

**GW Pharmaceuticals plc
("GW" or "the Group")**

Preliminary Results for the Year Ended 30 September 2005

GW Pharmaceuticals plc, the company which develops and manufactures a range of new medicines based on cannabis and other controlled drugs, announces its preliminary results for the year ended 30 September 2005.

Highlights

- Sativex approved and launched in Canada. In-market sales in first six months of C\$1.1m (£540,000), in line with expectations
- European (ex-UK) marketing agreement for Sativex signed with Almirall, including £12m signature fee
- US FDA accepts IND for Sativex, allowing direct entry into pivotal Phase III trials in cancer pain
- Contract to supply Sativex to 600 patients in Spain under compassionate access programme – first patient now enrolled
- UK Home Office permits import of Sativex from Canada to UK as an unlicensed medicine. Hundreds of enquiries received to date
- Medicines Commission confirms further efficacy data required prior to UK regulatory approval. No quality or safety issues to prevent grant of a product licence
- Pivotal MS spasticity Phase III trial completed patient recruitment and due to report results in the second quarter of 2006
- Two pivotal neuropathic pain Phase III trials ongoing and due to report results by the end of 2006
- Phase III trial shows that Sativex improves symptoms of bladder dysfunction in Multiple Sclerosis
- Progress in earlier stage research programmes, notably rheumatoid arthritis and the study of THCv
- Net loss for the year of £7.5m (2004: £13.7m), in line with budget
- Cash and short term deposits at 30 Sept 2005 of £13.0m (2004: £17.8m)
- Balance sheet significantly strengthened since the year end following the £12m signature fee from Almirall and £8.1m US share placing

Dr Geoffrey Guy, Executive Chairman, commented: "During the last twelve months, GW has made significant advances, including its first product approval and launch, first sales revenues, completion of its most sizeable commercial agreement to date, and, latterly, the grant of a Phase III IND in the United States, the world's largest pharmaceutical market. As a result, we start 2006 in a strong position from a commercial, financial, and scientific perspective.

"We are encouraged by the initial performance of Sativex since its launch in Canada at the end of June. We are pleased that the product is now also generating revenues on a named patient basis in Europe. The smooth commercial introduction of Sativex bodes well for the long term potential of the Sativex franchise.

"With the Canadian launch, Phase III IND in the US, and a comprehensive late stage clinical programme in Europe, GW now has a truly international strategic outlook. Whilst UK

regulatory progress has been slower than hoped, the ongoing Phase III trials programme now provides a number of independent routes to European regulatory approvals for Sativex. In the indication of Multiple Sclerosis spasticity, the pivotal Phase III trial will report results in the second quarter of 2006. In the indication of peripheral neuropathic pain, two pivotal Phase III trials are on track to conclude towards the end of the year.

“In building upon the achievements of 2005, the Company can look forward with confidence to 2006, a year in which we expect to see revenue growth, results from three pivotal clinical trials, a regulatory submission in Europe, the start of pivotal Phase III trials in the US, and a renewed focus on earlier stage research.”

A presentation for analysts is taking place today at 09.30 at Weber Shandwick Square Mile, Fox Court, 14 Gray's Inn Road, London WC1. An audio webcast of the presentation will be available on GW's website at www.gwpharm.com from 15.00 today.

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**GW Pharmaceuticals plc
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Preliminary Results for the Year Ended 30 September 2005

Managing Director's Review

This year marked GW's first regulatory approval and product launch, major milestones in the history of any biopharmaceutical company. Product sales revenues are now growing from the Canadian launch of Sativex as well as from sales of Sativex on an unlicensed basis in Europe. We also signed a major licensing agreement in Europe with Almirall Prodesfarma S.A.. Most recently, we successfully achieved Phase III IND status for Sativex in the United States, the world's largest pharmaceutical market. These achievements contrast with regulatory setbacks in the UK. Nevertheless, GW has a clear and advanced strategy in place, supported by several clinical trials, to resolve this issue. With both the £12m Almirall signature fee as well as a share placing of \$15m (£8.1m net) to a US institutional investor in January, GW has commenced 2006 with a strong balance sheet to advance its pivotal European and US regulatory programmes as well as enhance its earlier stage research efforts.

Canada

In April 2005, Sativex was approved by Health Canada as an adjunctive treatment for symptomatic relief of Neuropathic Pain in adults with Multiple Sclerosis ("MS"). Sativex contains delta-9-tetrahydrocannabinol (THC) and cannabidiol (CBD) as its principal cannabinoid components. The medicine is administered by means of a spray into the mouth and is a pharmaceutical product standardised in composition, formulation and dose.

The product was launched at the end of June by our marketing partner, Bayer HealthCare. In-market sales in the first six months total C\$1.1 million (£540,000), in line with GW/Bayer expectations.

GW was fully responsible for the regulatory process in Canada and succeeded in gaining approval in less than twelve months. The product was approved under Health Canada's Notice of Compliance with Conditions (NOC/c) policy.

Initial physician and patient feedback from market experience in Canada is positive with consistent patterns of safety and efficacy as experienced during the clinical trials. Expected commercial challenges at launch include the lack of any previous clinical trials of Sativex in Canada and, as with all products approved under the NOC/c policy, the lack of reimbursement by the public health system. This situation should change once the "condition" element of the NOC/c approval is lifted, which will follow completion of the planned MS pain trial in 2007.

The Canadian approval has already yielded positive benefits elsewhere, including the use of Sativex as an unlicensed medicine in Spain and the UK (see below).

GW is currently exploring opportunities to expand the regulatory approval in Canada to other indications.

Almirall

In December 2005, GW and Almirall entered into an exclusive agreement for Almirall to market Sativex in Europe (excluding the UK).

Under the terms of the agreement, GW has maintained a significant share of long term product revenues whilst benefiting from a £12 million signature fee. In addition, milestone payments are payable on the successful completion of each of the ongoing pivotal Phase III trials, as well as on regulatory approvals and in relation to achievement of sales targets. Including the signature fee, milestones payable under the contract may total up to £46 million.

Almirall is Spain's largest pharmaceutical company and one of Europe's leading private pharmaceutical companies, with 2005 sales approaching 1 billion Euros. The company has a significant presence in Spain, where it is number two by market share, and subsidiary operations in other major European markets, including France, Germany, Italy, Portugal and Belgium.

Under the agreement GW is responsible for completing the development of Sativex in the three initial target indications of MS symptoms (neuropathic pain and spasticity), neuropathic pain (peripheral and general) and cancer pain. In addition, Almirall and GW expect to collaborate on the development of Sativex in other indications. The parties will be discussing potential new indications over the coming months. It is anticipated that Almirall will contribute to the cost of development of new indications.

The licensed territory includes the members of the European Union (excluding the UK), EU accession countries, as well as Switzerland, Norway and Turkey. In countries where Almirall has no direct presence at the time of product launch, the companies shall jointly agree the appointment of distribution partners. In such countries, GW may elect to distribute the product itself. In the UK, Sativex will be exclusively marketed by Bayer HealthCare.

United States

It has, for some time, been GW's strategy to generate extensive data on Sativex in Europe before embarking on discussions with the Food & Drug Administration (FDA) regarding possible development in the US. One year ago, GW announced that it would embark on plans to open discussions with the FDA. Although this represented a new regulatory development for GW, the company had in fact for several years been preparing for this strategic move by building an extensive support base in the US.

This strategy has now provided the optimum outcome and on 4 January 2006, we were delighted to announce that the FDA had accepted GW's Investigational New Drug (IND) Application for Sativex for the treatment of pain in patients with advanced cancer that has not been adequately relieved by opioid medications. As part of this IND, the FDA agreed that GW may proceed directly into pivotal Phase III clinical trials in the US. We have thus managed to compress the overall potential timelines to filing a US regulatory submission as compared to a US development programme commencing in Phase II.

This IND followed a pre-IND/end of Phase II meeting held with the FDA in summer 2005. In addition, the FDA provided written guidance on the US Phase III trial protocol.

GW expects to carry out two pivotal Phase III trials, each of which include 250 patients with cancer pain in the US, prior to filing a US regulatory submission. The US development plan also includes other smaller scale supporting studies.

Following the recent US equity placing, US-related development activities will commence in the next few months and the Phase III clinical programme is likely to commence in late 2006. In parallel, GW shall seek a US licensing partner for Sativex with a view to such partner taking responsibility for the principal costs of US development. A US regulatory submission could reasonably be expected to occur 24-36 months after the start of the Phase III programme.

European Regulatory Strategy

GW made an initial application for Sativex to the UK regulator, the Medicines and Healthcare products Regulatory Agency (MHRA), in 2003. The application ultimately focused on the use of Sativex for the treatment of Spasticity in MS. This process concluded in May 2005 at the Medicines Commission, the senior advisory body to the MHRA. Disappointingly, the regulators determined that, although there were no quality or safety issues which would prevent an approval, the evidence of efficacy in MS Spasticity was promising but not yet sufficiently compelling to permit the grant of a licence.

The Medicines Commission hearing related solely to the indication of MS Spasticity. However, GW had in parallel put in place a well defined clinical programme which is the subject of formal regulatory advice and which is designed to secure European regulatory approvals for Sativex in a range of indications. There are now a number of independent routes to European regulatory approvals for Sativex in the indications listed below:

- **MS Spasticity**

In the indication of MS spasticity, GW has one completed positive pivotal trial. In order to meet regulatory requirements, a second pivotal study was initiated in early 2005. This study has completed patient recruitment and includes a total of 337 patients, comfortably in excess of recruitment targets. The study is due to report results in the second quarter of 2006. GW believes that this study, together with the existing data, will be sufficient to obtain European regulatory approvals in this indication. Subject to the results of this study, GW would be in a position to make a UK regulatory submission in this indication by the end of the first half of 2006.

- **Peripheral Neuropathic Pain**

GW has received formal guidance from European regulatory authorities that its current clinical programme would be sufficient to support a regulatory filing in the indication of peripheral neuropathic pain. GW has to date reported positive data in four separate neuropathic pain trials, each of which provide strong supportive evidence in this indication. In addition, GW is now conducting two further trials which conform to newly published European regulatory guidelines (which detail requirements for approval in this indication). These studies are a 218 patient study in neuropathic pain in patients with diabetic neuropathy, which is due to report results in the third quarter of 2006, and a 218 patient study in neuropathic pain in patients with allodynia, which is due to complete at the end of the year.

- **Neuropathic Pain in MS**

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 study was formally agreed with the regulator. This 218 patient study will commence in the next few months. In addition to Canada, this study will be used to support a future European regulatory filing in this indication. The trial is expected to complete in summer 2007.

- **General Neuropathic Pain**

The MS pain study described above will provide data in a recognised model of central neuropathic pain. GW has received regulatory advice that the two peripheral neuropathic pain studies described above together with the MS pain study will support an application to broaden a future peripheral neuropathic pain indication to a general neuropathic pain claim.

- **Cancer Pain**

As highlighted above, GW has received permission from the FDA to enter directly into Phase III trials in the US in the indication of cancer pain. This development follows a positive Phase III Cancer Pain trial reported at the beginning of 2005. It is intended that Phase III trials from the US programme will provide a European registration package for this indication also.

In summary, GW has a focused ongoing clinical programme targeted at well defined regulatory indications and which has been, and continues to be, the subject of widespread formal regulatory consultation. Assuming the results of these trials are consistent with previous positive results seen in similar trials already completed, this programme will provide robust registration packages for Sativex in Europe, as well as North America and elsewhere in the world across a range of indications. GW expects to make its next regulatory submission in Europe during calendar 2006.

Supply of Sativex As An Unlicensed Medicine

GW remains committed to achieving regulatory approvals for Sativex around the globe. As we make progress towards this goal, GW is also responding to requests for the supply of Sativex as an unlicensed medicine. In recent months, there have been specific developments of this kind in Spain and the UK.

In November 2005, GW reached agreement with the Health Department of The Regional Government of Catalonia in Spain to supply Sativex 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. The first patient entered the programme in January 2006.

The rationale for this programme was explained by Dr. Rafael Manzanera, General Director of Health Resources of the Catalan Health Department, who said, "This is a direct response to the wishes of patients with a significant unmet medical need. The Catalan administration believes that a non-smoked prescription cannabis derived medicine, such as Sativex, represents the optimum solution for these patients, without in any way promoting the use of herbal cannabis."

In the UK, GW was informed by the Home Office in November 2005 that Sativex may be imported from Canada to satisfy its prescription to individual patients in the UK as an unlicensed medicine. This development is 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 imported is the clinical judgement of doctors in relation to specific nominated patients.

Sativex will remain a Schedule 1 controlled drug in the UK in line with stated government policy. This means that the prescribing of Sativex can only be permitted under Home Office licence. GW has received hundreds of enquiries from both physicians and patients and is now processing such enquiries.

Publications

GW's clinical data has to date been the subject of eight peer-reviewed publications. Highlights this year include publication in the journal, *Neurology*, of a Phase III study showing that Sativex is effective in reducing central neuropathic pain and sleep disturbance in people with Multiple Sclerosis (MS)ⁱ. In addition, the journal *Rheumatology*, published a Phase II study in patients with Rheumatoid Arthritis showing that Sativex "has a significant effect on easing pain and on suppressing the disease"ⁱⁱⁱ.

Presentations of GW data have been made this year by key opinion leaders at meetings of the American Academy of Neurology, the American Pain Society, the British Pain Society, the Association of British Neurologists, the ECTRIMS/ACTRIMS Multiple Sclerosis meeting and the International Association for the Study of Pain.

Trial Results

GW also reports today preliminary results in two non-pivotal Phase III trials. The trials commenced prior to implementation of the current regulatory strategy and hence do not have pivotal regulatory utility.

The first study incorporated 135 patients with advanced MS who were experiencing bladder dysfunction ("Detrusor Overactivity") that was not responding adequately to currently available treatment. In the trial, Sativex achieved statistically significant improvements in a range of bladder symptoms, including nocturia ($p=0.01$), daytime frequency ($p=0.044$), frequency per 24 hours ($p=0.001$), bladder symptom severity ($p=0.001$). A significant effect was also seen in the patient's global impression of change ($p=0.005$). There was also a strong trend in favour of Sativex in urgency ($p=0.07$). There was no significant effect on incontinence, the primary endpoint of the study. The adverse event data showed the medicine to be generally well tolerated.

Professor Clare Fowler, Professor of Uro-Neurology at the Institute of Neurology, UCL and Consultant in Uro-Neurology, National Hospital for Neurology & Neurosurgery, said, "This study demonstrates that in patients with MS who have exhausted other pharmacological treatments, Sativex improved some of their most troublesome symptoms of bladder dysfunction. The impact that Sativex had, particularly on frequency and nocturia in these patients was of significant benefit for them and was maintained in long-term use. The results suggest that Sativex will have a useful place in the management of these distressing problems."

The results offer promise that bladder dysfunction may provide a further new indication for Sativex in due course.

The second study is a non-pivotal study in 117 patients with pain due to spinal cord injury. This study was designed in 2002 and does not meet recently published new regulatory guidelines for neuropathic pain studies. In this study, Sativex achieved a statistically significant effect on the Brief Pain Inventory ($p=0.032$) as well as the patient's global impression of change ($p=0.001$). However, there was no significant effect on pain as measured on a numeric rating scale, the primary endpoint of the study. The apparent internal contradiction in results requires further consideration. Some explanation may lie in the recent neuropharmacological observation that intact spinal nerve pathways are required for effective cannabinoid analgesia.

Tetrahydrocannabivarin (THCV)

For several years, GW has been undertaking a botanical research programme targeted at THCV, a naturally occurring variant of THC. This programme led to the exciting pharmacological finding last year by Professor Roger Pertwee, GW's Director of Pharmacology, that THCV acts as an antagonist at both the CB1 and CB2 receptor, with a potency similar to that of rimonabant, the potential blockbuster drug developed by Sanofi-Aventis. This GW-led discovery has reverberated through the world of cannabinoid research and has kick-started a new GW research programme aimed at fully elaborating the pharmacology of THCV. Further work over the next year will add to the understanding of this naturally occurring cannabinoid, and GW also hopes to start human clinical trials. THCV is one of a wide range of cannabinoids which offer the potential for a significant expansion of GW's clinical portfolio in the coming years.

Advanced Dispensing System

Progress has been slower than anticipated this year towards commencing a clinical trial with GW's second generation Advanced Dispensing System (ADS). Much of the required regulatory device approval testing has been successfully completed and final software modifications are ongoing prior to achieving all that is required for commencing the clinical trial.

This system has been specifically developed to allow for methadone to be dispensed safely and reliably in the treatment of drug addiction. The clinical trial will be carried out at the UK National Addiction Centre. Upon completion, GW will look to expand the adoption of the ADS system at drug treatment centres around the UK.

GW has commenced early stage preparations for ADS in the US market and is working with officials at two US federal agencies, the National Institute for Drug Abuse (NIDA) and the Center for Substance Abuse Treatment (CSAT). As part of this arrangement, it has been agreed to conduct a pilot US trial which will follow completion of the UK trial. NIDA have agreed in principle to fund this trial, which is expected to take place at Johns Hopkins University.

Prospects

During the next twelve months, GW expects to benefit from revenue growth from sales of Sativex, commence US Phase III development, complete three key pivotal Phase III trials and submit a new regulatory submission in Europe. Having achieved approval in Canada, we remain committed to securing approval for Sativex across Europe as well as in the United States and elsewhere, and have put in place a clear clinical programme based on formal regulatory advice, which is designed to ensure that this objective is met as rapidly as possible. We have seen excellent clinical data from our trials to date and have good reason to expect similar results from our future trials. In addition, we are now in a position to focus additional resource on earlier stage research programmes.

Justin Gover
Managing Director

Financial Review

This year has seen GW obtain its first product approval and make its first commercial sales of Sativex. Since the year end GW has completed a European licensing deal, commenced sales of Sativex as an unlicensed medicine in Spain, and concluded a US share placing. As

a result, we enter 2006 with a significantly strengthened balance sheet and are well placed to capitalise on our commercial ambitions.

Results of Operations

The Group loss for the year ended 30 September 2005 was £7.5m (2004: £13.7m).

Turnover of £3.11m in the year includes £2.8m of milestone income received following regulatory approval for Sativex in Canada plus £0.31m of product sales revenues representing GW's first commercial supplies to our marketing partner, Bayer, following the Canadian launch of Sativex in June 2005.

Research and development expenditure, which is expensed as incurred, decreased to £10.3m (2004: £13.9m). This expenditure was in line with the planned reduction in our research activities as outlined in last year's Annual Report. Management and administrative expenses decreased to £2.6m (2004: £2.7m).

The average headcount of the Group for the year was 101 (2004: 128) and we ended the year with 105 employees (2004: 108).

Capital expenditure was £0.1m (2004: £0.8m) as no major capital expenditure projects were undertaken in the year.

The Group benefited from net interest income of £0.7m (2004: £1.0m).

Stock

Following the approval of Sativex in Canada, stock was recognised for the first time in our interim accounts to 31 March 2005. The stock represents the value of raw materials, work in progress and finished goods ready to satisfy the anticipated demand for Sativex from the Canadian market and from our recently signed contract with the Catalonian Department of Health. The inclusion of £0.66m of stock in the balance sheet has resulted in a corresponding credit to the profit and loss account in the year.

Share Issues

In February 2005 the Company raised £2.5m via a placing of 2,034,894 shares at £1.235. In addition the Company has received £262,000 via the exercise of share options.

Subsequent to the year end, in January 2006, the Company raised £8.6m via a placing to a US investor of 6,165,978 shares at £1.3961. This financing will permit GW to start the US development of Sativex whilst the company seeks a US licensing partner.

Research and Development Tax Credit

The Group has claimed a research and development tax credit of £1.7m (2004: £2.1m) which is shown as a credit to the profit and loss account and is subject to agreement with HM Revenue and Customs.

Liquidity and Cash Resources

The Group's net funds comprise cash balances together with amounts held on short term deposit. Cash and short term deposits at 30 September 2005 totalled £13.0m (2004: £17.8m). The net cash outflow during the year (before financing and management of liquid resources) was £7.5m (2004: £14.3m).

2006 Financial Year

In the first few months of the 2006 financial year, GW has significantly increased its cash position with the £12m signature fee from the marketing agreement with Almirall combined with the US placing which netted an additional £8.1m after costs.

In 2006, principally as a result of the European Phase III trials, initial US development activity and increased earlier stage research, we expect R&D expenditure to increase by about 30% over 2005. This will bring R&D expenditure back to around 2004 levels. Setting aside the recently completed US equity placing, GW expects 2006 to be approximately cash neutral.

David Kirk
Finance Director

- Ends -

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This news release may contain forward-looking statements that reflect the Company's current expectations regarding future events, including the clinical development and regulatory clearance of the Company'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 Company'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 Company's other products, the uncertainties related to the regulatory process, and the acceptance of Sativex and other products by consumers and medical professionals.

i 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

ii D. R. Blake, P. Robson, M. Ho, R. W. Jubb, and C. S. McCabe. Preliminary assessment of the efficacy, tolerability and safety of a cannabis-based medicine (Sativex) in the treatment of pain caused by rheumatoid arthritis. *Rheumatology*, January 2006; 45: 50 - 52.

GW Pharmaceuticals plc
Preliminary Results for the Year Ended 30 September 2005
Consolidated Profit and Loss Account

	Notes	2005 £000's	2004 £000's
Turnover		3,110	-
Cost of sales		(82)	-
Gross Profit		3,028	-
Research and development costs		(10,276)	(13,937)
Management and administrative expenses		(2,628)	(2,752)
Operating loss		(9,876)	(16,689)
Interest receivable		682	961
Interest payable		-	(3)
Loss on ordinary activities before taxation		(9,194)	(15,731)
Tax credit on loss on ordinary activities	2	1,678	2,051
Loss on ordinary activities after taxation being retained loss for the financial year		<u>(7,516)</u>	<u>(13,680)</u>
Loss per share - basic and diluted	3	(6.7p)	(12.4p)

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 2005
Consolidated Balance Sheet

	Notes	At 30 Sept 2005 £000's	At 30 Sept 2004 £000's
Fixed assets			
Intangible assets – goodwill		5,566	5,922
Tangible assets		723	1,026
		<u>6,289</u>	<u>6,948</u>
Current assets			
Stocks		656	-
Debtors		2,135	2,381
Cash held on deposit as short term investments		10,120	13,152
Cash at bank and in hand		2,913	4,655
		<u>15,824</u>	<u>20,188</u>
Creditors: Amounts falling due within one year		<u>(3,379)</u>	<u>(3,609)</u>
Net current assets		<u>12,445</u>	<u>16,579</u>
Total assets less current liabilities		18,734	23,527
Provisions for liabilities and charges		(22)	(69)
Net assets		<u>18,712</u>	<u>23,458</u>
Capital and reserves			
Called-up share capital		114	111
Share premium account	4	50,103	47,336
Other reserves	4	19,262	19,262
Profit and loss account	4	(50,767)	(43,251)
Equity shareholders' funds	5	<u>18,712</u>	<u>23,458</u>

GW Pharmaceuticals plc
Preliminary Results for the Year Ended 30 September 2005
Consolidated Cash Flow Statement

	Notes	2005 £000's	2004 £000's
Net cash outflow from operating activities	6	(10,026)	(16,403)
Returns on investments and servicing of finance		717	1,097
Taxation		1,883	1,725
Capital expenditure		(112)	(764)
Cash outflow before management of liquid resources and financing		(7,538)	(14,345)
Management of liquid resources		3,032	15,893
Financing		2,764	108
(Decrease) / increase in cash during the year		(1,742)	1,656

Notes:

1 Basis of presentation

The preliminary statement covers the year ended 30 September 2005. It has been prepared using the same accounting policies as those adopted in preparing the statutory accounts for the year ended 30 September 2004.

The Board of Directors of the Company approved the statement on 18 January 2006.

The 2005 and 2004 accounts received unqualified reports from the Auditors and did not contain any statements under S237(2) or (3) of the Companies Act 1985. The 2005 accounts will be filed with the Registrar of Companies following the Annual General Meeting. The 2004 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 21 March 2006 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 year ended 30 September 2005 but is derived from those accounts.

2 Tax credit on loss on ordinary activities

The tax credit of £1,678,000 (2004: £2,051,000) has arisen as a result of the research and development expenditure claimed under the Finance Act 2000.

At 30 September 2005 the Group had trading losses of approximately £33m (2004: £30m) 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.

3 Loss per share

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

	Basic		Diluted	
	2005 £000's	2004 £000's	2005 £000's	2004 £000's
Loss for the financial year	<u>(7,516)</u>	<u>(13,680)</u>	<u>(7,516)</u>	<u>(13,680)</u>
			2005 Number of shares	2004 Number of shares
Weighted average number of shares:			<u>112,512,974</u>	<u>110,647,389</u>

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

4 Reserves

Group	Share premium account £000's	Other reserves £000's	Profit and loss account £000's	Total £000's
At 1 October 2004	47,336	19,262	(43,251)	23,347
Exercise of share options	261	-	-	261
Equity share issue	2,511	-	-	2,511
Expense of equity share issue	(5)	-	-	(5)
Retained loss for the year	-	-	(7,516)	(7,516)
At 30 September 2005	<u>50,103</u>	<u>19,262</u>	<u>(50,767)</u>	<u>18,598</u>

5 Reconciliation of movements in Group shareholders' funds

	2005 £000's	2004 £000's
Loss for the financial year	(7,516)	(13,680)
New ordinary shares issued net of expenses	<u>2,770</u>	<u>172</u>
Net reduction addition to shareholders' funds	(4,746)	(13,508)
Opening shareholders' funds	<u>23,458</u>	<u>36,966</u>
Closing shareholders' funds	<u>18,712</u>	<u>23,458</u>

6 Reconciliation of operating loss to net cash outflow from operating activities

	2005 £000's	2004 £000's
Operating loss	(9,876)	(16,689)
Depreciation charge	414	526
Amortisation of goodwill	356	357
Loss on disposal of fixed assets	-	14
Increase in stocks	(656)	-
Decrease / (increase) in debtors	7	(47)
Decrease in creditors	(271)	(564)
Net cash outflow from operating activities	<u>(10,026)</u>	<u>(16,403)</u>

7 Subsequent events

On 12 December 2005 the Company announced that it had signed a European Development and Marketing Agreement for Sativex with Almirall Prodesfarma S.A., which included a £12 million upfront signature fee. Almirall have deducted a 10% Spanish withholding tax from this payment. We are in discussions with our advisers regarding reclaiming this amount.

On 4 January 2006 the Company announced that it had obtained a late stage US Investigational New Drug (IND) Application for Sativex and raised \$15 million (£8.6 million) by placing 6,165,978 new Ordinary shares of 0.1p each at £1.3961 per share with a US based institutional investor. The placing which netted £8.1m after costs was to provide the Company with additional working capital and in particular to provide the Group with the resources to start making commitments to the US development of Sativex.