

G-Pharm Limited

Annual report and financial statements
for the year ended 30 September 2001

Registered number 03107561



Directors' report

For the year ended 30 September 2001

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 2001.

Principal activities

The principal activity of the company is the research and supply of horticultural and pharmaceutical products and services.

Business review

On 30 May 2001 the company was acquired by GW Pharmaceuticals Limited (now GW Pharma Ltd) via a share for share exchange.

During the year the activities and employees of G-Pharm Limited were transferred to another group company, G W Pharma Limited.

Directors

The directors of the company during the year and their interests in the shares of the company as recorded in the register of directors' interests were as follows:

		Ordinary shares	
		30 September 2001	30 September 2000
Dr G W Guy		-	75,135
Mr J D Gover		-	10,865
Mr J R Hatchard		-	2
Mr D F Kirk	(appointed 10 September 2001)	-	-
		<hr/>	<hr/>

Auditors

Arthur Andersen were appointed during the year to fill a casual vacancy. The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

Porton Down Science Park
Salisbury
Wiltshire
SP4 0JQ

By order of the Board,



J M Laughton
Secretary

6 June 2002

Statement of directors' responsibilities

30 September 2001

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 and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on 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 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.

To the shareholders of G-Pharm Limited

We have audited the financial statements of G-Pharm Limited for the year ended 30 September 2001 which comprise the Profit and loss account, the Balance sheet, the statement of accounting policies and the related notes numbered 1 to 12. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards 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 United Kingdom 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 to you 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 and consider the implications for our report if we become aware of any apparent misstatements within it.

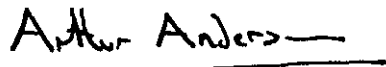
Basis of opinion

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 judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company, 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 affairs of the company at 30 September 2001 and of the company's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors

Abbots House
Abbey Street
Reading
Berkshire
RG1 3BD

6 June 2002

Profit and loss account

For the year ended 30 September 2001

	Notes	2001 £	Note 12 2000 £
Turnover	1	265,000	421,118
Cost of sales		(61,636)	(26,688)
Gross profit		203,364	394,430
Administrative expenses		(196,086)	(397,913)
Profit (loss) on ordinary activities before taxation	2	7,278	(3,483)
Taxation		-	-
Profit/(loss) on ordinary activities after taxation being retained			
loss for the year	10	7,278	(3,483)

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
As at 30 September 2001

	Notes	2001 £	Note 12 2000 £
Fixed assets			
Tangible assets	4	12,340	18,137
Investments	5	1	-
		<u>12,341</u>	<u>18,137</u>
Current assets			
Debtors	6	88	38,660
Cash at bank and in hand		6,566	28,580
		<u>6,654</u>	<u>67,240</u>
Creditors: Amounts falling due within one year	7	(385)	(74,045)
		<u>6,269</u>	<u>(6,805)</u>
Net current liabilities			
		<u>18,610</u>	<u>11,332</u>
Net assets			
		<u>18,610</u>	<u>11,332</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	10	(189,942)	(197,220)
		<u>18,610</u>	<u>11,332</u>
Equity shareholders' funds			
		<u>18,610</u>	<u>11,332</u>

The financial statements on pages 4 to 11 were approved by the board of directors on 6 June 2002 and were signed on its behalf by:



Dr G W Guy

Director

6 June 2002

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

Statement of accounting policies

30 September 2001

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 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 year
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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 taxation is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced, except that the deferred tax effects of timing differences arising from pensions and other post-retirement benefits are always recognised in full.

Statement of accounting policies (continued)

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.

Leases and hire purchase commitments

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Notes to the financial statements

30 September 2001

1 Turnover

In the opinion of the directors, none of the turnover of the company is attributable to geographical markets outside the UK (2000: nil).

2 Profit (loss) on ordinary activities before taxation

	2001 £	2000 £
Profit (loss) on ordinary activities before taxation is stated after charging:		
Auditors' remuneration	5,000	3,100
Depreciation of tangible fixed assets	<u>6,266</u>	<u>5,912</u>

3 Staff costs

None of the directors received remuneration in either year.

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

	2001 Number	2000 Number
Research and development	<u>5</u>	<u>7</u>

Their aggregate remuneration comprised

	2001 £	2000 £
Wages and salaries	32,549	93,482
Social security costs	12,134	9,060
Other pension costs	<u>4,934</u>	<u>8,649</u>
	<u>49,617</u>	<u>111,191</u>

Notes to the financial statements (continued)

4 Tangible fixed assets

Plant and
machinery
£

Cost

As at 30 September 2000	29,564
Additions	469
As at 30 September 2001	30,033

Depreciation

As at 30 September 2000	11,427
Charge for the year	6,266
As at 30 September 2001	17,693

Net book value

As at 30 September 2001	12,340
As at 30 September 2000	18,137

5 Fixed asset investments

Unlisted
subsidiary
undertakings
£

At 30 September 2000	-
Additions	1
At 30 September 2001	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

Notes to the financial statements (continued)

6 Debtors

Amounts falling due within one year

	2001 £	2000 £
Trade debtors	-	38,660
Other debtors	88	-
	<u>88</u>	<u>38,660</u>

7 Creditors: amounts falling due within one year

	2001 £	2000 £
Trade creditors	-	70,234
Amounts owed to parent company	380	-
Other taxation and social security	-	3,379
Other creditors	5	432
	<u>385</u>	<u>74,045</u>

8 Called up share capital

	2001 £	2000 £
<i>Authorised</i>		
250,002 ordinary shares of £1 each	<u>250,002</u>	<u>250,002</u>
<i>Allotted, called up and fully paid</i>		
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 30 September 2000	77,700	(197,220)
Profit for the year	-	7,278
As at 30 September 2001	<u>77,700</u>	<u>(189,942)</u>

Notes to the financial statements (continued)

10 Reconciliation of movements in shareholders' funds

	2001 £
Shareholders' funds at beginning of year	11,332
Retained profit for the year	7,278
Shareholders' funds at end of year	<u>18,610</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.

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.

12 Prior year comparative figures

The prior year figures were audited by a firm of Chartered Accountants other than Arthur Andersen.