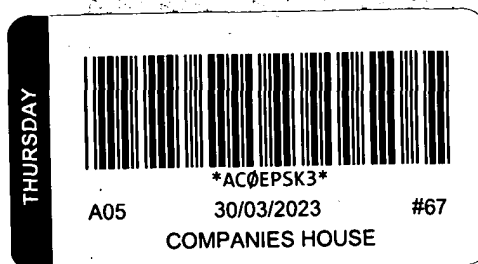


Registered number: 10229259

**COMPASS PATHFINDER LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**



COMPASS PATHFINDER LIMITED

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COMPANY INFORMATION

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

STRATEGIC REPORT FOR THE YEAR END 31 DECEMBER 2022

The directors present their Strategic Report of COMPASS Pathfinder Limited (the "Company") for the year ended 31 December 2022.

Business Review and Principal Activities

The Company is a mental health care company dedicated to accelerating patient access to evidence-based innovation in mental health. The Company is motivated by the need to find better ways to help and empower people suffering with mental health challenges who are not helped by existing therapies, and are pioneering the development of a new model of psilocybin therapy, in which our investigational COMP360 psilocybin is administered in conjunction with psychological support. The initial focus is on treatment-resistant depression, or TRD, a subset of major depressive disorder, or MDD, comprising patients who are inadequately served by the current treatment paradigm.

The loss for the year was £76.4 million (2021: £50.2 million) and is driven by an increase in both research and development expenditure and administrative expenditure as the Company advances its Phase 3 registrational program in TRD. The Company has net liabilities of £7.5 million as at 31 December 2022 (2021: £14.2 million).

Management views research and development (R&D) expenses, including benefit from R&D tax credit, non-cash share based payment expense and general and administrative expenses as key performance indicators. Additionally, management addresses liquidity and capital resources. The Company monitors the aforementioned key performance indicators on a monthly basis by analysing actual performance versus budget. We perform analysis of key cost drivers to monitor Company growth and cash flows.

Liquidity risk

The Company has incurred net losses since inception and expects to incur net losses for the foreseeable future, and may never achieve or maintain profitability. The ability of the Company to continue its research, development and clinical trial activities is dependent on ongoing support from COMPASS Pathways plc (the "ultimate parent") and the ability of that company to secure substantial additional funding to support continuing operations and to pursue our growth strategy. Failure to obtain the substantial additional funding needed to complete the development and commercialisation of our investigational COMP360 psilocybin therapy or any future therapeutic candidates may force the Company to delay, limit or terminate certain or all of the product discovery, therapeutic development, research operations or commercialisation efforts which it intends to undertake.

Principal and Financial Risks and Uncertainties

The Company's success is reliant upon the successful development of our investigational COMP360 psilocybin therapy. The Company cannot give any assurance that COMP360 will successfully complete clinical trials or receive regulatory approval, which is necessary before it can be commercialised.

COMP360 is, and any future therapeutic candidates the Company may develop in the future may be, subject to controlled substance laws and regulations in the jurisdictions where the Company's products, if approved, may be marketed, and failure to comply with these laws and regulations, or the cost of compliance, may adversely affect the results of the business operations and the financial condition, both during clinical development and post approval. In addition, during the review process of COMP360, and prior to approval, the US Food and Drug Administration, or FDA and/or other regulatory bodies may require additional data, including with respect to whether COMP360 has abuse potential, which may delay approval and any potential rescheduling process.

The Company rely on third parties to supply and manufacture the psilocybin and psilocin incorporated in COMP360 and expect to continue to rely on third parties to supply and manufacture any future therapeutic candidates and will rely on third parties to manufacture these substances for commercial supply if approved. If any third-party provider fails to meet its obligations to manufacture COMP360 or the future

STRATEGIC REPORT FOR THE YEAR END 31 DECEMBER 2022 (continued)

therapeutic candidates, or fails to maintain or achieve satisfactory regulatory compliance, the development of such substances and the commercialisation of any therapies, if approved, could be stopped, delayed or made commercially unviable, less profitable or may result in enforcement actions against us.

Due to the international scope of the Company's operations, the assets, earnings, expenses, and cash flows are influenced by movements in exchange rates of several currencies, particularly the U.S. dollar, the Pound Sterling and the Euro. The reporting currency and functional currency is the Pound Sterling, and the majority of our operating expenses are paid in Pound Sterling. The Company also regularly acquires services, consumables and materials in U.S. dollars, Pound Sterling, and the Euro. As a result, the Company may in the future be affected by fluctuations in foreign exchange rates between the Pound Sterling and these other currencies, which may also have a significant impact on our results of operations and cash flows from period to period.

Section 172(1) Companies Act 2006**Introduction**

Section 172 of the Companies Act 2006 requires directors to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of shareholders as a whole, with regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly towards all shareholders of the Company

This section describes how the Directors have had regard to the matters set out in Section 172 (1) when performing their duty to promote the success of the Company

Section 172(1)(a) - the likely consequences of any decision in the long term

As set out in the Business Review and Principal Activities section earlier in the Strategic Report, the Company is dedicated to accelerating patient access to evidence-based innovation in mental health. The Company will need substantial additional funding to support continuing operations and pursue its growth strategy.

Section 172(1)(b) - The interests of the company's employees

The Company's employees drives the Company's business forward. The Directors have a good relationship with the employees. The Directors maintain constructive dialogue with employees through the Company's Executive leadership team. Appropriate remuneration is maintained to align the employees' objectives with those of the Company.

Section 172(1)(c) - the need to foster the company's business relationships with suppliers, customers and others

The Company currently partners with a network of experienced contract development and manufacturing organisations for the supply of its drug product to meet the Company's clinical and manufacturing needs. These partners also provide the Company with access to the state of the art manufacturing technologies. In addition the company's employees work diligently to establish and/or manage relationships with therapists,

STRATEGIC REPORT FOR THE YEAR END 31 DECEMBER 2022 (continued)

academic writers and contract research organisations, which provide a variety of research and development services to the company.

Section 172(1)(d) - The impact of the company's operation of the community and the environment

The Company endeavours to impact positively on the community in which it operates through various charity donations and other charitable events. The ultimate parent also has a Code of Business Conduct and Ethics that is shared with all employees and which provides guidance on honest and ethical conduct and fair dealing with employees. The Company has used estimates provided by our lessor in the UK to generate our disclosure of emissions for the year. These include the purchase of electricity, heat, steam or cooling through utility bills which are borne by our lessor. The Company considers that the estimate of total greenhouse gas emissions from purchased electricity, heat, steam, or cooling for our own use (68,872 KWH) is a suitable metric for its operations. The Company has considered the use of the intensity ratio of total greenhouse gas emissions per full-time equivalent employee, however do not believe this to be an appropriate metric owing to our hybrid working model, for which we do not track sufficient information to provide a meaningful analysis of.

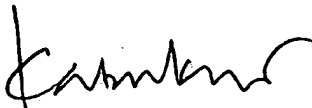
Section 172(1)(e) - The desirability of the company maintaining a reputation for high standards of business conduct

The Board of Directors of the Company sets high standards for the Company's employees, officers and directors. Implicit in this philosophy is the importance of sound corporate governance. The Group (COMPASS Pathways plc and subsidiaries) operates a Code of Business Conduct and Ethics and provides mechanisms for whistleblowing and complaints, which employees are required to read and acknowledge annually and to follow at all times. The Group's (COMPASS Pathways plc and subsidiaries) Audit and Risk Committee oversees the procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or audit matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting, internal accounting controls or auditing matters. The Group has also established a toll-free telephone number for the reporting of such activity, which is +44 (0) 800 032 5911.

Section 172(1)(f) - The need to act fairly as between members of the company

The directors of the Company and the wider Group endeavour to maintain good relationships with its shareholders and treat them equally. The Directors value good relations with the Company shareholders and understand the importance of effectively communicating the Company's operational and financial performance as well as its future strategy. The company and wider Group's website provide financial information as well as historical news releases and matters relating to corporate governance of the wider Group.

The report was approved by the Board and signed on its behalf by:



Kabir Nath
Director

Date: 22 March 2023

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their report and the audited financial statements for COMPASS Pathfinder Limited (the "Company") for the year ended 31 December 2022.

Directors

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

K Nath
G J Goldsmith
E Malievskaia

Kabir Nath was appointed director of COMPASS Pathfinder Limited on 14 March 2023.

Qualified third party indemnity provision

The Company has granted a qualifying third-party indemnity to each of its directors against liability in respect of proceedings brought by third parties, which remains in force as at the date of approving the Directors' Report.

Future development

The Company intends to continue with its current activities to research and develop therapies for mental health illnesses.

Research and development activities

The Company are researching and developing therapies for mental health illnesses, namely with the development of psilocybin therapy for treatment-resistant depression and post-traumatic stress and anorexia disorder. Refer to the Strategic Report for further details.

Charitable contributions

During 2022, the Company made charitable donations in support of various charities totalling £63,642 (2021: £46,969). The Company made charitable donations in support of educational course developments, 'A Safer Place' Ukraine project, refugee trauma initiatives and various others of £18,642, £20,000, £25,000 respectfully.

Post balance sheet events

There were no material events subsequent to the balance sheet date that require disclosure in the financial statements.

Independent auditors

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

Dividends

No dividends were paid during the year (2021: £nil).

COMPASS PATHFINDER LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

Statement of directors' responsibilities in respect of the financial statements

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" and applicable law).

Under company law, 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 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements 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 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 also 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 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.

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



K Nath
Director

Date: 22 March 2023

COMPASS PATHFINDER LIMITED

Independent auditors' report to the members of COMPASS Pathfinder Limited

Report on the audit of the financial statements

Opinion

In our opinion, COMPASS Pathfinder Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 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, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 2022; the profit and loss account and 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.

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

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

COMPASS PATHFINDER LIMITED

Independent auditors' report to the members of COMPASS Pathfinder Limited

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2022 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 Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the statement of directors' responsibilities in respect of the financial statements, 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

COMPASS PATHFINDER LIMITED

Independent auditors' report to the members of COMPASS Pathfinder Limited

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to misappropriation of cash, misclassification of administrative expense to research and development (R&D) expenditure, and potential management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management and internal legal counsel including consideration of known or suspected instances of non-compliance with laws and regulations and fraud, and obtaining legal confirmations from external legal counsel.
- Reviewing minutes of meetings of the Board of Directors.
- Obtaining direct confirmation from the third party contract research organisations (CROs) around the clinical trials being performed on behalf of the company.
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations impacting cash and R&D expense
- Challenging assumptions made by management in their accounting estimates, in particular around share-based compensation, the research and development tax credit, CRO expenses, accruals and prepayments, and the valuation of investments and intercompany debtors.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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. 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.

COMPASS PATHFINDER LIMITED

Independent auditors' report to the members of COMPASS Pathfinder Limited

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained 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.



Sam Taylor (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
22 March 2023

COMPASS PATHFINDER LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £	2021 £
Research and development expenditure		(45,773,784)	(31,164,635)
Administrative expenses		(42,442,392)	(25,999,434)
Operating loss and loss before tax	4	(88,216,176)	(57,164,069)
Tax on loss	6	11,779,848	7,012,970
Loss for the financial year		(76,436,328)	(50,151,099)


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 PATHFINDER LIMITED**BALANCE SHEET AS AT 31 DECEMBER 2022**

	Note	2022 £	2021 £
Fixed assets			
Tangible assets	7	509,933	314,726
Investments	8	<u>19,154,584</u>	<u>8,058,470</u>
		19,664,517	8,373,196
Current assets			
Debtors (including £216,200 (2021: £136,200) due after one year)	9	37,510,382	15,484,688
Cash at bank and in hand		<u>4,374,819</u>	<u>2,216,472</u>
		41,885,201	17,701,160
Creditors: amounts falling due within one year	10	<u>(69,036,179)</u>	<u>(40,282,820)</u>
Net current liabilities		(27,150,978)	(22,581,660)
Net liabilities		<u>(7,486,461)</u>	<u>(14,208,464)</u>
Capital and reserves			
Called up share capital	11	700	700
Share premium account	13	556,058	556,058
Capital contribution reserve	13	183,733,179	100,574,848
Accumulated deficit		(191,776,398)	(115,340,070)
Total equity		<u>(7,486,461)</u>	<u>(14,208,464)</u>

The financial statements have been prepared in accordance with the Companies Act 2006 and in accordance with the Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

The financial statements on pages 11 to 26 were approved by the Board of Directors on 22 March 2023 and signed on its behalf by:



K Nath
Director

Date: 22 March 2023

The notes on pages 14 to 26 form an integral part of these financial statements.

COMPASS PATHFINDER LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital	Share premium account	Capital contribution reserve	Accumulated deficit	Total equity
	£	£	£	£	£
At 31 December 2020	700	556,058	48,043,057	(65,188,971)	(16,589,156)
Comprehensive loss for the year					
Loss for the year	—	—	—	(50,151,099)	(50,151,099)
Capital contribution funds from parent company	—	—	58,004,334	—	58,004,334
Recharge of share based payment arrangement from group undertakings	—	—	(5,472,543)	—	(5,472,543)
At 31 December 2021	700	556,058	100,574,848	(115,340,070)	(14,208,464)
Loss for the year	—	—	—	(76,436,328)	(76,436,328)
Capital contribution funds from parent company	—	—	90,272,198	—	90,272,198
Recharge of share based payment arrangements from group undertakings	—	—	(7,113,867)	—	(7,113,867)
At 31 December 2022	700	556,058	183,733,179	(191,776,398)	(7,486,461)

COMPASS PATHFINDER LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1. General information

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

2. Accounting policies

2.1. Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis, under the historical cost convention unless otherwise specified within these accounting policies and in accordance with 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

The Company is exempt under Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of COMPASS Pathways plc, a company incorporated in the United Kingdom. The consolidated financial statements can be obtained from 3rd Floor, 1 Ashley Road, Altrincham, Cheshire, United Kingdom, WA14 2DT.

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 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.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland."

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7;
- the requirements of Section 26 Share-based Payments paragraphs 26.18(b), 26.19-26.21 and 26.23.

2.2. Going concern

The Company has incurred a loss for the year after tax of £76.4m and continued to incur losses after the year end. As of 31 December 2022, the Company had net current liabilities of £27.1m and net liabilities of £7.5m. The parent company, COMPASS Pathfinder Holdings Limited, has incurred a loss for the year after tax of £19.2m and had net assets of £73.4m with a cash balance of £113.2m as of 31 December 2022.

The directors have reviewed and approved a forecast into 2024 and expect that the group's cash and cash equivalents on hand of the date of signing will be sufficient to fund the group's operations and capital expenditure requirements for at least the next twelve months.

COMPASS PATHFINDER LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

The ultimate controlling entity, COMPASS Pathways plc, has provided a letter of support which extends to at least 12 months from the anticipated date of approval of the financial statements. Furthermore, the ultimate controlling entity will not seek repayment of amounts advanced to the Company by the ultimate controlling entity and/or other members of the group unless adequate alternative financing has been secured by the Company.

Accordingly, the directors are satisfied that the going concern basis is appropriate for the preparation of the financial statements.

2.3. Foreign currency

The financial statements are presented in Pound Sterling (£), the functional currency of COMPASS Pathfinder Limited.

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 costs 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 profit and loss account. All foreign exchange gains and losses are presented in the profit and loss account within 'administrative expenses'.

2.4. 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 and cash at bank and in hand 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, accruals and amounts due to group undertakings, are initially recognised at transaction price, unless the arrangement constitutes a financing

COMPASS PATHFINDER LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

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.

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.

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.

2.5. Tangible assets

Tangible 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.

COMPASS PATHFINDER LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

Depreciation is provided on the following basis:

	Estimated Useful Life
Lab equipment	5 years
Office equipment	3-5 years
Furniture and fixtures	3 years
Leasehold improvements	Shorter of useful life or remaining lease term

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.

2.6. Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment losses.

2.7. Cash at bank and in hand

Cash and cash equivalent include cash in hand and deposits held at call with banks. The Company considers all highly liquid investments that have maturities of three months or less when acquired to be cash equivalents. The Company does not currently have any material cash equivalents.

2.8. Share based payments

Non-cash share-based awards and share options granted to employees, non-employees and members of our board of directors for their services as directors are based on the fair value on the date of the grant. Forfeitures are accounted for as they occur. Non-cash share-based awards are issued with service-based vesting conditions. For equity awards that vest based on a service condition, compensation expense is recognised on a straight-line basis over the requisite service period.

The fair value of each share option grant is estimated using the Black-Scholes option-pricing model, which uses as inputs the fair value of our ordinary shares, assumptions for the volatility of our ordinary shares, the expected term of our share options, the risk-free interest rate for a period that approximates the expected term of our share options and our expected dividend yield.

Expenses related to share based compensation are initially recorded in COMPASS Pathways plc and subsequently recharged to the relevant companies depending on which subsidiary the relevant employee is employed by.

2.9. Operating leases

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

2.10. 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 PATHFINDER LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.11. 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.

2.12. 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.

Current tax includes research and development tax credits which are calculated in accordance with the UK research and development tax credit regime applicable for small and medium sized companies.

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.

2.13. 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.

COMPASS PATHFINDER LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.14. Trade and other creditors

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

2.15. 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 is recognised as an expense when it is incurred.

2.16. 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 company or with members of the same group that are wholly owned.

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

In the application of the company's accounting policies, which are described in note 2, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments and estimates that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Research and development tax credit

As a company that carries out extensive research and development activities, the Company benefits from the UK research and development ("R&D") tax credit regime under the scheme for small or medium-sized enterprises, or SME. We have assessed our research and development activities and expenditures to determine whether the nature of the activities and expenditures will qualify for credit under the SME regime and whether the claim will ultimately be realized based on the allowable reimbursable expense criteria established by the UK government. Each reporting period, we evaluate which UK R&D tax credit programs we expect to be eligible for, that we plan to submit a claim for, and we have reasonable assurance that the amount will ultimately be realised. Under the SME regime, the Company is able to surrender some of its trading losses that arise from qualifying research and development activities for a cash rebate of up to 33.35% of such qualifying research and development expenditure. The Company meets the conditions of the SME regime. Qualifying expenditures largely comprise employment costs for research staff, consumables, outsourced contract research organisation costs and utilities costs incurred as part of research projects. Certain subcontracted qualifying research and development expenditures are eligible for a cash rebate of up to 21.67%. A large portion of costs relating to research and development, clinical trials and manufacturing activities are eligible for inclusion within these tax credit cash rebate claims.

COMPASS PATHFINDER LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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

Included in the total employment costs are judgements and estimates relating to the allocation of time spent on R&D activities by individuals. These estimates are based on real time data such as time spent by various team members, considerations given for non-R&D related events and general day to day activities. The estimates are based on the most accurate representation of the total time spent on qualifying R&D activities.

The Company may not be able to continue to claim research and development tax credits under the SME regime in the future because it may no longer qualify as a small or medium-sized company. In addition, the EU State Aid cap limits the total aid claimable in respect of a given project to €7.5 million which may impact the Company's ability to claim R&D tax credits in future. Further, The U.K. Finance Act of 2021 introduced a cap on credit claims under the SME Program in excess of £20,000 with effect from April 2021 by reference to, broadly, three times the total Pay As You Earn, or PAYE, and National Insurance Contributions, or NICs, liability of the company, subject to an exception which prevents the cap from applying. That exception requires the company to be creating, taking steps to create or managing intellectual property, as well as having qualifying research and development expenditure in respect of connected parties, which does not exceed 15% of the total claimed. If such exception does not apply, this could restrict the amount of payable credit that we claim. In the Finance Act 2022-23, the rates for the SME R&D regime were reduced such that for expenditure from April 1, 2023 the effective credit will reduce from 33.4p/£ to 18.6p/£.

Impairment of non-financial assets

The carrying values of the Company's investment in subsidiary are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, then the assets recoverable amount is estimated.

An impairment loss is recognised in profit or loss if the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. Value in use is assessed by discounting future cash flows of the asset to its present value. Estimated cash flows are discounted using a pre-tax discount rate reflecting current market assessments of the time value of money and the risks specific to the asset.

In 2022 there was no impairment recognised against the investment in subsidiary.

COMPASS PATHFINDER LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****4. Operating Loss**

Operating Loss is stated after charging/(crediting):	2022	2021
	£	£
Wages and Salaries	9,232,189	6,762,129
Pension costs	193,438	163,750
Social security costs	1,530,560	921,358
Depreciation of tangible fixed assets	244,323	130,745
Lease expense	1,294,909	1,310,337
Stock-based compensation	5,759,505	4,826,599
(Gain)/loss on Foreign Exchange	(36,144)	18,845
Audit Fees	44,200	35,000

The audit fees noted above include both COMPASS Pathfinder Limited and COMPASS Pathfinder Holdings Limited fees for each year.

5. Employees**Employees**

The average monthly number of employees, including directors, during the year was 108 (2021 - 69).

Directors

The directors' emoluments were as follows:	2022	2021
	£	£
Directors' remuneration (salaries/bonus)	1,073,782	1,127,250
Share based payments	1,133,614	548,688
Other Compensation	53,245	45,024
	<u>2,260,641</u>	<u>1,720,962</u>

Directors' remuneration disclosed represents the amount paid to Directors employed by the Company in connection with the management of the affairs of the Company. The total remuneration of the highest paid director was £635,582. Other compensation relates to health insurance paid on behalf of directors. A total of £176,396 relates to restricted stock units which vested during 2022. No directors were members of the defined contribution pension scheme.

COMPASS PATHFINDER LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

6. Tax on loss

The tax assessed below is lower than the standard rate of corporation tax.

	2022	2021
	£	£
Current tax		
SME R&D tax credit receivable for the current year	(11,575,535)	(7,012,970)
Adjustments for prior year in respect of SME R&D tax credit	(204,313)	—
Tax on loss on ordinary activities	(11,779,848)	(7,012,970)
 Loss on ordinary activities before tax	 (88,216,176)	 (57,164,069)
Tax at the standard rate of corporation tax 19% (2021: 19%)	(16,761,073)	(10,861,173)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	3,513	(11,531)
Enhanced relief for SME's in relation to R&D	(4,980,777)	(3,017,575)
Share based payments	501,273	(4,544,654)
Adjustments in respect of prior year	(204,313)	—
Group relief	2,302,984	27,958
Unrelieved tax losses	7,358,547	11,394,005
Total tax credits for the year	(11,779,848)	(7,012,970)

The Company has accumulated losses available to carry forward against future trading profits of £125,446,832 (2021: £86,557,898). No deferred tax asset has been recognised in respect of tax losses and other timing differences since it is uncertain at the balance sheet date as to whether future profits will be available against which the unused tax losses can be utilised. The estimated value of the total deferred tax asset not recognised, measured at the expected future rate of corporation tax of 25% is £33,444,805.

The group relief amount relates to the surrender of losses from Compass Pathfinder Limited to other UK group companies that are profitable. No payment has been made in respect of this group relief.

The increase to the rate of corporation tax from 19% to 25% was announced in the March 2021 budget and substantively enacted on 24 May 2021, and therefore 25% was the prevailing rate at the balance sheet date.

COMPASS PATHFINDER LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

7. Tangible assets

	Leasehold improvements £	Office equipment £	Furniture and fixtures £	Lab equipment £	Total £
Cost					
At 31 December 2021	4,104	383,686	71,756	110,089	569,635
Additions	72,317	367,213	—	—	439,530
At 31 December 2022	76,421	750,899	71,756	110,089	1,009,165
Accumulated depreciation					
At 31 December 2021	4,104	161,149	28,881	60,775	254,909
Charge for the year	49,217	156,545	17,960	20,601	244,323
At 31 December 2022	53,321	317,694	46,841	81,376	499,232
Net Book Value					
At 31 December 2022	23,100	433,205	24,915	28,713	509,933
At 31 December 2021	—	222,537	42,875	49,314	314,726

8. Investments

	Investments £
Cost	
At 31 December 2021	8,058,470
Additions	11,096,114
At 31 December 2022	19,154,584
Net book value	
At 31 December 2022	19,154,584
At 31 December 2021	8,058,470

The investment relates to a subsidiary undertaking in the US which was incorporated in 2019. Additions in the year related to further capital contributions on various dates in 2022 to the Company's direct subsidiary.

Subsidiary undertaking

The following is a direct subsidiary undertaking of the Company:

Name	Registered office	Class of shares	Holding	Nature of business
COMPASS Pathways Inc.	130 Madison Avenue, New York, NY, 10016	Ordinary	100%	Staffing and General and Administrative

COMPASS PATHFINDER LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

9. Debtors

	2022	2021
	£	£
Other debtors due after more than one year	216,200	136,200
Due within one year		
Other debtors	75,653	647,584
Prepayments and accrued income	24,309,991	6,392,920
Tax recoverable	12,908,538	8,307,984
	<u>37,510,382</u>	<u>15,484,688</u>

10. Creditors: amounts falling due within one year

	2022	2021
	£	£
Trade creditors	3,858,881	1,710,889
Amounts owed to group undertakings	59,615,799	32,760,507
Other creditors	278,625	195,156
Accruals and deferred income	5,282,874	5,616,268
	<u>69,036,179</u>	<u>40,282,820</u>

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

11. Called up share capital

	2022	2021
	£	£
Allotted, called up and fully paid		
700 (2021: 700) Ordinary shares of £1.00 each, called up, authorised, allotted and fully paid	<u>700</u>	<u>700</u>

Each ordinary share entitles the holder to one vote on all matters submitted to a vote of the Company's shareholders. Ordinary shareholders are entitled to receive dividends, if any, as may be declared by the Board of Directors. Through 31 December 2022 and 2021, no cash dividends had been declared or paid by the Company.

COMPASS PATHFINDER LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

12. Share Options

At 31 December 2022, the Company's employees were members of share-based compensation plans operated by the Ultimate Parent company, COMPASS Pathways plc. The Company recognises an equity-settled share-based payment expense based on the subsidiary the relevant employee is employed by. Expenses related to share based compensation are initially recorded in the Ultimate Parent company, COMPASS Pathways plc, and subsequently recharged to the relevant companies depending on which subsidiary the relevant employee is employed by. The share-based payment expense for 2022 was £7.1 million (2021: £4.8 million).

13. 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 an intercompany funding balance from the parent company COMPASS Pathfinder Holdings Limited, which is not expected to be repaid in the future.

14. Commitments under operating leases

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

	2022	2021
	£	£
Not later than 1 year	1,269,600	1,634,400
Later than 1 year and not later than 5 years	405,000	1,089,600
	<u>1,674,600</u>	<u>2,724,000</u>

15. 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	
		2022	2021
		£	£
Directors	Reimbursable expenses	(70,715)	(127,172)
Common directorship	Expenses	—	(37,066)
		<u>(70,715)</u>	<u>(164,238)</u>

COMPASS PATHFINDER LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

16. Controlling party

At the year end, the immediate 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. The ultimate controlling party undertaking and the smallest and largest group to consolidate these financial statements at the year end was COMPASS Pathways plc by virtue of owning 100% of the share capital of COMPASS Pathfinder Holdings Limited. Copies of the COMPASS Pathways plc company only financial statements and the consolidated Annual Report of the Group can be obtained from 3rd Floor, 1 Ashley Road, Altrincham, Cheshire, United Kingdom, WA14 2DT.

17. Post balance sheet events

There were no material events subsequent to the balance sheet date that require disclosure in the financial statements.