

Interim Results For The Six Months Ended 31 March 2008

Porton Down, UK, 19 June 2008: GW Pharmaceuticals plc (AIM: GWP), the developer and manufacturer of a range of new cannabinoid medicines, including Sativex[®], announces its interim results for the six months ended 31 March 2008.

OPERATIONAL HIGHLIGHTS

- Sativex Phase III MS spasticity trial, requested by UK regulator, ongoing and on track to complete around year-end. Regulatory submission targeted for H1 09
- Sativex Phase IIb/III cancer pain trial, funded by Otsuka as part of the US development programme, ongoing and due to complete in H1 09
- Sativex named patient prescription use continues to rise – product exported to 20 countries
- New Zealand regulatory application progressing. Outcome expected H2 08
- Catalan Government reports positive outcome of Sativex access programme
- Sativex Phase III MS pain trial results show high patient response rate to Sativex but statistical significance narrowly missed due to large, unexpected placebo response
- Otsuka cannabinoid research collaboration yielding promising new psychiatric and oncology drug candidates
- Phase II trial in planning on novel cannabinoid medicine for the treatment of dyslipidaemia in Type II diabetes patients

FINANCIAL HIGHLIGHTS

- Turnover increased to £5.7m (H1 2007: £0.8m) reflecting revenue growth from Otsuka alliance and Sativex sales
- Net loss for the period reduced to £4.2m (H1 2007: £6.6m)
- Cash and short term deposits at 31 March 2008 of £18.5m

Dr Geoffrey Guy, GW's Chairman, said: "These financial results are the first to reflect the positive impact of the agreements signed last year with Otsuka and we are pleased to report half year figures showing increased revenue, reduced net loss and a healthy cash position.

"During the coming months, we will be focused on completing the pivotal clinical trials for Sativex in MS spasticity and cancer pain and building on the exciting data being generated in our cannabinoid pipeline. In addition, with growing awareness amongst clinicians of the benefits of Sativex, we shall continue to support the increasing number of patients receiving Sativex on prescription in the UK and other countries around the world."

An analyst presentation of the interim 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 GW's website at www.gwpharm.com later this afternoon.

Enquiries:

GW Pharmaceuticals plc

Dr Geoffrey Guy, Executive Chairman
Justin Gover, Managing Director

(19/06/08) + 44 20 7831 3113

(Thereafter) + 44 1980 557000

Financial Dynamics

David Yates / Ben Atwell

+ 44 20 7831 3113

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

Interim Results For The Six Months Ended 31 March 2008

INTRODUCTION

GW has entered an important phase in its development, with a number of pivotal Phase III trials for Sativex both completed and due to be completed in the near future. In addition, the collaboration with our partner, Otsuka Pharmaceutical Co Ltd, signed in 2007, is now well underway, both to develop and commercialise Sativex for the United States market as well as to build a new pipeline of cannabinoid medicines targeting treatments for Central Nervous System (CNS) disorders and cancer.

The financial results also reflect a period of transition for the Group from a development stage company to one in a phase of early commercialisation. Sativex is now generating product sales in a number of countries. In addition, the Otsuka relationship yields important financial benefits through their funding of both the US development of Sativex and our pipeline development in CNS and cancer. This financial picture reflects our ongoing strategy to increase investment in the product pipeline whilst decreasing GW’s core expenditure by encouraging partners to fund such research activities.

In April 2008, GW announced the results of a second Phase III trial for Sativex in MS neuropathic pain which, although showing a very high patient response rate, narrowly missed demonstrating statistical significance due to a large, unexpected placebo response. This trial is one of a programme of three pivotal Phase III trials this year, the others of which are ongoing and due to report in the near term. These trials have been specifically designed to limit the potential for the placebo response that was seen in the MS neuropathic pain study and we are confident that they will confirm the benefits of Sativex.

A Phase III study in the UK for Sativex in MS spasticity is being undertaken at the request of the UK regulator and is on track to complete around the end of the year. In the US, GW has an ongoing Phase IIb/III cancer pain trial for Sativex which is expected to complete in the first half of 2009. This trial is funded by Otsuka and is the first of three pivotal trials which will be undertaken in the US prior to the submission of a New Drug Application (NDA) to the Food & Drug Administration (FDA).

GW has also been advancing its early stage pipeline during the period. The research collaboration with Otsuka has already revealed a number of very promising new psychiatric and oncology drug candidates and we shall be taking these forward in the next phase of our collaboration. Outside of the Otsuka relationship, GW’s proprietary pipeline in the field of diabetes and metabolic disorders continues to show great potential. Pre-clinical and Phase I safety and tolerability studies on two novel cannabinoid products, THCV and CBD, have been successfully conducted and the Company is now preparing to advance a combined THCV: CBD drug candidate into a Phase IIa study for the treatment of dyslipidaemia in Type II diabetes patients.

The use of Sativex on prescription, meanwhile, continues to grow, both under marketing approval in Canada and on a named patient basis elsewhere, and there is increasing awareness of the product’s benefits, as demonstrated by the publication of the positive results in a programme conducted by the Government of Catalonia in Spain. With the two ongoing Phase III trials progressing, partners for Sativex secured in key markets, a highly promising earlier stage pipeline beginning to emerge and a healthy financial position, GW is at an exciting time in its development.

SATIVEX REGULATORY STRATEGY

The clinical and regulatory strategy for Sativex is focused on four specific 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
- Cancer pain
- MS neuropathic pain
- Peripheral neuropathic pain

Each of these target indications is supported by existing positive Phase III data and will continue to be supplemented by further late stage trials over the next few years in order to supplement globally approvable regulatory packages.

The lead indication for Sativex differs across different regions of the world. In Europe, the lead indication for approval is MS spasticity and in the US, cancer pain is the initial target indication for approval. In Canada, MS neuropathic pain was the first approved indication, and this has been successfully followed by the approval in cancer pain.

This clinical and regulatory programme has been designed to provide a series of opportunities over the next few years to obtain approvals for Sativex across the different indications in a number of territories.

MS Spasticity

MS spasticity represents the nearest term regulatory opportunity for Sativex in Europe. This indication has been the sole focus of previous discussions with European regulatory authorities. The body of clinical evidence supporting the efficacy of Sativex in MS spasticity includes two pivotal Phase III trials, a positive pooled analysis including over 600 patients, as well as supportive positive data from Phase II trials.

In December 2007, the UK regulator, the Medicines and Healthcare products Regulatory Agency (MHRA), published a Public Information Report on Sativex which provided specific guidance on the route to approval in this indication. The key outstanding requirement is to perform an additional Phase III clinical trial.

The required additional Phase III trial commenced in November 2007 with patients being recruited across five countries in Europe.

The design of the ongoing study was requested by the UK regulator and formally agreed in writing. It follows an “enriched design” which first identifies responders over a four week period (Phase A), and then focuses on analysing the effect of Sativex vs placebo on those responders over a further period of 12 weeks (Phase B). The study aims to enrol approximately 488 patients into Phase A with a view to recruiting a target of 244 patients into Phase B. The primary endpoint of the study is the difference between the Sativex and placebo groups in Phase B of the study in MS Spasticity as measured on a Numeric Rating Scale.

Recruitment in this study, by far the largest GW has ever undertaken, is progressing well and we are on track to complete around the end of the year. Following receipt of these data, a regulatory submission is targeted for H1 2009.

Separately, a recent paper has been published¹ which analyses GW's clinical data and addresses an additional point raised in the previous regulatory submission requesting reassurance on the validity of the Numeric Rating Scale used in clinical trials as a measure of spasticity. This paper, authorised by Professor John Farrar, an eminent statistician at the University of Pennsylvania, concludes that "the measurement of the symptom of spasticity using a patient-rated 0-10 numeric rating scale was found to be both reliable and valid".

Cancer Pain

In 2007, GW obtained approval for Sativex in Canada in the indication of cancer pain. This approval was obtained under the Canadian Notice of Compliance with Conditions (NOC/c) policy on the basis of a single positive Phase II/III trial conducted in Europe. In this study, Sativex was significantly superior to placebo in reducing pain ($p=0.014$). In addition, 43% of patients who received Sativex, while remaining on opioids, exhibited at least a 30% decrease in their pain score compared to 21% of patients receiving placebo and opioids ($p= 0.024$).

GW's ongoing cancer pain clinical programme is being funded by Otsuka who have licensed the US rights to this product. These trials are designed to obtain approval in this indication from the FDA, but it is also intended that they form the basis of a European regulatory application in this indication.

The FDA has permitted Sativex to enter directly into Phase III clinical development in the US for the treatment of pain in patients with advanced cancer, who experience inadequate analgesia during optimized chronic opioid therapy.

The first pivotal trial is now underway. This five-week, placebo-controlled study is a Phase IIb/III dose ranging study which includes approximately 70 centres in the US, Canada and Europe and will recruit a total of 336 patients. The primary objective of the study is to evaluate the potential role and dose range of Sativex in these patients as an adjunct to their pre-existing pain medications.

Although recruitment of patients is taking a little longer than we would ideally have liked, which is not untypical in cancer trials, we expect the results from the first US study to be available in H1 09. The current US development programme anticipates two further Phase III trials to commence during 2009, prior to a subsequent submission of a NDA to the FDA. All data generated in the US will also be available to GW for submission to regulatory authorities in Europe and elsewhere.

In addition to the large scale pivotal clinical trials in cancer pain required for submission to FDA, the US development programme for Sativex includes a number of clinical pharmacology studies. In the last six months, four such studies have completed patient enrolment on track. Each of these studies has been agreed with FDA as components of the Sativex US NDA. This programme of studies includes a thorough QT (TQT) study which enrolled a total of 255 patients. TQT studies are mandated by FDA for all NDAs and examine effects on cardiac induction.

¹ Farrar et al, Validity, Reliability and Clinical Importance of Change in a 0-10 Numeric Rating Scale Measure of Spasticity: A Post-Hoc Analysis of a Randomized Controlled Clinical Trial. *Clinical Therapeutics*, Vol 30, No 5, 2008

MS Neuropathic Pain

In 2005, GW obtained approval for Sativex in Canada in the indication of neuropathic pain in MS. This approval was obtained under the Canadian NOC/c policy on the basis of a single positive Phase III trial. This study, which was published in the peer-reviewed journal, *Neurology*², showed that Sativex was significantly superior to placebo in reducing pain ($p=0.005$) and sleep disturbance ($p=0.003$).

In April 2008, GW announced preliminary results of a second Phase III trial in this indication which included 339 patients. This study was intended to supplement the previous study in Canada to elevate the current NOC/c approval to a full Notice of Compliance (NOC). In Europe, this study was aimed at providing further data to support a future regulatory submission in this indication.

In this study, 50% of Sativex patients experienced a pain reduction of at least 30%, the second largest response rate seen in any Sativex study and amongst the largest seen for any pain treatment in the published literature. However, although the difference between the Sativex and placebo groups was clearly in favour of Sativex, it narrowly failed to reach statistical significance in this trial due to an unexpectedly large placebo response. Key secondary endpoints followed the same trend – in favour of Sativex versus placebo but not at a statistically significant level due to the very high placebo response.

The placebo response in the study appears related to dosing design, whereby patients were able to self-administer the oral spray at will. Analysis of the efficacy data at fixed dose levels demonstrates a highly significant difference between Sativex and placebo. However, a consequence of allowing patients to determine their own dose was that patients on placebo took significantly more doses than patients on Sativex, thus confounding the overall comparison.

Importantly, both the ongoing Phase III studies of Sativex in MS spasticity and cancer pain adopt a fixed target dose approach specifically with a view to limiting the potential for patients on placebo to dose differently from those on Sativex. We do not expect the outcome of these trials to be confounded by the same dosing factor. In particular, the lead indication for approval in Europe, MS spasticity, is supported by different clinical trials and the route to regulatory approval in this indication as outlined above remains clear and unaffected by this pain data.

Peripheral Neuropathic Pain

GW has generated positive results from clinical trials in a number of models of peripheral neuropathic pain. These data contribute to a future regulatory filing in this indication and GW intends to continue to add to this evidence base by conducting additional confirmatory trials in due course following the initial approval for Sativex in Europe.

New Zealand Regulatory Submission

In late 2007, GW was invited by the New Zealand Ministry of Health to submit a regulatory application for Sativex to MedSafe, the New Zealand regulatory authority, under Section 23 of the Medicines Act 1981. This application was submitted in late December 2007. If successful, Sativex would be granted approval with a commitment to provide additional data post-market authorisation.

² D.J.Rog, T.J.Nurmikko, T.Friede, and C.A Young. Randomized, controlled trial of cannabis-based medicine in central pain in multiple sclerosis. *Neurology* 2005;65:812

The regulatory submission process is ongoing. Questions have been received and responses provided to the authorities. It is expected that an outcome should be known in the second half of 2008.

SATIVEX PRESCRIPTION USE

Sativex is approved as a prescription medicine in Canada in the treatment of cancer pain and MS neuropathic pain. Sativex is approved under Health Canada's NOC/c policy, which requires the submission of confirmatory clinical data post-market authorisation.

Although Sativex awaits regulatory approval beyond Canada, the medicine can be prescribed by physicians in countries around the world as an unlicensed medicine. The basis on which Sativex may be prescribed is the clinical judgement of doctors in relation to specific nominated patients. No marketing or promotional activity is permitted for unlicensed medicines.

Sativex has now been exported from the UK to 20 countries either for named patient prescription use or for use in clinical trials. This heralds a growing awareness and appreciation of Sativex amongst the medical community and gives reason to be confident about eventual regulatory approvals abroad.

In the UK, Sativex continues to be prescribed to patients primarily with MS but also with other types of pain that is not adequately treated by other prescription medicines. New patients enter this named patient programme on a regular basis. Similarly, the number of UK physicians prescribing Sativex continues to grow and now totals around 1,500. Over 2,000 UK patients have now received Sativex on prescription to date (including 400 ex-trial patients).

Experience of Sativex as a prescription medicine demonstrates that approximately half of patients who have failed to obtain benefit from current medication obtain meaningful improvements on Sativex and remain on the medicine long term. This is consistent with data from controlled clinical trials. The safety profile of Sativex in clinical practice is also reassuring with minimal adverse event reports received and no adverse comment from any regulatory authority.

Positive Outcome of Sativex Access Programme in Spain

In April 2008, the Government of Catalonia in Spain published positive results of its pilot programme to evaluate Sativex as a treatment for high need patients suffering from a range of medical conditions. A total of 207 patients were included in the programme with the following therapeutic indications: MS (spasticity/pain), neuropathic pain, anorexia-cachexia syndrome due to cancer or AIDS, and nausea and secondary vomiting due to chemotherapy treatment.

Patients enrolled in the programme had severe symptoms, suffered from long term chronic diseases, were taking multiple medications to which they exhibited a poor response, and suffered from a poor quality of life. The published results show that Sativex provides important improvements in approximately half of high need patients who have otherwise failed to gain benefit from currently available medicines. As mentioned above, this is consistent with our experience of Sativex prescription use elsewhere.

OTSUKA CANNABINOID RESEARCH COLLABORATION

In July 2007, GW signed a research collaboration agreement with Otsuka to research, develop and commercialise novel cannabinoid medicines in the therapeutic areas of CNS and oncology.

Under the GW-Otsuka collaboration, senior scientists from both companies are directing research into a range of GW cannabinoids as drug candidates within CNS and oncology. The research is being carried out at GW's laboratories at Aberdeen University as well as other selected international academic centres with whom GW has developed a close relationship.

Otsuka fund all in-house and third party activities performed under the collaboration. At the time of signing of the agreement, Otsuka made available a research fund of US\$9m (£4.6m) to cover the initial three year term of the collaboration. The level of Otsuka's financial commitment in the six month period to 31 March 2008 is ahead of expectation with approximately £1m of funds contributing to GW core research and development expenditure.

The collaboration has to date focused on evaluating the pharmacology of six selected cannabinoid drug candidates within the CNS and oncology therapeutic fields. A wealth of novel pharmacology has already emerged and patent filings made. In particular, promising new psychiatric and oncology drug candidates have become apparent and these are expected to be a principal focus for the next phase of the collaboration. The collaboration is also expected to be expanded shortly to incorporate a number of additional cannabinoid drug candidates within the GW portfolio.

DIABETES / METABOLIC DISEASE CLINICAL PROGRAMME

In 2007, GW commenced the clinical development programme of its novel cannabinoid product, delta-9-tetrahydrocannabivarin (THCV). THCV has shown promise in pre-clinical studies as a potential treatment for diabetes and related metabolic disorders. Results in several models of diabetes, released earlier this year, show desirable effects on plasma insulin, leptin and adiponectin levels, hormones of particular relevance to the development and treatment of diabetes, especially in obese individuals. In addition, we have seen a reduction in total cholesterol with an increase in the proportion of HDL (good) cholesterol.

The Phase I study completed at the end of 2007 was a randomised, double blind, placebo controlled, dose escalation, safety and tolerability study of single doses of THCV in twelve healthy volunteer subjects. This trial showed that the study medication was well tolerated at target therapeutic doses and demonstrated a satisfactory safety profile.

Most recently, GW's research has shown cannabidiol (CBD) to be an additional promising cannabinoid drug candidate in this therapeutic area. In particular, CBD has shown potential beneficial effects in hypercholesterolaemia and non-alcoholic fatty liver disease. Further, exploration of the effects of CBD in combination with THCV confirms that a number of the components of the metabolic syndrome can potentially be addressed with a single medicine.

Since both THCV and CBD have now successfully been the subject of Phase I clinical trials, GW is preparing to advance a combined THCV:CBD drug candidate into a Phase IIa multiple dose study in the treatment of dyslipidaemia in Type II diabetic patients.

GW CANNABINOID SCIENTIFIC REVIEW MEETING

GW continues to seek to enhance its product pipeline by collaborating with leading cannabinoid scientists around the world in order to improve its understanding of the endocannabinoid system and the therapeutic potential of its library of cannabinoid molecules. In March 2008, GW held its 3rd Annual Cannabinoid Scientific Review meeting at the Royal Society of Medicine in London. This year's event

was attended by around 100 scientists, including some of the world's leading cannabinoid pharmacologists, representing institutions from Europe, North America and Asia. Research findings were presented on the potential of GW cannabinoids in psychiatric disorders, cancer, obesity and diabetes, inflammation, cardiovascular disease, disorders of the gastro-intestinal tract and movement disorders.

FINANCIAL REVIEW

As stated at the time of our 2007 financial results, the Group's 2008 results are to be presented under International Financial Reporting Standards (IFRSs). These interim results are the first set of results prepared on this basis. Full details of the financial effect of the Group's transition to IFRSs are given in note 10 to the interim results, "Explanation of transition to IFRSs".

The only adjustment arising from the change from United Kingdom Generally Accepted Accounting Practice (UK GAAP) to IFRSs is to reverse goodwill amortisation charges previously recognised under UK GAAP for the period since the date of adoption of IFRSs. This has led to an increase in the balance sheet carrying value of goodwill and a corresponding adjustment to reserves to reduce previously reported losses. Comparative profit and loss figures have all been restated to remove the previously recorded goodwill amortisation expense. These changes have had no impact upon the cash position of the company.

In the six months to 31 March 2008, GW reduced its net loss after tax to £4.2m compared to £6.6m in the same period last year.

Revenues increased substantially during the period to £5.7m (H1 2007: £0.8m) primarily as a result of £4.1m of research and development fees representing research and development costs incurred by GW and charged to Otsuka under both the Sativex US licence agreement and the research collaboration agreement. Sativex sales increased by 46% to £0.6m (H1 2007: £0.4m) as the UK named patient sales programme continued to grow. The remaining £0.95m relates to the recognition of deferred signature fees arising under the Almirall and Otsuka licence agreements.

Total research and development expenditure increased to £9.3m (H1 2007: £6.2m). This increase is driven by research activities funded by Otsuka in relation to Sativex US development and the research collaboration. This Otsuka-funded expenditure increased to £4.1m (H1 2007: £Nil, H2 2007: £2.5m) whilst GW-funded expenditure decreased by £1m to £5.2m (H1 2007: £6.2m). As research and development continues to expand, therefore, an increasing proportion of this expenditure is funded by a third party rather than GW internal cash resources.

Management and administrative expenses decreased to £1.6m from £1.8m in H1 2007.

Capital expenditure of £0.3m was in line with that incurred in the prior period.

Operating losses reduced to £5.6m (H1 2007: £8.0m) and were partially offset by interest income of £0.5m (H1 2007: £0.4m) and an R&D tax credit of £1.0m (H1 2007: £1.0m).

At 31 March 2008 GW had £18.5m of cash, which included a £2.1m cash advance from Otsuka. Such advance funds are disclosed as advance payments received within current liabilities until recognised as revenue during the next 3-6 months.

The net cash outflow for the period was £2.5m compared to an inflow of £2.0m in the comparable period last year when GW received a £9.2m fee upon signature of the Sativex US licence agreement. The current period includes a receipt of £2.2m of R&D tax credit plus the Otsuka advance.

Total deferred income of £18.3m represents the unrecognised balances of the non-refundable signature fees. This is disclosed within current liabilities as £1.9m due within one year and £16.4m within non-current liabilities. These amounts will be recognised as revenue in future periods.

The headcount as at 31 March 2008 was 117 compared to 124 as at 30 September 2007.

Consistent with guidance provided at the beginning of the year, we expect GW-funded R&D expenditure for the 2008 financial year to be around £1m less than that incurred in 2007 and for total R&D expenditure to rise by around one-third as a result of Otsuka-funded activities.

Board of Directors

As announced early this year, Dr Brian Whittle, Scientific Director and co-founder, at the age of 75, chose not to seek re-election at the AGM held in March and therefore retired at that meeting. Although Brian gradually decreased his working time over recent years, he played an instrumental role in the development of GW. We remain very grateful to him for his valuable contribution to the company.

Summary and Prospects

These financial results are the first to reflect the positive impact of the agreements signed last year with Otsuka and we are pleased to report half year figures showing increased revenue, reduced net loss and a healthy cash position.

During the coming months, we will be focused on completing the pivotal clinical trials for Sativex in MS spasticity and cancer pain and building on the exciting data being generated in our cannabinoid pipeline. In addition, with growing awareness amongst clinicians of the benefits of Sativex, we shall be seeking to build on its increasing prescription use in the UK and other countries around the world.

– Ends –

Enquiries:

GW Pharmaceuticals plc
Dr Geoffrey Guy, Executive Chairman
Justin Gover, Managing Director

(19/06/08) + 44 20 7831 3113
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Financial Dynamics
David Yates / Ben Atwell

+ 44 20 7831 3113

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
Consolidated income statement - Unaudited
For the six months ended 31 March 2008

	Notes	Six months ended 31 March 2008 £000's	Six months ended 31 March 2007 restated £000's	Year ended 30 September 2007 restated £000's
Revenue	3	5,695	823	5,677
Cost of sales		(136)	(85)	(254)
Gross profit		5,559	738	5,423
Research and development expenditure	4	(9,286)	(6,246)	(14,970)
Management and administrative expenses		(1,550)	(1,783)	(2,882)
Share-based payment		(372)	(666)	(1,130)
Operating loss		(5,649)	(7,957)	(13,559)
Interest income		464	393	958
Loss before tax		(5,185)	(7,564)	(12,601)
Tax credit	5	1,018	1,012	2,015
Loss for the period		<u>(4,167)</u>	<u>(6,552)</u>	<u>(10,586)</u>
Loss per share - basic and diluted	6	(3.5p)	(5.5p)	(8.8p)

GW Pharmaceuticals plc
Consolidated balance sheet - Unaudited
31 March 2008

	Notes	31 March 2008 £000's	31 March 2007 £000's Restated	30 September 2007 £000's restated
Non-current assets				
Intangible assets - goodwill		5,210	5,210	5,210
Property, plant & equipment		1,183	1,044	1,082
		<u>6,393</u>	<u>6,254</u>	<u>6,292</u>
Current assets				
Inventories		608	665	535
Trade and other receivables	7	1,935	4,940	2,815
Cash and cash equivalents		18,488	21,914	20,966
		<u>21,031</u>	<u>27,519</u>	<u>24,316</u>
Total assets		<u>27,424</u>	<u>33,773</u>	<u>30,608</u>
Current liabilities				
Trade and other payables	8	(9,180)	(6,286)	(7,634)
Net current assets		<u>11,851</u>	<u>21,233</u>	<u>16,682</u>
Non-current liabilities				
Deferred revenue		(16,349)	(18,249)	(17,299)
Long-term provisions		(20)	(54)	(12)
Total liabilities		<u>(25,549)</u>	<u>(24,589)</u>	<u>(24,945)</u>
Net assets		<u>1,875</u>	<u>9,184</u>	<u>5,663</u>
Equity				
Share capital	9	120	120	120
Share premium account	9	58,279	58,223	58,272
Other reserves	9	19,262	19,262	19,262
Retained earnings	9	(75,786)	(68,421)	(71,991)
Total equity		<u>1,875</u>	<u>9,184</u>	<u>5,663</u>

The interim results were approved by the board of Directors on 18 June 2008.

GW Pharmaceuticals plc
Consolidated cash flow statement - Unaudited
For the six months ended 31 March 2008

	Six months ended 31 March 2008 £000's	Six months ended 31 March 2007 £000's	Year ended 30 September 2007 £000's
Net cash from operating activities	(2,620)	1,950	569
Investing activities			
Interest received	443	357	960
Purchases of property, plant and equipment	(308)	(281)	(500)
	<hr/>	<hr/>	<hr/>
Net cash from investing activities	135	76	460
Financing activities			
Proceeds on issue of shares	7	13	62
	<hr/>	<hr/>	<hr/>
Net cash from financing activities	7	13	62
Net (decrease)/increase in cash and cash equivalents	(2,478)	2,039	1,091
Cash and cash equivalents at beginning of year	20,966	19,875	19,875
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents at end of the period	18,488	21,914	20,966

Note to the consolidated cash flow statement - reconciliation of operating loss to net cash from operating activities

	Six months ended 31 March 2008 £000's	Six months ended 31 March 2007 £000's	Year ended 30 September 2007 £000's
Operating loss	(5,649)	(7,957)	(13,559)
Adjustments for:			
Depreciation of property, plant & equipment	206	188	370
Share-based payment charge	372	666	1,130
	<hr/>	<hr/>	<hr/>
Operating cash flows before movements in working capital	(5,071)	(7,103)	(12,059)
(Increase)/decrease in inventories	(73)	30	160
(Increase)/decrease in receivables	(271)	444	1,542
Increase in payables	604	8,579	8,904
	<hr/>	<hr/>	<hr/>
Cash generated by operations	(4,811)	1,950	(1,453)
Income tax credits received	2,191	-	2,022
	<hr/>	<hr/>	<hr/>
Net cash from operating activities	(2,620)	1,950	569

1. General information

The information contained herein for the year ended 30 September 2007 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The statutory accounts for the year ended 30 September 2007, prepared in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP), have been filed with the Registrar of Companies. The auditors' report on those financial statements was unqualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

2. Accounting policies

a) Basis of accounting

These interim statements have been prepared using accounting policies consistent with International Financial Reporting Standards (IFRSs). The disclosures required by IFRS 1, *First time adoption of International Financial Reporting Standards*, concerning the transition from UK GAAP to IFRSs are given in note 10. The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to each period end. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies of the entity concerned, generally accompanying a shareholding of more than one half of the voting rights. All intra-group transactions, balances, income and expenses are eliminated on consolidation. Acquisitions are accounted for under the acquisition method.

c) Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales-related taxes.

Revenue 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.

Research and Development fee revenue is recognised in the period in which the related chargeable expenditure is incurred.

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

d) Research and Development

Research and development expenditure is written off as incurred.

e) Taxation

The tax expense represents the sum of the tax currently payable or recoverable and deferred tax.

The tax payable or recoverable is based upon 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 the tax expected to be payable or recoverable on differences between carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable timing differences and deferred tax assets are recognised only to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

2. Accounting policies (continued)

f) Goodwill

Goodwill arising on the acquisition of the subsidiary undertakings, representing the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired is recognised as an asset and shown separately on the face of the balance sheet. Goodwill is tested for impairment at least annually and, where appropriate, an impairment charge is reflected in the income statement.

g) Property, plant and equipment

Fixtures and equipment are stated at cost, net of accumulated 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 commencing upon the satisfactory completion of installation such that assets are ready for their intended use, as follows:

Plant and machinery	5 years
Motor vehicles	4 years
Lab equipment	4 years
IT equipment	4 years
Office equipment	4 years
Leasehold improvements	4 years or term of the lease if shorter

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

h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on the estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

i) Financial instruments

Financial assets and financial liabilities are recognised in the group's balance sheet when the group becomes a party to the contractual provisions of the instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

j) Retirement benefit costs

The Group does not operate any pension plans, but makes defined contributions to the personal pension arrangements of its executive Directors and employees. The amounts charged to the profit and loss account in respect of pension costs are 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.

2. Accounting policies (continued)

k) 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 retranslated 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.

l) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

m) Share-based payment

The Group has applied the requirements of IFRS 2, *Share-based payments*. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as at 1 October 2005.

The Group issues equity-settled share-based payments to employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

Fair value is measured by use of the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

n) Leases

Rentals payable under operating leases are charged on a straight-line basis over the term of the relevant lease.

GW Pharmaceuticals plc
Notes to the interim results (continued)

3. Business segments

The Directors consider that the Group operates within a single business segment, being pharmaceutical development.

Revenue:	Six months ended 31 March 2008 £000's	Six months ended 31 March 2007 £000's	Year ended 30 September 2007 £000's
Product sales	619	423	1,113
Research and development fees	4,126	-	2,464
Licensing fees:			
- signature fees	950	400	1,350
- development and approval fees	-	-	750
	<u>5,695</u>	<u>823</u>	<u>5,677</u>

Geographical analysis of turnover:

	Six months ended 31 March 2008 £000's	Six months ended 31 March 2007 £000's	Year ended 30 September 2007 £000s
UK	425	268	603
Europe (excluding UK)	404	400	822
North America	3,719	155	3,991
Asia	1,147	-	261
	<u>5,695</u>	<u>823</u>	<u>5,677</u>

All turnover and losses before taxation originated in the UK. All assets and liabilities are held in the UK.

4. Research and development expenditure

	Six months ended 31 March 2008 £000's	Six months ended 31 March 2007 £000's	Year ended 30 September 2007 £000s
GW-funded research	5,160	6,246	12,506
Development partner-funded research	4,126	-	2,464
Total	<u>9,286</u>	<u>6,246</u>	<u>14,970</u>

5. Tax credit

	Six months ended 31 March 2008 £000's	Six months ended 31 March 2007 £000's	Year ended 30 September 2007 £000's
UK Corporation tax – R&D tax credit:			
Prior year	175	-	-
Current period	843	1,012	2,015
Total credit for the period	<u>1,018</u>	<u>1,012</u>	<u>2,015</u>

The UK Corporation tax credits relate to research and development expenditure claimed under the Finance Act 2000.

The amounts are subject to the agreement of HM Revenue and Customs.

6. Loss per share

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

	Six months ended 31 March 2008 £000's	Six months ended 31 March 2007 £000's	Year ended 30 September 2007 £000's
Loss for the period	<u>(4,167)</u>	<u>(6,552)</u>	<u>(10,586)</u>
	Number of shares	Number of shares	Number of shares
Weighted average number of shares	<u>120,304,949</u>	<u>120,085,006</u>	<u>120,138,689</u>

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

7. Trade and other receivables

	31 March 2008 £000's	31 March 2007 £000's	30 September 2007 £000's
Amounts falling due within one year			
Trade receivables	278	67	240
Taxation recoverable – UK Corporation tax	843	3,034	2,015
Taxation recoverable – foreign withholding tax	-	1,200	-
Other debtors	301	449	226
Prepayments and accrued income	513	190	334
	<u>1,935</u>	<u>4,940</u>	<u>2,815</u>

8. Trade and other payables

	31 March 2008 £000's	31 March 2007 £000's	30 September 2007 £000's
Trade payables	2,802	2,225	2,048
Other taxation and social security	169	169	185
Accruals	2,175	1,930	1,895
Deferred signature fee income	1,900	1,900	1,900
Advance payments received	2,088	-	1,560
Defined contribution pension scheme accruals	46	62	46
	<u>9,180</u>	<u>6,286</u>	<u>7,634</u>

Deferred signature fee income represents the balance of the non-refundable signature fees received from Almirall and Otsuka. These amounts will be recognised as revenue in future periods.

For Almirall the £12m signature fee is being recognised at the rate of £0.8m per year over 15 years from December 2005. In the case of Otsuka, where the Group's obligations under the agreement are weighted towards the earlier years, the \$18m (£9.2m) signature is being recognised from 1 April 2007 to 30 September 2011 at the rate of £1.1m per year and at £0.28m per year for the following 15 years.

Advance payments received represents payments for research and development activities to be carried out in the second half of the year on behalf of Otsuka. These amounts will be recognised as revenue in the second half of the year.

9. Statements of changes in equity

a) For the six months ended 31 March 2008

	Called-up share capital £000's	Share premium account £000's	Other reserves £000's	Retained earnings £000's	Total £000's
At 1 October 2007	120	58,272	19,262	(71,991)	5,663
Exercise of share options	-	7	-	-	7
Share-based payment	-	-	-	372	372
Retained loss for the period	-	-	-	(4,167)	(4,167)
At 31 March 2008	<u>120</u>	<u>58,279</u>	<u>19,262</u>	<u>(75,786)</u>	<u>1,875</u>

b) For the six months ended 31 March 2007

	Called-up share capital £000's	Share premium account £000's	Other reserves £000's	Retained earnings £000's	Total £000's
At 1 October 2006	120	58,210	19,262	(62,535)	15,057
Exercise of share options	-	13	-	-	13
Share-based payment	-	-	-	666	666
Retained loss for the period	-	-	-	(6,552)	(6,552)
At 31 March 2007	<u>120</u>	<u>58,223</u>	<u>19,262</u>	<u>(68,421)</u>	<u>9,184</u>

c) For the year ended 30 September 2007

	Called-up share capital £000's	Share premium account £000's	Other reserves £000's	Retained earnings £000's	Total £000's
At 1 October 2006	120	58,210	19,262	(62,535)	15,057
Exercise of share options	-	62	-	-	62
Share-based payment	-	-	-	1,130	1,130
Retained loss for the period	-	-	-	(10,586)	(10,586)
At 30 September 2007	<u>120</u>	<u>58,272</u>	<u>19,262</u>	<u>(71,991)</u>	<u>5,663</u>

10. Explanation of transition to IFRSs

IFRS1 sets out the procedures that the Group must follow as it adopts IFRSs for the first time as the basis for preparing its consolidated financial statements. The Group is required to establish its accounting policies as at 30 September 2008 and, in general, apply these retrospectively to determine the IFRS opening balance sheet at its date of transition, 1 October 2006. The standard allows a number of exceptions to this general principle. Those that affect the Group are the use of the exemption to IFRS 3, *Business combinations*, to only restate business combinations arising after 1 October 2006, and the application of IFRS 2 to all share options issued after 7 November 2002 and not vested as at 1 October 2005.

The key change to accounting policies is related to goodwill, whereby goodwill will no longer be amortised under IFRSs.

Reconciliations of the adjustments to the profit and loss for reported periods are shown below:

a) Reconciliation of loss for the six months ended 31 March 2007

	UK GAAP	IFRS adjustments	IFRS
	£000's	£000's	£000's
Revenue	823	-	823
Cost of sales	(85)	-	(85)
Gross profit	738	-	738
Research and development expenditure	(6,246)	-	(6,246)
Management and administration expenses	(1,962)	179	(1,783)
Share-based payment	(666)	-	(666)
Operating loss	(8,136)	179	(7,957)
Finance income	393	-	393
Loss before tax	(7,743)	179	(7,564)
Tax credit	1,012	-	1,012
Loss for the period	(6,731)	179	(6,552)

The adjustment of £179,000 represents a reversal of goodwill amortisation charged during the six month period ended 31 March 2007 under UKGAAP.

b) Reconciliation of loss for the year ended 30 September 2007

	UK GAAP	IFRS adjustments	IFRS
	£000's	£000's	£000's
Revenue	5,677	-	5,677
Cost of sales	(254)	-	(254)
Gross profit	5,423	-	5,423
Research and development expenditure	(14,970)	-	(14,970)
Management and administration expenses	(3,239)	357	(2,882)
Share-based payment	(1,130)	-	(1,130)
Operating loss	(13,916)	357	(13,559)
Finance income	958	-	958
Loss before tax	(12,958)	357	(12,601)
Tax credit	2,015	-	2,015
Loss for the period	(10,943)	357	(10,586)

The adjustment of £357,000 represents the reversal of goodwill amortisation charged during the year to 30 September 2007 under UKGAAP.

GW Pharmaceuticals plc
Notes to the interim results (continued)

10. Explanation of transition to IFRSs (continued)

**c) Reconciliation of balance sheet as at 30 September 2007
(date of last UK GAAP financial statements)**

	UK GAAP	IFRS adjustments	IFRS
	£000's	£000's	£000's
Intangible assets - goodwill	4,853	357	5,210
Property, plant and equipment	1,082	-	1,082
Total non-current assets	5,935	357	6,292
Inventories	535	-	535
Trade and other receivables	2,815	-	2,815
Cash and cash equivalents	20,966	-	20,966
Total current assets	24,316	-	24,316
Total assets	30,251	357	30,608
Current liabilities	(7,634)	-	(7,634)
Non current liabilities	(17,311)	-	(17,311)
Total liabilities	(24,945)	-	(24,945)
Net assets	5,306	357	5,663
Equity			
Share capital	120	-	120
Share premium account	58,272	-	58,272
Other reserves	19,262	-	19,262
Retained earnings	(72,348)	357	(71,991)
Total equity	5,306	357	5,663

The adjustment of £357,000 represents the reversal of goodwill amortisation charged under UKGAAP in the year from 1 October 2006 (date of transition to IFRS) to 30 September 2007.

10. Explanation of transition to IFRSs (continued)

d) Reconciliation of balance sheet as at 31 March 2007

	UK GAAP	IFRS adjustments	IFRS
	£000's	£000's	£000's
Intangible assets – goodwill	5,031	179	5,210
Property, plant and equipment	1,044	-	1,044
Total non-current assets	6,075	179	6,254
Inventories	665	-	665
Trade and other receivables	4,940	-	4,940
Cash and cash equivalents	21,914	-	21,914
Total current assets	27,519	-	27,519
Total assets	33,594	179	33,773
Current liabilities	(6,286)	-	(6,286)
Non current liabilities	(18,303)	-	(18,303)
Total liabilities	(24,589)	-	(24,589)
Net assets	9,005	179	9,184
Equity			
Share capital	120	-	120
Share premium account	58,223	-	58,223
Other reserves	19,262	-	19,262
Retained earnings	(68,600)	179	(68,421)
Total equity	9,005	179	9,184

The adjustment of £179,000 represents the reversal of goodwill amortisation charged under UKGAAP in the 6 month period from 1 October 2006 (date of transition to IFRS) to 31 March 2007.

e) Balance sheet as at 1 October 2006 (date of transition to IFRSs)

The transition from UKGAAP to IFRSs did not result in any adjustments to the balance sheet as at 1 October 2006.

11. Availability of information

A copy of this statement is available from the company secretary at Porton Down Science Park, Salisbury, Wiltshire, SP4 0JQ.