

Registered number: 10229259

**COMPASS PATHWAYS LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**



# COMPASS PATHWAYS LIMITED

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# COMPASS PATHWAYS LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	G J Goldsmith E Malievskaia
<b>Company secretary</b>	Oakwood Corporate Secretary Limited
<b>Registered number</b>	10229259
<b>Registered office</b>	3rd Floor 1 Ashley Road Altrincham Cheshire United Kingdom WA14 2DT
<b>Independent auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 3 Forbury Place 23 Forbury Road Reading Berkshire RG1 3JH

# COMPASS PATHWAYS LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2019

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The directors present their report and the audited financial statements for the year ended 31 December 2019.

#### Directors

The directors who served during the year and up to the date of signing the financial statements were:

G J Goldsmith  
E Malievskaia

#### Post balance sheet events

On April 17, 2020 Compass Pathfinder Holdings Ltd closed a Series B funding round to secure an additional \$80 million of funding, including the conversion of the £15 million convertible loan notes issued in 2019, through the issue of new B preference shares. This new funding is expected to provide the Compass Group with sufficient resources to fund its operating expenses and capital expenditure requirements for the foreseeable future, and at least 12 months from the issuance date of these financial statements.

The Group has assessed the impact of Covid-19 on its operations. On March 25, 2020 we announced that we have paused the inclusion of new patients into our clinical trials; patients who are already enrolled will continue to be supported remotely and our contracts with the clinical sites continue.

#### Independent auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

#### Small companies exemptions

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006. In addition, the Company has taken advantage of the exemption available and has not presented a Strategic Report.

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

**G J Goldsmith**  
Director

Date:

5/5/2020 | 10:00 PDT

DocuSigned by:

*George Goldsmith*



Signer Name: George Goldsmith  
Signing Reason: I approve this document  
Signing Time: 5/5/2020 | 09:59 PDT

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# **COMPASS PATHWAYS LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019**

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The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" Section 1A, 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 of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 Section 1A, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgments and accounting estimates that are reasonable and prudent; and
- 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 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 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.

### **Directors' confirmations**

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

# ***Independent auditors' report to the members of Compass Pathways Limited***

## **Report on the audit of the financial statements**

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### **Opinion**

In our opinion, Compass Pathways Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" Section 1A, and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2019; the profit and loss account, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

# ***Independent auditors' report to the members of Compass Pathways Limited***

## **Report on the audit of the financial statements (continued)**

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Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### ***Directors' Report***

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

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### **Responsibilities for the financial statements and the audit**

#### ***Responsibilities of the directors for the financial statements***

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### ***Auditors' responsibilities for the audit of the financial statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### ***Use of this report***

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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## **Other required reporting**

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### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

# ***Independent auditors' report to the members of Compass Pathways Limited***

## **Report on the audit of the financial statements (continued)**

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### **Entitlement to exemptions**

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: prepare financial statements in accordance with the small companies regime; take advantage of the small companies exemption in preparing the Directors' Report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Sam Taylor (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Reading  
5 May 2020



# COMPASS PATHWAYS LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2019

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	2019 £	As restated 2018 £
Research and development expenditure	(8,703,525)	(6,560,994)
Administrative expenses	(7,603,297)	(3,224,541)
<b>Operating loss and loss before tax</b>	<b>(16,306,822)</b>	<b>(9,785,535)</b>
Tax on loss	1,947,612	1,472,346
<b>Loss for the financial year</b>	<b>(14,359,210)</b>	<b>(8,313,189)</b>

There are no items of other comprehensive income for either the year or the prior year other than the loss for the year. Accordingly, no statement of other comprehensive income has been presented.

**COMPASS PATHWAYS LIMITED****BALANCE SHEET  
AS AT 31 DECEMBER 2019**

	Note	2019 £	As restated 2018 £
<b>Fixed assets</b>			
Tangible fixed assets	5	161,374	84,440
Investments	6	595,592	-
		<u>756,966</u>	<u>84,440</u>
<b>Current assets</b>			
Debtors	7	5,116,548	2,648,369
Cash at bank and in hand		426,900	203,360
		<u>5,543,448</u>	<u>2,851,729</u>
Creditors: amounts falling due within one year	8	(7,591,601)	(1,452,905)
<b>Net current (liabilities)/assets</b>		<u>(2,048,153)</u>	<u>1,398,824</u>
<b>Net (liabilities)/assets</b>		<u><u>(1,291,187)</u></u>	<u><u>1,483,264</u></u>
<b>Capital and reserves</b>			
Called up share capital	9	700	700
Share premium account	10	556,058	556,058
Capital contribution reserve	10	24,649,514	13,064,755
Profit and loss account - deficit	10	(26,497,459)	(12,138,249)
<b>Total equity</b>		<u><u>(1,291,187)</u></u>	<u><u>1,483,264</u></u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime within Part 15 of the Companies Act 2006 and in accordance with Section 1A of Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

**G J Goldsmith**  
Director

DocuSigned by:

*George Goldsmith*

Signer Name: George Goldsmith  
Signing Reason: I approve this document  
Signing Time: 5/5/2020 | 10:00 PDT

Date: 5/5/2020 | 10:00 PDT DB1EAAD4BE7944AAB2F2352798E2639C

The notes on pages 10 to 19 form an integral part of these financial statements.

# **COMPASS PATHWAYS LIMITED**

## **STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital £	Share premium account £	Capital contribution reserve £	Profit and loss account £	Total equity £
<b>At 1 January 2018 (as previously reported)</b>	<b>700</b>	<b>556,058</b>	<b>2,400,000</b>	<b>(2,286,544)</b>	<b>670,214</b>
Prior year adjustment	-	-	1,538,516	(1,538,516)	-
<b>At 1 January 2018 (as restated)</b>	<b>700</b>	<b>556,058</b>	<b>3,938,516</b>	<b>(3,825,060)</b>	<b>670,214</b>
<b>Comprehensive expense for the year</b>					
Loss for the financial year (as restated)	-	-	-	(8,313,189)	(8,313,189)
Capital contribution funds from parent company	-	-	9,126,239	-	9,126,239
<b>At 31 December 2018 and 1 January 2019 (as restated)</b>	<b>700</b>	<b>556,058</b>	<b>13,064,755</b>	<b>(12,138,249)</b>	<b>1,483,264</b>
<b>Comprehensive expense for the year</b>					
Loss for the financial year	-	-	-	(14,359,210)	(14,359,210)
Capital contribution funds from parent company	-	-	15,729,928	-	15,729,928
Recharge of share based payment arrangements from parent company	-	-	(4,145,169)	-	(4,145,169)
<b>At 31 December 2019</b>	<b>700</b>	<b>556,058</b>	<b>24,649,514</b>	<b>(26,497,459)</b>	<b>(1,291,187)</b>

# COMPASS PATHWAYS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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### 1. General information

Compass Pathways Limited is a private company limited by shares incorporated in England and Wales. The address of its registered office is 3rd Floor, 1 Ashley Road, Altrincham, Cheshire, United Kingdom, WA14 2DT.

The financial statements are presented in Pound Sterling (£).

### 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 the provisions applicable to companies subject to the small companies' regime within Part 15 of the Companies Act 2006 and in accordance with Section 1A of Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 2.2 Going concern

The company has incurred a loss for the year after tax of £14,359,210 and continued to incur losses after the year end. The parent company, Compass Pathfinder Holdings Limited, has continued to raise further finance during the year and successfully concluded a convertible loan note funding round, raising £15,000,000 between September and November 2019. In addition, on April 17, 2020, the parent company closed a Series B funding round to secure an additional \$80 million of funding, including the conversion of the £15 million convertible loan notes issued in 2019, through the issuance of new B preference shares.

The series B funding round and the convertible loan notes raised should be sufficient to fund the ongoing research and development phase of the business for a period of at least 12 months from the date of approval of the financial statements. The parent company has provided a letter of support which extends to at least 12 months from the anticipated date of approval of the financial statements.

After making enquiries, the directors have a reasonable expectation that the company and group have adequate resources to continue in operational existence and meet its liabilities as they fall due for the foreseeable future, being a period of at least twelve months from the date these financial statements were approved. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

# COMPASS PATHWAYS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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### 2. Accounting policies (continued)

#### 2.3 Financial instruments

The company has elected to apply Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets and financial liabilities are recognised when the company becomes party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

The company's policies for its major classes of financial assets and financial liabilities are set out below.

##### **Financial assets**

Basic financial assets, including other debtors, cash and bank balances and intercompany working capital balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest for a similar debt instrument. Financing transactions are those in which payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate.

Such assets are subsequently carried at amortised cost using the effective interest rate method, less any impairment.

##### **Financial liabilities**

Basic financial liabilities, including trade and other creditors and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. Financing transactions are those in which payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

##### **Impairment of financial assets**

Financial assets 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 profit and loss account.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between the asset's carrying amount and the best estimate of the amount the company would receive for the asset if it were to be sold at the reporting date.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If the 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.

# COMPASS PATHWAYS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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### 2. Accounting policies (continued)

#### Financial instruments (continued)

##### Derecognition of financial assets and financial liabilities

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

##### Offsetting of financial assets and financial liabilities

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.

#### 2.4 Tangible fixed assets

Tangible fixed assets 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.

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:

Short-term leasehold property	- the remaining life of the lease
Office equipment	- 5 years
Computer equipment	- 3 years

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 profit and loss account.

#### 2.5 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

#### 2.6 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.

# COMPASS PATHWAYS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2019

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## 2. Accounting policies (continued)

### 2.7 Share based payments

Share based payments comprise both shares that have vesting conditions attached that are allotted to certain employees and share options awarded to employees, both in relation to shares of the parent company, Compass Pathfinder Holdings Limited. There is a corresponding entry to intercompany liabilities in the company.

Shares issued to employees with vesting conditions are recognised on issue at fair value, with the share based payment expense calculated as the difference between fair value and the consideration receivable, spread over the vesting period on a straight-line basis. The vesting period for such shares is up to three years from date of issue.

The parent company awards share options to certain employees of the company by way of share option contracts. Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the profit and loss account over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit and loss account over the remaining vesting period.

*Where equity instruments are granted to persons other than employees, the profit and loss account is charged with fair value of goods and services received.*

### 2.8 Operating leases

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

### 2.9 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

# COMPASS PATHWAYS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2019

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## 2. Accounting policies (continued)

### 2.10 Pensions

#### Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet (included within 'Creditors: amounts falling due within one year'). The assets of the plan are held separately from the company in independently administered funds.

### 2.11 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, 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.

Current tax is the amount of income tax payable in respect of taxable profit for the year or prior years.

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 arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is 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 not recognised in respect of permanent differences. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

### 2.12 Other debtors

Other debtors are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

### 2.13 Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.



# COMPASS PATHWAYS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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### 2. Accounting policies (continued)

#### 2.14 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.

#### 2.15 Related party transactions

The company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with its parent or with members of the same group that are wholly owned.

### 3. Restatement of comparative figures

Prior year balances have been restated to recognise certain ordinary shares with vesting conditions attached, which were granted to employees of the subsidiary undertaking in 2017 and which had not historically been recognised. This has resulted in an increase in the share option expense and administrative expenses of £1,276,239 being recognised in the profit and loss account for the year ended 31 December 2018, with a corresponding increase in the loss for that year from £7,036,950 to £8,313,189. This is split £638,120 in Research and development expenditure, and the remaining £638,119 in Administrative expenses. The profit and loss account brought forward, as at 1 January 2018, has been restated by £1,538,516 (from £2,286,544 to £3,825,060) to record the share option expense for the prior 2017 financial period.

In the prior year adjusted balance, these have been recorded as an increase to the capital contribution from the parent company, given that no recharge arrangement was in place. In 2019, management have implemented a recharge arrangement for such charges, so the cumulative amount posted as an increase to the capital contribution from the parent company as at 31 December 2019 has been reversed and recharged to the intercompany account with the parent company.

### 4. Employees

The average monthly number of employees, including directors, during the year was 21 (2018 - 9).

# COMPASS PATHWAYS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 5. Tangible fixed assets

	Short-term leasehold property £	Office equipment £	Computer equipment £	Total £
<b>Cost</b>				
At 1 January 2019	15,475	3,414	82,289	101,178
Additions	-	25,211	100,794	126,005
Disposals	(15,475)	-	-	(15,475)
At 31 December 2019	-	28,625	183,083	211,708
<b>Accumulated depreciation</b>				
At 1 January 2019	7,738	236	8,764	16,738
Charge for the year	7,737	3,458	37,876	49,071
Disposals	(15,475)	-	-	(15,475)
At 31 December 2019	-	3,694	46,640	50,334
<b>Net book value</b>				
At 31 December 2019	-	24,931	136,443	161,374
At 31 December 2018	7,737	3,178	73,525	84,440

# COMPASS PATHWAYS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 6. Fixed asset investments

	Investments in subsidiary companies £
<b>Cost</b>	
At 1 January 2019	-
Additions	595,592
<b>At 31 December 2019</b>	<b>595,592</b>
<b>Net book value</b>	
<b>At 31 December 2019</b>	<b>595,592</b>
At 31 December 2018	-

The fixed asset investment addition relates to a subsidiary undertaking in the US which was incorporated during the year.

#### Subsidiary undertaking

The following was a subsidiary undertaking of the company:

Name	Registered office	Class of shares	Holding
Compass Pathways Inc.	180 Varick Street, 6th Floor, New York, NY 10014	Ordinary	100%

### 7. Debtors

	2019 £	2018 £
<b>Due after more than one year</b>		
Other debtors	130,000	-
<b>Due within one year</b>		
Other debtors	195,380	97,686
Prepayments and accrued income	1,049,666	873,586
Tax recoverable	3,741,502	1,677,097
	<b>5,116,548</b>	<b>2,648,369</b>

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**8. Creditors: amounts falling due within one year**

	2019 £	2018 £
Trade creditors	932,402	543,794
Amounts owed to group undertakings	5,999,212	-
Other creditors	115,812	8,747
Accruals and deferred income	544,175	900,364
	<u>7,591,601</u>	<u>1,452,905</u>

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

**9. Called up share capital**

	2019 £	2018 £
<b>Allotted, called up and fully paid</b>		
700 (2018 -700) Ordinary shares of £1.00 each	<u>700</u>	<u>700</u>

**10. Reserves**

**Share premium account**

The share premium account comprises the consideration paid in excess of the par value per share.

**Capital contribution reserve**

The capital contribution reserve comprises a quasi-equity intercompany funding balance from the ultimate parent undertaking Compass Pathfinders Holdings Limited, which is not expected to be repaid in the future.

**11. Commitments under operating leases**

At 31 December the company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	780,000	36,475
Later than 1 year and not later than 5 years	780,000	-
	<u>1,560,000</u>	<u>36,475</u>

# COMPASS PATHWAYS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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### 12. Related party transactions

The company has taken advantage of the exemption contained in FRS 102 section 33 "Related Party Disclosures" from disclosing transactions with entities which are a wholly owned part of the group.

Transactions with other related parties are as follows:

Relationship	Transaction	Amount		Amount due (to)/from related parties	
		2019 £	2018 £	2019 £	2018 £
Common directorship	Loan	-	175,871	-	-
Directors	Reimbursable expenses	(22,495)	21,883	(9,651)	12,844

Amounts owed to related parties are unsecured, interest free and due for repayment within one year.

### 13. Post balance sheet events

On April 17, 2020 Compass Pathfinder Holdings Ltd closed a Series B funding round to secure an additional \$80 million of funding, including the conversion of the £15 million convertible loan notes issued in 2019, through the issue of new B preference shares. This new funding is expected to provide the Compass Group with sufficient resources to fund its operating expenses and capital expenditure requirements for at least 12 months from the issuance date of these financial statements.

The Group has assessed the impact of Covid-19 on its operations. On March 25, 2020 we announced that we have paused the inclusion of new patients into our clinical trials; patients who are already enrolled will continue to be supported remotely and our contracts with the clinical sites continue.

### 14. Controlling party

At the year end, the immediate and ultimate controlling party and ultimate parent undertaking was Compass Pathfinder Holdings Limited. Copies of the Compass Pathfinder Holdings Limited financial statements can be obtained from 3rd Floor, 1 Ashley Road, Altrincham, Cheshire, United Kingdom, WA14 2DT.