

Full year results and review of strategic options

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Destiny Pharma PLC
25 April 2024

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Destiny Pharma plc
("Destiny Pharma" or "the company")

Audited results for the year ended 31 December 2023 and commencement of review of strategic options to support advancement of XF-73 nasal programme

Brighton, United Kingdom - Destiny Pharma plc (AIM: DEST), a clinical stage innovative biotechnology company focused on the development of novel medicines that can prevent life threatening infections, announces its audited financial results for the year ended 31 December 2023. The company also announces the commencement of a review of strategic options to support the company's advancement of XF-73 nasal through Phase 3 clinical trials.

Operational highlights

XF-73 nasal - taking steps to maximise value

- Engaging with a number of potential partners regarding a licencing deal
 - Positive feedback received from various parties regarding the commercial appeal of XF-73 nasal
 - In response to the feedback received to date, the company is developing a new clinical trial design that would, subject to regulatory review, more than halve the previously planned Phase 3 trial costs (post-period)
- Confirmed significant commercial potential and establishing US Go-To-Market model (post-period)
- Data from largest study to date on XF-73 published in *Frontiers in Cellular and Infection Microbiology* demonstrated effectiveness of XF-73 against all 2,527 tested antibiotic resistant and sensitive bacterial strains obtained from patient infections
- Landmark Phase 2b clinical data for XF-73 nasal gel in cardiac surgery patients demonstrating primary endpoint was met (significant reduction in nasal bacteria prior to surgery) published in leading US peer reviewed journal, *Infection Control & Hospital Epidemiology*

NTCD-M3 - secured collaboration and co-development deal and enhanced competitive profile

- Partnering deal agreed with Sebela Pharmaceuticals covering North America (US, Canada, and Mexico) worth up to \$570m plus royalties; Sebela responsible for financing all remaining clinical development and North America commercialisation
- Strengthened CMC programme on NTCD-M3 to deliver clinical and commercial product supply and transition from liquid to solid dose, strengthening competitive profile; Sebela to conduct a further Phase 2 study following market research confirming the commercial preference for a solid dose oral formulation (post-period)
- Peer reviewed paper published in *Microbiology Spectrum* concludes that NTCD-M3 is effective alongside all currently recommended antibiotics, including fidaxomicin, in the treatment of CDI

Earlier stage pipeline - focused development of further commercial opportunities

- Enhanced understanding of the potential commercial opportunity of the XF pipeline with early data (antibacterial & anti-fungal)
 - Encouraging data demonstrating superior efficacy of XF-73 compared to a leading topical antibiotic against MRSA in skin infection models published in *Infection & Drug Resistance*
 - Preclinical data in NIAID XF-73 dermal funded study supporting the safety profile and efficacy against a broad range of disease-relevant and antibiotic resistant bacterial isolates (post-period); announced intention to progress towards clinical evaluation for the treatment of diabetic foot infections (DFI) and serious burn wound infections, two areas with a clear unmet need and large patient populations (post-period)
- Discontinued the SPOR-COV development collaboration to focus on potentially higher-value core pipeline assets (post-period)

Strengthened Board and management team

- Board strengthened with the appointments of Chris Tovey, CEO, and Sir Nigel Rudd, Chair
- Dr Debra Barker resumed her position as a Non-Executive Director and assumed the role of CMO on an interim basis

Financial highlights

- Loss before tax reduced to £6.4 million (2022: £7.7 million)
- R&D expenditure of £3.3 million (2022: £4.9 million)
- Other operating expenses (excluding share-based payment charge) of £3.8 million (2022: £2.5 million)
- Year-end cash and cash equivalents of £6.4 million (2022: £4.9 million)
- Company funded through to Q1 2025.

XF-73 nasal update - review of strategic options to advance the programme

The company today provides an update regarding licencing for XF-73 nasal. The company has engaged with a number of potential partners and has received some strong and positive feedback on XF-73 nasal. However, no potential licencing deal has, to date, been forthcoming that we believe would provide fair value to the company and its shareholders.

Destiny Pharma believes the commercial appeal of this asset is very clear, however feedback from potential partners has highlighted their desire for further clarification regarding the cost of Phase 3 clinical trials and prevailing perceptions of the commercial potential of antibiotics. Destiny Pharma has therefore taken steps to re-evaluate aspects of the final clinical development approach to act on this feedback and enhance the attractiveness of XF-73 nasal. These steps include developing a new clinical trial design that, subject to regulatory review, would more than halve the previously anticipated Phase 3 trial costs without reducing XF-73 nasal's market potential, label, or benefits to patients. Further, the company is conducting an ongoing exercise to broaden understanding of the market potential for XF-73 nasal in the US to present potential partners with a clearer, more-in-depth picture of the product's value as a preventative treatment, and how commercial organisations can realise this value. With the benefit of this enhanced proposition, the company will continue to engage with interested parties.

Whilst licencing activities continue, Destiny Pharma believes that it is appropriate to evaluate alternative options to maximise value from XF-73 nasal and progress the programme. To that end, the Board and management are now undertaking a review of strategic options to determine how best to support the company's advancement of XF-73 nasal through Phase 3 clinical trials.

This review will consider a range of strategic options for XF-73 nasal, including licensing and the company securing finance to enable it to conduct the Phase 3 clinical studies. Currently, the review is not actively considering an offer for the company. A further announcement regarding the outcome of this review will be provided in due course.

Chris Tovey, Chief Executive Officer of Destiny Pharma, commented:

"In the eight months since I joined Destiny, everything I have seen and heard furthers my belief in the value our pipeline can bring to patients and health systems around the world. XF-73 nasal has enormous market potential and can make a huge difference in the prevention of surgical site infections, and the reduction in the usage of antibiotics.

"Whilst we will now be presenting an enhanced proposition for the product to potential partners, we also have initiated a wider review to evaluate a range of strategic options to progress the programme and to maximise value from XF-73 nasal. We have a team with a strong track record of bringing products to market and I believe that we can bring this expertise to bear to give XF-73 nasal and Destiny Pharma the best chance of success."

Webcast

Destiny Pharma will host a webcast presentation followed by a live Q&A session at 11:00 am BST today, accessible via the Investor Meet Company platform.

The presentation is open to analysts and all existing and potential new shareholders.

Investors can sign up to Investor Meet Company for free, and add to meet Destiny Pharma plc via:

<https://www.investormeetcompany.com/destiny-pharma-plc/register-investor>. Investors who already follow Destiny Pharma plc on the Investor Meet Company platform will automatically be invited.

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About Destiny Pharma

Destiny Pharma is an innovative, clinical-stage biotechnology company focused on the development and commercialisation of novel medicines that can prevent life-threatening infections. The company's drug development pipeline includes two late-stage assets XF-73 nasal gel, a proprietary drug targeting the prevention of post-surgical staphylococcal hospital infections including MRSA and NTCD-M3, a microbiome-based biotherapeutic for the prevention of C. difficile infection (CDI) recurrence which is the leading cause of hospital acquired infection in the US.

For further information on the company, please visit www.destinypharma.com The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 which is part of domestic UK law pursuant to the Market Abuse (Amendment)

(EU Exit) Regulations (SI 2019/310) ("UK MAR"). Upon the publication of this announcement, this inside information (as defined in UK MAR) is now considered to be in the public domain.

Forward looking statements

Certain information contained in this announcement, including any information as to the company's strategy, plans or future financial or operating performance, constitutes "forward-looking statements". These forward looking statements may be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "projects", "expects", "intends", "aims", "plans", "predicts", "may", "will", "seeks" "could" "targets" "assumes" "positioned" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this announcement and include statements regarding the intentions, beliefs or current expectations of the Directors concerning, among other things, the company's results of operations, financial condition, prospects, growth, strategies and the industries in which the company operates. The Directors of the company believe that the expectations reflected in these statements are reasonable but may be affected by a number of variables which could cause actual results or trends to differ materially. Each forward-looking statement speaks only as of the date of the particular statement. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future or are beyond the company's control. Forward looking statements are not guarantees of future performance. Even if the company's actual results of operations, financial condition and the development of the industries in which the company operates are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods.

Chief Executive Officer's Statement

Operational and review of strategic options for XF-73 nasal

Destiny Pharma has two lead assets which have both successfully completed Phase 2 and have been shown to be effective and well tolerated. They act through two completely different mechanisms, reducing the risk in the pipeline through clear diversification.

We believe that XF-73 nasal, the lead drug candidate from our XF platform, has a target product profile that is very attractive to surgeons and hospital infection experts. There are many millions of hospital operations in the US alone where a new drug is needed to help prevent post-surgical infections.

Our other lead drug candidate, NTCD-M3, for the prevention of CDI, is focused on infection prevention and very well positioned as a targeted, naturally occurring bacterial therapy for this serious gut infection. The NTCD-M3 programme

positions the company in the exciting area of the human microbiome and biotherapeutics, which is a fast-developing area

of medical science and investigation for new therapies.

Our XF platform

The XF platform is delivering several exciting research and clinical programmes focusing on infection prevention with the potential to deliver not only patient benefits, but also clear cost savings to healthcare systems across the world, whilst delivering safe, effective anti-infective treatments that also address the issue of antimicrobial resistance ("AMR").

Clinical data underpinning the XF-73 nasal programme is strong

The positive Phase 2b results announced in 2021 confirmed the potential of XF-73 nasal gel. XF-73 (exeporfinium chloride) was awarded Qualified Infectious Disease Product ("QIDP") status by the FDA. Within the QIDP award, the FDA also

confirmed a new US disease indication for XF-73 nasal; namely the "prevention of post-surgical staphylococcal infections",

including MRSA. This represents a potential new US indication for which no existing product is approved.

Destiny Pharma has now completed seven successful clinical trials in over 300 subjects with XF-73 nasal gel, which included measures of its efficacy in reducing nasal colonisation by *Staphylococcus aureus*.

The Phase 2b study completed in 2021 was a multi-centre, randomised, placebo-controlled study of multiple applications

of a single concentration of XF-73 nasal gel to assess the antimicrobial effect of XF-73 nasal gel on commensal *Staphylococcus aureus* nasal carriage in patients scheduled for surgical procedures.

Destiny Pharma's experience in carrying out this clinical study has confirmed the increasing compliance in US hospitals with best practice, whereby patients are screened, and carriers of *Staphylococcus aureus* are decolonised, prior to surgery. This is very supportive of the potential sales in the initial market for XF-73 nasal gel in the large US hospital surgery market.

The medical need to combat surgical infections is significant

Patient carriage of *Staphylococcus aureus* strains, including MRSA, is recognised as a growing problem and the testing of patients entering hospital for surgery is widespread in many countries, including the US.

In Europe, similar guidelines exist recommending decolonisation of *Staphylococcus aureus* positive patients prior to certain surgeries.

The antibiotic mupirocin is often used off-label in the US for these applications, although it has two key disadvantages in that it is slow acting, requiring five days of dosing, and staphylococcal resistance to mupirocin develops rapidly and can become widespread. Consequently, many guidelines are accompanied with a resistance warning related to mupirocin use.

In 2020 another new review concluded that global mupirocin-resistant *Staphylococcus aureus* prevalence had increased to

7.6% and that mupirocin-resistant MRSA have increased by 13.8% and consequently the monitoring of mupirocin use remains critical. Destiny Pharma believes this is clear support for the need for an alternative treatment for nasal decolonisation as presented by XF-73 nasal, which has no observed bacterial (MRSA) resistance to date. (Ref. Mupirocin

Resistance in *Staphylococcus aureus*: A Systematic Review and Meta-Analysis - Dadashi et al 2020).

Phase 3 study designs for XF-73 nasal

Destiny Pharma is developing a new clinical trial design, which builds upon previous engagement with the key regulators in the US and Europe, that, we believe, will more than halve the previously planned Phase 3 trial costs. The new clinical trial design maintains the previous target indication and commercial opportunity. The company is engaged in a comprehensive partnering campaign with the aim of finding one or more partners to enable the progression to Phase 3 study, in 2025.

The proposed plan is to carry out two Phase 3 randomised, double-blind, placebo-controlled clinical trials in patients undergoing two different surgical procedures. The planned studies could deliver a data set that would support the preferred, broad label for XF-73 nasal gel, supporting its use in all major surgeries as a novel treatment delivering fast, effective prevention of post-surgical Staphylococcal infections. This would be the first approval of a product for this indication, which creates both significant differentiation from other products, and access to a very large commercial opportunity.

The commercial opportunity for XF-73 nasal

The Board believes that XF-73 nasal gel can be priced competitively across the world, has both excellent efficacy against a wide range of gram-positive bacteria especially *S.aureus* (including MRSA), has an excellent safety profile and addresses the key challenge of AMR.

The market analysis undertaken by Destiny Pharma and its specialist consultants supports the view that XF-73 nasal could achieve annual peak sales in the US alone of over \$1 billion and peak sales in Europe and the rest of the world could also be significant for the initial indication of "prevention of post-surgical staphylococcal infections".

XF research programmes

During the period under review, the company has continued to work on several projects looking at the activity of the XF platform in selected infection models, including the activity of XF compounds against bacteria and fungi embedded in biofilms. The company also entered new research projects testing XF compounds in models of oral mucositis and cystic fibrosis, the latter research project being supported by a funding award from the Cystic Fibrosis Foundation. The continuing research work adds to the understanding of the XF platform's novel mode of action and helps identify potential new opportunities to develop targeted research projects that may lead to new clinical development opportunities for the XF platform. The company will continue to seek grant and other non-dilutive funding support for these earlier-stage research projects as it has done with some success, with approximately £3.5 million in grant funding secured since the IPO in 2017.

NTCD-M3 *Clostridioides difficile* programme

NTCD-M3 was developed by GI infection physician Professor Dale Gerding, who is a world-leading specialist in *C. difficile*, with more than 400 peer-reviewed journal publications, book chapters and review articles in the area. NTCD-M3 has successfully completed Phase 1 and Phase 2b trials. The Phase 2b study demonstrated a strong safety/toxicology profile and 95% prevention of CDI recurrence. Phase 2b NTCD-M3 data was published in the prestigious Journal of the American Medical Association (Gerding DN et al JAMA 2015;313:1719).

NTCD-M3 has also been awarded Fast Track status by the FDA. Destiny Pharma acquired global rights to the NTCD-M3 programme in November 2020 and in 2023 out-licensed the programme to Sebela Pharmaceuticals (US, Canada and Mexico) who will fund all the remaining required clinical development including Phase 3 studies and lead commercialisation in North America.

NTCD-M3 mechanism of action harnesses the human microbiome

NTCD-M3 is a naturally occurring non-toxigenic strain of *C. difficile* bacteria, which lacks the genes that can express *C. difficile* toxins. It is an oral formulation of NTCD-M3 spores and patients who have taken NTCD-M3 were found to be protected from *C. difficile* infections. NTCD-M3 acts as a safe "ground cover" preventing toxic strains of *C. difficile* proliferating in the colon after antibiotic treatment. NTCD-M3 temporarily colonises the human gut without causing any symptoms and the gut microbiome returns to normal a few weeks after treatment.

The Phase 2 data from a completed study with NTCD-M3, conducted with a liquid formulation, was very promising. The

study was a randomised, double-blind, placebo-controlled trial, among 173 patients aged >18 years, who were diagnosed

as having CDI (either a first episode or first recurrence). The results were a strong, statistically significant data set showing

rapid onset of colonisation which provided protection during the early post-treatment period, making it an ideal

complement to a vaccine and other antibiotic treatments. The rate of recurrence ("RR") of CDI after treatment with the best dose of NTCD-M3 was only 5% (placebo 30%), $p < 0.01$. The company believes this is compelling efficacy compared with clinical trial data from other approaches.

Prior to signing the collaboration and co-development agreement with Sebela, the company held discussions with the FDA

as part of Type C meetings and this clarified the minimum work required to prepare for Phase 3 clinical trials, including the Phase 3 design and certain manufacturing scale-up activities.

During 2023, the company has reviewed the chemistry, manufacturing and controls (CMC) programme for NTCD-M3. Following this review, the company changed its contract development manufacturing organisation for NTCD-M3 in order to strengthen manufacturing for clinical trial material and improve future commercial supply. In doing so, this supports the necessary transition of NTCD-M3 from a liquid to a solid dose formulation, which, based on market research with physicians and patients is the preferred formulation, and therefore further strengthens the competitive profile of NTCD-M3. As a result of these changes, Sebela Pharmaceuticals intend to conduct a small Phase 2 study to create new data on the solid dose formulation and de-risk the Phase 3 study. Sebela has the right, at its own cost, to complete any further trials. The company is working with Sebela through the joint steering committee to accelerate the development plan to commercialisation.

In 2024 the plan is to complete the necessary manufacturing process development to enable the production of product for clinical trial supply and to strengthen manufacturing for future commercial supply. Following this, our partner, Sebela Pharmaceuticals, can then initiate the next stage of clinical development in 2025.

SPOR-COV

Following the period end we notified SporeGen of our intention not to extend our collaboration development after it concludes in April 2024, as we focus resources on development of the XF platform and our other key company pipeline programmes.

Outlook for Destiny Pharma

Destiny Pharma will continue to progress along its course to become a world-leading, anti-infective company that develops

products that play both an important role in protecting vulnerable patients across the world from potential lethal infections and achieves commercial success.

Given the significant opportunity that it presents, management will be focused on securing progression of XF-73 nasal into Phase 3 study as quickly as possible. Destiny Pharma is developing a new clinical trial design, which builds upon previous engagement with the key regulators in the US and Europe, that, we believe, will more than halve the previously planned Phase 3 trial costs. The new clinical trial design maintains the previous target indication and commercial opportunity. To enable Destiny Pharma to capitalise on the significant and important potential of XF-73 nasal, the Board are now undertaking a review of strategic options for XF-73 nasal to determine how best to support the company's advancement of the programme.

The partnering deal for NTCD-M3 announced with Sebela demonstrates that management are able to deliver on the company's strategy and are able to find partners to support the development of the company's key assets through the final stages of development to approval and commercialisation. Management will continue to look at opportunities to strengthen the programme to enhance commercial competitiveness such as the shift to a solid dose oral presentation.

Additionally, cash resources are also being used to progress the exciting pipeline candidates from the pre-clinical XF

pipeline, with the XF-73 dermal programme being the most important. Whilst the short-term focus is clearly on our two highly valuable lead assets, Destiny Pharma will continue to establish research programmes through existing and new collaborations and, where possible, seek additional non-dilutive funding support as it has done successfully in the period under review.

Destiny Pharma has a great opportunity as a focused UK biotechnology company, listed on AIM, with two high-quality, late-stage clinical assets targeted at infection prevention. Both are backed up by strong Phase 2 clinical data and have clear commercial positioning. The Board and employees are excited about the next stage in the company's development and

delivering on our strategy to build a world-leading infection prevention company and to build a very valuable company for

our shareholders.

Chris Tovey
Chief Executive Officer
24 April 2024

Chief Financial Officer's Statement

Financial review

During 2023 we intensified partnering activities for our lead asset, XF-73 nasal, and completed US market analysis that confirmed the significant market opportunity for this asset of up to \$1 billion in the US alone. We also continued to progress the scale-up manufacture required for Phase 3 clinical studies and commercialisation. Our target remains progressing XF-73 nasal into Phase 3 clinical studies as quickly as possible.

We were pleased to announce, in February 2023, an exclusive collaboration and co-development agreement for North American rights for NTCD-M3 with Sebela Pharmaceuticals, a key milestone event for the company. In conjunction with this transaction, we strengthened the company's balance sheet, securing £7.3 million gross proceeds via an equity fundraise from existing and new investors.

The total comprehensive loss for the year was £5.7 million (2022: £6.5 million).

At 31 December 2023 the company had cash and cash equivalents totalling £6.4 million (2022: £4.9 million), providing a cash runway until Q1 2025. Details of the Directors' assessment on going concern is provided in note 3 to the financial statements.

Revenue

Destiny Pharma is a clinical stage research and development company and is yet to commercialise and generate sales from its current programmes. During the year, the company received £0.8 million of licence fee income by way of an upfront payment from Sebela Pharmaceuticals, under its exclusive collaboration and co-development agreement for NTCD-M3 (2022: £nil).

Operating expenses

Operating expenses, which exclude the share-based payment charge of £0.5 million (2022: £0.5 million) during the period, amounted to £7.1 million (2022: £7.4 million). Included within this total are R&D costs totalling £3.3 million (2022: £4.9 million) which were £1.6 million lower than the prior year. This was largely due to the re-phasing of manufacturing costs for our NTCD-M3 programme. We successfully transitioned to a new CDMO for the programme in the second half of the year and are pleased with progress since the change.

Other operating costs increased by 51% to £3.8 million (2022: £2.5 million). Other operating costs are split between general overheads, which increased by £1.1 million to £2.2 million (2022: £1.1 million), and employee costs, which increased by £0.2 million to £1.6 million (2022: £1.4 million). During the year, one-off operating costs were incurred in relation to changes to the Board, as we strengthened the leadership team, and completing the Sebela transaction. We also increased spend on business development activities, including completing US market analysis for XF-73 nasal.

Taxation

The company received a repayment of £1.2 million in respect of the R&D tax credit claimed during the year ended 31 December 2022. The R&D tax credit receivable in the balance sheet of £0.8 million is an estimate of the cash repayment the company expects to qualify for in respect of activities during the year ended 31 December 2023. However, as at the date of this report, these amounts have not yet been agreed with HMRC.

Cash flow

Net cash outflow from operating activities in 2023 was £5.5 million (2022: £5.9 million) against an operating loss of £6.7 million (2022: £7.8 million), with the major reconciling items being the non-cash charge for share-based payments of £0.5 million, the R&D credit received of £1.2 million and net movements in working capital of £(0.4) million.

Net cash from financing activities during the year of £6.7 million represents the net proceeds of the equity fundraise in the first quarter of 2023 (2022: £6.1 million). The net increase in cash and cash equivalents during the period was £1.5 million (2022: increase of £0.3 million).

Balance sheet

Total assets increased to £10.0 million (2022: £8.8 million), largely due to a higher cash and cash equivalents compared to the prior year.

Intangible assets comprise the initial acquisition cost of NTCD-M3, acquired in November 2020, and a milestone payment to NTCD LLP of £0.1 million following completion of the Sebela transaction. Other receivables, and prepayments decreased to £1.2 million (2022: £1.6 million), which was primarily due to a lower R&D tax credit compared to the prior year.

Year-end cash and cash equivalents totalled £6.4 million (2022: £4.9 million).

Total liabilities decreased to £0.8 million (2022: £1.2 million), primarily due to lower accrued development costs at the year end compared to the prior year.

Shaun Claydon
Chief Financial Officer
24 April 2024

Statement of comprehensive income

For the year ended 31 December 2023

		Year ended 31 December 2023	Year ended 31 December 2022
	Notes	£	£
Continuing operations			
Licence fee income	7	831,552	-
Other operating income		-	154,499
Administrative expenses		(7,092,067)	(7,397,014)
Share-based payment expense		(475,479)	(533,829)
Loss from operations		(6,735,994)	(7,776,344)
Finance income	5	289,756	64,800
Loss before tax		(6,446,238)	(7,711,544)
Taxation	6	789,202	1,207,975
Loss and total comprehensive loss for the year from continuing operations		(5,657,036)	(6,503,569)

Loss per share - pence

Basic	8	(6.2)p	(9.3)p
Diluted	8	(6.2)p	(9.3)p

Statement of financial position

As at 31 December 2023

	Notes	As at 31 December 2023 £	As at 31 December 2022 £
Assets			
Non-current assets			
Property, plant and equipment		19,235	24,621
Intangible assets	9	2,341,469	2,261,435
Non-current assets		2,360,704	2,286,056
Current assets			
Other receivables	10	899,725	1,410,452
Prepayments		314,452	195,814
Cash and cash equivalents	11	6,382,603	4,903,461
Current assets		7,596,780	6,509,727
Total assets		9,957,484	8,795,783
Equity and liabilities			
Equity			
Share capital	12	952,719	733,071
Share premium		39,568,625	33,043,569
Accumulated losses		(31,332,176)	(26,150,619)
Shareholders' equity		9,189,168	7,626,021
Current liabilities			
Trade and other payables	13	768,316	1,169,762
Current liabilities		768,316	1,169,762
Total equity and liabilities		9,957,484	8,795,783

Statement of changes in equity

For the year ended 31 December 2023

	Share capital £	Share premium £	Accumulated losses £	Total £
1 January 2022	598,719	27,091,466	(20,180,879)	7,509,306
Comprehensive loss for the year				
Total comprehensive loss	-	-	(6,503,569)	(6,503,569)
Total comprehensive loss for the year	-	-	(6,503,569)	(6,503,569)
Contributions by and distributions to owners				
Issue of share capital	134,352	6,332,565	-	6,466,917
Costs of share issue	-	(380,462)	-	(380,462)
Share-based payment expense	-	-	533,829	533,829
Total contributions by and distributions to owners	134,352	5,952,103	533,829	6,620,284
31 December 2022	733,071	33,043,569	(26,150,619)	7,626,021
Comprehensive loss for the year				
Total comprehensive loss	-	-	(5,657,036)	(5,657,036)
Total comprehensive loss for the year	-	-	(5,657,036)	(5,657,036)
Contributions by and distributions to owners				
Issue of share capital	219,648	7,127,065	-	7,346,713
Costs of share issue	-	(602,009)	-	(602,009)
Share-based payment expense	-	-	475,479	475,479
Total contributions by and distributions to owners	219,648	6,525,056	475,479	7,220,183
31 December 2023	952,719	39,568,625	(31,332,176)	9,189,168

Statement of cash flows

For the year ended 31 December 2023

	Year ended 31 December 2023 £	Year ended 31 December 2022 £
Cash flows from operating activities		
Loss before income tax	(6,446,238)	(7,711,544)
Depreciation of property, plant and equipment	6,196	12,328

Share-based payment expense	475,479	533,829
Finance income	(289,756)	(64,800)
	(6,254,319)	(7,230,187)
(Increase)/decrease in other receivables and prepayments	(26,684)	14,316
(Decrease)/increase in trade and other payables	(401,446)	396,326
Cash used in operations	(6,682,449)	(6,819,545)
Tax received	1,207,975	927,256
Net cash used in operating activities	(5,474,474)	(5,892,289)
Cash flows from investing activities		
Purchase of property, plant and equipment	(810)	(1,067)
Purchase of intangible assets	(80,034)	-
Interest received	289,756	64,800
Net cash inflow from investing activities	208,912	63,733
Cash flows from financing activities		
New shares issued net of issue costs	6,744,704	6,086,455
Net cash inflow from financing activities	6,744,704	6,086,455
Net increase in cash and cash equivalents	1,479,142	257,899
Cash and cash equivalents at the beginning of the year	4,903,461	4,645,562
Cash and cash equivalents at the end of the year	6,382,603	4,903,461

Notes to the financial statements

1. General information

Destiny Pharma plc (the "company") was incorporated and domiciled in the UK on 4 March 1996 with registration number 03167025. The company's registered office is located at Unit 36, Sussex Innovation Centre, Science Park Square, Falmer, Brighton BN1 9SB.

The company is engaged in the discovery, development and commercialisation of novel medicines that prevent serious infections.

2. Basis of preparation

The financial statements have been prepared in accordance with UK-adopted International Accounting Standards. The

financial statements have been prepared under the historical cost convention except where stated otherwise within the accounting policies.

The company's financial statements have been presented in pounds sterling ("GBP"), being the functional and presentation currency of the company.

3. Going concern

The company has not yet recorded any sales revenues and funds its operations through periodic capital issues, commercial partnerships and research grants. Management prepares detailed working capital forecasts which are reviewed by the Board on a regular basis. These forecasts consider sensitivities on receipts and costs. Based on the Directors' current forecasts the company's current cash runway is forecast to extend until Q1 2025 at which point a further capital injection would be required.

The Directors continue to evaluate all options to fund the development of its assets in a way that realises maximum value whilst meeting the future needs of the company, including continuing discussions with a number of potential partners for its lead assets. However, there is no guarantee that attempts to secure adequate cash inflows from commercial partnerships or through equity fund raising or other sources within the timescales stated above will be successful. These conditions indicate the existence of a material uncertainty, which may cast significant doubt about the company's ability to continue as a going concern.

The Directors have a reasonable expectation that the company will be able to secure the necessary funds to have adequate cash resources to continue to meet the requirements of the business. Accordingly, the Board continues to adopt the going concern basis in preparing the financial statements.

4. Segment reporting

The chief operating decision-maker is considered to be the Board of Directors of the company. The chief operating decision-maker allocates resources and assesses performance of the business and other activities at the operating segment level.

The chief operating decision-maker has determined that the company has one operating segment, the development and commercialisation of pharmaceutical formulations. All activities take place in the United Kingdom.

5. Net finance income

	31 December 2023	31 December 2022
	£	£
Finance income		
Deposit account interest	289,756	64,800

6. Income tax

	31 December 2023	31 December 2022
	£	£
Research and development tax credits based on costs in the financial year	(789,202)	(1,207,975)

7. Licence fee income

	31 December 2023 £	31 December 2022 £
Licence fee income	831,552	-

Licence fees for the year ended 31 December 2023 comprise an upfront payment of \$1 million (£0.8 million) received from Sebela Pharmaceutical® ("Sebela") relating to the exclusive collaboration and co-development agreement ("licensing agreement") for NTCD-M3, signed in February 2023.

8. Loss per ordinary share

The calculation for loss per ordinary share (basic and diluted) for the relevant period is based on the earnings after income tax attributable to equity shareholders for the period. As the company made losses during the period, there are no dilutive potential ordinary shares in issue, and therefore basic and diluted loss per share are identical. The calculation is as follows:

	31 December 2023 £	31 December 2022 £
Loss for the year attributable to shareholders	(5,657,036)	(6,503,569)
Weighted average number of shares	90,671,329	70,182,231
Loss per share - pence		
- Basic and diluted	(6.2)p	(9.3)p

9. Intangible assets

	Acquired development programmes £
Cost	
At 1 January 2022	2,261,435
Additions	-
At 31 December 2022	2,261,435
Additions	80,034
At 31 December 2023	2,341,469

In 2020, the company acquired NTCD-M3, a development stage programme for preventing toxic strains of *C. difficile* proliferating in the colon after antibiotic treatment. Consideration payable by the company for the asset is made up of an upfront payment, development milestones, sales royalties and sales milestones. The upfront payment was recognised as an addition in 2020.

In February 2023, the company signed an exclusive collaboration and co-development agreement ("licensing agreement") for NTCD-M3 with Sebela Pharmaceuticals. This licencing agreement triggered a milestone payment of \$100,000 (£80,034) under the company's agreement to acquire the NTCD-M3 programme. This is included as an addition in 2023.

The asset has not been amortised as the programme has not yet generated products available for commercial use.

The programme has been assessed for impairment. The company considers the future development costs, the probability of successfully progressing to product approval and the likely commercial returns, among other factors. The result of this assessment did not indicate any impairment in the year.

The key sensitivity for all development programmes is the probability of successful completion of clinical trials in order to obtain regulatory approval for sale. Should trials be unsuccessful, the programme will be fully impaired.

10. Other receivables

	31 December 2023 £	31 December 2022 £
Other receivables	110,523	202,477
Research and development tax repayment	789,202	1,207,975
	899,725	1,410,452

11. Cash and cash equivalents

	31 December 2023 £	31 December 2022 £
Cash and bank balances	2,704,395	1,903,461
Call deposits	3,678,208	3,000,000
Cash and cash equivalents	6,382,603	4,903,461

12. Share capital

	31 December 2023 Number	31 December 2022 Number
Ordinary shares of £0.01 each		

Authorised⁽¹⁾	n/a	n/a
Allotted and fully paid		
At 1 January	73,307,105	59,871,921
Issued for cash during the year	21,964,758	13,435,184
At 31 December	95,271,863	73,307,105

(1) During the year ended 31 December 2017 the company adopted new Articles of Association, which do not require the company to have authorised share capital.

	31 December 2023	31 December 2022
	£	£
Authorised	n/a	n/a
Allotted and fully paid	952,719	733,071

	31 December 2023	31 December 2022
	£	£
Share premium account	39,568,625	33,043,569

21,294,758 ordinary shares were issued during the year at a premium of £7,127,065. Costs of share issue charged to share premium during the year were £602,009.

Each ordinary share ranks pari passu for voting rights, dividends and distributions, and return of capital on winding up.

Grants of options

On 12 May 2023, 213,854 Employee LTIP 2020 options were granted to four employees at an exercise price of £0.01 per ordinary share. The fair value per option was £0.33.

On 12 May 2023, 217,500 Employee LTIP 2018 options were granted to twelve employees at an exercise price of £0.35 per ordinary share. The fair value per option was £0.26.

On 18 November 2023, 3,053,532 Employee LTIP 2020 options were granted to three employees at an exercise price of £0.01 per ordinary share. The fair value per option was £0.29.

The number and weighted average exercise prices of share options were as follows:

	31 December 2023		31 December 2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance outstanding at beginning of the year	8,868,230	£0.115	9,759,125	£0.112
Granted during year	3,484,886	£0.031	244,282	£0.360
Exercised during year	(1,002,802)	£0.010	(526,177)	£0.024
Lapsed during year	(1,684,502)	£0.170	(609,000)	£0.248
Options outstanding at end of the year	(9,665,812)	£0.087	8,868,230	£0.115
Options exercisable at the end of the year	5,615,320	£0.063	5,800,049	£0.035

The weighted average remaining contractual life of share options outstanding at 31 December 2023 was 6.1 years (2022: 4.3 years).

The expense arising from share-based payment transactions recognised in the year was as follows:

	31 December 2023	31 December 2022
	£	£
Share-based payment expense	475,479	533,829

13. Trade and other payables

	31 December 2023	31 December 2022
	£	£
Trade payables	395,428	172,543
Social security and other taxes	70,262	80,369
Accrued expenses	299,243	898,326
Pension contributions payable	3,383	18,524
	768,316	1,169,762

14. Statutory accounts

The financial information set out above does not constitute the company's statutory accounts for the year ended 31 December 2023 but is derived from those accounts. The audit report on those accounts was unqualified but drew attention to a material uncertainty related to going concern. The report did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The statutory accounts for the year ended 31 December 2023 have not yet been filed at Companies House.

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