the associated Government Grant funding of $380,000 (2015: $25,080) and the R&D refundable tax offsets received of $100,100 (2015: nil). The directors believe that while the development and commercialisation of the technology remains in-progress and the asset is not yet generating economic benefits (beyond customer trials), it is not considered ready for use. A reliable estimate for the useful life of the asset will only be capable of being determined once the asset is assessed as ready for use, after which point, amortisation will commence.

	2016 AU$	2015 AU$
NOTE 4 OTHER INCOME		
Interest Received	46	-
Government Grant - Export Development Grant	-	5,781
R&D Refundable Tax Offset	-	74,650
	46	80,431

	2016 AU$	2015 AU$
NOTE 5 AUDITORS' REMUNERATION		
Audit services		
Amounts paid/payable to BDO for audit of the financial statements of the company	4,500	6,000
	4,500	6,000

1414 DEGREES LIMITED
ACN 138 803 620

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

	2016 AU$	2015 AU$
NOTE 6 INCOME TAX EXPENSE		
Income Tax expense/(benefit) comprises:		
Current tax expense		
Current tax expense/(benefit)	-	-
Adjustments for previous years	-	-
Total current income tax expense	-	-
Deferred tax expense		
Origination and reversal of temporary differences	-	-
	-	-
Total income tax expense/(benefit) in profit or loss	-	-

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense/(benefit) in the financial statements as follows:

	2016 AU$	2015 AU$
Profit/(Loss) from operations before tax	(294,495)	(266,187)
Income tax calculated at 30%	(88,349)	(79,856)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
Tax offsets	-	-
Research and Development tax incentives	66,733	49,767
Non-taxable grant income	-	-
Other reconciling items	21,616	49,492
Utilisation of previously unrecognised tax losses	-	(19,403)
	-	-

The amount of gross tax losses relating to Australian operations that are carried forward is $590,550 (2015: $35,060).

NOTE 7 CASH AND CASH EQUIVALENTS

	2016 AU$	2015 AU$
Cash at bank	14,005	119,833
	14,005	119,833

NOTE 8 TRADE AND OTHER RECEIVABLES

	2016 AU$	2015 AU$
R&D refundable tax offset	100,100	74,650
Other receivables	141,549	-
	241,649	74,650

1414 DEGREES LIMITED
ACN 138 803 620

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

	2016 AU$	2015 AU$
NOTE 9 INTANGIBLE ASSETS		
Product Development - Intellectual Property		
Intangible assets under development - at cost	776,093	25,080
Government Grants received	(380,000)	(25,080)
R&D Refundable Tax Offset received	(100,100)	-
	295,993	-
Reconciliation of Product Development - Intellectual Property		
Balance at the beginning of the year	-	-
Additions	751,013	25,080
Government Grants received	(354,920)	(25,080)
R&D Refundable Tax Offset received	(100,100)	-
Closing carrying value	295,993	-
Total Intangible Assets	295,993	-

Intellectual property consists of TESS (thermal energy storage system) development of bulk energy storage solutions.
No amortisation or impairment has been recognised as the intelectual property is not available for use as at 30 June 2016.

The government grant relates to accelerating the commercialisation of the company's intellectual property.

	2016 AU$	2015 AU$
NOTE 10 TRADE AND OTHER PAYABLES		
CURRENT		
Trade and other payables	411,201	165,779
GST payable	-	338
Other payables and accruals	7,110	7,110
	418,311	173,227

	2016 AU$	2015 AU$
NOTE 11 DEFERRED REVENUE		
CURRENT		
Government Grants received in advance	-	142,965
	-	142,965

The government grant relates to accelerating the commercialisation of the company's intellectual property. At reporting date these funds were deferred awaiting use on the required project.

	2016 AU$	2015 AU$
NOTE 12 CONVERTIBLE NOTES - LIABILITY COMPONENT		
Balance at the beginning of the year	667,440	555,000
Issued during the year	475,000	41,000
Interest accrued for the year	74,540	71,440
Redeemed or converted during the year	(1,216,980)	-
	-	667,440

Convertible notes bear interest at 10% per annum accrued on the last day of each quarter. No interest was paid in the year. Per note 2(k)(iii) additional interest has been accrued in relation to the discount on conversion. The terms of the convertible note were amended and subsequently converted to ordinary shares on 30 June 2016.

1414 DEGREES LIMITED
ACN 138 803 620

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 13 CONTRIBUTED EQUITY

	2016 No. of Shares	2016 AU$	2015 No. of Shares	2015 AU$
Share capital				
Ordinary shares - authorised, issued and fully paid opening balance	1,000,800	1,000,800	1,000,800	1,000,800
Conversion of convertible notes	1,216,980	1,216,980	-	-
Issue costs	-	-	-	-
Ordinary shares - authorised, issued and fully paid closing balance	2,217,780	2,217,780	1,000,800	1,000,800

Ordinary shareholders are entitled to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. Every ordinary shareholder present at a meeting in person or by proxy is entitled to one vote on a show of hands or by poll.

Ordinary shares have no par value.

Capital Management

Management controls the capital of the company in order to ensure that the company can fund its operations and continue as a going concern.

The company's debt and capital includes ordinary share capital, convertible notes and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

Management effectively manages the company's capital by assessing the company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. There have been no changes in the strategy adopted by management to control the capital of the company since the prior year and the objectives for managing capital have been met.

NOTE 14 CASH FLOW INFORMATION

Reconciliation of profit after income tax to net cash flow from operating activities

	2016 AU$	2015 AU$
Loss for the year	(294,495)	(266,187)
Change in operating assets and liabilities		
- (increase)/decrease in trade and other receivables	(16,522)	19,258
- (increase)/decrease in R&D tax claim receivable	(25,450)	29,579
- increase/(decrease) in government grant applied to intangible asset	211,955	25,080
- increase/(decrease) in R&D tax claim applied to intangible asset	100,100	-
- increase/(decrease) in trade and other payables	6,933	79,137
- increase/(decrease) in revenue in advance	-	142,965
- increase/(decrease) in convertible notes accrued interest	74,540	71,440
Net cash flow from operating activities	57,061	101,272

NOTE 15 CONTINGENCIES

Contingent Liabilities

At 30 June 2016 those charged with governance of the company note that there are no known contingent liabilities (2015: nil).

1414 DEGREES LIMITED
ACN 138 803 620

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 16 RELATED PARTY

(a) **Related Party Transactions**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:

i. - ammjohn Pty Ltd, a company related to Matthew Johnson, charged contract engineering fees of $318,992 during the year and a balance of $238,151 was outstanding as at 30 June 2016
- Aroona Technologies Pty Ltd, a company related to Jonathon Whalley, charged professional fees of $188,500 during the year and a balance of $112,640 was outstanding as at 30 June 2016

ii Interest of $85,876 accrued to related parties during the year on convertible notes
Convertible notes issued to related parties as at 30 June 2016 were nil

NOTE 17 FINANCIAL RISK MANAGEMENT

The company's financial instruments consist mainly of deposits with banks, accounts receivable and payable and convertible notes.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2016 AU$	2015 AU$
Financial Assets			
Cash and cash equivalents	7	14,005	119,833
Trade and other receivables	8	241,649	74,650
Total financial assets		255,654	194,483
Financial Liabilities			
Financial Liabilities at amortised cost:			
Trade and other payables	10	418,311	173,227
Convertible notes	12	-	667,440
Total financial liabilities		418,311	840,667

General objectives, policies and processes

In common with all other businesses, the company is exposed to risks that arise from its use of financial instruments. This note describes the company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Market Risk

The company's activities expose it primarily to the financial risks of changes in interest rates. The company analyses it's risk by considering sensitivity on its interest rate exposures and determining the potential impact on it's effected expenses and revenue of movements in these rates. If the potential variance is material then management may seek to minimise this exposure but it does not consider this to be the case at this time.

Credit Risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The company does not have any material credit risk exposure to any single debtor or company of debtors under financial instruments entered into by the company. Trade receivables represent the maximum exposure to credit risk, credit quality is considered good.

Liquidity Risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due.
The directors manage liquidity risk by monitoring forecast cash flows and ensuring that the company's operations are adequate to meet liabilities due.

1414 DEGREES LIMITED
ACN 138 803 620

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 17 FINANCIAL RISK MANAGEMENT (cont'd)

Financial liability and financial asset maturity analysis

	Within 1 year		1 to 5 years		Over 5 years		Total	
	AU$	AU$	AU$	AU$	AU$	AU$	AU$	AU$
	2016	2015	2016	2015	2016	2015	2016	2015
Financial liabilities due for settlement								
Trade and other payables	418,311	173,227	-	-	-	-	418,311	173,227
Convertible Notes	-	-	-	-	-	667,440	-	667,440
Total expected outflows	418,311	173,227	-	-	-	-	418,311	840,667
Financial assets - cash flows realisable								
Cash and cash equivalents	14,005	119,833	-	-	-	-	14,005	119,833
Trade and other receivables	241,649	74,650	-	-	-	-	241,649	74,650
Total expected inflows	255,654	194,483	-	-	-	-	255,654	194,483

Sensitivity Analysis

Interest rate risk

At 30th June 2016 investment in Cash, Fixed Interest and Floating Interest rate deposits amounted to $14,005. A +/-1% change in interest rates during the year ended 30th June 2017 will result in a +/- change in net interest income of $140.

At 30th June 2015 investment in Cash, Fixed Interest and Floating Interest rate deposits amounted to $119,833. A +/-1% change in interest rates during the year ended 30th June 2016 will result in a +/- change in net interest income of $1,198.

Management has considered that both a positive and negative 1% variance is sufficient to illustrate the potential variations in interest income.

NOTE 18 SUBSEQUENT EVENTS

The company converted to a public company on 8 December 2016 and changed its name to 1414 Degrees Limited from Latent Heat Storage Pty Ltd.

The company undertook an 18:1 share split on 16 August 2016.

In the period ending 31 March 2017 the company issued a further 43,323,229 shares raisng $2,551,620 in seed capital.

1414 DEGREES LIMITED
ACN 138 803 620

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of 1414 Degrees Limited, the directors of the company declare that:

1 The financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and accompanying notes are prepared in accordance with Australian Accounting Standards and present fairly the company's financial position as at 30 June 2016 and its performance for the year ended on that date.

2 The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

3 In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Robert Shepherd

Matthew Johnson

Adelaide

Dated this 7th day of July 2017

Tel: +61 8 7324 6000
Fax: +61 8 7324 6111
www.bdo.com.au

Level 7, BDO Centre
420 King William St
Adelaide SA 5000
GPO Box 2018, Adelaide SA 5001
AUSTRALIA

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF 1414 DEGREES LIMITED

We have audited the accompanying financial report of 1414 Degrees Limited, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and directors' declaration of the company.

Directors' Responsibility for the Financial Report

The directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Australian professional accounting bodies.

Opinion

In our opinion:

(a) the financial report presents fairly, in all material respects, the financial position of the company as at 30 June 2016, and its financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

BDO

BDO Audit (SA) Pty Ltd

Andrew Tickle

Director

Adelaide, 7 July 2017