

Cyclacel Pharmaceuticals, Inc.

Form 10-Q

August 13, 2009

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

**For the quarterly period ended June 30, 2009
OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

**Commission file number 000-50626
CYCLACEL PHARMACEUTICALS, INC.
(Exact name of registrant as specified in its charter)**

Delaware
(State or Other Jurisdiction
of Incorporation or Organization)

91-1707622
(I.R.S. Employer
Identification No.)

**200 Connell Drive, Suite 1500
Berkeley Heights, New Jersey**
(Address of principal executive offices)

07922
(Zip Code)

Registrant's telephone number, including area code: **(908) 517-7330**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting filer ☒
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of August 12, 2009 there were 24,433,129 shares of the registrant's common stock outstanding.

CYCLACEL PHARMACEUTICALS, INC.
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CYCLACEL PHARMACEUTICALS, INC.
(A Development Stage Company)
CONDENSED CONSOLIDATED BALANCE SHEETS
(In \$000s, except share amounts)

	December 31, 2008	June 30, 2009 (Unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	24,220	15,864
Short-term investments	1,502	
Inventory	508	306
Prepaid expenses and other current assets	2,784	1,797
Total current assets	29,014	17,967
Property, plant and equipment (net)	1,748	1,297
Deposits and other assets	195	196
Total assets	30,957	19,460
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	754	1,440
Accrued liabilities	5,186	6,921
Other current liabilities	1,615	777
Warrant liability	43	339
Current portion of other accrued restructuring charges	1,029	1,209
Total current liabilities	8,627	10,686
Other accrued restructuring charges, net of current	1,062	526
Other long term payables	626	
Total liabilities	10,315	11,212
 Stockholders' equity:		
Preferred stock, \$0.001 par value; 5,000,000 shares authorized at December 31, 2008 and June 30, 2009; 2,046,813 shares issued and outstanding at December 31, 2008 and June 30, 2009. Aggregate preference in liquidation of \$20,673,000 at December 31, 2008 and June 30, 2009.	2	2
Common stock, \$0.001 par value; 100,000,000 shares authorized at December 31, 2008 and June 30, 2009; 20,433,129 shares issued and outstanding at December 31, 2008 and June 30, 2009	20	20
Additional paid-in capital	223,377	222,932
Accumulated other comprehensive loss	(42)	118
Deficit accumulated during the development stage	(202,715)	(214,824)

Total stockholders' equity	20,642	8,248
Total liabilities and stockholders' equity	30,957	19,460

The accompanying notes are an integral part of these consolidated financial statements.

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CYCLACEL PHARMACEUTICALS, INC.
(A Development Stage Company)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In \$000s, except share and per share amounts)
(Unaudited)

	Three Months Ended		Six Months Ended		Period from
	June 30,		June 30,		August 13,
	2008	2009	2008	2009	1996
					(inception)
					to
					June 30,
					2009
Revenues:					
Collaboration and research and development revenue					3,000
Product revenue	168	249	333	465	1,303
Grant revenue	12	17	24	29	3,664
Total revenue	180	266	357	494	7,967
Operating expenses:					
Cost of goods sold	99	192	195	308	738
Research and development	5,803	2,683	11,688	5,780	166,193
Selling, general and administrative	4,281	2,285	8,119	4,515	67,823
Goodwill and intangibles impairment					7,934
Restructuring expenses		366		366	4,286
Total operating expenses	10,183	5,526	20,002	10,969	246,974
Operating loss	(10,003)	(5,260)	(19,645)	(10,475)	(239,007)
Other income (expense):					
Costs associated with aborted 2004 IPO					(3,550)
Payment under guarantee		(1,652)		(1,652)	(1,652)
Change in valuation of derivative					(308)
Change in valuation of warrants	680	(288)	2,889	(296)	6,411
Foreign exchange gains/(losses)	177	(111)	137	(248)	(4,291)
Interest income	267	46	897	92	13,633
Interest expense	(90)	(13)	(175)	(120)	(4,577)
Total other income (expense)	1,034	(2,018)	3,748	(2,224)	5,666

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Loss before taxes	(8,969)	(7,278)	(15,897)	(12,699)	(231,689)
Income tax benefit	425	233	1,101	591	16,865
Net loss	(8,544)	(7,045)	(14,796)	(12,108)	(214,824)
Dividends on Preferred Ordinary shares					(38,123)
Net loss applicable to common shareholders	(8,544)	(7,045)	(14,796)	(12,108)	(252,947)
Net loss per share Basic and diluted	\$ (0.42)	\$ (0.34)	\$ (0.72)	\$ (0.59)	
Weighted average common shares outstanding	20,433,129	20,433,129	20,433,129	20,433,129	

The accompanying notes are an integral part of these consolidated financial statements.

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CYCLACEL PHARMACEUTICALS, INC.
(A Development Stage Company)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In \$000s)
(Unaudited)

	Six Months Ended June 30,		Period from August 13, 1996 (inception) to June 30, 2009
	2008	2009	
Cash flows from operating activities:			
Net loss	(14,796)	(12,108)	(214,824)
Adjustments to reconcile net loss to net cash used in operating activities:			
Accretion of deferred consideration payable in common stock related to the acquisition of ALIGN	19		
Accretion of interest on notes payable, net of amortization of debt premium	39	18	121
Amortization of investment premiums, net	(1,057)	20	(2,297)
Change in valuation of derivative			308
Change in valuation of warrants	(2,889)	296	(6,411)
Depreciation and amortization	1,022	604	12,679
Goodwill and intangibles impairment			7,934
Unrealized foreign exchange loss	(268)		7,747
Deferred revenue			(98)
Compensation for warrants issued to non employees			1,215
Shares issued for IP rights			446
Loss (gain) on disposal of property, plant and equipment		(10)	19
Stock based compensation	947	168	15,753
Provision for restructuring		146	1,925
Amortization of issuance costs of Preferred Ordinary C shares			2,517
Changes in operating assets and liabilities:			
Prepaid expenses and other current assets	(716)	(1,189)	(3,657)
Accounts payable and other current liabilities	(1,244)	1,617	117
Net cash used in operating activities	(18,943)	(10,438)	(176,506)
Investing activities:			
Purchase of ALIGN			(3,763)
Purchase of property, plant and equipment	(322)	(10)	(8,818)
Proceeds from sale of property, plant and equipment		13	39
Purchase of short-term investments	(857)		(155,175)
Redemptions of short-term investments, net of maturities	21,391	1,502	161,267
Net cash provided by (used in) investing activities	20,212	1,505	(6,450)

Financing activities:

Payment of capital lease obligations	(10)	(3,719)
Proceeds from issuance of ordinary and preferred ordinary shares, net of issuance costs		90,858
Proceeds from issuance of common stock and warrants, net of issuance costs		75,983
Net proceeds from stock options and warrants exercised		163

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CYCLACEL PHARMACEUTICALS, INC.
(A Development Stage Company)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In \$000s)
(Unaudited)

	Six Months Ended		Period from
	June 30,		August 13,
	2008	2009	1996
			(inception) to
			June 30,
			2009
Payment of preferred stock dividend	(614)	(307)	(3,679)
Repayment of government loan			(455)
Government loan received			414
Loan received from Cyclacel Group Plc			9,103
Proceeds of committable loan notes issued from shareholders			8,883
Loans received from shareholders			1,645
Cash and cash equivalents assumed on stock purchase			17,915
Costs associated with stock purchase			(1,951)
 Net cash (used in) provided by financing activities	 (624)	 (307)	 194,160
 Effect of exchange rate changes on cash and cash equivalents	 49	 884	 3,967
Net (decrease) increase in cash and cash equivalents	645	(8,356)	15,864
Cash and cash equivalents at beginning of period	30,987	24,220	
 Cash and cash equivalents at end of period	 31,681	 15,864	 15,864
 Supplemental disclosure of cash flows information:			
Cash received during the period for:			
Interest	628	57	11,702
Taxes	296	1,527	16,444
Cash paid during the period for:			
Interest	(119)		(1,681)
Schedule of non-cash transactions:			
Acquisitions of equipment purchased through capital leases			3,470
Issuance of Ordinary shares in connection with license agreements			592
Issuance of Ordinary shares on conversion of bridging loan			1,638
Issuance of Preferred Ordinary C shares on conversion of secured convertible loan notes and accrued interest			8,893
Issuance of Ordinary shares in lieu of cash bonus			164
Issuance of other long term payable on ALIGN acquisition			1,122

The accompanying notes are an integral part of these consolidated financial statements.

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CYCLACEL PHARMACEUTICALS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Cyclacel Pharmaceuticals, Inc. (Cyclacel or the Company) is a development-stage biopharmaceutical company dedicated to the discovery, development and commercialization of novel, mechanism-targeted drugs to treat human cancers and other serious disorders. Cyclacel's strategy is focused on leading edge therapeutic management of cancer patients based on its clinical development pipeline led by sapacitabine and a portfolio of three products marketed by one of its subsidiaries ALIGN Pharmaceuticals, LLC (ALIGN).

The Company is focusing its clinical development priorities on sapacitabine in the following indications:

- Acute myeloid leukemia or AML in the elderly;
- Myelodysplastic syndromes or MDS; and
- Non-small cell lung cancer or NSCLC.

The Company has additional ongoing programs in clinical development which are currently pending the availability of clinical data. Once these data become available and are reviewed, the Company will determine the feasibility of pursuing further development and/or partnering of these assets including sapacitabine in combination with seliciclib, seliciclib in nasopharyngeal cancer and NSCLC and CYC116.

To date, the Phase 2 AML and MDS study has enrolled 105 AML patients and 31 MDS patients. Partial responses were observed in 3 out of 16 patients enrolled in the Phase 2 randomized CTCL trial which will be closed.

In September 2008, the Company announced a revision of its operating plan to concentrate its resources on the advancement of its lead drug, sapacitabine into a pivotal trial. Consistent with the revised operating plan, during this second quarter of 2009, the Company further reduced its workforce across all locations by twenty six (26) people making a total reduction of fifty one (51) people or 63% of the workforce since September 2008. With these reductions and its cost-containment efforts, the Company currently anticipates that its cash and cash equivalents of approximately \$15.9 million as of June 30, 2009, together with the funds obtained in the Registered Direct financing completed on July 29, 2009 of \$3.4 million in gross proceeds, are sufficient to meet the Company's anticipated working capital needs and fund its business plan into the third quarter of 2010.

Subsequent Events

On July 29, 2009, the Company sold its securities to select institutional investors led by Special Situations Fund consisting of 4,000,000 units in a registered direct offering at a purchase price of \$0.85 per unit (Unit). Each Unit consisted of (i) one share of the Company's common stock, par value \$0.001 per share, (ii) one warrant to purchase 0.625 of one share of the Company's common stock called a Series I Warrant and (iii) one warrant to purchase 0.1838805 of one share of the Company's common stock called a Series II Warrant. The Series I Warrants have a seven-month term from the date of issuance, are exercisable beginning six months from the date of issuance and will be exercisable at an exercise price of \$1.00 per share of the Company's common stock. The Series II Warrants have a five-year term from the date of issuance, are exercisable beginning six months from the date of issuance and will be exercisable at an exercise price of \$1.00 per share of the Company's common stock. The sale of the Units was made pursuant to subscription agreements, dated July 23, 2009, entered into with each of the investors. The net proceeds to the Company from the sale of the Units, after deducting for the Placement Agent's fees and offering expenses, were approximately \$3.1 million.

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Recent Developments

On June 22, 2009, the Company amended its agreement with Scottish Enterprise (SE), dated March 27, 2006. Pursuant to the amendment, SE consented to the reduction of the Company's research operations located in Scotland in exchange for the parties' agreement to modify the terms of a guarantee of £5 million (approximately \$8.3 million at June 30, 2009), which Scottish Enterprise had previously entered into with the Company. Pursuant to the terms of the amendment, the parties agreed to a modified payment of £1 million (approximately \$1.7 million at June 30, 2009), payable in two equal tranches; the first was paid on July 1, 2009 and the second is expected to be paid in the first quarter of 2010. In addition, should a further reduction below agreed minimum staff levels be effectuated before July 2014 without SE's prior consent, the remaining principal of £4 million under the guarantee, less the market value of shares of the Company's common stock held by SE at the time of such reduction and the proceeds of any sales of such shares by SE prior to such reductions, would become due to SE. Following the reduction in the Company's research operations, the Company total headcount will be 25.

On May 29, 2009, the Company announced interim data from a Phase 2 randomized clinical trial of oral sapacitabine, a novel nucleoside analog, in elderly patients with AML or MDS at the 45th annual meeting of the American Society of Clinical Oncology. The data demonstrated that oral sapacitabine is active in AML across all three dosing schedules tested and that prolonged administration is feasible in the outpatient setting. Activity was also observed in the ongoing MDS stratum of the study. Based on the data, Cyclacel intends to use the 3-day dosing schedule for further clinical development in elderly AML. At the same meeting the Company announced interim data from the lead-in stage of a Phase 2 randomized clinical trial of oral seliciclib, a novel cyclin dependent kinase (CDK) inhibitor, in patients with solid tumors and previously-treated nasopharyngeal carcinoma (NPC). The data demonstrated that oral seliciclib could be safely administered in two dosing schedules which were well tolerated and met the criteria for proceeding to the randomized stage of the study. Seliciclib treatment resulted in prolonged stable disease in previously-treated NPC patients suggesting seliciclib inhibits tumor growth in NPC. The data supports further clinical development of oral seliciclib in NPC.

On April 6, 2009 and June 22, 2009, the Board of Directors passed resolutions to suspend payment of the quarterly cash dividend on the Company's 6% Convertible Exchangeable Preferred Stock (Preferred Stock) scheduled for May 1, 2009 and August 1, 2009, respectively. To the extent that any dividends payable on the Preferred Stock are not paid, the unpaid dividends are accumulated. The Board of Directors will continue to evaluate the payment of a quarterly cash dividend on the Preferred Stock a quarterly basis.

As a development-stage company, substantially all the Company's efforts to date have been devoted to performing research and development, conducting clinical trials, developing and acquiring intellectual property, raising capital and recruiting and training personnel. The Company was incorporated in the state of Delaware in 1996 and is headquartered in Berkeley Heights, New Jersey, with a research facility located in Dundee, Scotland.

The condensed consolidated balance sheet as of June 30, 2009, the condensed consolidated statements of operations for the three and six months ended June 30, 2009 and 2008 and the condensed consolidated statements of cash flows for the six months ended June 30, 2009 and 2008, and related disclosures contained in the accompanying notes are unaudited. The condensed consolidated balance sheet as of December 31, 2008 is derived from the audited consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2008 filed with the Securities and Exchange Commission (the SEC). The condensed consolidated financial statements are presented on the basis of accounting principles that are generally accepted in the United States for interim financial information and in accordance with the rules and regulations of the SEC. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States for a complete set of financial statements. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the condensed consolidated balance sheet as of June 30, 2009, the results of operations for the three and six months ended June 30, 2009 and 2008 and the consolidated statements of cash flows for the three and six months ended June 30, 2009 and 2008, have been made. The interim results for the three and six months ended June 30, 2009 are not necessarily indicative of the results to be expected for the year ending December 31, 2009 or for any other year. The condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the accompanying notes for the year ended

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December 31, 2008, included in the Company's Annual Report on Form 10-K filed with the SEC. We have evaluated all subsequent events through August 13, 2009, the date the financial statements were issued.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The accompanying condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries for the indicated periods. All significant intercompany transactions and balances have been eliminated.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and related disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company reviews its estimates on an ongoing basis. The estimates were based on historical experience and on various other assumptions that the Company believes to be reasonable under the circumstances. Actual results may differ from these estimates.

Cash and Cash Equivalents

Cash equivalents are stated at cost when purchased, which is substantially the same as market value. The Company considers all highly liquid investments with an original maturity of three months or less at the time of initial deposit to be cash equivalents. The objectives of the Company's cash management policy are the safety and preservation of funds, liquidity sufficient to meet the Company's cash flow requirements and attainment of a market rate of return.

Short-term Investments

The Company invests, from time to time, in certain marketable debt securities. Debt securities, at December 31, 2008, comprised of investment-grade government and commercial securities purchased to generate a higher yield than cash equivalents. In accordance with FAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, or FAS 115 such investment securities are classified as available-for-sale and are carried at fair value. Under FAS 115, unrealized gains and losses, net of tax, are reported in a separate component of stockholders' equity until realized. Amortization, accretion, interest and dividends, realized gains and losses and declines in value judged to be other-than-temporary on available-for-sale securities are included in interest income. For the purpose of computing realized gains and losses, the cost of securities sold is based on the specific-identification method. Investments in securities with maturities of less than one year or which management intends to use to fund current operations are classified as short-term investments.

The Company evaluates whether an investment is other-than-temporarily impaired. This evaluation is dependent upon the specific facts and circumstances. Factors that are considered in determining whether an other-than-temporary decline in value has occurred include: the market value of the security in relation to its cost basis; the financial condition of the issuer; and the intent and ability to retain the investment for a sufficient period of time to allow for recovery in the market value of the investment.

The Company also invests its surplus cash in bank term deposits having a maturity period of between one day and one year. Accordingly, all cash resources with original maturity of three months or less have been classified as cash and cash equivalents and those with original maturity of more than three months as short-term investments. The objectives of the Company's cash management policy are the safety and preservation of funds, liquidity sufficient to meet the Company's cash flow requirements and attainment of a market rate of return. As of June 30, 2009, the Company did not own any short-term investments.

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Inventory

Cyclacel values inventories at lower of cost or market value. The Company determines cost using the first-in, first-out method. The Company analyzes its inventory levels quarterly and writes-down inventory that becomes obsolete or that has a cost basis in excess of its expected net realizable value. Expired inventory is disposed of and the related carrying amounts are written off. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required in future periods.

The Company analyzes its inventory levels to identify inventory that may expire prior to sale, inventory that has a cost basis in excess of its estimated realizable value, or inventory in excess of expected sales requirements. The determination of whether or not inventory costs will be realizable requires estimates by the Company's management. A critical input in this determination is future expected inventory requirements, based on internal sales forecasts. The Company then compares these requirements to the expiry dates of inventory on hand. To the extent that inventory is expected to expire prior to being sold, the Company will write down the value of inventory. If actual results differ from those estimates, additional inventory write-offs may be required. The Company reviews its inventory levels on a quarterly basis and adjusts accordingly. During the second quarter of 2009, the Company determined and recorded a reserve of approximately \$0.1 million, based upon current inventory levels, expiration dates, and future sales. This amount was recorded within cost of sales on the condensed consolidated statement of operations. In the future, reduced demand, quality issues or excess supply may result in write-downs, which would be recorded as adjustments to cost of sales.

Revenue Recognition

Product sales

The Company recognizes revenue from product sales when persuasive evidence of an arrangement exists; delivery has occurred or services have been rendered; the selling price is fixed and determinable; and collectability is reasonably assured.

The Company offers a general right of return on these product sales, and has considered the guidance in FAS No. 48, *Revenue Recognition When Right of Return Exists* (FAS 48) and Staff Accounting Bulletin No. 104 *Revenue Recognition* (SAB 104). Under these pronouncements, the Company accounts for all product sales using the sell-through method. Under the sell-through method, revenue is not recognized upon shipment of product to distributors. Instead, the Company records deferred revenue at gross invoice sales price and deferred cost of sales at the cost at which those goods were held in inventory. The Company recognizes revenue when such inventory is sold through to the end user. To estimate product sold through to end users, the Company relies on third-party information, including information obtained from significant distributors with respect to their inventory levels and sell-through to customers.

Grant revenue

Grant revenues from government agencies and private research foundations are recognized as the related qualified research and development costs are incurred, up to the limit of the prior approval funding amounts. Grant revenues are not refundable.

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Clinical Trials Accounting

Data management and monitoring of all of the Company's clinical trials are performed by contract research organizations (CROs) or clinical research associates (CRAs) in accordance with the Company's standard operating procedures. Typically, CROs and some CRAs bill monthly for services performed, and others bill based upon milestones achieved. For outstanding amounts, the Company accrues unbilled clinical trial expenses based on estimates of the level of services performed each period. Costs of setting up clinical trial sites for participation in the trials are expensed immediately as research and development expenses. Clinical trial site costs related to patient enrollment are accrued as patients are entered into the trial and any initial payment made to the clinical trial site is recognized upon execution of the clinical trial agreements and expensed as research and development expenses.

Research and Development Expenses

Research and development expenses consist primarily of clinical trial costs associated with the Company's product candidates, milestones, compensation and other expenses for research and development personnel, supplies and development materials, costs for consultants and related contract research, facility costs, amortization of purchased technology and depreciation. Expenditures relating to research and development are expensed as incurred.

Foreign currency and currency translation

Average rates of exchange ruling during the period have been used to translate the statement of operations of our overseas subsidiary, Cyclacel Limited, located in the United Kingdom, from its functional currency. Transactions which do not take place in a foreign subsidiary's functional currency are converted at the rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated from their functional currency at balance sheet exchange rates. The balance sheet of our overseas subsidiary is translated into United States dollars from United Kingdom pounds at rates ruling at the balance sheet.

Translation adjustments arising on consolidation due to differences between average rates and balance sheet rates and unrealized foreign exchange gains or losses arising on translation of intercompany loans which are of a long-term-investment nature are recorded as a movement in other comprehensive income. Other exchange rate differences are reported in the statements of operations for the year.

Derivative Instruments

The Company issued warrants to purchase shares of common stock under the registered direct financing completed in February 2007. These warrants are being accounted for as a liability in accordance with EITF 00-19 *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock* (EITF 00-19). The value of the warrant shares is being marked to market each reporting period as a derivative gain or loss on the consolidated statement of operations until exercised or expiration. The fair value of the warrants is determined at each reporting date utilizing the Black-Scholes option pricing model.

Stock-based Compensation

The Company grants stock options, restricted stock units and restricted stock to officers, employees and directors.