Registered number: 10017462

Mavalon Therapeutics Limited

Directors' report and financial statements

for the period ended 28 February 2017

Mavalon Therapeutics Limited

Company Information

Directors	A Moreau (appointed 1 February 2017) M Ollier (appointed 22 February 2016)
Registered number	10017462
Registered office	24 Chiswell Street London EC1Y 4YX
Independent auditor	Kreston Reeves LLP Chartered Accountants & Statutory Auditor 37 St Margaret's Street Canterbury Kent CT1 2TU

Contents

Directors' report
for the period ended 28 February 2017

The company was incorporated on 22 February 2016. The company commenced trading on 4 May 2016 and accordingly, the directors present their report and the financial statements for the period ended 28 February 2017.

Directors

The directors who served during the period were:

A Moreau (appointed 1 February 2017)
M Ollier (appointed 22 February 2016)

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Under section 487(2) of the Companies Act 2006, Kreston Reeves LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

A Moreau
Director

Date: 20 November 2017

Directors' responsibilities statement
for the period ended 28 February 2017

The directors are responsible for preparing the directors' report 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgments 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 transactions and disclose with reasonable accuracy at any time the financial position of the company and to 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in directors' reports may differ from legislation in other jurisdictions.

Independent auditor's report to the shareholders of Mavalon Therapeutics Limited

We have audited the financial statements of Mavalon Therapeutics Limited for the period ended 28 February 2017, set out on pages 5 to 14. The relevant financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 an 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 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 Auditor

As explained more fully in the directors' responsibilities statement on page 2, 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 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 directors' report 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 company's affairs as at 28 February 2017 and of its loss 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, based on the work undertaken in the course of the audit, the information given in the directors' report for the financial period for which the financial statements are prepared is consistent with those financial statements and this report has been prepared in accordance with applicable legal requirements.

Independent auditor's report to the shareholders of Mavalon Therapeutics Limited (continued)

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemption in preparing the directors' report and take advantage of the small companies' exemption from the requirement to prepare a strategic report.

Scott Miles FCCA (senior statutory auditor)

for and on behalf of
Kreston Reeves LLP

Chartered Accountants
Statutory Auditor

Canterbury

20 November 2017

Statement of comprehensive income
for the period ended 28 February 2017

	Period ended 28 February 2017 £
Operating expenses	(256,491)
Operating (loss)/profit	(256,491)
Tax on (loss)/profit	-
(Loss)/profit for the financial period	(256,491)

There were no recognised gains and losses for 2017 or 2016 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2017 (2016:£NIL).

The notes on pages 8 to 14 form part of these financial statements.

Mavalon Therapeutics Limited
Registered number: 10017462

Balance sheet
as at 28 February 2017

	Note		2017 £
Fixed assets			
Intangible assets	5		234,952
			234,952
Current assets			
Debtors: amounts falling due within one year	6	17,895	
Cash at bank and in hand		824,036	
		841,931	
Creditors: amounts falling due within one year	7	(74,528)	
Net current assets			767,403
Total assets less current liabilities			1,002,355
Net assets			1,002,355
Capital and reserves			
Called up share capital	8		15,194
Share premium account	9		1,243,652
Profit and loss account	9		(256,491)
			1,002,355

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 were approved and authorised for issue by the board and were signed on its behalf on 20 November 2017.

A Moreau
Director

The notes on pages 8 to 14 form part of these financial statements.

Statement of changes in equity
for the period ended 28 February 2017

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
Comprehensive income for the period				
Loss for the period	-	-	(256,491)	(256,491)
Total comprehensive income for the period	-	-	(256,491)	(256,491)
Shares issued during the period	15,194	1,243,652	-	1,258,846
Total transactions with owners	15,194	1,243,652	-	1,258,846
At 28 February 2017	15,194	1,243,652	(256,491)	1,002,355

1. General information

Mavalon Therapeutics Limited is a private company limited by shares and is incorporated in England with the registration number 10017462. The address of the registered office is 24 Chiswell Street, London, England, EC1Y 4YX.

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 preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3).

The financial statements are rounded to the nearest pound.

The following principal accounting policies have been applied:

2.2 Going concern

The directors consider that the financial resources available to the company are adequate to meet its operational needs and working capital requirements for the foreseeable future. Consequently the going concern basis has been adopted in preparing these financial statements.

2.3 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

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.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Patents	-	10 years

2.4 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.5 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. Accounting policies (continued)

2.6 Financial instruments

The company only enters into basic financial instruments 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 non-puttable 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 financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.7 Creditors

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

2. Accounting policies (continued)

2.8 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is pounds sterling.

Transactions and balances

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. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

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 the statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other operating income'.

2.9 Convertible debt

The proceeds received on issue of the company's convertible debt are allocated into their liability and equity components and presented separately in the balance sheet.

The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that did not include an option to convert.

The difference between the net proceeds of the convertible debt and the amount allocated to the debt component is credited direct to equity and is not subsequently remeasured. On conversion, the debt and equity elements are credited to share capital and share premium as appropriate.

Transaction costs that relate to the issue of the instrument are allocated to the liability and equity components of the instrument in proportion to the allocation of proceeds.

2. Accounting policies (continued)

2.10 Taxation

Tax is recognised in the statement of comprehensive income, 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.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.11 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires the directors to make judgements, estimates and assumptions that can affect the amounts reported for assets and liabilities, and the results for the year. The nature of estimation is such though that actual outcomes could differ significantly from those estimates.

The following judgements have had the most significant impact on amounts recognised in the financial statements:

Fair value measurement of intangible fixed assets

The fair value of intangible fixed assets acquired through the issue of equity instruments is measured using valuation techniques. The fair value has been assessed based upon the consideration received for similar shares that were issued by the company during the period. This value is subject to uncertainty due to the lack of observable market prices and the directors judgement in the selection of appropriate discount rates. See note 8 for further details.

Share-based payments

The company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The estimation of fair value requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield. See note 10 for further details.

4. Employees

The average monthly number of employees, including directors, during the period was 2.

5. Intangible assets

	Patents
	£
Cost	
Additions	**250,095**
At 28 February 2017	**250,095**
Amortisation	
Charge for the year	**15,143**
At 28 February 2017	**15,143**
Net book value	
At 28 February 2017	**234,952**

6. Debtors

	2017 £
Other debtors	16,660
Prepayments and accrued income	1,235
	17,895

7. Creditors: Amounts falling due within one year

	2017 £
Trade creditors	60,849
Accruals and deferred income	13,679
	74,528

8. Share capital

	2017 £
Shares classified as equity	
Allotted, called up and fully paid	
600,000 Ordinary shares of €0.01 each	5,002
22,000 B Ordinary shares of €0.01 each	188
1,200,000 Series A shares of €0.01 each	10,004
	15,194

On incorporation, 1 Ordinary share with an aggregate nominal value of €0.01 was allotted and issued for a total consideration of €0.01. The Ordinary share was then re-classified as a Series A share on 22 July 2016.

During the period, the following additional shares were issued:

i) 1,200,000 Series A shares, with an aggregate nominal value of €12,000 were allotted and issued for a total consideration of €1,209,816.

iii) 600,000 Ordinary shares, with an aggregate nominal value of €6,000 were allotted and issued in consideration for the shareholder entering into an intellectual property assignment with the company. The directors have considered the fair value of this consideration to be €300,000, after taking into consideration the amounts received for similar share issues during the period.

iii) 22,000 Ordinary B shares, with an aggregate nominal value of €220 were allotted and issued for a total consideration of €220.

9. Reserves

Share premium account

This reserve records the amount above the nominal value received for shares issued by the company. Share premium may only be utilised to write-off any expenses incurred or commissions paid on the issue of those shares, or to pay up new shares to be allotted to members as fully paid bonus shares.

Profit and loss account

This reserve comprises all current period retained profits and losses after deducting any distributions made to the company's shareholders.

10. Share based payments

The company operates a share option scheme for consultants and directors who receive part of their remuneration in the form of share based payments.

During the period options were granted to 3 individuals to subscribe for a total of 122,000 B Ordinary shares in the company at an exercise price of €0.01 per share. The cost of these options was £NIL. During the period 22,000 of these options were exercised. During the year no options were forfeited, expired or lapsed.

The number of share options in issue at the end of the year was 100,000, with an exercise price of €0.01.

There were no performance related conditions attached to the options.

The share options have not been accounted for in accordance with the principals of FRS102 as the directors do not consider this to have a material impact on the financial statements.

11. Related party transactions

All related party transactions during the current and prior periods were made under normal market conditions.

12. Post balance sheet events

Following the period end the company made the following share issues:

i) 100,000 B Ordinary shares with an aggregate nominal value of €1,000 were allotted and issued for a total consideration of €1,000.

ii) 16,000 B Ordinary shares with an aggregate nominal value of €160, were allotted and issued for a total consideration of €160.

13. Controlling party

The company is a 65% subsidiary of Medicxi Ventures I L.P., a limited partnership registered in Jersey. The registered office Medicxi Ventures I L.P. is 44 Esplanade, St. Helier, JE4 9WG, Jersey.