

**GW Pharmaceuticals plc**  
**(“GW” or “the Group”)**

**PRELIMINARY RESULTS**

**Porton Down, UK, 30 January 2007:** GW Pharmaceuticals plc (AIM: GWP), the developer and manufacturer of a range of new cannabinoid medicines, including Sativex<sup>®</sup>, announces its preliminary results for the year ended 30 September 2006.

**Operational Highlights**

- Sativex regulatory submission filed in four European countries for the relief of Spasticity in Multiple Sclerosis
- European (ex-UK) licence agreement signed with Almirall, including £12m signature fee. Launch preparations now underway
- Sativex regulatory submission filed in Canada to extend approval to the treatment of Cancer Pain
- FDA permitted Sativex to enter directly into US Phase III trials in Cancer Pain, allowing late stage US development to commence during 2007
- US Sativex licensing discussions progressing on track
- Further encouraging data from Phase III trials in MS Spasticity and Neuropathic Pain
- Phase III MS Neuropathic Pain trial recruiting on track

**Financial Highlights**

- Balance sheet strengthened with net cash inflow for the year of £6.8m. Significant inflows include Almirall signature fee and £8.1m US equity financing
- Cash and short term deposits at 30 September 2006 of £19.9m, ahead of guidance
- Revenues of £1.98m, including £1.35m relating to commercial sales of Sativex. £12m Almirall signature fee to be recognised as revenue over 15 years
- Net loss of £11.9m, in line with expectation

Dr Geoffrey Guy, Executive Chairman of GW, said:

“During 2006, GW made good progress in advancing the clinical and regulatory programme for Sativex in all its target indications. Having achieved approval in Canada in 2005, this year we filed regulatory submissions in four European countries for MS Spasticity and also sought to further expand the Canadian licence through a filing in Cancer Pain. In the United States, we received permission from the FDA to enter directly into late stage development. We also saw further encouraging Phase III data showing that Sativex produces improvements over and above current treatments that are highly meaningful to the everyday lives of patients.

“We look forward to an exciting 2007 in which we will seek to sign a US license agreement, commence late stage US trials, progress the ongoing regulatory submission in Europe, expand our existing market in Canada, and advance early stage cannabinoid research programmes. With Sativex continuing to show great promise and significant potential newsflow anticipated this year, GW continues to make strong progress.”

An analyst presentation of the preliminary results is being held today at 09.30 at Financial Dynamics, Holborn Gate, 26 Southampton Buildings, London WC2A 1PB. Please contact Gemma Cross Brown at Financial Dynamics on +44 20 7269 7125 for details. An audio webcast of the presentation will be available on the investor relations section of GW's website at [www.gwpharm.com](http://www.gwpharm.com) later this afternoon.

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**GW Pharmaceuticals plc**  
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**Preliminary Results For The Year Ended 30 September 2006**

**REGULATORY STRATEGY**

Over the last few years, GW has broadened its clinical trials programme for Sativex. With late stage trials either planned or underway in each of the Company’s four chosen target markets in the key geographic regions, GW has developed a robust clinical and regulatory programme.

The Group’s regulatory strategy is to provide multiple opportunities over the next few years to obtain approvals for Sativex across various indications in a number of geographic markets. The strategy is currently focused on four specific targeted therapeutic indications, each of which represents a distinct regulatory opportunity and each of which requires a distinct set of clinical efficacy data. These indications are as follows:

- MS Spasticity
- MS Neuropathic Pain
- Peripheral Neuropathic Pain
- Cancer Pain

GW has generated a large body of positive efficacy data to support the proposed use of Sativex to address these high need patient populations. GW continues its programme of Phase III trials in order to supplement the existing data and to underpin its regulatory strategy of securing approvals in both Europe and North America. Each Phase III trial is implemented in consultation with regulatory authorities, marketing partners, as well as independent clinical and regulatory consultants.

At each point of new data being available, GW discusses with its marketing partners and with regulatory authorities whether the data package warrants a regulatory submission or whether further clinical data would be desirable before seeking approval. In the last year, this strategy has led to regulatory submissions in Europe for MS Spasticity and in Canada for Cancer Pain. GW and its partners are likely to carry out further trials in these target indications over the next few years in order to supplement globally approvable regulatory packages and to provide more data to support the marketing of the product post approval.

Beyond Sativex, we continue to invest in early stage cannabinoid research to select and develop our next product candidates. Cannabinoids provide a wealth of exciting therapeutic opportunity and it is the Group’s intention to build on our world leading research position by advancing other products into clinical trials and through to regulatory approvals over the coming years.

**GEOGRAPHIC REVIEW**

**Europe**

In September 2006, GW announced it had filed a regulatory submission in selected European countries for Sativex for the symptomatic relief of spasticity in people with MS, a patient group with a significant unmet medical need.

The filing has been made under the “decentralised procedure” in the UK, Spain, Denmark and the Netherlands. Under this procedure, the UK is acting as Reference Member State and will consult with the three other countries. If successful, a filing under the decentralised procedure would lead to the simultaneous approval of Sativex in these countries for the MS Spasticity indication.

The decision to proceed with a submission followed a series of constructive meetings with officials from selected target European regulatory authorities. These meetings were attended by GW as well as its marketing partners and were aimed at providing advice as to the appropriateness of the data package for regulatory submission. These meetings were based on a preliminary view of the data and, as such,

any advice provided is always subject to a detailed assessment in any future application. Nevertheless, as a result of these meetings, GW and its marketing partners were in full agreement to submit.

In December 2005, Sativex was licensed exclusively to Almirall, Spain's largest pharmaceutical company, in Europe (ex-UK). The agreement provided for GW to maintain a significant share of long term product revenues in addition to a £12m signature fee and total further milestones of up to £34m. In the UK, Sativex has already been exclusively licensed to Bayer HealthCare.

Having now filed the regulatory submission, both Almirall and Bayer are advancing their launch plans.

Upon approval of the current filing in the selected four countries, the regulatory strategy is to expand the MS Spasticity indication into other European countries through the mutual recognition procedure. The rules do not permit a parallel regulatory application in any other indication whilst the MS Spasticity review is ongoing. Hence, GW's regulatory strategy for other indications is to continue to build the clinical evidence base whilst we await completion of the European MS Spasticity regulatory process. Following this, GW will have the opportunity to extend the approval into other indications, such as neuropathic pain.

### **United States**

At the beginning of 2006, GW announced that the FDA had granted permission for Sativex to enter directly into Phase III clinical trials in the US. This decision by FDA resulted from the extent of quality, safety and efficacy data generated by GW in Europe.

The proposed initial target indication for Sativex in the US is the relief of pain in cancer patients who have failed to obtain adequate relief from maintenance opioid analgesia. This indication is supported by data from our completed European Phase III Cancer Pain trial in 177 patients. In this study, Sativex achieved a statistically significant improvement in comparison with placebo in pain as measured on a numerical rating scale ( $p=0.014$ ), a primary endpoint of the study. A responder analysis showed that 43% of patients on Sativex showed a greater than 30% improvement in their pain ( $p=0.024$ ).

GW has made important progress during 2006 in the US. The Company's strategy has been to first obtain IND status, to then put in place the necessary Drug Enforcement Administration (DEA) licences and in parallel work on the clinical research logistics necessary to commence US development. GW has made progress towards obtaining the key DEA licences necessary to carry out US development, has selected contract research organisations for various clinical studies, and also signed up key US investigator sites.

From a regulatory perspective, GW held a further "end of Phase II meeting" with the FDA during the summer to ensure that the key aspects of work necessary to meet the FDA's requirements for approval were agreed upon. This meeting achieved its objectives and the relationship with the FDA remains highly constructive.

The principal investigator of the first US clinical trial is Dr Russell K. Portenoy, Chairman of the Department of Pain Medicine and Palliative Care at Beth Israel Medical Center, New York City, and one of the world's leading experts in his field.

As stated previously, GW intends to seek a US licensing partner for Sativex in parallel with the start of US development activities. The progress of discussions with potential partners is in line with our previous expectations and proceeding well. Whilst GW has already embarked on aspects of the US development plan, it is likely that the large clinical trials will commence once the US licensing agreement is concluded.

### **Canada**

Sativex is approved in Canada as an adjunctive treatment for symptomatic relief of neuropathic pain in adults with MS. The product was approved under Health Canada's Notice of Compliance with Conditions (NOC/c) policy in April 2005. This policy is applied to products which are considered by Health Canada to address a serious medical condition for which there are no currently approved products, and where

the data to date reflect promising clinical evidence. The “condition” element of the approval is the need for a confirmatory Phase III study to further verify the clinical benefit.

In Summer 2006, GW stated that it was exploring opportunities to expand the regulatory approval in Canada to other indications. In October 2006, GW submitted a regulatory application in Canada for Sativex to seek approval for a new indication for the treatment of pain in patients with advanced cancer that has not been adequately relieved by opioid medications. This submission followed a formal pre-submission meeting with Health Canada outlining the evidence of effectiveness of Sativex in this very seriously ill patient population. Following this meeting, Health Canada advised that, on the basis of the clinical data presented, a submission for consideration under the NOC/c could be made.

Feedback from the market continues to be positive with consistent patterns of safety and efficacy as experienced during the clinical trials. In line with previous GW guidance, the sales rate continues to be similar to previous periods. The commercial picture at this stage is limited due to nature of the NOC/c approval and the lack of reimbursement by the public health system. We expect this situation to change once the “condition” element of the NOC/c approval is lifted following the availability of additional supporting data. The first opportunity for this may occur follow completion of an ongoing MS Neuropathic Pain trial in the second half of 2007.

### **Spain**

In November 2005, GW reached agreement with the Health Department of the Regional Government of Catalonia in Spain to supply Sativex to up to 600 patients suffering from MS and a number of other conditions under a compassionate access programme. The programme has been approved by the Spanish Ministry of Health and the Catalan Health Department has approved a specific budget to pay for GW to supply the medicine.

Originally intended to be a one year programme for 2006, GW supplied further product immediately prior to the financial year end and the clinical programme is now continuing into 2007. The Catalan Health Department have issued public statements announcing that they are very pleased with the response to this programme by opinion leaders and patients. In October 2006, the Health Committee of Catalonia presented initial results, which concluded that 65 per cent of the participants have experienced an improvement of quality of life and a decrease in pain.

Patients being entered into the programme have a range of medical conditions, including spasticity in MS, neuropathic pain in MS, neuropathic pain from other etiologies, and those with anorexia-cachexia in cancer undergoing chemotherapy. There are six participating hospital centres, incorporating 22 investigating units.

The first patient entered the programme in January 2006 and patients are continuing to be enrolled. Of the total 600 patients envisaged, half are due to be cancer patients with anorexia-cachexia and this enrolment has yet to start.

### **UK**

GW has long considered one of its most important medical imperatives to be to provide a means for UK patients to access Sativex on prescription. In early 2006, we achieved this objective when the Home Office permitted the prescription of Sativex to individual patients in the UK as an unlicensed medicine. This development was in response to enquiries from a number of UK doctors and individual patients who have been in contact with the Home Office to request access to Sativex. Under relevant UK legislation, the basis on which Sativex may be prescribed is the clinical judgement of doctors in relation to specific nominated patients. The Home Office licences cover physicians, pharmacists and patients in the UK, and hence permit access to Sativex without the need for any consultation with the Home Office.

As a result of these developments, Sativex is now being supplied on a named patient basis to patients in the UK who are in receipt of a prescription. This includes patients who have previously been on clinical trials, as well as other patients who have been recommended to take Sativex by their physician.

The Home Office licences mean that Sativex may be supplied directly from the UK manufacturing site and dispensed by local pharmacies. GW charges for provision of the medicine under these circumstances.

## **SATIVEX CLINICAL TRIALS PROGRAMME**

### **MS Spasticity**

Preliminary results were announced in March 2006 of a Phase III study in the relief of spasticity in people with MS.

Analysis of the per protocol population (those patients that complied with the study protocol) showed a positive and statistically significant improvement in the primary outcome measure ( $p < 0.05$ ). Analysis of the Intention to Treat (ITT) population (all study patients regardless of whether they complied with the protocol) was in favour of Sativex but not to a degree that reached statistical significance ( $p > 0.05$ ).

This study supported the positive data already generated from previous GW Phase III studies and enhanced the data package beyond that assessed in the previous UK regulatory process. A pre-specified pooled analysis across the three Phase III Sativex MS Spasticity studies now completed, incorporating a total of 666 patients, showed Sativex to be significantly superior to placebo ( $p < 0.05$ ).

The body of clinical evidence, including this recent study as well as a previously reported positive Phase III trial in 189 patients with MS Spasticity, has formed the basis of the recent regulatory submission in selected European countries.

### **MS Neuropathic Pain**

As discussed above, GW has obtained approval for Sativex in Canada in the indication of Neuropathic Pain in MS. As part of this approval, under the NOC/c policy, a further Phase III study was formally agreed with the regulator. This 218 patient study commenced during summer 2006 and is expected to complete in H2 2007. This study will not only be used for Canada but should also contribute to a future European submission in the indication of MS Neuropathic Pain. Patients are being recruited in Canada, UK, Spain, France and the Czech Republic.

### **Peripheral Neuropathic Pain**

Two further Phase III studies in Neuropathic Pain recently reported preliminary results. These studies form part of a programme to generate data for the future expansion of the use of Sativex in Europe beyond MS into other pain conditions.

In the study of 246 patients with Neuropathic Pain characterised by allodynia<sup>1</sup>, the responder analysis of the primary endpoint (the proportion of patients obtaining a clinically meaningful improvement in pain relief), was statistically significantly in favour of Sativex ( $p = 0.03$ ) for the full Intention to Treat (ITT) population. In addition, two of the key pain-related secondary efficacy endpoints, the Patient's Global Impression of Change ( $p < 0.03$ ) and the assessment of sleep quality ( $p < 0.01$ ), were also statistically significantly in favour of Sativex. All the other secondary efficacy endpoints were in favour of Sativex.

European and US regulators recommend a responder analysis of the primary endpoint in pain studies as the key assessment of outcome. This analysis was positive and confirms that Sativex produces a clinically important benefit over and above currently available treatments in a meaningful proportion of otherwise treatment-resistant patients. An additional analysis of the mean endpoint data was strongly in favour of Sativex and approached statistical significance.

The results of the study in 297 patients with painful diabetic neuropathy showed that patients taking Sativex obtained substantial improvements in their pain, indeed among the highest level of response seen in the published literature. There was an abnormally large placebo response in this study, which means that the data are more difficult to interpret categorically.

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<sup>1</sup> Allodynia is the occurrence of pain in response to a normally non-painful stimulus (e.g. clothes touching against the skin). It is often intense and can occur in patients suffering from a range of conditions that damage the peripheral nerves (e.g. nerve lesions, post-herpetic neuralgia).

These two studies form part of a programme of Neuropathic Pain trials conducted to date by GW and reinforce the large body of positive data already generated. These studies focused on particularly high need patients, who were already taking the best available pain treatments, and yet still suffered severe pain. Even in this most difficult to treat population, Sativex produced improvements over and above current treatments that are highly meaningful to the everyday lives of patients.

These data contribute to a future regulatory filing in the use of Sativex as a treatment for Neuropathic Pain. Whilst the MS Spasticity submission is ongoing, GW intends to continue to add to this evidence base by conducting additional confirmatory trials. With the benefit of these additional data, the designs of the additional studies can be finalised prior to their commencement.

### **Cancer Pain**

GW's Phase III Cancer Pain programme is being initiated in the US with a view to obtaining approval from the FDA. These US trials are also intended to contribute to a European regulatory application in this indication. Further European regulatory advice is being sought at present to confirm whether there are any additional requirements for approval in this indication in Europe over and above those already stated by the FDA.

### **Publications / Presentations**

In 2006, we continued our programme of presenting GW's clinical data at international scientific meetings. During the year, GW data has been presented by clinical investigators at the American Academy of Neurology, European Neurological Society, European Congress of Rheumatology, Congress of the European Committee for Treatment and Research in Multiple Sclerosis (ECTRIMS), Canadian Pain Society, British Pain Society, US Consortium of MS Centers Annual Meeting, the Canadian Association of Physical Medicine & Rehabilitation Annual Meeting and the British Pharmacology Society.

In addition, a review of Sativex in the treatment of symptoms of MS and neuropathic pain was published in the journal *Expert Opinion in Pharmacotherapy*<sup>2</sup>. A study of the long term effects of Sativex in the treatment of spasticity and other symptoms in MS was published in the journal *Multiple Sclerosis*<sup>3</sup>. Further papers are in press and others have been submitted for publication and await review.

## **EARLY STAGE PROGRAMMES**

### **THCV**

Last year, work carried out by Professor Roger Pertwee, Professor of Neuropharmacology, University of Aberdeen and GW's Director of Pharmacology, showed THCV, extracted from a novel GW chemovar, to be an antagonist at the CB1 and CB2 receptors, a similar activity to that of rimonabant, the potential blockbuster drug developed by Sanofi-Aventis. This finding led to a patent application and has caused much scientific interest. More recently, this finding was confirmed in vivo and further evidence of therapeutic promise generated in models of obesity.

GW is now working towards starting a Phase I study looking at the effects of THCV in obese healthy volunteers.

### **Advanced Dispensing System**

Work is ongoing to ready the second generation Advanced Dispensing System (ADS) methadone device in preparation for its first clinical trial. This system has been specifically developed to allow for methadone to be dispensed safely and reliably in the treatment of drug addiction. ADS development has

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<sup>2</sup> Barnes, MP, *Sativex®: clinical efficacy and tolerability in the treatment of symptoms of multiple sclerosis and neuropathic pain*, *Expert Opin. Pharmacother.* (2006) 7(5) pp 607-615

<sup>3</sup> Wade et al, *Long-term use of a cannabis-based medicine in the treatment of spasticity and other symptoms in multiple sclerosis*. *Multiple Sclerosis* 2006; 12: 639-645

not been a priority for the Group in the last twelve months, but the programme has started to gather pace again. Extensive work is ongoing to verify and validate the software according to US requirements. Following this, a pilot study at the National Addiction Centre is planned.

## **FINANCIAL REVIEW**

This financial year saw GW strengthen its balance sheet position following the £12m signature fee from Almirall and the £8.1m US equity placing. Commercial sales are now making a welcome contribution to supporting our overheads and we are well placed to expand production as demand for Sativex increases.

### **Profit and Loss Account**

Turnover of £1.98m (2005: £3.11m) includes £1.35m (2005: £0.31m) relating to the commercial sales of Sativex in Canada, Spain and in the UK. The remaining £0.63m (2005: £2.80m) relates to the initial revenue from the £12m Almirall signature fee, which is being recognised as revenue over a 15 year period. The £2.80m revenue item in 2005 relates to the Canadian approval milestone received from Bayer which was recognised in full in that year.

Research and development expenditure, which is expensed as incurred, increased to £13.1m (2005: £10.3m). The 28% increase in R&D expenditure is in line with the planned increase in research activities as outlined in last year's Annual Report, and is due primarily to the European Phase III clinical trials programme, the initiation of US development activities and early stage research. Management and administrative expenses (including amortisation of goodwill) increased to £3.5m (2005: £2.6m).

The Group benefited from net interest income of £0.9m (2005: £0.7m).

The Group has claimed a research and development tax credit of £2.0m (2005: £1.7m) which is shown as a credit to the profit and loss account and is subject to final agreement with HM Revenue & Customs.

The Group loss for the year ended 30 September 2006 was £11.9m (2005: £7.5m).

The average headcount of the Group for the year was 110 (2005: 101) and we ended the year with 120 employees (2005: 105).

### **Balance Sheet**

Capital expenditure was £0.6m (2005: £0.1m), the increase on the prior year arising from improvements made to the Group's laboratories, production facilities and IT infrastructure.

Debtors at 30 September 2006 were £4.3m, consisting of £0.6m of trade debtors (from sales of Sativex), £2.0m R&D tax credit, £1.2m Spanish withholding tax, and £0.5m of other debtors and prepayments.

Deferred income of £11.4m, of which £0.8m is shown in creditors due within one year and £10.6m is shown in creditors due after more than one year, represents the balance of the non-refundable £12m Almirall signature fee. This will be recognised as revenue in future periods.

The Group's net funds comprise cash balances together with amounts held on short term deposit. Cash and short term deposits at 30 September 2006 totalled £19.9m (2005: £13.0m).

### **Cashflow**

The net cash outflow during the year (before financing and management of liquid resources) was £1.3m (2005: £7.5m). The reduced outflow is due to the receipt of £10.8m from Almirall, being the £12m signature less the £1.2m of Spanish withholding tax deducted.

In addition the Company raised £8.1m net via the placing to a US institutional investor of 6,165,978 shares at £1.3961.

## **2007 Financial Year**

In 2007, we expect R&D expenditure to be in line with that incurred in 2006.

The Board is currently exploring the possibility of adopting International Financial Reporting Standards ('IFRS') one year early. No decision has yet been reached and an analysis of the likely effect of adoption is currently being undertaken. If IFRS is adopted early, this will be reflected in the presentation of our interim results to 31 March 2007.

## **Board of Directors**

There have been changes to the Board this year and a corporate governance review process with regard to the proportion of independent non-executive directors. In February 2006, David Morrison replaced Peter Mountford, who had been a non-executive director for five years. At the end of January 2007, James Noble was appointed to the Board as senior independent director. Further, in accordance with the Combined Code guidelines, David Mace, who has been a non-executive director for six years, has elected not to seek re-election at this year's Annual General Meeting.

## **Summary and Prospects**

During 2006, GW made good progress in advancing the clinical and regulatory programme for Sativex in all its target indications. Having achieved approval in Canada in 2005, this year we filed regulatory submissions in four European countries for MS Spasticity and also sought to further expand the Canadian licence through a filing in Cancer Pain. In the US, we received permission from the FDA to enter directly into late stage development. We also saw further encouraging Phase III data showing that Sativex produces improvements over and above current treatments that are highly meaningful to the everyday lives of patients.

We look forward to an exciting 2007 in which we will seek to sign a US license agreement, commence late stage US trials, progress the ongoing regulatory submission in Europe, expand our existing market in Canada, and advance early stage cannabinoid research programmes. With Sativex continuing to show great promise and significant potential newsflow anticipated this year, GW continues to make strong progress.

– Ends –

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### **Financial Dynamics**

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*This news release may contain forward-looking statements that reflect the Group's current expectations regarding future events, including the clinical development and regulatory clearance of the Group's products. Forward-looking statements involve risks and uncertainties. Actual events could differ materially from those projected herein and depend on a number of factors, including (inter alia), the success of the Group's research strategies, the applicability of the discoveries made therein, the successful and timely completion of clinical studies, including with respect to Sativex and the Group's other products, the uncertainties related to the regulatory process, and the acceptance of Sativex and other products by consumers and medical professionals.*

**GW Pharmaceuticals plc**  
**Preliminary Results for the Year Ended 30 September 2006**  
**Consolidated Profit and Loss Account**

	Notes	2006 £000's	2005 £000's
<b>Turnover</b>	2	1,981	3,110
Cost of sales		(277)	(82)
<b>Gross Profit</b>		1,704	3,028
Research and development costs		(13,102)	(10,276)
Management and administrative expenses		(3,468)	(2,628)
<b>Operating loss</b>		(14,866)	(9,876)
Interest receivable		929	682
<b>Loss on ordinary activities before taxation</b>		(13,937)	(9,194)
Tax credit on loss on ordinary activities	3	2,022	1,678
<b>Loss on ordinary activities after taxation being retained loss for the financial year</b>		<u>(11,915)</u>	<u>(7,516)</u>
<b>Loss per share - basic and diluted</b>	4	(10.1p)	(6.7p)

All activities relate to continuing operations.

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

**GW Pharmaceuticals plc**  
**Preliminary Results for the Year Ended 30 September 2006**  
**Consolidated Balance Sheet**

	Notes	At 30 Sept 2006 £000's	At 30 Sept 2005 £000's
<b>Fixed assets</b>			
Intangible assets – goodwill		5,210	5,566
Tangible assets		952	723
		<u>6,162</u>	<u>6,289</u>
<b>Current assets</b>			
Stock		695	656
Debtors		4,335	2,135
Cash held on deposit as short term investments		14,437	10,120
Cash at bank and in hand		5,438	2,913
		<u>24,905</u>	<u>15,824</u>
<b>Creditors: Amounts falling due within one year</b>		<u>(5,403)</u>	<u>(3,379)</u>
<b>Net current assets</b>		<u>19,502</u>	<u>12,445</u>
<b>Total assets less current liabilities</b>		<u>25,664</u>	<u>18,734</u>
<b>Creditors: Amounts falling due after more than one year</b>		<u>(10,567)</u>	<u>-</u>
Provisions for liabilities and charges		(40)	(22)
<b>Net assets</b>		<u>15,057</u>	<u>18,712</u>
<b>Capital and reserves</b>			
Called-up share capital		120	114
Share premium account	5	58,210	50,103
Other reserves	5	19,262	19,262
Profit and loss account	5	(62,535)	(50,767)
<b>Equity shareholders' funds</b>	6	<u>15,057</u>	<u>18,712</u>

**GW Pharmaceuticals plc**  
**Preliminary Results for the Year Ended 30 September 2006**  
**Consolidated Cash Flow Statement**

	Notes	2006 £000's	2005 £000's
<b>Net cash outflow from operating activities</b>	7	(3,275)	(10,026)
Returns on investments and servicing of finance		919	717
Taxation		1,678	1,883
Capital expenditure		(593)	(112)
<b>Cash outflow before management of liquid resources and financing</b>		(1,271)	(7,538)
Management of liquid resources		(4,317)	3,032
Financing		8,113	2,764
<b>Increase / (decrease) in cash during the year</b>		<u>2,525</u>	<u>(1,742)</u>

**Notes:****1 Basis of presentation**

The preliminary statement covers the year ended 30 September 2006. It has been prepared using the same accounting policies as those adopted in preparing the statutory accounts for the year ended 30 September 2005.

The Board of Directors of the Company approved the statement on 29 January 2007.

The 2006 and 2005 accounts received unqualified reports from the Auditors and did not contain any statements under S237(2) or (3) of the Companies Act 1985. The 2006 accounts will be filed with the Registrar of Companies following the Annual General Meeting. The 2005 accounts have been filed. The statutory accounts will be issued to shareholders shortly, together with the notice for the Annual General Meeting to be held at 11am on 20 March 2007 at Porton Down Science Park, Salisbury, Wiltshire.

The information does not constitute the Company's statutory accounts under section 240 of the Companies Act 1985 for the years ended 30 September 2006 or 2005 but is derived from those accounts.

**2 Turnover**

	2006	2005
	£000's	£000's
Product sales	1,348	310
Licensing fees: signature fees	633	-
Licensing fees: development and approval fees	-	2,800
	<u>1,981</u>	<u>3,110</u>

**3 Tax credit on loss on ordinary activities**

The tax credit of £2,022,000 (2005: £1,678,000) has arisen as a result of the research and development expenditure claimed under the Finance Act 2000.

At 30 September 2006 the Group had trading losses of approximately £38m (2005: £33m) available to carry forward against future tax liabilities.

The tax credit and trading losses to be carried forward for the year are subject to the agreement of HM Revenue and Customs.

#### 4 Loss per share

The calculations of loss per share are based on the following losses and numbers of shares.

	Basic		Diluted	
	2006 £000's	2005 £000's	2006 £000's	2005 £000's
Loss for the financial year	<u>(11,915)</u>	<u>(7,516)</u>	<u>(11,915)</u>	<u>(7,516)</u>
			2006 Number of shares	2005 Number of shares
Weighted average number of shares:			<u>118,443,944</u>	<u>112,512,974</u>

Since the Group reported a net loss, diluted loss per share is equal to basic loss per share.

#### 5 Reserves

	Share premium account £000's	Other reserves £000's	Profit and loss account £000's	Total £000's
<b>Group</b>				
At 1 October 2005	50,103	19,262	(50,767)	18,598
Equity share issue	8,602	-	-	8,602
Expense of equity share issue	(518)	-	-	(518)
Exercise of Share Options	23	-	-	23
All employee share scheme charge	-	-	147	147
Retained loss for the year	-	-	(11,915)	(11,915)
At 30 September 2006	<u>58,210</u>	<u>19,262</u>	<u>(62,535)</u>	<u>14,937</u>

#### 6 Reconciliation of movements in Group shareholders' funds

	2006 £000's	2005 £000's
Loss for the financial year	(11,915)	(7,516)
New ordinary shares issued net of expenses	<u>8,113</u>	<u>2,770</u>
Net reduction addition to shareholders' funds	(3,802)	(4,746)
All employee share scheme charge	147	-
Opening shareholders' funds	<u>18,712</u>	<u>23,458</u>
Closing shareholders' funds	<u>15,057</u>	<u>18,712</u>

**7 Reconciliation of operating loss to net cash outflow from operating activities**

	2006	2005
	£000's	£000's
Operating loss	(14,866)	(9,876)
Depreciation charge	364	414
Amortisation of goodwill	356	356
Increase in stocks	(39)	(656)
(Increase) /decrease in debtors	(1,846)	7
Increase / (decrease) in creditors	12,609	(271)
All employee share scheme charge	147	-
Net cash outflow from operating activities	<u>(3,275)</u>	<u>(10,026)</u>