CODON

VALUATION ADVISORS

SAMPLE REPORT

Valuation of the Common Stock of Tarnholme Therapeutics, Inc.

HMRC EMI actual market value and unrestricted market value

VALUATION DATE	REPORT DATE	PREPARED FOR
September 30, 2026	October 9, 2026	The Board of Directors, Tarnholme Therapeutics, Inc.

Tarnholme Therapeutics, Inc. is a fictional company. This sample of a Codon HMRC EMI valuation report uses illustrative facts, figures and dates. It is not a valuation of any company, and no one may rely on it for any purpose.

About This Sample

This sample shows the report a company receives when it grants Enterprise Management Incentive (EMI) options to UK employees.

THE COMPANY AND THE PLANNED GRANTS

Tarnholme Therapeutics, Inc. is the new Delaware parent of a UK life science company. The group completed a share-for-share exchange (a Delaware flip) on September 14, 2026 and closed a Series Seed financing on September 18, 2026. Its first US employee joined on October 5, 2026.

The Board plans to grant EMI options to UK employees. The grants need two values of the Common Stock for HMRC.

WHAT THE REPORT CONTAINS

- The HMRC EMI actual market value (AMV) and unrestricted market value (UMV) of the Common Stock.
- The equity value of the Company, its allocation between the share classes, and the UK discounts.
- The equal-value test for the replacement EMI options granted in the share exchange.

WHAT THE SAMPLE OMITS

The sample keeps the full method and every calculation. It shortens the company description and omits these supporting schedules of an engagement report:

- the capitalization table by holder;
- the guideline public companies and the volatility calculation;
- the review of the financial statements and the operating plan;
- the summary of the financing documents.

ILLUSTRATIVE INPUTS

The exchange rate, the risk-free rate and the volatility are illustrative figures. They are not market data for the valuation date. The discounts are judgments made for this example.

THE OTHER SAMPLES

Codon's other samples use the same company and the same analysis: a report on the fair market value under Section 409A of the US Internal Revenue Code (IRC 409A), and a combined report that states the 409A value and the HMRC values with a written reconciliation. The company chooses the form.

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Summary of Conclusions

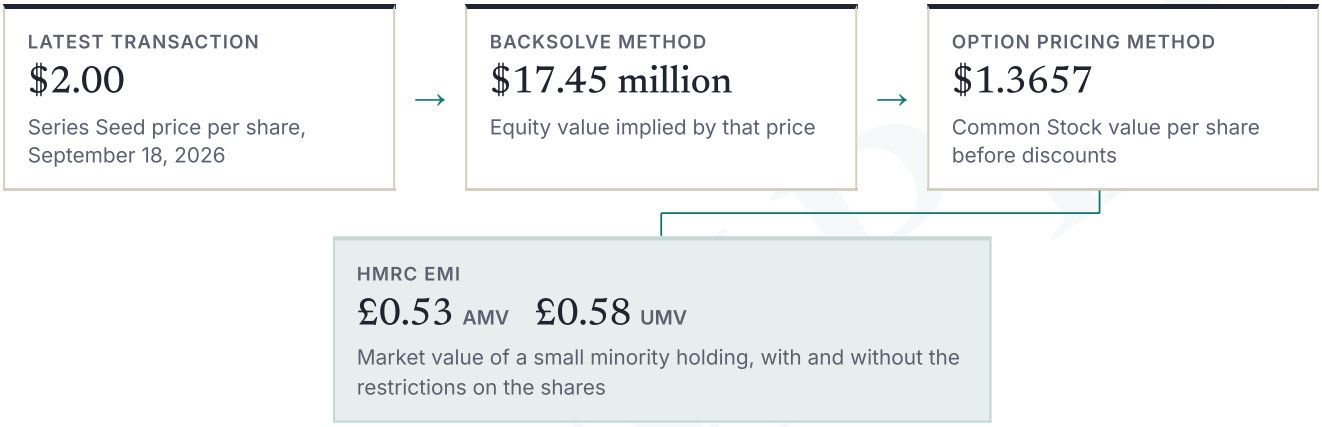
The Board of Directors of Tarnholme Therapeutics, Inc. ("the Company") engaged Codon Valuation Advisors LLC ("Codon") to value the Company's Common Stock as of September 30, 2026 ("the Valuation Date"). The values support EMI option grants to UK employees.

Value of one share of Common Stock	Conclusion	Standard	Use
HMRC EMI actual market value (AMV)	£0.53	TCGA 1992, Part 8; ITEPA 2003, Sch. 5, para 55	Benchmark for the exercise price of EMI options
HMRC EMI unrestricted market value (UMV)	£0.58	The same, with restrictions ignored (Sch. 5, para 5(7))	Test of the £250,000 individual limit and the £6 million company limit

The values are per share of Common Stock, in pounds at the illustrative exchange rate of $1.30 to £1.00.

How the Values Are Derived

Both values come from one analysis of the Company. The analysis starts from the Series Seed price, derives the equity value that the price implies and allocates that value between the share classes. The UK discounts are then applied to the value of a share of Common Stock.



How the Values Compare with the Series Seed Price

- **Preferential rights.** The Series Seed carries a liquidation preference and other rights that the Common Stock does not have. The allocation values a share of Common Stock at 68.3% of the Series Seed price before any discount.
- **Small minority holding.** The largest planned EMI grant is 1.09% of the issued shares. Both values reflect a discount for a small minority holding in an unquoted company. The discount is 50% for the AMV.
- **Restrictions on the shares.** The UMV ignores the restrictions on the Common Stock. It is 10% above the AMV.

Sections 5 and 6 set out each step.

1 Engagement

Purpose and Use

The report values the Company's Common Stock for one purpose: to propose the AMV and UMV of the shares under EMI options to HMRC Shares and Assets Valuation (SAV) on form VAL231, under Schedule 5 to the Income Tax (Earnings and Pensions) Act 2003 (ITEPA 2003).

The subject is one share of Common Stock, valued as part of a non-controlling holding, as of September 30, 2026, on a going-concern premise. The report is for the Board of Directors and management. The Company may give it to its auditors and to HMRC.

Standard of Value

	HMRC EMI
Value concluded	Market value of the Common Stock: AMV and UMV
Definition	The price the shares might reasonably be expected to fetch on a sale in the open market (TCGA 1992, s. 272(1), applied by ITEPA 2003, Sch. 5, para 55)
Factors and assumptions	A prospective purchaser is assumed to have the information a prudent purchaser might reasonably require in a purchase by private treaty at arm's length (TCGA 1992, s. 273(3))
Restrictions on the shares	Ignored for the UMV, which tests the EMI limits (Sch. 5, para 5(7)); taken into account for the AMV
Certainty	The Company can ask SAV to agree both values before the grant; an agreed valuation is valid for 90 days

The values are prepared so the Company can seek SAV's agreement before it grants the EMI options.

Professional Standards

We performed a valuation engagement, as defined in the Statement on Standards for Valuation Services of the American Institute of Certified Public Accountants (AICPA), VS Section 100. We applied the guidance in the AICPA Accounting and Valuation Guide, *Valuation of Privately-Held-Company Equity Securities Issued as Compensation*. For the HMRC values we followed HMRC's published guidance on EMI valuations in its Shares and Assets Valuation Manual (SVM110050).

Scope of Work

- We read the certificate of incorporation, the Series Seed financing documents, the share exchange agreement, the 2026 Equity Incentive Plan and the replacement option agreements.
- We analyzed the capitalization table and the rights of each class of shares, and read the UK subsidiary's 2025 financial statements, its management accounts to August 31, 2026 and the operating plan.
- We discussed the business, the financing, the planned grants and events after the financing with management.

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2 The Company

Business

Tarnholme Therapeutics, Inc. is a preclinical-stage biotechnology company. Through its wholly owned subsidiary, Tarnholme Therapeutics Limited, it develops oral small-molecule therapies for fibrotic lung disease. The lead program is in the studies required before a first clinical trial. The group has no revenue and has funded its work with equity and research grants.

The UK subsidiary was incorporated in England and Wales in March 2023 as a spin-out from a university research group. At the Valuation Date the group had 14 employees, 13 of them in England. It held cash of $6.3 million and had no borrowings.

The Share-for-Share Exchange

The Company was incorporated in Delaware in August 2026 to become the group's parent. On September 14, 2026 it acquired every ordinary share of Tarnholme Therapeutics Limited. Each shareholder received one share of Common Stock for each ordinary share, so each held the same proportion of the group before and after the exchange.

On the same date, each holder of an EMI option over the UK subsidiary's shares released it for a replacement option over the Company's Common Stock. Section 7 describes the replacement options.

The Series Seed Financing

On September 18, 2026 the Company issued 3,000,000 shares of Series Seed Preferred Stock ("Series Seed") at $2.00 a share, for $6.0 million. A US venture capital fund that held no shares before the financing led the round, and two other new institutional investors joined it. The price was negotiated at arm's length.

The proceeds fund the lead program through its first clinical trial. Management expects the Company to need further equity financing before any sale or public offering.

The Planned Grants

The Board plans to make these grants to 9 UK employees under the 2026 Equity Incentive Plan:

Grant	Shares	Tax regime	Value the grant needs
EMI options to 9 UK employees	450,000	United Kingdom: ITEPA 2003, Schedule 5	AMV and UMV of the Common Stock

The largest planned EMI grant is over 120,000 shares. The Board also plans an option grant to the Company's first US employee, who joined on October 5, 2026. That grant needs a fair market value under IRC 409A, which is outside the scope of this report.

Key Dates

September 14, 2026	Share-for-share exchange; replacement EMI options granted
September 18, 2026	Series Seed financing closed at $2.00 a share
September 30, 2026	Valuation Date
October 5, 2026	First US employee joined
October 9, 2026	Date of this report

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3 Capital Structure

The table shows the Company's securities at the Valuation Date.

Security	Shares	Share of total	Terms
Common Stock	8,000,000	64.0%	Issued in the share exchange to the founders, the university and the pre-seed investors
Series Seed Preferred Stock	3,000,000	24.0%	Issued at $2.00 a share on September 18, 2026
Options outstanding	400,000	3.2%	Replacement EMI options over Common Stock, exercise price £0.10 ($0.13) a share
Securities included in the allocation	**11,400,000**	**91.2%**	
Shares reserved for future grants	1,100,000	8.8%	2026 Equity Incentive Plan; no grant made at the Valuation Date
Fully diluted	**12,500,000**	**100.0%**	

The allocation in section 5 includes the outstanding options. It excludes the 1,100,000 reserved shares, because no option over them existed at the Valuation Date.

Rights of the Series Seed Preferred Stock

Liquidation preference	On a liquidation or a sale of the Company, each Series Seed share receives the greater of $2.00 and the amount it would receive if converted to Common Stock. The preference is non-participating. It totals $6.0 million.
Conversion	Each share converts into one share of Common Stock at the holder's option, and automatically on a qualified public offering. The conversion price has broad-based weighted-average protection against dilution.
Dividends	Non-cumulative, payable only when the Board declares them. None has been declared.
Voting and control	Votes with the Common Stock as converted. The holders elect one director and must consent to specified actions, including a sale of the Company and the issue of senior securities.
Other rights	Information rights, a right to take part in later financings, a right of first refusal and co-sale over founder transfers, and drag-along rights.

The Common Stock has none of these rights and ranks behind the Series Seed's preference on a sale or liquidation.

The Financing Terms

At $2.00 a share, the fully diluted shares total $25.0 million, the post-money figure in the financing documents. That figure prices every share at the Series Seed price, although the Common Stock carries fewer rights. Section 5 derives the equity value that the Series Seed price implies.

Restrictions on the Common Stock

Section 6 measures the effect of these restrictions for the AMV. The bylaws, the Voting Agreement and the 2026 Equity Incentive Plan restrict shares of Common Stock acquired on the exercise of an option:

- a holder may transfer shares only with the Board's consent;
- the Company has a right of first refusal over any proposed transfer;
- the holder must sell on a sale of the Company that the required majority approves (drag-along);
- the Company may buy back shares from a holder dismissed for cause, at the lower of cost and market value.

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4 Valuation Approach

We considered the three approaches to value and selected the method that the facts at the Valuation Date best support.

Approach	Method	Use	Reason
Market	Backsolve from the Series Seed financing	Selected	New institutional investors priced the Series Seed at arm's length 12 days before the Valuation Date. HMRC's manual directs the valuer first to recent transactions in the company's shares.
Market	Guideline public companies and transactions	Volatility input only	Multiples of revenue or earnings cannot be applied to a company with no revenue.
Income	Risk-adjusted net present value (rNPV)	Considered; not relied on	The lead program has not entered the clinic. Cash flow forecasts would rest on assumptions that the financing price already reflects.
Asset	Adjusted net assets	Not applied	The balance sheet excludes the internally developed intellectual property, which holds most of the value.

The Backsolve Method

The backsolve method derives the total equity value implied by the price investors paid in the latest priced round, given the rights of their shares. It solves for the equity value at which the allocation model values a Series Seed share at its $2.00 issue price.

Allocation Between Share Classes

The allocation method divides the equity value between the Series Seed, the Common Stock and the options. We considered four methods.

Method	Use	Reason
Option pricing method (OPM)	Selected	The OPM treats each share class as a call option on the Company's equity value, with exercise prices set by the liquidation preference and the conversion terms. It is appropriate where a liquidity event is some years away and its timing and form are difficult to forecast.
Probability-weighted expected return method (PWERM)	Not applied	The PWERM models specific exit scenarios. The Company cannot yet define such scenarios or assign probabilities to them.
Hybrid method	Not applied	The hybrid method adds one or two defined scenarios to an OPM. The Company has no defined near-term scenario to model before the first clinical data.
Current value method	Not applied	The current value method assumes an immediate sale, which the Company does not expect.

Events After the Financing

We considered whether the Series Seed price needed adjustment for events between September 18, 2026 and the report date. Management reported no change to the lead program, the operating plan or the Company's financing, and none in market conditions that would change the price. We therefore used the Series Seed price without adjustment. Both HMRC values use the equity value and the allocation in section 5.

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5 Equity Value and Allocation

Inputs

Input	Value	Basis
Series Seed issue price	$2.00	Financing documents, September 18, 2026
Time to a liquidity event	4.0 years	Management's expected timing of a sale or public offering
Volatility	85%	Illustrative; a report uses guideline public companies over the term
Risk-free rate	3.80%	Illustrative; a report uses the US Treasury yield for the term
Dividend yield	Nil	The Company has paid no dividend and plans none
Option exercise price	$0.13	£0.10 at $1.30 to £1.00

Breakpoints

A breakpoint is an equity value at which the sharing of further value between the classes changes.

Range	Equity value	Event at the upper limit	Classes that share the range
1	$0 to $6,000,000	Series Seed preference paid in full	Series Seed 100.0%
2	$6,000,000 to $7,040,000	Common Stock at $0.13 a share: the options exercise	Common Stock 100.0%
3	$7,040,000 to $22,748,000	Common Stock at $2.00 a share: the Series Seed converts	Common Stock 95.2%; Options 4.8%
4	Above $22,748,000	None	Series Seed 26.3%; Common Stock 70.2%; Options 3.5%

Breakpoint 2 is $6,000,000 plus 8,000,000 shares at $0.13. Breakpoint 3 is $7,040,000 plus 8,400,000 shares at $1.87 ($2.00 less $0.13).

Allocation of the Equity Value

The value of each range is the difference between two call options on the equity value, priced with the Black-Scholes-Merton model. Each class takes its share of each range.

Range	Value of the range	Series Seed	Common Stock	Options
1	$3,326,303	$3,326,303	–	–
2	$382,623	–	$382,623	–
3	$3,583,980	–	$3,413,314	$170,666
4	$10,160,048	$2,673,697	$7,129,858	$356,493
Equity value	**$17,452,954**	**$6,000,000**	**$10,925,795**	**$527,159**
Shares or options		3,000,000	8,000,000	400,000
Value per share or option		**$2.0000**	**$1.3657**	**$1.3179**

The backsolve gives an equity value of $17,452,954. At that value the model prices a Series Seed share at $2.0000, its issue price, and a share of Common Stock at $1.3657 before any discount. The Common Stock value is 68.3% of the Series Seed price, and the difference of 31.7% measures the Series Seed's preferential rights. Both HMRC values start from $1.3657.

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6 HMRC EMI Values

The Requirement

An EMI grant needs two values of the shares under option. The AMV takes account of the restrictions on the shares and is the benchmark for the exercise price. The UMV ignores those restrictions and tests the EMI limits.

HMRC's Published Approach

HMRC's manual says the valuer should first look at recent transactions in the company's shares. It notes that an investment by an external investor with preferential rights "may require substantial adjustment" (SVM110050). Its example of a loss-making development company starts from the investors' subscription price and applies a discount for a small minority holding of the ordinary shares. We followed that approach. The starting point is the Series Seed price, and the adjustment for the investors' preferential rights is the one measured in section 5.

Build-Up of the Values

Series Seed price per share: $2.00 at $1.30 to £1.00	£1.5385
Less: adjustment for the preferential rights of the Series Seed, 31.7% (section 5)	(£0.4879)
Value of a share of Common Stock before discounts: $1.3657	**£1.0506**
Less: discount for a small minority holding in an unquoted company, 50.0%	(£0.5253)
Actual market value per share, unrounded	**£0.5253**
Add: premium for ignoring the restrictions on the shares, 10.0%	£0.0525
Unrestricted market value per share, unrounded	**£0.5778**
HMRC EMI actual market value (AMV) per share of Common Stock	**£0.53**
HMRC EMI unrestricted market value (UMV) per share of Common Stock	**£0.58**

Discount for a Small Minority Holding

Market value is the price of the holding in a hypothetical open-market sale. The largest planned EMI grant is 1.09% of the issued shares. A purchaser of a holding of that size would take these facts into account:

- the holding gives no influence over the Company or the timing of a sale, and none of the Series Seed investors' information and consent rights;
- the Company pays no dividend, and no market for the shares exists;
- the Company will need further equity financing, which will rank ahead of the Common Stock.

HMRC's example for a loss-making development company describes "a potentially significant discount" for such a holding. We concluded a discount of 50%.

Restrictions and the UMV

HMRC's manual treats the UMV as the value without the restrictions. Its start-up example applies a 10% premium for ignoring a risk of forfeiture and a pre-emption provision. The restrictions in section 3 are comparable, and we applied a premium of 10%.

Agreement with HMRC and the EMI Limits

The Company can propose both values to SAV on form VAL231 once it is in a position to grant the options. An agreed valuation is valid for 90 days from the date of the agreement, provided nothing changes that could affect the value. The largest planned grant, 120,000 shares, is £69,600 at the UMV, against the £250,000 individual limit. The planned EMI grants total £261,000 at the UMV, against the £6 million company limit. Both limits also count existing unexercised options.

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7 Replacement EMI Options

After the share exchange the UK subsidiary is controlled by the Company, so it no longer meets the EMI independence requirement. Without a replacement, the exchange is a disqualifying event for the old options. ITEPA 2003, Schedule 5, paragraphs 39 to 43 allow each holder to release the old option for a replacement option over the parent's shares. The replacement must be granted within six months after the parent obtains control.

Two of the conditions are tests of value. The shares under the new option must have the same total market value as the shares under the old option. The total exercise price must also be the same before and after the exchange.

	Old options	Replacement options
Shares under option	400,000 ordinary shares of Tarnholme Therapeutics Limited	400,000 shares of Common Stock of the Company
Exchange ratio	One share of Common Stock for each ordinary share, the ratio of the share exchange	
Exercise price per share	£0.10	£0.10
Total exercise price	£40,000	£40,000
Date	Released on September 14, 2026	Granted on September 14, 2026

HMRC's manual says the comparison of market values is made on a like-for-like basis and should follow the agreed terms of the share exchange (SVM110150). The exchange was one for one into shares with the same rights, and the Company held no other assets or liabilities immediately after it. The total market value under the old and the new options was therefore equal.

Codon documented the exchange values in a letter dated September 11, 2026, so the Company could seek SAV's agreement before it granted the replacement options. This sample does not reproduce that letter.

For the accounts, IFRS 2, FRS 102 section 26 and ASC 718 treat the exchange as a modification of the options. The fair values of the old and new options are a separate part of the engagement and are outside this sample.

The allocation in section 5 includes the 400,000 replacement options at their £0.10 exercise price.

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8 Sensitivity

The table shows each conclusion at other terms and volatilities. For each row the backsolve is solved again, and the discounts are held at the concluded levels. The shaded row is the conclusion.

Volatility	Term	Equity value	Common Stock before discounts	HMRC EMI UMV	HMRC EMI AMV
75%	3.0 years	$16,197,216	$1.2170	£0.51	£0.47
75%	4.0 years	$16,948,628	$1.3060	£0.55	£0.50
75%	5.0 years	$17,594,127	$1.3825	£0.58	£0.53
85%	3.0 years	$16,629,899	$1.2682	£0.54	£0.49
85%	**4.0 years**	**$17,452,954**	**$1.3657**	**£0.58**	**£0.53**
85%	5.0 years	$18,146,457	$1.4479	£0.61	£0.56
95%	3.0 years	$17,100,424	$1.3239	£0.56	£0.51
95%	4.0 years	$17,982,466	$1.4284	£0.60	£0.55
95%	5.0 years	$18,709,849	$1.5147	£0.64	£0.58

Across these cases the UMV ranges from £0.51 to £0.64 and the AMV from £0.47 to £0.58. A longer term or a higher volatility raises each value, because each raises the equity value that the Series Seed price implies.

A Assumptions and Limiting Conditions

1. The report is valid only for the purpose in section 1 and only as of the Valuation Date. It is not a fairness opinion, an investment recommendation or an opinion on the price at which any share will trade.
2. We relied on financial and other information from the Company's management without audit or verification. We assumed it is complete and accurate.
3. We assumed the Company's documents are valid and that the capitalization table is correct at the Valuation Date.
4. The report reflects facts and conditions at the Valuation Date and information available at the report date. Later events may change the values, and we have no duty to update the report unless engaged to do so.
5. The values depend on the estimates in sections 5 and 6, including the time to a liquidity event, the volatility and the discounts. Actual outcomes will differ from estimates.
6. Whether an option qualifies as an EMI option, and whether the Company meets the EMI requirements after the share exchange, are legal questions outside this report.
7. The report is not tax or legal advice. The UK tax treatment of each option holder is a matter for the Company's tax and legal advisers.
8. HMRC is not bound by the report. HMRC agrees a value only through its own process.
9. The report must be read as a whole. No part may be quoted or given to a third party, other than those named in section 1, without Codon's written consent.
10. Codon's liability is limited as stated in the engagement letter between Codon and the Company.

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B Representation

- The analyses and conclusions in this report are limited only by the stated assumptions and limiting conditions. They are Codon's unbiased professional analyses and conclusions.
- Codon has no present or prospective financial interest in the Company and no relationship with the parties that would impair its independence.
- Codon's fee does not depend on the values concluded or on any event that follows from their use.
- The engagement was performed in accordance with the AICPA's Statement on Standards for Valuation Services, VS Section 100.
- The engagement team's credentials are UK Chartered Accountant (ACA) and Accredited in Business Valuation (ABV), a credential of the AICPA.

Codon Valuation Advisors LLC

October 9, 2026

C Standards and Sources

Professional standards	AICPA, Statement on Standards for Valuation Services, VS Section 100. AICPA Accounting and Valuation Guide, *Valuation of Privately-Held-Company Equity Securities Issued as Compensation*.
United Kingdom	Taxation of Chargeable Gains Act 1992, sections 272 and 273. Income Tax (Earnings and Pensions) Act 2003, Schedule 5, paragraphs 5, 39 to 43, 55 and 56. HMRC Shares and Assets Valuation Manual, SVM110050 and SVM110150. HMRC Employee Tax Advantaged Share Scheme User Manual, ETASSUM51040 and ETASSUM58010. HMRC, *Get a share scheme valuation*, and form VAL231.
Models	F. Black and M. Scholes, "The Pricing of Options and Corporate Liabilities", *Journal of Political Economy*, 1973. R. C. Merton, "Theory of Rational Option Pricing", *Bell Journal of Economics and Management Science*, 1973.
Law as at	October 9, 2026. The EMI limits are those for options granted on or after 6 April 2026.

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