

Registered number: 10017462

Mavalon Therapeutics Limited

Financial statements

Information for filing with the registrar

For the year ended 28 February 2019

Balance sheet
As at 28 February 2019

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	4	369,867	419,886
Tangible assets	5	1,020	1,530
Investments	6	4,486	4,486
		<u>375,373</u>	<u>425,902</u>
Current assets			
Debtors: amounts falling due within one year	7	26,628	33,581
Cash at bank and in hand		124,234	239,144
		<u>150,862</u>	<u>272,725</u>
Creditors: amounts falling due within one year	8	(234,647)	(102,558)
Net current (liabilities)/assets		<u>(83,785)</u>	<u>170,167</u>
Net assets		<u><u>291,588</u></u>	<u><u>596,069</u></u>
Capital and reserves			
Called up share capital	9	16,216	16,216
Share premium account	10	1,630,920	1,630,920
Profit and loss account	10	(1,355,548)	(1,051,067)
		<u><u>291,588</u></u>	<u><u>596,069</u></u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

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

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 November 2019.

M Ollier
Director

The notes on pages 2 to 10 form part of these financial statements.

Notes to the financial statements
For the year ended 28 February 2019

1. General information

Mavalon Therapeutics Limited ("the company") 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 Company has elected to apply all amendments to FRS 102, as set out in the triennial review published in December 2017, prior to the mandatory adoption for accounting periods beginning on or after 1 January 2019.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies.

The following principal accounting policies have been applied:

2.2 Exemption from preparing consolidated financial statements

The company, and the group headed by it, qualify as small as set out in section 383 of the Companies Act 2006 and the parent and group are considered eligible for the exemption to prepare consolidated accounts.

These financial statements are therefore the company's separate financial statements, and present information about the company as an individual undertaking and not about its group.

2.3 Going concern

The company is engaged in research and development activities and is reliant upon funding from its investors to meet its operational and working capital needs. The company's forecasts and projections, taking account of expected expenditure and future investment, show that the company should be able to continue these activities within the level of its available facilities.

Consequently the going concern basis has continued to be adopted in preparing these financial statements.

Notes to the financial statements
For the year ended 28 February 2019

2. Accounting policies (continued)

2.4 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'.

2.5 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.

Notes to the financial statements
For the year ended 28 February 2019

2. Accounting policies (continued)

2.6 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.

2.7 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
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Notes to the financial statements
For the year ended 28 February 2019

2. Accounting policies (continued)

2.8 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Office equipment	-	25%
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The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

2.9 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.10 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.

2.11 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.

2.12 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.

Notes to the financial statements
For the year ended 28 February 2019

2. Accounting policies (continued)

2.13 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

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.

3. Employees

The average monthly number of employees, including directors, during the year was 2 (2018 - 2).

Notes to the financial statements
For the year ended 28 February 2019

4. Intangible assets

	Patents £
Cost	
At 1 March 2018	500,190
At 28 February 2019	500,190
Amortisation	
At 1 March 2018	80,304
Charge for the year	50,019
At 28 February 2019	130,323
Net book value	
At 28 February 2019	369,867
At 28 February 2018	419,886

5. Tangible fixed assets

	Office equipment £
Cost or valuation	
At 1 March 2018	2,040
At 28 February 2019	2,040
Depreciation	
At 1 March 2018	510
Charge for the year on owned assets	510
At 28 February 2019	1,020
Net book value	
At 28 February 2019	1,020
At 28 February 2018	1,530

Notes to the financial statements
For the year ended 28 February 2019

6. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 March 2018	4,486
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At 28 February 2019	<u><u>4,486</u></u>

Subsidiary undertaking

The following was a subsidiary undertaking of the company:

Name	Country of incorporation	Class of shares	Holding
Mavalon Therapeutics France SAS	France	Ordinary	100 %

7. Debtors

	2019 £	2018 £
Amounts owed by group undertakings	23,285	-
Other debtors	2,448	30,601
Prepayments and accrued income	895	2,980
	<hr/>	<hr/>
	<u><u>26,628</u></u>	<u><u>33,581</u></u>

8. Creditors: Amounts falling due within one year

	2019 £	2018 £
Trade creditors	53,760	97,472
Other creditors	176,137	-
Accruals and deferred income	4,750	5,086
	<hr/>	<hr/>
	<u><u>234,647</u></u>	<u><u>102,558</u></u>

Notes to the financial statements
For the year ended 28 February 2019

9. Share capital

	2019	2018
	£	£
Allotted, called up and fully paid		
600,000 (2018 - 600,000) Ordinary shares of € 0.01 each	5,002	5,002
56,750 (2018 - 138,000) B Ordinary shares of € 0.01 each	495	1,210
1,200,000 (2018 - 1,200,000) Series A shares of € 0.01 each	10,004	10,004
81,250 (2018 - 0) Deferred shares of € 0.01 each	715	-
	<hr/>	<hr/>
	<u>16,216</u>	<u>16,216</u>

I) During the year 81,250 B Ordinary shares of €0.01 each have been re-designated as deferred shares of equal value.

10. Reserves

Share premium account

This reserve represents the excess of the fair value of the consideration receivable on the issue of ordinary share capital, net of the direct costs incurred in their issue, over the nominal value of those shares (which is recognised as called up share capital). 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 and prior period retained profits and losses after deducting any distributions made to the company's shareholders.

11. 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.

In the previous reporting period 100,000 options were exercised, to subscribe for a total of 100,000 B ordinary shares in the company. No options remained in issue as at 28 February 2018. During the current year no further options were issued, forfeited, expired or lapsed.

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.

12. Related party transactions

The company is exempt from disclosing related party transactions with other companies that are wholly owned within the group.

All other related party transactions during the current and prior periods, including key management personnel compensation, were made under normal market conditions.

Notes to the financial statements
For the year ended 28 February 2019

13. Post balance sheet events

Following the year end the company received payment of additional share premium of £349,528 on 47,728 Series A Shares held by the Investors.

14. Controlling party

The company is a 61% subsidiary of Medicxi Ventures I L.P., a limited partnership registered in Jersey. The registered office of Medicxi Ventures I L.P. is 44 Esplanade, St. Helier, JE4 9WG, Jersey.

Medicxi Ventures I L.P. meets the definition of an Investment Entity in accordance with IFRS 10 and is not required to consolidate its investments, of which the company is a investment.

15. Auditor's information

The auditor's report on the financial statements for the year ended 28 February 2019 was unqualified.

The audit report was signed on 27 November 2019 by Scott Miles FCCA (senior statutory auditor) on behalf of Kreston Reeves LLP.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.