

G-Pharm Limited

Report and Financial Statements

30 September 2007

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REPORT AND FINANCIAL STATEMENTS 2007

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REPORT AND FINANCIAL STATEMENTS 2007

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 & Registered Auditors
Reading, United Kingdom

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 2007. The Director's Report has been prepared in accordance with the special provisions relating to small companies under section 246 (4) (a) of the Companies Act 1985.

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 in 2001.

RESULTS AND DIVIDENDS

The audited financial statements for the year ended 30 September 2007 are set out on pages 5 to 9. The profit for the year after taxation was £75,481 (2006: £68,728).

The Directors do not recommend the payment of a dividend (2006: £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 2007 had any beneficial interest in the shares of the Company requiring disclosure under Schedule 7 of the Companies Act 1985, however they have a beneficial interest in the shares of the ultimate parent company (GW Pharmaceuticals plc) as follows:

	GW Pharmaceuticals plc Ordinary shares of 0.1p 30 September 2007	GW Pharmaceuticals plc Ordinary shares of 0.1p 30 September 2006
Dr G W Guy ⁽¹⁾	21,679,663	22,019,663
Mr J D Gover	3,584,001	3,584,001
Mr D F Kirk	6,000	6,000

⁽¹⁾ Dr G W Guy's holding includes 225,000 ordinary shares held by his immediate family and 427,000 ordinary shares held by his personal pension.

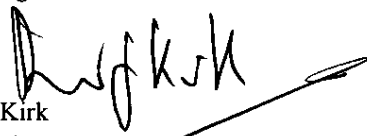
AUDITORS

In the case of each of the persons who are Directors of the Company at the date when this report is approved:

- so far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the Company's auditors are unaware, and
- each of the Directors has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

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

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


D F Kirk
Director
7 February 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 2007, 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 to them in an auditors' 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

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

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

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

Basis of audit opinion

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

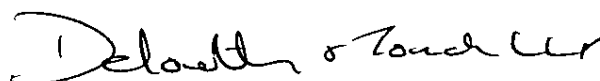
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 September 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Reading,
7 February 2008



PROFIT AND LOSS ACCOUNT
For the year ended 30 September 2007

	Notes	2007 £	2006 £
TURNOVER		75,373	68,699
Administrative expenses		(63)	(97)
OPERATING PROFIT		75,310	68,602
Interest receivable - bank interest		171	126
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	75,481	68,728
Tax on profit on ordinary activities	4	-	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION BEING RETAINED			
PROFIT FOR THE YEAR	10	75,481	68,728

All activities relate to continuing operations

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

The accompanying notes are an integral part of this profit and loss account

BALANCE SHEET
30 September 2007

	Note	2007 £	2006 £
FIXED ASSETS			
Investments	5	1	1
		<u>1</u>	<u>1</u>
CURRENT ASSETS			
Debtors	6	184,600	102,857
Cash at bank and in hand		-	6,268
		<u>184,600</u>	<u>109,125</u>
CREDITORS: amounts falling due within one year	7	(1,000)	(1,006)
NET CURRENT ASSETS		<u>183,600</u>	<u>108,119</u>
NET ASSETS		<u><u>183,601</u></u>	<u><u>108,120</u></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	(24,951)	(100,432)
SHAREHOLDERS' FUNDS		<u><u>183,601</u></u>	<u><u>108,120</u></u>

These financial statements were approved by the Board of Directors on 7 February 2008

Signed on behalf of the Board of Directors


 Mr D F Kirk
 Director

The accompanying notes are an integral part of this balance sheet

NOTES TO THE ACCOUNTS

Year ended 30 September 2007

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

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 any 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.

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

Turnover is recognised only to the extent that the Company has performed its contractual obligations, principally as certain technical or clinical targets are reached, based on the fair value of the right to consideration for each component of the agreement.

No revenue is recognised for consideration, the value or receipt of which is dependent on future events or future performance.

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The current year's auditors' remuneration of £500 has been borne by another group company.

3. DIRECTORS' EMOLUMENTS AND EMPLOYEES

The three Directors are employed by other group companies and are remunerated £1,060,105 for their services to the group (2006: £1,033,975). 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 (2006: £nil).

NOTES TO THE ACCOUNTS (CONTINUED)
Year ended 30 September 2007

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2007 £	2006 £
UK corporation tax		
UK corporation tax on profit for the year	-	-
Factors affecting the tax charge for the year		
The differences are explained below		
	2007 £	2006 £
Company profit on ordinary activities before tax	75,481	68,728
Tax credit on Company profit at standard UK corporation tax rate of 30%	22,644	20,618
Effects of Group relief	(22,644)	(20,618)
Taxation charge for the year	-	-

5. FIXED ASSET INVESTMENTS

	Unlisted subsidiary undertakings £
At 1 October 2006 and 30 September 2007	1

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

	2007 £	2006 £
Prepayments and accrued income	-	10
Intercompany debtors	184,600	102,847
	184,600	102,857

NOTES TO THE ACCOUNTS (CONTINUED)**Year ended 30 September 2007****7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2007 £	2006 £
Other creditors	-	6
Accruals	1,000	1,000
	<u>1,000</u>	<u>1,006</u>

8. SHARE CAPITAL

	2007 £	2006 £
Authorised		
250,002 ordinary shares of £1 each	250,002	250,002
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 2006	77,700	(100,432)
Profit for the year	-	75,481
As at 30 September 2007	<u>77,700</u>	<u>(24,951)</u>

10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007 £	2006 £
Shareholders' funds at beginning of year	108,120	39,392
Retained profit for the year	75,481	68,728
Shareholders' funds at end of year	<u>183,601</u>	<u>108,120</u>

11 ULTIMATE CONTROLLING PARTY

The Directors regard GW Pharmaceuticals plc, a company incorporated in England and Wales, as the ultimate parent company and the controlling party

GW Pharmaceuticals plc is the parent company of the largest and smallest group of which the Company is a member and for which group financial statements are drawn up. Copies are available 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