



# Developing medicines that prevent serious infections

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Destiny Pharma plc  
Annual Report and Financial Statements 2023  
Company number: 03167025



# About us

Destiny Pharma

**Our aim is to play an important role in protecting vulnerable patients across the world from potential lethal infections using novel and effective medicines.**

We are a biotechnology company focused on the development and commercialisation of novel medicines to prevent life-threatening infections. Our most advanced programmes are XF-73 nasal and NTCD-M3. XF-73 nasal gel is a proprietary drug targeting the prevention of post-surgical *Staphylococcal aureus* infections including MRSA. NTCD-M3 is 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. The pipeline also includes several earlier projects from the XF platform, including the XF-73 dermal programme targeted at wound and skin infections, and have several other grant-funded research projects.

We see significant demand from clinicians across the world for our products and are committed to bringing much-needed new medicines to the market to reduce the impact of serious infections on patient health and the financial burden on healthcare systems.

Find out more about our business at [destinypharma.com](http://destinypharma.com)

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# Highlights

Destiny Pharma

**Destiny Pharma has two novel clinical assets with positive Phase 2 data.**

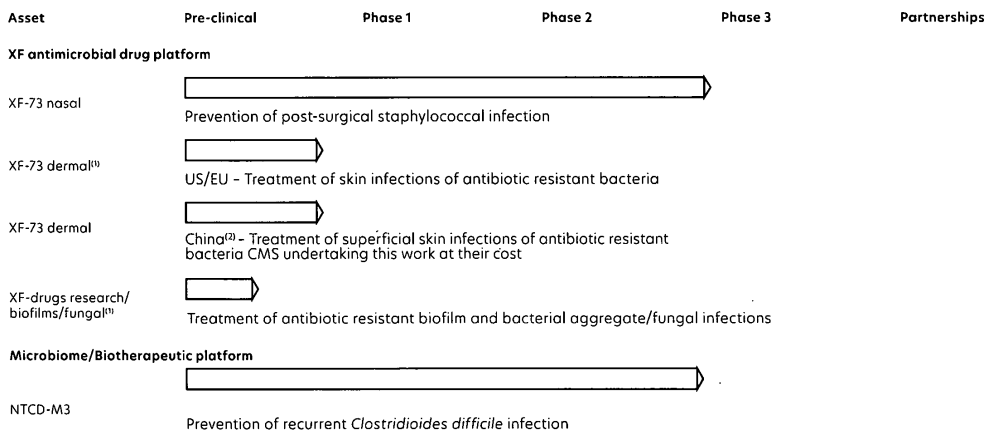
**We are dedicated to the discovery, development and commercialisation of new anti-infectives that improve outcomes for patients and provide cost-effective medical care.**

<p>Active discussions with potential partners for XF-73 nasal across the world</p>	<p>Completion of US market analysis for XF-73 that confirmed a \$1 billion market opportunity in the US alone</p>	<p>The publication in <i>Frontiers in Cellular and Infection Microbiology</i>, shows XF-73 drug potent against 2,527 <i>Staphylococcus</i> isolates, demonstrates the potential of XF-73 nasal to address the shortcomings of current standard of care nasal antibiotics</p>
<p>Publication of XF-73 nasal gel Phase 2 data in leading US journal <i>Infection Control &amp; Hospital Epidemiology</i> demonstrates significant reduction of nasal <i>S. aureus</i> in preoperative cardiac surgery patients</p>	<p>Research study in US supported by US NIAID into XF-73 dermal in serious wounds reported positive data</p>	<p>XF-73 dermal to be assessed for progression towards the treatment of diabetic foot ulcer infections ("DFUs") and serious burn wound infections</p>
<p>Collaboration and co-development agreement for NTCD-M3 signed with Sebelo Pharmaceuticals (US, Canada and Mexico)</p>	<p>NTCD-M3 clinical development and commercialisation funded by Sebelo</p>	<p>Fundraise completed alongside Sebelo agreement - £7.3 million gross raised from UK/EU investors</p>
<p>Landmark data published in <i>Microbiology Spectrum</i> shows successful NTCD-M3 gut colonisation after fidaxomicin administration</p>	<p>Switch of CDMO for NTCD-M3 to strengthen manufacturing and enable the commercially important switch to a solid dose formulation</p>	<p>Appointments of Chris Tovey as Chief Executive Officer and Sir Nigel Rudd as Chair add deal-making and commercial expertise to the Board</p>

# At a glance

Our drug product pipeline:

Developing commercially attractive novel medicines to prevent and treat serious infections.

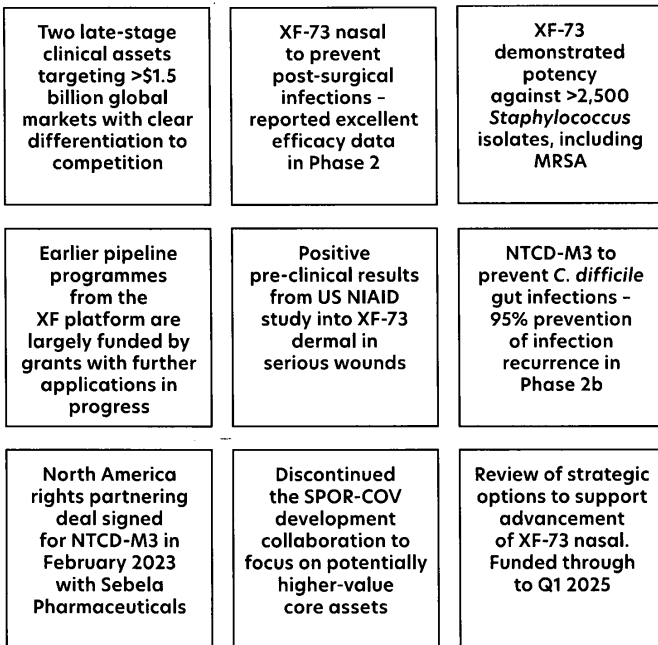


**Our collaborations:**

(1) Grant-funded projects >£3 million received. Partnership with universities/medical schools.  
 (2) China regional rights to pipeline held by CMS.

## At a glance continued

Destiny Pharma has a unique opportunity to make a real difference in an important field and will play a valuable role in protecting vulnerable patients from potentially lethal infections.



### The drug development process:

#### Discovery and development

##### Base research

The identification of active ingredients with therapeutic effects.

##### Pre-clinical trials

Pre-clinical studies (*in vitro* and *in vivo*) are conducted to assess feasibility, efficacy and safety of any potential drug product prior to it being tested on humans.

#### Clinical development

##### Phase 1

Assess the safety of a drug product in a small, select group of people (typically 20-100).

##### Phase 2

Evaluate the efficacy and safety of the drug product in a larger, select group of people (typically 100-500).

##### Phase 3

Once a drug product has shown preliminary efficacy and safety (in Phase 1 and Phase 2), larger-scale clinical trials are carried out (typically 300-3,000 people).

#### Review and approval

Once a therapy has been deemed safe and effective, it is submitted for approval to regulatory bodies.

#### Post-market monitoring

The safety of drug products is monitored after they reach the market.

## Chair's statement

### Unlocking value in XF-73 nasal, a de-risked, late-stage potential blockbuster.

**Sir Nigel Rudd**  
Chair

### Our recent market research indicates blockbuster drugs, with \$1 billion plus market opportunity for the XF-73 nasal programme in the US alone.

It was with great pleasure that I returned to the Board of Destiny Pharma in July 2023 and I remain excited by the significant potential of the company's lead assets to deliver value to both patients and shareholders.

My first priority was to welcome on board Chris Tovey as CEO in September. Mr Tovey has first-hand experience in successfully advancing clinical stage programmes through to commercialised products administered to patients, made possible through the raising of funds via the capital markets. This expertise will serve Destiny Pharma well as we advance our two lead programmes into the final stages of development, creating commercially attractive novel medicines to prevent and treat serious infections. Mr Tovey has been the driving force behind the growing momentum across the business over the past six months, establishing commercial potential across the XF pipeline and strengthening the competitive profile of NTCD-M3. Together with the rest of the Board we are committed to progressing our lead assets further towards commercialisation to create shareholder value.

Destiny's priority is to accelerate value realisation and, in particular, realise the maximum value for our XF-73 nasal asset, the lead candidate from our proprietary drug discovery platform. We believe the substantial and significant addressable market for this product makes it more commercially attractive compared with other new antibiotics, while its differentiation in its target indication brings clear economic and health outcome benefits for both patients and health systems which, we believe, brings the potential to revolutionise surgical practice, saving lives, money and time. 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 to determine how best to support the company's advancement of the programme. This review will consider a range of strategic options to enable it to conduct Phase 3 clinical studies, including continuing discussions with several potential partners, and we remain confident in its ability to deliver significant value.

The XF drug discovery platform continues to generate other differentiated anti-infectives at an earlier stage of development and we have encouraging pre-clinical data demonstrating the broad potential of the platform in other indications. We are excited by the potential of the XF platform and remain committed to furthering its development.

We are pleased to have partnered our other lead asset, NTCD-M3, with Sebelo Pharmaceuticals for North America and further strengthened the competitive profile of this product in 2023. We look forward to advancing the NTCD-M3 programme through development in 2024 alongside Sebelo, whilst continuing efforts to secure partners outside of North America and China.

We are confident in the commercial potential of our two lead assets and consider them both to be highly differentiated products with the potential to deliver significant value to health systems at scale. The strengthened leadership team, established in 2023, is fully committed to maximising value for patients and leveraging their experience to further the development and commercialisation of the company's lead assets. We are in a strong position to achieve this goal and deliver significant value for shareholders.

The Board of Destiny Pharma would like to thank our investors for their continuing support, and to thank our employees who are dedicated to achieving the best for the company.

**Sir Nigel Rudd**  
Chair  
24 April 2024

## Investment proposition

Targeted approach to develop medicines for significant global markets

The Directors believe Destiny Pharma has the following key strengths which underpin the company's strategy:

### Clear strategy and strong ambition to build a focused, world-leading company

Destiny Pharma's goal is to become a world-leading anti-infective company that develops products that both play an important role in protecting vulnerable patients across the world from potentially lethal infections and achieves commercial success.

### Two late-stage products targeting areas of high unmet need; significantly de-risked

Two clinical assets heading towards Phase 3 clinical studies and commercialisation based on strong Phase 2 clinical trial results.

### XF-73 nasal is a potentially highly differentiated, novel candidate with blockbuster potential, in US alone

Targeting significant medical, patient and health system need in an established setting - preventing post-surgical site infections. The company is developing a new clinical trial design that, we believe, will more than halve the previously planned Phase 3 trial costs. Partners are being sought to support Phase 3 trials and commercialisation. XF-73 nasal benefits from its topical application, QIDP status and low levels of attrition rates in late-stage infectious disease trials.

### Not just another new antibiotic - XF-73 nasal commercially attractive vs. other new antibiotics

We believe stakeholders will be motivated, and potentially mandated, to utilise XF-73 nasal ahead of surgery to prevent hospital acquired post-surgical infections as hospitals are incentivised to ensure post-surgical infection rates are minimised. This sits in stark contrast to that available to other new, recently approved community or treatment-focused antibiotics, or antibiotics "of last resort".

### NTCD-M3 de-risked Phase 2 asset partnered through to commercialisation

NTCD-M3 programme is strongly de-risked due to quality of Phase 2 data and FDA/EMA review in 2022 of Phase 3 plans. NTCD-M3 potential validated further by North America partnering deal signed with Sebela Pharmaceuticals in March 2023, funding NTCD-M3 through Phase 3. Commercial deal worth up to \$570m plus royalties.

### US market focus given its relative size

Currently developing two late-stage clinical assets with a strong focus on the US anti-infective market, but also with a view to realising additional global opportunities such as in Europe and Japan.

### Pipeline diversity

Our assets are based on multiple technologies with small molecule and biotherapeutic/microbiome programmes. Destiny Pharma moved into the exciting microbiome area through its acquisition of the NTCD-M3 programme. The diversity reduces the risk exposure to a single mechanism of action.

### Ambitious and experienced management team

Recently appointed CEO and Chair add significant commercial and deal making expertise.

## Market opportunity

Our two most advanced clinical assets are targeted at billion-dollar, global markets. We already have a China region partner in CMS and a North America partner for NTCD-M3 in Sebela Pharmaceuticals.

### XF-73 nasal post-surgical infections caused by *Staphylococcus aureus*

#### Market need

Destiny Pharma's lead product from its XF platform is exeporfinium chloride (XF-73) that focuses on addressing the medical and financial cost of infections due to one of the major gram-positive bacteria, *Staphylococcus aureus* (*S. aureus*), a leading cause of post-surgical infection across the world. *S. aureus* is frequently found in the nose, respiratory tract and on the skin. Each year, around 500,000 patients in hospitals in the United States contract a staphylococcal infection, chiefly caused by *S. aureus*. A third of the human population carry the bacteria *S. aureus* in the nose. *S. aureus* carriers are at a significantly higher risk of acquiring a post-surgical infection.

The main approach in *S. aureus* infection prevention has been to treat patients who carry the bacteria prior to surgery and to remove the bacteria in the nose by "decolonisation" to reduce the risk of infection. This has been achieved predominantly using intranasal antibiotics (eg mupirocin) and antiseptic (eg chlorhexidine) body washes.

Bode *et al* demonstrated that treatment of all *S. aureus* (MRSA and all other strains of *S. aureus*) in higher-risk surgeries led to a >60% reduction in post-surgical *S. aureus* infections. The recognition of the benefit of treatment of all *S. aureus* represents about a six-fold increase in the patient population benefiting, a figure of >20 million per year in the US and Europe alone.

#### Market characteristics

Destiny Pharma has undertaken independent market research that confirmed that XF-73 nasal's target product profile is superior when compared to mupirocin, with the potential to replace mupirocin as the preferred treatment. Destiny Pharma believes that there is significant demand for the XF-73 product and has identified the following additional drivers for adoption:

- current practice guidelines have identified patient populations that can benefit while highlighting that antibiotic resistance is an issue with current product use as standard of care;

- US general, acute care and short-term hospitals with the highest MRSA infections can have 1% of their Medicare reimbursements withheld;
- US hospital administrators incentivised to reduce infection to ensure high ratings in hospital ranking tables;
- XF-73 nasal has QIDP and Fast Track regulatory status in the US and benefits from five years of extra US market exclusivity; and
- XF-73 nasal could be the first drug approved into a new US indication with clear first-to-market advantages.

#### Our response

As XF-73 nasal is differentiated from antibiotics due to its superior bacterial resistance profile, it is likely that its use can be widespread, preserving broader antibiotic use, and given its activity against MRSA, it could potentially be used without the need for bacterial screening.

## Market opportunity continued

Infections caused by antibiotic resistant strains of bacteria continue to rise at an alarming rate and are of serious concern to the World Health Organization (“WHO”).

### XF-73 – nasal *S. aureus* decolonisation to prevent post-surgical infection

One in three people are *S. aureus* carriers. Carriers have up to twelve times higher risk of post-surgical infection. There are around 40 million US surgical patients at risk. Annual cost of complications in the US is \$10 billion. Hospitals are incentivised to ensure post-surgical infection rates are minimised. For US peak sales alone, the prevention of post-surgical infections are >\$1 billion. The company targets clinically important infections where there is a clear commercial opportunity.

	Estimated total cost per patient	Days in hospital
<b><i>Staphylococcus aureus</i> surgical site infection</b>	>\$160,000	15 days

### Strong external validation of XF-73 nasal from clinicians and payers

“Survey of US healthcare providers shows significant potential demand.

The survey highlighted the short dosing regimen, the reduced impact on antimicrobial resistance, the nasal gel formulation, the lack of side effects, and the broad coverage for resistant strains of *S. aureus* as key differentiators.”

Source: BackBay market analysis on XF-73 nasal in US & EU clinicians and payers August 2023

### NTCD-M3 – Prevention of *C. difficile* recurrence

There are ~500,000 cases of CDI in the US annually, resulting in 29,000 deaths and a \$6 billion healthcare burden. Peak sales for the prevention of *C. difficile* infection are >\$1 billion. The recent introduction of two new microbiome therapeutics indicated for the prevention of recurrence of *C. difficile* infections is a huge milestone and will likely lead to the growth of the market and therefore the opportunity, ahead of the approval of NTCD-M3.

	Estimated total cost per patient	Days in hospital
<b>1 episode CDI</b>	\$39,000	7 days
<b>4 episodes CDI</b>	\$187,000	37 days

## Market opportunity continued

The company targets clinically important infections where there is a clear commercial opportunity.

### *Clostridioides difficile* infections ("CDI")

#### Market need

*C. difficile* bacteria are found in the environment, including the human gut and in faeces. Many strains of *C. difficile* produce toxins that cause infectious disease by attacking the gut lining, resulting in diarrhoea, abdominal pain, fever and nausea, known as *C. difficile* infections ("CDI"). Spores from toxic strains of *C. difficile* bacteria from those infected can rapidly spread to other patients in hospitals and care homes. CDI causes multiple diarrhoea events per day, which results in severe health implications, including a high hospital mortality rate of up to 25% in frail, elderly people. The current standard of care does not control recurrence.

The use of antibiotics, such as generic vancomycin, as a first-line therapy disrupts the patient's microbiome and enables toxic forms of *C. difficile* to flourish, leading to a recurrence of CDI.

The two recently introduced faecal matter based therapeutics are likely to be kept in reserve and used to treat patients who have experienced multiple *C. difficile* infection recurrences. This positioning is reinforced by their relatively high pricing, something that will be helpful when NTCD-M3 sets its price post-approval. Additionally, the competitive profile of NTCD-M3 vs these new therapeutics is strong, and the target will be for it to be used earlier in the disease progression, enabling it to access the larger patient population.

#### Market characteristics

CDI is a leading cause of hospital-acquired infection in the US and EU and current antibiotic treatments lead to recurrence of CDI. There are approximately 500,000 cases of CDI within the US each year and approximately 25% of these initial cases then recur within one to three weeks of completing an antibiotic course, resulting in around 29,000 deaths in the US per year alone.

#### Our response

The cost to the US healthcare system is a significant burden, costing approximately \$6 billion each year. CDI is not only a US issue, and it is estimated that there are a similar number of CDI cases in Europe.

Retreatment of recurrent CDI is often done after a course of antibiotics, which often leads to further CDI recurrence and a vicious cycle of re-infection. Our clinical asset NTCD-M3 is targeted at preventing the recurrence of CDI. NTCD-M3 has shown that it can work following the administration of the commonly used antibiotics. Additionally, recent data published in Microbiology Spectrum shows successful NTCD-M3 gut colonisation after the administration of fidaxomicin, one of the newer commonly used antibiotics.

## Market opportunity continued

### Dermal infections

#### Market need

XF-73 is also being developed as a new treatment for serious wound infections such as those associated with diabetic foot ulcer infections ("DFUs") and serious burns.

Driven by the growing number of diabetics and associated complications such as DFUs, this represents a significant market opportunity for XF-73. The company's China regional partner and investor, China Medical System Holdings Limited ("CMS"), has also established a new dermal programme with XF-73, targeting the prevention and treatment of superficial skin infections caused by bacteria. As with all anti-infectives, AMR is also a concern within these dermal infection markets and the XF platform's "no/low resistance" profile is an additional benefit alongside the targeted product claims for efficacy, especially against MRSA and mupirocin resistant *S. aureus*, and safety.

#### Market characteristics

There is no dominant treatment for DFUs and serious burns, and specialist physicians are therefore working to find better treatment options, including topical formulations.

#### Our response

The target product profile of XF-73 tested favourably with dermal clinicians looking for better treatments for burns/wound infections and diabetic foot ulcers.

### COVID-19

#### Market need/Market characteristics

The need for treatments for COVID-19 has significantly reduced due to new therapies.

#### Our response

Destiny Pharma has decided not to extend its collaboration agreement with SporeGen after it concludes in April 2024, and to focus its resources on the development of the XF platform and its other key pipeline programmes.

## Market opportunity continued

### Antimicrobial resistance

#### Market need

Infections caused by antimicrobial resistant ("AMR") strains of bacteria, including MRSA, continue to rise at an alarming rate. They pose a threat to humanity. Antibiotics represent the foundation for all modern medicine. However, this has been taken for granted and now we find that bacteria have become resistant to almost every antibiotic developed by man and a large number of bacterial infections are now caused by AMR strains. These AMR bacteria are harder to treat, cause greater mortality, and cause additional and spiralling upward cost to the healthcare system.

#### Market characteristics

Unless action is taken to address this huge global issue, the Independent Review on Antimicrobial Resistance (Lord O'Neill) estimates that it will cost the world an additional ten million lives a year by 2050, more than the number of people currently dying from cancer annually.

It will also have a cumulative cost of \$100 trillion, more than one and a half times annual world GDP today.

#### Our response

New antibiotics will "buy time", however, perhaps more importantly we need to adopt strategies that may reduce the emergence of AMR strains. At Destiny Pharma, one such strategy is being developed in the form of a new group of antibacterial drugs, "the XF drug platform", whose novel, ultra-rapid mechanism endows them with the extraordinary ability to reduce the chance of bacteria becoming resistant to their action. Our NTCD-M3 programme also addresses the threat of AMR as it is targeted at reducing the recurrence of *C. difficile* infections, and in doing so, it reduces the need for related antibiotic use.

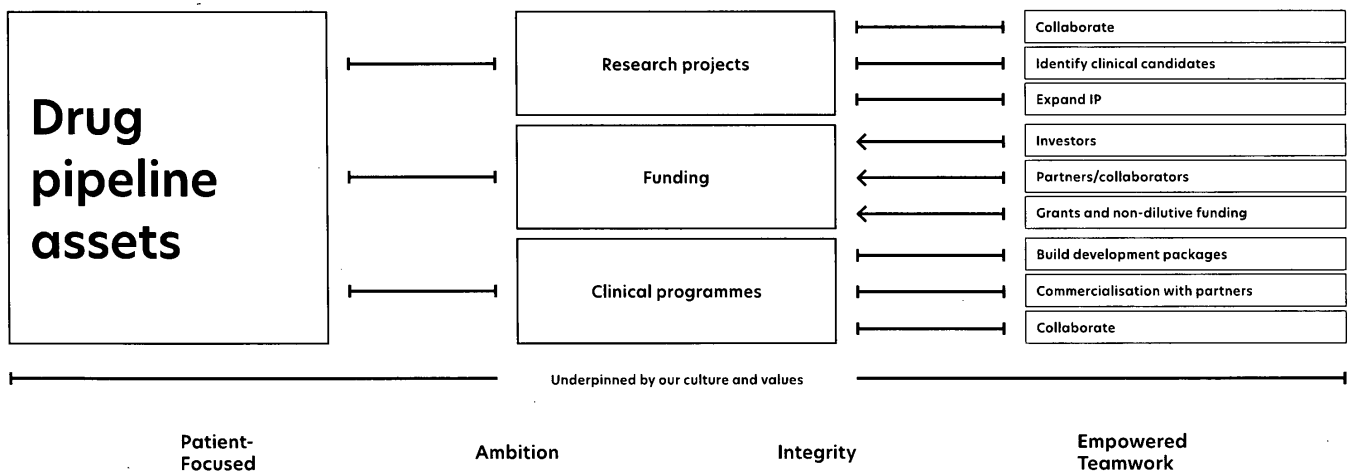
**WHO lists antibiotic resistance as a top global concern**

**UK and US governments started new initiatives in 2020 to support drug development addressing AMR**

**Broad coverage for resistant strains of *S. aureus* is a key differentiator for XF-73**

# Business model

Building shareholder value through smart drug development.



You can read more about our culture and values on page 22

## Business model continued

**A clear strategy to deliver medicines to benefit patients.**

### Focus

Destiny Pharma is committed to developing new drugs that will be a significant improvement on current anti-infectives and that will be part of the global imperative to address AMR. Destiny Pharma does not intend to build a sales and marketing infrastructure so will keep its focus as a "drug development engine" in its chosen therapeutic areas. Destiny Pharma has proven it can develop intellectual property, identify lead candidates and bring selected compounds through early testing and clinical development to be ready for late-stage clinical trials and regulatory approval.

### Commercialisation

Whilst Destiny Pharma takes great care to assess the needs of the clinician in the anti-infectives sector, it also investigates the commercial considerations, looking at potential market volumes, competitor considerations and pricing implications. The reports produced guide the portfolio review and the selection of target indications. Destiny Pharma is looking to partner later-stage Phase 3 projects with expert sales and marketing companies who can support the later-stage clinical trials and commercialisation.

### Funding

Destiny Pharma has a track record of raising funds in both private and public markets and funding its development programmes through licencing deals. The company also seeks to leverage these sources of funding with non-dilutive funding for its earlier stage programmes. Five grants and other non-dilutive funding awards totalling over £3 million have been won since the IPO in September 2017. Destiny Pharma is funded through to Q1 2025 and will continue to seek the most appropriate funding and partnerships that may generate cash income and/or bring funding support to collaborative projects.

### Collaborations

Destiny Pharma is committed to reach out and work with sector specialists at all stages of the drug research and clinical development process where such collaborations will advance projects and deliver shareholder value. These currently include in-licensing deals such as NTCD-M3, business collaborations (such as China Medical Systems), grant-funded university research partnerships, formulation development and projects examining our drug candidates' interaction with other anti-infectives or potentiation mechanisms.

## Our strategy in action

The company has made solid progress in 2023.

	Progress in period under review	Targets for 2024 and beyond
<b>Build</b>	The company has made progress on all pipeline projects in 2023 further reinforcing the effectiveness of XF-73 against a wide range of clinically relevant and geographically disparate <i>S. aureus</i> isolates, including resistant strains and strengthened the commercial proposition. Delivered positive pre-clinical safety results for XF-73 dermal from the study conducted with NIAID. Produced encouraging early results that highlight the potential for drugs from the XF platform in treating fungal infections.	The priority is to continue to develop the current pipeline with a major focus on progressing XF-73 nasal into Phase 3 clinical studies. 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 to determine how best to support the company's advancement of the programme.
<b>Focus</b>	Retained focus on infection prevention and selecting new assets with a clear clinical need and clear commercial opportunity.	We will remain focused on infection prevention and speciality markets and on progressing our lead assets towards approval and commercialisation.
<b>Develop</b>	The Phase 3 preparation for NTCD-M3 and XF-73 nasal continued and the earlier XF pipeline and projects progressed.	Manufacture NTCD-M3 clinical trial material so partner can start clinical studies. Continue manufacturing process development for XF-73 nasal and prepare for Phase 3 study.
<b>Partnerships</b>	China Medical Systems continue to progress on the XF-73 dermal project in China. Partnering deal for NTCD-M3 signed in early 2023 with Sebela Pharmaceuticals. Finalised the grant-funded work on SPOR-COV in 2023 and progressed work to publication.	Add new commercial and grant-funded collaborations in 2024, especially related to the two lead clinical programmes.
<b>Value creation</b>	Developing medicines that prevent life-threatening infections.	The pipeline offers significant opportunities for future value creation. This will be driven by the progress of the two lead clinical programmes and primarily by XF-73 nasal.

## CEO's operational and strategic review

Priority is to accelerate value realisation, particularly in the XF-73 nasal programme.

**Chris Tovey**  
Chief Executive Officer

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. My priority now is to secure progression of this programme into Phase 3 clinical study in order to enable the company to capitalise on the significant and important potential of XF-73 nasal.

There are many millions of hospital operations in the US alone where a new drug is needed to help prevent post-surgical infections in patients.

There have also been several independent papers published in recent years from experts in the US, Europe and Asia that support the clinical need for XF-73 nasal and the market potential of such a preventative approach.

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 AMR.

The company's XF intellectual property is well established. Destiny Pharma has over 60 granted patents, covering novel mechanism of action and bacterial biofilm action. Destiny Pharma is looking to expand its intellectual property portfolio.

The Board believes that the increasing governmental pressure and financial incentives that are being implemented by leading institutions such as the WHO, UN, FDA and G7/G20 will further increase the options available for profitable commercialisation and the generation of shareholder value.

The UK and US governments have been taking the lead here by introducing new regulations with clear financial incentives that may be available for novel anti-infectives such as those being developed by Destiny Pharma.

### The key potential benefits of the XF platform are significant:

- ultra-rapid bacteria kill: Studies have shown the XF drugs killing bacteria *in vitro* in less than 15 minutes; faster acting than standard antibiotics currently in use;
- ability to kill bacteria in any growth phase: This is an important feature as bacteria are not always actively growing. XF drugs can kill bacteria even when dormant;
- ability to kill bacteria within bacterial biofilms: Biofilms are an increasing problem that are inadequately treated by current drugs as they act as a protective barrier for bacteria. They are associated with indwelling medical devices;
- active against all gram-positive bacteria tested to date and selected gram-negative bacteria: This includes clinically important and infection-causing strains, such as: *Staphylococcus aureus* (including MRSA), *Listeria monocytogenes*, *Propionibacterium acnes*, Group G *Streptococcus*, *Mycobacterium tuberculosis*, *Streptococcus pneumoniae*, *Bacillus anthracis*, *Yersinia pestis*, *Acinetobacter baumannii*, *Pseudomonas aeruginosa* and *Clostridium difficile*; and
- no bacterial (MRSA) resistance found to date: No bacterial (MRSA) resistance was seen to emerge in a landmark *in vitro* study of bacterial resistance that compared XF-73 to standard antibiotics currently in use.

## CEO's operational and strategic review continued

### Exeporfinium chloride (XF-73) nasal gel dosed over 24 hours prior to surgery significantly reduced *Staphylococcus aureus* nasal carriage in cardiac surgery patients: Safety and efficacy results from a randomized placebo-controlled Phase 2 study.

Published online by Cambridge University Press: 23 March 2023

Julie E. Mangino, Michael S. Firstenberg, Rita K.C. Milewski, William Rhys-Williams, James P. Lees, Aaron Dane, William G. Love and Jesus Gonzalez Moreno

#### 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.

QIDP status identifies XF-73 nasal as a drug that is intended to treat serious or life-threatening infections, including those caused by antibiotic resistant pathogens. The FDA also awarded XF-73 nasal Fast Track status in 2019, recognising it as a priority drug for US development.

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.

Landmark outcome studies (Bode *et al*) have demonstrated that reduction of all strains of *Staphylococcus aureus* can significantly reduce the post-surgical infection rate by 60% and reduce mortality.

In response to these and other findings, the US Surgical Infection Society ("SIS"), the Society for Hospital Epidemiologists of America ("SHEA"), the Infectious Disease Society of America ("IDSA") and the American Society of Hospital Pharmacists ("ASHP") published guidelines recommending that in the US all *Staphylococcus aureus* (including MRSA) carriers should be decolonised in all cardiovascular and most orthopaedic surgeries.

AHRQ/IDSA/SHEA recommended an even more aggressive treatment strategy, universal decolonisation ("UD") of all intensive care unit ("ICU") patients without screening, awarding a Grade I (highest) level of evidence rating. US hospital groups, including the Hospital Corporation of America, are now implementing UD for all patients entering the ICU.

In 2020, the Journal of the American Medical Association ("JAMA") published updated guidelines that instruct US surgeons to perform topical intranasal decolonisation prior to surgery with the highest strength, 1A recommendation.

This publication advocates improving recovery after surgery and the recommendation was clear that topical therapy be applied universally to all cardiac surgical patients, not only *Staphylococcus aureus* carriers.

This is clear support for the approach proposed by Destiny Pharma with XF-73 nasal gel.

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).

## CEO's operational and strategic review continued

**"It is highly recommended that US surgeons perform nasal decolonisation prior to surgery on all cardiac surgical patients. Rating 1A - the highest possible."**

Guidelines for Perioperative Care in Cardiac Surgery: Enhanced Recovery After Surgery Society Recommendations – Daniel T. Engelman, MD; Walid Ben Ali, MD; Judson B. Williams, MD, MHS; et al 2020.

**There are 41 million surgeries per year in the US, 15% at high risk of developing *Staphylococcus aureus* infections.**

### **The medical need to combat surgical infections is significant** continued

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. Studies could commence as early as 2025 depending on the identification of an appropriate partner or other route to advance the programme.

### **The commercial opportunity for XF-73 nasal is over \$1 billion dollars**

There is a significant market for a new drug that can assist in the "prevention of post-surgical staphylococcal infections", particularly in the US. There are approximately 41 million surgeries per year in the US alone, all of which expose patients to the risk of post-surgical infections.

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".

The most recent independent market reviews carried out in 2019 and 2022 updated the company's understanding of current US and EU clinical practice, the competitor environment for the proposed XF-73 nasal gel formulation, pricing sensitivities and the payers' assessment of the target product profile ("TPP") of XF-73 nasal.

The study conclusions were very encouraging and reported that the sample of US/EU prescribers (surgeons, infectious disease specialists and ICU specialists) and payers (hospital medical directors, pharmacy services directors, microbiologists and clinical directors) who were consulted confirmed that XF-73's target product profile is superior when compared to existing treatments.

This included off-label use of the antibiotic mupirocin in US, with the conclusion in both the US and EU being that XF-73 nasal has the potential to replace mupirocin as the preferred treatment. There was also strong support for a pricing strategy that could be at the higher end of previous assumptions.

### **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.

# CEO's operational and strategic review continued

## XF-73 nasal on track to deliver compelling target product profile ("TPP")

Ideal nasal decolonisation product attributes	XF-73 nasal TPP claims	Evidence	
Easy to apply, well tolerated gel	Specifically designed for nose. Non-irritant, good compliance	Seven clinical studies including Phase 1 dermal sensitivity/irritancy. Plus latest Phase 2b safety data	✓
Fast acting, targeting all <i>S. aureus</i> strains (including MRSA) and killing for period of risk	All antibiotic strains of <i>S. aureus</i> including MRSA/biofilms. Rapid <15-minute kill. Novel mechanism of action ("MOA")	Extensive microbiology updated on a regular basis. Several published papers. Phase 2b shows high efficacy after four doses in 24 hours	✓
Easy and flexible to use in hospital environment, good compliance and required supply chain considerations (storage temp etc.) minimal	Targeted, topical delivery with minimal systemic absorption limits side effect potential combined with a short dosing regimen	Phase 2b trial data and feedback. Market research studies	✓
Stable, low-cost product	Stable gel stored at room temperature. Mature production process	Multi-kg process established. Pricing tested by market research. Low COGS forecast	✓
Addresses AMR threat	Does not create resistance/superbugs. <i>S. aureus</i> /MRSA not resistant to XF-73 and likely reduces post-operative antibiotic use	Published "passage" studies supported by peer reviews and testing of clinical samples. Phase 2b trial data	✓

## Guidelines and expert reviews support need for XF-73 nasal gel

**"Perform topical intranasal decolonisation prior to surgery" (highest level recommendation).**

**For enhanced recovery after surgery it is recommended that topical therapy be applied universally to all cardiac surgical patients, not only *S. aureus* carriers.**

Guidelines for Perioperative Care in Cardiac Surgery: Enhanced Recovery After Surgery Society Recommendations (Engelman et al 2019)

**New Asian guidelines recommend decolonisation of *S. aureus* in surgical patients to prevent surgical site infections.**

**Guidelines warn of issue of antibiotic resistance, highlighting the need for new approaches.**

APSIC Guidelines for the Prevention of Surgical Site Infections (Ling et al 2019)

**Global mupirocin-resistant *S. aureus* prevalence has increased to 7.6% and mupirocin-resistant MRSAs significantly increased to 13.8%.**

**Monitoring of mupirocin-resistance development remains critical.**

Mupirocin resistance in *Staphylococcus aureus*: A Systematic Review and Meta-analysis (Dodashi et al 2019)

## CEO's operational and strategic review continued

### Exclusive collaboration and co-development agreement for NTCD-M3 signed with Sebela Pharmaceuticals worth up to \$570 million plus royalties.

Partnership with Sebela will finance the future clinical development and commercialisation costs of NTCD-M3 in North America.

Destiny Pharma retains majority rights for Europe and ROW.

Key strategic target achieved for NTCD-M3.

#### Our biotherapeutic programmes and the human microbiome

The focus on the human microbiome represents a paradigm shift that affects every aspect of biomedicine: our gut bacteria control health, disease and drug responses throughout the body, and can themselves be a novel type of medicine. The microbiome therefore has the potential to be a major new therapeutic modality. We are very excited by the potential of NTCD-M3.

#### 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-toxicogenic 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.

### Total annual CDI hospital management required nearly 2.4 million days of inpatient stay. This is a significant burden on the US healthcare system.

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.

Market research with patients and physicians confirmed the commercial preference for a solid dose oral formulation. 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 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 developments 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.

## CEO's operational and strategic review continued

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), and an excellent safety profile and addresses the key challenge of AMR. The target market in the US alone represents a ~\$1 billion sales opportunity.

### NTCD-M3 mechanism of action harnesses the human microbiome

The CDI market for Europe and the rest of the world is estimated by Destiny Pharma to be a similar size, so global sales per annum of c.\$0.5 billion could be achieved, although the recent introduction of new high-price microbiome therapeutics, particularly in the US, is expected to grow the market size.

There is also the potential for additional indications (prevention/multiple recurrence) that could double the global peak sales to c.\$1 billion per annum.

The extra costs of care in the US per CDI patient range from \$10,000 to \$20,000, and the total annual CDI-attributable cost in the US alone was estimated in 2016 at \$6.3 billion.

Total annual CDI hospital management required nearly 2.4 million days of inpatient stay. This is a significant burden on the US healthcare system.

### In summary, the key advantages of NTCD-M3 are:

- clinical data shows potential to be superior to all current treatments and drugs in development;
- can be used as an adjunct to any standard of care CDI antimicrobial/antibiotic therapy;

- strong safety profile, simple to administer as a solid capsule once daily and rapidly effective;
- avoids concern about the long-term safety of permanently altering the microbiota of patients who receive FMT since NTCD-M3 has a maximum detection period in the stool of 22 weeks, an indication that the patient's own microbiota has recovered;
- single bacterial spore strain;
- not derived from faecal matter, therefore no risk of transmission of infectious agents or allergens; and
- low cost of goods, long shelf life, lower treatment costs.

### 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 both play 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 to determine how best to support the company's advancement of the programme.

The partnering deal for NTCD-M3 announced with Sebelo 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

## Financial review

**We demonstrated our ability to generate significant value from our assets, partnering NTCD-M3, whilst further clarifying the exciting market opportunity for XF-73 nasal.**

**Shaun Claydon**  
Chief Financial Officer

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.

Good collaborative and operational progress has been made since signing the deal, with our current focus on optimising CMC process development and clinical trial supplies needed to complete remaining clinical development to be carried out and funded by Sebela.

Progress was also made across our earlier programmes, which are largely grant funded. This included publication of positive pre-clinical data for both of our active dermal programmes. In addition, a recent publication highlighted the potential of our XF platform for the management of topical fungal infections, supporting the development of new drugs from the platform.

In order to strengthen the leadership team, we announced a number of Board changes during the second half of the year, welcoming Sir Nigel Rudd as Chair and Chris Tovey as Chief Executive Officer.

### 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.

### Loss on ordinary activities before tax

Loss before tax for the year was £6.4 million (2022: £7.7 million).

## Financial review continued

### 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.

### Loss per share

Basic and diluted loss per share for the year was 6.2 pence (2022: 9.3 pence).

### 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), providing a cash runway until Q1 2025. Details of the Directors' assessment on going concern is provided in note 1 to the financial statements.

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.

### Outlook

Our focus will be on advancing XF-73 nasal towards commencement of Phase 3 studies as quickly as possible. The Board are now undertaking a review of strategic options to determine how best to support the company's advancement of this programme. We will also continue to optimise the CMC process and clinical trial supplies for the NTCD-M3 clinical programme, being run and funded by our partner, Sebela, and will develop our early-stage pipeline. We remain focused on maintaining a disciplined cost base appropriate for the current size and stage of development of the company.

**Shaun Claydon**  
Chief Financial Officer  
24 April 2024

# Environmental, social and governance report (“ESG”)

## Introduction

This report provides details on our ESG progress and reflects our commitment to transparency.

### Our approach to ESG

Destiny Pharma is committed to operate as a responsibly minded business. Environmental, social, governance (“ESG”) practices are integrated into our long-term business strategy. We seek to reduce the impact of the company on the environment, make a positive social contribution and to operate with the highest levels of integrity and governance.

The purpose of the ESG report is to help stakeholders understand the company's position on these key non-financial areas. Environmental, social and governance matters continue to be covered throughout the Annual Report. The ESG report is designed to both bring together ESG information and to further explain our ESG strategy, policies and activities.

### Our values

These values were developed through consulting with all employees; they describe who we are, how we work and what we set out to achieve. Through these values we have defined our approach to ESG:

#### Patient-Focused

We put the patient first to maintain perspective and to drive success.

#### Ambition

We are a forward-looking company that aims to deliver novel, “best-in-class” medicines to change lives for the better.

#### Integrity

We strive for the highest standards in all that we do and hold ourselves accountable for our actions.

#### Empowered Teamwork

We believe that empowered individuals create a strong team. We treat everyone with respect, encourage everyone to have a voice and we work to create an open culture.

### Impact

We are focused on delivering novel medicines for the prevention of life-threatening infections and where currently available therapy does not adequately address significant unmet need. Once launched, these medicines will improve outcomes for patients and have a positive impact on society. Our estimates suggest that when used, our medicines save lives and save costs. Details of the conditions that we set out to treat are in the market opportunity section of this report on pages 6 to 10.

## Environmental, social and governance report ("ESG") continued

# Environmental

We recognise our responsibility to minimise the impact the company's activities have on the environment and reducing our carbon emissions.

### Our work environment

We operate a flexible working model with a head office in Brighton and employees based across the UK and abroad. Our employees can combine working from home with office-based attendance in a flexible manner. This approach allows us to employ the best people, regardless of their location. Technology, including video meetings, helps us to minimise the impact of travel whilst face-to-face contact is still available and encouraged both in Brighton and at serviced co-working hubs to maintain connection and benefit the business. Like many businesses, we are continuing to determine the most effective balance for our business and our people.

9 of 15  
homeworkers  
(at 31 December 2023)

■ Home = 9 ■ Office = 6

### Travel

Our travel policy encourages employees to consider the environmental impact of their mode of travel as well as the cost. The table below provides a summary of business travel by year. Reported figures are for privately owned vehicles used for business trips by employees and flights booked for business purposes for employees and consultants. We aim to minimise the amount of business travel, report these metrics and monitor our performance.

	2023	2022	Change
Mileage staff (excluding NEDs)	4,017	7,698	(48%)
Miles driven per employee per annum <sup>(1)</sup>	219	379	(43%)
Distance flown (miles)	64,561	130,779	(51%)
Miles flown per employee per annum <sup>(1)</sup>	3,479	6,442	(46%)
Mainline rail (miles)	9,504	11,195	(15%)
Train miles per employee per annum <sup>(1)</sup>	511	552	(7%)

(1) Based on average staff numbers excluding NEDs of 18.6 in 2023 and 20.3 in 2022.

# Environmental, social and governance report ("ESG") continued

## Environmental continued

### Waste management

We ensure that we take advantage of as many opportunities to reduce waste as possible. We benefit from the services of Sussex Estates and Facilities at our offices at Sussex Innovation Centre (University of Sussex)<sup>(1)</sup>. The latest performance metrics report that 94% of waste processed on site was recycled or used for energy recovery (2022: 98%). We are reviewing how our waste management policies can be applied to those working from home.

We comply with all regulations covering the processing and disposal of chemical waste, biological materials and laboratory waste by using qualified licensed contractors for the collection and disposal of these materials.

### Energy consumption

We are mindful of the impact our facilities, activities and travel have on the environment. At our offices, 38% of the total energy consumed was from low-carbon sources in the last reported period (2022: 35.4%). Nationally, 20.7% of energy was supplied from low-carbon sources in 2023 (Department for Energy Security & Net Zero).

Our flexible working policy helps to reduce travel and reduces our overall fuel consumption.

We are working to create ways employees can reduce their home energy consumption where possible.

#### Total carbon emissions (CO<sub>2</sub> kg)<sup>(2)</sup>

Sources of emissions	2023	2022	Change
<b>Travel</b>			
Business travel vehicles	1,122	2,151	(48%)
Business travel rail	537	635	(15%)
Business travel plane	20,028	39,483	(49%)
<b>Business travel total</b>	<b>21,688</b>	<b>42,268</b>	<b>(49%)</b>
<b>Facilities</b>			
Own facilities gas	3,284	3,753	(13%)
Own facilities electricity	477	546	(13%)
<b>WFH staff<sup>(4)</sup></b>	<b>12,544</b>	<b>12,266</b>	<b>2%</b>
<b>Facilities total</b>	<b>16,305</b>	<b>16,565</b>	<b>(2%)</b>
<b>Total</b>	<b>37,993</b>	<b>58,834</b>	<b>(35%)</b>
<b>Total per employee per annum<sup>(3)</sup></b>	<b>2,044</b>	<b>2,898</b>	<b>(29%)</b>

(1) Figures taken from the latest available University of Sussex Annual Sustainability Reports. The figures reported are not coterminous with the accounting period of the company. The 2023 Annual Sustainability Reports includes data on the academic year 2021/22.

(2) Calculations include some estimates and use average emissions figures (sources include travel management agents and UK Government agencies).

(3) Based on average staff numbers excluding NEDs of 18.6 in 2023 and 20.3 in 2022.

(4) WFH figures days based on contractual arrangements.

# Environmental, social and governance report (“ESG”) continued

## Social

We aim to deliver positive benefits to the community and to operate in a socially responsible way.

### Product development and clinical studies

We have a comprehensive and very effective quality management system which ensures that the development of our products complies with industry accredited regulations, guidelines and to the highest standards.

The clinical studies we carry out are designed with patient safety as a paramount concern. The protocols for our studies are agreed with relevant regulatory authorities, ethics committees and institutional review boards, before any patients are enrolled to participate.

Destiny Pharma is a member of the BEAM Alliance, an EU SME group focused on promoting antimicrobial drug development, and we are represented on the expert advisory board of the Global AMR Innovation Fund (“GAMRIF”), expert advisory panel of the UKRI Task Force for COVID-19 Research and Innovation funding and member of the UKRI UK-China One Health for Epidemic Preparedness working group.

### Equality, inclusion and diversity

We are committed to providing equal opportunities for our employees, irrespective of gender, race, religion, national origin, disability or any other personal characteristics, and embrace diversity in all forms. Further details on our employment and corporate culture can be found on page 35 of this report.

### Stakeholder engagement

We invest significant time in understanding the interests of our different stakeholders and in engaging with them. Details of how we engage with key stakeholders are set out on pages 29 and 30 of this report.

**Workforce by gender**  
(at 31 December 2023)

■ Male = 10    ■ Female = 5

**Workforce by age**  
(at 31 December 2023)

■ 40-49 years = 3    ■ 50-59 years = 8  
 ■ 60-69 years = 1    ■ 70-79 years = 1  
 ■ 30-39 years = 2

**Workforce by years of service**  
(at 31 December 2023)

■ 0-1 year = 1    ■ 10+ years = 4  
 ■ 2-5 years = 10

# Environmental, social and governance report ("ESG") continued

## Governance

We are committed to the highest standards of conduct and integrity in our business activities.

The Board assesses the company's risks and opportunities, both environmentally and socially, ensures the company is resilient to potential future changes and develops and delivers on policies that fulfil the company's environmental and social objectives.

ESG is a standing item on Board meeting agendas. Information can be found in the governance section of this report on pages 31 to 45 which sets out the responsibilities of the Board and covers key areas of how the company is directed. Pages 27 and 28 of this report provide details of how we manage key risks.

### Areas we want to improve

We strive to improve our governance and keep social and environmental matters a high priority in our decision making. We will continue to disclose key metrics and targets that we use in KPIs to assess and manage these goals.

The environmental, social and governance report has been approved by the Board and is signed on its behalf by:

**Shaun Claydon**  
Chief Financial Officer  
24 April 2024

## Risks and uncertainties

Destiny Pharma's business is subject to a number of risks and uncertainties in common with other biotechnology companies operating in the field of drug research and development.

### **F** Financial

- Financial risks which may impact on the sustainability or liquidity of the company – affected by internal or external risks.

### **C** Commercial

- Commercial risks which may have an impact on the company's ability to commercialise its products and deliver value to shareholders.

### **O** Operational

- Operational risks which may impact on the company's ability to deliver on its objectives.

The management of risk is a key responsibility of the Board of Directors. The Board ensures all risks are understood and appropriately managed and that a robust risk management process is maintained to identify, quantify, minimise and manage important risks. The company operates a comprehensive risk register, overseen by the Audit Committee, which identifies risks, prioritises them by likelihood and impact, and records the actions needed to mitigate and monitor those risks. The Board is also prepared to act swiftly to formulate contingency plans to manage the situation if any risk materialises.

#### **Operational risk management**

To effectively manage the business, including risks, the company regularly reviews the progress of key activities as follows:

- the Board of Directors meets regularly and reviews operational progress against the company's strategy and key objectives;
- the Audit Committee meets regularly and reviews the risk register and mitigation plans to ensure these remain appropriate; and
- senior management and quality teams meet on a monthly basis to discuss operational progress and, during these meetings, identify and discuss areas of risk and communicate these to the Board as appropriate.

## Risks and uncertainties continued

The principal risks and uncertainties identified by Destiny Pharma in the year ended 31 December 2023 are set out below:

### Principal risk

Risk type:	Change:	Principal risk
<b>F</b>	<b>↑</b>	<b>There is a risk that Destiny Pharma is unable to maintain sufficient working capital to meet its obligations and continue its business for the foreseeable future. Details of the Directors' assessment on going concern is provided in note 1 to the financial statements.</b>
<b>F</b>	<b>↑</b>	<b>Changes to tax legislation may reduce the availability of tax credits on R&amp;D expenditure. This could reduce R&amp;D tax refunds on eligible expenditure and adversely affect the company's cash flow and cash runway.</b>
<b>C</b>	<b>↓</b>	<b>Destiny Pharma may not be able to enter into partnering relationships for the commercialisation of its drug pipeline assets.</b>
<b>O</b>	<b>↓</b>	<b>Significant issues in the chemistry, manufacturing and controls for a programme may force a programme to be abandoned.</b>
<b>O</b>	<b>=</b>	<b>Destiny Pharma may not be able to agree viable clinical trial protocols with the regulators.</b>

### Mitigation

<p>The company regularly reviews working capital projections to give plenty of visibility on requirement and seeks to maintain a low and flexible cost base.</p> <p>The company has, in the past, successfully raised equity funding from existing and new shareholders to fund its activities. A total of £13.8 million was raised via two fundraises in March 2022 and March 2023 to progress the development of its late-stage assets towards commencement of Phase 3 clinical studies and provide additional working capital. In addition, the company has strengthened its Board and management and through its licencing deal with Sebel, funded the remaining development through to commercialisation of NTCD-M3.</p>
<p>The Government confirmed changes to the R&amp;D tax regime in the Autumn Statement 2023, applicable from April 2024. The company, in conjunction with its tax advisers, has reviewed these changes and is taking appropriate steps to ensure the relevant changes are incorporated into operational decision making.</p>
<p>A partnering strategy is in place to identify and secure potential partners. Partnerships have been achieved with Sebel Pharmaceuticals, China Medical Systems and SporeGen Limited.</p> <p>Partnering activities are planned to enable Destiny Pharma to complete the right deal at the right time to deliver shareholder value.</p>
<p>The company has two late-stage clinical assets utilising very different technologies. Should one programme falter, focus would be directed towards the other programme. During 2023 we switched the principal CDMO for NTCD-M3 and have seen improvements in development and manufacturing.</p>
<p>The company has a clear regulatory pathway for NTCD-M3 and for XF-73 nasal in Europe and the US.</p>

Key: **↑** Increase **↓** Decrease **=** No change **F** Financial **C** Commercial **O** Operational

# Our stakeholders

## Striving for high standards.

### Section 172(1) statement

Directors of a company must act in a way that they consider, in good faith, would most likely promote the success of the company for the benefit of its members as a whole, taking into account the factors listed in section 172 of the Companies Act 2006.

Engagement with our shareholders and wider stakeholder groups plays an essential role throughout Destiny Pharma's business. We are aware that each stakeholder group requires a tailored engagement approach in order to foster effective and mutually beneficial relationships.

Our understanding of stakeholders is then factored into boardroom discussions, regarding the potential long-term impacts of our strategic decisions on each group, and how we might best address their needs and concerns.

The Board regularly reviews our principal stakeholders and how we engage with them. The stakeholder voice is brought into the boardroom throughout the annual cycle through information provided by management and also by direct engagement with stakeholders themselves.

The relevance of each stakeholder group may increase or decrease depending on the matter or issue in question, so the Board seeks to consider the needs and priorities of each stakeholder group during its discussions and as part of its decision making.

The table opposite acts as our section 172(1) statement by setting out the key stakeholder groups, their interests and how Destiny Pharma has engaged with them over the reporting period. This should be read in conjunction with the corporate governance report on pages 31 to 45.

### Patients

#### Their interests

- Patients will ultimately benefit from our products.
- Drugs that address patients' unmet needs.
- Improved treatment and prevention options.
- Responding to the challenges of antimicrobial resistance.

#### How we engage

- Ensure patients' needs are reflected in our drug design and our development programmes.

### Employees

#### Their interests

- Training, development and career prospects.
- Health and safety.
- Working conditions.
- Diversity and inclusion.
- Human rights and modern slavery.
- Fair pay, employee benefits.

#### How we engage

- Open and regular informal dialogue.
- Ongoing training and development opportunities.
- Whistleblowing procedures.
- Employee benefits packages.
- Formal annual reviews.
- Board-level engagement on company strategy.

## Our stakeholders continued

### Suppliers & partners

#### Their interests

- Workers' rights.
- Supplier engagement and management to prevent modern slavery.
- Fair trading and payment terms.
- Sustainability and environmental impact.
- Collaboration.
- Long-term partnerships.

#### How we engage

- Initial meetings and negotiations.
- Performance management and feedback.
- Board approval of significant contracts.
- Direct engagement between suppliers and specified company contact.

### Investors

#### Their interests

- Comprehensive review of financial performance of the business.
- Business sustainability.
- High standard of governance.
- Success of the business.
- Ethical behaviour.
- Awareness of long-term strategy and direction.

#### How we engage

- Regular reports and analysis on investors and shareholders.
- Annual Report.
- Company website.
- Shareholder circulars.
- AGM.
- Stock exchange announcements.
- Press releases.
- Analyst research.
- One-to-one meetings.
- Presentations at investor conferences and via online platforms.

### Regulatory bodies

#### Their interests

- Compliance with regulations.
- Worker pay and conditions.
- Gender pay.
- Health and safety.
- Treatment of suppliers.
- Waste and environment.
- Insurance.

#### How we engage

- Company website.
- Stock exchange announcements.
- Annual Report.
- Direct contact with regulators.
- Compliance updates at Board meetings.
- Risk reviews.

### Community & environment

#### Their interests

- Sustainability.
- Human rights.
- Energy usage.
- Recycling.
- Waste management.
- Community outreach and CSR.

#### How we engage

- Oversight of corporate responsibility plans.
- Workplace recycling policies and processes.

The strategic report has been approved by the Board and is signed on its behalf by:



**Chris Tovey**  
Chief Executive Officer  
24 April 2024

# Governance

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# Introduction to corporate governance

The Directors support high standards of corporate governance and consider strong governance to be a key element in the development and success of the company.

## Board of Directors

The Board is responsible for the direction and overall performance of the company with emphasis on policy and strategy, financial results and major operational issues.

During the year, the Board comprised three Executive Directors and the Non-executive Chair, and at least two other Non-executive Directors who are independent of management. Dr Debra Barker was appointed Senior Independent Director during 2023.

A full list of Directors holding office at the date of this Annual Report, together with their skills and experience, is set out on pages 37 and 38. A list of the Directors who served during the year is set out in the Directors' report on page 44 of this Annual Report. James Stearns is an appointee of CMS, a shareholder and strategic partner of the company, and therefore he cannot be regarded as an independent Director. Nigel Brooksby is also deemed non-independent by virtue of his material relationships with certain long-term shareholders.

Notwithstanding these factors, the Board considers that both Mr Stearns and Mr Brooksby offer a diverse range of skills and experience and use their independent judgement to challenge all matters, whether strategic or operational, helping the Board to discharge its duties and responsibilities effectively. The Board considers Sir Nigel Rudd, Dr Debra Barker and Aled Williams to be independent.

## The QCA Code

Destiny Pharma considers that the QCA Corporate Governance Code (the "QCA Code") is the most suitable framework for smaller listed companies and, consequently, formally adopted the QCA Code (2018) during the 2018 financial year, having informally followed its principles since its IPO in September 2017. The Quoted Companies Alliance published its updated QCA Corporate Governance Code (2023) in November 2023. Destiny Pharma will adopt the changes in the 2023 Code for the 2024 financial year.

The Board considers that the company complies with the QCA Code so far as it is practicable, having regard to its size, nature and current stage of development. The Board understands that the application of the QCA Code supports the company's medium to long-term success whilst simultaneously managing risks and provides an underlying framework of commitment and transparent communications with stakeholders.

The following changes to the Board occurred during the year: Neil Clark resigned on 25 May 2023 and Nick Rodgers resigned on 19 July 2023. Sir Nigel Rudd was appointed to the Board on 25 July 2023 and Chris Tovey was appointed to the Board on 1 September 2023.

The table shows how the company addresses the ten principles underpinning the QCA Code:

### Deliver growth

1. Establish a strategy and business model which promote long-term value for shareholders. See "business model" on pages 11 and 12.
2. Seek to understand and meet shareholder needs and expectations. See the "corporate governance" section of our website [www.destinypharma.com](http://www.destinypharma.com) and "our stakeholders" on pages 29 and 30.
3. Consider wider stakeholder and social responsibilities and their implications for long-term success. See the "corporate governance" section of our website and "our stakeholders" on pages 29 and 30.
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation. See "risks and uncertainties" on pages 27 and 28.

### Maintain a dynamic management framework

5. Maintain the Board as a well-functioning, balanced team led by the Chair. See this section.
6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities. See this section and "Board of Directors" on pages 37 and 38.
7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement. See this section.
8. Promote a corporate culture that is based on ethical values and behaviours. See this section and the "corporate governance" section of our website.
9. Maintain governance structures and processes that are fit for purpose and support good decision making by the Board. See the "corporate governance" section of our website and "our stakeholders" on pages 29 and 30.

### Build trust

10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders. See this section, the "corporate governance" section of our website and "our stakeholders" on pages 29 and 30.

# Introduction to corporate governance continued

### The QCA Code continued

The Board considers there to be sufficient independence on the Board given the size and stage of development of the company and that all the Non-executive Directors are of sufficient competence and calibre to add strength and objectivity to its activities and bring considerable experience in scientific, operational and financial development of biopharmaceutical products and companies. The composition of the Board is regularly discussed by the Board and Nomination Committee. Appropriate Directors' and officers' liability insurance has been arranged by the company.

There is a clear separation of the roles of Chief Executive Officer and Chair. The Chair is responsible for overseeing the running of the Board and ensuring its effectiveness. Dr Debra Barker has been appointed Senior Independent Director to support the Chair and provide an additional layer of governance.

The Chair ensures members of the Board receive timely and appropriate information and that effective communication occurs with institutional and other shareholders. The Chief Executive Officer has the responsibility for implementing the strategy of the Board and managing the day-to-day business activities of the company.

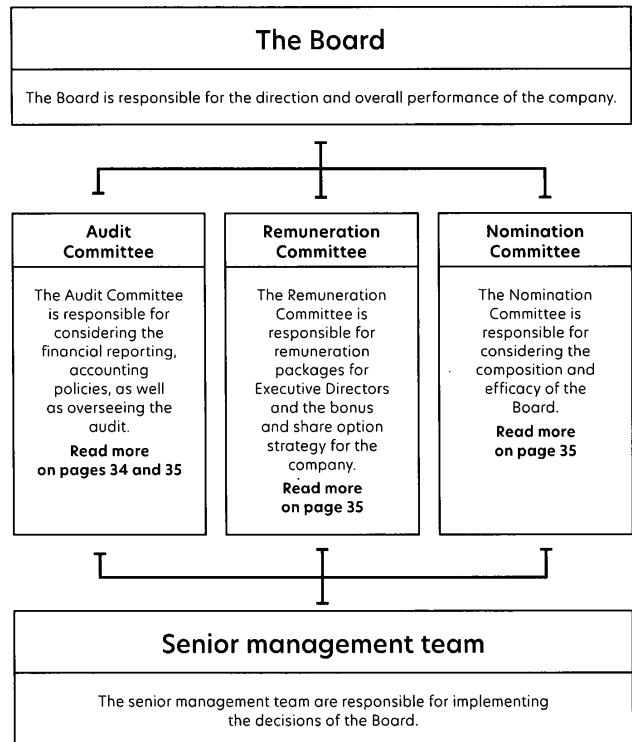
The Board, led by the Chair, is responsible to stakeholders for the proper management of the company and meets at least six times a year.

All relevant information is circulated in good time, together with a formal scheduled agenda covering key areas of the company's affairs, including research and development, strategy, and operational and financial performance, which allows the Board to review and discuss the activities of the business.

In addition to scheduled meetings, the Board convenes other ad hoc meetings, where appropriate, to discuss the activities of the business or other matters. Non-executive Directors are required to devote sufficient time and commitment to fulfil their Board duties, including attending strategy meetings, shareholder meetings and discussions about specific aspects of the business where appropriate. The Board is kept apprised of developments in governance and regulations as appropriate, including regular updates and presentations from the company's nomad and legal advisers.

All Directors are subject to re-election by shareholders at least once every three years. Directors appointed during any year are subject to re-election at the first Annual General Meeting following their appointment. Under recent changes to the QCA Code and in line with best practice, it is intended that re-election of Directors by shareholders will take place every year. This change will first take effect from the company's 2025 Annual General Meeting.

### Governance framework



## Introduction to corporate governance continued

### Attendance at Board meetings

The Directors' attendance at Board and committee meetings over the course of 2023 was as follows:

Director	Board meeting	Audit Committee	Remuneration Committee	Nomination Committee
Sir Nigel Rudd	■ ■ ■ ■	—	—	■
Chris Tovey	■ ■	—	—	—
Shaun Claydon <sup>(1)</sup>	■ ■ ■ ■ ■ ■	■ ■ ■ ■	—	—
Dr William Love	■ ■ ■ ■ ■ ■	—	—	—
Dr Debra Barker	■ ■ ■ ■ ■ ■	—	■ ■ ■ ■	■
Aled Williams	■ ■ ■ ■ ■ ■	—	■ ■ ■ ■	■
James Stearns	■ ■ ■ ■ ■ ■	■ ■ ■ ■	—	—
Nigel Brooksby	■ ■ ■ ■ ■ ■	—	—	—
Nick Rodgers	■ ■ ■	■ ■ ■	■ ■ ■ ■	—
Neil Clark	■ ■ ■ □	—	—	—

(1) Mr Claydon attends Audit Committee meetings but is not a member of the Audit Committee.

■ Attended □ Did not attend

### Board performance evaluation

The Directors consider that the company and Board are not yet of a sufficient size for an external Board evaluation to make commercial and practical sense. However, the Board uses management tools to evaluate Board performance in a systematic manner and has appointed a Senior Independent Director for additional governance.

The Directors are encouraged to suggest changes that they feel would benefit the company, and the company's advisers provide updates on best practice where they think that is appropriate. Concerns can also be directed towards the Chair, who seeks to act as a sounding board for any concerns that Directors may have. As the company grows, the Board will keep under review the need for more formal, external evaluation processes.

### Board committees

The Board has established Audit, Remuneration and Nomination Committees, each with formally delegated duties, responsibilities and written terms of reference. The performance of these committees is reviewed by the Chair of the Committee and the Chair of the Board on a regular basis.

### Audit Committee

The Audit Committee currently comprises two members, who are both Non-executive Directors: Nigel Brooksby (Chair) and James Stearns. Nick Rodgers served on the Audit Committee until his leaving date of 19 July 2023.

The Audit Committee, which meets at least twice a year, is responsible for considering the financial reporting, accounting policies and annual statement, as well as keeping under review the scope and results of the audit, its cost effectiveness and the independence and objectivity of the auditor.

## Introduction to corporate governance continued

### Board committees continued

#### Audit Committee continued

The Committee considers all major accounting issues, judgements or changes to policy. Due to the size of the company, there is currently no internal audit function, although the Audit Committee has oversight responsibility for public reporting, overall good governance and the company's internal controls.

Other members of the Board, as well as the auditor, are invited to attend the Audit Committee meetings as and when appropriate, and the Chair of the Committee also has a direct line of communication with the auditor.

#### Remuneration Committee

The Remuneration Committee currently comprises three members, all of whom are Non-executive Directors: Dr Debra Barker (Chair), Sir Nigel Rudd and Aled Williams. Nick Rodgers served on the Remuneration Committee until his leaving date of 19 July 2023.

The Remuneration Committee, which meets at least twice a year, is responsible for considering the remuneration packages for Executive Directors and the bonus and share option strategy for the company and making recommendations as appropriate. The Remuneration Committee works within the framework of a compensation policy approved by the Board.

The Remuneration Committee is also responsible for reviewing the performance of the Executive Directors and ensuring that they are fairly and responsibly rewarded for their individual contributions to the company's overall performance. The Committee's scope extends to all remuneration of Directors, including bonus and share options.

No Director participates in discussions about his or her own remuneration.

Under recent changes to the QCA code and in line with best practice, the Board intends to provide shareholders with an advisory vote on its remuneration policy for Executive Directors with effect from its 2024 financial year.

#### Nomination Committee

The Nomination Committee currently comprises three members, all of whom are Non-executive Directors: Sir Nigel Rudd (Chair), Dr Debra Barker and Aled Williams. Nick Rodgers served on the Nomination Committee until his leaving date of 19 July 2023.

The Nomination Committee meets at least once a year, is responsible for considering the composition and efficacy of the Board as a whole, and for making recommendations as appropriate. The Committee also considers succession planning for Directors and senior executives to ensure that the requisite skills are available to the Board. The Nomination Committee also seeks to promote diversity of gender, social and ethnic background.

### Conflicts of interest

Each Director has a duty to avoid situations in which he or she has or can have a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the company. The Board requires each Director to declare to the Board the nature and extent of any direct or indirect interest in a proposed transaction or arrangement with the company. The Board has power to authorise any potentially conflicting interests that are disclosed by a Director. Directors are required to notify the Company Secretary when any potential conflict of interest arises.

### Share Dealing Code

The Board has adopted a code on dealings in relation to the securities in the company. Directors and other relevant employees are required to comply with the Share Dealing Code and the Board takes proper and reasonable steps to secure compliance:

### Internal control

The Board is responsible for the effectiveness of the company's internal control and quality systems and is supplied with information to enable it to discharge its duties. Internal control and quality systems are designed to meet the particular needs of the company and to manage rather than eliminate the risk of failure to meet business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The internal control system includes controls covering financial, operational and regulatory compliance areas together with risk management. The principal risks and uncertainties for the company are set out on pages 27 and 28. The company maintains a risk register which is reviewed and updated regularly.

### Employment and corporate culture

The company seeks to maintain the highest standards of integrity and probity in the conduct of its operations. These values are embodied in the written policies and working practices adopted by all employees of the company. An open culture is actively encouraged with regular communications to staff regarding progress and staff feedback is regularly sought. The Executive Directors regularly monitor the company's cultural environment and seek to address any concerns that may arise, escalating these to Board level as necessary.

The Board recognises its legal responsibility to ensure the wellbeing, safety and welfare of its employees and to maintain a safe and healthy working environment for them and for its visitors. A report on how we engage with our stakeholders and consider environmental factors is detailed on pages 29 and 30.

## Introduction to corporate governance continued

### Investor relations

The Board places a high priority on regular communications with its shareholders. The Board as a whole is responsible for ensuring that effective dialogue with shareholders takes place, while the Chair and Chief Executive Officer ensure that the views of shareholders are communicated to the Board as a whole. The Board communicates with shareholders through one-to-one meetings, the announcement of half-year and full-year results, presentations to analysts and through regular updates to the company's website, which contains copies of all financial reports and statements and latest presentations.

The company also presents at private investor events and continues to use video presentations via online private shareholder platforms to reach a wider audience, as appropriate. This ensures that smaller shareholders are able to engage with senior management. Shareholders are able to attend the company's AGM in person or via video conference, which provides an excellent opportunity to engage directly with the Board and discuss the company's strategy and performance in more detail.

### Corporate social responsibility

The Board recognises the importance of assessing the impact and benefits of the company's activities on society, its community and the environment, and endeavours to consider the interests of shareholders and other stakeholders, such as patients, employees, suppliers and business partners, when operating its business. A report on how we engage with our stakeholders and consider environmental factors is detailed on pages 29 and 30.

### UK Bribery Act 2010

The Board has established a bribery policy to achieve compliance with the UK Bribery Act 2010, which came into effect on 1 July 2011. A training programme is in place for all Directors, staff and contractors. Agreements with third parties contain statements that the company and its associates are required to adhere at all times to the UK Bribery Act 2010.

Further details on the company's corporate governance can be found on the "corporate governance" section of the company's website, [www.destinypharma.com](http://www.destinypharma.com).

### Sir Nigel Rudd

Chair

24 April 2024

## Board of Directors

Strong leadership

The Board has a broad range of experience from senior leadership roles in life science, investment and listed companies.

### Sir Nigel Rudd Chair

Sir Nigel Rudd has held various senior management and board positions in a career spanning more than 40 years. He founded Williams plc in 1982, one of the largest industrial holding companies in the United Kingdom, and has since served in leadership roles for companies such as Heathrow, Alliance Boots, Signature, Pilkington, Meggitt and Barclays Bank. Sir Nigel was knighted in 1996 for services to manufacturing and was founding Chairman of the Business Growth Fund from February 2011, when the company was established, to June 2020.

Sir Nigel returned as Chair of Destiny Pharma in July 2023, having previously served as Chair of the company between 2010 and 2018, and having been an investor for 20 years.

### Chris Tovey Chief Executive Officer

Mr Tovey was Chief Operating Officer of GW Pharmaceuticals plc for ten years, helping transition the company from a predominantly R&D company to a fully-fledged commercial business following regulatory approvals of its lead products - which were world-firsts in their space. Following the acquisition of GW Pharma for \$7.2 billion by Jazz Pharmaceuticals, he became Chief Operating Officer and Managing Director of Europe & International until his departure at the end of 2022.

He has over 30 years of commercial leadership and operations experience including at GlaxoSmithKline and UCB, where he was Vice President Head Of Global Marketing Operations. Mr Tovey has worked across a wide range of therapeutic areas including infectious diseases, neurology, oncology, diabetes, respiratory and immunology. Mr Tovey holds a BSc degree in Marine Biology from the University of Liverpool.

### Shaun Claydon Chief Financial Officer and Company Secretary

Mr Claydon is an accomplished corporate financier and qualified Chartered Accountant with over 19 years' board-level experience, including within the biotechnology sector.

He has extensive experience of delivering financial and operating results, and from 2015 served as CFO of Creobills, a venture backed clinical stage specialty pharmaceutical company focused on dermatology treatments, during which he led the \$150 million sale of the business to Sienna Biopharmaceuticals.

From 2009 to 2014, Mr Claydon was CFO and chief operating officer of Orteq Sports Medicine, a medical device company and world leader in the field of biodegradable polymer technologies.

Prior to these positions, Mr Claydon held a number of senior financial consultancy and corporate finance roles, including at HSBC Investment Banking, Evolution Beeson Gregory (now Investec) and PWC.

### Dr William Love Founder and Chief Scientific Officer

Dr Love was a senior scientist at Ciba Geigy/Novartis, focused on novel drug delivery technologies and involved in the development of the world's leading eye-care pharmaceutical, Visudyne. In 1997, Dr Love founded Destiny Pharma and he is the co-inventor of the XF drug platform.

Dr Love is an expert advisory board member of Global AMR Innovation Fund and an expert panellist appointed in 2021 to the UKRI COVID-19 preparedness Task Force for Research and Innovation funding and appointed in 2022 to the UKRI UK-China One Health Epidemic Preparedness expert panel.

Dr Love is the named inventor in more than 80 patents. He has experience in drug R&D from discovery and lead identification, through pre-clinical development and into Phase 1/2 clinical development in the UK, EU and US.

## Board of Directors continued

### Board diversity:

- Male = 7
- Female = 1

### Board tenure:

- 0-5 years = 6
- 5+ years = 2

### Board skills:

- Biotechnology/  
Pharmaceuticals = 6
- Financial = 3
- Business development = 4
- Clinical/Scientific = 2

#### **Dr Debra Barker** Non-executive Director

At Novartis Dr Barker held several senior roles including Head of Development for Anti-Infectives, Immunology and Transplantation. Dr Barker was also the medical lead for Swiss-based anti-infective specialist Polyphor's highly successful IPO on the SIX Swiss Exchange.

#### **James Stearns** Non-executive Director

Mr Stearns serves as the International Chief Investment Officer for China Medical System Holdings, a speciality pharmaceutical company listed on the Hong Kong Stock Exchange. Prior to joining China Medical System Holdings, he spent over 20 years in the financial markets based in both London and New York, latterly as a director in Corporate Advisory at Panmure Gordon with a focus on life sciences.

#### **Aled Williams** Non-executive Director

Mr Williams has more than 25 years of leadership experience across pharma and biotech sectors. He is currently Chief Executive Officer of Entera Pharmaceuticals. Prior to his current appointment, he was Chief Business Officer at Polyneuron Pharmaceuticals and before this served as Chief Commercial Officer at VectivBio. Mr Williams' prior experience includes more than seven years at Shire, where he was Vice President and Global Strategy Head and led three of the rare disease therapeutic areas.

Prior to Shire, he held leadership positions of increasing responsibility at Bristol-Myers Squibb, Novartis and Roche. Mr Williams originally trained in microbiology and started his career working in public health.

#### **Nigel Brooksby** Non-executive Director

Mr Brooksby has held senior strategic and operational roles in the US, Europe, Africa, the Middle East, Latin America and Asia with Sanofi, Pfizer and GSK (Wellcome). He is a past non-executive director of the UK Government's Porton Biopharma Ltd, Chronos Therapeutics Ltd, and the nominated Wellcome Trust Director of several biotechnology companies. Mr Brooksby is a former President of the British Pharma Industry ("ABPI"), a Member of the South Australian Health Board, the CBI's President Committee, the UK Government's Business, Innovation & Skills (now BEIS) Advisory Board and the Chair of the European Medicines Group. In addition, he holds several Global Academic Board and Charity Trustee positions.

## Directors' remuneration report

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the Executive Directors and Chair of the company.

The Committee also recommends and monitors the level and structure of remuneration for senior management. The Remuneration Committee comprises Dr Debra Barker (Chair), Aled Williams and Sir Nigel Rudd.

### Introduction

The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis and is guided by an approved remuneration policy and considers relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality Board and executive team.

The Remuneration Committee additionally links part of key management remuneration to the company's financial and operational performance.

### Components of the remuneration package of Executive Directors

The principal components of the Executive Directors' remuneration packages are base salary, a performance-related bonus in the form of cash and share options, and medium and long-term incentives in the form of performance-based share options, pension contributions and other benefits.

#### Base salary

Base salaries are reviewed annually, taking account of increases awarded to employees, the performance of the company and the individual's skills and experience, and external factors such as salaries in comparable companies and inflation. For the 2024 financial year the Board considered it appropriate to award a 4% increase to the Executive Directors, but to defer payment of this increase until agreed by the Remuneration Committee, with the approval of the Board.

### Performance-related bonus

The Remuneration Committee, in discussion with the Executive Directors, establishes performance criteria at the beginning of each financial year that are aligned with the company's strategic objectives and are designed to be challenging. Annual bonuses are payable at the discretion of the Remuneration Committee.

For the 2023 financial year the Remuneration Committee decided the following:

- bonuses of up to a maximum of 75% of base salary for the Executive Directors could be earned for performance against annual operational, financial and personal objectives;
- 75% of the annual bonus would be by reference to corporate objectives and 25% to individual objectives; and
- any annual bonus for the Executive Directors is payable in cash and share option awards in the following proportions: 50% cash and 50% share option awards. This was amended by the Remuneration Committee at the time of award to 100% in cash.

The 2023 financial year corporate objectives included finalising a partnering deal and associated funding and preparing for Phase 3 pivotal studies for NTCD-M3, finalising the details of the study design and Phase 3 formulation for XF-73 nasal and seeking partners to fund the Phase 3 plan through to commercialisation as well as advancing the early pipeline.

The Executive Directors were awarded 5% of the maximum bonus achievable for the 2023 financial year.

For the 2024 financial year, the Remuneration Committee decided the following:

- bonuses of up to a maximum of 75% of base salary for the Executive Directors based on company performance;
- 100% of the annual bonus would be by reference to corporate objectives; and
- any annual bonus for the Executive Directors is payable in cash and share option awards in the following proportions: 50% cash and 50% share option awards.

## Directors' remuneration report continued

### Components of the remuneration package of Executive Directors continued

#### Performance-related bonus continued

The 2024 financial year corporate objectives include a Phase 3 partnering deal for XF-73 nasal, progressing XF-73 nasal toward commencement of Phase 3 studies, preparing clinical trial material for studies for NTCD-M3, and, advancing the early pipeline.

The number of share options comprised within the deferred bonus award is set on grant at such number equal in value to the portion of bonus being deferred. Such share option awards to Executive Directors will ordinarily vest after two years, subject to continued employment.

#### Long-term incentive plan ("LTIP")

The primary long-term incentive arrangements for Executive Directors are performance share option awards under the LTIP established by the Board on 22 December 2020. Performance share option awards will ordinarily be granted on an annual basis and will vest three years from award subject to the participant's continued service and to the extent to which the performance conditions for the awards are satisfied. Performance awards are set at a maximum of 100% of base salary for the Chief Executive Officer and 80% for other Executive Directors. Performance awards to Executive Directors under the LTIP were made on 18 October 2023 and are detailed in the table on page 42. The performance options awarded to Chris Tovey are pursuant to an agreed equity incentive award on joining the company.

Recovery and withholding provisions may be operated at the discretion of the Remuneration Committee in respect of share option awards under the performance-related bonus plan and the LTIP in certain circumstances (including where there has been a material misstatement of the company's financial statements or in the event of misconduct by a participant).

The company has adopted shareholding guidelines to encourage Executive Directors to build or maintain a shareholding in the company of at least 200% of base salary. Executive Directors will be required to retain 50% of shares from the exercise of deferred bonus awards and LTIP awards (on a net of tax basis) until the shareholding guideline is met.

#### Pension arrangements

Pension is provided to Executive Directors via a cash contribution to the individual's personal pension scheme. The level of pension contribution for Executive Directors is 10% of base salary.

#### Other benefits

Other benefits for Executive Directors include life and critical illness assurance, private medical insurance and income protection.

#### Remuneration of the Chair and Non-executive Directors

It is the company's policy to provide fees that attract and retain skilled individuals with appropriate experience who can add value to the Board. Fees are reviewed on an annual basis to ensure they remain competitive and adequately reflect the time commitments and overall contribution to the role. The Remuneration Committee is responsible for making recommendations to the Board on the fees payable to the Chair. The Board is responsible for determining the fees payable to the company's Non-executive Directors.

The Non-executive Director fees, including the fees of the Chair, were reviewed during the 2023 financial year with no changes implemented from 1 January 2024.

## Directors' remuneration report continued

### Emoluments of Directors

Details of the nature and amount of each element of the emoluments of each Director who served during the year ended 31 December 2023 are as follows:

	Short-term employee benefits £'000	Bonus £'000	Post-employment benefits £'000	Other benefits £'000	Total <sup>(1)</sup> 2023 £'000	Total 2022 £'000
Sir Nigel Rudd <sup>(2)</sup>	34	—	—	—	34	—
Chris Tovey <sup>(2)</sup>	110	—	11	2	123	—
Shaun Claydon	233	9	23	5	270	286
Dr William Love	214	8	21	7	250	265
Dr Debra Barker <sup>(3)</sup>	213	—	—	—	213	41
Aled Williams	41	—	—	—	41	24
James Stearns	41	—	—	—	41	24
Nigel Brooksby	41	—	—	—	41	27
Nick Rodgers <sup>(4)</sup>	66	—	—	—	66	82
Neil Clark <sup>(4)</sup>	422	—	27	5	454	312
Peter Morgan	—	—	—	—	—	10
Dr Huaizheng Peng	—	—	—	—	—	17
<b>Total</b>	<b>1,415</b>	<b>17</b>	<b>82</b>	<b>19</b>	<b>1,533</b>	<b>1,088</b>

(1) Total emoluments include the bonus payable in relation to the year ended 31 December 2023, 100% was settled in cash.

(2) Sir Nigel Rudd re-joined the company on 25 July 2023. Mr Tovey joined the company on 1 September 2023.

(3) Dr Barker's fees included in the table above cover her services as NED, Interim CEO and Interim CMO.

(4) Compensation for loss of office for Neil Clark is included within short-term employee benefits and post-employment benefits. For Nick Rodgers there is compensation for loss of office within short-term employee benefits.

## Directors' remuneration report continued

### Directors' share options and awards

Options in the company's shares held by the Directors holding office at 31 December 2023 are set out below:

Date of grant/award	Exercise price	At 1 January 2023	Granted in the year	Lapsed in the year	At 31 December 2023	Latest vesting date
<b>Executive</b>						
<b>Chris Tovey</b>						
18 Oct 2023 performance option award	£0.01	–	2,453,532	–	2,453,532	18 Oct 2026
		–	2,453,532	–	2,453,532	
<b>Shaun Claydon</b>						
25 Oct 2018 option grant	£0.01	150,000	–	–	150,000	Vested
16 June 2020 option grant	£0.01	125,000	–	–	125,000	Vested
22 Dec 2020 option grant	£0.01	125,000	–	–	125,000	Vested
22 Dec 2020 performance option award	£0.01	261,538	–	(261,538)	–	Did not vest
21 Jan 2021 deferred bonus option award	£0.01	39,230	–	–	39,230	Vested
17 Dec 2021 performance option award	£0.01	151,408	–	–	151,408	17 Dec 2024
24 Jan 2022 deferred bonus option award	£0.01	11,725	–	–	11,725	24 Jan 2024
12 May 2023 deferred bonus option award	£0.01	–	47,100	–	47,100	1 Feb 2025
18 Oct 2023 performance option award	£0.01	–	300,000	–	300,000	18 Oct 2026
		863,901	347,100	(261,538)	949,463	
<b>Dr William Love</b>						
2 June 2017 option grant	£0.01	358,894	–	–	358,894	Vested
22 Dec 2020 option grant	£0.01	125,000	–	–	125,000	Vested
22 Dec 2020 performance option award	£0.01	240,511	–	(240,511)	–	Did not vest
21 Jan 2021 deferred bonus option award	£0.01	45,095	–	–	45,095	Vested
17 Dec 2021 performance option award	£0.01	135,235	–	–	135,235	17 Dec 2024
24 Jan 2022 deferred bonus option award	£0.01	11,501	–	–	11,501	24 Jan 2024
12 May 2023 deferred bonus option award	£0.01	–	43,313	–	43,313	1 Feb 2025
18 Oct 2023 performance option award	£0.01	–	300,000	–	300,000	18 Oct 2026
		916,236	343,313	(240,511)	1,019,038	

The options are exercisable at various dates up to October 2033.

## Directors' remuneration report continued

### Directors' interests

The interests of the Directors holding office at 31 December 2023 in the shares of the company are set out below:

Ordinary shares of £0.01 each	31 December 2023	31 December 2022
Sir Nigel Rudd	2,414,608	2,414,608
Chris Tovey <sup>(1)</sup>	40,000	—
Shaun Claydon	24,286	10,000
Dr William Love <sup>(2)</sup>	6,509,500	6,509,500
Dr Debra Barker	88,461	68,461
Aled Williams	50,000	—
James Stearns	—	—
Nigel Brooksby	348,750	348,750

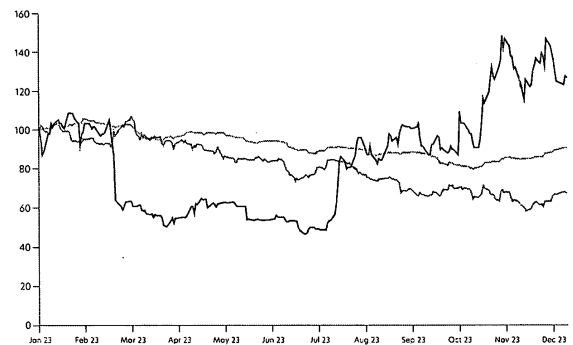
(1) 10,000 of these ordinary shares are held by Mr Tovey directly and 30,000 are held by his wife and two daughters.

(2) 1,017,700 of these ordinary shares are held by Dr Love directly and 5,491,800 are held by his wife.

### Share information

The company's shares were admitted to trading on AIM on 4 September 2017. The market price of the company's shares at the end of the reporting period was 70.0 pence (2022: 53.5 pence) and the range during the period from admission to the end of the reporting period was 25.8 pence to 235.0 pence (2022: 29.5 pence to 235.0 pence) per share.

The Board considers that the FTSE TechMark Medicines Index and the AIM All Share Index are appropriate benchmarks for the performance of its shares and a comparison showing percentage movements in the period is set out below for the year ended 31 December 2023. This chart highlights that Destiny's share price performed ahead of the FTSE TechMark Medicines Index by 88% and the AIM All Share Index by 40%.



■ Destiny Pharma plc    ▨ FTSE TechMark Medicines Index    □ AIM All Share Index

On behalf of the Board.

**Dr Debra Barker**  
Remuneration Committee Chair  
24 April 2024

## Directors' report

The Directors present their report together with the audited accounts of Destiny Pharma plc.

### Directors

Those who served as Directors during the year are:

- **Sir Nigel Rudd**,  
Non-executive Chair;
- **Chris Tovey**,  
Chief Executive Officer;
- **Dr William Love**,  
Founder and Chief Scientific Officer;
- **Shaun Claydon**,  
Chief Financial Officer;
- **Dr Debra Barker**,  
Non-executive Director;
- **Aled Williams**,  
Non-executive Director;
- **James Stearns**,  
Non-executive Director;
- **Nigel Brooksby**,  
Non-executive Director;
- **Nick Rodgers**,  
Past Director; and
- **Neil Clark**,  
Past Director.

### Results

The loss after taxation for the year ended 31 December 2023 was £5.7 million (2022: £6.5 million).

### Directors' interests

Directors' interests at 31 December 2023 in the shares and share options of the company are shown in the Directors' remuneration report on pages 39 to 43.

### Financial instruments

The company's principal financial instruments comprise cash balances, term deposits, and other payables and receivables that arise in the normal course of business. The risks associated with these financial instruments are disclosed in note 16 to the financial statements.

### Research and development

For details of the company's research and development, please refer to the strategic report, which forms part of this Annual Report.

### Future developments

Further information regarding the future developments of the company is contained in the strategic report, which forms part of this Annual Report.

### Directors' liabilities

Subject to the conditions set out in the Companies Act 2006, the company has arranged appropriate Directors' and officers' liability insurance to indemnify the Directors against liability in respect of proceedings brought by third parties. Such provisions remain in force at the date of this report.

### Disclosure of information to the auditor

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors, each Director has taken all the steps that they ought to have taken as a Director in order to have made themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

### Re-appointment of the auditor

In accordance with section 489 of the Companies Act 2006, a resolution to re-appoint Crowe U.K. LLP will be proposed at the next Annual General Meeting.

### Board committees

Information on the Audit, Remuneration and Nomination Committees is included in the corporate governance section of the Annual Report on pages 34 and 35.

### Annual General Meeting

The Annual General Meeting will be held on 12 June 2024 as stated in the notice that accompanies this Annual Report.

By order of the Board.



**Shaun Claydon**  
Company Secretary  
24 April 2024

Destiny Pharma plc  
Company number: 03167025

## Statement of Directors' responsibilities

**The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.**

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with UK-adopted International Accounting Standards.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 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. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

They are further responsible for ensuring that the strategic report and Directors' report, and other information included in the Annual Report and Financial Statements, are prepared in accordance with applicable law in the United Kingdom.

The maintenance and integrity of the Destiny Pharma plc website is the responsibility of the Directors. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Financial statements

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# Independent auditor's report

## to the shareholders of Destiny Pharma plc

### Opinion

We have audited the financial statements of Destiny Pharma plc (the "company") for the year ended 31 December 2023, which comprise:

- the statement of comprehensive income for the year ended 31 December 2023;
- the statement of financial position as at 31 December 2023;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, including significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK-adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2023 and of its loss 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.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material uncertainty related to going concern

We draw attention to note 1 in the financial statements, which indicates that the company will require further funding, either through commercial partnerships or equity fundraising, but there is no guarantee that such funding will be received in the timescale required. As stated in note 1, these events or conditions, along with the other matters as set out in that note, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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. Our evaluation of the Directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included:

- an assessment of the appropriateness of the approach, assumptions and arithmetic accuracy of the budget used by management when performing their going concern assessment for a period of at least twelve months from the date of the approval of the financial statements;
- assessing management's historical record in producing accurate forecasts and budgets;
- assessing management's historical record of obtaining funds and recoverability of outstanding R&D tax balances;
- our challenge of the underlying data and key assumptions used to make the assessment and the results of management's stress testing, to assess the reasonableness of economic assumptions; and
- reviewing the appropriateness of the disclosures in the financial statements.

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

### Overview of our audit approach

#### Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the company's financial statements as a whole to be £275,000 (2022: £300,000), based on a percentage of loss before tax. Loss before tax is the most relevant measure in assessing the performance of the company, and is a generally accepted auditing benchmark.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. Performance materiality was set at 70% of materiality for the financial statements as a whole, which equates to £192,500 (2022: £210,000).

## Independent auditor's report continued

to the shareholders of Destiny Pharma plc

### Overview of our audit approach continued

#### Materiality continued

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and Directors' remuneration.

We agreed with the Audit Committee to report to it all identified errors in excess of £13,750 (2022: £10,000). Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

#### Overview of the scope of our audit

The company's operations are based in the UK at one central location. The audit team performed a full scope audit of the financial statements of the company.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified going concern as a key audit matter and have detailed our response in the section above headed 'Material uncertainty related to going concern'. We have not identified any other key audit matters to be reported.

#### Other information

The Directors are responsible for the other information contained within the Annual Report. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

### Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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
- the financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### Responsibilities of the Directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 45, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors 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.

## Independent auditor's report continued

### to the shareholders of Destiny Pharma plc

#### Auditor's 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 auditor's 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:

We obtained an understanding of the legal and regulatory frameworks within which the company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, by making enquiries of management and those charged with governance. The laws and regulations we considered in this context were the Companies Act 2006, taxation legislation (including in relation to claims for R&D tax credits) and the regulatory and legislative environment relating to the running of clinical trials. Technical, clinical or regulatory laws and regulations which are inherent risks in drug development are mitigated and managed by the Board and management in conjunction with expert regulatory consultants in order to monitor the latest regulations and planned changes to the regulatory environment. We corroborated our enquiries through our review of board minutes and other information obtained during the course of the audit.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management. Our audit procedures to respond to these risks included:

- Enquiries of management about their own identification and assessment of the risks of irregularities by gaining an understanding of the controls that management has in place to prevent and detect fraud;
- Sample testing on the posting of journals and reviewing accounting estimates for biases; and
- Gaining an understanding of and testing significant identified related party transactions.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Steve Gale*

**Steve Gale**  
(Senior Statutory Auditor)  
for and on behalf of Crowe U.K. LLP  
Statutory Auditor  
London  
24 April 2024

# Statement of comprehensive income

For the year ended 31 December 2023

	Notes	Year ended 31 December 2023 £	Year ended 31 December 2022 £
<b>Continuing operations</b>			
Licence fee income	6	831,552	—
Other operating income	7	—	154,499
Administrative expenses	8	(7,092,067)	(7,397,014)
Share-based payment expense		(475,479)	(533,829)
<b>Loss from operations</b>		<b>(6,735,994)</b>	<b>(7,776,344)</b>
Finance income	3	289,756	64,800
<b>Loss before tax</b>		<b>(6,446,238)</b>	<b>(7,711,544)</b>
Taxation	5	789,202	1,207,975
<b>Loss and total comprehensive loss for the year from continuing operations</b>		<b>(5,657,036)</b>	<b>(6,503,569)</b>
<b>Loss per share - pence</b>			
Basic	9	(6.2)p	(9.3)p
Diluted	9	(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 £
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	19,235	24,621
Intangible assets	11	2,341,469	2,261,435
<b>Non-current assets</b>		<b>2,360,704</b>	<b>2,286,056</b>
<b>Current assets</b>			
Other receivables	12	899,725	1,410,452
Prepayments		314,452	195,814
Cash and cash equivalents	13	6,382,603	4,903,461
<b>Current assets</b>		<b>7,596,780</b>	<b>6,509,727</b>
<b>Total assets</b>		<b>9,957,484</b>	<b>8,795,783</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	14	952,719	733,071
Share premium		39,568,625	33,043,569
Accumulated losses		(31,332,176)	(26,150,619)
<b>Shareholders' equity</b>		<b>9,189,168</b>	<b>7,626,021</b>
<b>Current liabilities</b>			
Trade and other payables	15	768,316	1,169,762
<b>Current liabilities</b>		<b>768,316</b>	<b>1,169,762</b>
<b>Total equity and liabilities</b>		<b>9,957,484</b>	<b>8,795,783</b>

The financial statements, accompanying policies and notes 1 to 20 (forming an integral part of these financial statements), were approved and authorised for issue by the Board on 24 April 2024 and were signed on its behalf by:



**Chris Tovey**  
Chief Executive Officer



**Shaun Claydon**  
Chief Financial Officer

## Statement of changes in equity

For the year ended 31 December 2023

	Share capital £	Share premium £	Accumulated losses £	Total £
<b>1 January 2022</b>	598,719	27,091,466	(20,180,879)	7,509,306
<b>Comprehensive loss for the year</b>				
Total comprehensive loss	–	–	(6,503,569)	(6,503,569)
<b>Total comprehensive loss for the year</b>	–	–	(6,503,569)	(6,503,569)
<b>Contributions by and distributions to owners</b>				
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
<b>Total contributions by and distributions to owners</b>	134,352	5,952,103	533,829	6,620,284
<b>31 December 2022</b>	733,071	33,043,569	(26,150,619)	7,626,021
<b>Comprehensive loss for the year</b>				
Total comprehensive loss	–	–	(5,657,036)	(5,657,036)
<b>Total comprehensive loss for the year</b>	–	–	(5,657,036)	(5,657,036)
<b>Contributions by and distributions to owners</b>				
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
<b>Total contributions by and distributions to owners</b>	219,648	6,525,056	475,479	7,220,183
<b>31 December 2023</b>	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 £
<b>Cash flows from operating activities</b>		
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)
<i>(Increase)/decrease in other receivables and prepayments</i>	(26,684)	14,316
<i>(Decrease)/increase in trade and other payables</i>	(401,446)	396,326
<b>Cash used in operations</b>	(6,682,449)	(6,819,545)
Tax received	1,207,975	927,256
<b>Net cash used in operating activities</b>	(5,474,474)	(5,892,289)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(810)	(1,067)
Purchase of intangible assets	(80,034)	—
Interest received	289,756	64,800
<b>Net cash inflow from investing activities</b>	208,912	63,733
<b>Cash flows from financing activities</b>		
New shares issued net of issue costs	6,744,704	6,086,455
<b>Net cash inflow from financing activities</b>	6,744,704	6,086,455
<b>Net increase in cash and cash equivalents</b>	1,479,142	257,899
Cash and cash equivalents at the beginning of the year	4,903,461	4,645,562
<b>Cash and cash equivalents at the end of the year</b>	6,382,603	4,903,461

# Notes to the financial statements

For the year ended 31 December 2023

## 1. Accounting policies

### 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.

### 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.

### 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.

### 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.

### Revenue recognition

Revenue comprises the fair value of the consideration received or receivable from licensing agreements. The company does not yet receive revenue from the sale of pharmaceutical products.

The company will, from time to time, enter licensing agreements in respect of its intellectual property, potentially generating upfront payments and further amounts payable on subsequent completion of future milestones as well as royalties based on future sales.

IFRS 15 requires the transaction price to be allocated to distinct performance obligations based on their stand-alone selling price. The company recognises revenue for each distinct performance obligation. Where there are no future performance obligations, the company will recognise revenue as it becomes contractually due. Where there are future performance obligations, the company will recognise revenue over the period of these performance obligations to match the transfer of goods or services to the licensing partner. The key judgements in recognising revenue from licensing agreements are determining the performance obligations in the licensing agreement and the fair value of the consideration.

### Financial instruments

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

The company currently does not use derivative financial instruments to manage or hedge financial exposures or liabilities.

### Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks, cash on hand and call deposits with an original maturity of less than six months.

### Financial assets

Financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. The company holds financial assets with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

# Notes to the financial statements continued

For the year ended 31 December 2023

## 1. Accounting policies continued

### Trade and other payables

Trade and other payables are initially recognised at fair value. Fair value is considered to be the original invoice amount, discounted where material, for short-term payables. Long-term payables are measured at amortised cost using the effective interest rate method.

### Derecognition of financial assets and liabilities

#### a) Financial assets

A financial asset is derecognised where:

- the right to receive cash flows from the asset has expired;
- the company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a pass-through arrangement; or
- the company has transferred the rights to receive cash flows from the asset; and
  - either has transferred substantially all the risks and rewards of the asset; or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

#### b) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

### Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. The company recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate.

For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next twelve months (a "twelve-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a "lifetime ECL").

### Share-based payments

Employees (including Directors and senior executives) of the company receive remuneration in the form of share-based payment transactions, whereby these individuals render services as consideration for equity instruments ("equity-settled transactions"). These individuals are granted share option rights approved by the Board. No cash-settled awards have been made or are planned.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant individuals become fully entitled to the award ("vesting point"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the company's best estimate of the number of equity instruments and value that will ultimately vest. The statement of comprehensive income charge for the year represents the movement in the cumulative expense recognised as at the beginning and end of that period.

The fair value of share-based remuneration is determined at the date of grant and recognised as an expense in the statement of comprehensive income on a straight-line basis over the vesting period, taking account of the estimated number of shares that will vest. The fair value is determined by use of a Black-Scholes model or a Monte Carlo model.

### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use.

Depreciation is provided at the following annual rates in order to write-off each asset over its estimated useful life:

- plant and machinery - between two and ten years.

### Intangible assets

Intangible assets relating to intellectual property rights acquired through licensing agreements are carried at historical cost less accumulated amortisation and any provision for impairment. The company is expected to incur future contractual milestone payments linked to the intellectual property rights it holds. Milestone payments associated with these rights are capitalised when incurred.

Amortisation will commence when the product or products underpinned by the intellectual property become available for commercial use.

# Notes to the financial statements continued

For the year ended 31 December 2023

## 1. Accounting policies continued

### Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the statement of financial position date. R&D tax credits are recognised on an accruals basis and are included as a current asset within other receivables.

### Research and development

Development costs and expenditure on pure and applied research are charged to the profit and loss account in the year in which they are incurred. Expenditure incurred on the development of internally generated products will be capitalised from when Phase 3 trials are completed and regulatory approval is obtained.

### Government grants

Government grants are included within other operating income and are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

### Foreign currency

Transactions in foreign currencies are initially recorded using the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange ruling at the statement of financial position date.

Any resulting exchange differences are included in the statement of comprehensive income.

### Pension costs

Contributions are made to the personal pension plans of certain employees. The expenditure is charged to the profit and loss account in the period to which it relates.

## Critical accounting judgements and key sources of estimation uncertainty

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

Estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following critical accounting judgements have been made by the Directors.

### Share-based payments

The Directors have to make judgements when deciding on the variables to apply in arriving at an appropriate valuation of share-based compensation and similar awards, including appropriate factors for volatility, risk-free interest rate and applicable future performance conditions and exercise patterns. Further details of these factors can be found in note 14.

### Impairment of intangible assets

The Directors must make judgements and make estimates when testing for impairment. Key assumptions are the development costs to obtain regulatory approval, launch dates of products, probability of successful development, sales projections and profit margins. Further details of these factors can be found in note 11.

## Notes to the financial statements continued

For the year ended 31 December 2023

### 2. Directors and employees

The average number of persons employed by the company, including Executive and Non-executive Directors, during the year was as follows:

	31 December 2023	31 December 2022
Research and development	13	13
Corporate and administration	6	7
	19	20
Non-executive Directors	3	3
	22	23

Their aggregate remuneration, including Directors, comprised:

	31 December 2023 £	31 December 2022 £
Wages and salaries	2,589,839	2,447,196
Social security costs	294,901	284,771
Other benefits	101,039	129,406
Pension costs	175,518	172,396
Share-based payment expense	475,479	533,829
	3,636,776	3,567,598

Details of Directors' remuneration can be found in the Directors' remuneration report and are summarised below:

	31 December 2023 £	31 December 2022 £
Directors' remuneration	1,580,619	1,065,242
Pension costs	83,169	67,666
Other benefits	18,460	18,406
Share-based payment expense	475,479	533,829

Included in the above Directors' remuneration are amounts paid to third parties for Directors' services which are disclosed in note 19.

The number of Directors to whom retirement benefits were accruing was as follows:

	31 December 2023	31 December 2022
Defined contribution schemes	4	3

The company defines key management personnel as the Directors of the company.

The company makes payments into both occupational pension and personal pension funds held by staff. The pension cost charge represents contributions payable by the company to the funds. The amount due to the funds at 31 December 2023 was £3,383 (2022: £18,524).

### 3. Net finance income

	31 December 2023 £	31 December 2022 £
<b>Finance income</b>		
Deposit account interest	289,756	64,800

## Notes to the financial statements continued

For the year ended 31 December 2023

### 4. Auditor's remuneration

	31 December 2023 £	31 December 2022 £
Fees payable to the company's auditor for:		
Audit of the company's annual accounts	39,000	35,000
Other assurance services	3,800	7,000
<b>Total</b>	<b>42,800</b>	<b>42,000</b>

### 5. 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)

### Tax reconciliation

	31 December 2023 £	31 December 2022 £
Loss before tax	(6,446,238)	(7,711,544)
Loss before tax multiplied by the UK corporation tax rate of 23.52% (2022: 19%)	(1,514,866)	(1,465,193)
Effects of:		
Non-deductible expenditure	211,903	125,820
Employee share acquisition relief	(85,200)	(82,121)
R&D enhanced expenditure	(636,258)	(894,663)
Lower tax rate on R&D losses	490,968	374,889
Tax losses carried forward	744,251	733,293
<b>Total tax credit on loss</b>	<b>(789,202)</b>	<b>(1,207,975)</b>

There were no tax charges in the period. There are tax losses available to carry forward amounting to approximately £29.8 million (2022: £26.7 million), which includes £1.1 million (2022: £0.7 million) in respect of tax deductions on share options. A deferred tax asset on losses is not recognised in the accounts due to the uncertainty of future profits against which they will be utilised.

### 6. 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.

Under the licensing agreement, the company is entitled to receive further amounts that become payable on completion of future development and sales milestones as well as royalties based on future sales of NTCD-M3 in North America.

The company has determined that there are distinct performance obligations under the licensing agreement and will recognise revenue over the period of these performance obligations:

- the upfront payment from Sebela has been fully recognised as revenue during the year in which it was paid;
- each development milestone becomes payable on the completion of a distinct performance obligation. These payments will be recognised as revenue at the point of completing the performance obligation;
- each sales milestone becomes payable on the achievement of distinct sales targets. These payments will be recognised as revenue at the point of completing this performance obligation; and
- royalties will be recognised as revenue in line with the associated sale or usage.

### 7. Other operating income

	31 December 2023 £	31 December 2022 £
Government grants received during the year	—	22,864
Government grants accrued at 31 December	—	131,635
Included in other receivables (note 12)	—	154,499
		131,635

There is no other operating income in the year. In previous periods, grant funding has been received to support research and development activities which seek to extend the knowledge base and activity profile of the company's novel XF drugs and SPOR-COV. There are no unfulfilled conditions or contingencies attached to these grants.

## Notes to the financial statements continued

For the year ended 31 December 2023

### 8. Administrative expenses

Administrative expenses include:

	31 December 2023 £	31 December 2022 £
Staff costs - research and development	1,575,431	1,634,086
- other	1,585,866	1,399,683
Research and development costs	1,766,756	3,272,218
Depreciation	6,196	12,328
Foreign exchange differences	166,035	44,671

### 9. 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
<b>Loss per share - pence</b>		
- Basic and diluted	(6.2)p	(9.3)p

### 10. Property, plant and equipment

	Plant and machinery £
<b>Cost</b>	
At 1 January 2022	150,448
Additions	1,067
At 31 December 2022	151,515
Additions	810
Disposals	(68,615)
<b>At 31 December 2023</b>	<b>83,710</b>
<b>Depreciation</b>	
At 1 January 2022	114,566
Charge for the year	12,328
At 31 December 2022	126,894
Charge for the year	6,196
Disposals	(68,615)
<b>At 31 December 2023</b>	<b>64,475</b>
<b>Net book value</b>	
At 1 January 2022	35,882
At 31 December 2022	24,621
<b>At 31 December 2023</b>	<b>19,235</b>

## Notes to the financial statements continued

For the year ended 31 December 2023

### 11. Intangible assets

	Acquired development programmes £
<b>Cost</b>	
At 1 January 2022	2,261,435
Additions	—
At 31 December 2022	2,261,435
<b>Additions</b>	<b>80,034</b>
<b>At 31 December 2023</b>	<b>2,341,469</b>

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 licensing 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.

### 12. Other receivables

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

### 13. 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	<b>6,382,603</b>	<b>4,903,461</b>



## Notes to the financial statements continued

For the year ended 31 December 2023

### 14. Share capital continued

#### 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.

#### IFRS 2 valuation

The estimated fair value of share options granted without performance conditions has been calculated by applying a Black-Scholes option pricing model. The fair value of options with performance conditions has been estimated using Monte Carlo modelling. The weighted average exercise price of options granted in the period was £0.031 (2022: £0.360).

Measurement assumptions were as follows:

	2023	2023	2022
Share price	£0.335	£0.570	£0.460-£0.970
Exercise price	£0.01-£0.35	£0.01	£0.01-£0.46
Expected volatility	68%	76%	46%-50%
Expected option life	10 years	10 years	2-10 years
Risk-free rate	3.96%	4.57%	1.21%-2.38%
Expected dividends	£nil	£nil	£nil
Model used	Black-Scholes	Monte Carlo	Black-Scholes

Prior to the year ended 31 December 2020, historical volatility was measured using a composite basket of listed entities in similar operating environments, given the limited trading history of the company following its IPO in 2017; with effect from the year ended 31 December 2020, historical volatility is measured using the company's share price only.

## Notes to the financial statements continued

For the year ended 31 December 2023

### 14. Share capital continued

#### IFRS 2 valuation continued

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
<b>Options outstanding at end of the year</b>	<b>9,665,812</b>	<b>£0.087</b>	<b>8,868,230</b>	<b>£0.115</b>
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

### 15. 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
	<b>768,316</b>	<b>1,169,762</b>

## Notes to the financial statements continued

For the year ended 31 December 2023

### 16. Financial instruments - risk management

The company is exposed through its operations to credit risk, liquidity risk and foreign exchange risk. In common with all other businesses, the company is exposed to risks that arise from its use of financial instruments. This note describes the Directors' objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

#### Financial instruments

##### Categories of financial instruments

	31 December 2023 £	31 December 2022 £
<b>Financial assets measured at amortised cost</b>		
- Cash	6,382,603	4,903,461
- Other receivables	110,523	143,107
<b>Financial liabilities</b>		
- Financial liabilities measured at amortised cost	694,671	1,070,869

#### Credit risk

The company's credit risk arises from cash and cash equivalents with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating A-/A3 or equivalent are accepted.

#### Liquidity risk

Liquidity risk arises from the Directors' management of working capital and is the risk that the company will encounter difficulty in meeting its financial obligations as they fall due. Further details on the going concern basis of preparation are provided in note 1.

The maturity profile of the company's financial liabilities, including estimated interest payments, is set out below.

31 December 2023	Carrying amount £	Contractual cash flows £	1 year or less £	1 to 2 years £	2 to 5 years £	>5 years £
Trade payables	395,428	395,428	395,428	-	-	-
Accrued expenses	299,243	299,243	299,243	-	-	-
	694,671	694,671	694,671	-	-	-
31 December 2022	Carrying amount £	Contractual cash flows £	1 year or less £	1 to 2 years £	2 to 5 years £	>5 years £
Trade payables	172,543	172,543	172,543	-	-	-
Accrued expenses	898,326	898,326	898,326	-	-	-
	1,070,869	1,070,869	1,070,869	-	-	-

## Notes to the financial statements continued

For the year ended 31 December 2023

### 16. Financial instruments - risk management continued

#### Foreign exchange risk

Foreign exchange risk arises when the company enters into transactions denominated in a currency other than its functional currency. The main trading currencies of the company are pounds sterling, the US dollar and the euro. The exposure to foreign exchange is monitored by the company's finance function and exposures are generally managed through hedging via the currency denomination of cash and any realised impact currently is not material to the company.

The company's exposure to foreign currency risk at 31 December 2023 and 31 December 2022 was as follows:

	Sterling £	US dollar £	Euro £	Total £
<b>31 December 2023</b>				
Cash and cash equivalents	3,769,771	2,440,479	172,353	6,382,603
Trade and other payables	(375,846)	(355,770)	(36,700)	(768,316)
Net exposure	3,393,925	2,084,709	135,653	5,614,287
<b>31 December 2022</b>				
Cash and cash equivalents	3,599,153	1,266,005	38,303	4,903,461
Trade and other payables	(453,687)	(667,876)	(48,199)	(1,169,762)
Net exposure	3,145,466	598,129	(9,896)	3,733,699

The following table considers the impact of a change to the pounds sterling/euro and US dollar exchange rates of +/- 10% at 31 December 2023 and 31 December 2022, assuming all other variables, in particular other exchange rates and interest rates, remain constant. If these changes were to occur, the figures in the table below reflect the impact on loss before tax. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

	31 December 2023 £	31 December 2022 £
10% increase in US dollar	(189,519)	(54,375)
10% decrease in US dollar	231,634	66,459
10% increase in euro	(12,332)	900
10% decrease in euro	15,073	(1,100)

### 17. Capital risk management

The Directors' objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. At the date of these financial statements, the company had been financed from shareholders.

In the future, the capital structure of the company is expected to consist of equity attributable to equity holders of the company, comprising issued share capital and reserves.

The company is not subject to any externally imposed capital requirements.

## Notes to the financial statements continued

For the year ended 31 December 2023

### 18. Financial commitments

In November 2020, the company entered into an exclusive licence agreement to obtain intellectual property rights and materials relating to NTCD-M3 from NTCD, LLC. Upon entering into the agreement, the company made a payment of \$3 million to NTCD, LLC. The company has agreed to use commercially reasonable efforts to develop and commercialise NTCD-M3. The company has agreed to make further payments under the agreement based on specified clinical, regulatory and commercial milestones and, following commencement of commercial sales, to pay royalties on future revenue generated from licensed products. Because of the uncertainties inherent in estimating the probability and timing of future milestone events, possible future cash outflows under the agreement cannot be reliably measured. At the date of approval of the financial statements, the Directors consider that it is more likely than not that the company will be required to pay an additional milestone payment of \$2 million on dosing the first patient in a Phase 3 clinical trial, further milestone payments being obligations which will be confirmed only by uncertain future events that are not wholly within the control of the company.

### 19. Related party transactions

During the year £213,674 (2022: £52,844) was paid to Barker BioMedical GmbH for the services of Dr Debra Barker as a Non-executive Director, Interim CEO and Interim CMO of the company. The amount due to Barker BioMedical GmbH at 31 December 2023 was £27,686 (2022: £nil).

### 20. Ultimate controlling party

As no shareholder owns in excess of 50% of the total share capital of the company, the Directors consider there to be no ultimate controlling party.

# Glossary

## AHRQ

Agency for Healthcare Research and Quality

## AIM

The market of that name operated by the London Stock Exchange

## AMR

Antimicrobial resistance

## ASHP

American Society of Hospital Pharmacists

## BARDA

Biomedical Advanced Research and Development Authority

## Carb-X

A biopharmaceutical accelerator created as a partnership between a number of governmental and non-governmental organisations, to spur product development in the anti-bacterial field

## CDC

Centers for Disease Control and Prevention

## CDI

Clostridioides difficile infections

## CMS

China Medical System Holdings Limited

## The Code/Corporate Governance Code

The UK Corporate Governance Code published by the Financial Reporting Council, as the same may be varied or amended

## The company

Destiny Pharma plc

## EMA

European Medicines Agency

## EMI

Enterprise Management Incentive

## EU

The European Union

## FAO

The Food and Agriculture Organization of the United States

## FDA

US Food and Drug Administration

## G20

The G20 is an international forum for the governments and central bank governors which includes the EU and 19 other countries

## GAAP

UK Generally Accepted Accounting Practice as published by the FRC, applicable for periods prior to 1 January 2015

## GAIN

Generating Antibiotics Incentives Now

## GAMRIF

The Global Antimicrobial Resistance Innovation Fund

## GBP

Pounds sterling

## HAP

Hospital-acquired pneumonia

## HMRC

His Majesty's Revenue and Customs

## ICU

Intensive care unit

## IDSA

Infectious Disease Society of America

## IFRS

International Financial Reporting Standards (including International Accounting Standards)

## IMI

The Innovative Medicines Initiative

## IND

Investigational new drug – a temporary exemption from the FDA's requirement that a drug be the subject of an approved marketing application before being shipped across state lines

## IPO

Initial public offering

## London Stock Exchange

London Stock Exchange plc

## LTIP

Long-term incentive plan

## LTIP EMI options

The EMI-approved options granted pursuant to the LTIP Employee schemes

## LTIP Employee schemes

The LTIP (EMI and non-tax advantaged (non-EMI) share option schemes adopted by the company on 18 April 2017, 25 January 2018 and 22 December 2020 for the benefit of Directors and employees

## LTIP (NTA) Employee options

The non-tax advantaged options granted pursuant to the LTIP Employee schemes

## MRSA

Methicillin-resistant *Staphylococcus aureus*

## MSSA

Methicillin-sensitive *Staphylococcus aureus*

## NHS

National Health Service

## NIAID

National Institute of Allergy and Infectious Diseases

## NICE

National Institute for Health and Care Excellence

## NTAP

New Technologies Add-on Payment

## NTCD-M3

Non-toxicogenic *Clostridium difficile* strain M3

## OECD

The Organisation for Economic Co-operation and Development, an intergovernmental economic organisation with 35 member countries

## OIE

Office Internationale des Epizooties, also known as the World Organisation for Animal Health

## ONS

Office for National Statistics

## Ordinary shares

The ordinary shares of £0.01 each in the capital of the company

## QIDP

Qualified Infectious Disease Product status granted by the FDA

## R&D

Research and development

## SHEA

Society for Hospital Epidemiologists of America

## SIS

Surgical Infection Society

## SPOR-COV

A biotherapeutic product for the prevention of COVID-19 and other viral respiratory infections

## UD

Universal decolonisation

## UN

United Nations

## VAP

Ventilator-associated pneumonia

## WHO

World Health Organization

## WT

Wellcome Trust

## XF-70

A molecule from the XF drug platform, distinct from XF-73

## XF-73

Exeporfinium chloride

## Corporate information

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