Company Registration No. 1626049

CANCER RESEARCH TECHNOLOGY LIMITED

Report and Financial Statements

31 March 2009

CANCER RESEARCH TECHNOLOGY LIMITED

REPORT AND FINANCIAL STATEMENTS 2009

CONTENTS

CANCER RESEARCH TECHNOLOGY LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements of Cancer Research Technology Ltd (the company) for the year ended 31 March 2009

PRINCIPAL ACTIVITY

The company's primary purpose is to maximise the potential benefits to cancer patients flowing from its parent, Cancer Research UK (CR-UK) and other publicly funded research The company's vision is to advance discoveries to beat cancer and its principal activity is to hold, develop and exploit intellectual property rights arising from such funded research to ensure that any discoveries which could lead to new drugs, diagnostics or vaccines reach the clinic by the most effective development route

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The future development of the company is dependent on continuing to secure intellectual property rights arising from research work supported by CR-UK and other publicly-funded research The company will continue to use CR-UK as the major source for securing such rights and to support the primary objectives of the charity

In recognition of the international characteristics of cancer research activities, the company has incorporated Cancer Research Technology Inc (CRT Inc) with the objective of promoting and marketing CR-UK's and the company's discoveries to the US based pharmaceutical industry and promoting and fostering relationships with academic and not for profit institutions in the United States CRT Inc commenced trading in April 2006

In addition, after successfully bidding to participate in a co-operative research centre in cancer therapeutics supported by the Australian government, an Australian company limited by shares, Cancer Therapeutics CRC Pty Ltd ('CRC Pty Ltd ') was formed in which CRT became a shareholder in July 2007 The value held as the investment in CRC Pty Ltd is nil by the company with a shareholding of 18 6% (Note 9) The company continues to commit to CRC Pty Ltd.'s research and development programme via both cash injection and in-kind contributions

During the year the company completed its programme to expand and decentralise its laboratory facility including the lease of premises in Cambridge (CR-UK being the leaseholder) This increases the capacity from the existing laboratory space at University College London (UCL) and is supported by CR-UK who recognise the two laboratories as critical resources for its scientific community to translate exciting new research discoveries into licensable programmes suitable for commercialisation As the work conducted by the laboratories is integral and core to CR-UK's mission, CR-UK has formally agreed to continue to grant fund this initiative The average number of staff engaged on research and development work during the year has increased to 78 (2008 50) whilst the laboratories expenditure, including staff costs, has increased to £8,067,990 (2008. £6,015,174)

The major source of income has been the sale of the tumour inhibiting drug temozolomide which continues to grow, and related royalties receivable in the year total £28,008,442 (2008 £23,819,190) The secondary major source of income has been the CR-UK grant to support the laboratories expenditure and this grew to £5,848,290 (2008 £4,394,146) The balance of income was derived from the licensing of projects and from the Diagnostic and Research Tools (DaRT) business with a total of £5,613,262 (2008 £6,019,968).

Whilst financial performance remains strong, royalties received from temozolomide sales in certain territories will not be maintained post the expiry of the licensed patents which began in a number of European countries in 2008 The company will become increasingly dependent upon sales of temozolomide in the US (although sales in Japan are expected to increase significantly) Royalties from temozolomide sales in the US may be reduced substantially from 2009/10 onwards if the current patent enforcement dispute involving the company and it's licensee, Schering Corporation and Barr Laboratories (which came to trial before the US Federal District Court for the District of Delaware between 30 March and 4 April 2009), is resolved in Barr's favour The directors have reviewed the risk of this occurring and consider it to be unlikely and do not recommend any change to the business at this time Nonetheless, it is recognised that the outcome of patent enforcement proceedings is inherently unpredictable and the implications of the proceedings will be kept under careful review Judgement in the proceedings, and the expiry of the stay in the review of Barr's Abbreviated New Drug Application, are expected in 2009/10. The directors have also reviewed the potential of other products out-licensed by the company which are in the most advanced stage of clinical development and are confident that the financial strength of the company will be maintained in the long term (although changes to the business may be required in the medium term in the event that the patent dispute is resolved in Barr's favour)

The operating profit for the year is £6,023,082 (2008 £5,729,139) with gross margin maintained at 45 9% (2008 45.9%)

Aside from operating profitability, the company has two key performance objectives – the provision of high quality technology transfer services to researchers and the commercialisation of new technologies The former is a qualitative assessment which is assessed by asking researchers The latter is assessed by the number of such transactions converted In 2009 eighteen transactions were done which maintains a healthy performance (2008: 14)

FINANCIAL RISK MANAGEMENT

In addition to the main risk on royalties, as indicated above, the following statements summarise the company's policy in managing identified forms of financial risk

Price Risk – The company negotiates all contracts through which sales are generated Salary costs are communicated to staff during the formal review of salaries. Prices of material purchases are subject to contracts with suppliers, based on current market prices

Credit Risk – A more active approach to post signature management is being implemented to assess the risk of licensees being unable to develop technology licensed to them by the company.

Liquidity Risk – The company only has long term borrowings in relation to its amounts owed to the parent company and subsidiary undertakings

Interest rate cash flow risk – The company places surplus cash on deposit with the parent company

Foreign exchange risk – The company hedges exposure on income receivable in foreign currency

RESULTS AND DIVIDENDS

The profit on ordinary activities before the provision of a Gift Aid payment for the year ended 31 March 2009 was £6,430,744 (2008 £6,211,481) Provision has been made for a Gift Aid payment of £4,938,660 (2008. £4,150,558) (Note 5) to be made to CR-UK The directors do not recommend the payment of a dividend (2008 £ nil)

DIRECTORS AND THEIR INTERESTS

The directors serving during the year to 31 March 2009 are shown on page 1 None of the directors has any interests in the ordinary shares of the company or any fellow group company. Dr Hamish Ryder, Director of Discovery for the company's laboratories joined the board on 13th January 2009 Dr Ryder has 20 years experience in discovery in both biotech and pharmaceutical companies

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the directors is aware:

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

The directors are responsible for the maintenance and integrity of the corporate and financial information included

CANCER RESEARCH TECHNOLOGY LIMITED

DIRECTORS' REPORT

on the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

AUDITORS

A resolution to reappoint PricewaterhouseCoopers LLP as auditors will be proposed at the Annual General Meeting of CR-UK

Approved by the Board of Directors
and signed on behalf of the Board

A Waldron – Secretary
Date 22/07/04

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CANCER RESEARCH TECHNOLOGY LIMITED

We have audited the financial statements of Cancer Research Technology Limited for the year ended 31 March 2009 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes These financial statements have been prepared under the accounting policies set out therein

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2009 and of its profit and cash flows for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London

Date 24 July 2009

CANCER RESEARCH TECHNOLOGY LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2009

	Note	2009 £	2008 £
TURNOVER	2	39,469,993	34,233,304
Cost of sales		(21,354,742)	(18,505,820)
GROSS PROFIT		18,115,251	15,727,484
OPERATING COSTS			
Research and development costs	3	(8,067,990)	(6,015,174)
Other operating costs	3	(5,858,755)	(4,222,376)
Other operating income		1,834,576	239,205
OPERATING PROFIT	3	6,023,082	5,729,139
Interest payable and similar charges	4	(91,873)	(65,723)
Other interest receivable and similar income		499,535	548,065
PROFIT ON ORDINARY ACTIVITIES BEFORE GIFT AID AND TAXATION		6,430,744	6,211,481
Gift Aid payable to Cancer Research UK	5	(4,938,660)	(4,150,558)
Tax on profit on ordinary activities	6	-	-
PROFIT ON ORDINARY ACTIVITIES AFTER GIFT AID AND TAXATION		1,492,084	2,060,923
RETAINED PROFIT FOR THE FINANCIAL YEAR		1,492,084	2,060,923
Accumulated profit at 1 April		6,471,667	4,410,744
Accumulated profit at 31 March		7,963,751	6,471,667

All activities in the current and preceding year are continuing.

There have been no recognised gains or losses other than the profit for the current year and in the prior year, and accordingly no Statement of Total Recognised Gains and Losses is shown

CANCER RESEARCH TECHNOLOGY LIMITED

BALANCE SHEET
31 March 2009

	Note	2009 £	2008 £
FIXED ASSETS			
Tangible assets	8	1,328,101	1,250,419
Investments	9	4,879,531	4,880,109
		6,207,632	6,130,528
CURRENT ASSETS			
Debtors	10	8,915,003	6,971,945
Cash on deposit with parent company	19	11,250,000	2,000,000
Cash at bank and in hand	19	4,122,967	13,506,183
		24,287,970	22,478,128
CREDITORS: amounts falling due within one year	11	16,589,196	16,497,806
NET CURRENT ASSETS		7,698,774	5,980,322
TOTAL ASSETS LESS CURRENT LIABILITIES		13,906,406	12,110,850
CREDITORS: amounts falling due after one year	12	5,439,183	5,439,183
PROVISIONS for liabilities and charges	13	303,472	-
NET ASSETS		8,163,751	6,671,667
CAPITAL AND RESERVES			
Called up share capital	14	200,000	200,000
Profit and loss account		7,963,751	6,471,667
EQUITY SHAREHOLDER'S FUNDS	15	8,163,751	6,671,667

These financial statements were approved by the Board of Directors on 5th June 2009

Signed on behalf of the Board of Directors

K S Blundy
Director

CANCER RESEARCH TECHNOLOGY LIMITED

CASH FLOW STATEMENT
31 March 2009

	Note	2009 £	2008 £
Net cash inflow from operating activities	17	2,952,594	9,203,900
Returns on investments and servicing of finance			
Interest received		499,535	548,065
Interest paid		(91,874)	(65,723)
Proceeds on disposal of investments		1,835,154	244,816
		2,242,815	727,158
Capital Expenditure			
Payments to acquire tangible fixed assets		(623,625)	(1,096,630)
Proceeds on disposal of tangible fixed assets		0	2,190
		(623,625)	(1,094,440)
Gift Aid Payment		(4,705,000)	(2,395,676)
INCREASE / (DECREASE) IN CASH FOR THE PERIOD	18/19	(133,216)	6,440,942

NOTES TO THE ACCOUNTS
Year ended 31 March 2009

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below

Accounting convention

The financial statements are prepared under the historical cost convention

Profit and loss

All income and expenditure is recognised in the accounts on an accruals basis

Revenue recognition

Turnover comprises income from the exploitation of intellectual property rights. This includes licence fees and payments, royalty income, assignment and option fees, evaluation fees and income from technology transfer services provided to other organisations

Revenue is recognised gross before the distribution under revenue sharing agreements to third parties, which is included in the cost of sales, on the basis that risks and rewards remain with the company

Where contracts contain the right to receipt of annual, bi-annual or quarterly payments, these receipts are recognised when they fall due and on completion of the company's contractual obligations for the period

Accrued income relates to royalties receivable at the year end not yet invoiced

Grants receivable

Revenue grants receivable from the parent are accounted for on an accruals basis as turnover Capital grants receivable are held as deferred capital grant income and released in line with the depreciation of the related assets

Patent costs

All costs incurred in the acquisition of patents are written off in the period in which they are incurred

Tangible fixed assets

Fixed assets are capitalised at cost Fixed assets are depreciated over their estimated useful lives by equal annual instalments at the following rates

Short leasehold improvements are amortised over the life of the lease

Laboratory equipment	25%
Fixtures, fittings and office equipment	25%

Investments

Equity investments are capitalised at cost Where the directors have reason to believe that the value of an investment may have been impaired, a review is performed and an appropriate provision made against the cost of investment on the bases noted below

Equity investments in companies listed on a public capital market which are held as fixed assets are held at cost Where the value is considered to have been impaired then they are stated at the lower of cost and market value

Where an equity investment is held in a company whose shares are not listed on a public capital market and whose valuation is intrinsically uncertain because of the stage of development of its technology, then the directors consider it impractical to attribute a market value to such shareholdings In these cases investments are retained in the balance sheet at their original cost to the group or nil value where the realisation of cost is considered doubtful

Investments in subsidiaries are valued at cost Foreign subsidiaries are held at cost translated at the spot rate on the date the investment was made

Gift Aid payments

Gift Aid payable to the ultimate parent undertaking, representing an estimate of the company's taxable profits for the period, is charged in full to the profit and loss account Adjustments for any under or over provision of Gift Aid are recognised following submission of the company's taxation computation to HM Revenue &

CANCER RESEARCH TECHNOLOGY LIMITED

NOTES TO THE ACCOUNTS
Year ended 31 March 2009

1. **ACCOUNTING POLICIES (continued)**

Customs Under the current Gift Aid arrangements, all current and future taxable profits are payable to CR-UK

Pension costs

The cost of providing retirement pensions and related benefits under the company's defined contribution scheme is charged to the profit and loss account as pension contributions are incurred

The company is unable to identify its share of the assets and liabilities of the CR-UK Pension Scheme (a defined benefit scheme - see note 17) As such, the costs of participating in this scheme are also recognised as they are incurred

Leases

Operating lease rentals are charged to the profit and loss account in equal annual amounts over the lease term

Group accounting

In accordance with s228 of the Companies Act 1985, the company has taken advantage of the exemption available to not prepare and deliver group accounts Accordingly, the company's financial statements present information about it as an individual undertaking and not about it as a group

Research and development expenditure

Research and development expenditure is written off to the profit and loss account as it is incurred

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction unless the transaction is specifically linked in full to a forward contract Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange at the balance sheet date. All differences are taken to the profit and loss account

Forward Exchange Contracts

The company's policy is to hedge against exposures on currency balances and future committed sales Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised

Deferred taxation

Deferred taxation would normally be recognised on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements

However, deferred tax assets and liabilities are not recognised as the company has a policy to eliminate taxable profits by making Gift Aid payments and therefore no asset or liability is likely to arise.

Dilapidation and vacant period rent

The Company recognises dilapidation costs as they crystallise, or when plans to terminate the lease are confirmed
The rent for the vacant period is provided on the definite intention to terminate the existing accommodation lease

Related party transactions

The company has taken advantage of the exemption provided in clause 3(c) of Financial Reporting Standard 8 "Related Party Transactions", which allows it to not disclose transactions with group undertakings

CANCER RESEARCH TECHNOLOGY LIMITED

NOTES TO THE ACCOUNTS
Year ended 31 March 2009

2. TURNOVER

In the opinion of the directors, all turnover and profit before taxation derives from the company's principal activity.

The analysis of turnover by geographic locations is summarised as follows

	2009 £	2008 £
United Kingdom	9,480,867	7,598,882
Other European countries	400,854	643,957
North America	29,504,635	25,930,802
Rest of the world	83,637	59,663
	39,469,993	34,233,304

3. OPERATING PROFIT

The operating profit is stated after charging/(crediting)*	2009 £	2008 £
Operating lease payments – land and buildings	609,696	361,610
Depreciation	545,943	389,332
Foreign Exchange Losses / (Gain)	466,317	(207,622)
Profit on disposal of investments (other operating income) – see note 9	(1,834,576)	(239,205)
Auditors' remuneration – audit fee	10,500	10,000
Auditors' remuneration – other services	875	17,356

*£623,503 of 'Research and development costs', being expenditure relating to CRC Pty Ltd , were expensed through 'Other operating costs' in the prior financial year The substance of this transaction is research and development, so the cost has been re-classified in 2008 as 'Research and development costs' and the expenditure in 2009 has been similarly classified

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2009 £	2008 £
Loan from parent company	49,466	65,596
Interest on late payments to Third Parties	10	127
Interest on late payment of inter company account	37,978	-
Bank charges	4,419	-
	91,873	65,723

Bank charges in previous fiscal year 2008 were £3,324 and were shown as part of 'Other operating costs'

5. GIFT AID PAYABLE

	2009 £	2008 £
Provision for current year payment	4,938,660	4,160,081
Increase/(Reduction) in Gift Aid payable for prior year	-	(9,523)
	4,938,660	4,150,558

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of tax charge on ordinary activities

	2009 £	2008 £
United Kingdom corporation tax at 28% (2008, 30%)	-	-

Factors affecting the tax charge

The tax assessed for the year is lower than that resulting from applying the standard rate of corporation tax in the UK of 28% (2008 30%)

The differences are explained below

	2009 £	2008 £
Profit on ordinary activities before tax and Gift Aid	6,430,744	6,211,481
Corporation tax at 28% thereon	1,800,608	1,863,444
Effects of		
Disallowed expenses	1,126	9,213
Capital gain not subject to tax	(37)	(377)
Capital allowances in (excess) of depreciation	(23,400)	(215,320)
Enhanced R&D tax relief	(366,811)	(205,350)
Net licence fee income deferred	(97,842)	(190,969)
Gift Aid payment provided for	(1,382,825)	(1,248,024)
Deferred consideration on share sale	12,071	(12,617)
Movement in short term timing differences	57,110	-
Current tax charge for the year	-	-

A deferred tax liability has not been recognised in respect of timing differences relating to fixed assets, licence fees and other sundry timing differences as the company has a policy to distribute taxable profits by Gift Aid and therefore no liability is likely to arise The amount of the liability not recognised is £1,142,283 (2008 £1,881,118 at 28%).

7. STAFF COSTS AND DIRECTORS' EMOLUMENTS

	2009 £	2008 £
Staff costs		
Wages and salaries	5,137,271	3,983,018
Social security costs	533,016	419,611
Other pension costs	461,645	432,041
	6,131,932	4,834,670
Average staff numbers for the year		
Research and Development	78	50
Administration	46	45
Average number of employees	124	95

	2009 £	2008 £
Directors' Emoluments		
Directors' remuneration	447,055	413,692
Company pension contributions*	66,821	46,208
	513,876	459,900

* Company Pension Contributions was incorrectly stated in 2008 and should read £66,719

The highest paid director received emoluments of £164,700 during the year (2008· £159,882) with company pension contributions of £35,233 (2008· £34,290) The lump sum pension benefit accrued as at 31 March 2009 was £113,457 (2008 £98,382)

There are 2 directors (2008 2) accruing benefits under defined benefit schemes and 2 directors (2008 1) accruing benefits under defined contribution schemes

Some ex-Imperial Cancer Research Technology Limited employees and directors are a part of a permanent health insurance scheme There have been no claims against this scheme in this reporting financial year

CANCER RESEARCH TECHNOLOGY LIMITED

NOTES TO THE ACCOUNTS
Year ended 31 March 2009

8. TANGIBLE FIXED ASSETS

	Short Leasehold Improvements	Laboratory Equipment	Fixtures, Fittings and Office Equipment	Total
	£	£	£	£
Cost				
At 1 April 2008	61,249	2,283,668	394,025	2,738,942
Additions	92,076	450,302	81,247	623,625
At 31 March 2009	153,325	2,733,970	475,272	3,362,567
Accumulated depreciation				
At 1 April 2008	61,249	1,114,804	312,470	1,488,523
Charge for the year	15,235	483,682	47,026	545,943
At 31 March 2009	76,484	1,598,486	359,496	2,034,466
Net book value				
At 31 March 2009	76,841	1,135,484	115,776	1,328,101
At 31 March 2008	-	1,168,864	81,555	1,250,419

9. INVESTMENTS HELD AS FIXED ASSETS

	Shares in wholly owned subsidiaries	Non Participating interests	Total
	£	£	£
Cost of investments			
At 1 April 2008	6,406,393	572,894	6,979,287
Disposals	-	(578)	(578)
At 31 March 2009	6,406,393	572,316	6,978,709
Provisions			
At 1 April 2008	1,910,917	188,261	2,099,178
At 31 March 2009	1,910,917	188,261	2,099,178
Net book value			
At 31 March 2009	4,495,476	384,055	4,879,531
At 31 March 2008	4,495,476	384,633	4,880,109

13. PROVISIONS FOR LIABILITIES AND CHARGES

This represents a dilapidation provision and rent shortfall during the vacant period in respect of Sardinia House costs and in connection with the definite commitment made during 2009 by the company to move to new premises near Angel, London in December 2010

	2009 £	2008 £
Provision at the beginning of the year	-	-
Dilapidation charge for the year	191,000	-
Rent shortfall	112,472	-
Provision at the end of the year	303,472	-

14. CALLED UP SHARE CAPITAL

	2009 £	2008 £
Authorised:		
200,000 ordinary shares of £1 each	200,000	200,000
Called up, allotted and fully paid:		
200,000 ordinary shares of £1 each	200,000	200,000

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2009 £	2008 £
Shareholders' Funds at the beginning of the year	6,671,667	4,610,744
Retained profit for the year	1,492,084	2,060,923
Shareholders' Funds at the end of the year	8,163,751	6,671,667

16. OPERATING LEASE COMMITMENTS

At 31st March 2009 the company had annual commitments under non-cancellable operating leases for land and buildings expiring as follows

	Land & Buildings	
Annual commitments under non-cancellable operating leases expiring:	**2009 £**	**2008 £**
Within one year	-	-
Within two years to five years	662,521	650,014
After five years	-	-

result in a significantly higher deficit. CR-UK and the pension fund trustees will work together to manage any deficit and implement agreed actions

Further details of the plans and the assumptions applied can be found in the audited accounts of CR-UK at 61 Lincoln's Inn Fields, London, WC2A 3PX

Defined contribution pension scheme

For new employees from 1 April 2003, retirement benefits are provided through a defined contribution scheme under the CR-UK Stakeholder Pension Plan

The total pension costs for all schemes charged to the profit and loss account in the year were £461,645 (2008. £432,040)

22 RELATED PARTY TRANSACTIONS

Dr A J M Richards is a director of Croggan Limited, to whom the company pays a retainer in respect of services rendered During the year, the amount paid or payable totalled £5,000 (2008 £5,000)

Dr J B Ward is a director of Onyvax Limited who entered a licence agreement with the company in 1999. During the year the company received payments for reimbursed patent costs of £8,064 (2008 £8,878) Dr Ward is also Chairman of Spirogen Limited, a UK biotech company in which the company has a minor equity interest

Other than investments disclosed in Note 9, no other payments were made to related parties during the year (2008 none)

23 POST BALANCE SHEET EVENTS

There are no significant post balance sheet events to report on

24. ULTIMATE PARENT COMPANY

The ultimate and immediate parent undertaking and controlling entity is CR-UK, a company limited by guarantee and incorporated in Great Britain and registered in England and Wales This is the largest and smallest group for which consolidated accounts have been produced Consolidated accounts for this entity have been prepared and are available from 61 Lincoln's Inn Fields, London WC2A 3PX.

Andrew Waldron

From: Andrew Waldron
Sent: 14 February 2010 16 05
To Keith Blundy, Robert Amies
Subject: Temodar
Attachments: 100214Opinion Errors re CRT-CRCT (2) doc, 100214OpinionerrorsDV doc

Keith/Rob,

I've been thinking about the telecon with Ed on Friday and have prepared the text of a draft e-mail below which we could send to Merck for their opening on Monday as a way of beginning to position any counter-proposal I've played on Ed's reference to potentially divergent interests between CRT and Merck This may allow us either to obtain formal comfort on this specific issue of 'divergence' and/or make Merck feel that it's worth their while buying us out whilst Merck continue to enjoy the opportunity of making sales without generic competition until, at least, 2011

"Dear Ed,

Thanks again for the update provided on 12 February

I look forward to receiving a copy of the draft agreement which describes the terms upon which Merck and Teva/Barr have agreed in principle that no launch of a generic will take place until the appeal is decided We are discussing with the CRT board the proposals agreed in principle between Teva/Barr and Merck, and sight of a draft agreement will help us to seek the board's views on the terms proposed

I was a little concerned during the telephone call by the reference you made to a potential divergence of interests between CRT and Merck/Schering Certainly none has been identified at any point in the litigation to date My reading of the cooperation agreement entered into between Schering Corporation and CRT in June 2007 is that it indemnifies, and holds harmless, CRT against cover all claims brought in response to or arising from the patent enforcement proceedings or their settlement (unless caused by CRT's intentional misconduct), and that this will include any third party claims arising from a finding of inequitable conduct If I am mistaken and Merck have a different interpretation of the cooperation agreement, I should be grateful if you would confirm the position As you will appreciate it is a necessary condition for CRT's participation in the litigation, particularly in a situation in which it is now contemplated that the finding of inequitable conduct may take longer to overturn than would be the case with an expedited appeal, that the indemnity is understood by both parties to be comprehensive and extends to cover all such third party claims

As a way of briefing our attorneys on a number of errors made by the Judge in her Opinion we have prepared the attached table which addresses the role of CRT and may help to reassure you that there is no foundation for believing that any divergence of interest could exist between us I'd also be grateful for your guidance upon whether we should send a copy to Ropes and Gray or to Weil, Gotschal and Manges

Yours etc"

A brief explanation of the attachment (which needs tweaking) It's intended to address a number of errors in the Judge's Opinion which we will ask be highlighted in the briefs prepared for the Court of Appeals Rob prepared the first draft to highlight errors about CRT's role, which I've amended and added to (a DeltaView comparison is also attached for Rob's benefit which highlights the changes I've made)

I've expanded the scope of the document to address the role of Malcolm and some other aspects of the prosecution (highlighted in yellow) We may decide to exclude the yellow highlighted passages from the version sent to Ed but I think they're of value to our attorneys (and also respond, partially, to Malcolm's latest e-mail)

Any thoughts appreciated

Andrew