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ASTEX PHARMACEUTICALS, INC

FORM 10-Q
(Quarterly Report)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2011

or

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

For the transition period from to

Commission file number 0-27628

ASTEX PHARMACEUTICALS, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**91-1841574** (IRS Employer Identification Number)
4140 Dublin Blvd, Suite 200, Dublin, California (Address of principal executive offices)	**94568** (Zip Code)

(925) 560-0100
(Registrant's telephone number, including area code)

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period

that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer "and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☒	Non-accelerated filer ☐ (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 ☐ No ☒

The number of shares of the registrant's Common Stock, $.001 par value, outstanding as of November 3, 2011 was 92,881,733.

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ASTEX PHARMACEUTICALS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)

	September 30, 2011 (Unaudited)	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 37,939	$ 25,554
Marketable securities	87,750	89,699
Accounts receivable	366	615
Income tax receivable	2,524	40
Prepaid expenses and other current assets	2,076	715
Total current assets	130,655	116,623
Marketable securities, non-current	2,703	5,124
Property, plant and equipment, net	6,924	3,932
Goodwill	43,718	731
Other intangible assets, net	92,244	—
Restricted cash	—	2,134
Other assets	832	554
Total assets	$ 277,076	$ 129,098
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 4,817	$ 1,198
Accrued compensation	4,343	3,556
Other accrued liabilities	845	773
Deferred acquisition consideration	17,135	—
Deferred tax liability	3,379	—
Deferred revenue	1,831	509
Deferred rent	10	12
Total current liabilities	32,360	6,048
Deferred rent, non-current	30	9
Warrant liability	168	—
Deferred acquisition consideration, non-current	11,541	—
Deferred tax liability, non-current	10,698	—
Deferred revenue, non-current	1,048	1,429
Total liabilities	55,845	7,486
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.001 par value; 2,000,000 shares authorized; none outstanding	—	—
Common stock, $.001 par value; 150,000,000 shares authorized; 92,871,327 and 60,357,593 shares issued and outstanding at September 30, 2011 and December 31, 2010, respectively	93	60
Additional paid in capital	560,402	459,482
Accumulated other comprehensive income (loss)	(4,274)	2,382
Accumulated deficit	(334,990)	(340,312)
Total stockholders' equity	221,231	121,612
Total liabilities and stockholders' equity	$ 277,076	$ 129,098

See accompanying notes to condensed consolidated financial statements

ASTEX PHARMACEUTICALS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Revenues:				
Royalty revenue	$ 16,638	$ 13,249	$ 45,148	$ 37,306
Development and license revenue	308	127	562	382
Total revenues	16,946	13,376	45,710	37,688
Operating expenses:				
Research and development	13,546	7,161	29,531	21,867
General and administrative	5,095	2,354	12,246	7,121
Amortization of intangibles	1,485	—	1,485	—
Gain on sale of products	—	—	(700)	(700)
Total operating expenses	20,126	9,515	42,562	28,288
Income (loss) from operations	(3,180)	3,861	3,148	9,400
Interest income	48	44	153	140
Other income (expenses)	(291)	—	(281)	—
Income (loss) before income taxes	(3,423)	3,905	3,020	9,540
Income tax benefit (provision)	2,352	(13)	2,302	(13)
Net income (loss)	$ (1,071)	$ 3,892	$ 5,322	$ 9,527
Net income (loss) per common share:				
Basic	$ (0.01)	$ 0.06	$ 0.08	$ 0.16
Diluted	$ (0.01)	$ 0.06	$ 0.08	$ 0.16
Weighted average shares outstanding:				
Basic	86,116	60,309	69,054	60,271
Diluted	86,116	60,374	73,983	60,603

See accompanying notes to condensed consolidated financial statements

ASTEX PHARMACEUTICALS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Nine months ended September 30,	
	2011	2010
Operating activities:		
Net income	$ 5,322	$ 9,527
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,005	943
Amortization of intangibles	1,485	—
Gain on sale of property and equipment	(10)	—
Stock-based compensation expense	2,313	1,249
Change in valuation of deferred acquisition consideration	327	—
Change in valuation of warrant liability	(133)	—
Recognition of gain on sale of products	(700)	(700)
Changes in operating assets and liabilities:		
Accounts receivable	2,998	—
Income tax receivable	(954)	11
Prepaid expenses and other assets	408	(102)
Restricted cash	2,134	123
Accounts payable and other liabilities	(1,335)	(456)
Deferred tax liability	(1,272)	—
Deferred revenue	(562)	(382)
Net cash provided by operating activities	11,026	10,213
Investing activities:		
Purchases of marketable securities	(57,717)	(118,428)
Sales and maturities of marketable securities	59,713	113,191
Proceeds from sale of products	700	700
Purchases of property and equipment	(629)	(701)
Proceeds from sale of property and equipment	37	—
Acquisition of Astex Therapeutics net assets, net of cash acquired	(269)	—
Net cash provided by (used in) investing activities	1,835	(5,238)
Financing activities:		
Proceeds from issuances of common stock	251	225
Net cash provided by financing activities	251	225
Effect of foreign exchange rate changes on cash and cash equivalents	(727)	—
Net increase in cash and cash equivalents	12,385	5,200
Cash and cash equivalents at beginning of period	25,554	7,682
Cash and cash equivalents at end of period	$ 37,939	$ 12,882
Supplemental Disclosure of Non-Cash Financing Activities:		
Common stock issued in connection with Astex Therapeutics acquisition	$ 95,119	$ —
Fair value of stock options assumed in connection with Astex Therapeutics acquisition	3,270	—
Fair value of warrants assumed in connection with Astex Therapeutics acquisition	301	—
Supplemental Disclosure of Cash Flow Information:		
Income taxes paid in cash during the period	$ 39	$ —

See accompanying notes to condensed consolidated financial statements

ASTEX PHARMACEUTICALS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

(Unaudited)

NOTE 1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of Astex Pharmaceuticals, Inc. ("we," "Astex" or the "Company"), formerly SuperGen, Inc., have been prepared in accordance with generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results include the results of Astex Therapeutics Limited ("ATL"), our wholly owned subsidiary, from the acquisition date of July 20, 2011 (see Note 12). All intercompany balances and transactions have been eliminated in consolidation. The financial statements of ATL have been translated from their functional currency of British Pounds Sterling into US dollars using period-end exchange rates for assets and liabilities and weighted average exchange rates for operating results. Translation gains and losses are included in accumulated other comprehensive income (loss) in stockholders' equity. Foreign currency transaction gains and losses are included in the results of operations in other expense. Due to this acquisition as well as other factors, operating results for the nine month period ended September 30, 2011 are not indicative of results that may be expected for the year ending December 31, 2011.

The balance sheet at December 31, 2010 has been derived from the audited financial statements at that date, but does not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. Certain balances have been reclassified to conform with the presentation at September 30, 2011. Specifically, Payable to AVI BioPharma, Inc. has been combined into Other accrued liabilities.

These unaudited financial statements should be read in conjunction with the Company's audited financial statements and footnotes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

NOTE 2. STOCK-BASED COMPENSATION

Stock Option Plans. We have authorized 20,500,976 shares of common stock for issuance following the grant of incentive stock options or nonstatutory stock options to employees, directors, and consultants under our stock option plans. The number of shares authorized for issuance increased by 2,237,976 on July 20, 2011, upon the issuance of replacement options in the acquisition of ATL (see Note 12). Except for the replacement options, the number of shares to be purchased, their price, and the terms of payment are determined by our Board of Directors, provided that the exercise price for incentive stock options cannot be less than the fair market value on the date of grant. The options granted generally expire ten years after the date of grant and become exercisable at such times and under such conditions as determined by the Board of Directors (generally over a four or five year period). Options that have performance-based vesting criteria become exercisable in accordance with the milestones determined by the Board of Directors.

Employee Stock Purchase Plan. We also have an employee stock purchase plan ("ESPP") that allows eligible employees to purchase common stock at a price per share equal to 85% of the lower of

ASTEX PHARMACEUTICALS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

SEPTEMBER 30, 2011

(Unaudited)

NOTE 2. STOCK-BASED COMPENSATION (Continued)

the fair market value of the common stock at the beginning or end of each six month period during the term of the ESPP. The current offering period began May 16, 2011 and is scheduled to end on November 14, 2011.

We recognized $858,000 and $514,000, respectively, in stock-based compensation expense for the three months ended September 30, 2011 and 2010. We recognized $2,313,000 and $1,249,000, in stock-based compensation expense for the nine months ended September 30, 2011 and 2010, respectively. These amounts have been recorded in research and development expenses or general and administrative expenses, based on the home department of our employees.

The fair value of each stock award has been estimated on the grant date (or acquisition date for the replacement options issued upon the acquisition of ATL) using the Black-Scholes option-pricing model based on the weighted-average assumptions noted in the following table:

	Three months ended September 30,		Nine months ended September 30,		ATL Replacement Options(1)
	2011	2010	2011	2010	
Risk-free interest rate	1.47%	2.09%	2.01%	3.00%	0.44%
Dividend yield	—	—	—	—	—
Expected volatili	59.01%	67.54%	58.51%	59.75%	58.07%
Expected life (in years)	6.27	6.32	5.95	5.95	1.98

(1) Represents replacement options issued upon the acquisition of ATL on July 20, 2011. See Note 12.

We compute expected volatility using a blend of historical volatility and implied volatility of our common stock based on the period of time corresponding to the expected life of the stock options. We do not rely exclusively on implied volatility because options on our stock with remaining terms of greater than one year are not regularly traded in the market. The expected life of stock options granted is based exclusively on historical data and represents the weighted average period of time that stock options granted are expected to be outstanding. The expected life is applied to one group as a whole as we do not expect substantially different exercise or post-vesting termination behavior among our employee and director population. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant commensurate with the expected life assumption. The dividend yield is zero as we do not expect to pay any dividends in the foreseeable future. We currently estimate when and if performance-based options will be earned. If the awards are not considered probable of achievement, no amount of stock-based compensation is recognized. If we consider the award to be probable of vesting, expense is recorded over the estimated service period.

We are using the straight-line attribution method to recognize stock-based compensation expense. The amount of stock-based compensation recognized during a period is based on the value of the portion of the awards that are ultimately expected to vest. We estimate forfeiture rates at the time of grant and revise them, if necessary, in subsequent periods if actual forfeitures differ from those estimates. We used estimated forfeiture rates of 7.89% and 8.60% for the nine month periods ended September 30, 2011 and 2010, respectively. The term "forfeitures" is distinct from "cancellations" or

ASTEX PHARMACEUTICALS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

SEPTEMBER 30, 2011

(Unaudited)

NOTE 2. STOCK-BASED COMPENSATION (Continued)

"expirations" and represents only the unvested portion of a surrendered option. The forfeiture rate is re-evaluated annually and is adjusted as necessary based upon historical data. Ultimately, the actual expense recognized over the vesting period will only be for those shares that vest.

A summary of the Company's stock options as of September 30, 2011 and activity during the nine months then ended is presented below:

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Balance at January 1, 2011	11,131,949	$ 4.62		
Granted	1,646,299	2.72		
Issued upon acquisition of ATL(1)	2,237,976	0.85		
Exercised	(115,438)	1.28		
Forfeited	(93,832)	2.92		
Expired	(114,970)	11.74		
Balance at September 30, 2011	14,691,984	$ 3.81	6.07	$ 2,527,820
Vested or expected to vest at September 30, 2011.	14,012,136	$ 3.80	6.01	$ 2,455,388
Exercisable at September 30, 2011	9,777,186	$ 3.91	5.28	$ 1,759,169

(1) Represents replacement options issued upon the acquisition of ATL on July 20, 2011. See Note 12.

The weighted-average grant-date fair value of options granted during the nine months ended September 30, 2011 was $1.50. The weighted-average grant-date fair value of the replacement options issued in the acquisition of ATL was $2.14. The total intrinsic value of options exercised (i.e. the difference between the market price at exercise and the price paid to exercise the options) during the nine months ended September 30, 2011 was $127,000 and the total amount of cash received from exercise of these options was $148,000.

As of September 30, 2011, there was $4,713,000 of total unrecognized compensation expense related to unvested stock-based awards that vest based upon service conditions or vest based upon performance conditions and are probable of vesting. This expense is expected to be recognized over a weighted average period of 2.59 years.

NOTE 3. CASH, CASH EQUIVALENTS, AND MARKETABLE SECURITIES

Cash and cash equivalents include bank demand deposits, certificates of deposit, investments in debt securities with maturities of three months or less when purchased, and an interest in money market funds which invest primarily in U.S. government obligations. Investments in marketable securities consist of equity securities and corporate or government debt securities that have a readily ascertainable market value and are readily marketable. We report these investments at fair value. We

ASTEX PHARMACEUTICALS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

SEPTEMBER 30, 2011

(Unaudited)

NOTE 3. CASH, CASH EQUIVALENTS, AND MARKETABLE SECURITIES (Continued)

designate all cash equivalents and marketable securities as available-for-sale, with unrealized gains and losses included as a component of equity.

The following is a summary of available-for-sale securities (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
At September 30, 2011				
Money market funds	$ 13,604	$ —	$ —	$ 13,604
U.S. corporate debt securities	20,947		(7)	20,940
Debt securities issued by U.S. government and U.S. government agencies	81,282	30	(4)	81,308
Marketable equity securities	2,726		(23)	2,703
Total	$ 118,559	$ 30	$ (34)	$ 118,555
At December 31, 2010				
Money market funds	$ 1,044	$ —	$ —	$ 1,044
U.S. corporate debt securities	35,413	—	—	35,413
Debt securities issued by U.S. government and U.S. government agencies	77,173	8	(24)	77,157
Marketable equity securities	2,726	2,398	—	5,124
Total	$ 116,356	$ 2,406	$ (24)	$ 118,738

The available-for-sale securities are classified on the balance sheet as follows (in thousands):

	Fair Value	
	September 30, 2011	December 31, 2010
Amounts included in cash and cash equivalents	$ 28,102	$ 23,915
Marketable securities, current	87,750	89,699
Marketable securities, non-current	2,703	5,124
Total	$ 118,555	$ 118,738

At September 30, 2011, all of our debt securities were due in one year or less based on their contractual maturities.

In the three and nine month periods ended September 30, 2011 and 2010, realized gains and losses calculated using the specific identification method were immaterial.

We evaluate investments with unrealized losses to determine if the losses are other than temporary. In making this determination, we consider the financial condition and near-term prospects of the issuers, the magnitude of the losses compared to the investments' amortized cost, changes in the credit quality of the issuer, the length of time the investments have been in an unrealized loss position,

ASTEX PHARMACEUTICALS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

SEPTEMBER 30, 2011

(Unaudited)

NOTE 3. CASH, CASH EQUIVALENTS, AND MARKETABLE SECURITIES (Continued)

and whether it is more likely than not that we will hold the investment for a period of time sufficient for a recovery of our cost basis.

Equity Investments

Equity investments in securities without readily determinable fair value, which consist of investments in privately held companies, are carried at cost. As of September 30, 2011 and December 31, 2010, we held one such non-marketable security with a carrying amount of $500,000. This investment is included in other assets in the condensed consolidated balance sheets. We periodically review this investment and evaluate whether an impairment has occurred. We monitor the liquidity and financing activities of the issuer of this security and evaluate, among other factors, the financial condition and business outlook of the issuer, including key operational and cash flow metrics and current market conditions, as well as our intent and ability to retain the investment. We believe this equity investment continues to be realizable.

NOTE 4. FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The following three levels of inputs may be used to measure fair value under the fair value hierarchy:

- *Level 1*— Quoted prices in active markets for identical assets or liabilities that can be accessed at the measurement date.
- *Level 2*— Observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities in active markets or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- *Level 3*— Unobservable inputs that are supported by little or no market activity.

If the inputs used to measure the financial assets and liabilities fall within more than one of the different levels described above, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

As of September 30, 2011, we held $118,555,000 of cash equivalents and marketable securities consisting of equity securities, high quality marketable debt instruments of the U.S. government and U.S. government agencies, commercial paper, and a money market fund. We have adopted an investment policy and established guidelines relating to credit quality, diversification and maturities of our investments to preserve principal and maintain liquidity. All investment securities are issued by or guaranteed by the U.S. government and its federal agencies or have a credit rating of at least long-term of A or short-term of A1/P1 as determined by Moody's Investors Service and/or Standard & Poor's. We do not have any direct investments in auction-rate securities or securities that are collateralized by assets that include mortgages or subprime debt.

ASTEX PHARMACEUTICALS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

SEPTEMBER 30, 2011

(Unaudited)

NOTE 4. FAIR VALUE MEASUREMENTS (Continued)

The fair value measurements of our financial assets and liabilities are identified at the following levels within the fair value hierarchy (in thousands):

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
At September 30, 2011				
Financial assets carried at fair value:				
Money market funds	$ —	$ 13,604	—	$ 13,604
Commercial paper	—	19,494	—	19,494
Corporate notes	—	1,446		1,446
U.S. government and U.S government agency notes	—	81,308	—	81,308
Equity securities	2,703	—	—	2,703
Total	$ 2,703	$ 115,852	—	$ 118,555
Financial liabilities carried at fair value:				
Warrant liability	—	—	$ 168	$ 168
Deferred acquisition consideration	—	—	28,676	28,676
Total	—	—	$ 28,844	$ 28,844
At December 31, 2010				
Financial assets carried at fair value:				
Money market funds	$ —	$ 1,044	—	$ 1,044
Commercial paper	—	35,413	—	35,413
U.S. government and U.S government agency notes	—	77,157	—	77,157
Equity securities	5,124	—	—	5,124
Total	$ 5,124	$ 113,614	—	$ 118,738

The following table provides reconciliations of financial liabilities measured at fair value using significant unobservable inputs (Level 3)(in thousands):

	Deferred Acquisition Consideration	Warrant Liability
Balances measured at acquisition date of July 20, 2011	$ 28,349	$ 301
Change in value	327	(133)
Balances at September 30, 2011	$ 28,676	$ 168

ASTEX PHARMACEUTICALS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

SEPTEMBER 30, 2011

(Unaudited)

NOTE 4. FAIR VALUE MEASUREMENTS (Continued)

Significant inputs and assumptions used to estimate the fair values of the deferred acquisition consideration are discussed in Note 12. The change in fair value of the deferred acquisition consideration is included in general and administrative expenses on the accompanying statement of operations for the three and nine months ended September 30, 2011.

The fair value of warrants is estimated using the Black-Scholes option-pricing model based on the assumptions noted in the following table:

	Fair Value	
	September 30, 2011	July 20, 2011
Risk-free interest rate	1.2%	1.95%
Dividend yield	—	—
Expected volatility	59.97%	55.97%
Expected life (in years)	6.0	6.25

We compute expected volatility using historical volatility of our common stock based on the period of time corresponding to the expected life of the warrants. The expected life of the warrants is estimated to equal their remaining contractual term. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of measurement that is commensurate with the expected life assumption. The dividend yield is zero as we do not expect to pay any dividends in the foreseeable future. The change in fair value of the warrant liability is included in other income (expenses) on the accompanying statement of operations for the three and nine months ended September 30, 2011.

NOTE 5. REVENUE RECOGNITION

On January 1, 2011, we prospectively adopted Financial Accounting Standards Board Accounting Standards Update 2009-13, Multiple Deliverable Revenue Arrangements ("ASU 2009-13"), and Accounting Standards Update 2010-17, Revenue Recognition—Milestone Method ("ASU 2010-17"). ASU 2009-13 addresses the accounting for multiple-deliverable arrangements to potentially enable vendors to account for products or services separately rather than as a combined unit, and modifies the manner in which the transaction consideration is allocated across the separately identified deliverables. The ASU also significantly expands the disclosure requirements for multiple-deliverable revenue arrangements. ASU 2010-17 amends previous standards to define a milestone and clarify that the milestone method of revenue recognition is a valid application of the proportional performance model when applied to research or development arrangements. Accordingly, we have made an accounting policy election to recognize a payment that is contingent upon the achievement of a substantive milestone in its entirety in the period in which the milestone is achieved. The adoption of these pronouncements did not have a material effect on our consolidated financial statements in the three or nine months ended September 30, 2011. However, ASU 2009-13 may have a material effect upon any collaboration agreements assumed in the acquisition of ATL (see Note 12) or those that we enter into in future periods.

ASTEX PHARMACEUTICALS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

SEPTEMBER 30, 2011

(Unaudited)

NOTE 6. LICENSE AGREEMENT WITH MGI PHARMA, INC./EISAI CORPORATION

In August 2004, we entered into a license agreement with MGI PHARMA, Inc., a Minnesota corporation ("MGI") relating to Dacogen® (decitabine) for Injection, an anti-cancer therapeutic. Pursuant to the terms of the license agreement, MGI received exclusive worldwide rights to the development, commercialization and distribution of Dacogen for all indications. We are entitled to royalties from MGI on all sales of licensed product worldwide.

In May 2006, the United States Food and Drug Administration ("FDA") approved Dacogen for the treatment of patients with myelodysplastic syndromes ("MDS") and MGI commenced commercial sales of Dacogen in the United States. In July 2006, MGI executed an agreement to sublicense Dacogen to Janssen-Cilag, a Johnson & Johnson company, granting exclusive development and commercialization rights in all territories outside North America. MGI was acquired by Eisai Corporation of North America ("Eisai") in January 2008.

Eisai is required to pay us royalties starting at 20% and escalating to a maximum of 30% of net worldwide Dacogen sales within 45 days after the end of each calendar quarter. We recognize royalty revenue when we receive the royalty statement from Eisai because we do not have sufficient ability to accurately estimate Dacogen sales prior to that time. During the three months ended September 30, 2011 and 2010, we recorded royalty revenue of $16,638,000 and $13,249,000, respectively. During the nine months ended September 30, 2011 and 2010, we recorded royalty revenue of $45,148,000 and $37,306,000, respectively.

NOTE 7. ASSET ACQUISITION AGREEMENTS WITH MAYNE PHARMA/HOSPIRA

In August 2006, we closed a transaction with Mayne Pharma (USA), Inc. ("Mayne"), pursuant to which Mayne acquired the North American rights to Nipent® and our SurfaceSafe® cleaning system. Mayne was acquired by Hospira, Inc. in February 2007. In April 2007, we closed another transaction with Mayne/Hospira completing the sale of the remaining worldwide rights for Nipent for total consideration of up to $8.3 million. From the sale of the remaining worldwide rights we received an initial up-front payment of $3.75 million, and the balance of the purchase price was guaranteed and payable in five installments over a five year period on the anniversary dates of the closing date.

Due to the Company's determination that the Nipent operations sold to Mayne/Hospira did not represent a separate component of the Company and the Company's continuing involvement with the Nipent operations, resulting from entering into related agreements and the related additional obligations, the Company has reflected activities related to the Nipent and SurfaceSafe businesses in operating activities for all periods presented.

During both the nine month periods ended September 30, 2011 and 2010, we received $700,000, representing the third and fourth installment payments from Mayne/Hospira related to the sale of the remaining worldwide Nipent rights. These amounts were recorded as gain on sale of products.

ASTEX PHARMACEUTICALS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

SEPTEMBER 30, 2011

(Unaudited)

NOTE 8. AGREEMENTS WITH GLAXOSMITHKLINE

In October 2009, we entered into agreements with GlaxoSmithKline ("GSK") under which we will collaborate with GSK over a period of five years to discover and develop specific epigenetic therapeutics.

The initial total deferred revenue related to GSK of $2,545,000 is being recognized ratably over five years, the expected term of our substantive performance obligations under the collaboration. We recognized $127,000 of the deferred revenue as development and license revenue in both the three months ended September 30, 2011 and 2010. We recognized $382,000 of the deferred revenue as development and license revenue in both the nine months ended September 30, 2011 and 2010.

NOTE 9. COMPREHENSIVE INCOME (LOSS)

The following table is a reconciliation of our net income to comprehensive income (in thousands):

	Three months ended, September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Net income (loss)	$ (1,071)	$ 3,892	$ 5,322	$ 9,527
Other comprehensive income (loss)				
Change in unrealized gain (loss) on investments	(778)	491	(2,374)	893
Change in cumulative foreign currency translation loss	(4,282)	—	(4,282)	—
Comprehensive income (loss)	$ (6,131)	$ 4,383	$ (1,334)	$ 10,420

NOTE 10. BASIC AND DILUTED NET INCOME (LOSS) PER SHARE

Basic net income (loss) per share is calculated by dividing the net income (loss) by the weighted-average number of common shares outstanding for the period, without consideration of potential common shares. Diluted net income per share is computed by dividing the net income (loss), as adjusted for the impact of assuming payment of deferred acquisition consideration in stock, by the weighted-average number of common shares outstanding for the period and dilutive potential common shares for the period determined using the treasury-stock method. For purposes of this calculation, options and warrants to purchase stock as well deferred acquisition consideration that may be paid in stock are considered to be potential common shares and are only included in the calculation of diluted net income per share when their effect is dilutive.

ASTEX PHARMACEUTICALS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

SEPTEMBER 30, 2011

(Unaudited)

NOTE 10. BASIC AND DILUTED NET INCOME (LOSS) PER SHARE (Continued)

The following table is a reconciliation of the denominator used in the calculation of basic and diluted earnings per share (in thousands):

	Three months ended, September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Weighted-average common shares outstanding used in calculation of basic earnings per share	86,116	60,309	69,054	60,271
Dilutive stock options	—	65	751	332
Shares potentially issuable as deferred acquisition consideration	—	—	4,178	—
Weighted-average common shares outstanding used in calculation of diluted earnings per share	86,116	60,374	73,983	60,603
Weighted-average outstanding stock options and warrants not included in diluted net income per share calculation as they had an antidilutive effect	14,877	9,266	9,764	8,036

In the calculation of diluted earnings per share for the nine months ended September 30, 2011, the numerator is comprised of the net income for the period plus approximately $327,000, representing the change in value of the deferred acquisition consideration payable for the period, which was recorded as general and administrative expenses, as the diluted calculation assumes the shares potentially issuable as deferred acquisition consideration would be outstanding from the date of the acquisition of ATL (see Note 12).

NOTE 11. INCOME TAXES

We recorded a tax benefit of $2,302,000 for the nine months ended September 30, 2011, compared to a tax provision of $13,000 for the nine months ended September 30, 2010. The 2011 tax benefit was related to refundable UK research and development tax credits and a benefit related to acquired intangibles that reduced our deferred tax liabilities related to ATL since the acquisition date of July 20, 2011 (see Note 12 below). The 2010 provision was based on the Company's estimated effective tax rate for the year, taking into account the available net operating loss carryforwards and estimated research and development tax credits.

We have no unrecognized tax benefits as of September 30, 2011. We do not anticipate that our total unrecognized tax benefits will significantly change prior to September 30, 2012. As a result of the acquisition of ATL, the Company's federal and state net operating losses and tax credits may be limited.

Our policy is to recognize interest and penalties related to income taxes as a component of income tax expense and there have been no such interest and penalties recorded for any of the periods presented. We are subject to income tax examinations for U.S. federal income taxes and state income taxes from 1999 forward due to net operating losses in tax years 1999 through 2008.

ASTEX PHARMACEUTICALS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

SEPTEMBER 30, 2011

(Unaudited)

NOTE 12. ACQUISITION OF ASTEX THERAPEUTICS LIMITED

On July 20, 2011, we completed the acquisition of all of the outstanding shares of ATL (the "Transaction"), a privately held UK-based biotechnology company with particular expertise in fragment-based drug discovery. The Company determined that the acquisition of ATL would create a unique and important opportunity to expand our drug development partnerships, expand our clinical assets, make our drug discovery process more robust, better leverage our cash, realize economies of scale, and develop expanded future revenue streams. The Transaction was effected through a scheme of arrangement in the United Kingdom, which the High Court of Justice, Chancery Division, Companies Court, London approved prior to the closing of the Transaction. Pursuant to the Transaction, we paid approximately $24.9 million in cash and issued 32.4 million shares of Astex common stock (representing approximately 35% of the issued and outstanding stock of Astex as of the closing of the Transaction after giving effect to the issuance of such shares) to the securityholders of ATL.

In addition, we will pay deferred consideration of $30 million in stock, cash, or a combination of stock and cash, to be paid at the discretion of the Company. Deferred consideration will be paid in semi-annual installments whose amounts will be determined based on the amounts of the contingent milestone payments ATL has received and will receive under its collaboration arrangements during the period from January 2011 through January 2014. While the timing of the deferred consideration payments can vary, the aggregate amount of deferred consideration is fixed and will be paid no later than 30 months after the closing of the Transaction (January 2014), with a minimum of $15 million payable no later than the 18 month anniversary of the closing of the Transaction (January 2013). Deferred consideration is accounted for as a liability at fair value. We determine fair value of the deferred consideration liability as the expected present value of future semi-annual installments, discounted at our incremental borrowing rate of five per cent. The amount of the future semi-annual installments reflects our best estimates of the probability and timing of collaboration milestones to be received. We currently estimate that deferred consideration installments will be approximately $12.2 million, $5.9 million, $6.9 million and $2.1 million and will be due in January 2012, July 2012, January 2013 and July 2013, respectively.

Also, as part of the Transaction, we issued replacement options for the outstanding ATL options and assumed warrants of ATL. Based on the terms of the acquisition agreement, the outstanding ATL options were replaced with options to acquire 2,237,976 shares of Astex common stock. The outstanding ATL warrants entitle the holders to acquire 184,628 shares of Astex common stock. The values of the replacement options and the warrants assumed were determined using the Black-Scholes option-pricing model, with amounts converted to US dollars at the exchange rate on the date of the Transaction.

The acquisition of ATL has been accounted for as a business combination in accordance with Accounting Standards Codification Topic 805, "Business Combinations" ("ASC 805"). The results of operations of ATL since July 20, 2011 have been included in our consolidated financial statements. For the three months ended September 30, 2011, our consolidated results include revenue from ATL of $181,000 and a net loss of $5,569,000. In addition, we recorded transaction related costs of $981,000 and $3,547,000 for the three months and nine months ended September 30, 2011, respectively.

ASTEX PHARMACEUTICALS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

SEPTEMBER 30, 2011

(Unaudited)

NOTE 12. ACQUISITION OF ASTEX THERAPEUTICS LIMITED (Continued)

The aggregate purchase price of ATL was $151,897,000, consisting of the following (in thousands):

Value of common stock issued	$ 95,119
Cash paid	24,858
Deferred consideration	28,349
Fair value of stock options assumed	3,270
Fair value of warrants assumed	301
Total	$ 151,897

The purchase price was allocated on July 20, 2011 as follows (in thousands):

Net tangible assets	$ 26,871
Goodwill	44,296
Intangible assets—In-process research and development	50,776
Intangible assets—Non-active collaboration agreements	25,234
Intangible assets—Developed technology	17,812
Intangible assets—Trademark	2,683
Deferred tax liability	(15,775)
Total	$ 151,897

The fair value of the identified intangible assets was estimated by using income or cost replacement approaches. The identified intangible assets and their respective approaches are listed below in greater detail.

Developed Technology and In-process Research and Development (unencumbered product candidates) —The intangible assets were valued using the cost replacement approach which uses the concept of replacement cost as an indicator of fair value. The premise of the cost approach is that a prudent investor would pay no more for an asset than the amount for which the asset could be replaced or recreated. Replacement cost when new, which refers to the cost to replace the asset with one of like utility using current material and labor rates, establishes the highest amount a prudent investor would pay for the subject asset. To the extent that an existing asset will provide less utility than a new one, the value of that asset is lower.

In-process Research and Development (active collaboration agreements) —The intangible assets were valued using the income approach which recognizes that the fair value of an asset is premised upon the expected receipt of future economic benefits such as earnings and cash flow. Indications of value are developed by discounting these benefits to their present value at a discount rate that reflects both the current return requirements of the market and the risks inherent in the specific investment. This approach is most appropriate when an identifiable stream of income can be attributed to the particular asset being valued, as is the case with this intangible asset. The distinction between the active and non-active collaboration agreements relates to ATL's involvement in the research and development effort. Active collaboration agreements are those projects where research and development by ATL is still on-going, and ATL is still required to deliver a qualified compound or develop intellectual property for the

ASTEX PHARMACEUTICALS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

SEPTEMBER 30, 2011

(Unaudited)

NOTE 12. ACQUISITION OF ASTEX THERAPEUTICS LIMITED (Continued)

collaboration partner. Accordingly, ATL has not yet earned the right to receive milestone and royalty amounts from the collaboration partners for the use of its intellectual property. These agreements are still in the initial phases of research and development. Upon completion of the research phases, still at an early stage of compound development (pre-clinical or early clinical), the collaboration partners can elect to assume the research and development efforts moving forward. At this point, ATL's involvement will be limited to a minimal effort of maintaining protection of the intellectual property ("IP"). Beginning with this stage, ATL will be entitled to receipt of IP-based milestone payments (both R&D related and commercial) and royalties for multiple years, both during and after the research and development phases.

Non-Active Collaboration Agreements —We believe these assets are mostly akin to licensing arrangements with customers whereby a company is entitled to earn amounts from customers for the use of its intellectual property. While ATL did perform research and development services at the initial phases under these agreements, collaboration partners took over the research and development at a relatively early stage (pre-clinical or early clinical), prior to the Transaction, whereupon ATL's involvement was limited to a minimal effort of maintaining protection of the intellectual property. ATL is entitled to receipt of IP-based milestone payments (both research and development-related and commercial) and royalties for multiple years, both during and after the research and development phases. These intangible assets were also valued using the income approach.

Trademark —The income approach using the "relief from royalty" method is a commonly used technique to value intangible assets when comparable licensing transactions are available to benchmark the royalty rate that could be expected to be generated by the subject asset. In the relief from royalty method, the value of the subject assets is estimated by determining the royalties that are relieved from being paid because the company owns the asset. In other words, the value of the asset is derived from the fact that the company would be willing to pay a royalty to license the subject asset.

Goodwill —The acquisition of ATL created goodwill as the acquisition consideration exceeds the fair value of net identifiable assets and acquired liabilities assumed. There are a number of factors contributing to the amount of goodwill, including the ATL workforce and the expectation that the acquisition of ATL will create synergies which will provide future value. In the event Company management determines that the value of goodwill has become impaired, the Company will incur an accounting charge for the amount of impairment during the fiscal quarter in which the determination is made.

The value assigned to developed technology is being amortized over seven years and the value assigned to the non-active collaboration agreements is being amortized over five years, the estimated useful lives of the assets. During the three and nine months ended September 30, 2011, we have recorded amortization of $498,000 related to the developed technology and $987,000 related to the non-active collaboration agreements. We expect to record amortization expense of $7,450,000 in each of the next four years and $6,210,000 in the fifth year.

The in-process research and development and trademark intangibles, as well as the goodwill, are deemed to have indefinite lives. These assets will not be amortized but instead will be tested for

ASTEX PHARMACEUTICALS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

SEPTEMBER 30, 2011

(Unaudited)

NOTE 12. ACQUISITION OF ASTEX THERAPEUTICS LIMITED (Continued)

impairment at least annually (more frequently if certain indicators are present). All of the goodwill recorded is expected to be deductible for US tax purposes over a period of fifteen years.

The net tangible assets acquired consisted of the following (in thousands):

Cash	$ 24,589
Accounts receivable	2,749
Income tax receivable	1,530
Prepaid expenses	1,540
Fixed assets	3,457
Other assets	507
Accounts payable	(4,079)
Accrued compensation	(1,882)
Deferred revenue	(1,540)
Total	$ 26,871

As part of the acquisition, we assumed the property lease on a 36,389 square foot laboratory and administrative building in Cambridge, UK. The lease was executed in March 2003 for a 20 year term. The current rent is approximately $1.6 million per year. The annual rent is reviewed every five years and becomes the greater of the full open market rent for the premises at the time of the rent review or the base rent payable immediately prior to the rent review. The next rent review is on December 25, 2012.

Revenues associated with substantive, at-risk milestones pursuant to ATL's collaborative agreements will be recognized upon achievement of the milestones through option exercise by the collaboration partner. We consider a milestone to be substantive at the inception of the arrangement if it is commensurate with either our performance to achieve the milestone or the enhancement of the value of the delivered item as a result of a specific outcome resulting from our performance to achieve the milestone, it relates solely to past performance, and it is reasonable relative to all of the deliverables and payment terms within the arrangement. Non-refundable contingent future amounts receivable in connection with future events specified in the collaboration agreement that are not considered milestones will be recognized as revenue when payments are earned from our collaborators through completion of any underlying performance obligations, the amounts are fixed or determinable, and collectibility is reasonably assured.

The following pro forma condensed combined financial information gives effect to the acquisition of ATL as if it were consummated on January 1, 2010 (the beginning of the comparable prior reporting period). The pro forma condensed combined financial information is presented for informational purposes only and is not intended to represent or be indicative of the results of operations of the Company that would have been reported had the acquisition occurred on January 1, 2010 and should

ASTEX PHARMACEUTICALS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

SEPTEMBER 30, 2011

(Unaudited)

NOTE 12. ACQUISITION OF ASTEX THERAPEUTICS LIMITED (Continued)

not be taken as representative of future consolidated results of operations of the combined company (in thousands, except per share amounts):

	Three months ended, September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Revenues	$ 17,919	$ 15,509	$ 55,356	$ 43,086
Net income (loss)	(1,378)	211	866	(3,608)
Net income per common share:				
Basic	$ (0.01)	$ 0.00	$ 0.01	$ (0.04)
Diluted	(0.01)	0.00	0.01	(0.04)

As a result of the acquisition of ATL, we have initiated a plan to reorganize and downsize our business to realize certain operational efficiencies that include the planned closure of our Salt Lake City, Utah and Pleasanton, California research facilities. The reorganization will result in the outplacement of 44 employees by January 2012. We have paid severance to the employees that have already been terminated. Since our employees are required to stay with the company and perform transition related services before they can collect their severance, we will accrue the remaining severance costs as they are earned.

During the three and nine months ended September 30, 2011 we recorded $779,000 of accrued severance costs, which are recorded in research and development expenses. During the three and nine months ended September 30, 2011, $446,000 of these costs were paid in cash, resulting in a remaining balance of $333,000 at September 30, 2011, which is included in accrued compensation on the accompanying balance sheet. As a result of the planned reorganization, we expect to pay total severance costs of approximately $1.1 million by January 2012.

NOTE 13. RECENT ACCOUNTING PRONOUNCEMENTS

In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2011-04 relating to fair value measurements. This guidance clarifies the application of existing fair value measurements and disclosures, and changes certain principles or requirements for fair value measurements and disclosures. The amendment is effective for interim and annual periods beginning after December 15, 2011. The adoption of this amendment will not have a material impact on our consolidated financial statements.

In June 2011, the FASB issued ASU 2011-05 on the presentation of comprehensive income, which amends current comprehensive income guidance. This amendment will require companies to present the components of net income and other comprehensive income either as one continuous statement or as two consecutive statements. It eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. The amended guidance, which must be applied retroactively, is effective for interim and annual periods beginning after December 15, 2011, with earlier adoption permitted. This amendment impacts presentation only, and will have no effect on our financial condition, results of operations or cash flows.

ASTEX PHARMACEUTICALS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

SEPTEMBER 30, 2011

(Unaudited)

NOTE 13. RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

In September 2011, the FASB issued ASU 2011-08 on testing goodwill for impairment. Under the amendment, an entity may assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If determined to be necessary, the two-step impairment test shall be used to identify potential goodwill impairment and measure the amount of a goodwill impairment loss to be recognized, if any. The amendment is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. We do not expect that adoption of this amendment will have a material impact on our consolidated financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion together with our condensed consolidated financial statements and related notes included elsewhere in this report. The results discussed below are not necessarily indicative of the results to be expected in any future periods. Our disclosure and analysis in this section of the report also contain forward-looking statements. When we use the words "anticipate," "estimate," "project," "intend," "expect," "plan," "believe," "should," "likely" and similar expressions, we are making forward-looking statements. Forward-looking statements provide our current expectations or forecasts of future events. In particular, these statements include statements such as: our estimates about profitability; the percentage and amount of royalties we expect to earn on Dacogen sales under our agreement with Eisai; our forecasts regarding our operating expenses; our expectations about the joint development program with GSK; our statements regarding the sufficiency of our cash to meet our operating needs; and statements about our acquisition of Astex Therapeutics. Our actual results could differ materially from those predicted in the forward-looking statements as a result of risks and uncertainties including, but not limited to: our ability to successfully integrate Astex Therapeutics with our existing business, particularly launching the Pyramid drug development platform; the commercial success of Dacogen; delays and risks associated with conducting and managing our clinical trials; developing products and obtaining regulatory approval; our ability to exit research operations in Pleasanton and Salt Lake City; our ability to establish and maintain collaborative relationships; competition; our ability to obtain funding; our ability to protect our intellectual property; our dependence on third party suppliers; risks associated with the hiring and loss of key personnel; adverse changes in the specific markets for our products; and our ability to launch and commercialize products. Certain unknown or immaterial risks and uncertainties can also affect our forward-looking statements. Consequently, no forward-looking statement can be guaranteed and you should not rely on these forward-looking statements. For a discussion of the known and material risks that could affect our actual results, please see the "Risk Factors" section of this report. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. Readers should carefully review the Risk Factors section as well as other reports or documents we file from time to time with the Securities and Exchange Commission.

Overview

We are a pharmaceutical company dedicated primarily to the discovery and development of novel cancer therapeutics in epigenetic and cell signaling modulation. We changed our name from SuperGen, Inc. to Astex Pharmaceuticals, Inc. in September 2011. We develop products through biochemical and clinical proof of concept to partner for further development and commercialization. Our primary developmental efforts prior to our acquisition of Astex Therapeutics Limited ("ATL") revolved around the products progressing out of our small-molecule drug discovery programs. We commenced Phase I clinical trials for amuvatinib, a multi-targeted kinase inhibitor and DNA repair suppressor in June 2007, and we commenced a Phase II trial in small cell lung cancer with amuvatinib in September 2011. In 2010, SGI-110, our small molecule DNA hypomethylating agent, received clearance from the FDA to advance into Phase I trials. Dose escalation of SGI-110 is currently in progress in the Phase I trial. In July 2011, we completed the acquisition of ATL, a privately held UK-based biotechnology company with particular expertise in fragment-based drug discovery. Our clinical pipeline now includes eight drugs in development, four of which are currently in or entering Phase II clinical trials, and four of which are currently partnered or optioned to large pharmaceutical companies.

On July 20, 2011, we completed the acquisition of all of the outstanding shares of ATL (the "Transaction"), a privately held UK-based biotechnology company with particular expertise in fragment-based drug discovery. The Transaction was effected through a scheme of arrangement in the United Kingdom, which the High Court of Justice, Chancery Division, Companies Court, London approved prior to the closing of the Transaction. Pursuant to the Transaction, we paid approximately

$24.9 million in cash and issued 32.4 million shares of Astex common stock (representing approximately 35% of the issued and outstanding stock of Astex as of the closing of the Transaction after giving effect to the issuance of such shares) to the securityholders of ATL. In addition, we will pay deferred consideration of $30 million in stock, cash, or a combination of stock and cash, to be paid at the discretion of the Company. Deferred consideration will be paid in semi-annual installments whose amounts will be determined based on the amounts of the contingent milestone payments ATL has received and will receive under its collaboration arrangements during the period from January 2011 through January 2014. While the timing of the deferred consideration payments can vary, the aggregate amount of deferred consideration is fixed and will be paid no later than 30 months after the closing of the Transaction (January 2014), with a minimum of $15 million payable no later than the 18 month anniversary of the closing of the Transaction (January 2013). Also, as part of the Transaction, we issued replacement options for the outstanding options and assumed warrants of ATL.

ATL discovers and develops novel small molecule therapeutics. Using its fragment-based drug discovery platform, Pyramid™, ATL has built a pipeline of molecularly-targeted drugs in clinical trials, with others in discovery and pre-clinical development.

Some of its proprietary research programs include the following:

- AT13387, a second generation HSP90 inhibitor, has started a Phase II trial in combination with imatinib in unresectable or metastatic gastrointestinal tumors.

- AT7519 is a small molecule targeted inhibitor of CDK's 1, 2, 7 and 9. AT7519 has been investigated in two Phase I clinical trials in patients with advanced solid tumors, and has commenced a Phase II study in combination with bortezomib in patients with multiple myeloma. In addition, two Phase II trials of AT7519 to treat patients with chronic lymphocytic leukemia and mantle cell lymphoma are starting, sponsored by the NCIC Clinical Trials Group in Canada. Novartis has an option to develop and commercialize AT7519.

- AT9283 is a small molecule inhibitor of kinases including aurora A and B, and JAK2. Initial clinical trials have demonstrated early signals of efficacy in patients with hematological malignancies. AT9283 has been investigated as monotherapy in patients with advanced solid tumors in two Phase I, open-label, dose-escalation trials at centers in the UK, USA and Canada. In conjunction with Cancer Research UK, we are also investigating the activity of single agent AT9283 in pediatric patients with solid tumors. AT9283 has been investigated in a Phase I/II open-label, dose-escalation trial to assess the safety, tolerability and preliminary efficacy of AT9283 as monotherapy in patients with acute leukemia. AT9283 is also being investigated in a Phase II setting in a chemotherapy refractory, multiple myeloma patient population in a trial being sponsored by the NCIC Clinical Trials Group in Canada.

In addition to its internally advancing proprietary research programs, ATL's productivity in discovery has been endorsed through numerous partnerships with major pharmaceutical companies:

- Novartis commenced a Phase I study in January 2011 of LEE011, a selective inhibitor of the key cell cycle enzyme CDK4, derived from the collaboration with Novartis announced in December 2005 aimed at developing novel cancer therapies targeting the cell cycle. The commencement of the Phase I trial triggered a milestone payment received earlier in 2011, prior to our acquisition of ATL. The Company is eligible to receive additional future contingent milestone payments during the clinical development of LEE001 as well as milestones and royalties on commercialization of approved products.

- In June 2011, AstraZeneca commenced a Phase I study of AZD3839, a clinical candidate selected in October 2010 and derived from the collaborative program on beta-secretase, a key enzyme implicated in the progression of Alzheimer's disease. The commencement of the Phase I trial triggered a milestone payment received earlier in 2011, prior to our acquisition of ATL. The

Company is eligible to receive additional future contingent milestone payments during the clinical development of AZD3839 as well as milestones and royalties on commercialization of approved products.

- In April 2011, AstraZeneca started clinical trials of AZD5363, a clinical candidate derived from ATL's collaborative program on protein kinase B. The Company is also eligible to receive additional future contingent payments during clinical development of AZ5363 and royalties in the event of commercialization of approved products derived from the collaboration.

- Janssen Pharmaceuticals, Inc., a pharmaceutical company of Johnson & Johnson ("Janssen"), selected a development candidate from the collaborative drug discovery program aimed at identifying novel, small molecule inhibitors of Fibroblast Growth Factor Receptor ("FGFR"), for the treatment of cancer. The selection of a candidate by Janssen triggered a milestone payment received earlier in 2011, prior to our acquisition of ATL. The Company is also eligible to receive additional future contingent milestone payments during clinical development and milestones and royalties in the event of commercialization of approved products derived from the collaboration. The FGFR inhibitor program originated from a collaboration initiated in 2005 with the Cancer Research UK Drug Discovery Group at the Newcastle Cancer Centre (NCC), Northern Institute for Cancer Research, Newcastle University, UK.

We currently receive royalty revenues relating to sales of Dacogen for treatment of patients with myelodysplastic syndromes ("MDS"), which has been licensed to Eisai. We are entitled to receive a royalty on worldwide net sales of Dacogen starting at 20% and escalating to a maximum of 30%. We recognize royalty revenue when the royalty statement is received from Eisai because we do not have sufficient ability to accurately estimate Dacogen sales prior to that time. In 2006, Eisai executed an agreement to sublicense Dacogen to Cilag Gmbh International ("Cilag"), a Johnson & Johnson company, granting exclusive development and commercialization rights in all territories outside North America. Cilag is responsible for conducting regulatory and commercial activities related to Dacogen in all territories outside North America, while Eisai retains all commercialization rights and responsibility for all activities in the United States, Canada and Mexico. As a result of both the original agreement with Eisai and the sublicense with Cilag, we may receive up to $17.5 million in future contingent payments dependent upon achievements for Dacogen globally. Early next year, the Company will learn the outcomes of the supplemental New Drug Application ("sNDA") and a Marketing Authorization Application ("MAA") submissions to the United States Food and Drug Administration and the European Medicines Agency ("EMA"), respectively, seeking approval for Dacogen in the elderly Acute Myeloid Leukemia indication. Specifically, Eisai was advised that the Pharmaceutical Drug User Fee Act ("PDUFA") date for the sNDA is March 6, 2012. It is expected that the EMA will determine the outcome of the MAA within the second quarter of 2012.

All of our current products are in the development or clinical trial stage, and will require substantial additional investments in research and development, clinical trials, regulatory and sales and marketing activities to commercialize these product candidates. Conducting clinical trials is a lengthy, time-consuming, and expensive process involving inherent uncertainties and risks, and our studies may be insufficient to demonstrate safety and efficacy to support FDA approval of any of our product candidates.

As a result of our substantial research and development expenditures and minimal product revenues, we have incurred cumulative losses of $335.0 million through September 30, 2011, and have not consistently generated enough funds through our operations to support our business. We expect to have modest operating losses over the next few years and, although we were profitable in the years ended December 31, 2009 and 2010, and anticipate being marginally profitable in 2011, we may never achieve sustained profitability.

Ultimately, our ability to sustain profitability will depend upon a variety of factors, including regulatory approvals of our products, the timing of the introduction and market acceptance of our products and competing products, Eisai's success in selling Dacogen, the success of our various collaborative, research and license arrangements, the launch of new products and our ability to control our ongoing costs and operating expenses. If our drug discovery and research efforts are not successful, or if the results from our clinical trials are not positive, we may not be able to get sufficient funding to continue our trials or conduct new trials, and we would be forced to scale down or cease our business operations. Moreover, if our products are not approved or commercially accepted we will remain unprofitable for longer than we currently anticipate. Additionally, we might be forced to substantially scale down our operations or sell certain of our assets, and it is likely the price of our stock would decline precipitously.

Critical Accounting Policies

Our management discussion and analysis of our financial condition and results of operations is based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and reported disclosures. On an on-going basis, we evaluate our estimates, including those related to revenue recognition, valuation of investments and stock-based compensation. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Our significant accounting policies are more fully disclosed in Note 1 to our consolidated financial statements included in our 2010 Annual Report on Form 10-K. However, some of our accounting policies are particularly important to the portrayal of our financial position and results of operations and require the application of significant judgment by our management. We believe the following critical accounting policies, among others, affect our more significant judgments and estimates used in the preparation of our condensed consolidated financial statements.

Stock-Based Compensation

We account for stock-based compensation at the fair value estimated on the measurement date using the Black-Scholes option-pricing model based on assumptions for volatility, risk-free interest rates, expected life of the option, and dividends (if any). Expected volatility is determined based on a blend of historical volatility and implied volatility of our common stock based on the period of time corresponding to the expected life of the stock options. The expected life of our stock options is based on our historical data and represents the period of time that stock options granted are expected to be outstanding. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant commensurate with the expected life assumption.

We are using the straight-line attribution method to recognize stock-based compensation expense. The amount of stock-based compensation recognized during a period is based on the value of the portion of the awards that are ultimately expected to vest, including awards that vest based on certain performance criteria. We estimate forfeitures at the time of grant and revise them, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The term "forfeitures" is distinct from "cancellations" or "expirations" and represents only the unvested portion of the surrendered option. This analysis is re-evaluated quarterly and the forfeiture rate is adjusted as necessary based upon historical data. Ultimately, the actual expense recognized over the vesting period will only be for those shares that vest.

As of September 30, 2011, there was $4.7 million of total unrecognized compensation cost related to unvested stock-based awards that vest based upon service conditions or vest based upon performance conditions and are probable of vesting. This cost is expected to be recognized over a weighted average period of 2.59 years.

Revenue Recognition

Eisai is required to pay us royalties starting at 20% and escalating to a maximum of 30% of net worldwide Dacogen sales within 45 days after the end of each calendar quarter. During the nine month period ended September 30, 2011, we recorded royalty revenue of $45.1 million. Because we do not have sufficient ability to accurately estimate Dacogen sales, we recognize royalty revenue when we receive the royalty statement from Eisai. In accordance with our license agreement with Eisai, we are entitled to receive 50% of any payments Eisai receives as a result of any sublicenses.

Development and license revenue in the nine month periods ended September 30, 2011 relates primarily to the agreements we entered into with GSK in October 2009. In connection with the agreements, we received an upfront payment of $2 million, in addition to a $3 million equity investment by GSK at above-market price. As our substantive performance obligations under the agreements are estimated to be completed over a five year period, the $2 million upfront payment and the premium paid on the $3 million equity investment of $0.5 million are being recognized as revenue ratably over 60 months. We assess the substantive performance period on a quarterly basis and will change it if appropriate based upon our latest expectations. We assumed a similar arrangement with Janssen in recording deferred revenue of $1.5 million upon the acquisition of ATL. This amount is being recognized as revenue as certain performance obligations under the agreement are completed. During the three months ended September 30, 2011 we recorded $181,000 as development and license revenue relating to this agreement.

Revenues associated with substantive, at-risk milestones pursuant to ATL's collaborative agreements will be recognized upon achievement of the milestones through option exercise by the collaboration partner. We consider a milestone to be substantive at the inception of the arrangement if it is commensurate with either our performance to achieve the milestone or the enhancement of the value of the delivered item as a result of a specific outcome resulting from our performance to achieve the milestone, it relates solely to past performance, and it is reasonable relative to all of the deliverables and payment terms within the arrangement. Non-refundable contingent future amounts receivable in connection with future events specified in the collaboration agreement that are not considered milestones will be recognized as revenue when payments are earned from our collaborators through completion of any underlying performance obligations, the amounts are fixed or determinable, and collectibility is reasonably assured.

Intangible Assets and Goodwill

The fair value of the identified intangible assets recorded in the acquisition of ATL was estimated by using income or cost replacement approaches. The acquisition of ATL also created goodwill as the purchase price exceeded the fair value of the identifiable assets acquired net of the liabilities assumed. The value assigned to developed technology is being amortized over seven years and the value assigned to the non-active collaboration agreements is being amortized over five years, the estimated useful lives of the assets. During the three and nine months ended September 30, 2011, we have recorded amortization of $498,000 related to the developed technology and $987,000 related to the non-active collaboration agreements. The in-process research and development and trademark intangibles, as well as the goodwill, are deemed to have indefinite lives. These assets will not be amortized but instead will be tested for impairment at least annually (more frequently if certain indicators are present).

Impairment of Investments in Financial Instruments

Investments in financial instruments are carried at fair value based on quoted market prices, with unrealized gains and losses included in accumulated other comprehensive income or loss in stockholders' equity. Our investment portfolio includes equity securities that could subject us to material equity market risk and corporate and U.S. government (or U.S. governmental agency) obligations that subject us to varying levels of credit risk. An other than temporary decline in fair value of a financial instrument will be subject to a write-down resulting in a charge against earnings. The determination of whether a decline in fair value is other than temporary requires significant judgment, and could have a material impact on our balance sheet and results of operations. Our management reviews the securities within our portfolio for other than temporary declines in value on a regular basis. As of September 30, 2011, the gross unrealized losses on available for sale debt securities was approximately $11,000, and such losses were not attributed to changes in credit risk. The prices of some of our marketable equity securities are subject to considerable volatility. Currently we own 2,384,211 shares of AVI Bio Pharma, Inc. ("AVI") and recorded an other-than-temporary decline in value of $3.1 million related to this investment during the year ended December 31, 2008. As of September 30, 2011, the fair value of our investment in AVI was equal to our adjusted cost basis. Decreases in the fair value of our securities may significantly impact our results of operations.

Investments in equity securities without readily determinable fair value are carried at cost. We periodically review those carried costs, amounting to $500,000 as of September 30, 2011, and evaluate whether an impairment has occurred. The determination of whether an impairment has occurred requires significant judgment, as each investment has unique market and development opportunities.

Recent Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2011-04 relating to fair value measurements. This guidance clarifies the application of existing fair value measurements and disclosures, and changes certain principles or requirements for fair value measurements and disclosures. The amendment is effective for interim and annual periods beginning after December 15, 2011. The adoption of this amendment will not have a material impact on our consolidated financial statements.

In June 2011, the FASB issued ASU 2011-05 on the presentation of comprehensive income, which amends current comprehensive income guidance. This amendment will require companies to present the components of net income and other comprehensive income either as one continuous statement or as two consecutive statements. It eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. The amended guidance, which must be applied retroactively, is effective for interim and annual periods beginning after December 15, 2011, with earlier adoption permitted. This amendment impacts presentation only, and will have no effect on our financial condition, results of operations or cash flows.

In September 2011, the FASB issued ASU 2011-08 on testing goodwill for impairment. Under the amendment, an entity may assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If determined to be necessary, the two-step impairment test shall be used to identify potential goodwill impairment and measure the amount of a goodwill impairment loss to be recognized, if any. The amendment is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. We do not expect that adoption of this amendment will have a material impact on our consolidated financial statements.

Results of Operations

Three months ended September 30, 2011 compared to three months ended September 30, 2010:

The results for the three months ended September 30, 2011 include the consolidated results of ATL since the acquisition date of July 20, 2011.

Revenues	Three months ended September 30, 2011	Three months ended September 30, 2010	Change Dollar	Change Percent
	(Dollars in thousands)			
Royalty revenue	$ 16,638	$ 13,249	$ 3,389	25.58%
Development and license revenue	308	127	181	142.52

The increase in royalty revenue from 2010 to 2011 is due to higher Dacogen product sales by Eisai. Eisai is required to pay us royalties starting at 20% and escalating to a maximum of 30% of net worldwide Dacogen sales within 45 days after the end of each calendar quarter. Because we do not have sufficient ability to accurately estimate Dacogen sales, we recognize royalty revenue when we receive the royalty statements from Eisai. Therefore, royalty revenues recognized in the third quarters of 2011 and 2010 relate to worldwide Dacogen sales for the second quarters of 2011 and 2010, respectively.

Development and license revenue relates to the recognition of upfront payments received in connection with collaboration agreements with GSK and the recognition of deferred revenue arising from the acquisition of ATL related to the collaboration with Janssen. The upfront payment received from GSK is being recognized ratably through October 2014. Deferred revenue related to the collaboration with Janssen is recognized as the Company performs development services over the period starting from July 20, 2011 through December 2011.

Operating expenses	Three months ended September 30, 2011	Three months ended September 30, 2010	Change Dollar	Change Percent
	(Dollars in thousands)			
Research and development	$ 13,546	$ 7,161	$ 6,385	89.16%
General and administrative	5,095	2,354	2,741	116.44
Amortization of intangibles	1,485	—	1,485	—

The increase in research and development expenses was primarily due to higher contracted outside research and development services for our various drug candidates and clinical trial costs related to amuvatinib and SGI-110, additional research and development costs of $5,080,000 relating to our UK operation since the acquisition of ATL on July 20, 2011, as well as severance costs of $779,000 relating to the exiting of our Pleasanton and Salt Lake City research facilities.

The increase in general and administrative expenses relates primarily to higher stock based compensation expenses, additional $800,000 of costs related to our UK operation since the acquisition of ATL on July 20, 2011, and $981,000 of transaction costs related to the acquisition of ATL.

Definite-lived intangible assets relating to the acquisition of ATL are being amortized over their estimated useful lives. The value assigned to developed technology is being amortized over seven years and the value assigned to the non-active collaboration agreements is being amortized over five years.

Other income (expense)	Three months ended September 30, 2011	Three months ended September 30, 2010	Change Dollar	Change Percent
	(Dollars in thousands)			
Interest income	$ 48	$ 44	$ 4	9.09%
Other income (expenses)	(291)	—	291	—
Income tax benefit (provision)	2,352	(13)	2,365	N/A

The increase in interest income was due primarily to higher cash and marketable securities balances for the three months ended September 30, 2011 compared to the comparable period in 2010.

Other income (expenses) for the three months ended September 30, 2011 includes foreign currency transaction losses of $424,000 incurred upon the payment of the cash purchase consideration to the ATL securityholders, partially offset by a decline of $133,000 in the value of the warrant liability assumed in the acquisition of ATL.

The 2011 tax benefit relates to a foreign refundable UK research and development tax credit related to ATL and the recognition of a tax benefit associated with the amortization of deferred tax liabilities resulting from the acquisition of ATL from July 20, 2011. The 2010 tax provision was based on the Company's estimated effective tax rate for the year, taking into account the available net operating loss carryforwards and estimated research and development tax credits.

Nine months ended September 30, 2011 compared to nine months ended September 30, 2010:

The results for the nine months ended September 30, 2011 include the consolidated results of ATL since the acquisition date of July 20, 2011.

Revenues	Nine months ended September 30, 2011	Nine months ended September 30, 2010	Change Dollar	Change Percent
	(Dollars in thousands)			
Royalty revenue	$ 45,148	$ 37,306	$ 7,842	21.02%
Development and license revenue	562	382	180	47.12

The increase in royalty revenue from 2010 to 2011 is due to higher Dacogen product sales by Eisai. Eisai is required to pay us royalties starting at 20% and escalating to a maximum of 30% of net worldwide Dacogen sales within 45 days after the end of each calendar quarter. Because we do not have sufficient ability to accurately estimate Dacogen sales, we recognize royalty revenue when we receive the royalty statements from Eisai.

Development and license revenue relates to the recognition of upfront payments received in connection with collaboration agreements with GSK and the recognition of deferred revenue arising from the acquisition of ATL related to the collaboration with Janssen. The upfront payment received from GSK is being recognized ratably through October 2014. Deferred revenue related to the

collaboration with Janssen is recognized as the Company performs development services over the period starting from July 20, 2011 through December 2011.

Operating expenses	Nine months ended September 30, 2011	Nine months ended September 30, 2010	Change Dollar	Change Percent
	(Dollars in thousands)			
Research and development	$ 29,531	$ 21,867	$ 7,664	35.05%
General and administrative	12,246	7,121	5,125	71.97
Amortization of intangibles	1,485	—	1,485	—
Gain on sale of products	(700)	(700)	—	—

The increase in research and development expenses was primarily due to higher contracted outside research and development services for our various drug candidates, clinical trial costs related to SGI-110, additional research and development costs of $5,080,000 relating to our UK operation since the acquisition of ATL on July 20, 2011, and severance costs of $779,000 relating to the exiting of our Pleasanton and Salt Lake City research facilities.

The increase in general and administrative expenses relates primarily to higher stock based compensation expenses, an additional $800,000 of costs related to our UK operation since the acquisition of ATL on July 20, 2011, and transaction costs of $3,547,000 related to the acquisition of ATL.

Definite-lived intangible assets relating to the acquisition of ATL are being amortized over their estimated useful lives. The value assigned to developed technology is being amortized over seven years and the value assigned to the non-active collaboration agreements is being amortized over five years.

The gains on sale of products relate to the receipt of $700,000 each year from Mayne/Hospira relating to the sale of the worldwide rights to Nipent during 2007.

Other income (expense)	Nine months ended September 30, 2011	Nine months ended September 30, 2010	Change Dollar	Change Percent
	(Dollars in thousands)			
Interest income	$ 153	$ 140	$ 13	9.29%
Other income (expenses)	(281)	—	281	—
Income tax benefit (provision)	2,302	(13)	2,315	N/A

The increase in interest income was due primarily to higher cash and marketable securities balances for the nine months ended September 30, 2011 compared to the comparable period in 2010.

Other income (expenses) for the nine months ended September 30, 2011 includes foreign currency transaction losses of $424,000 incurred upon the payment of the cash purchase consideration to the ATL securityholders, offset by a decline of $133,000 in the value of the warrant liability assumed in the acquisition of ATL and gains on sales of fixed assets.

The 2011 tax benefit relates to a foreign refundable UK research and development tax credit related to ATL and the recognition of a tax benefit associated with the amortization of deferred tax liabilities resulting from the acquisition of ATL from July 20, 2011. The 2010 tax provision was based on the Company's estimated effective tax rate for the year, taking into account the available net operating loss carryforwards and estimated research and development tax credits.

Liquidity and Capital Resources

Our cash, cash equivalents, and marketable securities totaled $128.4 million at September 30, 2011 compared to $120.4 million at December 31, 2010.

Net cash provided by operating activities was $11,026,000 for the nine months September 30, 2011, and consisted primarily of the net income of $5,322,000 plus stock based compensation expense of $2,313,000, depreciation of $1,005,000, decrease in accounts receivable of $2,998,000, and the release of our restricted cash of $2,134,000 due to the expiration of the underlying lease term and related collateral requirement, partially offset by the deduction of a $700,000 gain on sale of products that represents an investing activity, decrease in accounts payable and other liabilities of $1,335,000, decrease in deferred tax liability of $1,272,000, and an increase in income tax receivable of $954,000. Net cash provided by operating activities was $10,213,000 in the nine months ended September 30, 2010, and consisted primarily of net income of $9,527,000 plus depreciation of $943,000 and stock based compensation expense of $1,249,000, partially offset by decreases in accounts payable and other liabilities of $456,000, a decrease in deferred revenue of $382,000, and the deduction of the $700,000 gain on sale of products that represents an investing activity.

Net cash provided by investing activities was $1,835,000 for the nine months ended September 30, 2011 and primarily consisted of $59,713,000 in proceeds from sales and maturities of marketable securities and $700,000 in proceeds from Hospira/Mayne representing gain on sale of products, partially offset by $57,717,000 for purchases of marketable securities, $269,000 in cash payments for the acquisition of ATL net of cash received, and $629,000 for purchases of property and equipment. Net cash used in investing activities was $5,238,000 for the nine months ended September 30, 2010, and consisted primarily of $118,428,000 for purchases of marketable securities, partially offset by $113,191,000 in proceeds from maturities of marketable securities.

Net cash provided by financing activities was $251,000 and $225,000 in the nine months ended September 30, 2011 and 2010, respectively, and consisted in both periods of proceeds from the exercise of stock options.

We have financed our operations primarily through the issuance of equity and debt securities and the receipt of royalties, payments in connection with collaborative agreements, and the sale of products. We believe that our current cash, cash equivalents, and short-term marketable securities will satisfy our cash requirements through 2012. However, we may decide, if necessary, to consider additional financing options, including the selling of additional shares of stock in a public or private offering and/or exploring marketing partnership opportunities for existing or newly acquired licensed products and development activities.

In addition to the contractual obligations disclosed in Management's Discussion and Analysis included in our annual report on Form 10-K for the year ended December 31, 2010, we have $6.8 million in future contingent payments due to the former Montigen stockholders, which we would be contractually obligated to pay in shares of our common stock, but may pay partially in cash. In July 2011, at the closing of the ATL transaction, we paid approximately $24.9 million in cash and issued 32.4 million shares of Astex common stock to the securityholders of ATL. Deferred consideration will be paid in semi-annual installments whose amounts will be determined based on the amounts of the contingent milestone payments ATL has received and will receive under its collaboration arrangements during the period from January 2011 through January 2014. While the timing of the deferred consideration payments can vary, the aggregate amount of deferred consideration is fixed and will be paid no later than 30 months after the closing of the Transaction (January 2014), with a minimum of $15 million payable no later than the 18 month anniversary of the closing of the Transaction (January 2013). We currently estimate that deferred consideration installments will be approximately $12.2 million, $5.9 million, $6.9 million and $2.1 million and will be due in January 2012, July 2012, January 2013 and July 2013, respectively. In addition, we assumed the property lease on a 36,389 square foot laboratory and administrative building in Cambridge, UK. The lease was executed in March 2003 for a 20 year term. The current rent is approximately $1.6 million per year. The annual rent is reviewed every five years and becomes the greater of the full open market rent for the premises at the

time of the rent review or the base rent payable immediately prior to the rent review. The next rent review is on December 25, 2012.

We believe that our need for additional funding will increase in the future and that our continued ability to raise funds from external sources will be critical to our success. We continue to actively consider future contractual arrangements that would require significant financial commitments. If we experience currently unanticipated cash requirements, we could require additional capital much sooner than presently anticipated. We may raise money by the sale of our equity securities or debt. However, given uncertain market conditions and the volatility of our stock price, we may not be able to sell our securities in public offerings or private placements at prices and on terms that are favorable to us, if at all. We may also choose to obtain funding through licensing and other contractual agreements. Such arrangements may require us to relinquish rights to our technologies, products or marketing territories, or to grant licenses on terms that are not favorable to us. If we fail to obtain adequate funding in a timely manner, or at all, we will be forced to scale back our product development activities or our operations in a manner that will ensure we can discharge our obligations as they come due in the ordinary course of business.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

Due to the short-term nature of our interest bearing assets, which consist primarily of certificates of deposit, United States corporate obligations, United States government and government agency obligations, and other short term liquid deposits in the UK, we believe that our exposure to interest rate market risk would not significantly affect our operations.

Our investment policy is to manage our marketable debt securities portfolio to preserve principal and liquidity while maximizing the return on the investment portfolio. Our marketable debt securities portfolio is primarily invested in securities with maturities of under one year and a minimum investment grade rating of A or A-1 or better to minimize credit risk. Although changes in interest rates may affect the fair value of the marketable debt securities portfolio and cause unrealized gains or losses, such gains or losses would not be realized unless the investments were to be sold prior to maturity.

Foreign Currency Risk

As a result of our acquisition of ATL, our operations in the UK enters into revenue arrangements and makes purchases in a number of overseas territories, and therefore has transactional currency exposures. Such exposures arise from transactions made in currencies other than the functional currency of British Pounds Sterling.

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

As of September 30, 2011, our management evaluated, with the participation of our chief executive officer and our chief financial officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this quarterly report on Form 10-Q. Based on this evaluation, our chief executive officer and our chief financial officer have concluded that our disclosure controls and procedures are effective to ensure that information we are required to disclose in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

(b) Changes in internal control over financial reporting.

As a result of our acquisition of ATL on July 20, 2011, our internal control over financial reporting subsequent to the date of acquisition includes certain additional internal controls related to ATL. Except for these additional controls, there were no changes in our internal control over financial reporting that occurred during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ASTEX PHARMACEUTICALS, INC.
PART II—OTHER INFORMATION

Item 1A. Risk Factors

The following section lists some, but not all, of the risks and uncertainties that may have a material adverse effect on our business, financial condition and results of operations. You should carefully consider these risks in evaluating our company and business. Our business operations may be impaired if any of the following risks actually occur, and by additional risks and uncertainties that we do not know of or that we currently consider immaterial. In such case, the trading price of our common stock could decline.

This report also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this report.

Set forth below and elsewhere in this report and in other documents we file with the SEC are descriptions of the risks and uncertainties that could cause our actual results to differ materially from the results contemplated by the forward-looking statements contained in this report. The descriptions below include any material changes to and supersede the descriptions of the risk factors affecting our business previously disclosed in "Part I, Item IA. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2010.

Risks Related to Our Financial Condition and Common Stock

Our revenues substantially come from royalties from the sale of Dacogen. If Dacogen does not continue to be commercially successful, our future revenues would be limited and our business would be harmed.

Dacogen is approved in the United States and has been granted Orphan Drug exclusivity by the FDA through May 2013, with potential extension to November 2013 with additional regulatory filings by Eisai, but there is no guarantee that physicians will continue to use it for the treatment of patients. Once the Orphan Drug exclusivity period ends, Dacogen may be susceptible to generic entry by other pharmaceutical companies. This type of generic market entry typically causes sales of the trade name drug to decline. If Eisai's sales of Dacogen decrease, our royalty revenue will decrease commensurately, and we cannot be assured that Eisai will commit the resources to expand sales of Dacogen. Currently, the royalty revenue we receive from Eisai is our primary source of revenue, and we are dependent on Dacogen royalty revenue to fund our operations.

Dacogen is approved for the treatment of MDS in the United States and 29 smaller countries globally, but is not yet approved in Europe or Japan. In July 2006, Eisai sublicensed Dacogen to Cilag, giving Cilag responsibility for conducting regulatory activities related to Dacogen and granting it exclusive development and commercialization rights in Europe and all territories outside North America. We received 50% of the $10 million upfront payment and, as a result of both the original agreement with Eisai and the sublicense with Cilag, may receive up to $17.5 million in future contingent payments upon achievement of global regulatory and sales targets. During 2010, Eisai completed a randomized Phase III clinical trial of Dacogen in elderly patients with AML and although the primary endpoint of the study was not met, Eisai filed a supplemental marketing application with the FDA in the second quarter of 2011. Cilag has also submitted a corresponding marketing application for Dacogen in Europe. However, if Dacogen is not approved for additional indications in the U.S. or is never approved in Europe or Japan, we will receive decreasing, and ultimately no, royalty payments from commercial sales by Cilag or Eisai for these territories and our future revenues and business will be significantly harmed.

Our license agreement with Eisai may not produce the full financial benefits that we are anticipating, which could cause our business to suffer.

We expect to record development and license revenue from contingent payments to be made to us by Eisai upon the achievement of regulatory and commercialization events. However, we may never receive such payments because the events may never occur, either because of failure to secure regulatory approval of Dacogen in Europe or Japan, or due to Eisai's or Cilag's inability to expend the resources to grow or commence sales of Dacogen as prescribed by the license agreement. In addition, the license agreement provides that Eisai will pay us (i) a certain portion of revenues payable to Eisai as a result of Eisai sublicensing the rights to market, sell and/or distribute Dacogen, to the extent such revenues are in excess of the contingent payments already due to us under our agreement with Eisai, and (ii) a 20% royalty increasing to a maximum of 30% on annual worldwide net sales of Dacogen. We cannot guarantee that we will receive these payments, and we cannot be assured that Eisai will commit the resources to expand sales of Dacogen in North America, or that Cilag will commit the resources to sell it in Europe, Japan, and elsewhere, or that either company will be successful in doing so. Because we are heavily reliant on royalties and contingent payments relating to Dacogen to fund our operations, the failure to receive the contingent payments and/or royalty revenue from sales of Dacogen would cause our business to suffer.

Our collaborative relationships may not produce the financial benefits that we are anticipating, which could cause our business to suffer.

Part of our strategy is to partner with, or out-license selective products to, other pharmaceutical companies in order to mitigate the cost of developing a drug through clinical trials to commercialization. Our agreements with GSK are an example of this strategy, providing for the joint development of compounds that we will discover and develop through a clinical proof of concept, followed by the option for the partnering company to take one or more of the jointly developed compounds and further develop, commercialize, and sell the resulting product worldwide. The agreement provides for milestone payments to be paid to us during the development process, but the majority of the payments will not occur unless and until GSK exercises its option to license one or more compounds from us. We will spend our own cash and other resources during the joint development process, and we cannot guarantee that any successful compounds will result from our joint development efforts. Further, even if we discover and develop one or more viable compounds, we cannot guarantee that GSK will exercise its option to license any such compounds from us. If GSK chooses not to exercise its license option, we may continue to develop the compounds on our own, but the post-option exercise developmental and sales milestone payments described in the agreement, plus additional royalty revenues, will never be realized. If our joint development program with GSK or other similar partners is not successful, and if we cannot earn revenue from collaborative arrangements such as this agreement, our future revenues and business will be harmed.

We have a history of operating losses and we may incur losses for the foreseeable future.

Since inception, we have funded our research and development activities primarily from private placements and public offerings of our securities, milestone and other payments from collaborators, sales of our products, royalty revenue, and product revenues primarily from sales of Nipent. The North American rights to Nipent were sold in August 2006 and we sold the remaining worldwide rights in April 2007. Our substantial research and development expenditures and limited revenues have resulted in significant net losses. We have incurred cumulative losses of $335.0 million from inception through September 30, 2011, and we have not generated sufficient revenues to support our business during that time. As a result of our acquisition of ATL, we expect to have modest operating losses over the next few years and, although we were profitable in the years ended December 31, 2009 and 2010, and anticipate being marginally profitable in 2011, we may never achieve sustained profitability.

Whether we achieve sustained profitability depends primarily on the following factors:

- successful sales of Dacogen in North America by Eisai;
- obtaining regulatory approval in Europe and Asia and the successful commercialization of Dacogen outside of North America by Cilag;
- limiting or preventing delays in production of Dacogen;
- the success of our joint development programs with GSK and our other collaborative partners and whether our partners exercise their options to further develop and commercialize any of the compounds resulting from the respective joint development efforts;
- our ability to discover and develop additional novel therapeutics that might advance through our internal clinical development infrastructure;
- our ability to leverage the Pyramid drug development platform for commercially viable drugs;
- our research and development efforts, including the timing and costs of clinical trials;
- our ability to successfully integrate the ATL research and development and management teams;
- our competition's ability to develop and bring to market competing products;
- our ability to control costs and expenses associated with the discovery, development, and manufacturing of our novel compounds, as well as general and administrative costs related to conducting our business; and
- costs and expenses associated with entering into and performing under licensing, joint development, and other collaborative agreements.

Our products and product candidates, even if successfully developed and approved, may not generate sufficient or sustainable revenues to enable us to achieve or sustain profitability.

There are inherent challenges and significant upfront costs that result from our increased reliance on the Pyramid drug discovery platform, and if we fail to overcome these challenges or incur development costs that do not result in meaningful commercial drug sales, our business will be negatively impacted.

As a result of the business combination with ATL, we are integrating ATL's drug discovery platform, Pyramid, into our business. Pyramid is a fragment-chemistry based drug discovery platform used to identify and develop new medicines, primarily for the treatment of cancer and infectious diseases.

Pyramid defines a process by which a range of high throughput biophysical and computational techniques are used to experimentally characterize the interactions of very low molecular weight compounds (fragments) with their target proteins. Although we believe there are many advantages of a fragment-based approach to drug discovery, there are significant technical challenges to overcome for the approach to be used effectively. The fundamental challenge is one of detection. Because fragments are so small, they have fewer interactions with target proteins than larger, more complex compounds. This means they will bind to their targets with very low affinity. Conventional screening systems based on bioassays are designed to detect binding that occurs at higher affinities than is typically observed with fragments. As such, fragments cannot be detected using conventional screening methods. As a result, a fundamental challenge in fragment-based drug discovery is the development of efficient screening systems that can detect the binding of fragments. The Pyramid drug discovery platform addresses limitations in conventional high throughput screening and other forms of fragment-based screening through technologically sophisticated equipment that requires significant capital investment and upkeep and highly-trained chemists and scientists to analyze resulting data. While we believe this approach will provide us with more meaningful leads in developing commercially viable drugs, it is a

scientifically rigorous method that involves a significant investment of resources. If commercially viable drugs are not developed through this process, we will have invested significant resources without revenues to at least offset our costs, and our business will suffer.

We will require additional funding to expand our product pipeline, either developed internally or through acquisitions, and commercialize new drugs, and if we are unable to raise the necessary capital or to do so on acceptable terms, our planned expansion and continued chances of survival could be harmed.

We will continue to spend substantial resources on expanding our product pipeline, developing future products, and conducting research and development, including clinical trials for our product candidates. Based on our currently forecasted product development activities, we anticipate that our capital resources will be adequate to fund operations and capital expenditures at least through 2012. However, if we experience unanticipated cash requirements during this period, we could require additional funds much sooner. In February 2009 we filed a $100 million shelf registration statement on Form S-3 with the SEC, which gives us the flexibility to raise funds through the sale of a variety of securities. We may raise money by the sale of our equity securities or debt, or the exercise of outstanding stock options by the holders of such options. However, given uncertain market conditions and the volatility of our stock price, we may not be able to sell our securities in public offerings or private placements at prices and/or on terms that are favorable to us, if at all. Also, the dilutive effect of additional financings could adversely affect our per share results. We may also choose to obtain funding through licensing and other contractual agreements. For example, we licensed the worldwide rights to the development, commercialization and distribution of Dacogen to Eisai. Such arrangements may require us to relinquish our rights to our technologies, products or marketing territories, or to grant licenses on terms that are not favorable to us. If we fail to obtain adequate funding in a timely manner, or at all, we will be forced to scale back our product development activities, or be forced to cease our operations.

We have announced an intention to contribute certain assets to our newly created Montigen subsidiary as part of a plan to spin off that business and allow it to operate independently. Our failure to successfully accomplish the spin off could cause us to incur significant accounting charges and, even if we successfully spin off the assets, we may never recoup the value of the assets as an investor in the new venture.

As part of our increasing emphasis on implementing the Pyramid technology acquired from the business combination with ATL, we have determined to pursue a spin-off of certain of our assets into a newly created subsidiary, Montigen Pharmaceuticals, Inc. ("Montigen"). Following the creation of Montigen and our contribution of certain assets, including our CLIMB drug discovery platform, we currently plan to allow Montigen to operate independently, obtain additional assets and raise funds (including from us), after which we expect to be only a passive investor in Montigen. If we are unable to spin-off the Montigen business in a timely fashion, we may have to incur significant accounting charges. Even if we are successful in spinning-off the Montigen assets, the time and effort of doing so will be a distraction for our management and employees and we may never recoup the value of what we have invested in the underlying assets or what we have contributed to the new entity.

We may fail to realize some or all of the anticipated benefits of the recently-closed business combination with ATL, which may adversely affect the value of our common stock.

The success of the integration of ATL will depend, in part, on our ability to realize the anticipated benefits and cost savings from combining ATL into our operations. To realize these anticipated benefits and cost savings, we must successfully combine the acquired business with our legacy operations and integrate our respective operations, technologies and personnel, which is particularly challenging given the geographic and cultural differences between the personnel and facilities based in the UK and on the US west coast. If we are not able to achieve these objectives within the anticipated time frame or

at all, the anticipated benefits and cost savings of the acquisition may not be realized fully or at all or may take longer to realize than expected, and the value of our common stock may be adversely affected. In addition, the overall integration of the businesses is a complex, time-consuming and expensive process that, without proper planning and effective and timely implementation, could significantly disrupt our operations.

It is possible that the integration process could result in the loss of key employees and other senior management, result in the disruption of our business or adversely affect our ability to maintain our research and development operations, or to otherwise achieve the anticipated benefits of the acquisition.

Specifically, risks in integrating ATL into our operations in order to realize the anticipated benefits of the acquisition include, among other factors:

- failure to effectively coordinate research and drug candidate development efforts to communicate our product capabilities and expected product roadmap;
- failure to compete effectively against companies already serving the broader market opportunities expected to be available to us and our potential expanded drug offerings;
- coordinating research and development activities to enhance the introduction of new drug development methodologies and drug discovery platforms acquired in the acquisition;
- failure to successfully integrate and harmonize financial reporting and information technology systems of the two companies;
- retaining ATL's relationships with pharmaceutical company partners;
- integrating a senior management team as well as integrating members from both companies on the board of directors of Astex Pharmaceuticals;
- coordinating operations across time zones and continents;
- retaining and integrating key employees from ATL;
- managing effectively the diversion of management's attention from business matters to integration issues;
- combining research and development capabilities effectively and quickly;
- integrating partnership efforts so that new partners acquired can easily do business with us;
- transitioning all facilities to a common information technology environment; and
- combining our business culture in the US with the business culture of UK-based ATL .

In addition, the actual integration may result in additional and unforeseen expenses, and the anticipated benefits of the integration plan may not be realized. Actual cost synergies, if achieved at all, may be lower than we expect and may take longer to achieve than anticipated. If we are not able to adequately address these challenges, we may be unable to successfully integrate the operations of the business acquired from ATL into our own, or to realize the anticipated benefits of the integration. The anticipated benefits and synergies assume a successful integration and are based on projections, which are inherently uncertain, and other assumptions. Even if integration is successful, anticipated benefits and synergies may not be achieved. An inability to realize the full extent of, or any of, the anticipated benefits of the acquisition, as well as any delays encountered in the integration process, could have an adverse effect on our business and results of operations, which may affect the value of the shares of

our common stock. Some examples of how we may not realize anticipated benefits include the risk of the following:

- cost of development programs may be higher than forecasted;
- forecasted contingent payments from collaborations may not be received as anticipated; and
- exchange risk associated with any existing or anticipated cash denominated in another currency may reduce the expected value actually received when translated from British Pounds Sterling.

We have incurred and expect to continue to incur significant costs related to the acquisition of ATL.

We expect to incur a number of non-recurring costs associated with combining the operations of ATL with our own business. The substantial majority of non-recurring expenses are comprised of costs related to the execution of the acquisition, facilities and systems consolidation costs and employment-related costs. We are also incurring fees and costs related to formulating integration plans. Additional unanticipated costs may be incurred in the integration of the businesses. Although we expect that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the businesses, should allow us to offset incremental acquisition and acquisition-related costs over time, this net benefit may not be achieved in the near term, or at all.

Sales by former ATL securityholders of shares of our common stock acquired in the acquisition could cause our stock price to decrease.

The sale of shares of common stock that certain former ATL securityholders received in the acquisition is restricted by the terms of a lock-up agreement with us, but these shareholders were able to sell 25% of these shares two months after the closing date (September 20, 2011) with another 25% of the shares to be released every two months thereafter until all shares are fully tradable eight months after the closing date. The sale of a substantial number of shares of common stock by former ATL securityholders or by our other stockholders within a short period of time could cause our stock price to decrease, and make it more difficult for us to raise funds through future offerings of common stock.

Our stockholder base experienced dilution of their percentage ownership of our common stock.

As a result of the acquisition of ATL, we issued new shares of common stock to certain former ATL securityholders, representing approximately 35% of the total outstanding voting power of all our stockholders following the closing. The issuance of these shares caused our stockholders at the time of the Transaction to experience immediate and significant dilution in their percentage ownership of our outstanding common stock. Moreover, our stockholders will experience additional dilution in the event that our Audit Committee determines to pay some or all of the $30 million in deferred consideration in the form of shares of our common stock. We also assumed certain outstanding options and warrants of ATL in the acquisition; if these options and warrants are exercised, our stockholders will suffer additional dilution.

As a result of the acquisition of ATL, certain former ATL securityholders hold over a third of our outstanding common stock, which could limit the influence of our other stockholders over the election of directors and other significant corporate actions or discourage third parties from proposing a change in our control.

As of the closing of the acquisition, certain former ATL securityholders, as a group comprised of approximately 13 entities (counting any affiliated shareholders as one entity) who previously held preferred shares in ATL, own approximately 35% of the total outstanding shares of our common stock, and have designated four of the members serving on our nine-member board of directors. Accordingly, as a group, if the former ATL stockholders do not sell their shares received in the acquisition, they will

be able to exert significant influence over the outcome of a range of corporate matters, including significant corporate transactions requiring a stockholder vote, such as a merger or a sale of the combined company or its assets. This potential concentration of ownership and influence in management and board decision-making could also harm the price of our common stock by, among other things, discouraging a potential acquirer from seeking to acquire shares of our common stock (whether by making a tender offer or otherwise) or otherwise attempting to obtain control of the company. If any of the deferred consideration is paid in shares of our common stock, although the size of the group of former ATL securityholders holding our shares would increase (due to the distribution of deferred consideration shares to ordinary shareholders as well as preferred shareholders), the expanded group would hold an even greater percentage of the outstanding post-closing stock of Astex Pharmaceuticals, thereby exacerbating the risk of concentrated ownership.

Furthermore, the ownership position of the former ATL securityholders could discourage a third party from proposing a change of control or other strategic transaction. As a result, our common stock could trade at prices that do not reflect a "control premium" to the same extent as do the stocks of similarly situated companies that do not have a group of stockholders with an ownership interest as large as the former ATL stockholders' collective ownership interest.

Our equity investment in AVI BioPharma Inc. ("AVI") exposes us to equity price risk and any impairment charge would affect our results of operations.

Our investments in marketable securities are carried at fair value with unrealized gains and losses included in accumulated other comprehensive gain or loss in stockholders' equity. However, we are exposed to equity price risk on our equity investment in AVI. The public trading prices of the AVI shares have fluctuated significantly since we purchased them and could continue to do so. If the public trading prices of these shares trade below their adjusted cost basis in future periods, we may incur additional impairment charges relating to this investment, which in turn will affect our results of operations.

Currently we own 2.4 million shares of AVI and recorded an other-than-temporary decline in value of $3.1 million related to this investment during the year ended December 31, 2008. We evaluate investments with unrealized losses to determine if the losses are other than temporary. In making these determinations, we consider the financial condition and near-term prospects of the issuers, the magnitude of the losses compared to the investments' cost, the length of time the investments have been in an unrealized loss position, and our ability and intent to hold the investments for a reasonable period of time sufficient for a recovery of fair value. It is possible that we may record another other than temporary decline in value related to AVI in the future.

Product Development and Regulatory Risks

Our product candidates will require significant additional development.

Many of our product candidates are in the development, rather than the clinical trial stage. However, we must significantly develop all of our product candidates before we can market them, or before they will become desirable for partnering or licensing. Although we believe that our preclinical and pilot clinical studies support further development of these product candidates, the results we have obtained to date do not necessarily indicate what the results of further testing would be, including controlled human clinical testing. All of the product candidates that we are currently developing will require extensive clinical testing before we can submit any regulatory application for their commercial use.

Our product development efforts may ultimately fail.

Our product candidates are subject to the risks of failure inherent in the development of pharmaceutical products. These risks include the following:

- some of our product candidates may be found to be unsafe or ineffective, or may fail to receive the necessary regulatory clearances in a timely manner, if at all;
- even if safe and effective, our product candidates may be difficult to manufacture on a large scale or may be uneconomical to market;
- the proprietary rights of third parties may preclude us from marketing such products; and
- third parties may market more effective or less costly products for treatment of the same diseases.

As a result, we cannot be certain that any of our products will be successfully developed, receive required governmental approvals on a timely basis, become commercially viable or achieve market acceptance.

Before we can seek regulatory approval of any of our product candidates, we must complete clinical trials, which are expensive and have uncertain outcomes.

All of our product candidates will require the commitment of substantial resources and regulatory approval. Before obtaining regulatory approvals for the commercial sale of any of our product candidates, we must demonstrate through non-clinical testing and clinical trials that our product candidates are safe and effective for use in humans.

We have a portfolio of cancer drugs in various stages of development. We are currently conducting clinical trials on our products AT13387, amuvatinib, SGI-110, AT7519, and AT9283. We also expect to commence other new clinical trials from time to time in the course of our business as our product development work continues. Conducting clinical trials is a lengthy, time consuming and expensive process and the results are inherently uncertain. We have incurred and will continue to incur substantial expense for, and we have devoted and expect to continue to devote a significant amount of time to, non-clinical testing and clinical trials. However, regulatory authorities may not permit us to undertake any additional clinical trials for our product candidates. If we are unable to complete our clinical trials, our business will be severely harmed and the price of our stock will likely decline.

We also have ongoing research and non-clinical projects that may lead to product candidates, but we have not begun clinical trials for these projects. If we do not successfully complete our non-clinical trials, we might not be able to commence clinical trials as planned.

Our clinical trials may be delayed or terminated, which would prevent us from seeking necessary regulatory approvals.

Completion of clinical trials may take several years or more. The length of a clinical trial varies substantially according to the type, complexity, novelty and intended use of the product candidate. The length of time and complexity of these studies make statistical analysis difficult and regulatory approval unpredictable. The commencement and rate of completion of our clinical trials may be delayed by many factors, including:

- ineffectiveness of the study compound, or perceptions by physicians that the compound is not effective for a particular indication;
- inability to manufacture sufficient quantities of compounds for use in clinical trials;
- inability to obtain FDA approval of our clinical trial protocols;

- slower than expected rate of patient recruitment;
- inability to adequately follow patients after treatment;
- difficulty in managing multiple clinical sites;
- unforeseen safety issues;
- lack of efficacy demonstrated during the clinical trials; or
- governmental or regulatory delays.

If we are unable to achieve a satisfactory rate of completion of our clinical trials, our business will be significantly harmed.

We may be required to suspend, repeat or terminate our clinical trials if they are not conducted in compliance with regulatory requirements.

Our clinical trials must be conducted in accordance with the requirements of the FDA and other regulatory authorities, and are subject to continuous oversight by these authorities, and institutional review boards and ethical committees. We outsource certain aspects of our research and development activities to contract research organizations ("CROs"). We have agreements with these CROs for certain of our clinical programs. We and our CROs are required to comply with good clinical practice ("GCP") regulations and guidelines for all of our products in clinical development. GCPs are enforced through periodic inspections of study sponsors, principal investigators, and study sites. If our CROs or we fail to comply with applicable GCPs, the clinical data generated in our studies may be deemed unreliable and regulatory authorities may require us to perform additional studies before approving our applications. Our non-clinical safety studies must be conducted according to the principles of good laboratory practice regulations. In addition, our clinical trials must be conducted with product candidates produced under current good manufacturing practice regulations, and may require a large number of test subjects. Our failure to comply with these regulations may require us to repeat clinical studies, which would delay the regulatory approval process.

We may be required to suspend, repeat or terminate our clinical trials if later trial results fail to demonstrate safety and efficacy, or if the results are negative or inconclusive.

Our clinical trials may be suspended at any time if we or the FDA believe the patients participating in our studies are exposed to unacceptable health risks or if we or the FDA find deficiencies in the conduct of these trials. Adverse medical events during a clinical trial could cause us to terminate or repeat a clinical trial. In 2010, we terminated clinical trials for SGI-1776 due to safety concerns.

We may encounter other problems and failures in our studies that would cause us or the FDA to delay or suspend the studies. Even if we achieve positive interim results in clinical trials, these results do not necessarily predict final results, and acceptable results in early trials may not be repeated in later trials. A number of companies in the pharmaceutical industry have suffered significant setbacks in advanced clinical trials, even after achieving promising results in earlier trials.

Negative or inconclusive results during a clinical trial could cause us to terminate or repeat a clinical trial. The potential failures would delay development of our product candidates, hinder our ability to conduct related non-clinical testing and clinical trials and further delay the commencement of the regulatory approval process. Further, the failures or perceived failures in our clinical trials would delay our product development and the regulatory approval process, damage our business prospects, make it difficult for us to establish collaboration and partnership relationships and negatively affect our reputation and competitive position in the pharmaceutical industry. Finally, if we are required to

conduct other clinical trials for the product candidates, the additional trials would require substantial funding and time, and we may be unable to obtain funding to conduct such clinical trials.

Our failure to obtain regulatory approvals to market our product candidates in foreign countries and delays caused by government regulation would adversely affect our anticipated revenues.

Sales of our products in foreign jurisdictions will be subject to separate regulatory requirements and marketing approvals. Approval in the United States, or in any one foreign jurisdiction, does not ensure approval in any other jurisdiction. The process of obtaining foreign approvals may result in significant delays, difficulties and expenses for us, and may require additional clinical trials. Although many of the regulations applicable to our products in these foreign countries are similar to those promulgated by the FDA, many of these requirements also vary widely from country to country, which could delay the introduction of our products in those countries. Failure to comply with these regulatory requirements or to obtain required approvals would impair our ability to commercialize our products in foreign markets.

Even if regulatory approval of our products is obtained, later discovery of previously unknown problems may result in restrictions of a product, including withdrawal of that product from the market. Further, governmental approval may subject us to ongoing requirements for post-marketing studies. For example, despite receipt of governmental approval, the facilities of our third-party manufacturers are still subject to unannounced inspections by the FDA and must continue to comply with good manufacturing practices and other regulations. These regulations govern all areas of production, record keeping, personnel and quality control. If we or our third-party manufacturers fail to comply with any of the manufacturing regulations, we may be subject to, among other things, product seizures, recalls, fines, injunctions, suspensions or revocations of marketing licenses, operating restrictions and criminal prosecution.

If we are unable to comply with environmental laws and regulations, our business may be harmed.

We are subject to federal, state and local laws and regulations governing the use, manufacture, storage, handling and disposal of hazardous materials and waste products. We currently maintain a supply of biohazardous materials at some of our facilities. We believe our safety procedures for these materials comply with all applicable environmental laws and regulations, and we carry insurance coverage we believe is adequate for the size of our business. However, we cannot entirely eliminate the risk of accidental contamination or injury from these materials. If an accident or environmental discharge occurs, we could be held liable for any resulting damages, which could exceed our insurance coverage and financial resources.

We currently outsource certain of our research and development programs involving the controlled use of biohazardous materials. We believe our collaborators have in place safety procedures for these materials that comply with governmental standards. Nevertheless, if an accident does occur, our research and product development will be negatively affected.

Additional Risks Associated with Our Business

If the third-party manufacturers upon whom we rely fail to produce our products in the volumes that we require on a timely basis, or fail to comply with stringent regulations applicable to pharmaceutical drug manufacturers, we may face delays in the delivery of, or be unable to meet demand for, our products.

Because we have no manufacturing facilities, we rely on third parties for manufacturing activities related to all of our product candidates. As we develop new products, we must establish and maintain

relationships with manufacturers to produce and package sufficient supplies of our finished pharmaceutical products. Reliance on third party manufacturing presents the following risks:

- delays in scale-up to quantities needed for multiple clinical trials, or failure to (a) manufacture such quantities to our specifications or (b) deliver such quantities on the dates we require, which could cause delay or suspension of clinical trials, regulatory submissions and commercialization of our products;
- potential relinquishment or sharing of intellectual property rights to any improvements in the manufacturing processes or new manufacturing processes for our products; and
- unannounced ongoing inspections by the FDA and corresponding state agencies for compliance with GMPs, regulations and foreign standards, and failure to comply with any of these regulations and standards may subject us to, among other things, product seizures, recalls, fines, injunctions, suspensions or revocations of marketing licenses, operating restrictions and criminal prosecution.

Any of these factors could delay clinical trials or commercialization of our product candidates under development, and entail higher costs.

Our business may be harmed if the manufacture of our products is interrupted or discontinued.

We may be unable to maintain our relationships with our third-party manufacturers. If we need to replace or seek new manufacturing arrangements, we may have difficulty locating and entering into arrangements with qualified contract manufacturers on acceptable terms, if at all. We are aware of only a limited number of companies on a worldwide basis who operate manufacturing facilities in which our products can be manufactured to our specifications and in compliance with GMPs. It could take several months, or significantly longer, for a new contract manufacturing facility to obtain FDA approval and to develop substantially equivalent processes for the production of our product candidates. We may not be able to contract with any of these companies on acceptable terms, if at all.

If our suppliers cannot provide the components we require, our future product sales and revenue could be harmed.

We rely on third-party suppliers to provide us with numerous components used in our products under development. Relying on third-party suppliers makes us vulnerable to component failures and interruptions in supply, either of which could impair our ability to conduct clinical trials on a timely basis. Using third-party suppliers makes it difficult and sometimes impossible for us to maintain quality control, manage inventory and production schedules and control production costs. Vendor lead times to supply us with ordered components vary significantly and can exceed six months or more. Both now and as we expand our need for manufacturing capacity, we cannot be sure that our suppliers will furnish us with required components when we need them. These factors could make it difficult for us to effectively and efficiently manufacture our products, and could adversely impact our clinical trials, product development and future sales of our products.

Some suppliers may be our only source for a particular component, which would make us vulnerable to cost increases and supply interruptions. We generally rely on one manufacturer for each product.

Vendors may decide to limit or eliminate sales of certain products to the medical industry due to product liability or other concerns. In the event one of our sole source suppliers decides not to manufacture the component, goes out of business, or decides to cut off our supply, we may be unable to locate replacement supply sources, or the sources that we may locate may not provide us with similar reliability or pricing and our business could suffer. If we cannot obtain a necessary component, we may need to find, test and obtain regulatory approval for a replacement component, produce the

component or redesign the related product, which would cause significant delay and could increase our manufacturing costs. Any of these events could adversely impact our future sales and results of operations.

If we are not able to maintain and successfully establish new collaborative and licensing arrangements with third parties, our product development and business will be harmed.

Our business model is based on establishing collaborative relationships with other parties both to license compounds upon which our products and technologies are based and to manufacture our products or our collaborators' products. It is critical that we gain access to compounds and technologies to license for further development. Due to the expense of the drug approval process we must have relationships with established pharmaceutical companies to offset some of our development costs in exchange for a combination of development, marketing and distribution rights. For example, in our collaborative relationship with GSK, we expect to offset the costs of further development of the drugs we jointly develop with GSK, if and when GSK exercises its option to license such jointly developed drugs.

From time to time we enter into discussions with various companies regarding the establishment of new collaborations. If we are not successful in establishing new partners for our product candidates, we may not be able to pursue further development of such product candidates and/or may have to reduce or cease our current development programs, which would materially harm our business. Even if we are successful in establishing new collaborations, they are subject to numerous risks and uncertainties including:

- our ability to negotiate acceptable collaborative arrangements;
- the collaboration making us less attractive to potential acquirers;
- freedom of our collaborative partners to pursue alternative technologies either on their own or with others, including our competitors, for the diseases targeted by our programs and products;
- the potential failure of our partners to fulfill their contractual obligations or their decision to terminate our relationships, in which event we may be required to seek other partners, or expend substantial resources to pursue these activities independently; and
- our ability to manage, interact and coordinate our timelines and objectives with our collaborative partners may not be successful.

In addition, our collaborators may undergo business combinations, which could have the effect of making the collaboration with us less attractive to them for a number of reasons. For example, if an existing collaborator purchases a company that is one of our competitors, that company may be less willing to continue its collaboration with us. A company that has a strategy of purchasing companies with attractive technologies might have less incentive to enter into a collaboration agreement with us. Moreover, disputes may arise with respect to the ownership of rights to any technology or products developed with any current or future collaborator. Lengthy negotiations with potential collaborators or disagreements between us and our collaborators may lead to delays in or termination of the research, development or commercialization of product candidates or result in time consuming and expensive litigation or arbitration.

Our collaborative relationships with third parties could cause us to expend significant funds on development costs with no assurance of financial return.

From time to time we enter into collaborative relationships with third parties to co-develop and market products, such as our relationship with GSK. These relationships require substantial financial commitments from us, and at the same time the product developments are subject to the same

regulatory requirements, risks and uncertainties associated with the development of our other product candidates. The compounds that are the subject of these collaborative agreements may prove to be ineffective, may fail to receive regulatory approvals, may be unprotectable by patents or other intellectual property rights, or may not be otherwise commercially viable. If these collaborative relationships are not successful, our product developments will be adversely affected, and our investments and efforts devoted to the product developments will be wasted.

Our ability to protect our intellectual property rights will be critically important to the success of our business, and we may not be able to protect these rights in the United States or abroad.

The success of our operations depends in part on our ability to obtain patents, protect trade secrets, operate without infringing the proprietary rights of others and enforce our proprietary rights against accused infringers.

We actively pursue a policy of seeking patent protection when applicable for our proprietary products and technologies, whether they are developed in-house or acquired from third parties. We attempt to protect our intellectual property position by filing United States and foreign patent applications related to our proprietary technology, inventions and improvements that are important to the development of our business. To date, we have ownership of, or acquired licenses to, numerous patents covering various aspects of our proprietary drugs and technologies. In addition, we are prosecuting a number of patent applications for new drug candidates that we are actively developing at this time.

We also have patents, licenses to patents, and pending patent applications in Europe, Australia, Japan, Canada, China and Israel among other countries. Limitations on patent protection, and the differences in what constitutes patentable subject matter, may limit the protection we have on patents issued or licensed to us in these countries. In addition, laws of foreign countries may not protect our intellectual property to the same extent as would laws in the United States. In determining whether or not to seek patent protection or to license any patent in a foreign country, we weigh the relevant costs and benefits, and consider, among other things, the market potential and profitability, the scope of patent protection afforded by the law of the jurisdiction and its enforceability, and the nature of terms with any potential licensees. Failure to obtain adequate patent protection for our proprietary drugs and technology would impair our ability to be commercially competitive in these markets.

The pharmaceutical industry is characterized by a large number of patent filings involving complex legal and factual questions, and therefore we cannot predict with certainty whether our patents will be enforced effectively. Competitors may have filed applications for, or been issued patents on, products or processes that compete with or are similar to ours. We may not be aware of all of the patents potentially adverse to our interests which may have been issued to others. In addition, third parties may challenge, invalidate or circumvent any of our patents. Thus, any patents that we own or license from third parties may not provide adequate protection against competitors, if at all. Our pending patent applications and those we may file in the future, or those we may license from third parties, may not result in patents being issued with adequate claim scope, if at all.

In addition to pursuing patent protection in appropriate instances, we also rely on trade secret protection or regulatory marketing exclusivity for unpatented proprietary technology. However, trade secrets are difficult to protect. Our trade secrets or those of our collaborators may become known or may be independently discovered by others. Furthermore, regulatory marketing exclusivity is for a limited time period, which may not be an adequate period for our business interests.

In the pharmaceutical industry there has been, and we believe that there will continue to be, significant litigation regarding patent and other intellectual property rights. Claims may be brought against us in the future based on patents held by others. These persons could bring legal actions against us claiming damages and seeking to enjoin clinical testing, manufacturing and marketing of the affected

product. If we become involved in litigation, it could consume a substantial portion of our resources, regardless of the outcome of the litigation. If a lawsuit against us is successful, in addition to any potential liability for damages, we could be required to obtain a license to continue to manufacture or market the affected product. We cannot assure you that we would prevail in a lawsuit filed against us or that we could obtain any licenses required under any patents on acceptable terms, if at all.

Our proprietary products are dependent upon compliance with other licenses and agreements. These licenses and agreements require us to make royalty and other payments, reasonably exploit the underlying technology of the applicable patents, and comply with regulatory filings. If we fail to comply with these licenses and agreements, we could lose the underlying rights to one or more of these potential products, which would adversely affect our product development and harm our business.

If we fail to compete effectively against other pharmaceutical companies, our business will suffer.

The pharmaceutical industry in general and the oncology sector in particular is highly competitive and subject to significant and rapid technological change. There are many companies, both public and private, including well-known pharmaceutical companies that are engaged in the discovery and development of products for some of the applications that we are pursuing. Some of our competitors and probable competitors include ArQule, Array BioPharma, Crystal Genomics, Exelixis, Infinity, Plexxikon, Vertex, Sanofi-Aventis, Bristol-Myers Squibb Company, Celgene, Eli Lilly & Co., GSK, Novartis AG, Pfizer, and others.

Many of our competitors have substantially greater financial, research and development, and manufacturing resources than we do and may represent substantial long-term competition for us. Some of our competitors have received regulatory approval for products or are developing or testing product candidates that compete directly with our product candidates. For example, amuvatinib faces competition from a multitude of other investigational drugs which are multi-targeted tyrosine kinase inhibitors and inhibitors of the DNA repair pathway. We also expect that there will be other inhibitors of PIM kinases that will emerge as competition for investigational drugs progressing through our discovery pipeline. In addition, Dacogen faces competition from 5-aza-cytidine and other drugs in development to treat MDS.

Many of these competitors, either alone or together with their customers and partners, have significantly greater experience than we do in discovering products, undertaking non-clinical testing and clinical trials, obtaining FDA and other regulatory approvals, and manufacturing and marketing products. Accordingly, our competitors may succeed in obtaining patent protection, receiving FDA or foreign marketing approval or commercializing products before we do. If we elect to commence commercial product sales of our product candidates, we could be at a disadvantage relative to many companies with greater marketing and manufacturing capabilities, in areas that we may have limited or no experience.

Factors affecting competition in the pharmaceutical industry vary depending on the extent to which competitors are able to achieve an advantage based on superior differentiation of their products, greater institutional knowledge, or depth of resources. If we are able to establish and maintain a competitive advantage based on the ability of Pyramid to discover new drug candidates more effectively and against targets not accessible by many competitors, our advantage will likely depend primarily on the ability of our Pyramid technology to make accurate predictions about the effectiveness and safety of our drug candidates as well as our ability to effectively and rapidly develop investigational drugs.

Extensive research and development efforts and rapid technological progress characterize the industry in which we compete. Although we believe that our proprietary drug discovery capabilities afford us a competitive advantage relative to other discovery and development companies competing in oncology, we expect competitive intensity in this pharmaceutical segment to continue and increase over time. Discoveries by others may render our drug discovery platforms and our current and potential

products noncompetitive. Our competitive position also depends on our ability to attract and retain qualified scientific and other personnel at all our geographic locations, develop effective proprietary products, implement development plans, obtain patent protection and secure adequate capital resources.

The pharmaceutical industry in general and the oncology sector in particular is subject to significant and rapid technological change. Developments by competitors may render our product candidates or technologies obsolete or non-competitive.

Our competitors may succeed in developing technologies or products that are more effective than ours. Additionally, our products that are under patent protection face intense competition from competitors' proprietary products. This competition may increase as new products enter the market.

A number of our competitors have substantially more capital, research and development, regulatory, manufacturing, marketing, human and other resources and experience than we have. As a result, our competitors may:

- develop products that are more effective or less costly than any of our current or future products or that render our products obsolete;
- produce and market their products more successfully than we do;
- establish superior proprietary positions; or
- obtain FDA or foreign regulatory approval for labeling claims that are more favorable than those for our products.

We will also face increasing competition from lower-cost generic products after patents on our proprietary products expire. Loss of patent protection typically leads to a rapid decline in sales for that product and could affect our future results. As new products enter the market, our products may become obsolete or our competitors' products may be more effective or more effectively marketed and sold than our products. Technological advances, competitive forces and loss of intellectual property protection rights for our products may render our products obsolete.

We may be subject to product liability lawsuits and our insurance may be inadequate to cover damages.

Clinical trials and commercial use of our current and potential products may expose us to liability claims from the use or sale of these products. Consumers, healthcare providers, pharmaceutical companies and others selling such products might make claims of this kind. We may experience financial losses in the future due to product liability claims. We have obtained limited product liability insurance coverage for our products and clinical trials, under which the coverage limits are $10 million per occurrence and $10 million in the aggregate. We do not know whether this coverage will be adequate to protect us in the event of a claim. We may not be able to obtain or maintain insurance coverage in the future at a reasonable cost or in sufficient amounts to protect us against losses. If third parties bring a successful product liability claim or series of claims against us for uninsured liabilities or in excess of insured liabilities, we may not have sufficient financial resources to complete development or commercialization of any of our product candidates and our business and results of operations will be adversely affected.

If we are unable to attract and retain additional, highly skilled personnel required for the expansion of our activities, our business will suffer.

Our success is dependent on key personnel, including members of our senior management and scientific staff at all our geographic locations. If any of our executive officers decides to leave and we cannot locate a qualified replacement in time to allow a smooth transition, our business may be

adversely affected. To successfully expand our operations, we will need to attract and retain additional highly skilled individuals, particularly in the areas of clinical administration, non-clinical and development research, manufacturing and finance. We compete with other companies for the services of existing and potential employees; however, to the extent these employees favor larger, more established employers, we may be at a disadvantage.

Earthquake or other natural or man-made disasters and business interruptions could adversely affect our business.

Our operations are vulnerable to interruption by fire, power loss, floods, telecommunications failure and other events beyond our control. In addition, our operations are susceptible to disruption as a result of natural disasters such as earthquakes. So far we have never experienced any significant disruption of our operations as a result of earthquakes, other natural disasters, or any man-made disasters. Although we have a contingency recovery plan, any significant business interruption could cause delays in our drug development and future revenue and harm our business.

Provisions in our certificate of incorporation, bylaws and applicable Delaware law may prevent or discourage third parties or stockholders from attempting to replace our management.

Anti-takeover provisions of our certificate of incorporation and bylaws make it more difficult for a third party to acquire us, even if doing so would be beneficial to our stockholders. These provisions include:

- authorization of the issuance of up to 2,000,000 shares of our preferred stock;
- elimination of cumulative voting; and
- elimination of stockholder action by written consent.

Our bylaws establish procedures, including notice procedures, with regard to the nomination, other than by or at the direction of our board of directors, of candidates for election as directors or for stockholder proposals to be submitted at stockholder meetings.

We are also subject to Section 203 of the Delaware General Corporation Law, an anti-takeover provision. In general, Section 203 of the Delaware General Corporation Law prevents a stockholder owning 15% or more of a corporation's outstanding voting stock from engaging in business combinations with a Delaware corporation for three years following the date the stockholder acquired 15% or more of a corporation's outstanding voting stock. This restriction is subject to exceptions, including the approval of the board of directors and of the holders of at least two-thirds of the outstanding shares of voting stock not owned by the interested stockholder.

We believe that the benefits of increased protection of our potential ability to negotiate with the proponents of unfriendly or unsolicited proposals to acquire or restructure us outweigh the disadvantages of discouraging those proposals because, among other things, negotiation of those proposals could result in an improvement of their terms. Nevertheless, these provisions are expected to discourage different types of coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of our company to first negotiate with us, and may have the effect of preventing or discouraging third parties or stockholders from attempting to replace our management.

Item 6. Exhibits

Exhibit No.	Description of Document
10.1	Underlease Agreement between Astex Technology Limited and Trinity College (CSP) Limited dated March 20, 2003
31.1	Certification of Chief Executive Officer under Section 302(a) of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer under Section 302(a) of the Sarbanes-Oxley Act of 2002
32.1	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act Of 2002
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document*

* XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ASTEX PHARMACEUTICALS, INC.

Date: November 9, 2011

By: /s/ JAMES S.J. MANUSO

James S.J. Manuso, Ph.D.
Chief Executive Officer
(Principal Executive Officer)

By: /s/ MICHAEL MOLKENTIN

Michael Molkentin
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 10.1

DATED 20 March 2003

TRINITY COLLEGE (CSP) LIMITED (1)

and

ASTEX TECHNOLOGY LIMITED (2)

UNDERLEASE

of Phase 1 Unit 436 Phase VI
Cambridge Science Park

Term	:	20 years *(plus broken quarter if any)*
Initial Rent	:	£1,000,697.00 per annum
Rent Review Dates	:	25 December 2007, 25 December 2012 and 25 December 2017
Expiry Date	:	

Mills & Reeve

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THIS UNDERLEASE is made on 20, March 2003

BETWEEN:

(1) **("the Landlord") TRINITY COLLEGE (CSP) LIMITED** (Company Number 3393539) whose registered office is at 112 Hills Road Cambridge CB2 1PH

(2) **("the Tenant") ASTEX TECHNOLOGY LIMITED** (company number 03751674) whose registered office is at 250 Cambridge Science Park, Milton Road, Cambridge, CB4 0WE

NOW THIS UNDERLEASE WITNESSETH as follows:

1 Definitions and Interpretation

1.1 In this underlease unless the context otherwise requires:

"Additional Works" means those works so defined in the Agreement for Lease

"Agreement for Lease" means and agreement for lease made the 17th day of December 2001 between the Landlord (1) the Tenant (2) and the Landlord's Guarantor (3)

"Authority" means any statutory public local or other authority or any court of law or any government department or agency or other competent body or any of them or any of their duly authorised officers

"Basic Rent" means one million six hundred and ninety seven pounds (£1,000,697) per annum (subject to increase as provided in part 1 of schedule 3 or if the Extension Lease exists, in accordance with part 3 of schedule 3)

"Combined Building" means the whole of the Premises and the Extension

"Company" means Trinity College (CSP) Limited (but acting in its capacity of manager of the Estate) or any successor company responsible for the management of the Estate

"Confidentiality Requirements" means the reasonable requirements of the Tenant from time to time designed to protect its intellectual property rights and the security of the Premises and its staff and for the avoidance of doubt the requirements shall not prevent access being gained.

"Connected Person" means any person, firm or company which is connected with the Tenant for the purposes of section 839 Income and Corporation Taxes Act 1988

"Consent" means an approval permission authority licence or other relevant form of approval given by the Landlord in writing

"Deeds of Grant" means two Deeds of Grant of Easements each being dated 10 November 2000 the first being made between the Landlord (1) the Tenant (2) and the

Company (3) and the second being made between the Tenant (1) the Landlord (2) and the Company (3)

" **Enactments** " shall include all present and future Acts of Parliament (including but not limited to the Public Health Acts 1875 to 1961 the Factories Act 1961 the Offices Shops and Railway Premises Act 1963 the Fire Precautions Act 1971 the Defective Premises Act 1972 the Health and Safety at Work etc. Act 1974 the Environmental Protection Act 1990 and the Planning Acts) and all notices directions orders regulations bye-laws rules and conditions under or in pursuance of or deriving effect therefrom and any reference herein to a specific enactment or enactments (whether by reference to its or their short title or otherwise) shall include a reference to any enactment amending or replacing the same and any future legislation of a like nature

"Environmental Damage" means any damage to human health or the environment which constitutes a breach of any Legal Obligation or gives rise to a civil claim for damages

"Estate" shall mean Cambridge Science Park shown edged red and blue on Plan 2 situate adjoining Milton Road partly in the City of Cambridge and partly in the County of Cambridgeshire together with any such further neighbouring area in respect of which the Landlord or its lessees may from time to time or at any time during the Period of Limitation receive planning permission to develop for uses similar or ancillary to the use of the said area edged blue and which the Landlord during the Period of Limitation elects to include in Cambridge Science Park

"Excluded Parts" means the plant loft on the second floor and also the external store rooms

"Existing Encumbrances" means the those matters referred to in schedule 2 Part 2 hereto

"Extension Agreement" means an agreement made the same date as the Agreement for Lease between the Landlord (1) the Tenant (2) and the Landlord's Guarantor (3)

"Extension Lease" means a Lease in the form referred to in the Extension Agreement

"Extension" means the building comprised in the Extension Lease

"Group Company" has the same meaning as that afforded to that expression by Section 42 of the Landlord and Tenant Act 1954

"Hazardous Material" means any substance which is inflammable explosive dangerous or otherwise known or reasonably believed to be harmful to human health or the environment and for that reason subject to statutory controls on production use storage or disposal

"Headlease" means a Headlease of the Premises dated 14 December 2001 and made between the Superior Landlord (1) the Master Fellows and Scholars of Trinity College Cambridge (2) and the Landlord (3) under which the Landlord holds the Premises for a term of 150 years from 25 December 2001 (plus the broken quarter)

“Insured Risks” means at any particular time the risks of loss or damage by riot and civil commotion (if available on reasonable commercial terms and at reasonable cost) fire storm flood explosion bursting or overflow of water tanks boilers or apparatus impact by road vehicles aircraft and other aerial devices or articles dropped therefrom and the risk of any other kind of loss or damage which the Landlord may from time to time in their absolute discretion deem it desirable to insure against and against which they shall at that particular time have a policy of insurance in effect subject to such exclusions and limitations as the insurers may impose and subject in every case to the availability of insurance cover against the risk and subject to the usual commercial conditions on which and to the extent that insurance cover against each risk is generally available in relation to property such as the Premises

“Interest” shall mean interest at the yearly rate of four per cent above the base rate published from time to time by Barclays Bank PLC or (in the event of base rate or Barclays Bank PLC ceasing to exist) such other equivalent rate of interest as the Landlord may from time to time in writing specify

“Landlord” shall include any party for the time being entitled to the reversion immediately expectant upon the end of the Term and shall (where the context so admits) include the Superior Landlord

“Landlord’s Neighbouring Premises” means any land or buildings now or hereafter during the Period of Limitation erected adjoining or neighbouring the Premises (whether beside under or over) which belong to the Landlord now or hereafter during the Period of Limitation

“Legal Obligation” means any lawful obligation from time to time created by any Enactment or Authority which relates to the Premises or their use

“Office Area” means the offices shown on the Plans and Specifications

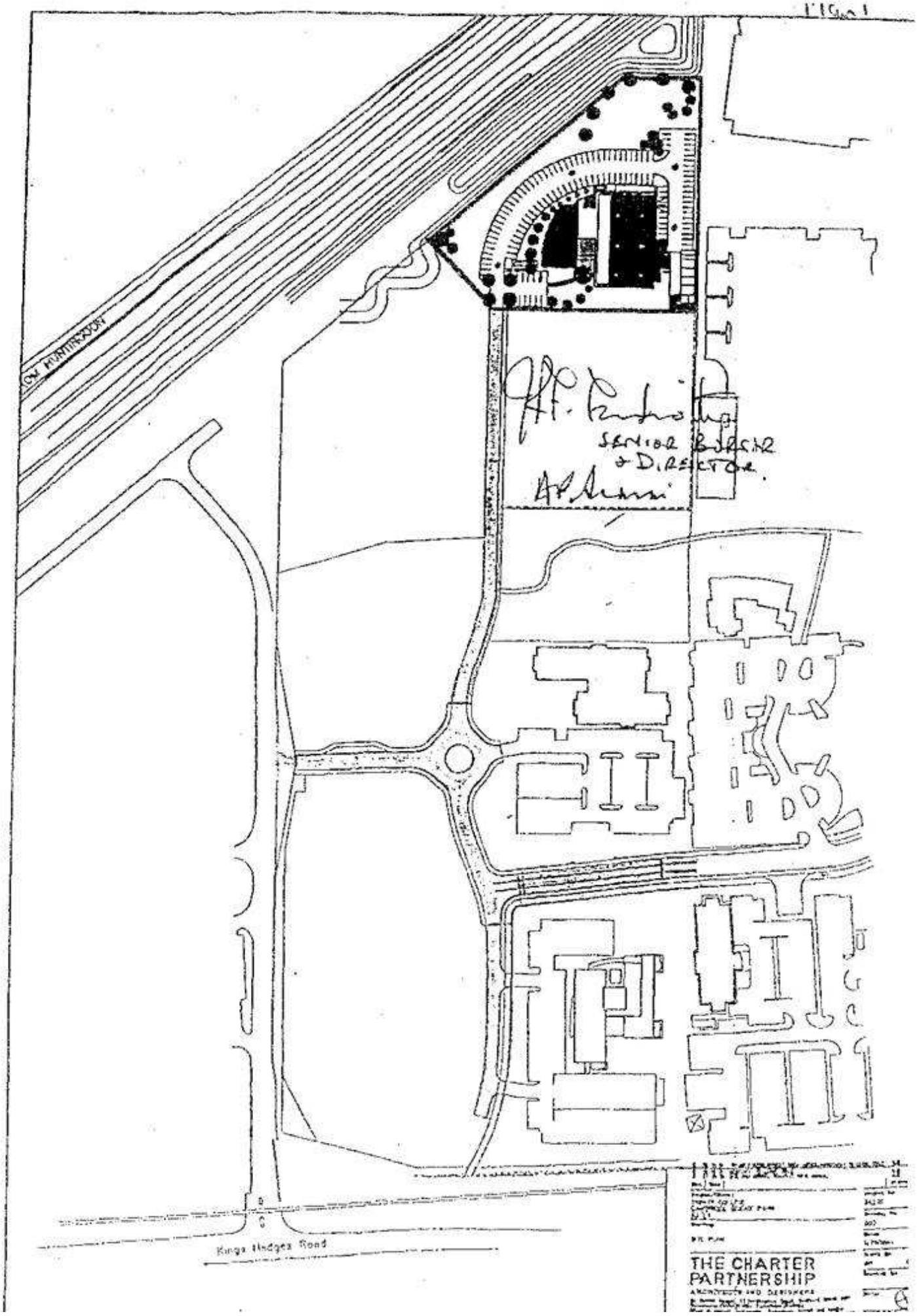
“Period of Limitation” means the period of eighty years commencing on the date hereof or such longer period as the law may permit (which period is hereby specified as the perpetuity period applicable to this underlease under the rule against perpetuities)

“Phase VI” means that part of the Estate shown edged blue on Plan 2

“Plan 1” shall mean the plan numbered 1 annexed hereto

“Plan 2” shall mean the plan numbered 2 annexed hereto

“Planning Acts” means the Town and Country Planning Acts 1948 to 1990 the Planning (Hazardous Substances) Act 1990 the Planning (Listed Buildings and Conservation Areas) Act 1990 the Local Government Planning and Land Act 1980 and all notices directions orders regulations byelaws rules and conditions under or in pursuance of or deriving effect therefrom from time to time and any reference herein to these or any other Act or Acts shall include a reference to any statutory modification or re-enactment thereof for the time being in force and any future legislation of a like nature


SENIOR BUSINESS
& DIRECTOR.
Kings Hedges Road
THE CHARTER
PARTNERSHIP

"Planning Agreement 1991" shall mean an agreement dated 6th August 1991 made pursuant to section 106 of the Town and Country Planning Act 1990 between South Cambridgeshire District Council (1) and the Superior Landlord (2) as amended by a supplemental agreement dated 14th September 1995 and made between the same parties

"Planning Agreement 2000" shall mean an agreement under Section 106 of the Town and Country Planning Act 1990 dated 17 th October 2000 and made between The Master Fellows and Scholars of the College of the Holy And Undivided Trinity within the Town And University of Cambridge of King Henry the Eighth's Foundation (1) Aula Limited (2) Cambridgeshire County Council (3)

"Premises" means the property hereby demised as described in schedule 1 including all Service Channels in on or under such property and exclusively serving the same and fixtures and fittings (excluding trade or tenant's fixtures and the Additional Works and the Tenant's Further Works) therein and the Rights together with all additions alterations and improvements to such property and Rights

"Remainder of the Estate" means that part of the Estate shown edged red on Plan 2

"Rent Commencement Date" means 18 May 2003

"Rights" means the rights described in part 2 of schedule 1

"Service Channels" means all such flues sewers drains ditches pipes wires watercourses cables channels gutters ducts and other conductors of services and plumbing and ventilating equipment and motors appurtenant thereto as are now existing or which may be constructed or laid during the Term and within the Period of Limitation as herein defined

"Superior Landlord" shall include the party for the time being entitled to the reversion immediately expectant upon the expiration or sooner determination of the Headlease

"Surety" means any person or body who has entered into a guarantee of the Tenant's covenants contained in this underlease in the form of the guarantee set out in schedule 6 (whether by separate deed pursuant to the provisions of this underlease or otherwise) and shall include the Surety's successors whether by substitution or otherwise including personal representatives

"Surveyor" means the surveyors who shall be member or fellows of the Royal Institution of Chartered Surveyors or affiliated to another recognised professional body or consulting engineers who shall be members or fellows of the Institute of Chartered Engineers for the time being of the Landlord

"Tenant" shall include the person in whom the Term is presently vested

"Tenant's Further Works" shall mean those defined in the Agreement for Lease

"Term" means the total period of demise hereby granted and (other than in the case of the references to the term in the definition of "Relevant Date" and in the habendum

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of this underlease) includes any period of holding over or any extension or continuance of the contractual term by Enactment or otherwise

"Value Added Tax" includes any tax charged in addition to or in substitution for it

"VAT Act" means the Value Added Tax Act 1994

1.2 Words importing the masculine gender only include the feminine gender and vice versa and include any body of persons corporate or unincorporate words importing the singular number only include the plural number and vice versa and the word "person" shall include any body of persons corporate or unincorporate and all covenants by any party hereto shall be deemed to be joint and several covenants where that party is more than one person and any covenant by the Tenant not to do or not to do or omit to do an act or thing shall be deemed to include an obligation not to permit or suffer such act or thing to be done or omitted

1.3 (a) References to numbered clauses and schedules are references to the relevant clause or schedule to this underlease and references to numbered paragraphs are references to the numbered paragraphs of that schedule or the part of the schedule in which they appear

(b) The clause paragraph and schedule headings do not form part of this underlease and are not to be taken into account when construing it

1.4 This instrument

1.4.1 is executed as a deed and by its execution the parties authorise their solicitors to deliver it for them when it is dated

1.4.2 was delivered when it was dated

1.4.3 is entered into pursuant to an agreement for underlease

1.5 This underlease is a new tenancy for the purposes of the Landlord and Tenant (Covenants) Act 1995

2 <u>The demise habendum and reddendum</u>

2.1 In consideration of the several rents and covenants on the part of the Tenant herein reserved and contained the Landlord hereby demises unto the Tenant all those Premises more particularly described in schedule 1 part 1 together with (in common with the Landlord their lessees and assigns and all other persons from time to time having the like rights) the Rights in schedule 1 part 2 except and reserving unto the landlord and its successors in title assigns and lessees and all persons from time to time authorised by it the interests rights reservations and exceptions more particularly set out in part 1 of schedule 2 to hold the Premises unto the Tenant subject to (but with the benefit of) the Existing Encumbrances and to any or all easements and other rights (if any) now subsisting over or which may affect the same from 25 December 2002 to 25 March 2003 and thereafter for the term of 20 years but determinable nevertheless as hereinafter provided yielding and paying therefor unto the Landlord during the Term by way of rent

2.1.1 yearly and proportionately for any fraction of a year the Basic Rent (such rent to be reviewed in accordance with schedule 3 part 1 or (if the Extension Lease exists in accordance with schedule 3 part 3) the first such payment or a proportionate part thereof in respect of the period from 18 May 2003 and 24 June 2003 to be made on the Rent Commencement Date and thereafter such rents to be paid by equal quarterly instalments in advance on the four usual quarter days in every year

2.1.2 within 14 days of written demand the rents specified in part 2 of schedule 3

2.1.3 any other sums which may become due from the Tenant to the Landlord under the provisions of this underlease

all such payments to be made without any deduction

3 Tenant's covenants

3.1 The Tenant hereby covenants with the Landlord to observe and perform all the covenants and provisions on the Tenant's part set out in schedule 4

4 Landlord's covenants

4.1 The Landlord hereby covenants with the Tenant whilst the reversion to this underlease is vested in the Landlord to observe and perform all the covenants and provisions on the Landlord's part set out in schedule 5 but not so as to impose any personal liability upon the Landlord except for the Landlord's own costs and defaults

5 Proviso agreement and declaration

5.1 Forfeiture

Without prejudice to any other rights of the Landlord if:

5.1.1 the whole or part of the rent remains unpaid twenty one days after becoming due (whether demanded or not) or

5.1.2 any of the Tenant's covenants in this underlease are not performed or observed or

5.1.3 the Tenant or any guarantor or surety of the Tenant's obligations under this underlease

(i) proposes or enters into any composition or arrangement with its creditors generally or any class of its creditors or

(ii) is the subject of any judgment or order made against it which is not complied with within seven days or is the subject of any execution distress sequestration or other process levied upon or enforced against any part of the Premises

(iii) being a company:

(A) is the subject of a petition presented or an order made or a resolution passed or analogous proceedings taken for appointing an administrator of or winding up such company (save for the purpose of and followed within four months by an amalgamation or reconstruction which does not involve or arise out of insolvency or give rise to a material reduction in capital and which is on terms previously approved by the Landlord such approval not to be unreasonably withheld) or

(B) an encumbrancer takes possession or exercises any power of sale or a receiver or administrative receiver is appointed of the whole or any part of the undertaking property assets or revenues of such company or

(C) stops payment or agrees to declare a moratorium or becomes or is deemed to be insolvent or unable to pay its debts within the meaning of section 123 Insolvency Act 1986

(iv) being an individual:

(A) is the subject of a bankruptcy petition or bankruptcy order or

(B) is the subject of an application or order or appointment under section 253 or section 273 or section 286 Insolvency Act 1986 or

(C) is unable to pay or has no reasonable prospect of being able to pay his debts within the meaning of sections 267 and 268 Insolvency Act 1986

5.1.4 any event occurs or proceedings are taken with respect to the Tenant or any guarantor of the Tenant's obligations under this underlease in any jurisdiction to which it is subject which has an effect equivalent or similar to any of the events mentioned in clause 5.1.3

then and in any of such cases the Landlord may at any time (and notwithstanding the waiver of any previous right of re-entry) re-enter the Premises whereupon this underlease shall absolutely determine but without prejudice to any right of action of the Landlord in respect of any previous breach by the Tenant of this underlease provided that if any of the events referred to in clause 5.1.3 or clause 5.1.4 occurs in respect of any guarantor or surety of the Tenant in circumstances where a new surety is provided by the Tenant pursuant to the provisions of paragraph 26 of Schedule 4 then any such re-entry shall cease and determine and the parties shall be restored to the position they were in prior to such event

5.2 Notices

Any notice under this underlease shall be in writing and any notice

5.2.1 to the Tenant or the Surety shall be deemed to be sufficiently served if

(i) left addressed to the Tenant or the Surety on the Premises or

(ii) sent to the Tenant or the Surety by post at the last known address or (if a Company) registered office of the Tenant or the Surety and

5.2.2 to the Landlord shall be deemed to be sufficiently served if

(i) sent to the Landlord by post at the last known address or (if a Company) registered office of the Landlord

(ii) whilst the reversion immediately expectant on the determination of the Term is vested in the original Landlord (as named herein) addressed to the Landlord's Senior Bursar and delivered to him personally or sent to him by post

5.3 Rent abatement

If the Premises or the access thereto are destroyed or rendered wholly or partly unfit for use by any of the perils covered by the Insured Risks then (provided the destruction or damage is not caused by the act or default of the Tenant or any person on the Premises with the Tenant's express or implied authority or any predecessor in title of any of them so that the insurance policy effected in respect of the Premises is vitiated or payment of any part of the policy money is withheld) a fair proportion of the Basic Rent according to the extent of the damage sustained shall cease to be payable for the period during which the Premises or the access thereto remain unfit for use and any dispute with reference to this proviso shall be referred to arbitration in accordance with the Arbitration Act 1996

5.4 Notice to terminate

If upon damage or destruction of any part of the Premises by an Insured Risk at a time when:

5.4.1 the Extension Lease exists or the Tenant has served a Trigger Notice for the Extension Lease and at the end of a period of 3 years commencing on the date of the damage or destruction any part of the Combined Building has not been rebuilt and reinstated so that it is fit for the Tenant's occupation and use either the Landlord or the Tenant may by notice served within 3 months following the expiration of the 3 year period following such damage or destruction terminate both this lease and the Extension Lease (or as the case may be the Extension Agreement) but such termination will be without prejudice to any action arising from a breach before the notice is given or

5.4.2 The Tenant has not served a Trigger Notice under the provisions of the Extension Agreement then prior to the service of a Trigger Notice under the provisions of the Extension Agreement clause 5.4.1 above shall apply mutatis mutandis but if the Tenant subsequently serves a Trigger Notice under the provisions of the Extension Agreement the Tenant's right to terminate this lease shall absolutely cease and determine

5.5 Warranties

The Tenant hereby acknowledges and admits that the Landlord has not given or made any representation or warranty that the use of the Premises herein authorised is or will remain a permitted use under the Planning Acts

5.6 Landlord's powers to deal with the Landlord's Neighbouring Premises

Notwithstanding anything herein contained the Landlord and all persons authorised by the Landlord shall have power without obtaining any consent from or making any compensation to the Tenant to deal as the Landlord may think fit with the Landlord's Neighbouring Premises and to erect thereon or on any part thereof any building whatsoever and to make any repairs alterations or additions and carry out any demolition or rebuilding whatsoever (whether or not affecting the light or air to the Premises) which the Landlord may think fit or desire to do **PROVIDED THAT** in the exercise of such power the Landlord will not so far as the Landlord is able substantially restrict access to and from the Premises to employees and potential customers of the Tenant during normal business hours or materially affect the Tenant's use or enjoyment of the Premises

5.7 Arbitration

(Unless this underlease otherwise provides) if any dispute or difference shall arise between the parties hereto touching these presents or the rights or obligations of the parties hereunder such dispute or difference shall in the event of this underlease expressly so providing and otherwise may by agreement between the parties be referred to a single arbitrator to be agreed upon by the parties hereto or in default of agreement to be nominated by the President or Vice President for the time being of the Royal Institution of Chartered Surveyors on the application of any party in accordance with and subject to the provisions of the Arbitration Act 1996

5.8 Landlord's obligations

Nothing herein contained shall render the Landlord liable (whether by implication of law or otherwise howsoever) to do any act or thing which the Landlord has not expressly covenanted to carry out provide or do in schedule 5

5.9 Value added tax

Any consideration on supplies made by the Landlord under this underlease is exclusive of value added tax (or any substituted tax)

5.10 Reference to Rights

Any reference to any right or easement exercisable by the Landlord should be deemed to include the exercise of such right or easement by the Superior Landlord and (to the extent that they pertain to the management of the Estate) the Company or any mortgagee of the Landlord or of the Superior Landlord or of the Company at reasonable times on reasonable notice subject to the Confidentiality Requirements

5.11 References to Consents

In every case where there is an obligation on the part of the Tenant to obtain consent or approval from the Landlord there shall be deemed to be included an obligation to obtain consent and approval from the Superior Landlord and from any mortgagee of the Landlord and of the Superior Landlord and the Landlord should be entitled to withhold the giving of its consent or approval until the consent or approval of the Superior Landlord and any such mortgagee has first been granted subject to the provisions of paragraph 5 of schedule 5

5.12 References to Payments

In every case where there is a provision for a payment to the Landlord by the Tenant of any expenses incurred by the Landlord then in the event of any reasonable expenses being properly incurred by the Superior Landlord there should be deemed to be included a similar covenant by the Tenant to repay any reasonable expenses properly incurred by the Superior Landlord

5.13 Reference to Indemnities

Any indemnities in favour of the Landlord should be deemed to incorporate indemnities in favour of the Superior Landlord

5.14 References to Rights of Entry

All rights of entry exercisable by the Landlord or the Superior Landlord or (to the extent that they pertain to the management of the Estate) the Company or any mortgagee or persons authorised by the Landlord or the Superior Landlord or the Company shall extend to and include their respective surveyors servants contractors agents licensees and work people with or without plant appliances and materials subject to the Confidentiality Requirements

5.15 Third Party Rights

The parties intend that no person who is not a party to this underlease is to have the benefit of or be capable of enforcing any term of this underlease as a result of the Contracts (Rights of Third Parties) Act 1999.

5.16 Historic Contamination

No covenant by the Tenant or any other provision in this Lease is to be construed as requiring the Tenant to carry out or pay for works or operations or indemnify the Landlord or Superior Landlord for any works required by any Enactment or otherwise

due to a release before the beginning of the Term into any environmental medium of a substance which is capable of causing harm to the health of man or other living organisms supported by the environment or other interference with the ecological systems of which man or other living organisms form part

Schedule 1

Part 1 - The property included in this demise

ALL THAT piece or parcel of land forming part of Phase VI Cambridge Science Park and known as Phase 1 Unit 436 as the same is more particularly delineated on Plan 1 and thereon edged red together with the buildings standing thereon or on some part thereof

Part 2 - The rights granted

1 Right to services

1.1 (If and so far as the Service Channels are not adopted or maintainable by any statutory undertaker or supply authority) at all times hereafter the right of passage and running of appropriate services through the Service Channels now under or across the Estate and to make connection with such Service Channels or any of them for the purpose of exercising the said rights and all such rights of access for the Tenant and the Tenant's lessees and employees as may from time to time be reasonably required for the purpose of laying inspecting cleansing repairing maintaining renewing or adding to such Service Channels or any of them but the enjoyment of the aforesaid rights shall be subject to the Tenant or other the person or persons exercising the same or having the benefit thereof being liable to make good all damage to the Estate thereby occasioned with reasonable dispatch

2 Right of way

2.1 The right of way for all purposes reasonably necessary for the use and enjoyment of the Premises for the purposes herein authorised but not further or otherwise with or without vehicles over the roadways coloured brown on the Plan (if and so far as the same are not adopted) subject (for the avoidance of doubt) to the terms of the Planning Agreement 2000 and to the Deeds of Grant

3 Right to support

3.1 The right to support now or hereafter belonging to or enjoyed by the Premises

Schedule 2

Part 1 - Exceptions and reservations in favour of the Landlord

1 Right to services

1.1 At all times hereafter the right of passage and running of appropriate services through the Service Channels forming part of the Premises and to make connection with such Service Channels or any of them for the purpose of exercising the said rights and all such rights of access for the Landlord the Surveyor and the Landlord's lessees and employees and all persons from time to time authorised by the Landlord as may from time to time be reasonably required for the purpose of laying inspecting cleansing repairing maintaining renewing or adding to such Service Channels or any of them but the enjoyment of the aforesaid rights shall be subject to the Landlord or other the person or persons exercising the same or having the benefit thereof being liable to make good all damage to the Premises thereby occasioned with reasonable dispatch

2 Right to support

2.1 The right to support now or hereafter belonging to or enjoyed by the Landlord's Neighbouring Premises

3 Right to enter

3.1 At all times during the Term the right with or without the Surveyor the Landlord's employees and workmen and any persons authorised by them to enter the Premises for the purpose of doing any act matter or thing in respect of which the Landlord is permitted entry to the Premises under Schedule 4 upon the terms therein stated such reservation to be in addition to and not in substitution for or limitation of any other rights exceptions or reservations to which the Landlord is entitled hereunder

4 Right to light and air

4.1 The Tenant shall not be entitled to any right of access of light or air to the Premises which would restrict or interfere with the user of the Estate or any of the Landlord's Neighbouring Premises for building or otherwise howsoever provided that the Landlord shall not use the Neighbouring Property in such a way as to materially affect the Tenant's light or air

5 Right to enter to cultivate

5.1 A right of access at all times together with the Company's surveyor the Landlord's and the Company's employees servants workmen and all persons authorised by the Landlord to all such parts of the Premises as shall from time to time be unbuilt upon for the purpose of cultivating planting maintaining and landscaping the same in such manner as shall in the absolute discretion of the Landlord from time to time seem appropriate

6 Right to restrict access

6.1 A right to restrict vehicular access from the remainder of the Estate through Phase VI to Kings Hedges Road for the purpose of complying with the provisions of the Planning Agreement 2000

Part 2 - Existing Encumbrances

	Date	Document	Parties
1	-	The Planning Agreements	-
2	31st December 1992	Section 181 Licence	Cambridgeshire County Council (1) Trinity Hall (2)
3	12 th September 1986	Agreement	Cambridgeshire County Council (1) Trinity Hall (2) Anglian Water Authority (3)
4	26th March 1993	Deed of Grant	British Railways Board (1) Cambridgeshire County Council (2)
5	26th March 1993	Agreement	British Railways Board (1) Cambridgeshire County Council (2)
6	26th March 1993	Deed	Cambridgeshire County Council (1) Trinity Hall (2)
7	-	The Deeds of Grant	-

Schedule 3

The rents payable by the Tenant

Part 1 - Rents payable quarterly Rent review where the Extension Lease does not exist

1 Definitions

1.1 In this part of this schedule the following words shall have the following meanings

1.1.1 the **"Relevant Date"** shall mean 25 December 2007 and every fifth anniversary of that date during the Term excluding the last day of the Term and the period between each Rent Review Date is hereafter referred to as the "Rent Review Period"

1.1.2 **"the Full Open Market Yearly Rent"** shall mean the best yearly rent for which the whole of the Premises might reasonably be expected to let if let on one lease in the open market by a willing landlord to a willing tenant after the expiry of any rent free period or period of concessionary rent which may then be usual on the grant of a new lease for the purpose of fitting out only and not for the avoidance of doubt as an incentive on the assumption (if not fact) that

(i) the Premises are fully repaired maintained and decorated in accordance with the provisions of this underlease and

(ii) the Premises are vacant and ready for immediate occupation and use (any fitting out of the nature of the Additional Works or Tenant's Further Works shall be assumed to have been carried out at the tenant's expense and

(iii) all Legal Obligations are complied with and all requisite consents and permissions for the use of the Premises have been obtained and that the covenants in this underlease on the part of the Tenant have been complied with and

(iv) that no work has been carried out thereon which would diminish the rental value of the Premises and

(v) that in case the Premises had been damaged or destroyed they had been fully restored in accordance with the terms hereof and

(vi) The Excluded Parts can only be used for plant rooms and ancillary storage and

(vii) the Premises comprises either:

(A) The Premises or

(B) A notional two storey office building which;-

1) was constructed in 2002 to a comparable standard and specification and with similar facilities (of appropriate scale for the notional building) to the Office Area including appropriate car parking

2) comprises a net internal floor area of 36,389 square feet

3) excludes (for the avoidance of doubt) such of the Additional Works or the Tenants Further Works as may be comprised within the Office Area

whichever shall result in the higher rent and

(viii) the lease of the Premises shall be for the reside of the Term at the date of review

(ix) the lease shall be without payment of a fine or premium or any other form of inducement being offered or received and

(x) the lease shall be upon the same terms provisions agreements and declarations (other than as to the amount of rent and any rent free period hereunder but including like provisions for the review of rent to those herein contained) and covenants on the part of the Landlord and the Tenant as those herein contained but only in so far as they are consistent with the provisions of this paragraph 1.1.2

there being disregarded

(A) any effect on rent of the fact that the Tenant or any undertenant or their respective predecessors in title have been in occupation of the Premises and

(B) any goodwill attached to the Premises by reason of trade or business carried on therein by the Tenant or any undertenant or their respective predecessors in title and

(C) (for the avoidance of doubt) the Additional Works and Tenant's Further Works

(D) any increase in rental value attributable to an improvement effected or completed within a period of twenty one years immediately preceding the Relevant Date (whether during or before the Term) on which the rent is being reviewed carried out by the Tenant or any undertenant or by the Landlord on behalf of the Tenant at the Tenant's expense or their respective predecessors in title in that capacity with the prior consent in writing of the Landlord (where required pursuant to this underlease) other than an improvement effected at the expense of the Landlord or in pursuance of an obligation to the Landlord whether under this underlease

or otherwise and provided that the Landlord or their predecessors in title have not had vacant possession of the Premises since the improvement was carried out and

(E) as far as may be permitted by law all restrictions whatsoever relating to rent contained in any Enactments (whether relating to the method of determination of rent or otherwise)

2 The rent review

2.1 At each Relevant Date the rent shall be reviewed in accordance with the provisions of this part of this schedule and from and after each Relevant Date the Tenant shall pay to the Landlord by way of rent in respect of the Premises whichever is the greater of

2.1.1 the Basic Rent payable hereunder immediately prior to that Relevant Date and

2.1.2 the Full Open Market Yearly Rent for the Premises at that Relevant Date such Full Open Market Yearly Rent to be determined (in default of agreement between the Landlord and the Tenant) by arbitration in accordance with clause 5.7 of this underlease on the application of the Landlord or the Tenant made at any time before or after that Relevant Date

but so that (for the avoidance of doubt) any delay in the implementation of a review of rent hereunder until after a Relevant Date shall not prejudice the review of rent with effect from that Relevant Date

3 Memorandum of agreement as to rent

3.1 As soon as practicable after the agreement or determination of the amount of the Full Open Market Yearly Rent a memorandum recording the same shall be endorsed on or otherwise annexed to the Original and Counterpart of this underlease each party shall bear its own cost in this respect

4 Where assessment of rent delayed

4.1 Should the rent to be agreed or determined in accordance with paragraph 2 (herein in this paragraph 4.1 called **"the New Rent"**) not have been agreed or determined as aforesaid by any Relevant Date then the Tenant shall on and after that day pay rent at the rate equal to the rent payable immediately before that Relevant Date (herein in this paragraph 4.1 called **"the Old Rent"**) and so soon as the New Rent shall have been agreed or determined as aforesaid the Tenant shall forthwith pay to the Landlord by way of additional rent the difference between the New Rent and the Old Rent for each quarter for which the New Rent should have been paid together with interest thereon at a rate four per cent below the rate of Interest from the date upon which the same became payable until the date of payment Provided that the interest on each quarter's rent shall be calculated only from the date that quarter's rent is due

5 Intermediate rent periods

5.1 If at any Relevant Date the Landlord shall be obliged legally or otherwise to comply with any Enactments dealing with the control of rent and which shall restrict or modify the Landlord's right to review the Old Rent or to receive the New Rent (which expressions are defined in paragraph 4.1) in accordance with the terms hereof then the Landlord shall as soon as reasonably practicable after each such restriction or modification is removed relaxed or modified be entitled to give not less than one month's notice in writing (herein called **"an Intermediate Rent Review Notice"**) to the Tenant expiring not earlier than the date of each such removal relaxation or modification to introduce an intermediate review of rent additional to the reviews of rent specified in this part of this schedule and the expiry of the Intermediate Rent Review Notice shall be deemed to be the Relevant Date for the purpose of paragraphs 2 3 and 4 provided that nothing herein contained shall vary or modify any subsequent Relevant Date as defined in paragraph 1.1.1 of this part of this schedule

Part 2 - Rents payable upon demand

1 Insurance Rent

1.1 A sum or sums of money equal to the amount or amounts which the Landlord shall from time to time be liable to pay in or in respect of effecting or maintaining the insurance of the Premises in accordance with the Landlord's covenant contained in paragraph 2 of schedule 5 and all reasonable professional fees which the Landlord may from time to time incur in connection with the valuation of the Premises for insurance purposes not more frequently than every three years

2 Rent for common parts

2.1 A proper proportion attributable to the Premises of the proper cost and expense of repairing maintaining renewing rebuilding cleansing and operating all ways roads pavements Service Channels yards bicycle stores vehicle parks and gardens fences party walls and structures and any installations equipment fittings fixtures easements appurtenances or conveniences which are not the subject matter of the Service Charge referred to in paragraph 3 below but which none the less belong to or are used by the Premises in common with the other buildings on the Estate and the Landlord's Neighbouring Premises and with any other premises adjoining or neighbouring the Premises (or any of them) including architect's and surveyor's fees properly incurred in connection with such works (such proper proportion to be determined by the Surveyor whose certificate shall be final and binding on the Tenant) save in the case of manifest error

3 Service rent

3.1 A service rent equivalent to the Service Charge due and payable by the Landlord under the Headlease or which would be due and payable if the Headlease still subsisted upon the terms originally specified in the Headlease

4 **Interest on arrears**

4.1 Interest on any monies payable by the Tenant to the Landlord under any covenant or provision of this underlease which remain unpaid for seven days shall be payable by the Tenant such Interest to be calculated from the date when such monies were due until the date when such monies are received by the Landlord provided that the provisions of this paragraph 4.1 shall not prejudice any rights or remedies of the Landlord in respect of any breach of any of the covenants on the part of the Tenant herein contained

5 **Insurance excess**

5.1 If a claim arising under any policy of insurance effected by the Landlord upon the Premises shall be subject to any insurance excess the Tenant shall reimburse or otherwise indemnify the Landlord against the amount of such excess

Part 3: Rent review for Premises and Extension

Note: This section of Schedule 3 applies if the Extension Lease exists

1 Definitions

1.1 In this part of this schedule the following words shall have the following meanings

1.1.1 the **"Relevant Date"** shall mean 25 December 2007 and every fifth anniversary of that date during the Term excluding the last day of the Term and the period between each Rent Review Date is hereafter referred to as the "Rent Review Period"

1.1.2 **"the Full Open Market Yearly Rent"** shall mean the best yearly rent for which the Combined Building might reasonably be expected to let if let on one lease in the open market by a willing landlord to a willing tenant after the expiry of any rent free period or period of concessionary rent which may then be usual on the grant of a new lease for the purpose of fitting out only and not for the avoidance of doubt as an incentive on the assumption (if not fact) that:-

(i) the Combined Building is fully repaired maintained and decorated in accordance with the provisions of this underlease and

(ii) the Combined Building is vacant and ready for immediate occupation and use (any fitting out of the nature of the Additional Works or Tenant's Further Works shall be assumed to have been carried out at the tenant's expense) (and

(iii) the covenants in this underlease and the Extension Lease on the part of the Tenant have been complied with and all Legal Obligations are complied with and all requisite consents and permissions for the use of the Combined Building have been obtained) and

(iv) that no work has been carried out thereon which would diminish the rental value of the Combined Building and

(v) that in case the Combined Building had been damaged or destroyed they had been fully restored in accordance with the terms hereof and

(vi) The Excluded Parts (as respectively defined in the Extension Lease and this Lease) can only be used for plant rooms and ancillary storage and

(vii) the Combined Building comprises either:

(A) The Combined Building or

(B) a notional two storey office building which:

1) was constructed in 2002 to a comparable standard and specification and with similar facilities (of appropriate scale for the notional building) to the Office Area including necessary car parking

2) comprises a net internal floor area (measured in accordance with the Code of Measuring Practice published by the Royal Institution of Chartered Surveyors and the Incorporated Society of Valuers and Auctioneers (Fourth Edition) equivalent to the Gross Internal Area of the Combined Building

3) excludes (for the avoidance of doubt) such of the Additional Works or the Tenants Further Works as may be comprised within the Office Area

whichever shall result in the higher rent and

(viii) the lease of the Combined Building shall be for the reside of the Term at the date of review

(ix) the lease of the Combined Building shall be granted without payment of a fine or premium or any other form of inducement being offered or received and

(x) the lease of the Combined Building shall be upon the same terms provisions agreements and declarations (other than as to the amount of rent and any rent free period hereunder but including like provisions for the review of rent to those herein contained) and covenants on the part of the Landlord and the Tenant as those contained respectively in this underlease and the Extension Lease but only in so far as they are consistent with the provisions of this paragraph 1.1.2

there being disregarded

(A) any effect on rent of the fact that the Tenant or any undertenant or their respective predecessors in title have been in occupation of the Combined Building and

(B) any goodwill attached to the Combined Building by reason of trade or business carried on therein by the Tenant or any undertenant or their respective predecessors in title and

(C) (for the avoidance of doubt) the equivalent of the Additional Works and Tenant’s Further Works which relate to the Combined Building

(D) any increase in rental value attributable to an improvement effected or completed within a period of twenty one years immediately preceding the Relevant Date (whether during or before the Term) on which the rent is being reviewed carried out by the Tenant or any undertenant or by the Landlord on behalf of the Tenant at the Tenant's expense or their respective predecessors in title in that capacity with the prior consent in writing of the Landlord (where required pursuant to this underlease) other than an improvement effected at the expense of the Landlord or in pursuance of an obligation to the Landlord whether under this underlease or otherwise and provided that the Landlord or their predecessors in title have not had vacant possession of the Combined Building since the improvement was carried out and

(E) as far as may be permitted by law all restrictions whatsoever relating to rent contained in any Enactments (whether relating to the method of determination of rent or otherwise)

2 <u>The rent review</u>

2.1 At each Relevant Date the rent shall be reviewed in accordance with the provisions of this part of this schedule and from and after each Relevant Date the Tenant shall pay to the Landlord by way of rent in respect of the Combined Building whichever is the greater of

2.1.1 the Basic Rent payable hereunder immediately prior to that Relevant Date and

2.1.2 the Full Open Market Yearly Rent for the Combined Building at that Relevant Date such Full Open Market Yearly Rent to be determined (in default of agreement between the Landlord and the Tenant) by arbitration in accordance with clause 5.7 of this underlease on the application of the Landlord or the Tenant made at any time before or after that Relevant Date

but so that (for the avoidance of doubt) any delay in the implementation of a review of rent hereunder until after a Relevant Date shall not prejudice the review of rent with effect from that Relevant Date

3 <u>Memorandum of agreement as to rent</u>

3.1 As soon as practicable after the agreement or determination of the amount of the Full Open Market Yearly Rent the rent ascertained will be apportioned between the Original Building and the Extension in the proportions specified in Schedule 3 of the Extension Lease and a memorandum recording the same shall be endorsed on or otherwise annexed to the Original and Counterpart of this underlease and the Extension Lease each party shall bear its own cost in this respect

4 Where assessment of rent delayed

4.1 Should the rent to be agreed or determined in accordance with paragraph 2 (herein in this paragraph 4.1 called **"the New Rent")** not have been agreed or determined as aforesaid by any Relevant Date then the Tenant shall on and after that day pay rent at the rate equal to the rent payable immediately before that Relevant Date (herein in this paragraph 4.1 called **"the Old Rent")** and so soon as the New Rent shall have been agreed or determined as aforesaid the Tenant shall forthwith pay to the Landlord by way of additional rent the difference between the New Rent and the Old Rent for each quarter for which the New Rent should have been paid together with interest thereon at a rate four per cent below the rate of Interest from the date upon which the same became payable until the date of payment Provided that the interest on each quarter's rent shall be calculated only from the date that quarter's rent is due

5 Intermediate rent periods

5.1 If at any Relevant Date the Landlord shall be obliged legally or otherwise to comply with any Enactments dealing with the control of rent and which shall restrict or modify the Landlord's right to review the Old Rent or to receive the New Rent (which expressions are defined in paragraph 4.1) in accordance with the terms hereof then the Landlord shall as soon as reasonably practicable after each such restriction or modification is removed relaxed or modified be entitled to give not less than one month's notice in writing (herein called **"an Intermediate Rent Review Notice")** to the Tenant expiring not earlier than the date of each such removal relaxation or modification to introduce an intermediate review of rent additional to the reviews of rent specified in this part of this schedule and the expiry of the Intermediate Rent Review Notice shall be deemed to be the Relevant Date for the purpose of paragraphs 2 3 and 4 provided that nothing herein contained shall vary or modify any subsequent Relevant Date as defined in paragraph 1.1.1 of this part of this schedule

Schedule 4

Tenant's covenants

1 To pay rent

1.1 To pay to the Landlord the rents hereby reserved (including but not limited to the rent as reviewed from time to time in accordance with part 1 of schedule 3 (or if the Extension Lease exists in accordance with part 3 of schedule 3) at the times and in the manner herein appointed for payment thereof without any deduction set off or (except as provided by clause 5.3 of this underlease) abatement whatsoever and to pay those rents reserved in part 1 of schedule 3 (or if the Extension Lease exists in accordance with part 3 of schedule 3) by standing order to the bankers of the Landlord or as it shall direct within the United Kingdom

2 To pay outgoings

2.1 To pay and discharge all rates taxes duties assessments charges impositions and outgoings whatsoever (whether parliamentary local public utility or of any other description and whether or not of a recurrent nature) now or at any time during the Term taxed assessed charged imposed upon or payable in respect of the Premises or any part thereof or by the Landlord or Tenant or owner or occupier in respect thereof except any arising from receipt of rent in the Landlord's hands or any dealing or deemed dealing with the Landlord's reversion other than a deemed dealing arising from some act or default on the part of the Tenant or such as is required by an Enactment to be paid by the Landlord save any arising from an act or default of the Tenant

3 To repair and decorate

3.1 Well and substantially to cleanse maintain and repair and remedy all defects in the Premises and every part thereof (including all additions thereto and all fixtures fittings plant and machinery therein and improvements thereto and the Service Channels forming part of the Premises and which exclusively serve the same and the boundary structures (if any) of the Premises) and the drains connecting the Premises to and as far as the common drain

3.2 As and when reasonably required by the Landlord to clean (and repoint where appropriate) all external surfaces of the buildings from time to time comprised in the Premises

3.3 Without prejudice to the generality of paragraphs 3.1 and 3.2 to paint (or otherwise decorate) with two coats at least of good quality paint (or other suitable materials) all such parts of the Premises as have been usually painted (or otherwise decorated) such painting (or other decoration) to be

3.3.1 as to the outside in every third year of the Term and with such colours as have been approved by the Surveyor (acting reasonably) and

3.3.2 as to the inside in every fifth year of the Term and

3.3.3 as to both the outside and the inside in the last year of the Term (however determined)

and otherwise as the Landlord may reasonably so require

3.4 Not to remove or damage any of the Landlord's fixtures and fittings in the Premises and to replace with similar articles of at least equal quality such fixtures and fittings as may be lost or worn out or become unfit for use

provided that all work referred to in this paragraph 3 shall be done in a good and workmanlike manner and to the reasonable satisfaction of the Surveyor and provided further that the liability of the Tenant under this paragraph shall not extend to damage caused by any of the Insured Risks unless the insurance shall have been vitiated or insurance monies rendered irrecoverable in whole or in part (and in the case of part to the extent of that part only) by any act omission neglect or default of the Tenant any undertenant or their respective employees servants agents independent contractors customers visitors licensees invitees or any other person under the Tenant's or the undertenant's control

3.5 The Tenant shall give written notice to the Landlord immediately on becoming aware of:

3.5.1 any damage to or destruction of the Premises or

3.5.2 any defect or want of repair in the Premises (including without limitation any relevant defect within the meaning of section 4 Defective Premises Act 1972) which the Landlord is liable to repair under this underlease or which the Landlord is or may be liable to repair under common law or by virtue of any Enactment

4 <u>Not to make alterations</u>

4.1 Not to make any alteration or addition to the Premises which would reduce or otherwise adversely affect the capital value of the Landlord's reversionary interest in the Premises or the rental value thereof unless the Tenant shall indemnify the Landlord for any material reduction in its capital value or reduction in rental value

4.2 Without prejudice to the prohibition in paragraph 4.1 not to demolish the existing buildings comprising the Premises or construct new buildings or make any alteration addition or improvement to the Premises whether structural or otherwise except as expressly permitted under paragraphs 4.3 and 4.4

4.3 The Tenant may carry out non-structural alterations additions or improvements to the interior of the Premises provided that the Tenant will carry out any such works in compliance with any Enactment and will within 14 days of the completion of the works supply such plans and specifications for the works as the Landlord shall reasonably require

4.4 No works shall be permitted to the exterior of the Premises which shall in the reasonable opinion of the Landlord detrimentally affect its appearance or be contrary

to good estate management and shall not cause a material reduction in the capital value of the Landlord's reversionary interest

4.5 Without prejudice to any other rights of the Landlord immediately upon the Landlord by notice in writing to that effect requiring them so to do to remove all additional buildings erections works alterations or additions whatsoever to the Premises which are not in accordance with the foregoing provisions of this paragraph 4 (herein called **"the Unauthorised Works")** and make good and restore the Premises to the state and condition thereof before the Unauthorised Works were carried out and if the Tenant shall neglect to complete the restoration within one month after such notice then it shall be lawful for the Surveyor the Landlord and the Landlord's servants contractors agents and workmen to enter upon the Premises and to remove the Unauthorised Works and to make good and restore the same to the state and condition existing before the carrying out of the Unauthorised Works and all expenses of so doing shall be repaid to the Landlord by the Tenant within seven days of a written demand in that behalf

5 <u>To permit entry</u>

5.1 To permit the Landlord the Surveyor and their respective workmen and persons duly authorised by them respectively on reasonable notice subject to the Confidentiality Requirements (except in emergency) at reasonable hours to enter the Premises for the purposes of

5.1.1 viewing the same

5.1.2 taking Inventories of the fixtures fittings appliances and equipment to be yielded up at the expiration or sooner determination of the Term

5.1.3 inspecting for defects in and recording the condition of the Premises or any other breaches of covenant on the part of the Tenant

5.1.4 inspecting cleansing maintaining repairing altering renewing or adding to the Estate or any buildings thereon or the Landlord's Neighbouring Premises or any other premises adjoining the Premises or any Service Channels not comprised within the Premises

5.1.5 complying with the Landlord's obligations under this underlease or with any other Legal Obligation of the Landlord or pursuant to any reservation contained in this underlease

or any other reasonable purpose connected with the management of the Premises the Estate or the Landlord's Neighbouring Premises or the Landlord's interest therein provided that the Landlord shall cause as little damage or inconvenience as reasonably possible and shall make good all damage to the Premises caused by such entry as soon as practicable but without the payment of compensation to the Tenant

6 <u>To repair on notice</u>

6.1 To make good to the reasonable satisfaction of the Surveyor within two months or sooner if requisite (or immediately in case of emergency) any defect in the repair or

decoration of the Premises for which the Tenant is liable hereunder or any other want of compliance with any of the obligations on the part of the Tenant under this underlease of which the Landlord or the Surveyor has given notice in writing to the Tenant or left notice in writing at the Premises

6.2 If the Tenant shall not comply with paragraph 6.1 the Tenant shall permit the Landlord the Surveyor and their respective workmen (without prejudice to any other remedy of the Landlord) to enter the Premises and make good such defect breach or want of compliance as aforesaid without the payment of any compensation to the Tenant and all proper expenses of so doing (including legal costs and Surveyor's fees) shall be paid by the Tenant to the Landlord on demand and shall be recoverable as rent in arrear

7 <u>To pay Landlord's costs</u>

7.1 To pay the Landlord's proper and reasonable costs and expenses (including legal costs and Surveyor's and other professional fees)

7.1.1 In or in reasonable contemplation of any proceedings relating to the Premises under sections 146 and/or 147 of the Law of Property Act 1925 or the preparation and service of notices thereunder (whether or not any right of re-entry or forfeiture has been waived by the Landlord or a notice served under the said section 146 is complied with by the Tenant or the Tenant has been relieved under the provisions of the said Act and notwithstanding that forfeiture is avoided otherwise than by relief granted by the Court)

7.1.2 In the preparation and service of any Schedule of Dilapidations at any time during or within 3 months after the Term

7.1.3 In connection with the recovery of arrears of rent due from the Tenant hereunder (including but not limited to bailiffs' commission incurred by the Landlord of and incidental to every distress levied by the Landlord on the Tenant's goods for the recovery of overdue rent or other sums due under this underlease)

7.1.4 In connection with approving plans and specifications required hereunder and the supervision and inspection of alterations erections additions and any other works carried out by the Tenant and any undertenant (but not in connection with the Additional Works or Tenant's Further Works)

7.1.5 In respect of any application for Consent required by this underlease whether or not such Consent be granted unless unreasonably refused

8 <u>As to use and safety</u>

8.1 Not knowingly to cause any Environmental Damage at or to the Premises and to indemnify the Landlord against all liabilities claims or demands in respect of Environmental Damage arising out of the use or occupation of the Premises or the state of repair of the Premises

8.2 Any Hazardous materials and plant and materials shall be kept and maintained in accordance with all Legal Obligations and not in a way that may injure the Premises or the Estate or the Landlord's Neighbouring Premises

8.2.1 all relevant information regarding compliance with any relevant Legal Obligations (such information to include without limitation copies of applications for any requisite consents relating to any manufacturing processes waste treatments recycling storage or disposal practices) as may be reasonably required by the Landlord

8.3 The Tenant shall forthwith notify the Landlord in writing of any material change in the facts and circumstances relating to any such Hazardous Material machinery apparatus or equipment kept produced or used on the Premises

8.4 All such Hazardous Material shall be kept in properly designed stores and containers and in accordance with the requirements of any competent Authority and the insurers of the Premises

8.5 At the end of the Term (however it ends) to indemnify the Landlord against any diminution in the value of the Landlord's interest in the Premises due to contamination arising out of the use or occupation of the Premises during the Term or the state or repair of the Premises and for such purposes the expression "contamination" means contamination by reason of Hazardous Material

8.6 Any dispute as to the existence or effect of any contamination shall be referred to Arbitration

9 <u>Not to use for unlawful or illegal purposes or cause nuisance</u>

9.1 Not to

9.1.1 use or permit or suffer the Premises or any part thereof to be used for any unlawful illegal or immoral purpose or for the manufacture sale or consumption of intoxicating liquors or for the manufacture sale or consumption of Controlled Drugs as defined by the Misuse of Drugs Act 1971 (otherwise than by a practitioner or pharmacist as defined by that Act or in accordance with the requirements of the Tenant's business) the keeping of animals or for the manufacture storage publication or sale of any article or thing which may be pornographic offensive or obscene or for betting gaming or lotteries or as a hotel club billiards saloon dance hall funfair or amusement premises or for an auction or for any noisy noxious or offensive trade or business and

9.1.2 do or permit or suffer to be done on the Premises or any part thereof anything which may be or become or cause a nuisance damage disturbance injury or danger of or to the Landlord or the owners lessees or occupiers of any premises in the neighbourhood or which in the reasonable opinion of the Landlord might be detrimental to the use or development of the Premises or of the Estate or any Landlord's Neighbouring Premises (or any of them) and to pay to the Landlord all costs charges and expenses which may be incurred by the Landlord in abating any nuisance on or

arising from the Premises and executing all works as may be necessary for such purpose

9.1.3 use any radio television video or sound system audible outside the Premises or play or suffer to be played any musical instrument audible outside the Premises

10 Not to reside

10.1 Not to reside on the Premises and not to create or permit or suffer to be created any residential tenancy or residential occupation of the Premises or any part thereof

11 As to user

11.1 Not to use the Premises or any part thereof other than for a purpose authorised by the Planning Agreement 1991 including for laboratories with ancillary offices or any other use within class B (1) of the Town and Country Planning Act (Use Classes) Order 1987 for which the Landlord's consent in writing has first been obtained (such consent not to be unreasonably withheld or delayed)

12 To keep open and security

12.1 Not to permit the Premises to remain vacant or unattended without proper security

12.2 To indemnify the Landlord against any empty property rate or penal rate levied or assessed upon the Landlord by reason of the Premises having been left empty save at the end of the Term

12.3 To ensure that the Landlord at all times has written notice of the name and address and telephone number of at least one keyholder of the Premises

13 Displays and advertisements

13.1 Not to display or permit to be displayed on any part of the Premises so as to be visible outside the Premises any name writing notice sign placard sticker or advertisement of whatsoever nature other than a notice or sign (not being a "Neon" notice or sign or any notice or sign of a similar nature) displaying the name of the Tenant (and any undertenant or other authorised occupier) and the name of the building comprised within the demise (if any) first approved in writing by the Landlord such approval not to be unreasonably withheld or delayed in the case of signs which are compatible with other signs on the Estate and not to place leave or install any merchandise or display outside the Premises and on any breach by the Tenant the Landlord the Surveyor and their respective workmen may without notice and without prejudice to any other remedy of the Landlord remove the cause of the breach of this covenant and shall not be liable to make good any loss or pay compensation for so doing

14 To keep clean

14.1 Not to allow any rubbish or refuse of any description to accumulate upon the Premises save in suitably located dustbins provided by the Tenant for that purpose and so often

as it shall be necessary or desirable and in any event at least once a week to cause such dustbins to be emptied

14.2 Generally to keep the Premises (including but not limited to forecourts roads and paths) clean tidy and properly lighted externally

14.3 To clean the outside of all windows in the Premises at least once every other month

14.4 Not to bring or keep or suffer to be brought or kept upon the Premises anything which in the reasonable opinion of the Landlord are or may become unclean unsightly or detrimental to the Premises the Estate or the Landlord's Neighbouring Premises and nearby premises (or any of them)

14.5 Not to discharge into any Service Channels oil grease solids or other deleterious matter or any substance which might be or become a source of danger or injury to the drainage system of the Premises the Estate or the Landlord's Neighbouring Premises (or any of them) or which may pollute the water of any watercourse so as to render the Landlord liable to action or proceedings by any person or body and generally to keep the Service Channels comprised within the demise and exclusively serving the same unobstructed

15 To comply with Legal Obligations and give notice

15.1 At the Tenant's own expense to comply with all Legal Obligations so far as they relate to or affect the Premises or the owner or occupier thereof

15.2 At the Tenant's own expense to do all works and all other things so as to comply with paragraph 15.1 above including (without prejudice to the generality of the foregoing) the obtaining of any fire certificate required for the Premises

15.3 Within seven days of receipt of notice thereof to give to the Landlord particulars of any provision or requirement of all Enactments or as prescribed or required by any Authority or proposal therefor relating to the Premises the Estate or the Landlord's Neighbouring Premises (or any of them) or the condition or use thereof respectively and at the request of the Landlord to make or join with the Landlord in making such objection or representation against any such proposal as the Landlord shall deem expedient

16 To comply with the Planning Acts

16.1 At all times during the Term to comply in all respects with the provisions and requirements of the Planning Acts and any regulations or orders made thereunder and all licences consents permissions and conditions (if any) granted or imposed thereunder so far as the same respectively relate to or affect the Premises or any part thereof

16.2 In the event of the Landlord giving Consent to any of the matters in respect of which the Landlord's Consent shall be required pursuant to the provisions of any covenant or condition contained in this underlease to apply at the cost of the Tenant to the local and planning authorities for all necessary consents and permissions in connection

therewith and to give notice to the Landlord of the granting or refusal (as the case may be) of all such consents and permissions forthwith on the receipt thereof

16.3 In the event of the said Planning Authority agreeing to grant such necessary consent or permission only with modifications or subject to conditions to give to the Landlord forthwith full particulars of such modifications or conditions and if such modifications or such conditions shall be undesirable then the Tenant shall not implement or proceed with the matters works or change of use to which the application relates

16.4 If the Tenant shall receive any compensation in respect of the Premises under or by virtue of the Planning Acts forthwith to make such provision as is just and equitable for the Landlord to receive their due benefit from such compensation

16.5 Not to apply for or implement any planning permission in respect of the whole or any part of the Premises without the Landlord's prior written consent (such consent not to be unreasonably withheld or delayed) and not in any event to do so if such application or the implementation thereof would or might give rise to any tax charge or other levy payable by the Landlord without providing to the Landlord a full indemnity in relation thereto

16.6 Unless the Landlord shall otherwise direct to carry out before the expiration or sooner determination of the Term any works stipulated to be carried out to the Premises by a date subsequent to such expiration or sooner determination as a condition of the grant of any planning permission obtained and implemented by the Tenant during the Term

17 <u>Insurance</u>

17.1 Not to do or omit to do (or permit or suffer to be done or omitted to be done) anything whereby

17.1.1 the rate of premium on the policy or policies of insurance on the Premises against the Insured Risks or on any policy or policies on the Estate or upon the Landlord's Neighbouring Premises (or either of them) may be increased or cause the insurers to impose more onerous terms in such policy or policies unless the Tenant shall indemnify the Landlord for the additional cost and to repay to the Landlord or to the Superior Landlord (as appropriate) all sums paid by way of increased premiums and any expenses incurred by them in or about any renewal of such policy or policies consequent upon such act or omission and all such sums shall be added to the rent herein reserved and be recoverable upon demand as rent

17.1.2 such policy may become void or voidable

and in the event of the Premises or any part thereof being damaged by the Insured Risks and the insurance money under any insurance effected against the same being wholly or partly irrecoverable by reason solely or in part of any act omission neglect or default of the Tenant or any undertenant or their respective employees servants agents independent contractors customers visitors licensees invitees or any other person under the Tenant's or the undertenant's control then and in every such case the Tenant will forthwith pay to the Landlord or to the Superior Landlord the whole or (as

the case may require) an appropriate proportion of the costs of completely rebuilding and reinstating the Premises

17.2 To comply with any lawful requirements of the insurers of the Premises

18 To indemnify

18.1 To keep the Landlord fully and effectually indemnified from and against all liability in respect of losses damages proceedings claims costs expenses and any other liability whatsoever arising from or in connection with

18.1.1 the injury or death of any person

18.1.2 damage to or destruction of any property whatsoever

18.1.3 the infringement disturbance or destruction of any rights easements or privileges

18.1.4 the breach by the Tenant of any of the terms covenants and conditions on the part of the Tenant herein contained

arising directly or indirectly out of:

(i) the repair condition existence or use of the Premises or of any alteration to the Premises or works carried out or in the course of being carried out to the Premises

(ii) anything now or hereafter attached to or projecting from the Premises

(iii) any act default or negligence of any person or body acting with express or implied authority of the Tenant, its employees licensees or invitees and to insure against such liability in a reputable Insurance Office

19 Dealings with the Premises

19.1 Unless expressly permitted under paragraph 19.10 or by a Consent granted under paragraphs 19.2 19.3 or 19.4 the Tenant shall not assign underlet charge part with or share possession or occupation of all or any part of the Premises nor hold the Premises on trust for any other person

19.2 The Landlord shall not unreasonably withhold or delay Consent to a legal charge of the whole of the Premises

19.3 The Landlord shall not unreasonably withhold or delay Consent to an assignment of the whole of the Premises but the Landlord and the Tenant agree for the purposes of section 19(1A) Landlord and Tenant Act 1927 that the Landlord may withhold that Consent unless the following conditions are satisfied:

19.3.1 the prospective assignee is not a Group Company or a Connected Person unless by an objective analysis the assignee is able to perform the Tenant's covenants herein and

19.3.2 in relation to either the prospective assignee or any prospective guarantor or guarantors that party shall in the reasonable opinion of the Landlord be a substantial and respectable body or person whose registered office principal place of business or address is within the United Kingdom

19.3.3 in the reasonable opinion of the Landlord the prospective assignee is of sufficient financial standing to enable it to comply with the Tenant's covenants in this underlease

19.3.4 the Tenant enters into an authorised guarantee agreement within the meaning of the Landlord and Tenant (Covenants) Act 1995 with the Landlord in like terms to those set out in schedule 7 of this underlease provided that if the prospective assignee can produce audited accounts for itself for the immediately preceding financial year and for each of the two financial years preceding that showing in the case of each of those years pre-tax profits of three times the then Basic Rent then the Tenant (and any former tenant as aforesaid) shall not be required to enter into such agreement and

19.3.5 if the Landlord reasonably requires a guarantor or guarantors acceptable to the Landlord acting reasonably has guaranteed to the Landlord the due performance of the prospective assignee's obligations in like terms to those set out in schedule 6 of this underlease

19.3.6 where the covenant of the proposed assignee is not equal to or better than the existing tenant any security for the Tenant's obligations under this underlease which the Landlord holds immediately before the assignment is continued or renewed in each case for the period of the Authorised Guarantee Agreement only on such terms as the Landlord may reasonably require in respect of the Tenant's liability under the authorised guarantee agreement referred to in paragraph 19.3.4

19.3.7 any sum due from the Tenant to the Landlord under this underlease (or any deed of variation licence Consent or other document supplemental to or associated with this underlease) is paid and any outstanding material breach relating to repair, alienation, user, alteration or a breach of the terms of the Landlord's insurance which is likely to vitiate the insurance policy Except where the Landlord is indemnified for its financial loss and

19.3.8 the Landlord has received an undertaking for a reasonable sum from the Tenant's solicitors in such form as the Landlord may reasonably require to pay the Landlord on demand the reasonable legal and surveyor's costs and disbursements (including Value Added Tax) incurred by the Landlord in considering the Tenant's application and preparing negotiating and entering into any relevant documentation whether or not the application is withdrawn or the Consent is granted; and

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19.4 The Landlord shall not unreasonably withhold Consent to sub-underlettings of any part of the Premises where all of the following conditions are satisfied:

19.4.1 the prospective sub-undertenant has produced references in a form reasonably acceptable to the Landlord

19.4.2 the prospective sub-undertenant has covenanted with the Landlord to observe and perform until it assigns the underlease with Consent as required by the underlease the Tenant's covenants and obligations in this sub-underlease (except the covenant to pay rent and insofar only as such covenants affect the underlet premises)

19.4.3 if the Landlord reasonably requires a guarantor or guarantors acceptable to the Landlord has guaranteed the due performance by the sub-undertenant of its above covenant in such terms as the Landlord may reasonably require and

19.4.4 no fine or premium is taken for the grant of the sub-underlease and

19.4.5 the basic rent payable under the sub-underlease is not less than the full open market rent reasonably obtainable for the sub-underlease and

19.4.6 any rent free period or other financial inducements given to the sub-undertenant are no greater than is usual at the time in all the circumstances and

19.4.7 the form of the sub-underlease has been approved in writing by the Landlord (approval not to be unreasonably withheld where the provisions of it are consistent with the provisions of this underlease and where the basic rent due under it is reviewable at the same times and on the same terms as the Basic Rent) and

19.4.8 the provisions of paragraph 19.5 are complied with

19.5 The provisions referred to in paragraph 19.4.8 above are:

19.5.1 each such sub-underlease shall demise a part of the Premises which is capable of independent and separate occupation subject to use of usual common parts and services and

19.5.2 the total number of such sub-underleases which may subsist at any time during the Term shall not exceed four if the aggregate area comprised in such sub-underleases equals the whole of the Premises (excluding parts usually reserved as common parts) and otherwise shall not exceed three and

19.5.3 each such sub-underlease shall contain provisions enabling the Tenant (as lessor) to recover from the sub-undertenant a due proportion of the sums due under this underlease in respect of insurance of the Premises and of the cost to the Tenant of repairing decorating and operating the Premises and

19.5.4 any such sub-underlease shall preclude further sub-underletting of all or part of the sub-underlet premises and

19.5.5 any such sub-underlease shall be excluded from the operation of sections 24-28 Landlord and Tenant Act 1954

19.6 The Tenant shall:

19.6.1 enforce against any undertenant the provisions of any underlease and shall not waive them and

19.6.2 operate the rent review provisions contained in any sub-underlease so as to ensure that the rent is reviewed at the correct times and in accordance with those provisions

19.6.3 not accept a surrender of part only of the sub-underlet premises

19.7 The Tenant shall not without Consent (which shall not be unreasonably withheld or delayed):

19.7.1 vary the terms of any sub-underlease or

19.7.2 accept a surrender of part of the sub-underlet premises or

19.7.3 agree any review of the rent under any sub-underlease

19.8 The Tenant shall not require or permit any rent reserved by any underlease to be commuted or to be paid more than one quarter in advance or to be reduced

19.9 Any Consent granted under this paragraph 19 shall (unless it expressly states otherwise) only be valid if the dealing to which it relates is completed within three months after the date of the Consent and the Landlord shall not unreasonably refuse to renew it consent if so expired

19.10 The Tenant may (after giving written notice to the Landlord containing all relevant information) share occupation of the Premises with any Group Company on condition that the sharing shall not create any relationship of landlord and tenant and that on any occupier ceasing to be a Group Company the occupation shall immediately cease unless otherwise authorised in accordance with this paragraph 19

20 <u>To Give notice of assignments, devolutions etc.</u>

20.1 To produce a certified copy of every assignment underlease transfer charge Probate Letters of Administration order instrument or other writing effecting or evidencing any transmission or devolution of any estate or interest in the Premises or any part thereof to the solicitors of the Landlord for registration within one month from the date thereof and to pay to the Landlord’s solicitors their reasonable fees for each such registration

20.2 Within seven days of an assignment of this underlease to give to the Landlord written notice of the person to whom future rent demands should be sent

20.3 Upon being requested so to do by the Landlord from time to time to supply the Landlord with such details of the occupiers of the Premises and the terms upon which they occupy

21 As to loss or acquisition of easements

21.1 Not to permit any easement or right comprised in belonging to or used with the Premises or any part thereof from being obstructed or lost

21.2 Not to give to any third party any acknowledgement that the Tenant enjoys the access of light to any of the windows or openings in the Premises by the consent of such third party nor to pay to such third party any sum of money nor to enter into any agreement with such third party for the purpose of inducing or binding such third party to abstain from obstructing the access of light to any such windows or openings

21.3 To take all such reasonable steps as may be necessary to prevent the acquisition of any easement or right against over upon or under the Premises or any part thereof and any encroachment thereon and to give to the Landlord immediate notice of any encroachment or threatened encroachment upon the Premises or any attempt to acquire any easement or right under or over the Premises which shall be within the Tenant's knowledge and to do all such things as may be necessary to prevent any encroachment being made or any new easement being acquired

22 To produce plans/documents

22.1 If and whenever reasonably called upon so to do to produce to the Landlord or the Surveyor all such plans documents or other evidence as the Landlord may from time to time reasonably require to satisfy themselves that the Tenant has complied in all respects with the provisions of the Tenant's covenants herein

23 Not to interfere with reserved rights

23.1 Not to interrupt or interfere with the exercise of the rights contained or referred to in schedule 2

24 To permit entry for reletting etc.

24.1 During the last six months before the expiration or sooner determination of the Term or after the expiration thereof (or at any time during the Term in the event of a sale of the Landlord's interest in the Premises) to permit the Landlord and the Surveyor to enter upon the Premises following reasonable prior notice and to affix upon any suitable part or parts thereof a notice board or boards for reletting or other disposal of the Premises and not to remove or obscure the same and at all reasonable times in the daytime to permit all persons authorised by the Landlord or the Surveyor to enter and inspect the Premises following reasonable prior notice

25 To yield up

25.1 At the expiration or sooner determination of the Term peaceably and quietly to surrender and yield up to the Landlord the Premises (together with all keys thereto) with vacant possession so repaired maintained decorated cleansed glazed painted and

kept as herein provided and if so required by the Landlord to remove such tenants and trade fixtures and such of the Additional Works as the Landlord may specify the Tenant making good all damage caused by the removal of these to the reasonable satisfaction of the Surveyor

26 New surety

26.1 If during the Term any surety (which expression in this paragraph 26 includes any guarantor) for the time being of the Tenant's obligations under this underlease (or any of them if there is more than one):

26.1.1 (being an individual) dies has a bankruptcy order made against the surety or an interim receiver appointed in respect of the surety's property; or

26.1.2 (being a company) enters into liquidation (other than by way of a solvent reconstruction not involving realisation of assets) has an administration order made in respect of the surety or has a receiver (administrative or otherwise) appointed of any of the surety's undertaking or assets

the Tenant will give the Landlord notice of that fact within fourteen days of occurrence of the event and if required by the Landlord will within twenty eight days of the event procure that some other person acceptable to the Landlord enters into a deed of covenant with the Landlord in the same terms (mutatis mutandis) as the original surety

27 As to value added tax

27.1 On demand to discharge any liabilities of the Landlord relating to Value Added Tax in respect of any supply for Value Added Tax purposes of goods or services to or by the Landlord made pursuant to or in consequence of this lease PROVIDED THAT in the case of supplies by the Landlord the Landlord shall first supply to the Tenant a valid Value Added Tax invoice

27.2 Not by the Tenant's use of the Premises or otherwise by any act of the Tenant to prevent from being a taxable supply a grant or other supply made pursuant to or in consequence of this lease in relation to all or any part of the Premises over which an election has been made at any time under paragraph 2(1) of Schedule 10 of the VAT Act provided that no claim under paragraph 1.3 below may be made by the Landlord for breach of this covenant to the extent that such breach causes any loss or liability as is mentioned in paragraph 1.3 below under the VAT Act as amended after the date of this Lease but would not have caused any such loss or liability under the VAT Act as at the date of this lease

27.3 On any breach of any of the preceding covenants in this paragraph 27 (without limitation) the Tenant will indemnify the Landlord against:

27.3.1 any:

(i) Value Added Tax which is irrecoverable input tax paid or payable by the Landlord;

(ii) Value Added Tax which is output tax and which the Landlord is or will become liable to pay; and

(iii) amount for which the Landlord is or will become liable to HM Customs & Excise under the provisions of Part XIV or Part XV of the Value Added Tax Regulations 1995

which the Landlord would not otherwise have been liable to pay had there been no breach;

27.3.2 any penalties interest or default surcharge due in addition to such liability to pay and also against any liability to income or corporation tax on any payment made to the Landlord under this paragraph 27.

28 As to maintenance contracts

28.1 Where there are within the Premises any lifts hoists boilers or air-conditioning or central heating installations to enter into and maintain throughout the Term maintenance and safety contracts with reputable engineers for the maintenance and safety of the same and to produce to the Landlord on demand any such contract and the receipt for the current payments or premiums thereunder

29 Statutory acquisitions

29.1 Not to do or omit to do any act matter or thing as a consequence whereof the Landlord's reversion immediately expectant upon the determination of the Term shall become liable to acquisition pursuant to any Enactments

30 Fire fighting appliances

30.1 To keep the Premises sufficiently supplied and equipped with such suitable fire fighting and extinguishing appliances as shall from time to time be required by law or by the local or other competent authority and by the Landlord's insurers and such appliances shall be open to inspection and shall be properly maintained and also not to obstruct the access to or means of working such appliances or the means of escape from the Premises in case of fire

31 Existing Encumbrances

31.1 To observe and perform all covenants in respect of the Premises arising from the Existing Encumbrances so far as they affect the Premises and are still subsisting

32 Not to obstruct

32.1 Not to permit any vehicles to stand on the roadways comprised within the Estate or on any other part of the Estate except on such parts as shall from time to time have been authorised by the Landlord or shall have been designated by the Landlord as a loading bay for the Tenant (but during the period of loading and unloading of vehicles only) and not to park on or obstruct any communal part of the Estate

33 To comply with regulations

33.1 To comply with all reasonable regulations (other than such which may prejudice or affect the use or occupation of the Premises or access thereto) made from time to time for the management of the Estate and of any land or premises used or to be used in common or jointly with any other person and to procure that the Tenant's employees and all persons under the control of the Tenant shall at all times observe and perform the same

34 To comply with Planning Agreement and planning permissions

34.1 To observe and perform:

34.1.1 all the covenants on the occupier's part contained in the Planning Agreement 1991 and the agreements and provisions of the Planning Agreement 2000 to the extent that the same affect the Premises or any part thereof

34.1.2 all the conditions of any planning permission affecting the Premises (so far as it relates thereto)

and at all times to indemnify the Landlord against any breach or non-observance of the same

35 To pay cost of damage

35.1 Without prejudice to any other provisions herein contained to pay to the Landlord within 14 days of written demand the full cost as reasonably assessed by the Surveyor of making good any damage to the said roads coloured brown on the Plan and any road fittings including but not limited to lighting and signs or any other part of the Estate whether occasioned by the Tenant any undertenant or their respective employees servants agents independent contractors customers visitors licensees invitees or any other person under the Tenant's or the undertenant's control

36 Observe Headlease and Indemnify

36.1 To observe and perform all the covenants on the part of the tenant contained in the Headlease (other than paragraphs 1, 3, 13, 15 and 16.1 of schedule 3 of the Headlease) so far as they relate to the Premises and those Headlease covenants are not inconsistent with the other provisions of this underlease and to indemnify and to keep indemnified the Landlord against all damage damages losses costs expenses actions demands proceedings claims and liabilities made against or suffered or incurred by the Landlord arising directly or indirectly out of any breach by the Tenant to the covenant to observe the Headlease

37 Permit access to the Landlord

37.1 To permit the Landlord to enter upon the Premises subject to the Confidentiality Requirements following reasonable prior notice save in emergency for any purpose that is in the reasonable opinion of the Landlord necessary to enable it to comply with the covenants on the part of the lessee contained in the Headlease or to avoid the

forfeiture thereof notwithstanding that the obligation to comply with such covenants may be imposed on the Tenant by this underlease

38 Permit access to the Superior Landlord

38.1 To permit the Superior Landlord and all persons authorised by it to enter the Premises for the purposes specified and upon the terms contained in the Headlease as if the provision in the Headlease were incorporated in this underlease

39 To permit access to the Company

39.1 To permit the Company and all persons authorised by it to enter the Premises following reasonable prior notice save in emergency for any purpose connected with the management of the Estate causing as little damage or disturbance as reasonably possible and subject to the Company making good any damage caused to the Premises as soon as practicable

40 Costs

40.1 Where the Tenant makes application under the underlease for consent and the consent of the Superior Landlord is also required under the Headlease to pay

40.1.1 all reasonable costs and other expenses properly incurred by the Landlord in relation to that application including seeking the Superior Landlord's consent whether they application is granted refused offered subject to any qualification or withdrawn

40.1.2 the reasonable costs and expenses properly incurred by the Superior Landlord in relation to that application

Schedule 5

Landlord's covenants

1 As to quiet enjoyment

1.1 That the Tenant paying the rents hereby reserved at the times and in the manner herein appointed and performing and observing the covenants on the Tenant's part and the conditions agreements and stipulations herein contained may peaceably enjoy the Premises for the Term without any lawful interruption from the Landlord or any person lawfully claiming under or in trust for the Landlord or by title paramount

2 To insure and reinstate

2.1 (a) To insure and to keep insured the Premises against damage by the Insured Risks in the name of (inter alia) the Landlord with the interest of the Tenant noted on the policy in an Insurance Office to be approved by the Landlord to the full reinstatement value thereof (including architects' and surveyors' fees) together with (during the first 2 years of the Term) five year's loss of rent and thereafter three years' loss of rent and to make all payments necessary for that purpose within seven days after the same shall respectively become payable and upon reasonable request (but not more than once in any year) to produce to the Tenant the policy or policies of such insurance and the receipt for every such payment or other satisfactory evidence of such insurance cover for the time being

(b) As often as the Premises or any part thereof shall be destroyed or damaged then unless the insurance shall have been vitiated or insurance monies rendered irrecoverable in whole or in part by any act omission neglect or default of the Tenant any undertenant or their respective employees servants agents independent contractors customers visitors licensees invitees or any other person under the Tenant's or the undertenant's control the Landlord shall forthwith to apply all insurance monies in rebuilding or reinstating the same in a good and workmanlike manner as soon as reasonably possible and in accordance with plans elevations sections and specifications approved by and to the reasonable satisfaction of the Surveyor and in accordance with the then existing Enactments and to make up any deficiency out of its own monies

(c) upon reasonable request (but not more than once in any year) to produce to the Tenant the policy or policies of such insurance and the receipt for every such payment or other satisfactory evidence of such insurance cover for the time being and

(d) use all reasonable endeavours to procure that the insurers will not exercise rights of subrogation against the Tenant and

(e) to use reasonable endeavours to procure that the Landlord's insurance brokers will notify the Tenant of any material adverse changes in the terms of the policy as soon as possible after the same are notified to the Landlord and

3 To pay rent

3.1 To pay the rents reserved by the Headlease and to comply with the covenants set out in paragraph 2.1 of Schedule 3 of the Headlease

4 To enforce covenants

4.1 Upon receiving notice from and at the expense of the Tenant to take all reasonable steps to enforce the covenants

4.1.1 on the part of the Superior Landlord contained in the Headlease

4.1.2 on the part of the Company contained in the Headlease

5 Superior Landlord's consent

5.1 To take all reasonable steps but at the cost of the Tenant to obtain the consent of the Superior Landlord and any mortgagee whenever the Tenant makes an application for any consent required hereunder

Schedule 6

Surety's covenants and agreements

1 Covenants by Surety

1.1 The Surety hereby covenants with and guarantees to the Landlord that

1.1.1 at all times during the Term and until this demise is lawfully brought to an end and the Landlord has beneficial occupation of the Premises or until the Tenant assigns this underlease as a whole with Consent as required by this underlease (if earlier) or otherwise if the Tenant remains liable for payment under the Landlord and Tenant Act 1954 to pay the rents hereby reserved and all other sums and payments covenanted and or agreed to be paid by the Tenant at the respective times and in manner herein appointed for payment thereof and will also duly perform and observe and keep the several covenants and provisions on the Tenant's part herein contained and

1.1.2 the Surety will pay and make good to the Landlord all losses liabilities costs and expenses sustained by the Landlord through the default of the Tenant in respect of any of the before mentioned matters and

1.1.3 that any neglect or forbearance of the Landlord in endeavouring to obtain payment of the said several rents and payments as and when the same become due or their delay to take any steps to enforce performance or observance of the several covenants and provisions herein on the Tenant's part contained and any time which may be given by the Landlord to the Tenant shall not release or in any way lessen or affect the liability of the Surety under the guarantee on the Surety's part herein contained and

1.1.4 if the Tenant (being a Company) shall become subject to an administration order or be the subject of a winding up order by the Court or otherwise go into liquidation (save for a solvent reconstruction not involving a reduction of assets) or if the Tenant (being an individual) shall be adjudged bankrupt and the Liquidator or Administrator or the Trustee of the bankrupt's estate (as the case may be) shall disclaim this underlease and if the Landlord shall within three months after such disclaimer by notice in writing require the Surety to accept a lease of the Premises for a term equal to the residue which if there had been no such disclaimer would have remained of the Term at the same rents and under the like covenants and provisions as are reserved by and contained in the underlease the said new lease and the rights and liabilities thereunder to take effect as from the date of the said disclaimer then and in such case the Surety shall accept such lease accordingly and execute and deliver to the Landlord a counterpart thereof in all respects at the sole cost of the Surety and

1.1.5 upon demand to pay to the Landlord Interest on all amounts due under this paragraph 1 from the date the same respectively fell due until the date of payment thereof

2 Agreements by Surety

2.1 It is hereby agreed and declared that

2.1.1 the Surety covenants as principal debtor and not as guarantor and accordingly (for the avoidance of doubt)

(i) it shall not be necessary for the Landlord to report to or seek to enforce any other guarantee or security (whether from the Tenant or otherwise) before claiming payment hereunder and

(ii) until all monies and liabilities due or incurred by the Tenant to the Landlord have been paid or discharged in full notwithstanding payment in whole or in part of the amount by the Surety or any purported release or cancellation hereof the Surety shall not by virtue of any such payment or by any other means or on any other ground

(A) claim any set off or counter claim against the Tenant in respect of any liability on the part of the Surety to the Landlord and

(B) make or enforce any claim or right against the Tenant or prove in competition with the Landlord or exercise any right as a preferential creditor against the Tenant or against the assets of the Tenant

and

2.1.2 the Surety's covenants herein contained shall not be affected or modified in any way by the liquidation or dissolution of the Tenant or the appointment of any receiver administrator or manager and

2.1.3 the Landlord shall be at liberty at all times without affecting or discharging the Surety's liability hereunder

(i) to vary release or modify the rights of the Landlord against the Tenant hereunder without the Surety's consent and

(ii) to compound with discharge release or vary the liability of the Tenant or any other guarantor or other person and

(iii) to appropriate any payment the Landlord may receive from the Tenant the Surety or any other person towards such monies due under this underlease as the Landlord shall in their absolute discretion think fit

2.1.4 the Landlord and the Tenant shall be at liberty to review the rent hereunder from time to time in accordance with the provisions of this underlease without reference to the Surety and the covenants conditions agreements and declarations on the part of the Surety contained in this underlease shall

apply to the rent as reviewed from time to time as much as to the rent reserved hereby at the commencement of the Term

Schedule 7

Guarantee Agreement

THIS DEED dated is made **BETWEEN** :

(1) (" **the Guarantor** ")

(2) (" **the Landlord** ")

1 Definitions and interpretation

1.1 In this deed:

"Basic Rent", "Consent", "Premises", "Rent", "Rent Day" and "Term" have the same meanings as in the Underlease

"the Underlease" means *[this lease]* and includes where relevant any deed of variation licence Consent or other document supplemental to or associated with the Underlease by which the Tenant is bound whether presently existing or not

"Relevant Variation" means a relevant variation as defined in section 18(4) of the Landlord and Tenant (Covenants) Act 1995

"Secured Obligations" means the obligation to pay all sums from time to time due or expressed to be due to the Landlord from the Tenant under the Underlease and to perform all other obligations which from time to time are or are expressed to be obligations of the Tenant under the Underlease

"the Tenant" means [the proposed assignee]

1.2 In this deed unless the context otherwise requires:

1.2.1 references to the singular include the plural and vice versa any reference to a person includes a reference to a body corporate and words importing any gender include every gender

1.2.2 references to numbered clauses are references to the relevant clause in this deed

1.3 The clause headings do not form part of this deed and are not to be taken into account when construing it

1.4 This instrument:

1.4.1 is executed as a deed and by its execution the parties authorise their solicitors to deliver it for them when it is dated

1.4.2 was delivered when it was dated

2 Guarantee

2.1 This guarantee is given pursuant to a provision in the Underlease requiring it to be given and is an authorised guarantee agreement for the purposes of section 16 of the Landlord and Tenant (Covenants) Act 1995

2.2 The Guarantor unconditionally and irrevocably covenants with and guarantees to the Landlord that Tenant will until the Tenant assigns the Underlease as a whole with Consent pay and discharge the Secured Obligations when they fall due or are expressed to fall due under the Underlease for payment and discharge

2.3 The Guarantor shall upon being requested to do so by the Landlord enter into any deed of variation licence Consent or other document to which in each case the Tenant is a party and which is in each case supplemental to the Underlease for the purpose of acknowledging that the Guarantor's liabilities under this deed extend to it but to the extent that the document effects a Relevant Variation clause 5.3 shall apply

2.4 The guarantee and covenant in clause 2.2 shall impose on the Guarantor the same liability as if the Guarantor were the principal debtor in respect of the Tenant's obligations under the Underlease and that liability shall continue notwithstanding (and will not be discharged in whole or in part or otherwise affected by):

2.4.1 any forbearance by the Landlord to enforce against the Tenant the tenant's covenants in the Underlease

2.4.2 the giving of time or other concessions or the taking or holding of or varying realising releasing or not enforcing any other security for the liabilities of the Tenant

2.4.3 any legal limitation or incapacity relating to the Tenant

2.4.4 the invalidity or unenforceability of any of the obligations of the Tenant

2.4.5 the Tenant ceasing to exist

2.4.6 the giving and subsequent withdrawal of any notice to determine the Underlease

2.4.7 any increase or reduction in the extent of the Premises or in the rent payable under the Underlease or any other variation to the Underlease

2.4.8 the disclaimer of the Underlease

2.4.9 any other act or omission of the Landlord or any other circumstances which but for this clause 2.4 would discharge the Guarantor

and for the purposes of this clause 2 the Tenant shall be deemed liable to continue to pay and discharge the Secured Obligations notwithstanding any of the above matters and any money expressed to be payable by the Tenant which may not be recoverable for any such reason shall be recoverable by the Landlord from the Guarantor as principal debtor

3 New lease

3.1 The Guarantor shall if required by the Landlord in writing within the period beginning on the day of a disclaimer of this underlease and expiring three months after the Landlord has been notified in writing by the Guarantor or the Tenant of that disclaimer accept a lease of the Premises for the residue of the contractual term unexpired at and with effect from the date of the disclaimer at the same Basic Rent as reserved by the Underlease (reviewable at the same times as the Basic Rent would have been reviewable under the Underlease had there been no disclaimer) and subject to the same covenants and provisos and the Tenant on execution of the new lease will pay Rent for the period from the date of the disclaimer to the Rent Day following the date of the lease and the costs of and incidental to the new lease and will execute and deliver to the Landlord a counterpart

3.2 If the Landlord requires more than one guarantor to take a new underlease those guarantors shall take that new underlease as joint tenants

4 Security taken by Guarantor

4.1 Until the Secured Obligations have been paid and discharged in full the Guarantor shall not without Consent exercise any rights:

4.1.1 of subrogation or indemnity in respect of the Secured Obligations

4.1.2 to take the benefit of share in or enforce any security or other guarantee or indemnity for the Secured Obligations

4.1.3 to prove in the bankruptcy or liquidation of the Tenant in competition with the Landlord

4.2 The Guarantor has not taken any security from the Tenant and will not do so

4.3 Any security taken by the Guarantor in breach of clause 4.2 and all money at any time received in respect of it shall be held in trust for the Landlord as security for the liability of the Guarantor under this deed

5 Limitation on Guarantor's liability

5.1 Nothing in this aueement shall operate so as to make the Guarantor liable for anything in respect of which the Tenant is released from liability by the provisions of the Landlord and Tenant (Covenants) Act 1995

5.2 To the extent that this deed purports to impose on the Guarantor any liability for anything in respect of which the Tenant is released from liability by the provisions of the Landlord and Tenant (Covenants) Act 1995 the relevant provision of this deed shall to that extent only be void but that shall not affect:

5.2.1 enforceability of that provision except to that extent

5.2.2 the enforceability of any other provision of this deed

5.3 The Secured Obligations shall not include obligations arising under a Relevant Variation but the making of a Relevant Variation shall not discharge the Guarantor's liability under this deed

6 Joint and several Guarantors

6.1 The liability of the Guarantor under this deed shall be the joint and several liability of all parties who have executed this deed as Guarantor and all other parties who from time to time guarantee the Tenant's obligations to the Landlord and any demand for payment by the Landlord on any one or more of such persons jointly and severally liable shall be deemed to be a demand made on all such persons

6.2 Each person who has executed this deed as Guarantor or on whose behalf this deed has been so executed agrees to be bound by this deed notwithstanding that the other person intended to execute or be bound by this deed may not do so or may not be effectually bound and notwithstanding that this deed may be determined or become invalid or unenforceable against any other person whether or not the deficiency is known to the Landlord]

[Executed by the Guarantor and the Landlord as a deed]

Signed as a deed by **TRINITY COLLEGE**)
(CSP) LIMITED acting by two directors:)

/s/ ILLEGIBLE
Director

/s/ ILLEGIBLE
Director

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EXHIBIT 31.1

CERTIFICATION

I, James S.J. Manuso, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Astex 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 15d-15(f)) for the registrant and we 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 subsidiaries, is made known to us by others within those entities, 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 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 based 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 control over financial reporting.

Date: November 9, 2011

By: /s/ JAMES S.J. MANUSO

James S.J. Manuso, Ph.D.
Chief Executive Officer
(Principal Executive Officer)

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EXHIBIT 31.1

CERTIFICATION

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EXHIBIT 31.2

CERTIFICATION

I, Michael Molkentin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Astex 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 15d-15(f)) for the registrant and we 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 subsidiaries, is made known to us by others within those entities, 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 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 based 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 control over financial reporting.

Date: November 9, 2011

By: /s/ MICHAEL MOLKENTIN

Michael Molkentin
Chief Financial Officer
(Principal Financial and Accounting Officer)

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EXHIBIT 31.2

CERTIFICATION

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EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, James S.J. Manuso, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Astex Pharmaceuticals, Inc. on Form 10-Q for the quarterly period ended September 30, 2011 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-Q fairly presents in all material respects the financial condition and results of operations of Astex Pharmaceuticals, Inc.

Date: November 9 , 2011

By: /s/ JAMES S.J. MANUSO

Name: James S.J. Manuso
Title: *Chief Executive Officer*
(Principal Executive Officer)

I, Michael Molkentin, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Astex Pharmaceuticals, Inc. on Form 10-Q for the quarterly period ended September 30, 2011 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-Q fairly presents in all material respects the financial condition and results of operations of Astex Pharmaceuticals, Inc.

Date: November 9, 2011

By: /s/ MICHAEL MOLKENTIN

Name: Michael Molkentin
Title: *Chief Financial Officer*
(Principal Financial and Accounting Officer)

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EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002