

**Company Registration No. 03107561**

**GW Research Limited**  
(formerly G-Pharm Limited)

**Report and Financial Statements**

**Year ended 30 September 2011**

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**REPORT AND FINANCIAL STATEMENTS 2011**

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**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

Dr G W Guy  
Mr J D Gover  
Mr D F Kirk  
Mr A D George  
Dr S Wright (appointed 28 September 2011)

**SECRETARY**

Mr A D George

**REGISTERED OFFICE**

Porton Down Science Park  
Salisbury  
Wiltshire  
SP4 0JQ

**AUDITORS**

Deloitte LLP  
Reading, United Kingdom

## **DIRECTORS' REPORT**

The Directors present their annual report on the affairs of the Company together with the financial statements and independent auditor's report for the year ended 30 September 2011. The directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

## **PRINCIPAL ACTIVITIES**

The principal activity of the Company is the research, development and commercialisation of a range of cannabinoid prescription medicines to meet patient needs in a wide range of medical conditions.

The company did not trade during this financial year, but is expected to commence research and development activity with effect from 1 October 2011. Further details are provided in note 14.

On 30 September 2011 the Company changed its name from G-Pharm Ltd to GW Research Ltd.

## **RESULTS AND DIVIDENDS**

The audited financial statements for the year ended 30 September 2011 are set out on pages 5 to 10. The profit for the year after taxation was £nil (2010: £210,699).

The Directors do not recommend the payment of a dividend (2010: £nil).

## **DIRECTORS**

The Directors who served during the year and to the date of signing these financial statements are detailed on page 1.

## **GOING CONCERN**

The Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing these financial statements.

## **AUDITORS**

In the case of each of the persons who are Directors of the Company at the date when this report is approved:

- so far as each of the Directors is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- each of the Directors has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

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



D F Kirk  
Director  
21 November 2011

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GW RESEARCH LIMITED (FORMERLY G-PHARM LIMITED)**

We have audited the financial statements of GW Research Limited (formerly G-Pharm Limited) for the year ended 30 September 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of Directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2011 and of its result for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the Directors were not entitled to take advantage of the small companies exemption in preparing the Directors' report.

Anna Marks (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditors  
Reading, United Kingdom  
21 November 2011

**PROFIT AND LOSS ACCOUNT**

**Year ended 30 September 2011**

	Notes	2011 £	2010 £
<b>TURNOVER</b>	2	-	210,699
Administrative expenses		-	-
<b>OPERATING RESULT / PROFIT</b>		-	210,699
Interest receivable - bank interest		-	-
<b>RESULT / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	3	-	210,699
Tax on result / profit on ordinary activities	5	-	-
<b>RESULT / PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION BEING RETAINED PROFIT FOR THE YEAR</b>	11	-	210,699

All activities relate to continuing operations

The Company has no recognised gains and losses other than the profit above, and therefore no separate statement of total recognised gains and losses has been presented

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

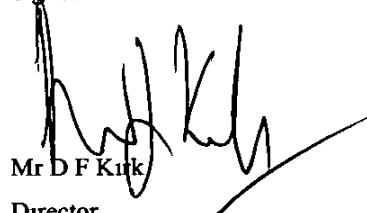
**BALANCE SHEET**

**As at 30 September 2011**

	<b>Note</b>	<b>2011 £</b>	<b>2010 £</b>
<b>FIXED ASSETS</b>			
Investments	6	1	1
<b>CURRENT ASSETS</b>			
Debtors	7	540,431	540,431
<b>CREDITORS: amounts falling due within one year</b>	8	(1,000)	(1,000)
<b>NET CURRENT ASSETS</b>		539,431	539,431
<b>NET ASSETS</b>		539,432	539,432
<b>CAPITAL AND RESERVES</b>			
Called up share capital	9	130,852	130,852
Share premium account	10	77,700	77,700
Profit and loss account	10	330,880	330,880
<b>SHAREHOLDER'S FUNDS</b>	11	539,432	539,432

These financial statements of GW Research Limited, registered number 03107561, were approved and authorised for issue by the Board of Directors on 21 November 2011

Signed on behalf of the Board of Directors



Mr D F Kirk  
Director

21 November 2011

The accompanying notes are an integral part of this balance sheet



**NOTES TO THE ACCOUNTS**  
**Year Ended 30 September 2011**

**1. ACCOUNTING POLICIES**

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

**Basis of accounting**

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

The Company has taken advantage of the exemption from preparing consolidated financial statements afforded by section 401 of the Companies Act 2006 because it is a wholly owned subsidiary of GW Pharmaceuticals plc which prepares consolidated financial statements which are publicly available. The Company is also, on this basis, exempt from the requirements of FRS 1 to present a cashflow. The financial statements contain information about GW Research Limited as an individual undertaking and do not contain consolidated financial information as the parent of a group.

**Going Concern**

The Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing these financial statements.

**Investments**

Fixed asset investments are shown at cost less any provision for impairment.

**Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is measured on a non-discounted basis.

**Turnover**

Turnover represents amounts receivable for royalties upon sales of horticultural and pharmaceutical products to customers. It is recognised as sales are made to customers by a fellow Group company.

**2. TURNOVER**

Turnover in the prior year arose from the company's principal activity which was carried out wholly within the UK. All Turnover was derived from a fellow Group company.

Following the termination of the royalty arrangements between GW Research Ltd and GW Pharma Ltd on 1 October 2010 the company did not trade during the year.

**3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

The current year's auditor's remuneration of £500 (2010: £500) has been borne by another group company.

**4. DIRECTORS' EMOLUMENTS AND EMPLOYEES**

The five (2010: four) Directors are employed by other group companies and are remunerated £1,316,869 for their services to the group (2010: £1,580,089). The Directors' emoluments allocated to this company are £nil (2010: £nil).

The company had no employees in either year.

**NOTES TO THE ACCOUNTS (CONTINUED)**  
**Year Ended 30 September 2011**

**5. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	2011 £	2010 £
UK corporation tax		
UK corporation tax on profit for the year	-	-
<b>Factors affecting the tax charge for the year</b>		
The differences are explained below		
	2011 £	2010 £
Company profit on ordinary activities before tax	-	210,699
Tax credit on Company profit at standard UK corporation tax rate of 28% (2010 28%)	-	58,996
Effects of Group relief	-	(58,996)
<b>Taxation charge for the year</b>	-	-

**6. FIXED ASSET INVESTMENTS**

	Unlisted subsidiary undertakings £
At 1 October 2010 and 30 September 2011	1

Company	Country of incorporation	Description and proportion of shares held	Principal activity
G-Pharm Trustee Limited	England and Wales	100% of ordinary shares	Dormant

**7. DEBTORS**

Amounts falling due within one year

	2011 £	2010 £
Amounts due from Group undertakings	540,431	540,431

**NOTES TO THE ACCOUNTS (CONTINUED)**  
**Year Ended 30 September 2011**

**8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2011 £	2010 £
Accruals	1,000	1,000

**9. SHARE CAPITAL**

	2011 £	2010 £
<b>Authorised</b> 250,002 ordinary shares of £1 each	250,002	250,002
<b>Allotted, called up and fully paid</b> 130,852 ordinary shares of £1 each	130,852	130,852

**10. RESERVES**

	Share premium account £	Profit and loss account £
As at 1 October 2010 and at 30 September 2011	77,700	330,880

**11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS**

	2011 £	2010 £
Shareholder's funds at beginning of year	539,432	328,733
Retained profit for the year	-	210,699
Shareholder's funds at end of year	539,432	539,432

**12. ULTIMATE CONTROLLING PARTY**

The Directors regard GW Pharmaceuticals plc, a company incorporated in England and Wales, as the ultimate parent company and the controlling party

GW Pharmaceuticals plc is the parent company of the largest and smallest group of which the Company is a member and for which group financial statements are drawn up. Copies are available from Porton Down Science Park, Salisbury, Wiltshire, SP4 0JQ

**13. RELATED PARTY TRANSACTIONS**

As a subsidiary undertaking of GW Pharmaceuticals plc, the Company has taken advantage of the exemption in FRS 8 "Related party disclosures" from disclosing transactions with other members of the group headed by GW Pharmaceuticals plc

**NOTES TO THE ACCOUNTS (CONTINUED)**  
**Year Ended 30 September 2011**

**14. SUBSEQUENT EVENTS**

On 1 October 2011, as part of a planned reorganisation of Group activities, GW Research Limited has taken over the majority of the research and development activities of GW Pharma Limited. This includes the transfer of employment of circa 125 staff previously employed by GW Pharma Limited. These staff will primarily be working on the Company's research and development activities, progressing the Group's development of its cannabinoid pipeline and will also support GW Pharma's commercial Sativex activities.