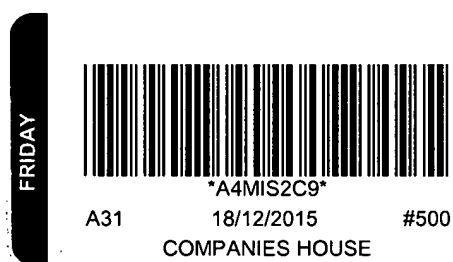


REGISTERED NUMBER: 05079583 (England and Wales)

**Report of the Directors and
Consolidated Financial Statements
for the Period
1 April 2014 to 30 September 2015
for
Phase4 Partners Limited**

Ernst & Young LLP
25 Churchill Place
London
E14 5EY



Phase4 Partners Limited

**Contents of the Consolidated Financial Statements
for the Period 1 April 2014 to 30 September 2015**

	Page
Company Information	1
Report of the Directors	2
Report of the Independent Auditors	4
Consolidated Profit and Loss Account	5
Consolidated Balance Sheet	6
Company Balance Sheet	7
Consolidated Cash Flow Statement	8
Notes to the Consolidated Cash Flow Statement	9
Notes to the Consolidated Financial Statements	10

Phase4 Partners Limited
Company Information
for the Period 1 April 2014 to 30 September 2015

DIRECTORS:

Dr. D Scots-Knight
C E Sermon
J P Richard
P Bains
K Kashyap
A MacKinnon

REGISTERED OFFICE:

15 Stratton Street
Mayfair
London
W1J 8LQ

REGISTERED NUMBER:

05079583 (England and Wales)

AUDITORS:

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Phase4 Partners Limited

Report of the Directors for the Period 1 April 2014 to 30 September 2015

The directors present their report with the financial statements of Phase4 Partners Limited (the "Company") and its subsidiaries (collectively the "Group") for the period 1 April 2014 to 30 September 2015.

Following a resolution of the board on 18 August 2015, the company changed its accounting reference date from 31 March to 30 September.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 April 2014 to the date of this report.

Dr. D Scots-Knight
C E Sermon
J P Richard

Other changes in directors holding office are as follows:

S Cartmell - resigned 22 January 2015
P Bains - appointed 2 January 2015
K Kashyap - appointed 2 January 2015
A MacKinnon - appointed 25 September 2015

Denise Scots-Knight, Charles Sermon, Kunal Kashyap and Alastair MacKinnon are shareholders in the Company. Their shareholdings are as follows:

Denise Scots-Knight	1,750 shares (2014: 2,000)
Charles Sermon	900 shares (2014: 1,000)
Kunal Kashyap	1,750 shares (2014: nil)
Alastair MacKinnon	600 shares (2014: 600)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors 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 the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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 directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

Phase4 Partners Limited

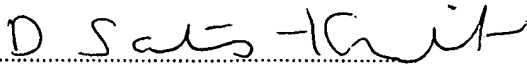
**Report of the Directors
for the Period 1 April 2014 to 30 September 2015**

AUDITORS

The auditors, Ernst & Young LLP, have expressed their willingness to continue in office and a resolution reappointing them as Auditors and authorising the Directors to determine their remuneration will be proposed at the Annual General Meeting.

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

ON BEHALF OF THE BOARD:

A handwritten signature in black ink, appearing to read 'D Scots-Knight', written over a horizontal dotted line.

Dr. D Scots-Knight - Director

Date: 14 December 2015

**Report of the Independent Auditors to the Members of
Phase4 Partners Limited**

We have audited the financial statements of Phase4 Partners Limited for the period ended 30 September 2015, which comprises the Profit and Loss Account, Balance Sheet and related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 a Report of the Auditors 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 Statement of Directors' Responsibilities set out on page two, the directors are 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 Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2015 and of the group's profit for the period 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a Group Strategic Report or in preparing the Report of the Directors.



Ashley Coups (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
London

Date: 14 December 2015

Phase4 Partners Limited

**Consolidated Profit and Loss Account
for the Period 1 April 2014 to 30 September 2015**

	Notes	Period 1.4.14 to 30.9.15 £	Year Ended 31.3.14 £
TURNOVER		1,175,874	1,425,877
Administrative expenses		<u>1,485,212</u>	<u>1,553,294</u>
		(309,338)	(127,417)
Other operating income		<u>453,837</u>	<u>-</u>
OPERATING PROFIT/(LOSS)	4	144,499	(127,417)
Interest receivable and similar income		<u>4</u>	<u>761</u>
		144,503	(126,656)
Interest payable and similar charges	5	<u>24</u>	<u>-</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		144,479	(126,656)
Tax on profit/(loss) on ordinary activities	6	<u>-</u>	<u>-</u>
PROFIT/(LOSS) FOR THE FINANCIAL PERIOD FOR THE GROUP		<u>144,479</u>	<u>(126,656)</u>

CONTINUING OPERATIONS

None of the group's activities were acquired or discontinued during the current period or previous year.

TOTAL RECOGNISED GAINS AND LOSSES

The group has no recognised gains or losses other than the profit for the current period and the loss for the previous year and therefore no separate statement of total recognised gains and losses has been presented.

The notes form part of these financial statements

Phase4 Partners Limited (Registered number: 05079583)

**Consolidated Balance Sheet
30 September 2015**

	Notes	30.9.15 £	31.3.14 £
CURRENT ASSETS			
Debtors	10	59,150	203,081
Cash at bank and in hand		<u>364,492</u>	<u>159,754</u>
		423,642	362,835
CREDITORS			
Amounts falling due within one year	11	<u>188,155</u>	<u>238,319</u>
NET CURRENT ASSETS		<u>235,487</u>	<u>124,516</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>235,487</u>	<u>124,516</u>
CAPITAL AND RESERVES			
Called up share capital	13	5,000	3,600
Share premium	14	73,255	-
Capital redemption reserve	14	1,750	1,400
Profit and loss account	14	<u>155,482</u>	<u>119,516</u>
SHAREHOLDERS' FUNDS	17	<u>235,487</u>	<u>124,516</u>

The financial statements were approved by the Board of Directors on 14 December 2015 and were signed on its behalf by:


.....
Dr. D Scots-Knight - Director

The notes form part of these financial statements

Phase4 Partners Limited (Registered number: 05079583)

**Company Balance Sheet
30 September 2015**

	Notes	30.9.15 £	£	31.3.14 £	£
FIXED ASSETS					
Investments	9		3		3
CURRENT ASSETS					
Debtors	10	59,150		203,082	
Cash at bank and in hand		<u>364,492</u>		<u>159,753</u>	
		423,642		362,835	
CREDITORS					
Amounts falling due within one year	11	<u>188,158</u>		<u>238,322</u>	
NET CURRENT ASSETS			<u>235,484</u>		<u>124,513</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>235,487</u>		<u>124,516</u>
CAPITAL AND RESERVES					
Called up share capital	13		5,000		3,600
Share premium	14		73,255		-
Capital redemption reserve	14		1,750		1,400
Profit and loss account	14		<u>155,482</u>		<u>119,516</u>
SHAREHOLDERS' FUNDS	17		<u>235,487</u>		<u>124,516</u>

The financial statements were approved by the Board of Directors on 14 December 2015 and were signed on its behalf by:


.....
Dr. D Scots-Knight - Director

The notes form part of these financial statements

Phase4 Partners Limited
Consolidated Cash Flow Statement
for the Period 1 April 2014 to 30 September 2015

	Notes	Period 1.4.14 to 30.9.15 £	Year Ended 31.3.14 £
Net cash inflow/(outflow) from operating activities	1	238,266	(151,385)
Returns on investments and servicing of finance	2	(20)	761
Acquisitions and disposals	2	-	1
Equity dividends paid		<u>(108,163)</u>	<u>(70,020)</u>
		130,083	(220,643)
Financing	2	<u>74,655</u>	<u>(1,400)</u>
Increase/(decrease) in cash in the period		<u>204,738</u>	<u>(222,043)</u>
<hr/>			
Reconciliation of net cash flow to movement in net funds	3		
Increase/(decrease) in cash in the period		<u>204,738</u>	<u>(222,043)</u>
Change in net funds resulting from cash flows		<u>204,738</u>	<u>(222,043)</u>
Movement in net funds in the period		204,738	(222,043)
Net funds at 1 April		<u>159,754</u>	<u>381,797</u>
Net funds at 30 September		<u>364,492</u>	<u>159,754</u>

The notes form part of these financial statements

Phase4 Partners Limited

**Notes to the Consolidated Cash Flow Statement
for the Period 1 April 2014 to 30 September 2015**

1. RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	Period 1.4.14 to 30.9.15 £	Year Ended 31.3.14 £
Operating profit/(loss)	144,499	(127,417)
Reduction in provisions	-	(31,517)
Decrease/(increase) in debtors	143,931	(84,216)
(Decrease)/increase in creditors	<u>(50,164)</u>	<u>91,765</u>
Net cash inflow/(outflow) from operating activities	<u>238,266</u>	<u>(151,385)</u>

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	Period 1.4.14 to 30.9.15 £	Year Ended 31.3.14 £
Returns on investments and servicing of finance		
Interest received	4	761
Interest paid	<u>(24)</u>	<u>-</u>
Net cash (outflow)/inflow for returns on investments and servicing of finance	<u>(20)</u>	<u>761</u>
Acquisitions and disposals		
	<u>-</u>	<u>-</u>
Net cash outflow for acquisitions and disposals	<u>-</u>	<u>-</u>
Financing		
Share issue	75,005	-
Share buyback	<u>(350)</u>	<u>(1,400)</u>
Net cash inflow/(outflow) from financing	<u>74,655</u>	<u>(1,400)</u>

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.4.14 £	Cash flow £	At 30.9.15 £
Net cash:			
Cash at bank and in hand	<u>159,754</u>	<u>204,738</u>	<u>364,492</u>
	<u>159,754</u>	<u>204,738</u>	<u>364,492</u>
Total	<u>159,754</u>	<u>204,738</u>	<u>364,492</u>

The notes form part of these financial statements

Phase4 Partners Limited

Notes to the Consolidated Financial Statements for the Period 1 April 2014 to 30 September 2015

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention.

Basis of consolidation

The group financial statements consolidate the financial statements of Phase4 Partners Limited and all its subsidiary undertakings up to the period end. No profit and loss account is presented for Phase4 Partners Limited as permitted by section 408 of the Companies Act 2006.

Turnover

Turnover comprises of management fees receivable, reimbursed costs and other income. Management fees receivable are mainly generated in US dollars and are converted into sterling. All operations are based in the United Kingdom.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

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.

Pension

The Group contributes to defined contribution schemes on behalf of the permanent employees of the Parent Company.

Operating leases

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the duration of the lease.

Interest receivable and similar income

Interest receivable includes amounts receivable from cash deposits.

Basis of preparation

The financial statements have been prepared on a going concern basis and in accordance with applicable Accounting Standards and the Companies Act 2006.

2. STAFF COSTS

	Period 1.4.14 to 30.9.15 £	Year Ended 31.3.14 £
Wages and salaries	621,754	791,752
Social security costs	79,387	101,269
Other pension costs	<u>15,450</u>	<u>53,027</u>
	<u>716,591</u>	<u>946,048</u>

Phase4 Partners Limited

**Notes to the Consolidated Financial Statements - continued
for the Period 1 April 2014 to 30 September 2015**

2. STAFF COSTS - continued

The average monthly number of employees during the period was as follows:

	Period 1.4.14 to 30.9.15	Year Ended 31.3.14
Management	3	3
Administration	<u>1</u>	<u>1</u>
	<u><u>4</u></u>	<u><u>4</u></u>

3. DIRECTORS' EMOLUMENTS

	31.3.15 £	31.3.14 £
Directors' remuneration	449,666	539,766
	<u>=====</u>	<u>=====</u>

The highest paid director received emoluments of £237,152 (2014: £277,306).

4. OPERATING PROFIT/(LOSS)

The operating profit (2014 - operating loss) is stated after charging:

	Period 1.4.14 to 30.9.15 £	Year Ended 31.3.14 £
Auditors remuneration - parent	14,525	11,500
Auditors remuneration - subsidiaries	12,000	5,000
Auditors remuneration - tax fees	3,700	5,400
Foreign exchange differences	3,173	15,455
Operating lease rental	<u>148,925</u>	<u>93,403</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	Period 1.4.14 to 30.9.15 £	Year Ended 31.3.14 £
Bank interest	<u>24</u>	<u>-</u>

6. TAXATION

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the period ended 30 September 2015 nor for the year ended 31 March 2014.

Phase4 Partners Limited

Notes to the Consolidated Financial Statements - continued
for the Period 1 April 2014 to 30 September 2015

6. TAXATION - continued

Factors affecting the tax charge

The tax assessed for the period is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	Period 1.4.14 to 30.9.15 £	Year Ended 31.3.14 £
Profit/(loss) on ordinary activities before tax	<u>144,479</u>	<u>(126,656)</u>
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2014 - 20%)	28,896	(25,331)
Effects of:		
Expenses not deductible for tax purposes	(454)	307
Claim of group relief	(3,318)	-
Tax losses carried forward	-	25,124
Tax losses brought forward	<u>(25,124)</u>	<u>-</u>
Current tax charge	<u>-</u>	<u>-</u>

7. PROFIT OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the Profit and Loss Account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £144,479 (2014 - £(126,656) loss).

8. DIVIDENDS

	Period 1.4.14 to 30.9.15 £	Year Ended 31.3.14 £
Ordinary shares of £1 each		
Interim	<u>108,163</u>	<u>70,020</u>

Phase4 Partners Limited

**Notes to the Consolidated Financial Statements - continued
for the Period 1 April 2014 to 30 September 2015**

9. FIXED ASSET INVESTMENTS

Company

	Shares in group undertakings £
COST	
At 1 April 2014	
and 30 September 2015	<u>3</u>
NET BOOK VALUE	
At 30 September 2015	<u>3</u>
At 31 March 2014	<u>3</u>

The investments in the subsidiary undertakings represents the following:

Name of subsidiary	Shares/voting rights held	Country of incorporation and registration	Principle business
Phase4 Ventures GP Limited	100%	England	Investment general partner
Phase4 Ventures III General Partner Limited	100%	Scotland	Investment general partner
Phase4 Ventures III FP General Partner Limited	100%	Scotland	Dormant

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	30.9.15	31.3.14	30.9.15	31.3.14
	£	£	£	£
Trade debtors	3,219	120,192	3,219	120,192
Other debtors	45,124	50,437	45,124	50,438
Prepayments	<u>10,807</u>	<u>32,452</u>	<u>10,807</u>	<u>32,452</u>
	<u>59,150</u>	<u>203,081</u>	<u>59,150</u>	<u>203,082</u>

Phase4 Partners Limited

**Notes to the Consolidated Financial Statements - continued
for the Period 1 April 2014 to 30 September 2015**

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	30.9.15	31.3.14	30.9.15	31.3.14
	£	£	£	£
Trade creditors	8,747	17,967	8,747	17,967
Social security and other taxes	(8,683)	32,567	(8,683)	32,567
Deferred income	-	99,592	-	99,592
Audit provision	26,500	16,500	26,500	16,500
VAT	82,796	-	82,796	-
Other creditors	55,045	1,467	55,045	1,467
Amounts owed to subsidiaries	-	-	3	3
Accrued expenses	<u>23,750</u>	<u>70,226</u>	<u>23,750</u>	<u>70,226</u>
	<u>188,155</u>	<u>238,319</u>	<u>188,158</u>	<u>238,322</u>

12. OPERATING LEASE COMMITMENTS

The following operating lease payments are committed to be paid within one year:

Group

	Land and buildings	
	30.9.15	31.3.14
	£	£
Expiring:		
Within one year	<u>25,426</u>	<u>24,516</u>

13. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:			30.9.15	31.3.14
Number:	Class:	Nominal value:		
			£	£
5,000	Ordinary	£1	<u>5,000</u>	<u>3,600</u>

During the period, the following share issue took place:

26 January 2015: allotment of 1,750 Ordinary £1 shares for an aggregate consideration of £75,005.

During the period, the following share buy-backs took place:

16 December 2014: purchase of 350 Ordinary £1 shares for an aggregate consideration of £350.

Phase4 Partners Limited

**Notes to the Consolidated Financial Statements - continued
for the Period 1 April 2014 to 30 September 2015**

14. RESERVES

Group

	Profit and loss account £	Share premium £	Capital redemption reserve £	Totals £
At 1 April 2014	119,516	-	1,400	120,916
Profit for the period	144,479			144,479
Dividends	(108,163)			(108,163)
Purchase of own shares	(350)	-	350	-
Cash share issue	-	73,255	-	73,255
	<u>155,482</u>	<u>73,255</u>	<u>1,750</u>	<u>230,487</u>
At 30 September 2015	<u>155,482</u>	<u>73,255</u>	<u>1,750</u>	<u>230,487</u>

Company

	Profit and loss account £	Share premium £	Capital redemption reserve £	Totals £
At 1 April 2014	119,516	-	1,400	120,916
Profit for the period	144,479			144,479
Dividends	(108,163)			(108,163)
Purchase of own shares	(350)	-	350	-
Cash share issue	-	73,255	-	73,255
	<u>155,482</u>	<u>73,255</u>	<u>1,750</u>	<u>230,487</u>
At 30 September 2015	<u>155,482</u>	<u>73,255</u>	<u>1,750</u>	<u>230,487</u>

15. RELATED PARTY DISCLOSURES

During the period, total dividends of £108,163 (2014 - £58,350) were paid to the directors.

Group

Denise Scots-Knight, Charles Sermon, Alastair MacKinnon and John Richard, directors of Phase4 Partners Limited, are also Limited Partners of Phase4 Ventures III GP LP. There was a management fee of £861,508 (2014: £925,769) received from Phase4 Ventures III GP LP for the period ended 30 September 2015..

Denise Scots-Knight, Charles Sermon and John Richard, directors of Phase4 Partners Limited, are also carried interest partners of Nomura Phase4 Ventures LP. There was a management fee of £28,500 (2014: £30,000) received from Nomura Phase4 Ventures LP for the period ended 30 September 2015.

There were no other related party transactions during the period ended 30 September 2015.

Parent Company

During the period there were transactions with Mereo BioPharma Group Limited, a company with common directors. During the period, the company recovered costs incurred on behalf of Mereo BioPharma Group Limited totalling £453,837, which has been included as Other operating income. There was a balance due from Mereo BioPharma Group Limited at the period end of £4,546, included within Other debtors.

The company has taken advantage of the exemption in FRS 8 not to disclose transactions with wholly owned subsidiaries.

Phase4 Partners Limited

**Notes to the Consolidated Financial Statements - continued
for the Period 1 April 2014 to 30 September 2015**

16. ULTIMATE CONTROLLING PARTY

The directors consider there to be no ultimate controlling party.

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group

	30.9.15	31.3.14
	£	£
Profit/(loss) for the financial period	144,479	(126,656)
Dividends	(108,163)	(70,020)
New share capital subscribed	75,005	-
Payments to acquire own shares	<u>(350)</u>	<u>(1,400)</u>
Net addition/(reduction) to shareholders' funds	110,971	(198,076)
Opening shareholders' funds	<u>124,516</u>	<u>322,592</u>
Closing shareholders' funds	<u>235,487</u>	<u>124,516</u>

Company

	30.9.15	31.3.14
	£	£
Profit/(loss) for the financial period	144,479	(126,656)
Dividends	(108,163)	(70,020)
New share capital subscribed	75,005	-
Payments to acquire own shares	<u>(350)</u>	<u>(1,400)</u>
Net addition/(reduction) to shareholders' funds	110,971	(198,076)
Opening shareholders' funds	<u>124,516</u>	<u>322,592</u>
Closing shareholders' funds	<u>235,487</u>	<u>124,516</u>

18. DEFERRED TAXATION

The group contains a company which has unutilised tax trading losses of £nil (2014: £125,619) and another company which has unutilised tax trading losses of £5,589,096 (2014: £5,593,778). These losses are available to offset against future taxable profits. The group has not recognised a deferred tax asset of £1,117,819 (2014: £1,143,879) in respect of these trading losses, calculated on the current small companies' corporation tax rate of 20%.

The group also contains a company which has unutilised excess management charges of £5,161,856 (2014: £4,300,348) and an unutilised non-trade loan relationship deficit of £22,335 (2014: £22,335) and which are available to offset against future investment income. The group has not recognised a deferred tax asset of £1,036,838 (2014: £864,537) in respect of these charges and deficit, calculated on the current small companies' corporation tax rate of 20%.

The losses will only be utilised if these companies have profits chargeable to corporation tax in future accounting periods. It is considered too uncertain that the companies will generate such taxable profits and it is on this basis that the deferred tax assets in respect of the losses have not been recognised.