Company Registration No. 03107561

GW Research Limited

Report and Financial Statements

Year ended 30 September 2013

REPORT AND FINANCIAL STATEMENTS 2013

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REPORT AND FINANCIAL STATEMENTS 2013

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Dr G W Guy
Mr J D Gover
Mr A D George
Dr S Wright
Mr C Tovey (appointed 23 October 2012)

SECRETARY

Mr A D George

REGISTERED OFFICE

Porton Down Science Park
Salisbury
Wiltshire
SP4 0JQ

PRINCIPAL BANKERS

HSBC Bank plc
70 Pall Mall
London
SW1Y 5EZ

SOLICITORS

Mayer Brown LLP
201 Bishopsgate
London
EC2M 3AF

AUDITOR

Deloitte LLP
Abbots House
Abbey Street
Reading
United Kingdom

STRATEGIC REPORT

The Directors' present their Strategic Report for GW Research Limited ("GWR" or "the Company") for the year ended 30 September 2013

BUSINESS REVIEW

GW Research Limited has had a successful year The Company has increased its other operating income by £118k, or 25%, from £478k to £596k, as an increased number of GWR staff have been working on Sativex research and development projects

GWR is involved with a number of oncology, metabolic, and psychiatric disorder treatments following the acquisition of a license from its sister company, GW Pharma Limited ("GWP"), on 1 October 2011, to develop and commercialise a number of GWP's cannabinoid product candidates

The Company's research and development costs have increased by £2,500k, or 16%, from £15,674k to £18,174k in the year This reflects the commencement or continuation of a number of GW-funded clinical trials

The Company has significantly expanded its epilepsy research program through commencement of a new orphan pediatric epilepsy program for Epidiolex® (purified extract of Cannabidiol, or CBD) This has led to

- US Food and Drug Administration ("FDA") orphan drug designation granted by FDA for Epidiolex in Dravet syndrome,
- Seven physician-led Investigational New Drug Applications ("INDs") granted by FDA to treat 125 pediatric epilepsy patients in the U S with Epidiolex,
- Epidiolex pediatric epilepsy clinical trials in planning for 2014, and
- Additional epilepsy pipeline candidate, GWP42006 (Cannabidivarin or CBDV), commenced Phase I trial in September 2013

Furthermore, there has been significant clinical activity for GWR's other cannabinoid pipeline product candidates, including

- Positive preliminary data reported from a Phase IIa exploratory clinical trial of the novel cannabinoid medicine GWP42004 in type-2 diabetes with a Phase II dose ranging trial expected to commence in early 2014,
- Phase II trial of GWP42003 for the treatment of ulcerative colitis on-going with data expected in the first half of 2014,
- Phase II trial of GWP42003 for the treatment of schizophrenia expected to commence in the first half of 2014, and
- Phase Ib/IIa trial of THC CBD for the treatment of glioma commenced in November 2013

The Directors of GWR consider that the cannabinoid product pipeline that is available to GWR to develop has promise in variety of disease areas and has the potential to produce a number of first in class medicines to treat diseases where there is significant unmet medical need, as demonstrated by the development of Epidiolex in the year We will continue to conduct research with this valuable pipeline asset with a view to developing commercial products within the near-term

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

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

STRATEGIC REPORT (CONTINUED)

Intellectual Property

The Company may not be able to secure and maintain the intellectual property protection for its products

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

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

On behalf of the Board

A D George

Company Secretary

19 December 2013

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 2013

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 money market investments Risk is minimised through an investment policy restricting the investment of surplus cash to interest bearing deposits with banks with high credit ratings and by restricting the maximum deposit that may be placed with any single banking group

Trade receivables are due from fellow Group companies, where the risk of default is considered to be low

Liquidity Risk

This risk is minimised by placing surplus funds in low risk cash deposits for periods up to twelve months and at call

Market Price Risk

Market price risk primarily comprises interest rate exposure risk, which is minimised by restricting money market investments to periods of no more than twelve months

Exchange Rate Risk

The Company's principal 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 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 2013 are set out on pages 8 to 19 The loss for the year after taxation was £15,300,608 (2012 £16,166,073)

The Directors do not recommend the payment of a dividend (2012 £nil)

DIRECTORS

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

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

DIRECTORS' REPORT (CONTINUED)

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 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

A D George
Director
19 December 2013

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

We have audited the financial statements of GW Research Limited for the year ended 30 September 2013 which comprise the Profit and Loss Account, the Balance Sheet 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)

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 2013 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 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

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

Anna Marks

Anna Marks (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Reading, United Kingdom
20 December 2013

PROFIT AND LOSS ACCOUNT

Year ended 30 September 2013

	Note	2013 £	2012 £
Other operating income	2	596,229	478,440
Research and development expenditure	3	(18,174,453)	(15,674,366)
Management and administrative expenses		(1,114,568)	(1,308,791)
Share-based payment charge	14	(316,935)	(133,539)
Total administrative expenses		(19,605,956)	(17,116,696)
OPERATING LOSS		(19,009,727)	(16,638,256)
Interest payable		(1,202,654)	(347,817)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	6	(20,212,381)	(16,986,073)
Tax credit on loss on ordinary activities	7	4,911,773	820,000
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION, BEING RETAINED LOSS FOR THE FINANCIAL YEAR	16, 17	(15,300,608)	(16,166,073)

All activities relate to continuing operations

The Company has no recognised gains and losses other than the loss 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 2013

	Note	2013 £	2012 £
FIXED ASSETS			
Tangible fixed assets	8	3,244,295	1,518,704
Investments	9	1	1
		3,244,296	1,518,705
CURRENT ASSETS			
Stock	10	-	-
Debtors	11	3,495,349	3,091,240
Cash at bank and in hand		226,335	564,882
		3,721,684	3,656,122
CREDITORS: amounts falling due within one year	12	(5,100,475)	(4,067,472)
NET CURRENT (LIABILITIES) / ASSETS		(1,378,791)	(411,350)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,865,505	1,107,355
CREDITORS: amounts falling due after one year	12	(32,342,280)	(16,600,457)
NET (LIABILITIES) / ASSETS		(30,476,775)	(15,493,102)
CAPITAL AND RESERVES			
Called up share capital	15	130,852	130,852
Share premium account	16	77,700	77,700
Profit and loss account	16	(30,685,327)	(15,701,654)
SHAREHOLDER'S (DEFICIT) / FUNDS	17	(30,476,775)	(15,493,102)

These financial statements of GW Research Limited, registered number 03107561, were approved and authorised for issue by the Board of Directors on 19 December 2013

Signed on behalf of the Board of Directors

AD George.

Mr A D George

Director

19 December 2013

The accompanying notes are an integral part of this balance sheet

NOTES TO THE ACCOUNTS
Year Ended 30 September 2013

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

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 that are publicly available The Company is also, on this basis, exempt from the requirements of FRS 1 *Cash flow statements* to present a cash flow 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

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

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

Research and development

Research and development expenditure is recognised as an intangible asset only when the Company has achieved reasonable certainty that future economic benefits will flow to the Company and then only to the extent that the asset created is separately identifiable and the costs of which can be measured reliably All research and development expenditure incurred prior to achieving regulatory approval is therefore expensed as incurred

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

NOTES TO THE ACCOUNTS (CONTINUED)
Year Ended 30 September 2013

1 **ACCOUNTING POLICIES (CONTINUED)**

Tangible fixed assets

Tangible fixed assets are stated at cost, net of accumulated depreciation and any provision for impairment Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows

Plant, machinery and laboratory equipment	3 to 10 years
Office and IT equipment	4 years
Leasehold improvements	5 to 15 years or term of lease if shorter

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

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

Investments

Investments are shown at cost less provision for impairment

Stocks

Stocks are stated at the lower of cost and net realisable value Cost is calculated using the weighted average cost method Cost includes materials, direct labour, depreciation of manufacturing assets and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is the estimated selling price, less all estimated costs of completion and costs to be incurred in marketing, selling and distribution

If net realisable value is lower than the carrying amount, a write down provision is recognised for the amount by which the carrying amount exceeds its net realisable value

Stocks manufactured prior to regulatory approval are capitalised as an asset but provided for until there is a high probability of regulatory approval of the product Prior to achieving regulatory approval, provision is made against the carrying value to its recoverable amount At the point when a high probability of regulatory approval is obtained, the provision is adjusted appropriately to adjust the carrying value to expected net realisable value, which may not exceed original cost

Adjustments to the provision against stocks manufactured prior to regulatory approval are recorded as a component of research and development expenditure

Adjustments to the provision against commercial product related stocks manufactured following achievement of regulatory approval are recorded as a component of cost of goods

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis

Assets held under finance leases are recognised as assets of the Group 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 charges are charged directly to the income statement

Pension costs and other post-retirement benefits

The Company does not maintain any pension plans, but makes defined contributions to the personal pension arrangements of all its executive Directors and employees The amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet

NOTES TO THE ACCOUNTS (CONTINUED)
Year Ended 30 September 2013

1. ACCOUNTING POLICIES (CONTINUED)

Share-based payment

The Company has applied the requirements of FRS 20 Share-based payment

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

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

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account

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

	2013 £	2012 £
Research and development expenditure	18,174,453	15,674,366

Research and development expenditure includes all of the costs incurred in conducting our cannabinoid research programmes This includes the cost of growing the plant materials, from which our research materials are derived, the cost of extraction of cannabinoids, formulation of research materials and the costs of conducting both pre-clinical and clinical studies

4. DIRECTORS' REMUNERATION AND TRANSACTIONS

	2013 £	2012 £
Emoluments	1,628,662	1,710,830
Contributions to defined contribution pension schemes	200,096	163,202
	1,828,758	1,874,032

Five directors are members of defined contribution personal pension schemes (2012 five)

Included in the above was an amount of £502,267, the cost of which has been borne by a fellow Group undertaking

NOTES TO THE ACCOUNTS (CONTINUED)
Year Ended 30 September 2013

4. DIRECTORS' REMUNERATION AND TRANSACTIONS (CONTINUED)

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

	2013 £	2012 £
Emoluments	472,685	507,185
Contributions to defined contribution pension schemes	56,204	50,395
	528,889	557,580

5. STAFF COSTS

The average number of employees (including executive Directors) was

	2013 No.	2012 No.
Research and development	134	124
Management and administration	14	11
	148	135

Their aggregate remuneration comprised

	2013 £	2012 £
Wages and salaries	6,470,848	6,206,594
Social security costs	891,993	741,440
Other pension costs	409,445	372,551
	7,772,286	7,320,585

6. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is stated after charging	2013 £	2012 £
Research and development expenditure (see note 3)	18,174,453	15,674,366
Depreciation of tangible fixed assets – owned	705,676	528,231
Depreciation of tangible fixed assets – leased	42,178	-
Share-based payment (see note 14)	316,935	133,539
Operating lease rentals – land and buildings	469,229	-

Auditor's remuneration of £20,000 (2012 £21,000) has been borne by another group company No non-audit fees were incurred for the years ended 30 September 2013 or 30 September 2012

7. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

	2013 £	2012 £
UK Corporation tax credit		
Current year credit	(2,900,000)	(820,000)
Adjustment in respect of prior credit	(2,011,773)	-
UK corporation tax on loss for the year	**(4,911,773)**	**(820,000)**

The UK Corporation tax credits relate to R&D tax credits claimed under the Finance Act 2000

NOTES TO THE ACCOUNTS (CONTINUED)
Year Ended 30 September 2013

7. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES (CONTINUED)

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

	2013 £	2012 £
Loss on ordinary activities before tax	(20,212,381)	(16,986,073)
Tax (credit) on loss at UK Corporation tax rate of 23 5% (2012 25%)	(4,749,910)	(4,246,518)
Effects of		
Expenses/(income) not deductible for tax purposes	19,128	(30,800)
Intragroup transfers of assets	-	244,463
Fixed asset timing differences	(379,105)	(354,345)
Other short term timing differences	79,879	42,282
R&D tax relief enhancement	(398,281)	(536,236)
Deferred tax losses not recognised	2,528,289	4,016,927
Under provision in respect of prior years – current tax	(2,011,773)	-
Group relief	-	33,685
Capital commitments not reflected in fixed assets	-	10,542
	(4,911,773)	(820,000)

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 2013 there were tax losses available for carry forward of approximately £16 7m (2012 £16 0m)

Net deferred tax assets of approximately £3 0m (2012 £3 4m) have not been recognised as there is insufficient evidence that the assets will be recovered These assets would be utilised if the Group were to make future taxable income

8. TANGIBLE FIXED ASSETS

	Plant, machinery and laboratory equipment £	Office and IT equipment £	Leasehold improvements £	Total £
Cost				
At 30 September 2012	1,120,416	717,421	680,745	2,518,582
Additions	419,764	157,998	1,895,683	2,473,445
At 30 September 2013	1,540,180	875,419	2,576,428	4,992,027
Depreciation				
At 30 September 2012	558,552	282,204	159,122	999,878
Charge for the year	324,164	198,135	225,555	747,854
At 30 September 2013	882,716	480,339	384,677	1,747,732
Net book value				
At 30 September 2013	657,464	395,080	2,191,751	3,244,295
At 30 September 2012	561,864	435,217	521,623	1,518,704

The net book value of property, plant and equipment at 30 September 2013 includes £1,925,942 in respect of assets held under finance leases (2012 nil)

NOTES TO THE ACCOUNTS (CONTINUED)
Year Ended 30 September 2013

9. FIXED ASSET INVESTMENTS

Subsidiary undertakings	£
At 1 October 2012 and 30 September 2013	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

10. STOCKS

	2013 £	2012 £
Raw materials	-	-
Work in progress	-	-
Finished goods	-	-
	-	-

Stock is stated net of a provision relating to stocks expected to expire before being utilised by the Company of £0 4m (2012 £nil)

11. DEBTORS

	2013 £	2012 £
Amounts falling due within one year		
Amounts due from Group undertakings	237,432	1,981,022
Other debtors	2,976,694	879,021
Prepayments and accrued income	281,223	231,197
	3,495,349	3,091,240

12. CREDITORS

	2013 £	2012 £
Amounts falling due within one year:		
Trade creditors	868,836	1,109,070
Amounts owing to Group undertakings	2,464,575	1,332,383
Other taxes and social security	261,813	231,086
Other creditors and accruals	1,405,509	1,394,933
Obligations under finance lease (note 13)	99,742	-
	5,100,475	4,067,472
Amounts falling due after more than one year:		
Amounts owed to parent company	30,437,295	16,600,457
Obligations under finance lease (note 13)	1,904,985	-
	32,342,280	16,600,457

Included in amounts owed to parent company falling due after more than one year, is an amount of £1,486,454 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 ACCOUNTS (CONTINUED)
Year Ended 30 September 2013

13. OBLIGATIONS UNDER FINANCE LEASES

	2013	2012
	£	£
Minimum lease payments payable		
Within one year	177,273	-
In the second to fifth years inclusive	861,055	-
After five years	1,558,059	-
	2,596,387	-
Less Finance charges allocated to future periods	(591,660)	-
Present value of lease obligations	2,004,727	-

	Present value of lease payments	
	2013	2012
	£	£
Amounts payable under finance leases		
Amounts due for settlement within 12 months	99,742	-
Amounts due for settlement after 12 months	1,904,985	-
	2,004,727	-

The Company leases certain of its property, plant and equipment under finance leases The average lease term is 13 9 years For the year ended 30 September 2013, the average effective borrowing rate was 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

14. SHARE-BASED PAYMENT CHARGE

Equity-settled share option scheme

The Company operates share option schemes for all employees Options over the shares of GW Pharmaceuticals plc, the parent company, are granted by GW Pharmaceuticals plc at the market price on the day of grant with the exception of options issued under the GW Pharmaceuticals Long Term Incentive Plan "LTIP" which are issued with an exercise price equivalent to the par value of the shares under option

The vesting period is three years from the date of grant and the options lapse after ten years

Options usually lapse if the employee leaves the Company before the options vest Vested options usually need to be exercised within six months of leaving

Under the terms of the LTIP employees are awarded options to subscribe for the Company's ordinary shares at an exercise price equivalent to the par value of the shares under option These options are subject to performance conditions which must be achieved before the options vest and become exercisable In the event that the performance conditions are not achieved within the required three year vesting period these options will lapse Once vested, an award may be exercised at any time prior to the tenth anniversary of the date of grant

LTIP awards granted to Executive Directors are subject to performance conditions which are determined by the Remuneration Committee These are usually a mixture of market-based and non-market based performance conditions which are intended to link executive compensation to the key value drivers for the business whilst aligning the interests of the Executive Directors with those of shareholders and employees

NOTES TO THE ACCOUNTS (CONTINUED)
Year Ended 30 September 2013

14. SHARE-BASED PAYMENT CHARGE (CONTINUED)

LTIPs are also granted to other employees from tıme to tıme These grants are usually made subject to performance condıtıons whıch are lınked to a combınatıon of corporate objectıves and personal objectıves for the ındıvıdual to achıeve prıor to the vestıng date

Detaıls of the share optıons outstandıng durıng the year are as follows

	Employee Options		Employee LTIP		Consulta nt options		Total options	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £	Number of share options	Weighte d average exercise price £
Outstandıng at 1 October 2011	-	-	-	-	-	-	-	-
Granted durıng the year	-	-	1,012,017	0 001	-	-	1,012,017	0 001
Exercısed durıng the year	-	-	-	-	-	-	-	-
Expıred durıng the year	-	-	-	-	-	-	-	-
Outstandıng at 1 October 2012	-	-	1,012,017	0 001	-	-	1,012,017	0 001
Granted durıng the year	-	-	1,025,078	0 001	-	-	1,025,078	0 001
Exercısed durıng the year	-	-	-	-	-	-	-	-
Expıred durıng the year	-	-	(35,413)	0 001	-	-	(35,413)	0 001
Outstandıng at 30 September 2013	-	-	2,001,682	0 001	-	-	2,001,682	0 001

The optıons outstandıng at 30 September 2013 had a weıghted average remaınıng contractual lıfe of 8 5 years (2012 9 5 years)

	2013	2012
Weıghted average share prıce	55p	84p
Weıghted average exercıse prıce	0 1p	0 1p
Expected volatılıty	44%	53%
Expected lıfe	5 Years	5 Years
Rısk-free rate	0 5%	0 5%
Expected dıvıdend yıeld	nıl	nıl

In the current year, optıons were granted on 30 November, 20 February 2013, 28 March 2013 and 24 September 2013 The aggregate of the estımated faır values of the optıons granted on those dates ıs £0 95m

In the prıor year, optıons were granted on 1 October 2011, 15 December 2011, 23 March 2012, 6 June 2012 and 1 July 2012 The aggregate of the estımated faır values of the optıons granted on those dates ıs £0 83m

The ınputs ınto the Black-Scholes Optıon Prıcıng Model are as follows

Expected volatılıty was determıned by calculatıng the hıstorıcal volatılıty of GW Pharmaceutıcal plc's share prıce over the prevıous three years The expected lıfe used ın the model has been adjusted, based on management's best estımate, for the effects of non-transferabılıty, exercıse restrıctıons, and behavıoural consıderatıons

The Company recognısed a total charge of £316,935 (2012 £133,539) related to equıty-settled share-based payment transactıons ın 2013 Thıs consısts of the amortısatıon of the optıons granted by GW Research durıng the year, plus the on-goıng amortısatıon of the unvested optıons prevıously granted to GW Research employees by GW Pharma Lımıted

Staff who transferred to GWR on 1 October 2011 hold a number of share optıons that were prevıously

NOTES TO THE ACCOUNTS (CONTINUED)
Year Ended 30 September 2013

granted to them by their former employer GW Pharma Limited During the year, staff employed by GWR exercised 14,933 options which were granted to them by their former employer, GW Pharma Limited These options had an average exercise price of 21p and an average market price at date of exercise of 57p

15. CALLED UP SHARE CAPITAL

	2013	2012
	£	£
Allotted, called up and fully paid		
130,852 ordinary shares of £1 each	130,852	130,852

16. RESERVES

	Share premium account	Profit and loss reserve	Total
	£	£	£
At 1 October 2012	77,700	(15,701,654)	(15,623,954)
Share-based payment charge	-	316,935	316,935
Loss for the financial year	-	(15,300,608)	(15,300,608)
At 30 September 2013	77,700	(30,685,327)	(30,607,627)

17. RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS / (DEFICIT)

	2013	2012
	£	£
Loss for the financial year	(15,300,608)	(16,166,073)
Share-based payment charge	316,935	133,539
Opening shareholder's (deficit) / funds	(15,493,102)	539,432
Closing shareholder's (deficit)	(30,476,775)	(15,493,102)

18. FINANCIAL COMMITMENTS

The Company had capital commitments for fixed assets contracted for as at 30 September 2013 of £5,994 (2012 £128,945)

Annual commitments under non-cancellable operating leases are as follows

	Land and buildings 2013	2012
	£	£
Expiring within one year	–	–
Expiring between two and five years	293,342	–
Expiring after five years	195,603	–
	488,945	–

NOTES TO THE ACCOUNTS (CONTINUED)
Year Ended 30 September 2013

19. 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 Porton Down Science Park, Salisbury, Wiltshire, SP4 0JQ

20. 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