Destiny Pharma

# Final Results

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Destiny Pharma PLC
14 April 2021

**Destiny Pharma plc**
("Destiny Pharma" or "the Company")

**Audited results for the year ended 31 December 2020**

*Phase 2b XF-73 clinical trial: patient recruitment completed and*

*positive Phase 2b data announced post year-end*

*£10.4M equity raise to acquire NTCD-M3 completed*

*Grant supported COVID-19 collaboration announced*

*Company funded through to Q4 2022*

**Brighton, United Kingdom - 14th April 2021 -** Destiny Pharma plc (AIM: DEST), a clinical stage innovative biotechnology company focused on the development of novel medicines that can prevent life-threatening infections, announces its audited financial results for the year ended 31 December 2020.

**Financial and corporate highlights**

- Successful equity fund raise of £10.4 million (gross) to acquire NTCD-M3 for the prevention of *Clostridioides difficile* (*C. difficile*) infection recurrence
- Strong year end cash position with cash and term deposits of £9.7 million (2019: £7.5 million)
- Increase in R&D expenditure to £4.5 million (2019: £3.8 million) due to planned clinical development costs associated with XF-73 nasal gel Phase 2b study
- Cash runway extended to Q4 2022 as a result of equity fund raise and careful management of operational activities

**Operational highlights**

***Phase 2b clinical trial: XF-73 nasal gel for prevention of post-surgical infections***

- Patient recruitment successfully completed in December
- Positive top-line results reported in March 2021. Primary efficacy endpoint successfully met with an exceptionally high statistical significance and no treatment related safety events
- In discussion with US FDA with regards study design for Phase 3 clinical study

***NTCD-M3 for prevention of C. difficile infection recurrence***

- Acquisition of global rights to NTCD-M3, a Phase 3 ready asset for prevention of *C. difficile* infection recurrence completed during Q4 2020
- Protocol for Phase 3 clinical study agreed with FDA
- Commencement of key work required to prepare for a Phase 3 clinical study to be ready to start in 2022
- Professor Dale Gerding, discoverer of NTCD-M3 and world leading expert in *C. difficile* infections appointed to the Company's Scientific Advisory Board
- Major new contract signed with leading biotherapeutics manufacturing company for production of Phase 3 clinical trial doses

***SporeGen COVID-19 collaboration***

- Destiny Pharma and SporeGen Limited announced collaboration and Innovate UK grant award of £800,000 to co-develop a novel, preventative product for COVID-19
- Expands Destiny Pharma's novel pipeline targeted at preventing infections with novel biologics/microbiome approach

***Earlier pipeline and research projects***

- Research projects with Cardiff, Sheffield, Southampton and Aston Universities making good progress after COVID-19 delays
- New grant awarded by National Biofilms Innovation Centre (NBIC) to fund a second research collaboration

with Cardiff University in oral infections
- Oxford University review supports the unique target profile of XF-73 and its potential to address the threat of anti-microbial resistance (AMR)

***Post period highlights***

- Brazilian patent granted for XF-73 nasal gel
- Agreement with the US National Institute of Allergy and Infectious Diseases (NIAID) to evaluate a novel XF-73 formulation in skin wound infections
- Professor Mark Wilcox, a recognised leader in infection prevention and control and renowned expert in *C. difficile* infection, appointed to the Company's Scientific Advisory Board

**Neil Clark, Chief Executive Officer of Destiny Pharma, commented:**
*"Destiny Pharma has delivered a very strong performance in the last 12 months and we look forward to further progress this year. We have delivered excellent Phase 2b data from our XF-73 nasal gel clinical study for the prevention of post-surgical infections and also expanded our pipeline through the acquisition of NTCD-M3 - a Phase 3 ready project targeting C. difficile gut infections. The Company has also progressed its earlier pipeline and been awarded additional grant funding including a £800,000 grant from Innovate UK to fund our COVID-19 collaboration. We closed a £10.4m equity funding in December to enable the NTCD-M3 acquisition and have a cash runway through to Q4 2022. We remain committed to developing novel products that prevent infections and have a clear clinical need and a substantial commercial opportunity"*

**Webcast and Conference Call**

Destiny Pharma will host a webcast presentation followed by a live **Q&A** conference call for analysts and investors today, Wednesday 14th April 2021 at 09:30 am BST.

The webcast of the presentation will be available here and on the Company's website at https://www.destinypharma.com/

For details of the Q&A conference call, please contact DestinyPharma@optimumcomms.com

This announcement has been released by Shaun Claydon, CFO, on behalf of the Company.

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**About Destiny Pharma**
Destiny Pharma is a clinical stage, innovative biotechnology company focused on the development of novel medicines that can prevent life-threatening infections. Its pipeline has novel microbiome-based biotherapeutics and XF drug clinical assets including NTCD-M3, a Phase 3 ready treatment for the prevention of *C. difficile* infection (CDI) recurrence which is the leading cause of hospital acquired infection in the US and also XF-73 nasal gel, which has recently completed a positive Phase 2b clinical trial targeting the prevention of post-surgical staphylococcal hospital infections including MRSA. It is also co-developing SPOR-COV, a novel, biotherapeutic product for the prevention of COVID-19 and other viral respiratory infections and has earlier grant funded XF research projects.

For further information on the company, please visit https://www.destinypharma.com

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

**Chief Executive Officer's Statement**

**Operational review**

Destiny Pharma is a clinical phase biotechnology company dedicated to the development of novel anti-infectives with a focus on infection prevention. The Company is developing novel antimicrobial drugs from its "in-house" XF platform and also from two biotherapeutic products acquired in 2020 that harness beneficial components of the human microbiome. We now have two exciting late-stage Phase 3 ready clinical assets that have both reported strong Phase 2 data and a range of earlier research programmes.

XF-73 nasal is our novel Phase 2b clinical asset from our own XF platform being developed for the prevention of post-surgical staphylococcal infections which reported positive top-line data in Q1 2021.

Destiny Pharma recently acquired global rights to NTCD-M3 for the prevention of recurring *Clostridioides difficile* gut infections that is planned to start Phase 3 studies in 2022.

Destiny Pharma is also collaborating with SporeGen Limited on a novel treatment for the prevention of COVID-19 and similar respiratory viral infections using a *Bacillus* based approach. This project is at the preclinical development stage as are several earlier XF projects.

**XF-73 nasal gel - Phase 2b clinical trial reported positive results in March 2021**

There is a global need for better treatments to reduce post-surgical infections such as Destiny Pharma's XF-73, which has been awarded Qualifying Infectious Disease Product (QIDP) and Fast Track status by the US FDA. The recent clinical study tested the XF-73 nasal gel as a new product for the prevention of the incidence of post-surgical infections caused by *Staphylococcus aureus* (*S. aureus*) such as methicillin-resistant *S. aureus* (MRSA). The primary efficacy endpoint was met with an exceptionally high statistical significance and there were no treatment related safety events.

**Clinical Study Results Highlights**

1. Met primary endpoint: XF-73 reduced the mean nasal burden of *S. aureus* in patients undergoing open heart surgery by 2.5 log (CFU/ml) in the 24 hours immediately before surgery in the micro-ITT (microbiological Intend to Treat) population, a statistically highly significant result, ($p<0.0001$). This equates to a 99.5% reduction in *S. aureus* bacterial nasal carriage which is a very effective reduction by accepted clinical measures.

2. XF-73 showed 2.1 log, (>99%), greater reduction than placebo in the same patient population and this difference in reduction of nasal burden of *S. aureus* was statistically highly significant ($p<0.0001$) in both the micro-ITT and per protocol populations. The effect was maintained during surgery, considered the period when the risk for infections is the highest.

3. Initial analysis of secondary endpoints showed a higher reduction of burden of nasal *S. aureus* in the XF-73 arm compared to placebo arm in the 24 hours before surgery, and this was also observed when the data was analysed by area under the curve (AUC) and percentage of patients reaching a specific log reduction.

4. These positive results were achieved with just four doses of 0.2% (w/w) XF-73 nasal gel in the 24 hours before incision and the start of surgery.

5. There were no treatment related adverse events.

6. Full results will be published in due course in a peer reviewed journal.

The trial was a multi-centre, randomised, blinded, placebo-controlled study of multiple applications of a single concentration of XF-73 nasal gel to assess the microbiological effect of XF-73 on commensal *S. aureus* nasal carriage in patients scheduled for cardiac surgical procedures deemed to be at high risk of post-operative *S. aureus* infection. Destiny Pharma now plans to discuss possible Phase 3 clinical study designs with regulatory bodies including the US FDA.

In parallel with the clinical work, good progress has been made with improving the efficiency of the synthesis and scale up of XF-73 in order to further reduce the costs of goods. Work is also progressing well on a prototype final product presentation with the objective of offering an accurate, stable, easy-to-use single dose final formulation.

XF-73 is administered topically as a nasal gel whereby it reduces the nasal carriage of the bacteria *S. aureus* which is the source of many post-surgical bacterial infections. Approximately a third of all patients across the world have this nasal carriage as they enter surgery and it has the potential to be a very valuable market due to the millions of surgical procedures carried out each year.

The Company believes XF-73 is clearly differentiated from traditional antibiotics and many current anti-infective drugs in development due to the XF approach being prophylactic, following the well-established medical truth that "prevention is better than cure". The XF's target product profile also addresses the key issue of AMR. This belief is supported by feedback from our market research targeting physicians, pharmacists and payers in the US who are responsible for managing hospital infections and the associated cost implications. This research also supports our proposed pricing strategies for XF-73 nasal gel as a new hospital product and the Company estimates that there is a $1 billion peak sales opportunity in the US alone.

**Acquisition of NTCD-M3 for the prevention of *C. difficile* infection (CDI) recurrence**

In November 2020, Destiny Pharma announced the completion of the acquisition of global rights to NTCD-M3. By acquiring the global rights for NTCD-M3, the Company extended its microbiome portfolio alongside the SPOR-COV COVID-19 asset that was added in September 2020. The acquisition also strengthened the Company's focus on the prevention of infections and was in line with the Board's strategy to build a world leading anti-infection company.

To complete the acquisition of NTCD-M3 and to help fund the required Phase 3 preparatory work the company also completed a fundraising in November 2020 that raised £10.4 million from existing and new shareholders.

NTCD-M3 is a naturally occurring non-toxigenic strain of *C. difficile* 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 CDI in a Phase 2 clinical trial. NTCD-M3 acts as a safe "ground cover" preventing toxic strains of *C. difficile* proliferating in the colon after antibiotic treatment. NTCD-M3 temporarily colonizes the human gut without causing any symptoms and the gut microbiome returns to normal a few weeks after treatment. Destiny Pharma plans to complete the preparations of manufacturing and clinical trial preparation with the intention of starting a single Phase 3 clinical trial in 2022.

NTCD-M3 has already completed a randomized, double-blind, placebo-controlled Phase 2b clinical study among 173 patients, who were diagnosed as having CDI (first episode or first recurrence) and reported strong, statistically significant data confirming efficacy. The rate of recurrence (RR) of CDI after treatment with the optimal dose of NTCD-M3 was only 5%, compared to 30% CDI recurrence for those receiving a placebo (JAMA 2015;313:1719). The rapid onset of colonization of NTCD-M3 provides 95% protection from CDI recurrence during the post-treatment period, which makes it an ideal complement to all currently approved antibiotic treatments.

**NTCD-M3 Phase 3 Design - discussed with FDA July 2020**

Discussions with the US FDA resulted in an agreed structure for a single, randomized, double-blind, placebo-controlled Phase 3 clinical study, with agreed endpoints, target CDI patient population, NTCD-M3 oral dosing regimen requiring 800 patients which is planned to start in mid-2022.

*C. difficile* is the leading cause of hospital acquired infection in the US and poor treatments lead to recurrence. In the US, there are approximately 500,000 cases of CDI each year; 25% of these initial cases then recur leading to 29,000 deaths per year. Current CDI treatment options are limited, with lower efficacy observed when patients are retreated with the same antibiotic for recurrence of CDI. NTCD-M3 is a potential breakthrough in CDI treatment which has completed a Phase 2 trial of 173 patients. Clinical data for NTCD-M3 appears superior to current treatments and drugs in development for the treatment of the recurrence of *C. difficile* infection.

**XF-73 dermal - US NIAID support for next preclinical studies**

Destiny Pharma's second most advanced programme with XF-73 is targeting the prevention and treatment of serious infections associated with wounds and ulcers such as diabetic foot ulcers (DFUs). This programme has previously demonstrated positive results across a range of preclinical efficacy studies and two Phase 1 dermal irritancy trials.

Post year end, in March 2021 the company entered into a Non-Clinical Evaluation Agreement (NCEA) with the US government's National Institute of Allergy and Infectious Diseases (NIAID), part of the US National Institutes of Health, to evaluate the preclinical safety of a dermal formulation of XF-73. Under NIAID's suite of preclinical services, NIAID-funded contractors will conduct these clinically enabling safety studies. Destiny Pharma will utilize NIAID's preclinical services programme to complete the preclinical safety studies that will support the planned clinical development in serious wound infections. Destiny Pharma will provide the XF-73 formulation to be tested in these preclinical studies and the project is planned to complete in 2022.

The Company is undertaking this work as part of its plan to develop XF-73 as a new treatment for DFU infections. Driven by the growing number of diabetics and their associated ulcer infections this represents a significant market opportunity for XF-73. As with all anti-infectives, AMR is also a concern within this market. There is no dominant treatment for DFUs, and specialist physicians are very interested in developing better treatment options including new topical formulations.

**SPOR-COV COVID-19 grant funded research collaboration**

In September 2020, the Company announced that it had entered into a collaboration agreement with SporeGen Limited ("SporeGen"), a UK biotechnology company working exclusively on *Bacillus* bacteria and its applications, to co-develop SporeGen's SPOR-COV product as a novel, preventive treatment for COVID-19.

Under the agreement, the parties will share any costs and commercial returns from SPOR-COV and plan to complete a preclinical programme with the aim of being ready to enter the first human clinical trials in Q2 2022. Destiny Pharma's expertise in preclinical and clinical drug development will be combined with SporeGen's world leading understanding of *Bacillus* bacterial spores to progress the SPOR-COV project.

The SPOR-COV product consists of a proprietary formulation of *Bacillus* bacteria that will be administered nasally as a spray. SPOR-COV has already been shown by SporeGen to provide complete (100%) protection in preclinical models of influenza virus. SporeGen has IP protection supporting the SPOR-COV approach and this will be expanded during the project.

SPOR-COV is different to vaccines in that it utilises the innate immune system with the aim of developing COVID-19 protection a few days after dosing. As an "easy to use" first line of defence, it has the potential to reduce COVID-19 infection rates and transmission significantly. The final SPOR-COV product is planned to be straightforward to produce at high volumes and at low cost. Additional attributes are that it could be stockpiled almost indefinitely without the need for cold chain refrigeration as it is a very stable product. It could be made available globally as a cost-effective measure in the fight against COVID-19 as well as new SARS-CoV-2 strains and other respiratory viral infections.

**£800,000 grant from Innovate UK (IUK) to support SPOR-COV preclinical programme**

Destiny Pharma and SporeGen were also very pleased that IUK awarded a grant of £800,000 to fund the majority of the £1 million cost of the initial SPOR-COV programme. The preclinical efficacy work is being undertaken in collaboration with Professor Aras Kadioglu, at University of Liverpool who is Professor of Bacterial Pathogenesis in the Department of Clinical Infection, Microbiology & Immunology, where he heads the Bacterial Pathogenesis and Immunity group and is a leading expert in respiratory infection models and host immunity to infection. The manufacturing and formulation development work is being carried out by HURO, an experienced manufacturer of bacterial product formulations based in Vietnam and part of PAN Group. The plan is to complete the required preclinical safety and efficacy studies and also develop the manufacturing process by early 2022 and be ready to commence the first human clinical studies thereafter. The project has progressed well so far and further announcements will be made as research data is finalised.

**XF platform research collaborations**

Work on earlier infection programmes such as respiratory, dermal, ocular, biofilms and other indications is being undertaken though five grant funded research projects with funding of over £2.5 million. This includes a new grant project with Cardiff University that was announced in June 2020 and post-year end a collaboration was signed with NIAID as noted above to help progress the XF-73 dermal programme.

All of these grant funded projects are now up and running again after delays caused by COVID-19 and we are looking forward to their progress and the potential to identify new product opportunities for the XF platform.

**Management changes**

In January 2021, the Company was pleased to appoint Dr Stephanie Bewick as Chief Business Officer. Destiny has also started a search for a new Chief Medical Officer as Jesus Gonzalez Moreno MD will be leaving the Company to join a large pharma company working on projects targeting global health infection challenges. Dr Gonzales is assisting in the handover and the Company has interim medical and clinical trial support in place to enable a seamless transfer.

**Outlook**

The strong balance sheet will provide Destiny Pharma with working capital through to Q4 2022 enabling it to complete the preparation of NTCD-M3 for its single Phase 3 study. Following the recent positive Phase 2b clinical trial results for XF-73 nasal, Phase 3 preparation can now start and the successful Phase 2b results will enable us to deliver a strong package for potential partnering discussions and will assist in planning the further Phase 3 development with regulatory authorities.

Our cash resources are also being used to develop new clinical candidates from the preclinical XF pipeline, contribute to our COVID-19 SPOR-COV project and to capitalise on commercial opportunities including additional grant funding, partnering and licensing. Destiny Pharma will continue to establish discovery stage 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.

During the coming year we will also progress our financial strategy for funding the Phase 3 clinical studies for our two lead assets planned to start in 2022. This will include actively seeking partners as well as exploring alternative funding options.

Destiny Pharma now has a great opportunity as a focused UK biotechnology company with full control of two high quality clinical assets targeted at infection prevention and backed up by strong Phase 2 clinical data and 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.

**Neil Clark**
**Chief Executive Officer**
**14 April 2021**

## Chief Financial Officer's Statement

**Financial review**
Our key focus during 2020 was on progressing our lead XF-73 nasal gel programme through a Phase 2b clinical trial, which accounts for the majority of our R&D spend during the year. Despite the impact of the COVID-19 pandemic on activity levels we successfully completed patient recruitment into the study during December and reported positive data at the end of March 2021. We also continued to develop our earlier programmes in conjunction with our research partners and were pleased to announce two further grant-funded collaborations, with Cardiff University and SporeGen Ltd, during the year.

In November we announced that we had successfully raised equity funding of £10.4 million to acquire the global rights to NTCD-M3, a Phase 3 ready asset for prevention of *C. difficile* infection (CDI) recurrence. The initial acquisition cost of £2.3 million has been recognised as an intangible asset on the balance sheet at 31 December 2020. Future development milestones payable under the terms of the licence will be recognised within intangibles at the time they are paid. In addition to the initial acquisition cost, net funds are being used to complete the preparation of NTCD-M3 for its single Phase 3 clinical study and for general working capital purposes. We were very pleased to receive support from both existing and new investors in bringing this attractive late stage asset into our portfolio during the year.

**Revenue**

Destiny Pharma is a clinical stage research and development company and is yet to commercialise and generate sales from its current programmes. The Company received grant income of £0.01 million (2019: £0.3 million) during the period.

**Administrative expenses**

Administrative expenses, which exclude the share-based payment charge of £0.1 million (2019: £0.2 million) during the period, amounted to £6.4 million (2019: £5.7 million). Included within this total are R&D costs totalling £4.5 million (2019: £3.8 million) which reflect, in particular, the increase in activity in relation to our Phase 2b clinical trial.

Other administrative costs remained flat at £1.9 million (2019: £1.9 million) reflecting a reduction in overhead costs due to reduced activity levels brought about by COVID-19, which were offset by one-off corporate costs in relation to the NTCD-M3 acquisition.

**Taxation**

The company received a repayment of £0.8 million in respect of the R&D tax credit claimed during the year ended 31 December 2019. The R&D tax credit receivable in the balance sheet of £1.1 million is an estimate of the cash repayment the company expects to qualify for in respect of activities during the year ended 31 December 2020. 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 12.0 pence (2019: 10.7 pence).

**Cash, cash equivalents and term deposits**

The company's cash, cash equivalents and term deposits at the year-end totalled £9.7 million (2019: £7.5 million).

The net cash outflow from operating activities in 2020 was £5.5 million (2019: £4.6 million) against an operating loss of £6.5 million (2019: £5.5 million), with the major reconciling items being the non-cash charge for share-based payments of £0.1 million, the R&D credit received of £0.8 million and other net movements in working capital of £0.1 million.

Net proceeds (after expenses) from the equity fund raise of £9.6 million were applied to the initial upfront payment of £2.3 million to acquire NTCD-M3, with the balance included in the company's year-end cash reserves.

**Outlook**

The Company remains financially robust and well positioned to advance the development of its lead assets and earlier pipeline during 2021 with an estimated cash runway to Q4 2022.

**Shaun Claydon**
**Chief Financial Officer**
**14 April 2021**

**STATEMENT OF COMPREHENSIVE INCOME**
For the year ended 31 December 2020

| | Notes | **Year ended 31 December 2020** £ | Year ended 31 December 2019 £ |
|---|---|---|---|
| **Continuing operations** | | | |
| Other operating income | 4 | **12,450** | 305,906 |
| Administrative expenses | | **(6,425,471)** | (5,687,003) |
| Share-based payment expense | | **(139,491)** | (203,655) |
| **Loss from operations** | | **(6,552,512)** | (5,584,752) |
| Finance income | 5 | **71,611** | 63,478 |
| **Loss before tax** | | **(6,480,901)** | (5,521,274) |
| Taxation | 6 | **1,069,824** | 813,250 |
| **Loss and total comprehensive loss for the year from continuing operations** | | **(5,411,077)** | (4,708,024) |
| **Loss per share - pence** | | | |
| Basic | 7 | **(12.0)p** | (10.7)p |
| Diluted | 7 | **(12.0)p** | (10.7)p |

**STATEMENT OF FINANCIAL POSITION**
As at 31 December 2020

| | Notes | **As at 31 December 2020** £ | As at 31 December 2019 £ |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **18,141** | 32,922 |
| Intangible assets | 8 | **2,261,435** | - |
| **Non-current assets** | | **2,279,576** | 32,922 |
| **Current assets** | | | |
| Trade and other receivables | 9 | **1,172,403** | 911,198 |
| Cash and cash equivalents | 10 | **9,744,217** | 7,479,642 |
| Prepayments | | **508,363** | 133,702 |
| **Current assets** | | **11,424,983** | 8,524,542 |
| **Total assets** | | **13,704,559** | 8,557,464 |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital | 11 | **598,169** | 438,652 |
| Share premium | | **27,085,506** | 17,296,337 |
| Accumulated losses | | **(15,247,250)** | (9,975,664) |
| **Shareholders' equity** | | **12,436,425** | 7,759,325 |
| **Current liabilities** | | | |
| Trade and other payables | 12 | **1,268,134** | 798,139 |
| **Current liabilities** | | **1,268,134** | 798,139 |
| **Total equity and liabilities** | | **13,704,559** | 8,557,464 |

**STATEMENT OF CHANGES IN EQUITY**
For the year ended 31 December 2020

| | Share capital | Share premium | Accumulated losses | Total |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| **1 January 2019** | 435,626 | 17,292,284 | (5,471,295) | 12,256,615 |
| **Comprehensive loss for the year** | | | | |
| Total comprehensive loss | - | - | (4,708,024) | (4,708,024) |
| **Total comprehensive loss for the year** | - | - | (4,708,024) | (4,708,024) |
| **Contributions by and distributions to owners** | | | | |
| Issue of share capital | 3,026 | 4,053 | - | 7,079 |
| Share-based payment expense | - | - | 203,655 | 203,655 |
| **Total contributions by and distributions to owners** | 3,026 | 4,053 | 203,655 | 210,734 |
| **31 December 2019** | 438,652 | 17,296,337 | (9,975,664) | 7,759,325 |
| **Comprehensive loss for the year** | | | | |
| Total comprehensive loss | **-** | **-** | **(5,411,077)** | **(5,411,077)** |
| **Total comprehensive loss for the year** | **-** | **-** | **(5,411,077)** | **(5,411,077)** |
| **Contributions by and distributions to owners** | | | | |
| Issue of share capital | **159,517** | **10,209,105** | **-** | **10,368,622** |
| Costs of share issue | **-** | **(419,936)** | **-** | **(419,936)** |
| Share-based payment expense | **-** | **-** | **139,491** | **139,491** |
| **Total contributions by and distributions to owners** | **159,517** | **9,789,169** | **139,491** | **10,088,177** |
| **31 December 2020** | **598,169** | **27,085,506** | **(15,247,250)** | **12,436,425** |

**STATEMENT OF CASH FLOWS**

For the year ended 31 December 2020

| | **Year ended 31 December 2020** | Year ended 31 December 2019 |
|---|---|---|
| | **£** | £ |
| **Cash flows from operating activities** | | |
| Loss before income tax | **(6,480,901)** | (5,521,274) |
| Depreciation of property, plant and equipment | **16,881** | 18,440 |
| Share-based payment expense | **139,491** | 203,655 |
| Finance income | **(71,611)** | (63,478) |
| | **(6,396,140)** | (5,362,657) |
| Increase in trade and other receivables and prepayments | **(379,293)** | (79,800) |
| Increase in trade and other payables | **469,995** | (3,653) |
| **Cash used in operations** | **(6,305,438)** | (5,446,110) |
| Tax received | **813,250** | 815,316 |
| **Net cash used in operating activities** | **(5,492,188)** | (4,630,794) |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment | **(2,099)** | (20,942) |
| Purchase of intangible assets | **(2,261,435)** | - |
| Sale of other financial assets | **-** | 5,000,000 |
| Interest received | **71,611** | 63,478 |
| **Net cash inflow from investing activities** | **(2,191,923)** | 5,042,536 |
| **Cash flows from financing activities** | | |
| New shares issued net of issue costs | **9,948,686** | 7,079 |
| **Net cash inflow from financing activities** | **9,948,686** | 7,079 |
| **Net increase/(decrease) in cash and cash equivalents** | **2,264,575** | 418,821 |
| Cash and cash equivalents at the beginning of the year | **7,479,642** | 7,060,821 |
| **Cash and cash equivalents at the end of the year** | **9,744,217** | 7,479,642 |

**Notes to the financial statements**

**1.Corporate information**

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

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

**2. Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. The financial statements have been prepared under the historical cost convention.

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 revenues and funds its operations through periodic capital issues and research grants. Management prepares detailed working capital forecasts which are reviewed by the Board on a regular basis. Cash flow forecasts and projections take into account sensitivities on receipts, and costs. In their assessment of going concern the directors have considered the possible impact on the business of the COVID-19 pandemic. Having made relevant and appropriate enquiries, including consideration of the company's current cash resources and the working capital forecasts, the Directors have a reasonable expectation that the company will have adequate cash resources to continue to meet the requirements of the business for at least the next twelve months. Accordingly, the Board continues to adopt the going concern basis in preparing the financial statements.

**Standards and interpretations issued**

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

**3. 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.

**4. Other operating income**

| | **31 December 2020** | 31 December 2019 |
|---|---|---|
| | **£** | £ |
| Government grants received during the year | **12,450** | 269,216 |
| Government grants accrued at 31 December | **-** | 36,690 |
| | **12,450** | 305,906 |
| Included in trade and other receivables (note 11) | **-** | 36,690 |

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. There are no unfulfilled conditions or contingencies attached to these grants.

**5. Net finance income**

| | **31 December 2020** | 31 December 2019 |
|---|---|---|
| | **£** | £ |
| **Finance income** | | |
| Deposit account interest | **71,611** | 63,478 |

**6. Income tax**

| | **31 December 2020** | 31 December 2019 |
|---|---|---|
| | **£** | £ |
| Research and development tax credits based on costs in the financial year | **(1,069,824)** | (839,079) |
| Non-recoverable tax credit in prior year | **-** | 25,829 |
| | **(1,069,824)** | (813,250) |

***Tax reconciliation***

| | **31 December 2020** | 31 December 2019 |
|---|---|---|
| | **£** | £ |
| Loss before tax | **(6,480,901)** | (5,521,274) |
| Loss before tax multiplied by the UK corporation tax rate of 19% (2019: 19%) | **(1,231,371)** | (1,049,042) |
| Effects of: | | |
| Non-deductible expenditure | **29,738** | 38,911 |
| Employee share acquisition relief | **(26,503)** | (43,860) |
| R&D enhanced expenditure | **(792,343)** | (621,447) |
| Lower tax rate on R&D losses | **332,014** | 260,404 |
| Tax losses carried forward | **618,641** | 575,955 |
| **Total tax credit on loss** | **(1,069,824)** | (839,079) |

There were no tax charges in the period. There are tax losses available to carry forward amounting to approximately £20.2 million (2019: £16.9 million), which includes £nil (2019: £0.2 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.

**7. 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 2020** | 31 December 2019 |
|---|---|---|
| | **£** | £ |
| Loss for the year attributable to shareholders | **(5,411,077)** | (4,708,024) |
| Weighted average number of shares | **45,219,999** | 43,799,945 |
| **Loss per share - pence** | | |
| - Basic and diluted | **(12.0)p** | (10.7)p |

**8. Intangible assets**

| | Acquired development programmes £ |
|---|---|
| **Cost** | |
| At 31 December 2019 | **-** |
| Additions | **2,261,435** |
| **At 31 December 2020** | **2,261,435** |

In November 2020, the company acquired NTCD-M3, a development stage programme for preventing toxic strains of *C. difficile* proliferating in the colon after antibiotic treatment. The asset has not been amortised in the year 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.

**9. Trade and other receivables**

| | **31 December 2020** | 31 December 2019 |
|---|---|---|
| | **£** | £ |
| Other receivables | **102,579** | 72,119 |
| Research and development tax repayment | **1,069,824** | 839,079 |
| | **1,172,403** | 911,198 |

**10. Cash and cash equivalents**

| | **31 December 2020** | 31 December 2019 |
|---|---|---|
| | **£** | £ |
| Cash and bank balances | **9,744,217** | 7,479,642 |

**11. Share capital**

| | **31 December 2020** | 31 December 2019 |
|---|---|---|
| Ordinary shares of £0.01 each | **Number** | Number |
| **Authorised**[1] | **n/a** | n/a |
| **Allotted and fully paid** | | |
| At 1 January | **43,865,195** | **43,562,598** |
| Issued for cash during the year | **15,951,726** | **302,597** |
| **At 31 December** | **59,816,921** | **43,865,195** |

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

| | **31 December 2020** | 31 December 2019 |
|---|---|---|
| | **£** | £ |
| **Authorised** | **n/a** | n/a |
| **Allotted and fully paid** | **598,169** | 438,652 |

| | **31 December 2020** | 31 December 2019 |
|---|---|---|
| | **£** | £ |
| **Share premium account** | **27,085,506** | 17,296,337 |

15,951,726 ordinary shares were issued during the year at a premium of £10,209,105. Transactional costs associated with the issue of shares in the year totalling £419,936 have been charged against share premium.

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

***Share options***
The company's share-based payment arrangements are summarised below.

*Unapproved Scheme 2000*
Established on 15 November 2000. Options are granted at the discretion of the Directors. The price per share to be paid on exercise of an option will be the market value as agreed with the Share Valuation Division of HM Revenue & Customs at the time of the grant of the option and as detailed in the option certificate. Options may be exercised three years from the date of grant and lapse on the expiry of ten years from the date of grant of the option.

*EMI Scheme 2000*
Established on 15th November 2000. Options granted under the EMI Scheme are on substantially the same terms as options granted under the Unapproved Scheme, save that the EMI Scheme rules comply with the terms of the enterprise management incentive as set out in Schedule 14 of the Finance Act 2000.

*Employee LTIP 2017 (EMI and non-tax advantaged options)*
Established on 18 April 2017. Options are granted at the discretion of the Directors to eligible employees. The price per share to be paid on exercise will be the market value as agreed with HMRC at the time of the grant of the option. Options lapse on the expiry of ten years from the date of grant, the date specified in any leaver provisions or any other lapse date specified in the relevant option agreement.

*Non-Employee LTIP 2017 (non-tax advantaged options)*
Established on 18 April 2017. Options are granted on substantially similar terms to the Employee LTIP Scheme except that the EMI and/or employment related provisions and requirements do not apply. These options can be granted to any Director of, or individual providing consultancy or other services to, the company.

*Employee LTIP 2018 (EMI and non-tax advantaged options)*
Established on 25 January 2018. Options are granted at the discretion of the Directors to eligible employees. The exercise price per share is determined by the Directors, such price being not less than the nominal value of a share. Options lapse on the expiry of ten years from the date of grant, the date specified in any leaver provisions or any other lapse date specified in the relevant option agreement.

*Employee LTIP 2020 (EMI and non-tax advantaged options)*
Established on 22 December 2020. Options are granted at the discretion of the Directors to eligible employees and may be subject to one or more performance conditions. The exercise price per share is determined by the Directors, such price being not less than the nominal value of a share. Options subject to performance conditions will lapse at the end of the performance period (typically three years) if the applicable performance conditions are not met. Options where there are no performance conditions or where performance conditions are met during the performance period lapse on the expiry of ten years from the date of grant, the date specified in any leaver provisions or any other lapse date specified in the relevant option agreement.

**Grants of options**

On 19th June 2020, 165,000 Employee LTIP 2018 options were granted to two employees at an exercise price of £0.01 per ordinary share. The fair value per option was £0.39.

On 22nd December 2020, 340,000 Employee LTIP 2018 options were granted to seven employees at an exercise price of £0.65 per ordinary share, the fair value per option was £0.52, 570,695 Employee LTIP 2018 options were granted to four employees at an exercise price of £0.01 per ordinary share, the fair value per option was £0.66, and 1,074,925 2020 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 £0.35.

**IFRS 2 valuation**

The estimated fair value of share options granted during the period without performance conditions has been calculated by applying a Black-Scholes option pricing model. The fair value of options with performance conditions have been estimated using Monte Carlo modelling. The weighted average exercise price of options granted in the period was £0.11 (2019: £0.01).

Measurement Assumptions were as follows:

| | **2020** | **2020** | 2019 |
|---|---|---|---|
| Share price | **£0.665** | **£0.400 - £0.665** | £0.785 |
| Exercise price | **£0.01** | **£0.01 - £0.65** | £0.01 |
| Expected volatility | **76%** | **49% -76%** | 49% |
| Expected option life | **3 years** | **10 years** | 10 years |
| Risk-free rate | **0.38%** | **0.28% -0.38%** | 0.92% |
| Expected dividends | **£nil** | **£nil** | £nil |
| Model used | **Monte Carlo** | **Black-Scholes** | 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.

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

| | 31 December 2020 | | 31 December 2019 | |
|---|---|---|---|---|
| | **Number of options** | **Weighted average exercise price** | Number of options | Weighted average exercise price |
| Balance outstanding at beginning of the year | **7,090,226** | **£0.068** | 7,098,823 | £0.075 |
| Granted during year | **2,150,620** | **£0.111** | 335,000 | £0.010 |
| Exercised during year | **-** | **-** | (302,597) | £0.023 |
| Canceled during year | **(150,000)** | **£0.765** | - | - |
| Lapsed during year | **-** | **-** | (41,000) | £1.066 |
| **Options outstanding at end of the year** | **9,090,846** | **£0.067** | 7,090,226 | £0.068 |
| Options exercisable at the end of the year | **6,555,226** | **£0.056** | 6,455,226 | £0.068 |

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

| | **31 December 2020** | 31 December 2019 |
|---|---|---|
| | **£** | £ |
| Share-based payment expense | **139,491** | 203,655 |

**12. Trade and other payables**

| | **31 December 2020** | 31 December 2019 |
|---|---|---|
| | **£** | £ |
| Trade payables | **725,593** | 513,508 |
| Social security and other taxes | **49,015** | 45,761 |
| Accrued expenses | **485,261** | 234,729 |
| Pension contributions payable | **8,265** | 4,141 |
| | **1,268,134** | 798,139 |

**13. Statutory accounts**

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2020 or 2019 but is derived from those accounts. Statutory accounts for 2019 have been delivered to the registrar of companies, and those for 2020 will be delivered in due course. The auditor has reported on those accounts; their reports (i) were unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.



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