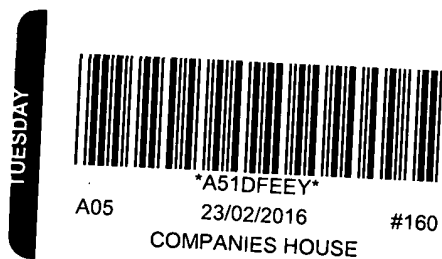


**GW Research Limited**

**Report and Financial Statements**

**Year ended 30 September 2015**



**REPORT AND FINANCIAL STATEMENTS 2015**

<b>CONTENTS</b>	<b>Page</b>
<b>Officers and professional advisers</b>	<b>1</b>
<b>Strategic report</b>	<b>2</b>
<b>Directors' report</b>	<b>5</b>
<b>Statement of Directors' responsibilities</b>	<b>7</b>
<b>Independent auditor's report</b>	<b>8</b>
<b>Profit and loss account</b>	<b>10</b>
<b>Balance sheet</b>	<b>11</b>
<b>Statement of changes in equity</b>	<b>12</b>
<b>Notes to the financial statements</b>	<b>13</b>

**REPORT AND FINANCIAL STATEMENTS 2015**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

Dr G W Guy  
Mr A D George  
Dr S Wright  
Mr C Tovey

**SECRETARY**

Mr A D George

**REGISTERED OFFICE**

Sovereign House  
Vision Park  
Chivers Way  
Histon  
Cambridge  
CB24 9BZ

**PRINCIPAL BANKERS**

HSBC Bank plc  
70 Pall Mall  
London  
SW1Y 5EZ

**SOLICITORS**

Mayer Brown LLP  
201 Bishopsgate  
London  
EC2M 3AF

**AUDITOR**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London  
United Kingdom

## **STRATEGIC REPORT**

The Directors present their Strategic Report for GW Research Limited (“GWR” or “the Company”) for the year ended 30 September 2015.

### **BUSINESS REVIEW**

GWR is developing a broad pipeline of cannabinoid prescription pharmaceutical product candidates with a focus upon orphan diseases in the fields of refractory epilepsy, neonatal hypoxia, disorders of the central nervous system and oncology. We aim to develop and commercialise valuable medicines that address areas of high unmet patient need.

During 2015 the Company has made substantial progress with the development of our cannabinoid product pipeline. Key achievements can be summarised as follows:

- The Company sponsored Phase 3 development programs in Dravet syndrome and Lennox-Gastaut syndrome have made rapid progress:
  - First Phase 3 Dravet syndrome trial fully enrolled above original target sample size (120 randomized) with results expected in Q1 2016
  - First LGS Phase 3 trial fully enrolled above original target sample size (171 randomized). Results are expected in Q2 2016
  - Second LGS Phase 3 trial fully enrolled above original target sample size. (>210 expected to randomize). Results are expected in Q2 2016
  - 2nd Phase 3 Dravet syndrome trial is ongoing. Results are expected the second half of 2016
  - We remain on track for NDA submission with FDA, expected Q4 2016
  - Phase 3 Tuberous Sclerosis Complex trial expected to commence in early 2016
- The Epidiolex expanded access program has continued to generate valuable safety data and positive signals in a broad range of patients being treated across a number of investigator initiated treatment initiatives:
  - Separate data update announcement issued at the American Epilepsy Society December 2015 Annual Meeting
  - Approximately 350 children on treatment at 32 U.S. clinical sites
  - Over 850 children authorized for treatment by FDA under Expanded Access Treatment INDs and 6 U.S. State programs
- We have also advanced clinical programs with multiple cannabinoid pipeline product candidates:
  - Phase 2a CBD schizophrenia study data demonstrated positive proof-of-concept data with a reassuring safety profile
  - Phase 2 CBDV epilepsy study in adults is underway, with results expected in H2 2016
  - A new Neonatal Hypoxic-Ischemic Encephalopathy (NHIE) IV CBD 1 clinical program is expected to commence in H2 2016
  - Orphan Drug and Fast Track Designations granted from FDA and EMA
  - Phase 1b/2a study for the treatment of Recurrent Glioblastoma Multiforme (GBM) fully enrolled with data expected in mid-2016
  - Glioma Orphan Drug Designation granted from FDA
  - Phase 2 study in type-2 diabetes fully enrolled with data expected mid 2016
  - Phase 2 study of Sativex in spasticity due to cerebral palsy ongoing with data expected mid 2016
- Substantial progress has been made with a number of pre-clinical programmes that seek to address areas of high unmet patient need including autism spectrum disorders, duchenne muscular dystrophy, glioma, ovarian and pancreatic cancers.

## **STRATEGIC REPORT (CONTINUED)**

### **BUSINESS REVIEW (CONTINUED)**

Research and development costs have increased by £30,438k, or 108%, from £28,119k to £58,557k in the year. This increase has been driven by our rapid progress with the Phase 3 clinical development of Epidiolex® to treat refractory epilepsy patients with Dravet and Lennox Gastaut syndrome.

Other operating income has increased by £172k, or 16%, from £1,109k to £1,281k, as our staff continue to provide support services to other group companies.

We look forward to a year of continued progress with these programmes during 2016, during which we expect to achieve the Phase 3 clinical data necessary to enable us to initiate the steps necessary to seek the regulatory approvals needed to enable us to start to commercialise Epidiolex.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

In common with other pharmaceutical development companies the Company faces a number of risks and uncertainties.

#### **Clinical**

Clinical trials may encounter delays or fail to achieve their endpoints.

#### **Regulatory**

Regulatory bodies around the world have different requirements for the approval of therapeutic products. This may result in the restriction of indication, denial of approval or demands for additional data. Some regulators may refuse to consider approving cannabinoid products.

#### **Legislative**

The Company's research material consists primarily of controlled drugs and as such is subject to both national and international legislation, which can change at any time. Rescheduling is often required before a cannabinoid medicine may be marketed. Such rescheduling may be refused or delayed.

#### **Orphan drug designation**

In respect of our product candidates targeting orphan indications, orphan drug exclusivity may afford limited protection, and if another party obtains orphan drug exclusivity for the drugs and indications we are targeting, we may be precluded from commercialising our product candidates in those indications during that period of exclusivity.

#### **Formulation and bioavailability, effect on commercial viability**

Our new cannabinoid formulations may not achieve the bioavailability to demonstrate efficacy in clinical trials or the cost to manufacture the high doses needed to demonstrate efficacy may prove to be too high to be commercially viable.

#### **Safety**

During development or during post-marketing surveillance, quality, safety, efficacy or tolerability issues may emerge which may result in the withdrawal or restriction of the product licence or early termination of clinical development programmes.

#### **Intellectual property**

The Company may not be able to secure and maintain the intellectual property protection for its products or may be prevented from commercialising some of its product candidate by the existence of competitor owned intellectual property.

#### **Funding**

The Company currently relies on funding from its parent company, GW Pharmaceuticals plc. If it fails to obtain such funding in the future the Company may need to delay or scale back some of its research and development programmes or the future commercialisation of some of its products.

**STRATEGIC REPORT (CONTINUED)**

**STRATEGY, OBJECTIVES AND BUSINESS MODEL**

The Directors have not presented a separate analysis of the strategy, objectives and business model of GW Research Limited as this is disclosed as part of the consolidated financial statements of GW Pharmaceuticals plc, which are publicly available.

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

A handwritten signature in black ink, appearing to read 'A D George'.

A D George

Director & Company Secretary

11 February 2016

## **DIRECTORS' REPORT**

The Directors present their annual report on the affairs of GW Research Limited together with the financial statements and independent auditor's report for the year ended 30 September 2015.

### **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.

### **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Company is exposed to a number of financial risks, including credit risk, liquidity risk, market price risk and exchange rate risk. The Company can use financial instruments to mitigate these. It is Company policy that no speculative trading in financial instruments shall be undertaken.

#### **Credit Risk**

The Company's principal financial assets are cash and short-term cash equivalents. Risk is minimised through an investment policy restricting the investment of surplus cash to interest bearing deposits principally held with the major UK banking groups and with UK subsidiaries of banking groups with acceptable credit ratings.

Trade receivables are concentrated to a small number of large customers with well-established relationships, where the risk and history of default is considered to be low.

#### **Liquidity Risk**

This risk is minimised by placing surplus funds in a range of low risk cash deposits and short-term liquid investments for periods up to 90 days. This portfolio of deposits is managed to ensure that a rolling programme of maturity dates is managed in accordance with Company expenditure plans in order to ensure available liquid cash funds when required.

#### **Market Price Risk**

Market price risk primarily comprises interest rate exposure risk, which is managed by maintaining a rolling programme of varying deposit maturity dates, up to a maximum of 90 days, on a breakable deposit basis. The majority of funds are deposited for terms of less than 90 days. This allows the Company to react to rate changes within a reasonable timeframe and to mitigate pricing risk accordingly.

#### **Exchange Rate Risk**

The Company's functional currency is Pounds Sterling (GBP). However, during the year the Company had exposure to Euros (€), US Dollars (US\$) and Canadian Dollars (CAD\$). The Company's policy is to maintain natural hedges, where possible, by matching cash balances and receipts with planned expenditure.

## **RESULTS AND DIVIDENDS**

The audited financial statements for the year ended 30 September 2015 are set out on pages 10 to 26. The loss for the year after taxation was £58,759,214 (2014: £26,248,205).

The Directors do not recommend the payment of a dividend (2014: £nil).

## **DIRECTORS**

The Directors who served throughout the year and to the date of signing these financial statements, unless otherwise stated, are detailed as follows:

Dr G W Guy  
Mr J D Gover (resigned 30 June 2015)  
Mr A D George  
Dr S Wright  
Mr C Tovey

## **DIRECTORS' REPORT (CONTINUED)**

### **GOING CONCERN**

In view of the Company's losses and net liabilities, the Company is reliant upon the continuing financial support of its parent company, GW Pharmaceuticals plc. The Directors of the parent company, having considered the financial position of GW Pharmaceuticals plc, have stated that it is their intention to continue to provide financial support to the company for at least twelve months from the date of signing of these financial statements and have provided a letter of support.

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

### **AUDITOR**

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 auditor is 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 auditor is 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 auditor 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



A D George

Director & Company Secretary

11 February 2016

## **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 Financial Reporting Standard 101 *Reduced Disclosure Framework*. 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**

We have audited the financial statements of GW Research Limited for the year ended 30 September 2015 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 20. 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), including FRS 101 "Reduced Disclosure Framework".

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 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2015 and of its loss 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, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GW RESEARCH LIMITED (CONTINUED)**

### **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.



David Hedditch (Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom  
11 February 2016

## PROFIT AND LOSS ACCOUNT

Year ended 30 September 2015

	Note	2015 £	2014 £
Other operating income	2	1,280,904	1,109,315
Research and development expenditure	3	(58,557,020)	(28,119,288)
Management and administrative expenses		(8,652,198)	(1,842,691)
Share-based payment charge	14	(1,426,924)	(761,300)
Total administrative expenses		(68,636,142)	(30,723,279)
<b>OPERATING LOSS</b>		(67,355,238)	(29,613,964)
Interest payable	7	(4,209,928)	(2,165,148)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(71,565,166)	(31,779,112)
Tax credit on loss on ordinary activities	8	12,805,952	5,530,907
<b>LOSS FOR THE FINANCIAL YEAR</b>	6	(58,759,214)	(26,248,205)

All activities relate to continuing operations.

The Company has no other comprehensive income or expenses other than the loss above, and therefore no separate Statement of Comprehensive Income has been presented.

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

**BALANCE SHEET****As at 30 September**

	Note	2015 £	2014 £
<b>FIXED ASSETS</b>			
Intangible assets	9	137,500	-
Tangible assets	10	9,742,355	4,507,597
Investments in subsidiaries	11	1	1
		<b>9,879,856</b>	<b>4,507,598</b>
<b>CURRENT ASSETS</b>			
Debtors	12	1,743,556	1,642,653
Taxation recoverable		12,641,212	5,250,000
Cash and cash equivalents		470,941	305,660
		<b>14,855,709</b>	<b>7,198,313</b>
<b>CREDITORS: amounts falling due within one year</b>			
Trade and other payables	13	(20,689,416)	(7,289,557)
Obligations under finance leases	14	(111,478)	(125,744)
		<b>(20,800,894)</b>	<b>(7,415,301)</b>
<b>NET CURRENT LIABILITIES</b>		<b>(5,945,185)</b>	<b>(216,988)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>3,934,671</b>	<b>4,290,610</b>
<b>CREDITORS: amounts falling due after one year</b>			
Obligations under finance lease	14	(1,540,094)	(1,780,864)
Amounts owed to parent company	13	(115,690,547)	(58,473,426)
		<b>(117,230,641)</b>	<b>(60,254,290)</b>
<b>NET LIABILITIES</b>		<b>(113,295,970)</b>	<b>(55,963,680)</b>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	130,852	130,852
Share premium account		77,700	77,700
Profit and loss account		(113,504,522)	(56,172,232)
<b>TOTAL SHAREHOLDER'S DEFICIT</b>		<b>(113,295,970)</b>	<b>(55,963,680)</b>

These financial statements of GW Research Limited, registered number 03107561, were approved and authorised for issue by the Board of Directors on 11 February 2016.

Signed on behalf of the Board of Directors.



Mr A D George

Director

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

# STATEMENT OF CHANGES IN EQUITY

Year ended 30 September 2015

	Share capital £	Share premium account £	Profit and loss account £	Total £
Balance at 30 September 2013	130,852	77,700	(30,685,327)	(30,476,775)
Share-based payment transactions	-	-	761,300	761,300
Loss for the financial year	-	-	(26,248,205)	(26,248,205)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>(26,248,205)</b>	<b>(26,248,205)</b>
Balance at 30 September 2014	130,852	77,700	(56,172,232)	(55,963,680)
Share-based payment transactions	-	-	1,426,924	1,426,924
Loss for the financial year	-	-	(58,759,214)	(58,759,214)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>(58,759,214)</b>	<b>(58,759,214)</b>
<b>Balance at 30 September 2015</b>	<b>130,852</b>	<b>77,700</b>	<b>(113,504,522)</b>	<b>(113,295,970)</b>

The accompanying notes are an integral part of this statement of changes in equity.

## NOTES TO THE FINANCIAL STATEMENTS

### Year ended 30 September 2015

#### 1. ACCOUNTING POLICIES

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

##### **Basis of accounting**

GW Research Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the Strategic Report on pages 2 to 4

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 30 September 2015 the company has changed its accounting framework from UK GAAP to FRS 101 as issued by the Financial Reporting Council and has, in doing so, applied the requirements of IFRS 1.6-33 and related appendices. These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. There were no material adjustments on adoption of FRS 101 in the current year. For more information see note 20.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the good and services. The principal accounting policies adopted are set out below.

These financial statements are separate financial statements. Details of the parent, GW Pharmaceuticals plc in whose consolidated financial statements the company is included are shown in note 18 to the financial statements.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the group accounts of GW Pharmaceuticals plc. The group accounts of GW Pharmaceuticals plc are available to the public and can be obtained as set out in note 18.

##### **Adoption of new and revised standards**

As explained above, the company has adopted FRS 101 for the first time in the current year. As part of this adoption, the following new and revised Standards and Interpretations have been adopted in the current year. The application of these specific Standards and Interpretations has not had a material effect on the company.

Amendments to IAS19 Defined Benefit Plans: Employee Contributions (Nov 2013)

Annual Improvements to IFRSs 2011–2013 Cycle (Dec 2013)

Annual Improvements to IFRSs 2010–2012 Cycle (Dec 2013)

##### **Going concern**

In view of the Company's losses and net liabilities, the Company is reliant upon the continuing financial support of its parent company, GW Pharmaceuticals plc. The Directors of the parent company, having considered the financial position of GW Pharmaceuticals plc, have stated that it is their intention to continue to provide financial support to the Company for at least twelve months from the date of signing of these financial statements and have provided a letter of support.

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

##### **Other operating income**

###### *Staff support services*

The Company provides the services of its staff to other Group companies to support their research and commercial activities. Revenue is recognised as these services are performed.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 30 September 2015

### 1. ACCOUNTING POLICIES (CONTINUED)

#### Research and development

Expenditure on research and development activities is recognised as an expense in the period in which it is incurred prior to achieving regulatory approval.

An internally generated intangible asset arising from the Company's development activities is recognised only if the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

The Company has determined that regulatory approval is the earliest point at which the probable threshold can be achieved. All research and development expenditure incurred prior to achieving regulatory approval is therefore expensed as incurred.

#### Intangible assets

Other intangible assets are stated at cost less provisions for amortisation and impairments. Licences, patents, know-how, software and marketing rights separately acquired or acquired as part of a business combination are amortised over their estimated useful lives using the straight-line basis from the time they are available for use. The estimated useful lives for determining the amortisation take into account patent lives and related product application, but do not exceed their lifetime. Asset lives are reviewed annually and adjusted where necessary. Contingent milestone payments are recognised at the point that the contingent event becomes certain. Any subsequent development costs incurred by the Company and associated with acquired licences, patents, know-how or marketing rights are written off to the profit and loss account when incurred, unless the criteria for recognition of an internally generated intangible asset are met, usually when a regulatory filing has been made in a major market and approval is considered highly probable.

#### Tangible fixed assets

Property, plant and equipment are stated at cost, net of accumulated depreciation and any recognised impairment loss. Depreciation is provided so as to write off the cost of assets, less their estimated residual values, over their useful lives using the straight-line method, as follows:

Plant, machinery and lab equipment	3–10 years
Office and IT equipment	3–4 years
Leasehold improvements	4–15 years or term of the lease if shorter

Assets under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

No depreciation is provided on assets under the course of construction. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Depreciation on these assets commences when the assets are available for use.

The gain or loss arising on disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in operating profit.

#### Taxation

The tax expense represents the sum of the tax currently payable or recoverable and deferred tax. Current and deferred taxes are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

The tax payable or recoverable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the Profit and Loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 30 September 2015

### 1. ACCOUNTING POLICIES (CONTINUED)

#### Taxation (continued)

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 temporary 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. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the asset to be recovered.

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 based on tax laws and rates that have been enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

#### Investments in subsidiaries

Investments are shown at cost less provision for impairment.

The Company considers the recoverability of investments in subsidiaries and intercompany receivables on an ongoing basis, whenever indicators of impairment are present. If facts and circumstances indicate that investment in subsidiaries may be impaired, the estimated future cash flows associated with these subsidiaries would be compared to their carrying amounts to determine if a write down to fair value is necessary.

#### Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals under operating leases are charged on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Assets held under finance leases are recognised as assets of the Company at their fair value or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the finance lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs. Contingent rentals are recognised as an expense in the periods in which they are incurred.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****Year ended 30 September 2015****1. ACCOUNTING POLICIES (CONTINUED)****Retirement benefit costs**

The Company does not operate any pension plans, but makes contributions to 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 paid are shown as either accruals or prepayments in the Balance Sheet.

**Share-based payment**

The Group operates a number of equity-settled share-based compensation plans under which the Company receives services from employees as consideration for equity instruments (options). The fair value of the employee services received in exchange for the grant of the awards is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted (excluding the effect of any non-market-based performance and service 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 Company's estimate of shares that will eventually vest. At each balance sheet date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based performance and service vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date of grant.

**Financial instruments**

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

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss", "held-to-maturity" investments, "available-for-sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

For each reporting period covered herein, the Company's financial assets were restricted to "loans and receivables".

**Loans and Receivables**

Trade receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Trade receivables are assessed for indicators of impairment at each balance sheet date. Trade receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated future cash flows of the receivables have been affected. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit and loss account. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

**Cash and Cash Equivalents**

Cash and cash equivalents comprise cash in hand and on-call deposits held with banks and other short-term highly liquid investments with a maturity of three months or less.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### Year ended 30 September 2015

#### 1. ACCOUNTING POLICIES (CONTINUED)

##### Financial instruments (continued)

##### Financial Liabilities

Financial liabilities are classified as either financial liabilities “at fair value through profit and loss” or “other financial liabilities”. For each reporting period covered herein, the Company’s financial liabilities were restricted to “other financial liabilities”.

##### Other Financial Liabilities

Trade payables are initially recognised at fair value and then held at amortised cost which equates to nominal value. Long-term payables are discounted where the effect is material.

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, using the effective interest method. The difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the profit and loss account over the period of the relevant borrowing.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

##### Foreign currency

The financial statements of the Company are presented in the currency of the primary economic environment in which it operates (its functional currency). The results and financial position of the Company is expressed in Pounds Sterling.

In preparing the financial statements of the Company, transactions in currencies other than the entity’s functional currency (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. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

##### Critical Judgements in Applying the Company’s Accounting Policies

In the application of the Company’s accounting policies, which are described above, the Board of Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revisions and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Company’s accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

##### *Recognition of Clinical Trials Expenditure*

The Company recognises expenditure incurred in carrying out clinical trials during the course of conduct of each clinical trial in line with the state of completion of each trial. This involves the calculation of clinical trial accruals at each period end to account for expenditure which has been incurred. This requires estimation of the expected full cost to complete the trial and also estimation of the current stage of trial completion.

Clinical trials usually take place over extended time periods and typically involve a set-up phase, a recruitment phase and a completion phase which ends upon the receipt of a final report containing full statistical analysis of trial results. Accruals are prepared separately for each in-process clinical trial and take into consideration the stage of completion of each trial including the number of patients that have entered the trial, the number of patients that have completed treatment and whether the final report has been received. In all cases, the full cost of each trial is expensed by the time the final report has been received.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****Year ended 30 September 2015****1. ACCOUNTING POLICIES (CONTINUED)****Key Sources of Estimation Uncertainty***Research and Development Tax Credit*

The Company's research and development tax credit claim is complex and requires management to interpret and apply UK research and development tax legislation to the Company's specific circumstances and requires the use of certain assumptions in estimating the portion of current year research costs that are eligible for the claim.

**2. OTHER OPERATING INCOME**

Other operating income consists of staff recharges for activities carried out on behalf of a fellow group company. All activity was carried out wholly within the UK.

**3. RESEARCH AND DEVELOPMENT EXPENDITURE**

	2015 £	2014 £
Research and development expenditure	58,557,020	28,119,288

Research and development expenditure consists of costs associated with the Company's research activities. These costs include costs of conducting pre-clinical studies or clinical trials, payroll costs associated with employing a team of research and development staff, share-based payment expenses, property costs associated with leasing laboratory and office space to accommodate research teams, costs of growing botanical raw material, costs of consumables used in the conduct of in-house research programs, payments for research work conducted by sub-contractors and collaboration work with a network of academic collaborative research scientists, costs associated with safety studies and costs associated with the development of further Epidiolex or other pipeline product safety and effectiveness data.

**4. DIRECTORS' REMUNERATION AND TRANSACTIONS**

	2015 £	2014 £
Emoluments	2,136,525	2,570,984
Contributions to defined contribution pension schemes	199,641	203,261
Gains on exercise of share options	7,910,206	-
	10,246,372	2,774,245

Four directors are members of defined contribution personal pension schemes (2014: five).

Included in the above was an amount of £706,896 (2014: £881,871), the cost of which has been borne by a fellow Group undertaking.

The above amounts for remuneration include the following in respect of the highest paid director:

	2015 £	2014 £
Emoluments	573,893	700,688
Contributions to defined contribution pension schemes	36,609	53,248
Gain on exercise of share options	6,972,085	-
	7,582,587	753,936

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**Year ended 30 September 2015**

**5. STAFF COSTS**

The average number of employees (including executive Directors) was:

	<b>2015</b>	<b>2014</b>
	<b>No.</b>	<b>No.</b>
Research and development	214	155
Management and administration	27	17
	<b>241</b>	<b>172</b>

Their aggregate remuneration comprised:

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Wages and salaries	11,642,422	8,509,155
Social security costs	2,353,120	2,264,395
Other pension costs	586,280	392,822
	<b>14,581,822</b>	<b>11,166,372</b>

**6. LOSS FOR THE YEAR**

Loss for the year is stated after charging:

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Research and development expenditure (see note 3)	58,557,020	28,119,288
Depreciation of tangible assets:		
- owned	1,451,580	661,103
- held under finance leases	126,859	210,593
Amortisation of intangible assets	3,726	-
Fees payable to the Company's auditor for the audit of the Company's annual accounts	22,000	20,600
Share-based payment charge (see note 15)	1,426,925	761,300
Operating lease rentals – land and buildings	990,018	1,090,365
Foreign exchange losses	53,596	18,551
Staff costs (see note 5)	<b>14,581,822</b>	<b>11,166,372</b>

No non-audit fees were incurred for the years ended 30 September 2015 or 30 September 2014.

The audit committee's policy is to pre-approve all audit, audit-related and other services performed by the auditor. All such services were pre-approved during the years ended 30 September 2015 and 2014 under the audit committee's policy.

**7. INTEREST PAYABLE**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Intragroup interest payable	4,137,012	2,104,959
Other interest payable	72,916	60,189
	<b>4,209,928</b>	<b>2,165,148</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**Year ended 30 September 2015**

**8. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES**

The tax credit comprises:

	2015	2014
	£	£
<b>Current tax</b>		
UK corporation tax	(12,641,212)	(5,250,000)
Adjustment in respect of prior year tax credit	(164,740)	(280,907)
<b>Total tax on loss on ordinary activities</b>	<b>(12,805,952)</b>	<b>(5,530,907)</b>

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

**Factors affecting the tax credit for the year**

The tax credit for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	2015	2014
	£	£
Loss on ordinary activities before tax	(71,565,166)	(31,779,112)
Tax on loss on ordinary activities at UK Corporation tax rate of 20.5% (2014: 22%)	(14,670,859)	(6,991,404)
Effects of:		
Expenses not deductible in determining taxable profit	4,075	10,523
Impact of employee share acquisition relief	(1,932,205)	(473,486)
Fixed asset timing differences	(1,273,501)	55,256
Other short term timing differences	199,898	288,127
R&D tax relief enhancement	(4,806,023)	(1,252,520)
Deferred tax losses not recognised	8,163,909	2,223,909
Adjustment in respect of prior year tax credit	(164,741)	(280,907)
Group relief	1,673,495	889,595
	<b>(12,805,952)</b>	<b>(5,530,907)</b>

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

At 30 September 2015 there were tax losses available for carry forward of approximately £68.7m (2014: £24.3m).

Net deferred tax assets of approximately £16.1m (2014: £9.3m) have not been recognised as there is insufficient evidence that the assets will be recovered. These assets would be utilised if the Company were to make future taxable income.

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates substantively enacted in July 2013 now standing at 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015. The closing deferred tax assets and liabilities have been calculated at 20% in accordance with the rates enacted at the balance sheet date.

In the budget on 8 July 2015, the UK Government proposed, amongst other things, to further reduce the main rate of UK corporation tax to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020. These rate changes were substantively enacted in the Finance Bill 2015 on 26 October 2015 and existing temporary differences may therefore unwind in periods subject to these reduced rates.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**Year ended 30 September 2015**

**9. INTANGIBLE ASSETS**

	<b>Intangible assets under the course of construction £</b>	<b>Licences £</b>	<b>Software £</b>	<b>Total £</b>
<b>Cost</b>				
At 1 October 2014	-	-	-	-
Additions	5,874	58,852	76,500	141,226
At 30 September 2015	5,874	58,852	76,500	141,226
<b>Amortisation</b>				
At 1 October 2014	-	-	-	-
Charge for the year	-	3,726	-	3,726
At 30 September 2015	-	3,726	-	3,726
<b>Net book value</b>				
At 30 September 2015	5,874	55,126	76,500	137,500
At 30 September 2014	-	-	-	-

Included in additions are £76,500 of other intangible assets which were unpaid at the balance sheet date and are included in trade and other payables (2014: £nil).

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**Year ended 30 September 2015**

**10. TANGIBLE ASSETS**

	Assets under the course of construction £	Plant, machinery and laboratory equipment £	Office and IT equipment £	Leasehold improve- ments £	Total £
<b>Cost</b>					
At 1 October 2014	1,608,412	1,813,160	1,105,060	2,600,393	7,127,025
Additions	79,140	2,614,144	1,900,322	2,221,015	6,814,621
Disposals	-	(56,618)	(31,526)	(3,030)	(91,174)
Transfers of completed assets	(1,570,213)	570,213	-	1,000,000	-
At 30 September 2015	117,339	4,940,899	2,973,856	5,818,378	13,850,472
<b>Depreciation</b>					
At 1 October 2014	-	1,221,531	697,358	700,539	2,619,428
Charge for the year	-	503,263	469,058	606,118	1,578,439
Disposals	-	(56,618)	(30,102)	(3,030)	(89,750)
At 30 September 2015	-	1,668,176	1,136,314	1,303,627	4,108,117
<b>Net book value</b>					
At 30 September 2015	117,339	3,272,723	1,837,542	4,514,751	9,742,355
At 30 September 2014	1,608,412	591,629	407,702	1,899,854	4,507,597

The net book value of property, plant and equipment at 30 September 2015 includes £1,511,734 in respect of assets held under finance leases (2014: £1,715,349).

Included in additions is £431,399 of property, plant and equipment which is unpaid and is included in trade and other payables (2014: £nil).

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**Year ended 30 September 2015**

**11. INVESTMENTS**

<b>Subsidiary undertakings</b>	<b>£</b>
Cost and net book value:	
At 1 October 2014 and 30 September 2015	1

<b>Company</b>	<b>Country of incorporation</b>	<b>Description and proportion of shares held</b>	<b>Principal activity</b>
G-Pharm Trustee Company Limited	England and Wales	100% of Ordinary shares	Dormant

**12. DEBTORS**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
<b>Amounts falling due within one year</b>		
Amounts due from Group undertakings	152,419	1,118,226
Other debtors	557,486	337,836
Prepayments and accrued income	1,033,651	186,591
	<b>1,743,556</b>	<b>1,642,653</b>

**13. TRADE AND OTHER PAYABLES**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
<b>Amounts falling due within one year:</b>		
Trade creditors	2,956,163	1,048,781
Other taxes and social security	526,260	417,826
Clinical trial accruals	5,961,033	1,056,185
Other creditors and accruals	5,703,392	2,201,921
Amounts owing to Group undertakings	5,542,568	2,564,844
	<b>20,689,416</b>	<b>7,289,557</b>
<b>Amounts falling due after more than one year:</b>		
Amounts owed to parent company	115,690,547	58,473,426

Included in amounts owed to parent company falling due after more than one year, is an amount of £7,728,425 (2014: £3,591,413) relating to loan interest charged by the parent company GW Pharmaceuticals plc. The interest is charged at 5% per annum and is calculated based on the loan amount outstanding at the end of each month.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**Year ended 30 September 2015**

**14. OBLIGATIONS UNDER FINANCE LEASES**

	2015	2014
	£	£
Minimum lease payments payable:		
Within one year	175,671	199,990
In the second to fifth years inclusive	702,685	838,152
After five years	1,206,716	1,382,387
	2,085,072	2,420,529
Less: Finance charges allocated to future periods	(433,500)	(513,921)
Present value of lease obligations	1,651,572	1,906,608

	Present value of lease payments	
	2015	2014
	£	£
Amounts payable under finance leases		
Amounts due for settlement within 12 months	111,478	125,744
Amounts due for settlement after 12 months	1,540,094	1,780,864
	1,651,572	1,906,608

It is the Company's policy to lease certain of its property, plant and equipment under finance leases. The weighted average lease term remaining is 12.1 years (2014: 12.3 years). For the year ended 30 September 2015, the average effective borrowing rate was 4% (2014: 4%). Interest rates are fixed at the contract date.

All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. All lease obligations are denominated in sterling.

The Company's obligations under finance leases are usually secured by the lessors' rights over the leased assets.

**15. SHARE-BASED PAYMENT CHARGE**

The Company participates in a share option scheme for all employees. Options are exercisable on the shares of the parent company at a price equal to the estimated fair value of the parent company's shares on the date of grant. The vesting periods range from one to three years. If the options remain unexercised after a period of ten years from the date of grant the options expire. Options are forfeited if the employee leaves the Company before the options vest.

The weighted average share price at the date of exercise for share options exercised during the period was £5.96. The options outstanding at 30 September 2015 had exercise prices ranging from of £0.001 to £6.710 and a weighted average remaining contractual life of 6.39 years. During the year to 30 September 2015, options were granted on 24 December 2014, 9 January 2015, 20 March 2015, 6 May 2015, 24 June 2015 and 22 September 2015. The aggregate of the estimated fair values of the options granted on those dates is £4.3 million. During the year to 30 September 2014, options were granted on 17 January 2014, 9 May 2014, 11 August 2014, 12 August 2014 and 21 August 2014. The aggregate of the estimated fair values of the options granted on those dates is £2.4 million.

**16. CALLED UP SHARE CAPITAL**

	2015	2014
	£	£
Allotted, called up and fully paid		
130,852 ordinary shares of £1 each	130,852	130,852

The Company has one class of ordinary shares which carry no right to fixed income.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**Year ended 30 September 2015**

**17. FINANCIAL COMMITMENTS**

The Company had capital commitments for fixed assets contracted for as at 30 September 2015 of £381,408 (2014: £1,157,616).

Annual commitments under non-cancellable operating leases are as follows:

	<b>Land and buildings</b>	
	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Expiring within one year	257,420	195,603
Expiring between two and five years	985,380	782,411
Expiring after five years	1,416,267	612,531
	<b>2,659,067</b>	<b>1,590,545</b>

Operating lease payments represent rentals payable by the Company for certain of its leased properties. Manufacturing and laboratory facilities are subject to 5 to 15 year leases, some of which have a lease break three years prior to the conclusion of the lease at the Company's option. Office properties are subject to 1 to 10 year leases.

**18. ULTIMATE CONTROLLING COMPANY**

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 Sovereign House, Vision Park, Chivers Way, Histon, Cambridge, CB24 9BZ or via [www.gwpharm.com](http://www.gwpharm.com).

**19. RELATED PARTY TRANSACTIONS**

The Company paid £263 (2014: £3,441) under a consultancy agreement for medical writing services to Kathryn Wright, wife of the Company's Research and Development Director Stephen Wright. The fees paid were in line with fees paid to other GW medical writers. As at 30 September 2015 there was no amount due to Kathryn Wright (2014: £nil).

As a wholly-owned subsidiary undertaking of GW Pharmaceuticals plc, the Company has taken advantage of the exemption available under FRS 101 from the requirements of IAS 24 *Related Party Disclosures* from disclosing transactions with other members of the group headed by GW Pharmaceuticals plc.

**20. EXPLANATION OF TRANSITION TO FRS 101**

This is the first year that the Company has presented its financial statements under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. As a consequence of adopting FRS 101 there have been no material changes to comply with that standard. The last financial statements under a previous GAAP (UK GAAP) were for the year ended 30 September 2014 and the date of transition to FRS 101 was therefore 1 October 2013.

As a consequence of adopting FRS 101 there have been no material changes to comply with that standard.