UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A

Amendment No. 2

(Mark One)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

OR

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

Commission file number 00-50626

CYCLACEL PHARMACEUTICALS, INC.

(Exact name of registrant as specified in its charter)

Delaware	91-1707622
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
200 Connell Drive Suite 1500, Berkeley Heights, New Jersey	07922
(Address of principal executive offices)	(Zip Code)

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

Securities registered under Section 12(b) of the Exchange Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $0.001 par value	The NASDAQ Stock Market LLC
Preferred Stock, $0.001 par value	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes o No ☑

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 o

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 o No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K. ☑

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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer o	Accelerated filer o	Non-accelerated filer o [Do not check if a smaller reporting company]	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 o No ☑

The aggregate market value of the registrant's voting and non-voting common stock held by non-affiliates of the registrant (without admitting that any person whose shares are not included in such calculation is an affiliate), as of June 30, 2009 (based upon the closing sale price of $1.13 of such shares on The NASDAQ Global Market on June 30, 2009) was $19,164,232.

As of March 26, 2010, there were 35,411,325 shares of the registrant's common stock outstanding.

Explanatory Note

This Amendment No. 2 on Form 10-K/A (this "**Amendment**") to the Annual Report on Form 10-K (the "**Original Filing**") of Cyclacel Pharmaceuticals, Inc. ("**we**, "**us,**" "**our**" or the "**Company**") for the fiscal year ended December 31, 2009, filed with the Securities and Exchange Commission (the "**SEC**") on March 29, 2010, and as amended on May 17, 2010 (the "**Amended Filing**"), is being filed for the sole purpose of correcting the date of the report of our independent registered public accounting firm from May 14, 2010 to May 17, 2010, as such date appears in items 8 and 9T of the Amended Filing.

Except as described above, the Original Filing has not been amended, updated or otherwise modified. The Original Filing, as amended by the Amended Filing and this Amendment, continues to speak as of the date of the Original Filing and does not reflect events occurring after the filing of the Original Filing or update or otherwise modify any related or other disclosures, including forward-looking statements. Accordingly, this Amendment should be read in conjunction with our other filings made with the SEC subsequent to the filing of the Original Filing.

Item 8. Financial Statements and Supplementary Data

INDEX TO CYCLACEL PHARMACEUTICALS, INC. FINANCIAL STATEMENTS

CYCLACEL PHARMACEUTICALS, INC.
(A Development Stage Company)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Cyclacel Pharmaceuticals, Inc.

We have audited the accompanying consolidated balance sheets of Cyclacel Pharmaceuticals, Inc. (a development stage company) as of December 31, 2009 and 2008, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2009 and the period from August 13, 1996 (inception) to December 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cyclacel Pharmaceuticals, Inc.(a development stage company) at December 31, 2009 and 2008, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2009 and for the period from August 13, 1996 (inception) to December 31, 2009, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 20 to the consolidated financial statements, the net loss per share and the consolidated statements of cash flows have been restated to correct the Company's computation of its net loss per share and the presentation of preferred dividends in its consolidated statements of cash flows.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Cyclacel Pharmaceuticals Inc.'s internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 29, 2010, except for the effects of the material weakness described in the sixth paragraph of that report, as to which the date is May 17, 2010, expressed an adverse opinion thereon.

/s/ Ernst & Young LLP

London, England
March 29 2010, except for Note 20,
as to which the date is May 17, 2010

CYCLACEL PHARMACEUTICALS, INC.
(A Development Stage Company)

CONSOLIDATED BALANCE SHEETS

(In $000s, except share amounts)

	December 31,	
	2008	**2009**
ASSETS		
Current assets:		
Cash and cash equivalents	24,220	11,493
Short-term investments	1,502	—
Inventory	508	145
Prepaid expenses and other current assets	2,784	1,731
Total current assets	29,014	13,369
Property, plant and equipment (net)	1,748	901
Deposits and other assets	195	196
Total assets	30,957	14,466
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	754	1,709
Accrued and other current liabilities	6,801	6,709
Warrant liability	43	342
Current portion of other accrued restructuring charges	1,029	1,062
Total current liabilities	8,627	9,822
Other accrued restructuring charges, net of current	1,062	—
Other long term payables	626	—
Total liabilities	10,315	9,822
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Preferred stock, $0.001 par value; 5,000,000 shares authorized at December 31, 2008 and 2009, respectively; 2,046,813 shares issued and outstanding at December 31, 2008 and 2009, respectively. Aggregate preference in liquidation of $20,673,000 and $21,696,218 at December 31, 2008 and December 31, 2009, respectively	2	2
Common stock, $0.001 par value; 100,000,000 shares authorized at December 31, 2008 and 2009, respectively; 20,433,129 and 25,743,363 shares issued and outstanding at December 31, 2008 and 2009, respectively	20	26
Additional paid-in capital	223,377	226,881
Accumulated other comprehensive (loss)/income	(42)	20
Deficit accumulated during the development stage	(202,715)	(222,285)
Total stockholders' equity	20,642	4,644
Total liabilities and stockholders' equity	30,957	14,466

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

CYCLACEL PHARMACEUTICALS, INC.
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF OPERATIONS

(In $000s, except share and per share amounts)

	Year ended December 31, 2007(1)	Year ended December 31, 2008(1)	Year ended December 31, 2009(1)	Period from August 13, 1996 (inception) to December 31, 2009(1)
Revenues:				
Collaboration and research and development revenue	10	—	—	3,000
Product Revenue	—	838	910	1,748
Grant revenue	119	39	1	3,636
	129	877	911	8,384
Operating expenses:				
Cost of goods sold	—	429	545	974
Research and development	19,569	18,869	9,766	170,179
Selling, general and administrative	12,033	15,354	8,538	71,846
Goodwill and intangibles impairment	—	7,934	—	7,934
Other restructuring costs	1,554	489	366	2,634
Total operating expenses	33,156	43,075	19,215	253,567
Operating loss	(33,027)	(42,198)	(18,304)	(245,183)
Other income (expense):				
Costs associated with aborted 2004 IPO	—	—	—	(3,550)
Payment under guarantee	—	—	(1,652)	(1,652)
Change in valuation of derivative	(93)	—	—	(308)
Change in valuation of warrants liability	3,205	3,502	(299)	6,408
Warrant re-pricing	—	—	(44)	(44)
Foreign exchange gains / (losses)	490	(4,501)	(144)	(4,187)
Interest income	3,554	1,380	102	13,643
Interest expense	(223)	(318)	(177)	(4,634)
Total other income, net	6,933	63	(2,214)	5,676
Loss before taxes	(26,094)	(42,135)	(20,518)	(239,507)
Income tax benefit	2,041	1,749	948	17,222
Net loss	(24,053)	(40,386)	(19,570)	(222,285)
Dividends on preferred shares	—	—	—	(38,123)
Dividends on convertible exchangeable preferred shares	(307)	(1,227)	(1,228)	(2,762)
Net loss applicable to common shareholders	(24,360)	(41,613)	(20,798)	(263,170)
Net loss per share — basic and diluted	$ (1.23)	$ (2.04)	$ (0.94)	
Weighted average common shares outstanding	19,873,911	20,433,129	22,196,840	

(1) The effects of the corrections of the errors reported in "Note 20 — Restatement — Net Loss Per Share Disclosure and Consolidated Statement of Cash Flows," of the audited financial statements are reflected in years 2007 through and including 2009.

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

CYCLACEL PHARMACEUTICALS, INC.
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

(In $000s, except share and per share amounts)

	Preferred Stock		Common Stock		Additional paid in capital	Accumulated other comprehensive income/(loss)	Deferred compensation	Deficit accumulated during development stage	Total
	No.	$000	No.	$000	$000	$000	$000	$000	$000
On incorporation,	—	—	—	—	—	—	—	—	—
Issue of shares for cash	—	—	—	—	1	—	—	—	1
Translation adjustment	—	—	—	—	—	(4)	—	—	(4)
Loss for the period	—	—	—	—	—	—	—	(290)	(290)
Comprehensive loss for the period	—	—	—	—	—	—	—	—	(294)
Balance at March 31, 1997	—	—	—	—	1	(4)	—	(290)	(293)
Issue of shares for cash, net of issuance costs	—	—	266,778	—	4,217	—	—	—	4,217
Issue of shares for IP rights agreement	—	—	—	—	262	—	—	—	262
Deferred stock-based compensation	—	—	—	—	2,002	—	(2,002)	—	—
Amortization of deferred stock-based compensation	—	—	—	—	—	—	302	—	302
Translation adjustment	—	—	—	—	—	55	—	—	55
Loss for the year	—	—	—	—	—	—	—	(2,534)	(2,534)
Comprehensive loss for the year	—	—	—	—	—	—	—	—	(2,479)
Balance at March 31, 1998	—	—	266,778	—	6,482	51	(1,700)	(2,824)	2,009
Amortization of deferred stock-based compensation	—	—	—	—	—	—	406	—	406
Translation adjustment	—	—	—	—	—	11	—	—	11
Loss for the year	—	—	—	—	—	—	—	(3,964)	(3,964)
Comprehensive loss for the year	—	—	—	—	—	—	—	—	(3,953)
Balance at March 31, 1999	—	—	266,778	—	6,482	62	(1,294)	(6,788)	(1,538)

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

CYCLACEL PHARMACEUTICALS, INC.
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT) (cont'd)

(In $000s, except share and per share amounts)

	Preferred Stock		Common Stock		Additional paid in capital	Accumulated other comprehensive income/(loss)	Deferred compensation	Deficit accumulated during development stage	Total
	No.	$000	No.	$000	$000	$000	$000	$000	$000
Issue of shares for cash, net of issuance costs	—	—	538,889	1	12,716	—	—	—	12,717
Issue of shares on conversion of bridging loan	—	—	90,602	—	1,638	—	—	—	1,638
Issue of shares in lieu of cash bonus	—	—	9,060	—	164	—	—	—	164
Issue of shares for research & development agreement	—	—	—	—	409	—	—	—	409
Exercise of share options	—	—	2,265	—	40	—	—	—	40
Deferred stock-based compensation	—	—	—	—	167	—	(167)	—	—
Amortization of deferred stock-based compensation	—	—	—	—	—	—	433	—	433
Translation adjustment	—	—	—	—	—	(194)	—	—	(194)
Loss for the year	—	—	—	—	—	—	—	(5,686)	(5,686)
Comprehensive loss for the year	—	—	—	—	—	—	—	—	(5,880)
Balance at March 31, 2000			907,594	1	21,616	(132)	(1,028)	(12,474)	7,983
Deferred stock-based compensation	—	—	—	—	294	—	(294)	—	—
Amortization of deferred stock-based compensation	—	—	—	—	—	—	275	—	275
Translation adjustment	—	—	—	—	—	(466)	—	—	(466)
Loss for the year	—	—	—	—	—	—	—	(10,382)	(10,382)
Comprehensive loss for the year	—	—	—	—	—	—	—	—	(10,848)
Balance at March 31, 2001	—	—	907,594	1	21,910	(598)	(1,047)	(22,856)	(2,590)

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

CYCLACEL PHARMACEUTICALS, INC.
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT) (cont'd)

(In $000s, except share and per share amounts)

	Preferred Stock		Common Stock		Additional paid in capital	Accumulated other comprehensive income/(loss)	Deferred compensation	Deficit accumulated during development stage	Total
	No.	$000	No.	$000	$000	$000	$000	$000	$000
Issue of shares for cash, net of issuance costs	—	—	5,451	—	—	—	—	—	—
Exercise of share options for cash	—	—	—	—	106	—	—	—	106
Issue of shares for license agreement	—	—	4,510	—	183	—	—	—	183
Fair value of warrants issued to shareholders	—	—	—	—	1,215	—	—	—	1,215
Deferred stock-based compensation	—	—	—	—	363	—	(363)	—	—
Amortization of deferred stock-based compensation	—	—	—	—	—	—	672	—	672
Translation adjustment	—	—	—	—	—	191	—	—	191
Loss for the year	—	—	—	—	—	—	—	(14,853)	(14,853)
Comprehensive loss for the year	—	—	—	—	—	—	—	—	(14,662)
Balance at March 31, 2002	—	—	917,555	1	23,777	(407)	(738)	(37,709)	(15,076)
Exercise of share options for cash	—	—	—	—	12	—	—	—	12
Deferred stock-based compensation	—	—	—	—	(84)	—	84	—	—
Amortization of deferred stock-based compensation	—	—	—	—	—	—	305	—	305
Translation adjustment	—	—	—	—	—	(1,846)	—	—	(1,846)
Loss for the year	—	—	—	—	—	—	—	(15,542)	(15,542)
Comprehensive loss for the year	—	—	—	—	—	—	—	—	(17,388)
Balance at March 31, 2003	—	—	917,555	1	23,705	(2,253)	(349)	(53,251)	(32,147)

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

CYCLACEL PHARMACEUTICALS, INC.
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT) (cont'd)

(In $000s, except share and per share amounts)

	Preferred Stock		Common Stock		Additional paid in capital	Accumulated other comprehensive income/(loss)	Deferred compensation	Deficit accumulated during development stage	Total
	No.	$000	No.	$000	$000	$000	$000	$000	$000
Issue of shares for cash, net of issuance costs	—	—	1,510,288	1	27,634	—	—	—	27,635
Exercise of share options for cash	—	—	6,549	—	115	—	—	—	115
Conversion of Preferred 'C' Ordinary shares	—	—	3,769,139	4	58,144	—	—	—	58,148
Amortization of deferred stock-based compensation	—	—	—	—	—	—	217	—	217
Translation adjustment	—	—	—	—	—	(1,343)	—	—	(1,343)
Loss for the period	—	—	—	—	—	—	—	(14,977)	(14,977)
Comprehensive loss for the period	—	—	—	—	—	—	—	—	(16,320)
Balance at December 31, 2003	—	—	6,203,531	6	109,598	(3,596)	(132)	(68,228)	37,648
Issues of shares for cash, net of issuance costs	—	—	430,571	1	8,540	—	—	—	8,541
Exercise of warrants for cash	—	—	22,630	—	—	—	—	—	—

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

CYCLACEL PHARMACEUTICALS, INC.
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT) (cont'd)

	Preferred Stock		Common Stock		Additional paid-in capital	Accumulated other comprehensive income/(loss)	Deferred compensation	Deficit accumulated during development stage	Total
	No.	$000	No.	$000	$000	$000	$000	$000	$000
Deferred stock-based compensation	—	—	—	—	(2,050)	—	132	—	(1,918)
Translation adjustment	—	—	—	—	—	2,424	—	—	2,424
Loss for the year	—	—	—	—	—	—	—	(22,742)	(22,742)
Comprehensive loss for the year	—	—	—	—	—	—	—	—	(20,318)
Balance at December 31, 2004			6,656,732	7	116,088	(1,172)	—	(90,970)	23,953
Translation adjustment	—	—	—	—	—	(1,786)	—	—	(1,786)
Loss for the year	—	—	—	—	—	—	—	(18,048)	(18,048)
Comprehensive loss for the year	—	—	—	—	—	—	—	—	(19,834)
Balance at December 31, 2005	—	—	6,656,732	7	116,088	(2,958)	—	(109,018)	4,119
Issue of shares to certain directors and officers	—	—	648,413	1	(1)	—	—	—	—
Issue of shares on conversion of Loan Note Instrument	—	—	456,308	—	—	—	—	—	—
Reverse Acquisition	2,046,813	2	1,967,928	2	16,251	—	—	—	16,255
Loan from Cyclacel Group plc waived	—	—	—	—	10,420	—	—	—	10,420
Issue of common stock and warrants for cash	—	—	6,428,572	6	42,356	—	—	—	42,362
Stock-based compensation	—	—	—	—	9,600	—	—		9,600
Change in unrealized loss on investment	—	—	—	—	—	5	—	—	5
Translation adjustment	—	—	—	—	—	416	—	—	416
Loss for the year	—	—	—	—	—	—	—	(29,258)	(29,258)

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

CYCLACEL PHARMACEUTICALS, INC.
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT) (cont'd)

	Preferred Stock		Common Stock		Additional paid-in capital	Accumulated other comprehensive income/(loss)	Deferred compensation	Deficit accumulated during development stage	Total
	No.	$000	No.	$000	$000	$000	$000	$000	$000
Comprehensive loss for the year	—	—	—	—	—	—	—	—	(28,842)
Balance at December 31, 2006	2,046,813	2	16,157,953	16	194,714	(2,537)	—	(138,276)	53,919
Loss for the year	—	—	—	—	—	—	—	(24,053)	(24,053)
Translation adjustment	—	—	—	—	—	(93)	—	—	(93)
Comprehensive loss for the year	—	—	—	—	—	—	—	—	(24,146)
Stock-based compensation	—	—	—	—	1,733	—	—	—	1,733
Issue of common stock upon exercise of stock options	—	—	25,508	—	163	—	—	—	163
Issue of common stock for cash on registered direct offering, net of expenses	—	—	4,249,668	4	33,353	—	—	—	33,357
Preferred stock dividends declared	—	—	—	—	(307)	—	—	—	(307)
Issue of warrants in connection with registered direct offering	—	—	—	—	(6,750)	—	—	—	(6,750)
Balance at December 31, 2007	2,046,813	2	20,433,129	20	222,906	(2,630)	—	(162,329)	57,969
Loss for the year	—	—	—	—	—	—	—	(40,386)	(40,386)
Unrealized foreign exchange on intercompany loans	—	—	—	—	—	(12,330)	—	—	(12,330)
Translation adjustment	—	—	—	—	—	14,918	—	—	14,918
Comprehensive loss for the year	—	—	—	—	—	—	—	—	(37,798)

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

CYCLACEL PHARMACEUTICALS, INC.
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT) (cont'd)

	Preferred Stock		Common Stock		Additional paid-in capital	Accumulated other comprehensive income/(loss)	Deferred compensation	Deficit accumulated during development stage	Total
	No.	$000	No.	$000	$000	$000	$000	$000	$000
Stock-based compensation	—	—	—	—	1,698	—	—	—	1,698
Preferred stock dividends declared	—	—	—	—	(1,227)	—	—	—	(1,227)
Balance at December 31, 2008	2,046,813	2	20,433,129	20	223,377	(42)	—	(202,715)	20,642
Loss for the year	—	—	—	—	—	—	—	(19,570)	(19,570)
Unrealized foreign exchange on intercompany loans	—	—	—	—	—	5,651	—	—	5,651
Translation adjustment	—	—	—	—	—	(5,589)	—	—	(5,589)
Warrant re-pricing	—	—	—	—	44		—	—	44
Issue of common stock for cash on registered direct offering, net of expenses	—	—	4,000,000	4	2,843	—	—	—	2,847
Issue of common stock upon draw down of Committed Equity Finance Facility	—	—	1,255,024	2	1,028	—	—	—	1,030
Issue of common stock upon exercise of stock options, restricted stock units and restricted stock	—	—	55,210		7	—	—	—	7
Stock-based compensation	—	—	—	—	810	—	—	—	810
Preferred stock dividends declared	—	—	—	—	(1,228)	—	—	—	(1,228)
Balance at 31 December, 2009	2,046,813	2	25,743,363	26	226,881	20	—	(222,285)	4,644

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

CYCLACEL PHARMACEUTICALS, INC.
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31, 2007[2]	Year ended December 31, 2008	Year ended December 31, 2009[1]	Period from August 13, 1996 (inception) to December 31, 2009[1][2]
	$000	$000	$000	$000
Operating activities:				
Net loss	(24,053)	(40,386)	(19,570)	(222,285)
Adjustments to reconcile net loss to net cash used in operating activities:				
Accretion of guaranteed stock	10	(10)	—	—
Amortization of interest payable on notes payable	19	79	2	100
Amortization of investment premiums, net	(844)	(1,444)	20	(2,297)
Change in valuation of derivative	93	—	—	308
Change in valuation of warrants	(3,205)	(3,502)	299	(6,408)
Warrant re-pricing	—	—	44	44
Depreciation	946	1,154	668	11,857
Amortization of intangible assets	178	708	—	886
Fixed asset impairment	—	—	221	221
Unrealized foreign exchange (gains) losses	(449)	4,831	—	7,747
Deferred revenue	—	—	—	(98)
Compensation for warrants issued to non employees	—	—	—	1,215
Shares issued for IP rights	—	—	—	446
Gain on disposal of property, plant and equipment	—	2	83	112
Goodwill and intangibles impairment	—	7,934	—	7,934
Stock-based compensation	1,733	1,698	810	16,395
Provision for restructuring	1,554	—	—	1,779
Amortization of issuance costs of Preferred Ordinary ‘C’ shares	—	—	—	2,517
Changes in operating assets and liabilities:				
Prepaid expenses and other current assets	(653)	1,732	1,716	(748)
Accounts payable and other current liabilities	308	(2,701)	821	(2,823)
Net cash used in operating activities	(24,363)	(29,905)	(14,886)	(183,098)

(1) An amount of $307,000, representing a preferred stock dividend payment incorrectly classified in operating activities has now been correctly disclosed in Net cash provided by (used in) financing activities.

(2) An amount of $1,223,000 representing a payment of a derivative liability in 2007 was incorrectly classified as financing activities has now been correctly disclosed in Net cash used in operating activities.(Period from inception $2,144)

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

CYCLACEL PHARMACEUTICALS, INC.
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS (cont'd)

	Year ended December 31, 2007[2]	Year ended December 31, 2008	Year ended December 31, 2009[1]	Period from August 13, 1996 (inception) to December 31, 2009[1][2]
	$000	$000	$000	$000
Investing activities:				
Purchase of ALIGN	(3,763)	—	—	(3,763)
Purchase of property, plant and equipment	(1,773)	(366)	(15)	(8,823)
Proceeds from sale of property, plant and equipment	—	—	91	117
Purchase of short-term investments on deposit, net of maturities	(153,597)	(3,057)	—	(156,657)
Cash proceeds from redemption of short term securities	136,440	30,765	1,483	162,729
Net cash provided by (used in) investing activities	(22,693)	27,342	1,559	(6,397)
Financing activities:				
Payments of capital lease obligations	(89)	(11)	—	(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	33,357	—	3,845	79,828
Proceeds from the exercise of stock options and issue of warrants, net of issuance costs	163	—	7	170
Preferred dividend payment	—	(1,227)	(307)	(1,534)
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 of Xcyte	—	—	—	17,915
Costs associated with stock purchase	—	—	—	(1,951)
Net cash provided by (used in) financing activities	33,431	(1,238)	3,545	201,157
Effect of exchange rate changes on cash and cash equivalents	374	(2,966)	(2,945)	(168)
Net (decrease) increase in cash and cash equivalents	(13,251)	(6,767)	(12,727)	11,493
Cash and cash equivalents, beginning of period	44,238	30,987	24,220	—
Cash and cash equivalents, end of period.	30,987	24,220	11,493	11,493

(1) An amount of $307,000 representing a preferred stock dividend payment incorrectly classified in operating activities has now been correctly disclosed in Net cash provided by (used in) financing activities.

(2) An amount of $1,223,000 representing a payment of a derivative liability in 2007 was incorrectly classified as financing activities has now been correctly disclosed in Net cash used in operating activities. (Period from inception $2,144)

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

CYCLACEL PHARMACEUTICALS, INC.
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS (cont'd)

	Year ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2009	Period from August 13, 1996 (inception) to December 31, 2009
	$000	$000	$000	$000
Supplemental cash flow information:				
Cash received during the period for:				
Interest	2,437	723	59	11,704
Taxes	2,045	2,033	1,523	16,440
Cash paid during the period for:				
Interest	(858)	—	(78)	(1,759)
Schedule of non-cash transactions				
Acquisitions of equipment purchased through capital leases	—	—	—	3,470
Issuance of common 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	—	—	1,122
Accrued dividends on preferred stock(1)	307	—	921	1,228

(1) The above supplemental cash flow information has been restated to disclose the accrued dividends on preferred stock.

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

CYCLACEL PHARMACEUTICALS, INC.
(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 Organization of the Company

Cyclacel Pharmaceuticals, Inc. ("Cyclacel" or the "Company") is a development-stage biopharmaceutical company dedicated to the development and commercialization of novel, mechanism-targeted drugs to treat human cancers and other serious disorders. Cyclacel's strategy is to build a diversified biopharmaceutical business focused in hematology and oncology based on a portfolio of commercial products and a development pipeline of novel drug candidates.

Our clinical development priorities are focused 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 clinical programs in development which are currently pending availability of clinical data. Once data become available and are reviewed, the Company will determine the feasibility of pursuing further development and/or partnering these assets, including sapacitabine in combination with seliciclib, seliciclib in NSCLC and nasopharyngeal cancer or NPC and CYC116. In addition, we market directly in the United States Xclair® Cream for radiation dermatitis and Numoisyn® Liquid and Numoisyn® Lozenges for xerostomia.

As a development stage enterprise, substantially all efforts of the Company to date have been devoted to performing research and development, conducting clinical trials, developing and acquiring intellectual properties, raising capital and recruiting and training personnel.

As disclosed in Note 19, subsequent to the year end the Company raised approximately $18.5 million through the completion of two "registered direct" financings, drawdown of the Company's Committed Equity Financing Facility, or CEFF, and the exercise of warrants. Consequently the Company believes that it has sufficient resources to fund its operations for at least the next twelve months.

Basis of Presentation

The accompanying consolidated financial statements as of December 31, 2008 and 2009, and for each of the three years in the period ended December 31, 2009, have been prepared in accordance with accounting principles generally accepted in the United States. The consolidated financial statements include the financial statements of Cyclacel Pharmaceuticals, Inc. and all of the Company's wholly owned subsidiaries. All intercompany balances and transactions have been eliminated.

2 Summary of Significant Accounting Policies

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. Cyclacel 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 under different assumptions or conditions. Cyclacel believes the judgments and estimates required by the following accounting policies to be critical in the preparation of the Company's consolidated financial statements.

Concentration of Credit Risk and Other Risks and Uncertainties

Financial instruments which potentially subject the Company to concentrations of risk consist principally of cash and cash equivalents, short-term investments and accounts receivable. The Company invests its cash, cash equivalents and short-term investments in the United States and the United Kingdom in highly liquid money market accounts, federal agency obligations & municipal bonds and commercial paper & corporate bonds of financial institutions and corporations which are rated 'A' or better by both Moody's and Standard and Poor's. Pursuant to the Company's investment guidelines, no one individual security shall have a maturity of greater than 18 months and investments in any one corporation is restricted to 5% of the total portfolio. At December 31, 2008 and 2009, the Company held no investments with a maturity in excess of one year. Due to the short-term nature of our investments, portfolio diversification, and the Company's investment policy we believe that concentration of credit risk is limited and liquidity is maintained.

The Company has significant customer concentration and the loss of any major customer could have a significant negative impact on the Company's revenue. During the years ended December 31, 2008 and 2009, approximately 85% and 86%, respectively, of our product sales in the United States were to three wholesalers: Cardinal Health, Inc., McKesson Corporation and AmerisourceBergen. As of December 31, 2008 and 2009, these three wholesalers accounted for 83% and 98%, respectively, of the Company's trade accounts receivable. The loss of any of these major wholesalers or reduced demand for products by a major wholesaler could have a significant negative impact on the Company's revenue. It is likely that we will continue to have significant customer concentration in the future.

Drug candidates developed by the Company may require approvals or clearances from the U.S. Food and Drug Administration, or FDA, or other international regulatory agencies prior to commercialize sales. There can be no assurance that the Company's drug candidates will receive any of the required approvals or clearances. If the Company was denied approval or clearance or such approval was delayed, it may have a material adverse impact on the Company.

Foreign currency and currency translation

Average rates of exchange ruling during the year have been used to translate the statement of operations of the overseas subsidiary from its functional currency. Transactions which do not take place in an entity'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 the overseas subsidiary is translated at rates ruling at the balance sheet date from their functional currency.

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 shown as a movement in other comprehensive income. Other exchange rate differences are reported in the statements of operations for the year.

Segments

The Company has adopted Statement of ASC 280, "*Segment Reporting*" ("ASC 280") and related disclosures about products, services, geographic areas and major customers. The Company has determined that it has one reportable segment.

Cash and Cash Equivalents

Cash equivalents are stated at cost, which equates to 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 Cyclacel's cash flow requirements and attainment of a market rate of return.

Short-term Investments

The Company invests in certain marketable debt securities. Debt securities at December 31, 2008 and 2009 comprise investment-grade government and commercial securities purchased to generate a higher yield than cash equivalents. In accordance with ASC 320 “Debt and Equity Securities” (“ASC 320”) such investment securities are classified as available-for-sale and are carried at fair value. Under ASC 320, 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 and the financial condition of the issuer. 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.

Trade Accounts Receivable and Allowance for Doubtful Accounts

Receivables are reserved based on their respective aging categories and historical collection experience, taking into consideration the type of payer, historical and projected collection experience, and current economic and business conditions that could affect the collectability of our receivables. The allowance for doubtful accounts is reviewed for adequacy, at a minimum, on a quarterly basis. Changes in the allowance for doubtful accounts are recorded as an adjustment to bad debt expense within general and administrative expenses. Material revisions to reserve estimates may result from adverse changes in collection experience. The Company writes off accounts against the allowance for doubtful accounts when reasonable collection efforts have been unsuccessful and it is probable the receivable will not be recovered.

Inventory

Cyclacel values inventories at lower of cost or market value. The Company determines cost using the first-in, first-out method. As December 31, 2008 and 2009, all inventories were classified as finished goods. The Company analyzes its inventory levels quarterly and writes-down inventory that has become obsolete or that has a cost basis in excess of its expected net realizable value. Expired inventory is disposed of and the related costs 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. During 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.

Fair Value of Financial Instruments

For financial instruments consisting of cash and cash equivalents, short-term investments, accounts payable and accrued liabilities included in the Company's financial statements, the carrying amounts are reasonable estimates of fair value due to their short maturities.

Property, Plant and Equipment

Property, plant and equipment is stated at cost and depreciated on a straight-line basis over the estimated useful lives of the related assets, which are generally three to five years. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the remaining lease term or the estimated useful life of the related assets, currently between five and fifteen years. Upon sale or retirement of assets, the costs and related accumulated depreciation and amortization are removed from the balance sheet and the resulting gain or loss is reflected as a component of operating income or loss. Expenditures for maintenance and repairs are charged to operating expenses as incurred. During 2009, the Company sold fixed assets totaling $0.1 million, as part of its previously announced closing of the Cambridge facility and the reduction of workforce.

Goodwill and intangible assets

Goodwill represents the difference between the purchase price and the fair value of net tangible and identifiable intangible assets acquired in the business combination. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but instead are tested for impairment at least annually in accordance with the provisions of ASC 350, "*Intangibles — Goodwill and Other*" ("ASC 350").

To test for impairment, the Company compares the fair value of its reporting units to their respective carrying values, including assigned goodwill. The Company is organized as a single operating segment with two reporting units; ALIGN and Xcyte. To the extent the carrying amount of the reporting units exceeds its fair value, the Company would be required to perform the second step of the impairment analysis, as this is an indication that goodwill may be impaired. In this second step, the Company compares the implied fair value of the reporting units goodwill with its carrying amount. The implied fair value of goodwill is determined by allocating the fair value of the reporting units to all of the assets (recognized and unrecognized) and liabilities of the reporting units in a manner similar to a purchase price allocation, in accordance with ASC 805, "*Business Combinations*" ("ASC 805"). The residual fair value after this allocation represents the implied fair value of the goodwill. To the extent the implied fair value of goodwill is less than its carrying amount, the Company would be required to recognize an impairment loss.

Impairment of Long-lived Assets

In accordance with the provisions of ASC 360, "*Property, Plant, and Equipment*" ("ASC 360"), the Company reviews long-lived assets, including property, plant and equipment and intangible assets which are subject to amortization, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. We assess the recoverability of the potentially affected long-lived assets under ASC 360 by determining whether the carrying value of such assets can be recovered through undiscounted future operating cash flows.

Impairment, if any, is measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value. If impairment is indicated, the Company measures the amount of such impairment by comparing the carrying value of the asset to the estimated fair value of the related asset, which is generally determined based on the present value of the expected future cash flows.

Measurement of fair value is determined using the income-based valuation methodology. The income -based valuation approach measures the current value of an asset (or asset group) by calculating the present value of the future expected cash flows to be derived from that asset, from the perspective of a market participant. Such cash flows are discounted using a rate of return that incorporates the risk-free rate for the use of funds, the expected rate of inflation and risks associated with using the asset. If the carrying amount of a long-lived asset exceeds its fair value, an impairment loss is recognized.

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 ASC 605-15, "*Revenue Recognition -Products*" ("ASC 605-15") and ASC 605 — 10 "*Revenue Recognition — Overall*" ("ASC 605-10"). 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 based upon prescriptions filled. 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.

Collaboration, research and development, and grant revenue

Certain of the Company's revenues are earned from collaborative agreements. The Company recognizes revenue when persuasive evidence of an arrangement exists; delivery has occurred or services have been rendered; the fee is fixed and determinable; and collectability is reasonably assured. Determination of whether these criteria have been met is based on management's judgments regarding the nature of the research performed, the substance of the milestones met relative to those the Company must still perform, and the collectability of any related fees. Should changes in conditions cause management to determine these criteria are not met for certain future transactions, revenue recognized for any reporting period could be adversely affected.

Research and development revenues, which are earned under agreements with third parties for contract research and development activities, are recorded as the related services are performed. Milestone payments are non-refundable and recognized as revenue when earned, as evidenced by achievement of the specified milestones and the absence of ongoing performance obligations. Any amounts received in advance of performance are recorded as deferred revenue. None of the revenues recognized to date are refundable if the relevant research effort is not successful.

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.

Clinical Trial 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 Expenditures

Research and development expenses consist primarily of costs associated with the Company's product candidates, upfront fees, 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.

Patent Costs

Costs relating to prosecution are charged to operations as incurred as recoverability of such expenditure is uncertain.

Leased Assets

The costs of operating leases are charged to operations on a straight-line basis over the lease term.

Where the Company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a capital lease. The asset is recorded in the balance sheet as an asset and is depreciated in accordance with the aforementioned depreciation policies. The capital elements of future lease payments are recorded as liabilities and the interest is charged to operations over the period of the lease.

Income Taxes

The Company accounts for income taxes under the liability method. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized.

The Company adopted the guidance related to accounting for uncertainty in income taxes, primarily codified in ASC 740 *"Income taxes"* ("ASC 740"). ASC 740 clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements by prescribing a minimum probability threshold a tax position is required to meet before being recognized in the financial statements. It also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods as well as disclosure and transition.

Credit is taken in the accounting period for research and development tax credits, which will be claimed from H. M. Revenue & Customs, the United Kingdom's taxation and customs authority, in respect of qualifying research and development costs incurred in the same accounting period.

Net Loss Per Common Share

The Company calculates net loss per common share in accordance with ASC 260 "*Earnings Per Share*" ("ASC 260"). Basic and diluted net loss per common share was determined by dividing net loss applicable to common stockholders by the weighted average number of common shares outstanding during the period. The Company's potentially dilutive shares, which include outstanding common stock options, restricted stock, restricted stock units, convertible preferred stock, make-whole dividend payments of common stock on convertible preferred stock and common stock warrants, have not been included in the computation of diluted net loss per share for all periods as the result would be anti-dilutive.

	Years ended December 31,		
	2007	**2008**	**2009**
Stock options	2,592,246	3,674,899	3,349,876
Restricted Stock and Restricted Stock Units	—	141,700	91,145
Convertible preferred stock	870,980	870,980	870,980
Cyclacel stock to be issued on October 5, 2008	46,044	—	—
Common stock issuable to Kingsbridge	—	—	328,602
Common stock warrants	3,809,703	3,809,272	7,044,363
Total shares excluded from calculation	7,318,973	8,496,851	11,684,966

The net loss reconciliation between net loss reported and the net loss applicable to common shareholders is set forth below. This information includes the effects of the correction of errors described in Note 20.

	Years ended December 31		
	2007	**2008**	**2009**
	($000s except for per share amounts)		
Net loss reported	(24,053)	(40,386)	(19,570)
Less: dividends on convertible exchangeable preferred shares	(307)	(1,227)	(1,228)
Net loss applicable to common shareholders	(24,360)	(41,613)	(20,798)
Weighted average common shares outstanding	19,873,911	20,433,129	22,196,840
Loss per share — basic and diluted	($1.23)	($2.04)	($0.94)

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 ASC 815 "*Derivatives and Hedging"* ("ASC 815"). At the date of the transaction, the fair value of the warrants of $6.8 million was determined utilizing the Black-Scholes option pricing model utilizing the following assumptions: risk free interest rate — 4.68%, expected volatility — 85%, expected dividend yield — 0%, and a remaining contractual life of 7 years. 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. At December 31, 2008, the fair value of the warrants was approximately $43,000 (utilizing the following assumptions: risk free interest rate — 1.47%, expected volatility — 75%, expected dividend yield — 0%, and a remaining contractual life of 5.13 years). At December 31, 2009, the fair value of the warrants was $0.3 million (utilizing the following assumptions: risk free interest rate — 2.13%, expected volatility — 96%, expected dividend yield — 0%, and a remaining contractual life of 4.13 years). During 2009, the Company recognized the change in the value of warrants of approximately $0.3 million as a loss on the consolidated statement of operations. During 2008, the Company recognized the change in the value of warrants of approximately $3.5 million as a gain on the consolidated statement of operations.

The terms of the Company's November 2004 convertible preferred stock offering included a make-whole dividend payment feature. If the Company elected to automatically convert, or the holder elected to voluntarily converted, some or all of the convertible preferred stock into shares of its common stock prior to November 3, 2007, the Company was required to make an additional payment on the convertible preferred stock equal to the aggregate amount of dividends that would have been payable on the convertible preferred stock through and including November 3, 2007, less any dividends already paid on the convertible preferred stock. This additional payment was payable in cash or, at the Company's option, in shares of its common stock, or a combination of cash and shares of common stock. This make-whole dividend payment feature was considered to be an embedded derivative and was recorded on the balance sheet at fair value as a current liability. During the year ended December 31, 2007 the Company recognized other income (expense) in the consolidated statement of operations as the fair value of this derivative fluctuated from period to period. The conversion feature expired on November 3, 2007.

The accounting for derivatives requires significant judgments and estimates in determining the fair value in the absence of quoted market values. These estimates are based on valuation methodologies and assumptions deemed appropriate in the circumstances. The fair value of the dividend make-whole payment feature is based on various assumptions, including the estimated market volatility and discount rates used in determination of fair value. The use of different assumptions may have a material effect on the estimated fair value amount and the Company's results of operations.

Stock-based Compensation

The Company grants stock options, restricted stock units and restricted stock to officers, employees and directors under the 2006 Plans, which were approved on March 16, 2006. The Company has outstanding options under various stock-based compensation plans for employees and directors. These plans are described more fully in Note 14 "Stock-Based Compensation Arrangements". The Company accounts for these plans under ASC 718 "*Compensation — Stock Compensation*" ("ASC 718") which was adopted effective January 1, 2006 under the modified prospective transition method.

ASC 718 requires measurement of compensation cost for all stock-based awards at fair value on date of grant and recognition of compensation over the requisite service period for awards expected to vest. The fair value of restricted stock and restricted stock units is determined based on the number of shares granted and the quoted price of our common stock on the date of grant. Such value is recognized as expense over the service period, net of estimated forfeitures, using the straight-line attribution method. The estimation of stock awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from our current estimates, such amounts will be recorded as a cumulative adjustment in the period estimates are revised. We consider many factors when estimating expected forfeitures, including types of awards, employee class, and historical experience. Actual results and future estimates may differ substantially from our current estimates.

Comprehensive Income (Loss)

In accordance with ASC 220, "*Comprehensive Income*" ("ASC 220") all components of comprehensive income (loss), including net income (loss), are reported in the financial statements in the period in which they are recognized. Comprehensive income (loss) is defined as the change in equity during a period from transactions and other events and circumstances from non owner sources. Net income (loss) and other comprehensive income (loss), including foreign currency translation adjustments, are reported, net of any related tax effect, to arrive at comprehensive income (loss). No taxes were recorded on these items.

Restructuring Expense

The Company records costs and liabilities associated with exit and disposal activities, when certain criteria have been met in accordance with ASC 420 *"Exit or Disposal Cost Obligation"* ("ASC 420"), at fair value in the period the liability is incurred. The Company's restructuring and integration plan is subject to continued future refinement as additional information becomes available.

On September 16, 2008, the Company announced a revision of its operating plan that concentrates its resources on the advancement of our lead drug, sapacitabine, while maintaining its core competency in drug discovery and cell cycle biology. The plan reduced its workforce across all locations by 25 people. During the year ended December 31, 2008, the Company recorded approximately $0.4 million for severance payments and $0.1 million of accelerated depreciation for assets that will no longer be utilized. All severance payments were paid as of December 31, 2008. The Company assigned the lease of its redundant Cambridge research facility back to the landlord and, in accordance with the terms of the lease, incurred a net charge, incorporating a surrender fee, of $0.1 million. In June 2009, the Company further reduced its workforce across all locations by 26 people making a total reduction of 51 people (or 63% of the workforce) since September 2008. The Company recorded approximately $0.4 million for severance payments all of which were paid as of December 31, 2009. An asset impairment amounting to $0.2 million was also charged to the consolidated statement of operations as a result of assets being identified that were no longer being utilized.

Recent Accounting Pronouncements

In May 2009, the FASB issued ASC 855, "*Subsequent Events*" ("ASC 855"), which provides guidance to establish general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. ASC 855 also requires entities to disclose the date through which subsequent events were evaluated as well as the rationale for why that date was selected. This disclosure should alert all users of financial statements that an entity has not evaluated subsequent events after that date in the set of financial statements being presented. ASC 855 is effective for interim and annual periods ending after June 15, 2009 and was effective for the Company beginning with its interim period June 30, 2009. On February 24, 2010, The FASB issued Accounting Standards Update ("ASU") 2010-09 to amend ASC 855. As a result of the ASU, SEC Registrants will not disclose the date through which management evaluated events in the financial statements. The adoption of ASC 855 did not to have a material impact on the Company's consolidated financial position, results of operations or cash flows as it mostly requires only additional disclosures.

In June 2009, the FASB issued FAS 168, "*The FASB Accounting Standards Codification* and *the Hierarchy of Generally Accepted Accounting Principles*", primarily codified in ASC 105, which establishes the FASB Accounting Standards Codification ("Codification") as the source of authoritative US GAAP recognized by the FASB to be applied to nongovernmental entities. Codification does not change current U.S. GAAP but is intended to simplify user access to all authoritative US GAAP by providing all the authoritative literature related to a particular topic in one place. All existing accounting standard documents will be superseded and all other accounting literature not included in the Codification will be considered non-authoritative. Rules and interpretive releases of the SEC under authority of federal securities laws are also included in the Codification as sources of authoritative US GAAP for SEC registrants. FAS 168 and the Codification are effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Codification was adopted on September 30, 2009 and it did not have a material impact on the Company's financial condition or results of operations.

3 Significant Contracts

Distribution, Licensing and Research Agreements

The Company has entered into licensing agreements with academic and research organizations. Under the terms of these agreements, the Company has received licenses to technology and patent applications. The Company is required to pay royalties on future sales of product employing the technology or falling under claims of patent applications. Additional payments are due if the Company sublicenses the technology or patent applications or if the Company achieves predefined milestones.

In respect of Licensing Agreements, additional payments of $23.4 million would be payable if the Company achieves predefined milestones subject to achievement of all the specific contractual milestones and the Company's decision to continue with these projects. Under these agreements the Company makes annual payments that do not presently exceed $0.1 million. Moreover, these payments will not exceed $0.1 million per annum while the defined milestones set out in the related agreements have not been achieved.

In connection with the asset acquisition with ALIGN on October 5, 2007, the Company acquired license agreements for the exclusive rights to sell and distribute three products in the United States. The Company, as part of securing long term supply arrangements had commitments to make future payments totaling approximately $1.3 million of which $0.6 million was paid in 2009 and the remainder of $0.7 million is due in 2010. Also, the Company has a minimum purchase obligation equivalent to the value of product purchased in the previous year. For the year ended December 31, 2010 this equates to $0.1 million.

4 Acquisition

On October 5, 2007, Achilles Acquisition, LLC renamed immediately following the acquisition to ALIGN Pharmaceuticals, LLC, or ALIGN, a wholly-owned subsidiary of Cyclacel, entered into a definitive asset purchase agreement with ALIGN Pharmaceuticals, LLC and ALIGN Holdings, LLC or Sellers, to acquire substantially all of the Sellers' assets for a purchase price of approximately $3.8 million. The Company also committed, as part of securing long term supply arrangements, to make future payments totaling approximately $1.3 million of which $0.6 million was paid in 2009 and the remainder of $0.7 million will be paid in 2010. The present value of these commitments has been reported as other short term payables and other long term payables on the consolidated balance sheet as at December 31, 2008 and as short term payables as of December 31, 2009.

5 Cash and Cash Equivalents

The following is a summary of cash and cash equivalents at December 31, 2008 and 2009:

	December 31,	
	2008	2009
	$000	$000
Cash	4,580	2,996
Deposits with original maturity of less than three months	19,640	8,497
	24,220	11,493

6 Short-term Investments

The following is a summary of short-term investments at December 31, 2008:

	December 31, 2008			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
	$000	$000	$000	$000
Corporate bonds & commercial paper	1,501	1	—	1,502

At December 31, 2009, the Company did not own any short-term investments. In 2008, the Company disposed of short-term securities prior to maturity, realizing a gain of approximately $9,000.

For investments that are in an unrealized loss position, the Company has evaluated the nature of the investments, the duration of the impairments and concluded that the impairments are not other-than-temporary.

At December 31, 2008, the Company had marketable securities at fair value with contractual maturities of greater than one year but less than 5 years of $1.5 million. At December 31, 2009, the Company did not own any marketable securities.

Fair value measurements

The Company adopted ASC 820 *Fair Value Measurements and Disclosures ("ASC 820")* for its financial assets and liabilities on January 1, 2008, and for non-financial assets and non-financial liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis on January 1, 2009. The Company's adoption of ASC 820 did not materially affect the Company's financial position, results of operations or liquidity. As defined in ASC 820, fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, ASC 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs that are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value.

Financial assets and liabilities carried at fair value on a recurring basis as of December 31, 2009 are classified in the table below in one of the three categories described above:

	Level 1	Level 2	Level 3	Total
	$000	$000	$000	$000
Warrants	—	342	—	342

7 Prepaid Expenses and Other Current Assets

The following is a summary of prepaid expenses and other current assets at December 31, 2008 and 2009:

	December 31,	
	2008	2009
	$000	$000
Research and development tax credit receivable	1,530	1,096
Prepayments	1,017	456
Other current assets	237	179
	2,784	1,731

8 Property, Plant and Equipment

Property, plant and equipment consisted of the following:

	Useful lives in years from date of acquisition	December 31,	
		2008	2009
		$000	$000
Leasehold improvements	Life of lease (15 yrs)	811	860
Research and laboratory equipment	3 to 5 yrs	7,170	7,894
Office equipment and furniture	3 to 5 yrs	1,859	1,280
		9,840	10,034
Less: accumulated depreciation and amortization		(8,003)	(8,912)
Impairment		(89)	(221)
		1,748	901

The depreciation and amortization of property, plant and equipment amounted to $1.0 million, $1.1 million and $0.7 million for each of the years ended December 31, 2007, 2008 and 2009, respectively. These charges include depreciation of assets held under capital leases.

Depreciation and amortization expense for the period from inception or August 13, 1996 through to December 31, 2009 was $11.9 million. At December 31, 2008 and 2009 there were no assets held under capital lease.

As a result of the Company revising its operating plan in September 2008, the Company identified that certain research and development assets at its Cambridge, UK facility would no longer be utilized (see note 14 Restructuring). For the years ended December 31, 2008 and 2009, the Company recorded an asset impairment of $0.1 million and $0.2 million, respectively, in respect of these assets as accelerated depreciation in accordance with ASC 420 which are shown within research and development expense on the consolidated income statement. There were no impairments of property, plant and equipment during the year ended December 31, 2007.

9 Intangible Assets and Goodwill

Intangible assets consisted of the following:

	License agreements	Customer relationships	ALIGN trade name	Non-compete agreements	Beneficial contract pricing arrangement	Total
Intangible Assets						
Useful lives in years from date of acquisition	**7 yrs**	**7 yrs**	**2 yrs**	**2 yrs**	**2 yrs**	**—**
	$000	**$000**	**$000**	**$000**	**$000**	**$000**
Balance as of December 31, 2007	2,945	516	88	343	413	4,305
Less: amortization	(295)	(51)	(38)	(147)	(177)	(708)
Less: impairment charge	(2,650)	(465)	(50)	(196)	(236)	(3,597)
Balance as of December 31, 2008	—	—	—	—	—	—

Intangibles

As part of the acquisition of ALIGN, the Company acquired rights to a license agreement with Sinclair as well as to various customer relationships. The license agreement allows Cyclacel to exclusively sell and distribute Xclair® Cream, Numoisyn® Liquid and Numoisyn® Lozenges in the United States. The Company has amortized the license agreement and customer relationship intangible assets over the remaining life of the contract of approximately seven years. The Company also assumed all rights to the ALIGN trade name, as well as non-compete agreements signed between ALIGN and its senior managers and a beneficial contract pricing arrangement. The Company has amortized the fair values of these assets over 2 years, which represents the approximate time period that the non-compete agreements will remain in effect based on the employment contracts of the existing ALIGN management team.

The Company performed its annual impairment review of these assets as of September 2008. The fair values of these assets, when treated as an asset group in accordance with ASC 360, was established by using the income based valuation methodology, and an impairment charge of approximately $3.6 million was recognized in the consolidated statement of operations. This one-time, non-cash charge was triggered by a downwards revision of projected net cash flows from product sales, required due to budgetary constraints experienced by health care providers and restrictions of the cost reimbursement regime. As a result the sum of the expected undiscounted cash flows was less than the carrying amount of the intangible assets on September 30, 2008.

Goodwill

The Company recognized goodwill arising on the Xcyte and ALIGN purchase transactions in 2006 and 2007 respectively in accordance with ASC 805, *"Business Combinations"* ("ASC 805"), The Company is organized as a single operating segment with two reporting units; ALIGN and Xcyte. The Company performed impairment analyses of goodwill for both Xcyte and ALIGN as at September 30, 2008 and of ALIGN as at December 31, 2008. The fair value of the Company's Xcyte reporting unit was determined by the fair market value of the Company's outstanding common stock and in the case of the ALIGN reporting unit by using the income based valuation approach with respect to projected product sales. The income-based valuation measures the current value of the reporting unit by calculating the present value of its future cash flows using appropriate discount factors with regard to cost of capital experienced by entities of the same size and condition as the Company.

To test for impairment, the Company compares the fair value of its reporting units to their respective carrying values, including assigned goodwill. To the extent the carrying amount of the reporting units exceeds its fair value; the Company is required to perform the second step of the impairment analysis, as this is an indication that goodwill may be impaired. In this second step, the Company compares the implied fair value of the reporting units goodwill with its carrying amount. The implied fair value of goodwill is determined by allocating the fair value of the reporting units to all of the assets (recognized and unrecognized) and liabilities of the reporting units in a manner similar to a purchase price allocation, in accordance with ASC 805. The residual fair value after this allocation represents the implied fair value of the goodwill. To the extent the implied fair value of goodwill is less than its carrying amount the Company is required to recognize an impairment loss.

In September 2008, the goodwill acquired in the Xcyte transaction was written down in full and we recorded an impairment charge of approximately $2.7 million in accordance with ASC 350. This impairment charge was identified through our annual impairment review process and was triggered primarily by a decline in our stock price that reduced our market capitalization below book value of the net assets of the Xcyte reporting unit. Our reduced market capitalization reflected the general decline in the economic environment.

In December 2008, goodwill allocated to our ALIGN reporting unit following the ALIGN acquisition was fully written down in accordance with ASC 350, resulting in an impairment charge of approximately $1.6 million being recognized on the consolidated statement of operations. In determining the impairment charge, we considered the negative impact the current economic situation might have on sales growth expectations of the ALIGN products resulting in a downward revisions of projected net cash flows from product sales. These factors caused the discounted cash flows for the reporting unit to be less than its carrying value on December 31, 2008.

10 Accrued and Other Current Liabilities

Accrued and other current liabilities consisted of the following:

	December 31,	
	2008	**2009**
	$000	**$000**
Accrued research and development	3,653	2,654
Accrued IP / Patent costs	264	283
Accrued compensation	707	136
Amount payable under license agreement	594	651
Amount payable under guarantee	—	796
Preference dividend	307	1,228
Other current liabilities	1,276	961
	6,801	6,709

11 Commitments and contingencies

General

Please refer to Notes 3 and 4 for a further discussion of certain of the Company’s commitments and contingencies.

Leases

The following is a summary of the Company’s contractual obligations and commitments relating to its facilities and equipment leases as at December 31, 2009:

	Operating lease obligations
	$ 000
2010	1,606
2011	671
2012	415
2013	407
2014	407
Thereafter	4,396

Rent expense, which includes lease payments related to the Company's research and development facilities and corporate headquarters and other rent related expenses, was, $1.1 million, $0.9 million and $0.9 million for the years ended December 31, 2007, 2008 and 2009, respectively.

In October 2000, the Company entered into a 25-year lease for its research and development facility in Dundee, Scotland. In October 2006, the Company entered into a five-year lease for office space in Berkeley Heights, New Jersey which is the location of the Company's corporate headquarters.

The Company continues to lease approximately 40,500 square feet of space in Bothell, Washington, with monthly payments of approximately $0.1 million. The lease term on this space expires December 2010. However, activities were discontinued at the Bothell facility during the third quarter of 2005 and the Company continued to explore options for the future of this facility. Market conditions for subleasing space in Bothell are currently considered poor primarily due to an overabundance of available space. Accordingly, as part of the Stock Purchase on March 27, 2006, the Company recorded an accrued restructuring liability which was computed as the present value of the difference between the remaining lease payments due less the estimate of net sublease income and expenses.

As of December 31, 2009 the accrued restructuring liability was $1.1 million. This represents the Company's best estimate of the fair value of the liability as determined under ASC 420. Subsequent changes in the liability due to accretion, or changes in estimates of sublease assumptions, etc. will be recognized as adjustments to restructuring charges in future periods. (See Restructuring under Footnote 14).

The Company also leased a second research facility at the Babraham Research Campus, Cambridge, England with a lease expiration date of August 2010. Under the revised plan announced in September 2008, the Cambridge laboratory facility will no longer be used by the Company. In 2009, the Company assigned the lease of its redundant Cambridge research facility back to the landlord and, in accordance with the terms of the lease, incurred a net charge, incorporating a surrender fee, of $0.1 million.

Guarantee

On July 28, 2005 and amended on March 27, 2006, Cyclacel Group plc ("Group") signed a convertible Loan Note Instrument constituting convertible unsecured loan notes (the "Loan") and entered into a Facility Agreement ("Agreement") with Scottish Enterprise ("SE"), as lender, whereby SE subscribed for £5 million, or approximately $9 million at the time, of the convertible loan notes. The loan was subsequently converted into 1,231,527 preferred D shares of the Group in satisfaction of all amounts owed by Group under the convertible loan notes. The number of preferred D shares that SE received was calculated by dividing the principal amount outstanding under the loan note by £4.06. The preferred D shares were exchanged for shares in Xcyte Therapies, Inc. on March 27, 2006 as part of the transaction between Xcyte and Cyclacel Limited. However, Scottish Enterprise retained the ability it had under the Agreement to receive a cash payment should the research operations in Scotland be significantly reduced. Cyclacel Limited guaranteed approximately £5 million, the amount potentially due to SE, which will be calculated as a maximum of £5 million less the market value of the shares held (or would have held in the event they dispose of any shares) by SE at the time of any significant reduction in research facilities.

On June 22, 2009, the Company amended the March 2006 Agreement with SE, in order to allow the Company to implement a reduction of the Company's research operations located in Scotland in exchange for the parties' agreement to modify the payment terms of the Agreement in the principal amount of £5 million (approximately $8.0 million at December 31, 2009), which SE had previously entered into with the Company. The original agreement dated March 27, 2006, provided for repayment of £5 million in the event the Company significantly reduced its Scottish research operations. Pursuant to the terms of the Amendment, in association with Cyclacel's material reduction in staff at its Scottish research facility, the parties agreed to a modified payment of £1 million (approximately $1.7 million at June 22, 2009) payable in two equal tranches. On July 1, 2009 the first installment of £0.5 (approximately $0.8 million) million was paid and the remaining amount of $0.8 million was paid on January 6, 2010. In addition, should a further reduction below current minimum staff levels be effectuated before July 2014 without SE's prior consent, the Company will guarantee approximately £4 million, the amount potentially due to SE, which will be calculated as a maximum of £4 million less the market value of the shares held (or would have held in the event they dispose of any shares) by SE at the time of any further reduction in research facilities. This resulted in a charge to the income statement in the second quarter of 2009 of £1 million ($1.7 million), with the outstanding liability being recorded under accrued liabilities on the condensed consolidated balance sheet as at December 31, 2009.

Purchase Obligations

At December 31, 2008 and December 31, 2009, the Company had obligations in relation to the purchase of manufactured products within the ALIGN business of $0.4 million and $0.1 million respectively.

Preferred Dividends

Pursuant to the terms of the Company's outstanding preferred stock, since inception through January 2009, the Company paid quarterly cash dividends when they have fallen due. However, as part of the program to reduce expenditure, on April 6, 2009, June 22, 2009, October 19, 2009 and January 7, 2010, the Board of Directors decided not to declare the quarterly cash dividend.

Legal proceedings

In the ordinary course of business the Company may be subject to legal proceedings and claims. The Company is not currently subject to any material legal proceedings.

12 Stockholders' Equity

Preferred stock

On November 3, 2004, the Company completed a public offering of 2,990,000 shares of its 6% convertible exchangeable preferred stock (the Preferred Stock) at $10.00 per share, including the shares sold to the underwriters pursuant to the over-allotment option granted in connection with the offering. Net proceeds from the offering, after deducting underwriting discounts and offering-related expenses, totaled $27.5 million.

Dividends on the Preferred Stock are cumulative from the date of original issuance at the annual rate of 6% of the liquidation preference of the Preferred Stock, payable quarterly on the first day of February, May, August and November, commencing February 1, 2005. Since inception until April 6, 2009, the Company paid these dividends when due. However, as part of the Company's program to reduce expenditure, on April 6, 2009, June 22, 2009, October 19, 2009 and January 7, 2010, the Company's Board of Directors resolved to suspend payment of, but continue to accumulate, the cash dividend. The Board of Directors will continue to evaluate the payment of a quarterly cash dividend on a quarterly basis. Any dividends must be declared by the Company's Board of Directors and must come from funds that are legally available for dividend payments. The Preferred Stock has a liquidation preference of $10 per share, plus accrued and unpaid dividends. Each quarterly dividend distribution totals $0.3 million.

The Preferred Stock is convertible at the option of the holder at any time into the Company's common stock at a conversion rate of approximately 0.42553 shares of common stock for each share of Preferred Stock, based on a price of $23.50 after giving effect to the one for ten reverse stock split of Xcyte's common stock pursuant to the Stock Purchase. In the year ended December 31, 2004, holders voluntarily converted 910,187 shares of Preferred Stock into 3,873,124 shares of common stock and in the year ended December 31, 2005, holders voluntarily converted 33,000 shares of preferred stock into 140,425 shares of common stock (before giving effect to the one for ten reverse stock split of Xcyte's common stock). During 2007, 2008 and 2009 no shares of Preferred Stock were converted into common stock. The Company has reserved 870,980 shares of common stock for issuance upon conversion of the remaining shares of Preferred Stock outstanding at December 31, 2009.

The Company may automatically convert the Preferred Stock into common stock if the closing price of the Company's common stock has exceeded $35.25, which is 150% of the conversion price of the Preferred Stock, for at least 20 trading days during any 30-day trading period, ending within five trading days prior to notice of automatic conversion. To date, the Company has not elected to automatically convert the Preferred Stock in whole or part into common stock.

Prior to November 3, 2007, the Company was required to make an additional payment on the Preferred Stock equal to the aggregate amount of dividends that would have been payable on the Preferred Stock through November 3, 2007, less any dividends already paid on the Preferred Stock, for each Preferred Stock converted to the Company's common stock, whether at the option of the holder or the Company, the "Make-Whole Dividend Payment". This additional payment was payable in cash or, at the Company's option, in shares of the Company's common stock, or a combination of cash and shares of common stock. The Company issued 81,927 shares of common stock (before giving effect to the one for ten reverse stock split of Xcyte's common stock) to converting holders in 2004 and 2005 in satisfaction of this additional payment.

In accordance with Statement of ASC 815, the Company was required to separate and account for, as an embedded derivative, the Make-Whole Dividend Payment feature of the Preferred Stock. As an embedded derivative instrument, the Make-Whole Dividend Payment feature was measured at fair value and reflected as a liability. Changes in the fair value of the derivative were recognized as a gain or loss in the consolidated statement of operations as a component of other income (expense). Since this feature lapsed on November 3, 2007, the liability was reduced to $0. During 2007, the Company recorded a charge of $0.1 million on the consolidated statement of operations.

From November 6, 2007, the Company may, at its option, redeem the Preferred Stock in whole or in part, out of funds legally available at the redemption prices per share stated below, plus an amount equal to accrued and unpaid dividends up to the date of redemption:

Year from November 1, 2009 to October 31, 2010	$	10.30
Year from November 1, 2010 to October 31, 2011	$	10.24
Year from November 1, 2011 to October 31, 2012	$	10.18
Year from November 1, 2012 to October 31, 2013	$	10.12
Year from November 1, 2013 to October 31, 2014	$	10.06
November 1, 2014 and thereafter	$	10.00

The Preferred Stock is exchangeable, in whole but not in part, at the option of the Company on any dividend payment date beginning on November 1, 2005 (the "Exchange Date") for the Company's 6% Convertible Subordinated Debentures ("Debentures") at the rate of $10 principal amount of Debentures for each share of Preferred Stock. The Debentures, if issued, will mature 25 years after the Exchange Date and have terms substantially similar to those of the Preferred Stock.

The Preferred Stock has no maturity date and no voting rights prior to conversion into common stock, except under limited circumstances.

Common Stock

March 2006 Stock Purchase Agreement

In March 2006, in connection with the Stock Purchase Agreement, the Company issued 7,761,453 shares of common stock (after adjustment for a 1 for 10 reverse stock split which occurred on March 27, 2006) to Cyclacel Group plc which represented 79.7% of the outstanding shares of the Company's common stock.

April 2006 Securities Purchase Agreement

On April 26 2006, the Company entered into a Securities Purchase Agreement pursuant to which it sold to certain investors, for an aggregate purchase price of $45.3 million, 6,428,572 shares of its common stock and warrants to purchase up to 2,571,429 additional shares of its common stock. The purchase price for the common stock and the exercise price for the warrants is $7.00 per share. Investors in the financing paid an additional purchase price equal to $0.125 per warrant or an additional $0.05 for each share underlying the warrants. The warrants became exercisable six months after the closing and have an expiration date seven years thereafter. As of December 31, 2009, all warrants are outstanding.

February 2007 Registered Direct Offering

On February 16, 2007, the Company raised $36.0 million in gross proceeds, before deducting placement agent fees and offering expenses of $2.6 million, in a registered direct offering through the sale of shares of the Company's common stock and warrants. The Company entered into subscription agreements with these investors pursuant to which it sold approximately 4.2 million units, each unit consisting of one share of common stock and a seven-year warrant to purchase 0.25 shares of common stock, at a purchase price of $8.47125 per unit. The purchase price for the shares and the exercise price for the warrants was $8.44 per share, the closing bid price for the Company's common stock on February 12, 2007. Investors paid $0.125 per warrant. The Company issued 4,249,668 shares of common stock and warrants to purchase 1,062,412 shares of common stock. As of December 31, 2009, all of the warrants remain outstanding.

The warrants issued to the investors are being accounted for as a liability in accordance with ASC 840. At the date of the transaction, the fair value of the warrants of $6.8 million was determined utilizing the Black-Scholes option pricing model utilizing the following assumptions: risk free interest rate — 4.58%, expected volatility — 85%, expected dividend yield — 0%, and a remaining contractual life of 6.88 years. 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. At December 31, 2008 and 2009, the fair value of the warrants determined utilizing the Black-Scholes option pricing model was approximately $43,000 and approximately $0.3 million, respectively. The fair value at December 31, 2009 reflects the increase in the Company's common stock price, risk free rate of return and the remaining expected term of the warrants. During 2008, the Company recognized the change in the value of warrants of approximately $3.5 million as a gain on the consolidated statement of operations. During 2009, the Company recorded the change in the value of warrants of $0.3 million as a loss on the consolidated statement of operations.

July 2009 Registered Direct Financing

On July 29, 2009, the Company sold its securities to certain institutional investors consisting of 4,000,000 units in a "registered direct" offering (the "Offering") at a purchase price of $0.85 per unit (each, a "Unit"). Each Unit consisted of (i) one share of the Company's common stock, par value $0.001 per share (the "Common Stock"), (ii) one warrant to purchase 0.625 of one share of Common Stock (a "Series I Warrant") and (iii) one warrant to purchase 0.1838805 of one share of Common Stock (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 Common Stock. As of December 31, 2009, all of the Series I Warrants remain outstanding. 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 Common Stock. As of December 31, 2009, all of the Series II Warrants remain outstanding. The sale of the Units was made pursuant to Subscription Agreements, dated July 23, 2009, 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 $2.9 million.

As of December 31, 2009, the warrants issued to the investors have been classified as equity in accordance with ASC 815. The transaction date fair value of the Series I Warrants of $1.0 million was determined utilizing the Black-Scholes option pricing model utilizing the following assumptions: risk free interest rate — 0.26%, expected volatility — 125%, expected dividend yield — 0%, and a remaining contractual life of 0.58 years. The transaction date fair value of the Series II Warrants of $0.6 million was determined utilizing the Black-Scholes option pricing model utilizing the following assumptions: risk free interest rate — 2.69%, expected volatility — 90%, expected dividend yield — 0%, and a remaining contractual life of 5.00 years.

December 2007 Committed Equity Financing Facility (CEFF)

On December 10, 2007 and amended on November 24, 2009, Cyclacel entered into a CEFF with Kingsbridge, in which Kingsbridge committed to purchase the lesser of 4,084,590 shares of common stock or $60 million of common stock from Cyclacel of capital over a three-year period. Under the terms of the agreement, Cyclacel will determine the exact timing and amount of any CEFF financings, subject to certain conditions. All amounts “drawn down” under the CEFF will be settled via the issuance of Cyclacel’s common stock. Cyclacel may access capital under the CEFF in tranches of either (a) 2% of Cyclacel’s market capitalization at the time of the draw down or (b) the lesser of (i) 3% of Cyclacel’s market capitalization at the time of the draw down and (ii) an alternative draw down amount based on the product of (A) the average trading volume of the 30-day trading period preceding the draw down excluding the five highest and five lowest trading days during such period, (B) the volume-weighted average trading price (“VWAP”) on the trading day prior to the notice of draw down, (C) the number of days during the draw down period and (D) 85%, subject to certain conditions. Each tranche will be issued and priced over an eight-day pricing period. Kingsbridge will purchase shares of common stock pursuant to the CEFF at discounts ranging from 10% to 20% depending on the average market price of the common stock during the eight-day pricing period, provided that the minimum acceptable purchase price for any shares to be issued to Kingsbridge during the eight-day period is determined by the higher of $0.40 or 90% of Cyclacel’s common stock closing price the day before the commencement of each draw down.

During December 2009 and January 2010, the Company sold an aggregate of 1,583,626 shares of its common stock to Kingsbridge under the terms of the CEFF with Kingsbridge, dated as of December 10, 2007, as amended, in consideration of an aggregate of $1.3 million, of which approximately $1.0 million was received in 2009 with the balance of $0.3 million in respect of common shares subscribed but unissued at December 31, 2009, received by the Company in January 2010.

In connection with the Amendment, the Company issued an amended and restated warrant to Kingsbridge to purchase 175,000 shares of its common stock at an exercise price of $1.40 per share, (from an original exercise price of $7.17) which represents 175% of the closing bid price of our common stock on the date prior to the date on which the Amendment was signed. The warrant amends and restates the original warrant issued by the Company to Kingsbridge in connection with the CEFF. No other changes were made to the original warrant. As a result of the change in exercise price, the Company recorded an expense of approximately $44,000. The warrant will become exercisable six months from the date of the agreement and will remain exercisable, subject to certain exceptions, for a period of five years thereafter. As of December 31, 2007 and 2008, the warrants issued to the investors have been classified as equity in accordance with ASC 840. The transaction date fair value of the warrants of $0.6 million was determined utilizing the Black-Scholes option pricing model utilizing the following assumptions: risk free interest rate — 3.605%, expected volatility — 70%, expected dividend yield — 0%, and a remaining contractual life of 5.5 years.

Common Stock Warrants

The following table summarizes information about warrants outstanding at December 31, 2009:

Issued in Connection With	Expiration Date	Common Shares Issuable	Weighted Average Exercise Price
March 2006 stock issuance	2013	2,571,429	7.00
February 2007 stock issuance	2014	1,062,412	8.44
December 2007 CEFF	2012	175,000	1.40
July 2009 Series I stock issuance	2010	2,500,000	1.00
July 2009 Series II stock issuance	2014	735,522	1.00
Total		7,044,363	4.32

Exercise of Stock Options

During 2007, 25,508 shares of common stock were issued from the exercise of stock options resulting in proceeds of $0.2 million. There were no exercises of stock options during 2008. During 2009, 17,180 shares of common stock were issued from the exercise of stock options resulting in proceeds of approximately $7,000.

13 Stock-Based Compensation Arrangements

The Company adopted ASC 718 on January 1, 2006 using the modified prospective method of transition as detailed in Note 2 “Summary of significant accounting policies.”

ASC 718 requires compensation expense associated with share-based awards to be recognized over the requisite service period, which for the Company is the period between the grant date and the date the award vests or becomes exercisable. Most of the awards granted by the Company (and still outstanding), vest ratably over four years, with 1/4 of the award vesting one year from the date of grant and 1/48 of the award granted vesting each month thereafter. However, a large grant of awards issued in June 2006 vests (a) two-thirds upon grant, and (b) one-third over a one-year vesting period. In addition, certain awards made to executive officers vest over three to five years, depending on the terms of their employment with the Company.

Effective January 1, 2006, the Company has elected to recognize all share-based awards issued after the adoption of ASC 718 under the straight-line attribution method. ASC 718 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. This analysis is evaluated quarterly and the forfeiture rate adjusted as necessary. Ultimately, the actual expense recognized over the vesting period is based on only those shares that vest.

Stock based compensation has been reported within expense line items on the consolidated statement of operations for 2007, 2008 and 2009 as shown in the following table:

	Year ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2009
		($000s)	
Research and development	837	736	271
Selling, general and administrative	896	962	539
Stock-based compensation costs before income taxes	$ 1,733	$ 1,698	$ 810

2006 Plans

On March 16, 2006, Xcyte stockholders approved the adoption of the 2006 Plans, under which Cyclacel, may make equity incentive grants to its officers, employees, directors and consultants. On May 14, 2008, at the Company annual stockholders meeting the stockholders increased the number of shares reserved under the 2006 Plans to 5.2 million shares of common stock from 3.0 million shares of common stock.

During 2006, the Company granted 829,079 stock options under the 2006 Plans, two-thirds of which vested immediately on grant. The remaining unvested options became fully vested 12 months following the date of grant of the options on June 13, 2007.

The total fair value of all options granted in 2006 under the 2006 Plans was $5.7 million, of which $5.2 million has been recognized as of December 31, 2009. During 2007, the Company granted approximately 1.3 million options to employees and directors with a grant date fair value of $3.3 million, of which $2.2 million has been expensed. During 2008, the Company granted approximately 1.5 million options to employees and directors with a grant date fair value of $0.7 million, of which $0.4 million has been expensed. During 2009, the Company granted approximately 0.2 million options to employees and directors with a grant date fair value of $0.1 million, of which approximately $28,000 has been expensed. As of December 31, 2009, the total remaining unrecognized compensation cost related to the non-vested stock options amounted to approximately $1.8 million, which will be amortized over the weighted-average remaining requisite service period of 3.25 years.

During 2008 and 2009, the Company did not settle any equity instruments with cash.

The Company received $7,000 from the exercise of 17,180 stock options during 2009. The total intrinsic value of options exercised during 2009 was approximately $11,000. No options were exercised in 2008. The weighted average grant-date fair value of options granted during 2008 and 2009 was $0.67 and $0.39, respectively.

Acceleration of Options

Prior to the Stock Purchase, Group operated a number of share option plans, which provided the opportunity to all eligible individuals, including employees of Cyclacel, to participate in the potential growth and success of Group. These were the 1997 Plan, the 2000 Plan, the SEIP, the Discretionary Plan, the Cyclacel Group Plc Savings Related Share Option Plan and the Cyclacel Group Plc Restricted Share and Co- Investment Plan, collectively referred to as the “Cyclacel Plans”. Options had only been issued under the 1997 Plan, the 2000 Plan, the Discretionary Plan and the SEIP.

Similarly, Xcyte operated a number of share option plans, the Amended and Restated 2003 Directors’ Stock Option Plan (2003 Directors’ Plan), the Amended and Restated 1996 Stock Option Plan (1996 Plan) and the 2003 Stock Plan (2003 Plan), collectively referred to as the “Xcyte Plans”.

The completion of the Stock Purchase and the members’ voluntary liquidation of Group variously caused an acceleration of vesting of options according to the terms of each of the Plans as described below.

Cyclacel Plans

The vesting of all options granted pursuant to the 1997 Plan, 2000 Plan and Discretionary Plan were accelerated on the members’ voluntary liquidation of Cyclacel Group plc. As a result of this acceleration, any holder of options granted pursuant to these Plans had the right to exercise 100% of the options held by such holder pursuant to such plan. However, prior to the completion of the Stock Purchase and liquidation of Cyclacel Group plc all Cyclacel employees waived their rights to exercise any options held by them. The number of options of common stock that would have become fully vested as a result of the accelerated vesting provisions of the Plans was 1,369,757. However, as the liquidation of Cyclacel Group plc was probable at the time the options were waived and the liquidation caused the acceleration of the vesting of the options, the previously unrecognized compensation cost associated with these awards was charged as employee compensation immediately prior to the

consummation of the Stock Purchase on March 27, 2006. Options granted pursuant to the Senior Executive Incentive Plan only became vested on occurrence of certain trigger events and the passage of time thereafter; moreover, there were no provisions for an acceleration of vesting on liquidation. Directors benefiting from this plan waived their rights to any options held by them and concurrently the directors were issued with restricted stock as detailed below. Accordingly, as the options had never vested and were improbable of vesting even absent the liquidation, no compensation charge associated with these awards has been charged as employee expense in this period. There were no Cyclacel common stock options outstanding on completion of the Stock Purchase or liquidation of Group. As of March 16, 2006, no options are granted under the 1997 Plan, 2000 Plan and Discretionary Plan.

In the first quarter of 2006 prior to the completion of the Stock Purchase, 1,750,000 shares of Group preferred stock were granted to certain directors, officers and a former director. These shares converted to 648,412 shares of restricted common stock of the Company on completion of the Stock Purchase. Because the shares granted were not subject to additional future vesting or service requirements, the stock-based compensation expense of $5.2 million recorded during 2006 constituted the entire grant-date fair value of this award, and no subsequent period charges have been recorded. The stock was restricted only in that it could not be sold for a specified period of time. There were no vesting requirements. The fair value of the stock granted was $7.99 per share based on the market price of the Company's common stock on the date of grant. There were no discounts applied for the effects of the restriction, since the value of the restriction is considered to be de minimis. Certain of the restricted stock was issued as a replacement for the previously held stock-based compensation awards and the incremental fair value of the restricted stock over the original award at the date of replacement was charged to expense during the year ended December 31, 2006. Of the $5.2 million charge, $3.2 million was reported as a component of research and development expense and $2.0 million was reported as a component of general and administrative expense.

Xcyte Plans

Upon closing of the Stock Purchase, the vesting of 43,491 options of common stock granted pursuant to the 2003 Directors Plan, the 1996 Plan and the 2003 Plan were immediately accelerated and became fully vested.

Since March 16, 2006, no further options have been issued under the former Xcyte Plans, those being, 1996 Stock Option Plan, 2003 Stock Plan, 2003 Directors Stock Option Plan and 2003 Employee Stock Purchase Plan.

In connection with the approval of the equity incentive plan the holders of Xcyte common stock approved the partial termination of Xcyte's 2003 Employee Stock Purchase Plan, Amended and Restated 1996 Stock Option Plan, Amended and Restated 2003 Directors' Stock Option Plan and 2003 Stock Option Plan. As a result of such partial termination, no options have been issued under such plans. However, such partial termination has not affected the rights of holders of stock options outstanding under such stock option plans.

A summary of the share option activity and related information is as follows:

Cyclacel Pharmaceuticals, Inc.	Number of options outstanding	Weighted average exercise price	Weighted average remaining contractual term (years)	Aggregate intrinsic value
Balance as of December 31, 2007	2,592,346	$ 6.39	9.14	—
Granted	1,469,575	$ 1.18		
Exercised	—	—		
Cancelled/forfeited	(387,022)	$ 5.92		
Options outstanding at December 31, 2008	3,674,899	$ 4.36	8.74	2
Granted	221,000	$ 0.39		
Exercised	(17,180)	$ 0.43		7
Cancelled/forfeited	(528,843)	$ 3.76		
Options outstanding at December 31, 2009	3,349,876	$ 4.21	7.76	698
Unvested at December 31, 2009	1,381,616	$ 2.62	8.43	484
Vested and exercisable at December 31, 2009	1,968,260	$ 5.34	7.79	—

The following table summarizes information about options outstanding at December 31, 2009:

Exercise price	Number outstanding	Weighted Average remaining contractual life	Number exercisable
$			
0.31 – 1.98	1,176,146	8.92	365,676
2.15 – 4.95	223,667	8.04	107,134
5.26 – 5.81	619,030	7.79	324,738
6.30 – 8.30	1,309,033	6.71	1,148,712
15.00 – 45.30	22,000	5.12	22,000
	3,349,876		1,968,260

The fair value of the stock options granted is calculated at each reporting date using the Black-Scholes option-pricing model as prescribed by ASC 718 using the following assumptions:

	Year ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2009
Expected term (years)	4.25 – 6.00	4.25 – 6.00	0.75 – 5 Yrs
Risk free interest rate	3.28 – 5.07%	1.54 – 3.76%	0.325 – .84%
Volatility	65 – 80%	45 – 75%	65 – 169%
Dividends	0.00%	0.00%	0.00%
Resulting weighted average grant date fair value	$3.68	$0.68	$0.39

The expected term assumption was estimated using past history of early exercise behavior and expectations about future behaviors. Due to the Company's limited existence of being a public company, the expected volatility assumption was based on the historical volatility of peer companies over the expected term of the option awards.

Estimates of pre-vesting option forfeitures are based on the Company's experience. Currently the Company uses a forfeiture rate of 20 — 75% depending on when and to whom the options are granted. The Company adjusts its estimate of forfeitures over the requisite service period based on the extent to which actual forfeitures differ, or are expected to differ, from such estimates. Changes in estimated forfeitures are recognized through a cumulative adjustment in the period of change and may impact the amount of compensation expense to be recognized in future periods. During both quarters ended September 30, 2009 and June 30, 2009 the Company revised the forfeiture rates because actual forfeiture rates were higher than that previously estimated primarily due to the lapsing of stock option grants on the termination of employees. During 2009, the Company recognized a net cumulative charge of approximately $0.5 million with respect to the revised forfeiture rates.

The weighted average risk-free interest rate represents interest rate for treasury constant maturities published by the Federal Reserve Board. If the term of available treasury constant maturity instruments is not equal to the expected term of an employee option, Cyclacel uses the weighted average of the two Federal Reserve securities closest to the expected term of the employee option.

The Company received approximately $7,000 from the exercise of 17,180 options during 2009. There were no stock option exercises for the year ended December 31, 2008. The Company received $0.2 million from the exercise of 25,508 options during 2007. No income tax benefits were recorded because ASC 718 prohibits recognition of tax benefits for exercised stock options until such benefits are realized. As Cyclacel presently has tax loss carry forwards from prior periods and expect to incur tax losses in 2007 and 2009, the Company was not be able to benefit from the deduction for exercised stock option in the current reporting period.

Cash used to settle equity instruments granted under share-based payment arrangements amounted to $0 during all periods presented.

In accordance with the terms of a retirement agreement with a former employee, the Company agreed to extend the period during which the former employee would be entitled to exercise vested stock options to purchase Cyclacel's common stock from thirty (30) days following the effective date of his retirement, January 8, 2008, to thirty six (36) months following such effective date. The Company recorded a one time compensation expense related to the modification of the exercise period of $0.1 million for the three months ended March 31, 2008.

Related to the workforce reduction in the second and third quarters of 2009, the Company amended the exercise period to which the employees would be able to exercise their vested stock options from thirty days post termination date, per the option agreement terms, to nine months resulting in a charge to condensed consolidated statement of operations of approximately $0.1 million. In addition, the Company allowed the individuals to continue to vest their stock options and restricted stock units until November 18, 2009 as if they were still employed in recognition of their past work provided to the Company.

Restricted Stock

In November 2008, the Company issued restricted common stock to an employee subject to certain forfeiture provisions. Specifically, one quarter of the award vests one year from the date of grant and 1/48 of the award effectively vests each month thereafter. This restricted stock grant is accounted for at fair value at the date of grant and an expense is recognized during the vesting term. Summarized information for restricted stock grants for the year ended December 31, 2009 is as follows:

	Restricted Stock Units		Weighted Average Grant Date Value Per Share
Non-vested at December 31, 2007	—		—
Granted	50,000	$	0.44
Non-vested at December 31, 2008	50,000	$	0.44
Granted	—		—
Vested	(13,542)	$	0.44
Cancelled	—		—
Non-vested at December 31, 2009	36,458	$	0.44

Restricted Stock Units

Restricted stock units were issued to senior executives of the Company in November 2008, which entitle the holders to receive a specified number of shares of the Company's common stock over the four year vesting term. A restricted stock unit grant is accounted for at fair value at the date of grant which is equivalent to the market price of a share of the Company's common stock, and an expense is recognized during the vesting term. There were no restricted stock unit grants prior to November 2008. Summarized information for restricted stock grants for the year ended December 31, 2009 is as follows:

	Restricted Stock Units		Weighted Average Grant Date Value Per Share
Non-vested at December 31, 2007	—		—
Granted	91,700	$	0.44
Non-vested at December 31, 2008	91,700	$	0.44
Granted	—		—
Vested	(24,488)	$	0.44
Cancelled	(12,525)	$	0.44
Non-vested at December 31, 2009	54,687	$	0.44

14 Restructuring

On September 16, 2008, the Company announced a revision of its operating plan that concentrates the Company's resources on the advancement of its lead drug, sapacitabine, while maintaining the Company's core competency in drug discovery and cell cycle biology. The plan reduced the workforce across all locations by 25 people. The Company recorded approximately $0.4 million for severance payments and $0.1 million of accelerated depreciation for assets that will no longer be utilized. All severance payments were paid as of December 31, 2008. During 2009, the Company recorded approximately $0.4 million for severance payments all of which were paid as of December 31, 2009. As part of the plan the Company vacated its laboratory facility in Cambridge, England. The Company assigned the lease of its redundant Cambridge research facility back to the landlord and, in accordance with the terms of the lease, incurred a net charge, incorporating a surrender fee, of $0.1 million to effect this. In June 2009, the Company further reduced its workforce across all locations by 26 people making a total reduction of 51 people (or 63% of the workforce) since September 2008. An asset impairment amounting to $0.2 million was also charged to the consolidated statement of operations as a result of assets being identified that were no longer being utilized.

As a result of strategic decisions taken by Xcyte in March 2005 the Company restructured its operations and reduced its workforce. In connection with this restructuring Xcyte recorded charges and made provisions for termination benefits, lease restructuring, asset impairment and sales tax assessment.

The table below presents a summary of and reconciliation of those provisions for the years ended December 31, 2008 and 2009:

	Lease restructuring charges	Sales tax assessment	Total
	$000	$000	$000
Balance at December 31, 2007	2,995	270	3,265
Cash payments	(1,106)	—	(1,106)
Adjustments for lease-related deferred expenses and liabilities	202	—	202
Balance at December 31, 2008	2,091	270	2,361
Cash payments	(1,156)	(372)	(1,528)
Adjustments for lease-related deferred expenses and liabilities	127	—	125
Adjustment for sales tax assessment	—	102	102
Balance at December 31, 2009	1,062	—	1,062
Current	1,062	—	1,062
Long term liabilities	—	—	—

Lease restructuring charges

Under the stock purchase agreement entered into with Xcyte Therapies, Cyclacel, assumed the accrued restructuring liability in relation to the Bothell manufacturing facility. The lease term on this space expires December 2010. The liability is computed as the present value of the difference between the remaining lease payments due less the estimate of net sublease income and expenses. This represents the Company's best estimate of the fair value of the liability as determined under ASC 420. Subsequent changes in the liability due to accretion are recognized in interest expense, and changes in estimates of sublease assumptions, etc. are recognized as adjustments to restructuring charges in future periods.

The Company records payments of rent related to the Bothell facility as a reduction in the amount of the accrued restructuring liability. Accretion expense, which is also reflected as a restructuring charge, is recognized due to the passage of time. Based on current projections of estimated sublease income and a discount rate of 7.8%, the Company expects to record additional accretion expense of approximately $0.2 million over the remaining term of the lease. As of December 31, 2009, the Bothell accrued restructuring liability was $1.1 million.

Sales tax assessment

In connection with the abandonment of the leasehold improvements in the Seattle and Bothell facilities and the sale of assets in late 2005 the Company has been subjected to a state sales tax audit by the Department of Revenue of the State of Washington. The total tax liability assessed by the State of Washington was approximately $1 million. During the fourth quarter of 2009, the Company paid $0.5 million, including interest charges of $0.1 million, to settle the claim and the assessment by the Department of Revenue of the State of Washington was dismissed. The Company had accrued $0.4 million on its consolidated balance sheet and the difference of $0.1 million was expensed within the selling, general and administrative line of the consolidated income statement.

The Company records costs and liabilities associated with exit and disposal activities, when certain criteria have been met in accordance with ASC 420, at fair value in the period the liability is incurred. The Company's restructuring and integration plan is subject to continued future refinement as additional information becomes available.

15 Pension Plans

The Company operates a defined contribution group personal pension plan for all of its U.K. based employees. Company contributions to the plan totaled approximately $0.2 million in each of the years ended December 31, 2007 and 2008 and 2009, respectively.

401(k) Plan

The 401(k) Plan provides for matching contributions by the Company in an amount equal to the lesser of 100% of the employee's deferral or 6% of the U.S. employee's qualifying compensation. The 401(k) Plan is intended to qualify under Section 401(k) of the Internal Revenue Code, so that contributions to the 401(k) Plan by employees or by the Company, and the investment earnings thereon, are not taxable to the employees until withdrawn. If the 401(k) Plan qualifies under Section 401(k) of the Internal Revenue Code, the contributions will be tax deductible by the Company when made. Company employees may elect to reduce their current compensation by up to the statutorily prescribed annual limit of $16,500 if under 50 years old and $22,000 if over 50 years old in 2010 and to have those funds contributed to the 401(k) Plan. For each of the years ended December 31, 2007, 2008 and 2009, the Company made contributions of approximately $0.1 million to the 401(k) Plan.

16 Taxes

In the accompanying Consolidated Statements of Operations, “Loss before taxes” includes the following components for the years ended December 31, 2007, 2008 and 2009:

	Year ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2009
	$000	$000	$000
Domestic	(5,448)	(11,337)	(3,013)
Foreign	(20,646)	(30,798)	(17,505)
Total loss before taxes	(26,094)	(42,135)	(20,518)

The benefit for income taxes consists of the following:

	Year ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2009
	$000	$000	$000
Current — domestic	(2)	(4)	(12)
Current — foreign	2,043	1,753	960
Current — total	2,041	1,749	948

The Company has made a taxable loss in each of the operating periods since incorporation. The income tax credits of $2.0 million, $1.7 million and $0.9 million for the years ended December 31, 2007, 2008 and 2009 respectively, represent U.K. research and development tax credits receivable against such expenditures in the United Kingdom.

A reconciliation of the (benefit) provision for income taxes with the amount computed by applying the statutory federal tax rate to loss before income taxes is as follows:

	Year ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2009
	$000	$000	$000
Loss before income taxes	(26,094)	(42,135)	(20,518)
Income tax expense computed at statutory federal tax rate	(8,872)	(14,361)	(6,976)
State income tax (net of federal benefit)	1	3	8
Disallowed expenses and non-taxable income	(3,005)	(1,939)	(773)
Tax losses	4,349	3,584	2,322
Research and development tax relief	(2,551)	(2,191)	(1,185)
Valuation allowance	7,272	11,161	4,605
Change in state tax rate	(268)		
Research and development tax credit rate difference	510	438	237
Foreign tax rate differential	525	1,556	814
	(2,039)	(1,749)	(948)

Significant components of the Company's deferred tax assets are shown below:

	2008	2009
	$000	$000
Net operating loss carryforwards	35,140	42, 534
Depreciation, amortization and impairment of property and equipment	2,178	1,996
Lease restructuring charges	817	399
Tax Credits	61	—
Stock Options	582	775
Accrued Expenses	1,563	2,684
Other	110	67
Translation adjustment	(2,814)	(3,097)
Deferred Tax Assets	37,637	45,358
Valuation allowance for deferred tax assets	(37,637)	(45,358)
Net deferred taxes	—	—

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting and tax purposes. A valuation allowance has been established, as realization of such assets is uncertain.

In certain circumstances, as specified in the Tax Reform Act of 1986, due to ownership changes, the Company's ability to utilize its net operating loss carryforwards may be limited. However, the Company's overseas subsidiary has, subject to agreement with the United Kingdom's H.M. Revenue & Customs, the following tax losses and accumulated tax losses available for carry forward against future operations, which under U.K. tax laws do not expire:

	2008	2009
	$000	$000
Accumulated tax losses	110,478	131,685

As of December 31, 2009 and 2008, the Company had federal, state and foreign net operating losses or (NOLs) of $185.2 million and $124.8 million, respectively and federal research and development credit carryforwards of approximately $0.1 million and $0.1 million, respectively, which will expire starting in 2022. The Company has federal net operating losses that will start to expire in 2027 and state net operating losses that will start expiring in 2023.

As required by ASC 740, the Company's management evaluated the positive and negative evidence bearing upon the realizability of its deferred tax assets, and has determined that it is not more likely than not that we will recognize the benefits of the deferred tax assets. Accordingly, a valuation allowance of approximately $45.4 million has been established at December 31, 2009. The benefit of deductions from the exercise of stock options is included in the NOL carryforwards. The benefit from these deductions will be recorded as a credit to additional paid-in capital if and when realized through a reduction of cash taxes.

Utilization of the NOL and R&D credit carryforwards may be subject to a substantial annual limitation under Section 382 of the Internal Revenue Code of 1986 due to ownership change limitations that have occurred previously or that could occur in the future. These ownership changes may limit the amount of NOL and R&D credit carryforwards that can be utilized annually to offset future taxable income and tax, respectively. We have not currently completed a study to assess whether an ownership change has occurred, or whether there have been multiple ownership changes since our formation, due to the significant complexity and related cost associated with such study. There also could be additional ownership changes in the future which may result in additional limitations in the utilization of the carryforward NOLs and credits.

The Company adopted ASC 740 on January 1, 2007. The implementation of ASC 740 did not have a material impact on the Company's consolidated financial statements, results of operations or cash flows. Management has evaluated all significant tax positions at December 31, 2008 and 2009 concluding that there are no material uncertain tax positions.

The tax year 2008 remains open to examination by major taxing jurisdictions to which the Company is subject, which are primarily in the United Kingdom and the United States, as carryforward attributes generated in years past may still be adjusted upon examination by the United Kingdom's H.M. Revenue & Customs, the Internal Revenue Service (IRS) or state tax authorities if they have or will be used in a future period. The Company is currently not under examination by the IRS or any other jurisdictions for any tax years. The Company recognizes both accrued interest and penalties related to unrecognized benefits in income tax expense. The Company has not recorded any interest and penalties on any unrecognized tax benefits since its inception.

17 Segment and Geographic Information

The Company has determined its reportable segments in accordance with ASC 280 through consideration of the Company's business activities and geographic area. The Company has concluded that it has one operating segment, being the discovery, development and commercialization of novel, mechanism- targeted drugs to treat cancer and other serious disorders, with development operations in two geographic areas, namely the United States and the United Kingdom.

Geographic information for the years ended December 31, 2007, 2008 and 2009 are as follows:

	2007	2008	2009
	$000	$000	$000
Revenue			
United States	—	838	910
United Kingdom	129	39	1
	129	877	911
Net loss			
United States	(1,783)	(11,341)	(3,007)
United Kingdom	(22,270)	(29,045)	(16,563)
	(24,053)	(40,386)	(19,570)
Total Assets			
United States	66,947	22,842	10,460
United Kingdom	8,965	8,115	4,006
	75,912	30,957	14,466
Long Lived Assets, net			
United States	532	516	330
United Kingdom	2,484	1,232	571
	3,016	1,748	901

18 Selected Quarterly Information (unaudited)

The following unaudited quarterly financial information includes, in management's opinion, all the normal and recurring adjustments necessary to fairly state the results of operations and related information for the periods presented. The effects of the correction of errors reported in "Note 20 — Restatement — Net Loss Per Share Disclosure and Consolidated Statement of Cash Flows," are incorporated in the table below.

	For the three months ended			
	March 31, 2009	**June 30, 2009**	**September 30, 2009**	**December 31, 2009**
	$000, except per share amounts			
Revenues	228	266	230	187
Loss before taxes	(5,421)	(7,278)	(3,329)	(4,490)
Net loss applicable to common shareholders	(5,370)	(7,352)	(3,431)	(4,645)
Net loss per share — basic and diluted (1)	$ (0.26)	$ (0.36)	$ (0.15)	$ (0.19)

	For the three months ended			
	March 31, 2008	**June 30, 2008**	**September 30, 2008**	**December 31, 2008**
	$000, except per share amounts			
Revenues	177	180	269	251
Loss before taxes	(6,927)	(8,969)	(18,058)	(8,181)
Net loss applicable to common shareholders	(6,559)	(8,851)	(17,954)	(8,249)
Net loss per share — basic and diluted (1)	$ (0.32)	$ (0.43)	$ (0.88)	$ (0.40)

(1) The addition of loss per common share by quarter may not equal the total loss per common share for the year or year to date due to rounding.

19 Subsequent Events

In January, 2010, the Company announced that NASDAQ had notified us that we regained compliance with the minimum $50 million market value of listed securities requirement and that it currently complies with all other applicable standards for continued listing on The NASDAQ Global Market.

In January, 2010, the Company completed the sale of 2,350,000 units in a "registered direct" offering at a purchase price of $2.50 per unit to certain existing institutional investors of the Company for approximately $5.9 million in gross proceeds. Each unit consisted of one share of its common stock and one warrant to purchase 0.30 of one share of the Company's common stock at an exercise price of $2.85 per share of common stock.

In January, 2010, the Company completed the sale of 2,850,000 units in a "registered direct" offering to certain institutional investors for approximately $7.2 million in gross proceeds. Each unit was sold at a purchase price of $2.51 per unit and consists of one share of the Company's common stock and one warrant to purchase 0.25 of one share of the Company's common stock. The 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 $3.26 per share of common stock.

In January, 2010, the Board of Directors of Cyclacel resolved to suspend the quarterly cash dividend on the Company's 6% Convertible Exchangeable Preferred Stock ("Preferred Stock") with respect to the fourth quarter of 2009 that would have otherwise been payable on February 1, 2010.

During January and February 2010, the Company issued 2,618,266 shares of our common stock for gross proceeds of approximately $2.6 million through the exercise of warrants.

During March 2010, the Company issued 239,396 shares of its common stock to a stockholder in exchange in exchange for the stockholder's delivery to the Company of 123,400 shares of the Company's outstanding Preferred Stock.

During March 2010, the Company issued 1,234,606 shares of its common stock to Kingsbridge for $2.8 million.

20 Restatement — Net Loss Per Share Disclosures and Consolidated Statement of Cash Flows

Net loss per share

Throughout 2007, 2008 and 2009, the Company had outstanding 2,046,813 shares of 6% Convertible Exchangeable Preferred Stock (the "**Preferred Stock**"). The holders of the Preferred Stock are entitled to receive, when, as and if declared, a cash dividend at the annual rate of 6% of the liquidation preference of the Preferred Stock, which dividend is payable quarterly on the first day of February, May, August and November. Until April 6, 2009, the Company declared and paid these dividends. However, as part of the Company's operating plan to reduce expenditure, on April 6, 2009, June 22, 2009, October 19, 2009, January 7, 2010 and March 29, 2010, the Company's board of directors resolved not to declare payment of the cash dividend, which unpaid dividends are accrued.

Although the Company accrued for the unpaid dividends in its consolidated financial statements, it did not include the accrued amount when calculating basic and diluted loss per share of common stock. Similar errors occurred in 2007 and 2008 in the net loss per share disclosure.

The following tables set forth the effects of the restatement relating to net loss per share on affected line items within the Company's previously reported Consolidated Statements of Operations for the years 2007, 2008, and 2009. The restatement has no effect on net cash flows, the reported net loss or the consolidated balance sheet in each of the years.

Effect on Consolidated Statements of Operations

	Year ended December 31		
	2007	**2008**	**2009**
	($000s except for per share amounts)		
Net loss as reported	(24,053)	(40,386)	(19,570)
Restatement changes			
Less: preferred dividends	(307)	(1,227)	(1,228)
Net loss attributable to common shareholders	(24,360)	(41,613)	(20,798)
Weighted-average shares outstanding during the period	19,873,911	20,433,129	22,196,840
Loss per share (basic and diluted) as reported	($1.21)	($1.98)	($0.88)
Restatement changes	($0.02)	($0.06)	($0.06)
Basic and diluted, as restated	($1.23)	($2.04)	($0.94)

Cash flows disclosures

There were errors related to the presentation and disclosure of the Company's Preferred Stock dividends in the statement of cash flows in 2007 through and including 2009. In 2009, the Preferred Stock dividend of $307,000 paid on February 1, 2009 was disclosed incorrectly in the statement of cash flows within Net cash used in operating activities and should have been disclosed within Financing activities. Other disclosure errors were related to the terms of the make-whole dividend payment feature of the Company's Preferred Stock. This make-whole dividend payment feature was considered to be an embedded derivative and was recorded on the balance sheet at fair value as a current liability. As a consequence of this feature, which expired in November 2007, amounts paid with respect to the period of the make-whole provision should be disclosed in Net cash used in operating activities rather than financing activities. Additionally, in the Supplemental cash flow information; Schedule of non-cash items, we have now disclosed accrued dividends on Preferred Stock for 2007 through and including 2009. All of the errors described above have been corrected in the consolidated statements of cash flows. These errors had no effect on the net cash flows or any impact on the consolidated balance sheet or consolidated statement of operations.

Item 9T. Controls and Procedures

(a) *Disclosure Controls*

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. As described below, a material weakness was identified in our internal control over financial reporting. Exchange Act Rule 12b-2 (17 CFR 240.12b-2) and Rule 1-02 of Regulation S-X (17 CFR 210.1-02) define a material weakness as a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the registrant's annual or interim financial statements will not be prevented or detected on a timely basis. As a result of the material weakness, our chief executive officer and chief financial officer have concluded that, as of December 31, 2009, the end of the period covered by this report, our disclosure controls and procedures were not effective at a reasonable assurance level.

(b) *Management's Annual Report on Internal Control Over Financial Reporting*

Internal control over financial reporting refers to the process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies and procedures that:

1. Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;

2. Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

3. Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in "*Internal Control — Integrated Framework*" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), as of December 31, 2009.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process, and it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

In the Company's Annual Report on Form 10-K for the year ended December 31, 2009, filed on March 29, 2010, management concluded that our internal control over financial reporting was effective as of December 31, 2009. Subsequently, our management identified a deficiency in respect of our internal control over financial reporting, specifically in our controls over the computation of net loss per share and the financial statement presentation of our preferred stock dividends in the statement of cash flows that constitutes a material weakness as described in SEC's guidance regarding Management's Report on Internal Control Over Financial Reporting as of December 31, 2009. As a result of this deficiency, the financial statements included in Form 10-K for the year ended December 31, 2009, included errors related to the presentation and disclosure of our preferred stock dividends in the net loss per share disclosure and in the statement of cash flows. As a result of this material weakness, management concluded that we did not maintain effective internal control over financial reporting as of December 31, 2009, based on the criteria established in "*Internal Control — Integrated Framework*", issued by the COSO.

Ernst & Young LLP, an independent registered public accounting firm, has audited our consolidated financial statements and has also issued an attestation report on the effectiveness of our internal controls over financial reporting as of December 31, 2009 which is set forth below:

(c) *Report of Independent Registered Public Accounting Firm*

The Board of Directors and Stockholders of Cyclacel Pharmaceuticals, Inc.

We have audited Cyclacel Pharmaceuticals, Inc's internal control over financial reporting as of December 31, 2009 based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Cyclacel Pharmaceuticals, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial

reporting included in the accompanying “Management’s Annual Report on Internal Control over Financial Reporting”. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our report dated March 29, 2010, we expressed an unqualified opinion that Cyclacel Pharmaceuticals, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based upon the COSO criteria. Management has subsequently determined that a deficiency in internal controls relating to the computation of Cyclacel Pharmaceuticals, Inc.'s net loss per share and the presentation of its preferred stock dividends in the statement of cash flows existed as of the previous assessment date, and has further concluded that such deficiency represented a material weakness as of December 31, 2009. As a result, management revised its assessment, as presented in item 9T, "Management's Annual Report on Internal Control over Financial Reporting", to conclude that Cyclacel Pharmaceuticals, Inc.'s internal control over financial reporting was not effective as of December 31, 2009. Accordingly, our present opinion on the effectiveness of Cyclacel Pharmaceuticals, Inc.'s internal control over financial reporting as of December 31, 2009, as expressed herein, is different from that expressed in our previous report.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. Management identified a material weakness related to its internal control over financial reporting, specifically related to the operational failure of the controls in place to ensure the correct computation of its net loss per share and presentation of preferred stock dividends in the statement of cash flows. The material weakness resulted in the restatement of Cyclacel Pharmaceuticals, Inc.'s financial statements including the net loss per share – basic and diluted and the statement of cash flows for each of the three years in the period ended December 31, 2009. We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Cyclacel Pharmaceuticals, Inc. as of December 31, 2009 and 2008, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2009 and the period from August 13, 1996 (inception) to December 31, 2009. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audits of the consolidated financial statements and this report does not affect our report dated March 29, 2010, except for Note 20 as to which the date is May 17, 2010, on those financial statements.

In our opinion, because of the effect of the material weakness described above on the achievement of the objectives of the control criteria, Cyclacel Pharmaceuticals, Inc. has not maintained effective internal control over financial reporting as of December 31, 2009, based on the COSO criteria.

/s/ Ernst & Young LLP

London, England

March 29, 2010, except for the effects of the material weakness described in the sixth paragraph above, as to which the date is May 17, 2010

(d) *Remediation Activities*

To remediate the material weakness in our internal control over financial reporting as described above, management is enhancing its controls over financial statement presentation and disclosures in this area, specifically by adding additional review procedures over the Company's computation of net loss per share and in the presentation and disclosure of preferred stock dividends in the statement of cash flows. We anticipate that the actions described above will remediate the December 31, 2009 material weakness. The material weakness will only be considered remediated when the revised internal controls are operational for a period of time and are tested and management has concluded that the controls are operating effectively.

(e) *Changes in Internal Control over Financial Reporting*

Except as described above, there have been no significant changes in our internal control over financial reporting during the year ended December 31, 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Documents filed as part of this report are as follows:

(1) Financial Statements and Report of Independent Registered Public Accounting Firm

(2) Financial Statement Schedules

None required.

(3) Exhibits: see below Item 15(b)

(b) Exhibits:

EXHIBIT NUMBER	DESCRIPTION
1.1	Placement Agent Agreement, dated July 23, 2009, by and between the Company and Lazard Capital Markets LLC (previously filed as Exhibit 1.1 to the Registrant's Current Report on Form 8-K, originally filed with the SEC on July 24, 2009, and incorporated herein by reference).
1.2	Placement Agent Agreement, dated January 11, 2010, by and between the Company and ROTH Capital Partners, LLC (previously filed as Exhibit 1.1 to the Registrant's Current Report on Form 8-K, originally filed with the SEC on January 11, 2010, and incorporated herein by reference).
1.3	Placement Agent Agreement, dated January 21, 2010, by and between the Company and ROTH Capital Partners, LLC (previously filed as Exhibit 1.1 to the Registrant's Current Report on Form 8-K, originally filed with the SEC on January 21, 2010, and incorporated herein by reference).
3.1	Amended and Restated Certificate of Incorporation of Xcyte Therapies, Inc. (previously filed as Exhibit 3.1 to the Registrant's Registration Statement on Form S-1, File No. 333-109653, originally filed with the SEC on October 10, 2003, as subsequently amended, and incorporated herein by reference).
3.1.1	Certificate of Amendment of the Amended and Restated Certificate of Incorporation of Xcyte Therapies, Inc. (previously filed as Exhibit 3.3.1 to the Registrant's Quarterly Report on Form 10-Q, for the quarterly period ended March 31, 2006, originally filed with the SEC on May 16, 2006, and incorporated herein by reference).
3.2	Amended and Restated Bylaws of Xcyte Therapies, Inc. (Previously filed as Exhibit 3.3 to Registrant's Registration Statement on Form S-1, File No. 333-109653, originally filed with the SEC on October 10, 2003, as subsequently amended, and incorporated herein by reference).
3.2.1	Amendment No. 1 to the Amended and Restated Bylaws of Xcyte Therapies, Inc. (previously filed as Exhibit 3.01 to the Registrant's Current Report on Form 8-K, originally filed with the SEC on September 8, 2008, and incorporated herein by reference).
3.3	Preferred Stock Certificate of Designations (previously filed as Exhibit 3.2 to the Registrant's Current Report on Form 8-K, originally filed with the SEC on November 5, 2004, and incorporated herein by reference).
4.1	Specimen of Common Stock Certificate (previously filed as Exhibit 4.1 to Registrant's Registration Statement on Form S-1, File No. 333-109653, originally filed with the SEC on October 10, 2003, as subsequently amended, and incorporated herein by reference).
4.2	Specimen of Preferred Stock Certificate of Designation (previously filed as Exhibit 3.2 to Registrant's Registration Statement on Form S-1, File No. 333-119585, originally filed with the SEC on October 7, 2004, as subsequently amended, and incorporated herein by reference).
4.3	Form of Warrant to purchase shares of Cyclacel Pharmaceuticals, Inc. Common Stock (previously filed as Exhibit 99.3 to the Registrant's Current Report on Form 8-K, originally filed with the SEC on April 28, 2006, and incorporated herein by reference).
4.4	Form of Warrant to purchase shares of Cyclacel Pharmaceuticals, Inc. Common Stock (previously filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K, originally filed with the SEC on February 15, 2007, and incorporated herein by reference).
4.5	Form of Warrant to purchase shares of Cyclacel Pharmaceuticals, Inc. Common Stock, dated December 10, 2007, issued to Kingsbridge Capital Limited (previously filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K, originally filed with the SEC on December 11, 2007, and incorporated herein by reference).
4.6	Registration Rights Agreement, dated December 10, 2007, by and between Cyclacel Pharmaceuticals, Inc. and Kingsbridge Capital Limited (previously filed as Exhibit 4.2 to the Registrant's Current Report on Form 8-K, originally filed with the SEC on December 11, 2007, and incorporated herein by reference).
4.7	Amended and Restated Warrant to purchase Common Stock, dated as of November 24, 2009, issued by the Company to Kingsbridge Capital Limited. (previously filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K, originally filed with the SEC on November 25, 2009, and incorporated herein by reference).
4.8	Form of Series I Warrant to purchase shares of Cyclacel Pharmaceuticals, Inc. Common Stock (previously filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K, originally filed with the SEC on July 24, 2009, and incorporated herein by reference).
4.9	Form of Series II Warrant to purchase shares of Cyclacel Pharmaceuticals, Inc. Common Stock (previously filed as Exhibit 4.2 to the Registrant's Current Report on Form 8-K, originally filed with the SEC on July 24, 2009, and incorporated herein by reference).
4.10	Form of Warrant to purchase shares of Cyclacel Pharmaceuticals, Inc. Common Stock (previously filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K, originally filed with the SEC on January 11,

	2010, and incorporated herein by reference).
4.11	Form of Warrant to purchase shares of Cyclacel Pharmaceuticals, Inc. Common Stock (previously filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K, originally filed with the SEC on January 21, 2010, and incorporated herein by reference).
10.1	Stock Purchase Agreement, dated December 15, 2005, between Xcyte Therapies, Inc., and Cyclacel Group plc (previously filed as Exhibit 2.1 to the Registrant's Current Report on Form 8-K, originally filed with the SEC on December 20, 2005, and incorporated herein by reference).

EXHIBIT NUMBER	DESCRIPTION
10.2	Amendment No. 1 to the Stock Purchase Agreement, dated January 13, 2006, between Xcyte Therapies Inc., and Cyclacel Group plc (previously filed as exhibit 2.1 to the Registrant's current report on Form 8-K filed with the Commission on January 19, 2006, and incorporated herein by reference).
10.3	Form of Securities Purchase Agreement, dated April 26, 2006 (previously filed as Exhibit 99.2 to the Registrant's Current Report on Form 8-K, originally filed with the SEC on April 28, 2006, and incorporated herein by reference).
10.4	Form of Subscription Agreement, dated February 13, 2007, by and between Cyclacel Pharmaceuticals, Inc. and certain purchasers (previously filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K, originally filed with the SEC on February 15, 2007, and incorporated herein by reference).
10.5	Form of Placement Agent Agreement, dated February 13, 2007, by and among Cyclacel Pharmaceuticals, Inc., Lazard Capital Markets LLC, Needham & Company, LLC and ThinkEquity Partners LLC (previously filed as Exhibit 10.3 to the Registrant's Current Report on Form 8-K, originally filed with the SEC on February 15, 2007, and incorporated herein by reference).
10.6	Asset Purchase Agreement by and among ALIGN Pharmaceuticals, LLC, ALIGN Holdings, LLC and Achilles Acquisition, LLC, dated October 5, 2007 (previously filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q, for the quarterly period ended September 30, 2007, originally filed with the SEC on November 7, 2007, and incorporated herein by reference).
10.7	Common Stock Purchase Agreement, dated December 10, 2007, by and between Cyclacel Pharmaceuticals, Inc. and Kingsbridge Capital Limited (previously filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K, originally filed with the SEC on December 11, 2007, and incorporated herein by reference).
10.8†	Employment Offer Letter by and between Achilles Acquisition, LLC and William C. Collins, dated October 3, 2007 (previously filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q, for the quarterly period ended September 30, 2007, originally filed with the SEC on November 7, 2007, and incorporated herein by reference).
10.9†	Amended and Restated 2006 Equity Incentive Plan (previously filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K, originally filed with the SEC on June 19, 2007, and incorporated herein by reference).
10.10†	Employment Agreement by and between Cyclacel Pharmaceuticals, Inc. and Spiro Rombotis, dated as of January 1, 2008 (previously filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K, originally filed with the SEC on March 24, 2008, and incorporated herein by reference).
10.11†	Employment Agreement by and between Cyclacel Pharmaceuticals, Inc. and Paul McBarron, dated as of January 1, 2008 (previously filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K, originally filed with the SEC on April 2, 2008, and incorporated herein by reference).
10.12†	Amendment No. 1, dated as of December 31, 2008, to Employment Agreement by and between Cyclacel Pharmaceuticals, Inc. and Spiro Rombotis, dated as of January 1, 2008 (previously filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q, for the quarterly period ended March 31, 2009, originally filed with the SEC on May 15, 2009, and incorporated herein by reference).
10.13	Amendment No. 1 to Common Stock Purchase Agreement, dated as of November 24, 2009, by and between the Company and Kingsbridge Capital Limited (previously filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K, originally filed with the SEC on November 25, 2009, and incorporated herein by reference).
10.14	Form of Subscription Agreement between the Company and certain investors (previously filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K, originally filed with the SEC on July 24, 2009, and incorporated herein by reference).
10.15	Form of Subscription Agreement between the Company and certain investors (previously filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K, originally filed with the SEC on January 11, 2010, and incorporated herein by reference).
10.16	Form of Subscription Agreement between the Company and certain investors (previously filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K, originally filed with the SEC on January 21, 2010, and incorporated herein by reference).
10.17	Agreement between the Company and Scottish Enterprise dated March 27, 2006 (previously filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q, for the quarterly period ended June 30, 2009, originally filed with the SEC on August 13, 2009, and incorporated herein by reference).
10.18	Addendum to Agreement between the Company and Scottish Enterprise dated June 22, 2009 (previously filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q, for the quarterly period ended June 30, 2009, originally filed with the SEC on August 13, 2009, and incorporated herein by reference).
21	Subsidiaries of Cyclacel Pharmaceuticals, Inc. (previously filed)
23.1*	Consent of Independent Registered Public Accounting Firm.
31.1*	Certificate of Spiro Rombotis, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Paul McBarron, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Spiro Rombotis, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code).
32.2**	Certification of Paul McBarron, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code).

† Indicates management compensatory plan, contract or arrangement.

* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned.

CYCLACEL PHARMACEUTICALS, INC.

Date: May 19, 2010

By: /s/ Paul McBarron
Paul McBarron
Chief Operating Officer &
Executive Vice President, Finance

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Spiro Rombotis Spiro Rombotis	President & Chief Executive Officer (Principal Executive Officer) and Director	May 19, 2010
/s/ Paul McBarron Paul McBarron	Chief Operating Officer & Executive Vice President, Finance (Principal Financial and Accounting Officer) and Director	May 19, 2010
/s/ Dr. David U'Prichard Dr. David U'Prichard	Chairman	May 19, 2010
/s/ Dr. Christopher Henney Dr. Christopher Henney	Vice Chairman	May 19, 2010
/s/ Dr. Nicholas Bacopoulos Dr. Nicholas Bacopoulos	Director	May 19, 2010
/s/ Sir John Banham Sir John Banham	Director	May 19, 2010
/s/ Daniel Spiegelman Daniel Spiegelman	Director	May 19, 2010

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-143786) pertaining to the 2006 Equity Incentive Plan of Cyclacel Pharmaceuticals Inc. of our report dated March 29, 2010, except for Note 20, as to which the date is May 17, 2010, with respect to the consolidated financial statements of Cyclacel Pharmaceuticals, Inc., and our report dated March 29, 2010, except for the effects of the material weakness described in the sixth paragraph of that report, as to which the date is May 17, 2010 with respect to the effectiveness of internal control over financial reporting of Cyclacel Pharmaceuticals Inc., included in this Annual Report (Form 10K/A) for the year-ended December 31, 2009.

/s/ Ernst & Young LLP

London, England

May 17, 2010

Exhibit 31.1

CERTIFICATIONS PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Spiro Rombotis, certify that:

1. I have reviewed this Amendment No. 2 to the Annual Report on Form 10-K/A for the year ended December 31, 2009 of Cyclacel Pharmaceuticals, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act rules 13a-15(f) and 15(d)-15(f) and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiary, is made known to us by others within that entity, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting: and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: May 19, 2010

/s/ Spiro Rombotis
Spiro Rombotis
President & Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Paul McBarron, certify that:

1. I have reviewed this Amendment No. 2 to the Annual Report on Form 10-K/A for the year ended December 31, 2009 of Cyclacel Pharmaceuticals, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act rules 13a-15(f) and 15(d)-15(f) and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiary, is made known to us by others within that entity, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: May 19, 2010

/s/ Paul McBarron
Paul McBarron
Chief Operating Officer, Chief Financial Officer
and Executive Vice President, Finance
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATIONS PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. s 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Cyclacel Pharmaceuticals, Inc. (the "Company") hereby certifies, to such officer's knowledge, that:

(i) the Amendment No. 2 to the Annual Report on Form 10-K/A of the Company for the year ended December 31, 2009 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 19, 2010

/s/ Spiro Rombotis
Spiro Rombotis
President & Chief Executive Officer

Exhibit 32.2

CERTIFICATIONS PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. s 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Cyclacel Pharmaceuticals, Inc. (the "Company") hereby certifies, to such officer's knowledge, that:

(i) The Amendment No. 2 to the Annual Report on Form 10-K/A of the Company for the year ended December 31, 2009 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 19, 2010

/s/ Paul McBarron
Paul McBarron
Chief Operating Officer, Chief Financial Officer
and Executive Vice President, Finance