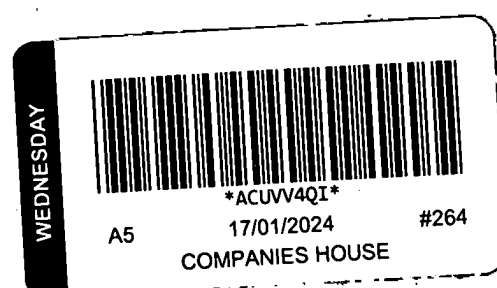


Registered number: 11496099 (England and Wales)

BECKLEY PSYTECH LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022



Beckley Psytech Limited
Contents of the Financial Statements
For the year ended 31 December 2022

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Beckley Psytech Limited

Company Information

Directors

M J Norris
S J Wooding
M Wayne
C A Jochnick
C Feilding Mellen
A C M Charteris
A George
S Raz (appointed 12 December 2022)

Registered number

11496099

Registered office

Beckley Park
Beckley
Oxford
Oxfordshire
OX3 9SY

Independent auditor

PricewaterhouseCoopers LLP
3 Forbury Place
23 Forbury Road
Reading
RG1 3JH

Beckley Psytech Limited

Directors' Report **For the year ended 31 December 2022**

The Directors present their report together with the audited financial statements for Beckley Psytech Limited ("the Company") for the year ended 31 December 2022.

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

M J Norris
M Wayne
C A Jochnick
C Feilding Mellen
A C M Charteris
S J Wooding
A George
S Raz (appointed 12 December 2022)

Principal activities

The Company's principal activity in the year was that of the research and development of psychedelic compounds into licensed pharmaceutical medicines.

Results and dividends

The Company recorded a loss for the year of £24,188,645 for the year ended 31 December 2022 (year ended 31 December 2021 – loss of £9,070,535).

During the year ended 31 December 2022, no dividend payments were made to its shareholders (year ended 31 December 2021 – £nil).

Charitable and political donations

The Company made charitable donations to various charities during the year which amounted to £53,477 (year ended 31 December 2021 – £43,435). No donations were made to political parties (year ended 31 December 2021 – £nil).

Going concern

The Company is considered by the Directors to be a going concern and the financial statements have been prepared on this basis.

The Company has incurred significant losses and negative cash flows from operations since its inception and expects to continue to incur losses and negative cash flows for the foreseeable future. The Company has historically financed its operations through the sale of its common stock. The Company incurred a loss for the year of £9,070,535 and £24,188,645 for the year ended 31 December 2021 and year ended 31 December 2022, respectively. As of 31 December 2022, the Company had cash and cash equivalents of £38,620,310, and had net cash used in operating activities of £31,108,134 for the year ended 31 December 2022.

To date, none of the Company's product candidates have been approved for sale, and therefore, no revenue from product sales has been generated.

On 3 January 2024 the Company issued 24,096,385 Series C shares for a total subscription amount of \$40,000,000 to Atai Life Sciences N.V, a new investor in the Company. The Company received an initial payment of \$25,000,000 on 3 January 2024, with the remaining amount retained in escrow. The Company may draw down up to \$5million as necessary, with the balance payable to the Company on 1 April 2025

Beckley Psytech Limited
Directors' Report (continued)
For the year ended 31 December 2022

Going concern (continued)

The Directors believe that the Company's current cash and reserves are sufficient for it to continue in operation for a minimum period of 12 months from the date these financial statements are signed.

The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current cash reserves for a period of at least 12 months. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Future developments

The Company will continue its normal activities for the foreseeable future.

Post-Balance Sheet events

On 27 June 2023, the Company incorporated a new subsidiary, Beckley Psytech Pty Ltd based in Australia.

On 3 January 2024 the Company issued 24,096,385 Series C shares for a total subscription amount of \$40,000,000 to Atai Life Sciences N.V, a new investor in the Company.

Indemnification of Directors

All of the Directors are indemnified against liabilities incurred as a result of acting as a Director of the Company.

Directors' responsibility statement

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 UK-adopted international accounting standards.

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 UK-adopted international accounting standards 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.

Beckley Psytech Limited
Directors' Report (continued)
For the year ended 31 December 2022

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 auditor is 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.

Small Companies Exemption

The Company has taken the Companies Act 2006 Small Companies Exemption to not disclose the Strategic report. This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

Independent Auditors

PricewaterhouseCoopers LLP were appointed auditors in 2021.

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

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

DocuSigned by:

Michael Norris

Signer Name: Michael Norris
Signing Reason: I approve this document
Signing Time: 12-Jan-2024 | 10:24 GMT

MICHAEL NORRIS

0D9CA05AB44A43289047BC315EA10990
Date: 12 January 2024
12-Jan-2024 | 10:24 GMT

Independent auditors' report to the members of Beckley Psytech Limited

Report on the audit of the financial statements

Opinion

In our opinion, Beckley Psytech 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 and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; 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: Statement of Financial Position as at 31 December 2022; Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows 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.

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.

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.

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 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 Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibility statement, 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.

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 the Companies Act 2006 and Taxation, 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 posting inappropriate journal entries to hide misappropriation of cash. Audit procedures performed by the engagement team included:

- Discussions with management, including considerations of known or suspected instances of non-compliance with laws and regulations and fraud;
- Performing detailed testing over compliance with tax legislation including testing R&D tax credits;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Identifying and testing journal entries, in particular any journal entries that credit cash where the offsetting entry was to an unexpected account based on the normal flow of transactions for this financial statement line item;
- Incorporating an element of unpredictability into our audit plan
- Reviewing minutes of meetings of those charged with governance.

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.

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.

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
12 January 2024

Beckley Psytech Limited

Statement of Comprehensive Income For the year ended 31 December 2022

	Note	2022 £	2021 £
Operating expenses:			
General and administrative		(9,798,255)	(3,370,838)
Research and development		(18,612,855)	(7,626,394)
Operating Loss	2	(28,411,110)	(10,997,232)
Interest income	6	168,956	19,537
Loss before income taxes		(28,242,154)	(10,977,695)
Income tax benefit	7	4,053,509	1,907,160
Loss for the year		(24,188,645)	(9,070,535)
Total comprehensive loss for the year		(24,188,645)	(9,070,535)

All amounts relate to continuing activities.

The notes on pages 14 to 37 form part of these financial statements.

Beckley Psytech Limited
Registered Number: 11496099

Statement of Financial Position
As at 31 December 2022

	Note	2022 £	2021 £
Assets			
Non-Current assets			
Property, plant and equipment	8	20,990	12,341
Intangible assets	9	29,110	-
Investment in Subsidiaries	10	47,110,867	1
Total Non Current Assets		47,160,967	12,342
Current assets			
Trade and other receivables	11	9,391,886	4,319,160
Financial assets held at amortised cost – term deposits		-	44,371,237
Cash and cash equivalents		38,620,310	18,624,184
		48,012,196	67,314,581
Total assets		95,173,163	67,326,923
Liabilities			
Current liabilities			
Trade and other payables	12	5,230,108	2,781,880
Contingent Consideration	16	16,759,781	-
Total Current liabilities		21,989,889	2,781,880
Non Current Liabilities			
Contingent Consideration	16	6,454,728	-
Total liabilities		28,444,617	2,781,880
Net assets		66,728,546	64,545,043

Beckley Psytech Limited

Statement of Financial Position (continued) As at 31 December 2022

	Note	2022 £	2021 £
Issued capital and reserves			
Share capital	13	7,528	6,737
Share premium	13	75,568,657	75,595,342
Merger Reserve	13	22,207,757	-
Accumulated deficit	13	(31,055,396)	(11,057,036)
Total equity		66,728,546	64,545,043

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

The financial statements on pages 9 to 37 were approved and authorised for issue by the Board of Directors and were signed on its behalf on 12 January 2024.

DocuSigned by:
Michael Norris
MICHAEL NORRIS
Signer Name: Michael Norris
Signing Reason: I approve this document
Signed on 12-01-2024 10:24 GMT
Direct 0D9CA05AB44A43289047BC315EA10990

The notes on pages 14 to 37 form part of these financial statements.

Beckley Psytech Limited

Statement of Changes in Equity For the year ended 31 December 2022

	<i>Note</i>	<i>Share Capital</i>	<i>Share premium</i>	<i>Merger reserve</i>	<i>Accumulated deficit</i>	<i>Total equity</i>
		£	£	£	£	£
At 1 January 2021		4,704	17,750,485	-	(2,675,649)	15,079,540
Net loss for the year		-	-	-	(9,070,535)	(9,070,535)
Total comprehensive loss for the year		-	-	-	(9,070,535)	(9,070,535)
Transactions with owners						
Issuance of share capital	13	2,033	58,008,870	-	-	58,010,903
Transaction costs		-	(164,013)	-	-	(164,013)
Share-based payment expense	14	-	-	-	689,148	689,148
At 31 December 2021		6,737	75,595,342	-	(11,057,036)	64,545,043
Net loss for the year		-	-	-	(24,188,645)	(24,188,645)
Total comprehensive loss for the year		-	-	-	(24,188,645)	(24,188,645)
Transactions with owners						
Issuance of share capital	13	791	-	22,207,757	489,479	22,698,027
Transaction costs		-	(26,685)	-	-	(26,685)
Share-based payment expense	14	-	-	-	3,700,806	3,700,806
At 31 December 2022		7,528	75,568,657	22,207,757	(31,055,396)	66,728,546

The notes on pages 14 to 37 form part of these financial statements.

Beckley Psytech Limited

Statement of Cash Flows For the year ended 31 December 2022

	Notes	2022 £	2021 £
Cash flows from operating activities			
Loss for the year before income taxes		(28,242,154)	(10,977,695)
<i>Adjustments to reconcile net loss to net cash used in operating activities:</i>			
Depreciation expense	8	7,880	1,969
Amortisation expense	9	20,890	-
Share-based payments charge	14	1,853,459	689,148
Interest income	6	(168,956)	(19,537)
Provision against financing receivable		243,060	-
Foreign exchange (gain)/loss		(6,120,538)	(1,076,744)
Remeasurement of contingent consideration	16	649,016	-
Impairment of loan to subsidiary		6,472,195	-
<i>Movements in working capital:</i>			
Increase in trade and other receivables	11	(8,455,346)	(909,311)
Increase in trade and other payables	12	2,448,229	2,081,265
<i>Cash generated from operations:</i>			
Interest income received		184,131	4,361
Taxation received		-	670,643
Net cash used in operating activities		(31,108,134)	(9,535,901)
<i>Cash flows from investing activities</i>			
Purchase of property, plant and equipment	8	(16,529)	(14,310)
Purchase of intangible assets	9	(50,000)	-
Decrease/(Increase) in deposits	16	52,838,828	(44,014,608)
Net cash generated from/(used in) investing activities		52,772,299	(44,028,918)
<i>Cash flows from financing activities</i>			
Proceeds from issuance of ordinary shares	13	769,831	59,271,041
Transaction costs on issue of ordinary shares		(26,685)	(164,013)
Net cash generated from financing activities		743,146	59,107,028
Net increase in cash and cash equivalents		22,407,311	5,542,209
Cash and cash equivalents at the beginning of year	16	18,624,184	12,026,557
Effect of exchange rate changes		(2,411,185)	1,055,418
Cash and cash equivalents at the end of the year	16	38,620,310	18,624,184

The notes on pages 14 to 37 form part of these financial statements.

Beckley Psytech Limited

Notes to the Financial Statements

1. Significant accounting policies

General information

Beckley Psytech Limited ("the Company") is a private company, limited by shares and is incorporated and domiciled in England and Wales. The Company's registered office is at Beckley Park, Beckley, Oxford, OX3 9SY.

Basis of preparation

The financial statements of the Company have been prepared in accordance with international accounting standards in conformity with the requirements of the UK Companies Act 2006 (the "Act"), and therefore in accordance with UK-adopted international accounting standards. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

The Company's functional and presentational currency is Pound Sterling ("GBP" or £), rounded to the nearest pound.

The Company's prior year financial statements were prepared on a consolidated basis. The Company has opted to prepare 2022 financial statements for the Company only. As a Small Company, The Company is exempt from the requirement to prepare consolidated financial statements.

The company financial statements have been prepared under the historical cost convention, except for certain financial liabilities classified as fair value through profit or loss.

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

Critical Accounting Judgements and Estimates

The preparation of these financial statements in accordance with International Financial Reporting Standards (IFRS) requires management to make judgements and estimates that affect the reported amounts of assets and liabilities and the reported amounts of expenses during the reporting period. These estimates and assumptions are based on current facts, historical experience and various other factors believed to be reasonable under the circumstances. Actual results may differ materially and adversely from these estimates. To the extent there are material differences between the estimates and actual results, the Company's future results of operations will be affected.

The most significant estimate and judgements in the Company's financial statements relate to:

- The estimated percentage-of-completion for each research and development-related contract as this drives the timing of recognition of research and development costs.
- The estimated timeline and probability of achieving each milestone for the Eleusis compound development as this drives the value of the contingent consideration.
- The share price estimate as this drives the value of the contingent consideration.

Beckley Psytech Limited
Notes to the Financial Statements

1. Significant accounting policies (continued)

Impact of new international reporting standards, amendments and interpretations

The Company applied the following new standards and amendments for the first time for the annual reporting period commencing 1 January 2022. There has not been a material impact on the Company's financial statements.

Amendments to IFRS3 – Business combinations, update a reference in IFRS2 to the conceptual framework for financial reporting without changing the accounting requirements for business combinations.

Amendments to IAS 16 – Property, plant and equipment, which prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use.

In May 2021, the IASB issued amendments to IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

Going concern basis

The Company is considered by the Directors to be a going concern and the financial statements have been prepared on this basis.

The Company has incurred significant losses and negative cash flows from operations since its inception and expects to continue to incur losses and negative cash flows for the foreseeable future. The Company has historically financed its operations through the sale of its common stock. The Company incurred a loss for the year of £9,070,535 and £24,188,645 for the year ended 31 December 2021 and year ended 31 December 2022, respectively. As of 31 December 2022, the Company had cash and cash equivalents of £38,620,310, and had net cash used in operating activities of £31,108,134 for the year ended 31 December 2022.

To date, none of the Company's product candidates have been approved for sale, and therefore, no revenue from product sales has been generated.

On 3 January 2023 the Company issued 24,096,385 Series C shares for a total subscription amount of \$40,000,000 to Atai Life Sciences N.V, a new investor in the Company. The Company received an initial payment of \$25,000,000 on 3 January 2024, with the remaining amount retained in escrow, available to the Company to draw down in increments of up to \$5,000,000 as required.

The Directors believe that the Company's current cash and reserves are sufficient for it to continue in operation for a minimum period of 12 months from the date these financial statements are signed.

The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current cash reserves for a period of at least 12 months. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Beckley Psytech Limited

Notes to the Financial Statements

1. Significant accounting policies (continued)

Research and development costs

The Company has entered into research and development-related contracts with research institutions and other companies. Research and development costs are expensed as incurred based on the Company's estimate of the percentage-of-completion for each contract at the reporting date. The Company determines the percentage-of-completion for each contract on an individual basis with reference to achievement of technical milestones as established in the contract with the third parties. The nature of expenses incurred include milestone and upfront payments for license arrangements, the cost of employee compensation and related expenses, as well as expenses for third parties who conduct research and development on the Company's behalf, pursuant to development and consulting agreements in place. Judgement is required to determine the percentage-of-completion for each to distinguish between the research and development phases.

These costs are a significant component of the Company's research and development expenses and primarily relate to:

- fees paid to Clinical Research Organisations (CROs) in connection with preclinical and toxicology studies, clinical studies and investigational compounds;
- fees paid to investigative sites in connection with clinical studies;
- fees paid to CROs in connection with clinical study materials; and
- professional service fees for consulting and related services.

Foreign currency translation

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions. At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Segment Information

The Company operates in one segment which develops pharmaceutical products. A single management team that reports to the CEO comprehensively manages the entire business. Accordingly, the Company views its business and manages its operations as one operational and reportable segment.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The Company expenses stock-based compensation to employees, non-employees and board members over the requisite service period based on the estimated grant date fair value of the awards and forfeitures rates. The Company accounts for forfeitures as they occur. Stock-based awards with graded-vesting schedules are recognized over the requisite service period for each separately vesting portion of the award. The Company estimates the fair value of stock option grants using the Black-Scholes option pricing model, and the assumptions used in calculating the fair value of stock-based awards represent management's best estimates and involve inherent uncertainties and the application of management's judgement.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Beckley Psytech Limited
Notes to the Financial Statements

1. Significant accounting policies (continued)

Taxation

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

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

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

Deferred tax assets will only be recognised if it can be regarded more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

The Company accounts for uncertainty in income taxes in the financial statements by applying a two-step process to determine the amount of tax benefit to be recognized. First, the tax position must be evaluated to determine the likelihood that it will be sustained upon external examination by the taxing authorities. If the tax position is deemed more-likely-than-not to be sustained, the tax position is then assessed as the amount of benefit to recognize in the financial statements. The amount of benefits that may be used is the largest amount that has a greater than 50% likelihood of being realized upon ultimate settlement. The provision for income taxes includes the effects of any resulting tax reserves, or unrecognized tax benefits, that are considered appropriate, as well as the related net interest and penalties.

Research and Development tax credits

The Company may be entitled to claim special tax allowances in relation to qualifying research and development expenditure (e.g. R&D tax credits). The Company accounts for such allowances as tax credits, which means that they are recognised when it is probable that benefit will flow to the Company and that benefit can be reliably measured.

As a company that carries out extensive research and development activities, the Company benefits from the UK research and development tax credit regime under the scheme for small or medium-sized enterprises, or SME. 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 between 24% to 33% of such qualifying gross research and development expenditure. 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.

The UK research and development tax credit is fully refundable to the Company and is not dependent on current or future taxable income. The Company has recorded the entire benefit from the UK research and development tax credit as a benefit which is included in the income taxes line and accordingly, reflected as part of the income tax provision.

Beckley Psytech Limited
Notes to the Financial Statements

1. Significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment costs, if any. Consistent with IAS 16, cost comprises the aggregate amount paid, and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the statement of operations and comprehensive loss when the asset is derecognised.

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the respective assets, which are as follows:

Computer and computer-related equipment	- 3 years
Office equipment	- 5 years

Intangible assets

Intangible assets consist of patents acquired, and is stated at cost less accumulated depreciation and impairment costs, if any.

Patents are recorded at cost and amortised using the straight-line method over the estimated useful life of 2 years.

Impairment of assets

Individual assets or the asset's cash generating unit are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An asset or the asset's cash generating unit is impaired when its carrying amount exceeds its recoverable amount. The recoverable amount is measured as the higher of fair value less cost of disposal and value in use. The value in use is calculated as being net projected cash flows based on financial forecasts discounted back to present value.

Impairment losses recognized for cash generating units to which goodwill has been allocated are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro-rata to the other assets in the cash generating unit.

An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

Defined Contribution Schemes

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 Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plans are held separately from the Company in independently administered funds.

Beckley Psytech Limited
Notes to the Financial Statements

1. Significant accounting policies (continued)

Share capital and share premium

Share premium

Amounts of contribution in excess of par value are accounted for as share premium. Share premium also arises from additional capital contributions from shareholders. Incremental costs directly attributable to equity transactions such as the issue of new capital shares are shown in equity as a deduction, net of tax, from the proceeds within share premium. Transaction costs that relate to equity and non-equity transactions are allocated to those transactions using a basis of allocation that is rational and consistent with similar transactions.

Comprehensive Loss

Comprehensive loss includes net loss as well as other changes in shareholders' deficit that results from transactions and economic events other than those with shareholders. For the year ended 31 December 2022 and year ended 31 December 2021, the comprehensive loss balance is inclusive of net loss for the year.

Financial Instruments

Financial assets

Financial assets are classified as financial instruments measured at amortised cost. Financial assets measured at amortised cost are recognised when the Company becomes party to the contractual provisions of the instrument and are derecognised when the contractual rights to the cash flows from the financial asset expire when the financial asset and all substantial risks and reward are transferred.

Financial assets are also derecognised (written-off) when the Company has no reasonable expectation of recovering the financial asset. Indicators of where there is no reasonable expectation of recovery includes indicators of a customer's inability to pay or losses arising in relation to contract disputes.

Subsequent to initial recognition, financial assets are measured at amortised cost using the effective interest rate method. At each reporting date the Company recognises a loss allowance for expected credit losses on financial assets measured at amortised cost. In establishing the appropriate amount of loss allowance to be recognised, the Company applies either the general approach or the simplified approach, depending on the nature of the underlying Company of financial assets.

Financial liabilities

Financial liabilities comprise trade and other payables. Financial liabilities are obligations to pay cash or other financial assets and are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities are initially recognised at fair value adjusted for any directly attributable transaction costs. After initial recognition, financial liabilities are measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs.

A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss consist of contingent consideration for the purchase of Eleusis. It is initially recognised at fair value and subsequently measured at fair value through profit or loss.

Beckley Psytech Limited
Notes to the Financial Statements

1. Significant accounting policies (continued)

Investments in subsidiaries

Investments in subsidiaries are stated at cost plus capital contribution to the subsidiary plus additions in the year at fair value on the date of acquisition less any provision for impairment. The company considers recoverability of investments on an annual basis. Where there is an indication that the carrying value exceeds the recoverable amount, an impairment review will be undertaken and a provision for impairment made when considered necessary. Any impairment loss is recognised in profit and loss in the statement of comprehensive income.

Cash and cash equivalents and term deposits

The Company considers all highly liquid investments that have maturities of approximately three months or less when acquired to be cash equivalents.

The Company considers all non-highly liquid investments that have maturities of approximately more than three months when acquired to be term deposits.

Employee benefits

A liability is recognised to the extent of any unpaid salaries which is accrued at the balance sheet date and carried forward to future periods.

2. Operating loss

The Company operating loss is stated after charging:

	2022	2021
	£	£
Employee expenses (Note 4)	4,313,940	1,835,041
Share-based payments	1,853,459	689,148
Depreciation expense	7,880	1,969
Amortisation expense	20,890	-

Patent-related expenses includes fees paid to intellectual property consultants to assist in pre-clearing freedom to operate and other matters required for future patent licensing.

Share-based payments within the Statement of Changes in Equity includes share options issued to Eleusis investors and employees following the acquisition of Eleusis Holdings Limited (£1,847,347) recognised as a capital contribution against the investment in subsidiaries

3. Auditors' remuneration

During the year, the company obtained the following services from the company's auditors:

	2022	2021
	£	£
Fees payable to the company's auditors for the audit on the statutory accounts	160,000	80,000
Audit-related assurance services	121,000	140,000
	<u>281,000</u>	<u>220,000</u>

Beckley Psytech Limited
Notes to the Financial Statements

4. Employee expenses

Employee costs consist of:

	<i>2022</i>	<i>2021</i>
	£	£
Wages and salaries	3,689,919	1,624,026
Social security costs	526,243	180,537
Other pension costs	97,778	30,478
Share-based payments	1,267,493	229,614
	<u>5,581,433</u>	<u>2,064,655</u>

Share-based payments excludes share options issued to consultants of £585,966 (year ended 31 December 2021 - £459,534)

Employee numbers

The monthly average number of persons, including the Directors, employed by the Company during the year was as follows:

	<i>2022</i>	<i>2021</i>
	<i>No. of employees</i>	<i>No. of employees</i>
	<u>29</u>	<u>13</u>

5. Directors' remuneration

	<i>2022</i>	<i>2021</i>
	£	£
Aggregate Emoluments	733,243	630,076
Company contributions to money purchase pension scheme	12,375	8,438
Total Directors' remuneration	<u>745,618</u>	<u>638,514</u>

No Directors exercised share options during the current year or prior period in respect of qualifying services under a long-term incentive scheme:

The highest Director received remuneration of £343,458 (year ended 31 December 2021 - £312,189).

The value of the Company's contributions paid to a defined contribution pension plan in respect of the highest paid Director amounted to £nil (year ended 31 December 2021 - £nil).

Beckley Psytech Limited
Notes to the Financial Statements

6. Interest income

	2022	2021
	£	£
Interest income on deposits	168,956	19,537
	<u>168,956</u>	<u>19,537</u>

7. Income tax benefit

Analysis of the tax credit

The tax credit on the loss for the year was as follows:

	2022	2021
	£	£
Corporation tax		
Current tax on losses for the year	(4,053,509)	(1,907,160)
Total current tax	<u>(4,053,509)</u>	<u>(1,907,160)</u>

Deferred tax assets in respect of the losses incurred by the Company have not been recognised on the basis that there is uncertainty as to the timing of future taxable profits against which the losses would be utilised.

Factors affecting the tax credit for the year

The tax credit assessed for the year is lower (year ended 31 December 2021 - lower) than the standard rate of corporation tax in the UK of 19% at £5,366,009 (year ended 31 December 2021 - £2,085,762). The difference is explained below:

	2022	2021
	£	£
Loss for the year before income taxes:	(28,242,154)	(10,977,695)
Statutory income tax rate	19%	19%
Income tax recovery based on statutory income tax rate	(5,366,009)	(2,085,762)
Effects of:		
Expenses not deductible	2,688,340	1,338,036
Tax relief for qualifying research and development expenditure	(4,053,509)	(1,907,160)
Losses not recognised	2,677,669	747,726
Total tax credit for the year	<u>(4,053,509)</u>	<u>(1,907,160)</u>

The unrecognised deferred tax asset as at the year end was £4,709,152 (as at 31 December 2021 - £1,176,463).

Factors that may affect future tax (credits)/charges

The March 2021 Budget announced that the UK Corporation tax rate will increase from 19% to 25% from 1 April 2023 for companies with taxable profits in excess of £250,000. A small profits rate (SPR) will also be introduced for companies with profits of £50,000 or less so that they continue to pay Corporation tax at 19%. For those companies that have taxable profits between £50,000 and £250,000, a margin rate relief scheme will be introduced to bridge the gap between the 19% and 25% rate providing a gradual increase in rate throughout this band.

Beckley Psytech Limited
Notes to the Financial Statements

8. Property, plant and equipment

Property, plant and equipment consists of the following:

	<i>Computer and computer- related Equipment</i>	<i>Office Equipment</i>	<i>Total</i>
	£	£	£
Cost			
Balance at 1 January 2021	-	-	-
Additions	12,184	2,126	14,310
Balance at 31 December 2021	12,184	2,126	14,310
Additions	16,425	104	16,529
Balance at 31 December 2022	28,609	2,230	30,839
Accumulated depreciation			
Balance at 1 January 2021	-	-	-
Depreciation charge for the year	1,857	112	1,969
Balance at 31 December 2021	1,857	112	1,969
Depreciation charge for the year	7,446	434	7,880
Balance at 31 December 2022	9,303	546	9,849
Net book Value			
Balance at 31 December 2022	19,306	1,684	20,990
Balance at 31 December 2021	10,327	2,014	12,341

Beckley Psytech Limited
Notes to the Financial Statements

9. Intangible Assets

Intangible Assets consists of the following:

	<i>Patent Licenses</i>	<i>Total</i>
	£	£
Cost		
Balance at 1 January 2021	-	-
Additions	-	-
Balance at 31 December 2021	-	-
Additions	50,000	50,000
Balance at 31 December 2022	50,000	50,000
Accumulated amortisation		
Balance at 1 January 2021	-	-
Amortisation charge for the year	-	-
Balance at 31 December 2021	-	-
Amortisation charge for the year	20,890	20,890
Balance at 31 December 2022	20,890	20,890
Net book Value		
Balance at 31 December 2022	29,110	29,110
Balance at 31 December 2021	-	-

Beckley Psytech Limited
Notes to the Financial Statements

10. Investment in Subsidiaries

	<i>Investments in subsidiary companies</i>
Cost or valuation	£
At 1 January 2022	1
Additions – acquisition of Eleusis Holdings Limited	47,110,866
At 31 December 2022	<u>47,110,867</u>
Net book value	
At 31 December 2022	<u>47,110,867</u>
At 31 December 2021	<u>1</u>

In year additions consist of purchase of Eleusis Holdings Limited (£46,993,203) and the ongoing vesting of share options issued to Eleusis employees (£117,663)

On 20 October 2022 the Company purchased 100% of the shares in Eleusis Holdings Limited, and its subsidiaries. The consideration was entirely through issuance of the share capital of the Company and consisted of a number of shares issued on 20 October 2022 and further share consideration, for which the timing and amounts of shares to be issued are contingent on various development milestones being achieved.

In order to fair value the contingent consideration at the date of the acquisition, estimates were made over the timing and likelihood of achievement of each of the milestones in order to estimate the fair value of the consideration provided. In addition any options held by investors or employees of Eleusis as at 20 October 2022 were replaced by options in the Company. The estimated fair value of these options was also added to the consideration.

The breakdown of the consideration is therefore as follows:

Upfront Consideration shares – issued on 20 October 2022	7,231,170
Estimated share consideration dependent on future events	
Milestone 1 Consideration Shares	3,408,070
Milestone 2 Consideration Shares	2,017,535
Milestone 3 Consideration Shares	2,235,566
Additional Phase 1 Consideration Shares	507,000
Additional Phase 2 Consideration Shares	371,920
Total Estimated Consideration Shares	<u>15,771,261</u>
Consideration share price	£2.87
Total Purchase Price	<u>£45,263,519</u>
Fair Value of Common Options	£1,729,684
Total Purchase Price	<u>£46,993,203</u>

The number of contingent shares to be issued for each milestone is dependent on the timing and achievement of certain development events. The commentary below details the maximum number of shares that could be issued and a high level summary of the conditions.

Beckley Psytech Limited
Notes to the Financial Statements

10. Investment in Subsidiaries (continued)

Milestone 1: Up to 5,404,980 shares dependent on the dosing of the first patient in the next phase 2 clinical trial or the achievement of certain safety results in a phase 1 clinical trial.

Milestone 2: Up to 5,831,300 shares dependent on the dosing of the first patient in the next phase 2b or phase 3 clinical trial or the achievement of certain safety and efficacy results in a phase 2 clinical trial.

Milestone 3: Up to 6,337,050 shares dependent on the conclusion of the end-of-phase 2 meeting with the FDA or obtaining written responses only in response to an end-of-phase 2 meeting request in lieu of holding an end-of-phase 2 meeting, in each case where the FDA's feedback does not foreclose advancing to a phase 3 clinical trial.

Additional phase 1 Consideration shares: Up to 677,550 shares dependent on dosing the first patient in a phase 1 FPI trial prior to 31 December 2022. The maximum number of shares issued would be for the first patient dosed in October 2022, with descending amounts issued dependent on the date.

Additional Phase 2 Consideration Shares: Up to 980,000 shares dependent on the phase 2 end date prior to 31 May 2023. The maximum number of shares issued would be for the phase 2 end date being prior to 31 December 2022, with descending amounts issued dependent on the date.

At 31 December 2022, the only milestone which had been achieved was the Additional Phase 1 milestone, which was achieved on 27 October 2022.

Subsidiary undertakings

The following are subsidiary undertakings of the Company:

Name	Registered office	Principle activity	Class of shares	Holding	Direct or Indirect Holding
Beckley Psytech US Inc.	251 Little Falls Drive Wilmington New Castle Delaware 19808 United States	Research and development of psychedelic compounds	Ordinary shares	100%	Direct
Eleusis Holdings Limited	83 Cambridge Street Pimlico London United Kingdom SW1V 4PS	Research and development of psychedelic compounds	Ordinary shares	100%	Direct
Eleusis Therapeutics Holdings Limited	83 Cambridge Street Pimlico London United Kingdom SW1V 4PS	Holding Company	Ordinary shares	100%	Indirect

Beckley Psytech Limited
Notes to the Financial Statements

10. Investment in Subsidiaries (continued)

Eleusis Therapeutics Limited	6 th Floor 25 Farringdon Street, London United Kingdom EC4A 4AB	Research and development of psychedelic compounds	Ordinary shares	100%	Indirect
Eleusis Health Solutions Holdings Limited	83 Cambridge Street Pimlico London United Kingdom SW1V 4PS	Holding Company	Ordinary shares	100%	Indirect
Eleusis Health Solutions Limited	83 Cambridge Street Pimlico London United Kingdom SW1V 4PS	Holding Company	Ordinary shares	100%	Indirect
Andala, Inc	99 Wall Street, STE 2205 New York, NY 10005	Research and development of psychedelic compounds	Ordinary shares	100%	Indirect
Eleusis Therapeutics US, Inc	99 Wall Street, STE 2205 New York, NY 10005	Research and development of psychedelic compounds	Ordinary shares	100%	Indirect
Eleusis Health Solutions US, Inc	99 Wall Street, STE 2205 New York, NY 10005	Research and development of psychedelic compounds	Ordinary shares	100%	Indirect
Eleusis Israel Ltd	5 Tuval Street Tel Aviv Israel 6789717	Research and development of psychedelic compounds	Ordinary shares	100%	Indirect
Eleusis Therapeutics Ltd Türkiye İrtibat Bürosu	İnönü Caddesi No: 53/4 Beyoğlu İstanbul Turkey	Research and development of psychedelic compounds	Ordinary shares	100%	Indirect

Beckley Psytech Limited
Notes to the Financial Statements

10. Investment in Subsidiaries (continued)

Eleusis, Inc	251 Little Falls Drive, Wilmington DE 19808	Research and development of psychedelic compounds	Ordinary shares	100%	Indirect
Eclipse Merger Sub, Inc	251 Little Falls Drive, Wilmington DE 19808	Research and development of psychedelic compounds	Ordinary shares	100%	Indirect

11. Trade and other receivables

	2022	2021
	£	£
Prepayments	2,051,737	924,515
Amounts owed by group undertakings	457,489	85,350
Tax receivables	6,882,660	2,345,361
Financing receivables	-	963,934
Total trade and other receivables	9,391,886	4,319,160

Prepayments consist of amounts paid in advance for clinical trials that are expected to progress within 12 months.

Amounts owed by group undertakings are shown net of the expected credit losses. The gross amount receivable as of 31 December 2022 was £6,929,684 (as at 31 December 2021: £85,350). Having considered the early stage nature of the IP being developed by Eleusis, an adjustment to provisions for expected credit losses of £6,472,195 (2021: £nil)

The amounts owed by group undertakings are unsecured, interest free and repayable on demand.

Tax receivables consist of VAT receivables due from HMRC of £921,992 (2021: £438,201), and a research & development tax credit due to the Company of £5,960,668 (2021: £1,907,160).

Financing receivables consist of Series A in 2020 and Series B in 2021 financing amounts due from investors who have committed funding to the Company as of the end of the fiscal year but not yet received of £240,260, which has been fully provided for (2021 – £963,934).

The carrying value of trade and other receivables are a reasonable approximation of their fair value.

Beckley Psytech Limited
Notes to the Financial Statements

12. Trade and other payables

	2022	2021
	£	£
Trade payables	2,201,060	1,561,153
Tax payables	171,415	160,391
Amounts payable to group undertakings	24,665	-
Accruals	2,832,968	1,060,336
Total trade and other payables	5,230,108	2,781,880

Trade payables are non-interest bearing and are normally settled in 30 to 60 days. Tax payables for the Company only relate to payroll taxes owed to HMRC.

Included in the total accruals is £2,257,840 (2021 – £472,357) related to CRO accruals for Company.

The carrying amounts of trade and other payables classified as financial liabilities held at amortised cost are a reasonable approximation of their fair values.

The amounts payable to group undertakings are unsecured, interest free and repayable on demand

13. Capital and Reserves

Share capital

	<i>Ordinary shares (£0.0001)</i>	<i>Series A shares (£0.0001)</i>	<i>Series B shares (£0.0001)</i>	<i>Total shares</i>	<i>Total (£)</i>
Issued shares:					
At 1 January 2021	20,000,000	27,040,366	-	47,040,366	4,704
Issuance of share capital	-	-	20,334,787	20,334,787	2,033
At 31 December 2021	20,000,000	27,040,366	20,334,787	67,375,153	6,737
Issuance of share capital	7,908,723	-	-	7,908,723	791
At 31 December 2022	27,908,723	27,040,366	20,334,787	75,283,876	7,528

On 2 July 2021, the Company allotted and issued 18,015,777 B Ordinary Shares at £0.0001 par value each and £2.873 premium value per share for a total consideration of £51,761,129.

On 10 August 2021, the Company allotted 2,319,010 B Ordinary Shares at £0.0001 par value each and £2.85952 premium value per share for a total consideration of £6,595,383.

On 20 October 22 the company allotted 7,231,170 Ordinary shares at £0.0001 par value each as part of the acquisition of Eleusis Holdings.

On 25 November 22 the Company allotted 677,550 Ordinary shares at £0.0001 par value for as part of the acquisition of Eleusis Holdings

A Ordinary shares, B Ordinary Shares and the Ordinary shares rank pari passu in all respects, except A Ordinary and B Ordinary shares having preference on liquidation. None of the shares are redeemable.

As of 31 December 2021, 328,312 B Ordinary Shares were issued at \$3.96 each (£961,134) but remained unpaid.

Beckley Psytech Limited
Notes to the Financial Statements

13. Capital and Reserves (continued)

During the year ended 31 December 2022 \$974,846 (£769,831) was received in relation to the unpaid shares, with costs of £26,685 paid. As at 31 December 2022, 82,070 of these B Ordinary shares totalling £240,260 remained unpaid, but have been fully provided for.

Share premium

This reserve represents the amount above the par value received for shares.

Merger reserve

This reserve is used where the Company has acquired an over 90% equity holding across all share classes in another business by the Company issuing shares, as is the case for the Eleusis acquisition.

The value in the merger reserve at 31 December 2022 is the fair value of the shares issued in relation to the acquisition of Eleusis as at the acquisition date, less the nominal value of the shares. The increase in the fair value of the shares between the date of acquisition and the date of issuance are recognised in retained earnings.

Accumulated deficit

This represents the Company's cumulative losses since incorporation.

Beckley Psytech Limited
Notes to the Financial Statements

14. Share-based payments

The Company has a stock option plan to advance the interests of the Company by providing employees, contractors and Directors of the Company a performance incentive for continued and improved service with the Company. The plan sets out the framework for determining eligibility as well as the terms of any stock-based compensation granted. The plan was approved by the shareholders as part of the Arrangement. The standard vesting terms for employee grants are 33% on the first anniversary of the grant date and 33% thereafter each year for the succeeding 2 years.

The exercise price of the share options granted represents the per share value of ordinary shares on the date of grant, as determined by the Board of Directors, after considering the most recently available fundraising event as well as any additional factors that may have changed since the date of fundraising through the date of grant. The contractual term of the share options is six years with a vesting period of three years and there are no cash settlement alternatives for the employees. The share options are not dependent on any particular event. The share options surrender when the employee leaves the Company before the shares vest.

The following is a summary of stock option activity for the years ended 31 December 2022 and 31 December 2021:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Year)
Outstanding as of 1 January 2021	1,925,000	£0.06	4.99
Granted	2,620,000	£1.66	5.35
Exercised	-	-	-
Cancelled, forfeited, or expired	-	-	-
Outstanding as of 31 December 2021	4,545,000	£0.98	4.77
Granted	5,384,145	£2.86	7.65
Exercised	-	-	-
Cancelled, forfeited, or expired	(96,667)	£1.86	-
Outstanding as of 31 December 2022	9,832,478	£2.00	5.89
Exercisable at 31 December 2021	1,610,000	£0.23	4.43
Exercisable at 31 December 2022	4,459,318	£1.28	7.10

The weighted average fair value of options granted during the year was £1.08 (year ended 31 December 2021: £0.48).

The range of exercise prices for options outstanding at the end of the year was £0.033 to £2.88 (year ended 31 December 2021 – £0.033 to £2.81).

The Company calculates the fair value of stock options granted by using the Black-Scholes option-pricing model with the following assumptions:

Expected Volatility - The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices of comparable publicly quoted companies over a term equivalent to the expected life of the options.

Risk-Free Interest Rate - The risk-free interest rate is based on the implied yield currently available on U.S. Treasury zero-coupon issues with an equivalent expected term at the grant date.

Dividend Yield - The Company has not declared or paid dividends to date and does not anticipate declaring dividends. As such, the dividend yield has been estimated to be zero.

Beckley Psytech Limited
Notes to the Financial Statements

15. Share-based payments (continued)

The assumptions used in the Black-Scholes option pricing model were as follows:

	Year Ended 31 December 2022	Year Ended 31 December 2021
Weighted average expected term in years	1.0 years	1.6 years
Weighted average expected stock price volatility	96%	93%
Weighted average risk-free interest rate	2.78%	0.20%
Expected dividend yield	0%	0%

15. Related party transactions

During the year, there were payments of £50k to the Beckley Foundation from the Company (year ended 31 December 2021 - £24k). Payments in the year were made in relation to a payment license. Only the Executive Directors and Non-executive Directors are recognised as being key management personnel. It is the Board which has responsibility for planning, directing and controlling the activities of the Company.

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including the Directors of the Company.

	2022	2021
	£	£
Directors' fees	579,793	490,576
Short-term employee benefits	153,450	139,500
Post-employment benefits	12,375	8,438
Total key management personnel compensation	745,618	638,514

During the year, key management personnel were granted 750,000 (year ended 31 December 2021 – 1,225,000) share options resulting in a charge of £105,818 (year ended 31 December 2021 – £233,318).

In keeping with the Company's corporate social responsibility and intention to support cutting-edge research in the field of psychedelic medicine, the Company committed to future contributions to a UK-based think-tank and UN-accredited non-governmental organisation. The Company agreed to pay a royalty of 1% of net revenues to the Beckley Foundation, an associated charity, on a yearly basis. No royalty payments to the Foundation are expected until the Company is revenue-generating.

Beckley Psytech Limited
Notes to the Financial Statements

16. Financial Instruments

All financial instruments are held at amortised cost.

	2022	2021
	£	£
Financial assets at amortised cost		
Trade and other receivables	457,489	1,049,284
Term deposits	-	44,371,237
Cash and cash equivalents	38,620,310	18,624,184
Financial liabilities measured at amortised cost		
Trade and other payables	5,058,693	2,621,489
Financial liabilities at fair value through profit or loss		
Contingent consideration	23,214,509	-

The company classified the following financial liabilities at fair value through profit or loss (FVPL):

- Contingent consideration in relation to the purchase of Eleusis.

During the year, the following losses were recognised in profit or loss:

	2022	2021
	£	£
Fair value losses on contingent consideration	649,016	-

Fair value measurements

The Company is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

Level 3: Unobservable inputs for the asset or liability.

Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include the use of observable inputs that require significant adjustments based on unobservable inputs.

The Company measures the contingent consideration associated with the purchase of Eleusis Holdings Limited at fair value, which is at level 3 on the fair value hierarchy. No other financial statement accounts are measured at fair value as their carrying amounts approximate fair value. The following table provides the fair values measurement hierarchy of the Company's liabilities.

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Notes to the Financial Statements

16. Financial Instruments (continued)

	Level 3	Total
	£	£
At 31 December 2022		
Contingent consideration	23,214,509	23,214,509
At 31 December 2021		
Contingent consideration	-	-

There were no transfers between level 1, level 2 and level 3 liabilities during 2022 or 2021

Changes in level 3 items for the periods ended 31 December 2022 and 31 December 2021

	Contingent consideration	Total
	£	£
Opening balance 1 January 2021	-	-
Closing balance 31 December 2021	-	-
Recognised on acquisition of Eleusis	24,510,062	24,510,062
Losses recognised on profit or loss	649,016	649,016
Additional phase 1 shares issued	(1,944,569)	(1,944,569)
Closing balance 31 December 2022	23,214,509	23,214,509

Loss recognised in profit or loss consist of realised loss on revaluation of the Additional Phase 1 milestone, which was achieved on 27 October 2022 (£489,479), and unrealised loss on the revaluation of the other milestones, which have not been achieved on 31 December 2022 (£159,537). See note 10

The Additional Phase 1 milestone was the only milestone achieved at 31 December 22.

Sensitivities

The consideration share price of £2.87 per share has been estimated using an option-pricing back solve methodology, where the total equity of Beckley as at the last financing date is back-solved using an option pricing equity allocation method, where the price paid per Series B ordinary share is fixed at the price paid in an arms-length transaction. There was a period of 14 months between the last financing date and the valuation date and therefore a calibration exercise was performed considering both market and company-specific factors to give the value of the consideration share price as of the valuation date.

Estimates for the probability weighted number of shares and the share price are revised at each reporting date based on the latest available information.

The Company reviews the likelihood of success of achieving each milestone annually and remeasures the contingent consideration using probability adjusted shares.

The Company reviews the change in fair value of the share price and remeasures the contingent consideration accordingly.

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as of 31 December 2022 are shown below:

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Notes to the Financial Statements

16. Financial Instruments (continued)

Financial Instrument	Valuation technique	Significant unobservable inputs	Range/Point estimate (weighted average)	Sensitivity of the input to the fair value
Contingent Consideration	Weighted average expected probability	Date of achieving additional Phase 2 milestone	31/12/22: 1% - 0% (0.46% of relevant buyer capitalisation)	Achieving the milestone within the earliest timeframe (January 23) would increase the fair value of the contingent liability by £1,533,170. Not achieving the milestone within the set timeframe would decrease the fair value of the contingent consideration by £1,290,862
	Expected probability	Probability of achieving Milestone 1	31/12/22: 63.6%	A 10% increase in the probability of achieving milestone 1 would increase the fair value of the contingent consideration by £1,551,230. A 10% decrease in the probability of achieving milestone 1 would decrease the fair value of the contingent consideration by £1,551,230
	Expected probability	Probability of achieving Milestone 2	31/12/22: 36.2%	A 10% increase in the probability of achieving milestone 2 would increase the fair value of the contingent consideration by £1,608,785. A 10% decrease in the probability of achieving milestone 2 would decrease the fair value of the contingent consideration by £1,608,785
	Expected probability	Probability of achieving Milestone 3	31/12/22: 36.2%	A 10% increase in the probability of achieving milestone 3 would increase the fair value of the contingent consideration by £1,783,072. A 10% decrease in the probability of achieving milestone 3 would decrease the fair value of the contingent consideration by £1,783,072
		Fair value of share price	31/12/22: £2.87	A 10% appreciation in the share price would increase the fair value of the contingent consideration by £2,321,441. A 10% depreciation in the share price would decrease the fair value of the contingent consideration by £2,321,441

Beckley Psytech Limited
Notes to the Financial Statements

16. Financial Instruments (continued)

Financial risk management

Financial assets at amortised cost – term deposits

The deposit balance as at 31 December 2021 consisted of a treasury deposit with Barclays Bank for a fixed term of one year, as well as a deposit with maturity terms of 95 day, which is subject to an insignificant risk of changes in value. The 12 month treasury deposit is for an amount of \$40,000,000 (£29,585,883 at 31 December 2021) with an interest rate of 0.22%. The 95 day deposit is for an amount of \$20,000,000 (£14,785,354 at 31 December 2021). The interest rate on the notice deposit is variable and tracks the US Fed central rate. The current effective pre-notice rate for the USD 95-Day ND is 0.2%. No deposits were held as 31 December 2022

The 12 month treasury deposit was returned on 11 October 2022, and the 95 day deposit was returned on 5 May 2022.

The Company has exposure to financial risk, credit risk, liquidity risk and foreign currency risk. Interest rate risk is not significant to the Company as it does not hold debt.

Financial risk

Financial risk is the risk that the Company will not be able to meet its obligations to pay back its debts. The Company's principal financial instruments comprise cash and cash equivalents and short-term liabilities such as trade payables. The Company regularly reviews its working capital requirements in respect of the demands of research and development activities. The Directors believe there to be no foreseeable material financial risk in the Company as it has cash reserves to cover short-term liabilities.

Credit Risk

Exposure to credit risk arises as a result of transactions in the Company's ordinary course of business and is applicable to all commitments with third parties. The Company receives standard 30 day terms from their suppliers. The Company has policies and procedures to monitor their exposure and to minimise any risks of losses. Due to the Company's pre-revenue stage, there are no third-party debtors at the balance sheet date; therefore, the maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets. Specifically, term deposits (discussed above) and trade and other receivables (discussed in Note 11). As such, credit risk is immaterial.

Liquidity Risk

The Company aims to maintain sufficient liquidity optimising the working capital structure to maximise the efficiency of returns on their research and development activities whilst safeguarding the business as a going concern. The Directors believe there to be no foreseeable material liquidity risk in the Company as it has cash reserves to cover projected demands.

Beckley Psytech Limited
Notes to the Financial Statements

16. Financial Instruments (continued)

Foreign Currency Risk

Foreign currency risk primarily relates to changes in the exchange rates arising from operating expenses denominated in the US dollar relating to its US operations. Assuming other factors remained constant and that no further foreign exchange risk management action were taken, a 10% appreciation or depreciation against the Pound Sterling at December 31, 2021 would have the effects seen below. No components of equity are subject to foreign currency risk.

	Impact on pre-tax loss	
	2022	2021
	£	£
US/GBP exchange rate – increase 10%	2,738,473	4,566,404
US/GBP exchange rate – decrease 10%	(3,347,023)	(6,677,262)

The above impact is for both cash and cash equivalents and term deposits. Cash and cash equivalents consists of \$36,450,878 (£30,123,199) at 31 December 2022 (\$16,040,531 - £11,858,246 at 31 December 2021). £nil deposits held at 31 December 2022 (\$60,000,000 - £44,371,237 at 31 December 2021)

The Company trades principally in GBP and USD and other foreign currency transactions are a very small percentage of their total costs. The Directors do not consider that the changes to currency valuations after the report date have significantly altered the fair value of the assets and liabilities on the statement of financial position at the year end date.

Management of capital

The Company defines its capital as share capital and accumulated deficit. The Company's objectives in managing capital are to ensure that sufficient funds are available to carry out its research and development activities. To date, these programs have been funded through the sale of equity securities.

17. Capital Commitments

The Company had no contractual commitments to purchase tangible fixed assets at the year end (2021 – £nil).

18. Post balance sheet events

On 27 June 2023, the Company incorporated a new subsidiary, Beckley Psytech Pty Ltd based in Australia.

On 3 January 2024 the Company issued 24,096,385 Series C shares for a total subscription amount of \$40,000,000 to Atai Life Sciences N.V, a new investor in the Company. The Company received an initial payment of \$25,000,000 on 3 January 2024, with the remaining amount retained in escrow. The Company may draw down up to \$5million as necessary, with the balance payable to the Company on 1 April 2025.

19. Controlling party

Beckley Psytech Limited is owned by a number of shareholders and individually, no shareholder is able to exert control. Therefore, the Directors are of the opinion that there is no ultimate controlling party.