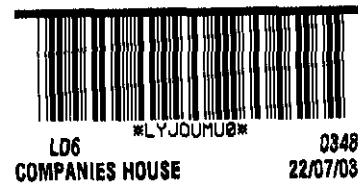


G-Pharm Limited

Report and Financial Statements

30 September 2002



REPORT AND FINANCIAL STATEMENTS 2002

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REPORT AND FINANCIAL STATEMENTS 2002

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Dr G W Guy
Mr J D Gover
Mr J R Hatchard (resigned 20 September 2002)
Mr D F Kirk

SECRETARY

J M Laughton

REGISTERED OFFICE

Porton Down Science Park
Salisbury
Wiltshire
SP4 0JQ

AUDITORS

Deloitte & Touche
Chartered Accountants
Reading

DIRECTORS' REPORT

The directors present their annual report on the affairs of the Company together with the financial statements and auditors report for the year ended 30 September 2002.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The audited financial statements for the year ended 30 September 2002 are set out on pages 5 to 11. The loss for the year after taxation was £13,711 (2001: £7,278 profit).

The directors do not recommend the payment of a dividend (2001: 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

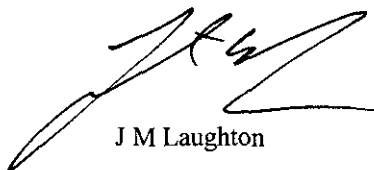
None of the directors at 30 September 2002 had any beneficial interest in the shares of the Company requiring disclosure under Schedule 7 of the Companies Act 1985.

AUDITORS

During the year, Arthur Andersen resigned as the Company's auditors. The directors used their powers under the Companies Act 1985 to appoint Deloitte & Touche as the Company's auditors to fill the vacancy created by Arthur Andersen's resignation. Deloitte & Touche has 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.

Deloitte & Touche has informed the directors that they are intending to transfer their business to a limited liability partnership incorporated under the Limited Liability Partnership Act 2000, to be known as Deloitte & Touche LLP. It is the current intention of the directors to use the Company's statutory power to give consent to the appointment of Deloitte & Touche being treated as extending to Deloitte & Touche LLP at the appropriate time.

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



J M Laughton

Secretary

16 July 2003

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 2002 which comprise the profit and loss account, the balance sheet and the related notes 1 to 14.

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 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 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

DELOITTE & TOUCHE

Chartered Accountants and Registered Auditors

Reading

16 July 2003

PROFIT AND LOSS ACCOUNT
For the year ended 30 September 2002

	Notes	2002 £	2001 £
TURNOVER	2	-	265,000
Cost of sales		-	(61,636)
		<hr/>	<hr/>
Gross profit		-	203,364
Administrative expenses		(13,711)	(196,086)
		<hr/>	<hr/>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(13,711)	7,278
Taxation	5	-	-
		<hr/>	<hr/>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION BEING RETAINED (LOSS)/PROFIT FOR THE YEAR	11	(13,711)	7,278
		<hr/>	<hr/>

All activities relate to discontinued 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.

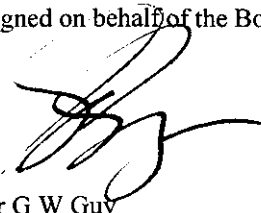
The accompanying notes are an integral part of this profit and loss account.

BALANCE SHEET
30 September 2002

	Note	2002 £	2001 £
FIXED ASSETS			
Tangible assets	6	-	12,340
Investments	7	1	1
		<u>1</u>	<u>12,341</u>
CURRENT ASSETS			
Debtors	8	-	88
Cash at bank and in hand		6,287	6,566
		<u>6,287</u>	<u>6,654</u>
CREDITORS: amounts falling due within one year	9	(1,389)	(385)
NET CURRENT LIABILITIES		<u>4,898</u>	<u>6,269</u>
NET ASSETS		4,899	18,610
CAPITAL AND RESERVES			
Called up share capital	10	130,852	130,852
Share premium account	11	77,700	77,700
Profit and loss account	11	(203,653)	(189,942)
EQUITY SHAREHOLDERS' FUNDS		<u>4,899</u>	<u>18,610</u>

These financial statements were approved by the Board of Directors on 16 July 2003

Signed on behalf of the Board of Directors



Dr G W Guy

Director

The accompanying notes are an integral part of this balance sheet.

NOTES TO THE ACCOUNTS
30 September 2002**1. ACCOUNTING POLICIES**

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year with the exception that during the year and the preceding year the Company has adopted FRS 19 "Deferred Tax". There was no effect on adopting FRS 19 to the Company.

Basis of accounting

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

Research and development

Research and development expenditure is written off as incurred.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, with a full charge in the year of acquisition and no charge in the year of disposal, as follows:

Plant and machinery	5 years
---------------------	---------

Residual value is calculated on prices prevailing at the date of acquisition.

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.

Pension costs and other post retirement benefits

The group does not maintain any pension plans, but makes defined contributions to the personal pension arrangements of all its executive directors and employees. The amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

NOTES TO THE ACCOUNTS

30 September 2002

2. TURNOVER

In the opinion of the directors, none of the turnover of the Company is attributable to geographical markets outside the UK (2001: nil). All turnover was derived from the principle activity.

3. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2002 £	2001 £
(Loss)/profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration	1,000	5,000
Depreciation of tangible fixed assets	-	6,266
Loss on disposal of fixed assets	12,340	-
	<u>12,340</u>	<u>-</u>

4. STAFF COSTS

The directors remuneration in either year was borne by GW Pharma Ltd.

The average monthly number of employees (including executive directors) was:

	2002 Number	2001 Number
Research and development	-	5
	<u>-</u>	<u>5</u>

Their aggregate remuneration comprised:

	2002 £	2001 £
Wages and salaries	-	32,549
Social security costs	-	12,134
Other pension costs	-	4,934
	<u>-</u>	<u>49,617</u>

NOTES TO THE ACCOUNTS

30 September 2002

5. TAXATION

	2002 £	2001 £
UK corporation tax		
UK corporation tax on (loss)/profit for the period	-	-
Factors affecting the tax charge for the period		
The differences are explained below:		
	2002 £	2001 £
Company loss on ordinary activities before tax	(13,711)	7,278
Tax credit on Company (loss)/profit at standard UK corporation tax rate of 30%	(4,113)	2,183
Effects of:		
Expenses not deductible for corporation tax	4,113	55
Fixed asset timing differences	-	4,044
Other short term timing differences	-	(6,282)
Taxation charge for the period	-	-

6. TANGIBLE FIXED ASSETS

	Plant and machinery £
Cost	
As at 1 October 2001	30,033
Additions	-
Disposals	(30,033)
As at 30 September 2002	-
Depreciation	
As at 1 October 2001	17,693
Charge for the year	-
Disposals	(17,693)
As at 30 September 2002	-
Net book value	
As at 30 September 2002	-
As at 30 September 2001	12,340

NOTES TO THE ACCOUNTS

30 September 2002

7. FIXED ASSET INVESTMENTS

	Unlisted subsidiary undertakings £
At 1 October 2001	1
Additions	-
At 30 September 2002	<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

8. DEBTORS

Amounts falling due within one year

	2002 £	2001 £
Other debtors	-	88

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Amounts owed to parent company	389	380
Other creditors	-	5
Accruals	1,000	-
	<u>1,389</u>	<u>385</u>

10. CALLED UP SHARE CAPITAL

	2002 £	2001 £
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>

NOTES TO THE ACCOUNTS

30 September 2002

11. RESERVES

	Share premium account £	Profit and loss account £
As at 1 October 2001	77,700	(189,942)
Loss for the year	-	(13,711)
30 September 2002	<u>77,700</u>	<u>(203,653)</u>

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £	2001 £
Shareholders' funds at beginning of year	18,610	11,332
Retained (loss)/profit for the year	<u>(13,711)</u>	<u>7,278</u>
Shareholders' funds at end of year	<u>4,899</u>	<u>18,610</u>

13. 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.

14. 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.