

G-Pharm Limited

Report and Financial Statements

30 September 2004



REPORT AND FINANCIAL STATEMENTS 2004

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REPORT AND FINANCIAL STATEMENTS 2004

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Dr G W Guy
Mr J D Gover
Mr D F Kirk

SECRETARY

Mr J M Laughton

REGISTERED OFFICE

Porton Down Science Park
Salisbury
Wiltshire
SP4 0JQ

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
Reading

DIRECTORS' REPORT

The directors present their annual report on the affairs of the Company together with the financial statements and independent auditors report for the year ended 30 September 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company was the research and supply of horticultural and pharmaceutical products and services. The activities and employees of G-Pharm Limited were transferred to another group company, GW Pharma Limited during 2001.

RESULTS AND DIVIDENDS

The audited financial statements for the year ended 30 September 2004 are set out on pages 5 to 9. The loss for the year after taxation was £63 (2003: £110 loss).

The directors do not recommend the payment of a dividend (2003: £nil).

DIRECTORS AND THEIR INTERESTS

The Directors who served during the year were as follows:

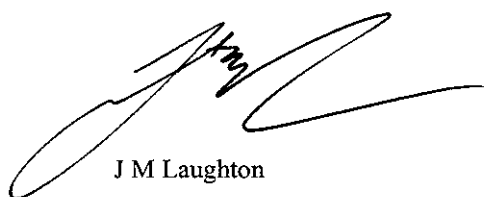
Dr G W Guy
Mr J D Gover
Mr D F Kirk

None of the directors at 30 September 2004 had any beneficial interest in the shares of the Company requiring disclosure under Schedule 7 of the Companies Act 1985.

AUDITORS

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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



J M Laughton

Secretary

18 January 2005

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF G-PHARM LIMITED

We have audited the financial statements of G-Pharm Limited for the year ended 30 September 2004 which comprise the profit and loss account, the balance sheet and the related notes 1 to 12. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

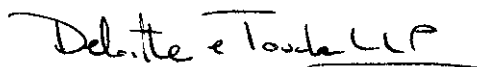
Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 30 September 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Reading

18 January 2005

PROFIT AND LOSS ACCOUNT
For the year ended 30 September 2004

| | Notes | 2004 £ | 2003 £ |
|--|-------|-----------|-----------|
| Administrative expenses | | (131) | (110) |
| OPERATING LOSS | | (131) | (110) |
| Interest receivable - bank interest | | 68 | - |
| LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | 2 | (63) | (110) |
| Tax on loss on ordinary activities | 4 | - | - |
| LOSS ON ORDINARY ACTIVITIES AFTER TAXATION BEING RETAINED | | | |
| LOSS FOR THE YEAR | 10 | (63) | (110) |

All activities relate to continuing operations.

The Company has no recognised gains or losses other than the loss above, and therefore no separate statement of total recognised gains and losses has been presented.

BALANCE SHEET
30 September 2004

| | Note | 2004 £ | 2003 £ |
|---|------|--------------|--------------|
| FIXED ASSETS | | | |
| Investments | 5 | 1 | 1 |
| | | <u>1</u> | <u>1</u> |
| CURRENT ASSETS | | | |
| Debtors | 6 | 10 | - |
| Cash at bank and in hand | | 6,175 | 6,218 |
| | | <u>6,185</u> | <u>6,218</u> |
| CREDITORS: amounts falling due within one year | 7 | (1,460) | (1,430) |
| | | <u>4,725</u> | <u>4,788</u> |
| NET CURRENT ASSETS | | | |
| | | <u>4,726</u> | <u>4,789</u> |
| NET ASSETS | | | |
| | | <u>4,726</u> | <u>4,789</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 8 | 130,852 | 130,852 |
| Share premium account | 9 | 77,700 | 77,700 |
| Profit and loss account | 9 | (203,826) | (203,763) |
| | | <u>4,726</u> | <u>4,789</u> |
| EQUITY SHAREHOLDERS' FUNDS | | <u>4,726</u> | <u>4,789</u> |

These financial statements were approved by the Board of Directors on 18 January 2005

Signed on behalf of the Board of Directors



Mr J D Gover

Director

NOTES TO THE ACCOUNTS

Year ended 30 September 2004

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout both the current and prior years.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

The Company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 228 of the Companies Act 1985 because it is a wholly owned subsidiary of GW Pharmaceuticals plc which prepares consolidated financial statements which are publicly available. The Company is also, on this basis, exempt from the requirements of FRS 1 to present a cashflow. The financial statements contain information about G-Pharm Limited as an individual undertaking and do not contain consolidated financial information as the parent of a group.

Investments

Fixed asset investments are shown at cost less provision for impairment.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is measured on a non-discounted basis.

2. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The auditors' remuneration has been borne by another group company in both the current and prior years.

3. DIRECTORS' EMOLUMENTS AND EMPLOYEES

The three directors are employed by other group companies and are remunerated £634,129 for their services to the group (2003: £721,229). It is not practical to allocate this between their services to G-Pharm Limited and to other group companies. There are no employees of the Company (2003:nil).

NOTES TO THE ACCOUNTS (CONTINUED)
Year ended 30 September 2004

4. TAX ON LOSS ON ORDINARY ACTIVITIES

| | 2004 £ | 2003 £ |
|---|-----------|-----------|
| UK corporation tax | | |
| UK corporation tax on loss for the year | - | - |
| | <u>-</u> | <u>-</u> |

Factors affecting the tax charge for the year

The tax assessed for the period is higher than that resulting from applying the standard rate of corporation tax in the UK. The differences are explained below:

| | 2004 £ | 2003 £ |
|---|-----------|-----------|
| Company loss on ordinary activities before tax | (63) | (110) |
| Tax credit on Company loss at standard UK corporation tax rate of 30% | (19) | (33) |
| Effects of: | | |
| Expenses not deductible for corporation tax | 19 | 33 |
| Taxation charge for the year | <u>-</u> | <u>-</u> |

5. FIXED ASSET INVESTMENTS

| | Unlisted subsidiary undertakings £ |
|---|---|
| At 1 October 2003 and 30 September 2004 | <u>1</u> |

| Company | Country of incorporation | Description and proportion of shares held | Principal activity |
|-------------------------|-----------------------------|--|--------------------|
| G-Pharm Trustee Limited | England and Wales | 100% of ordinary shares | Dormant |

6. DEBTORS

Amounts falling due within one year

| | 2004 £ | 2003 £ |
|--------------------------------|-----------|-----------|
| Prepayments and accrued income | 10 | - |
| | <u>10</u> | <u>-</u> |

NOTES TO THE ACCOUNTS (CONTINUED)
Year ended 30 September 2004

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2004 | 2003 |
|--------------------------------|--------------|--------------|
| | £ | £ |
| Amounts owed to parent company | 454 | 424 |
| Other creditors | 6 | 6 |
| Accruals and deferred income | 1,000 | 1,000 |
| | <u>1,460</u> | <u>1,430</u> |

8. CALLED UP SHARE CAPITAL

| | 2004 | 2003 |
|---|----------------|----------------|
| | £ | £ |
| Authorised | | |
| 250,002 ordinary shares of £1 each | <u>250,002</u> | <u>250,002</u> |
| Allotted, called up and fully paid | | |
| 130,852 ordinary shares of £1 each | <u>130,852</u> | <u>130,852</u> |

9. RESERVES

| | Share premium account | Profit and loss account |
|-------------------------|------------------------------|--------------------------------|
| | £ | £ |
| As at 1 October 2003 | 77,700 | (203,763) |
| Loss for the year | - | (63) |
| As at 30 September 2004 | <u>77,700</u> | <u>(203,826)</u> |

10. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

| | 2004 | 2003 |
|---|--------------|--------------|
| | £ | £ |
| Equity shareholders' funds at beginning of year | 4,789 | 4,899 |
| Retained loss for the year | (63) | (110) |
| Equity shareholders' funds at end of year | <u>4,726</u> | <u>4,789</u> |

11. ULTIMATE CONTROLLING PARTY

The Company is a subsidiary undertaking of GW Pharma Limited, a company registered in England and Wales. GW Pharmaceuticals plc heads the smallest and largest group in which the accounts of the Company are consolidated. Copies of the consolidated accounts can be obtained from Porton Down Science Park, Salisbury, Wiltshire, SP4 0JQ.

12. RELATED PARTY TRANSACTIONS

As a subsidiary undertaking of GW Pharmaceuticals plc, the Company has taken advantage of the exemption in FRS 8 "Related party disclosures" from disclosing transactions with other members of the group headed by GW Pharmaceuticals plc.