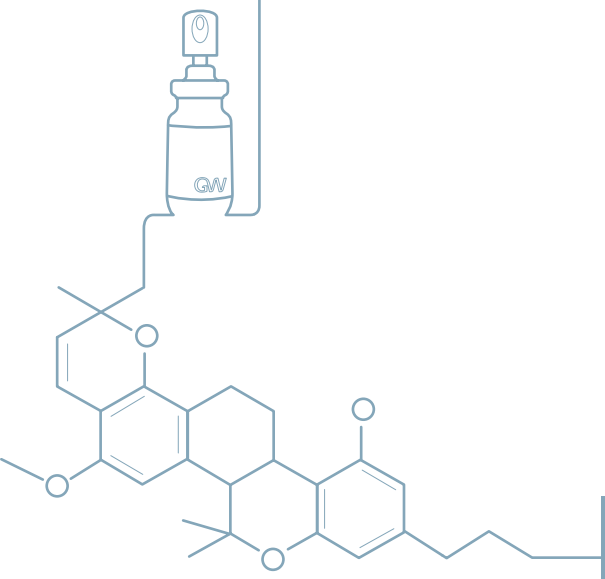
Multiple Sclerosis

sativex

Cancer



Diabetes

continuing our journey

Annual Report and Accounts
2011

Epilepsy

GW pharmaceuticals

2011 has marked the start of a new era for GW as we benefit from Sativex® launches and sales growth, whilst maintaining investment in research and development to drive further growth and value creation.

This is the story of our year.

Contents

Launches of a unique medicine, partnerships with world leading pharmaceutical companies, highly promising data in new therapeutic areas, GW's journey continues…

Global Opportunity
GW has signed commercialisation agreements with four major pharmaceutical companies to sell Sativex in markets around the world.

10

Sativex is now approved and/or recommended for approval in 10 countries.

Multiple Sclerosis

+59%

Sativex® sales have increased by 59% in the last year.

Sativex
Sativex, GW's novel first-in-class treatment for the treatment of Multiple Sclerosis spasticity, is administered as an oro-mucosal spray.

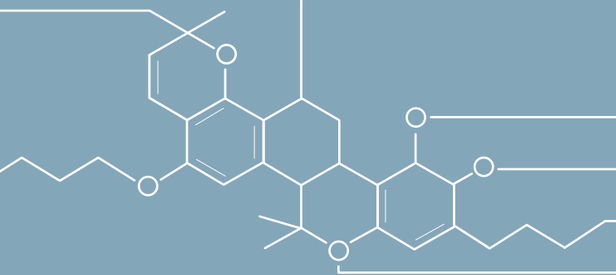
sativex

Cancer

Cancer
Global Phase III trials are under way to extend the use of Sativex to treat cancer pain. In addition, other cannabinoids demonstrate highly promising anti-cancer effects in pre-clinical studies.

Diabetes

Diabetes
A series of Phase IIa trials are under way to evaluate GW cannabinoids as treatments for type 2 diabetes and metabolic syndrome.



Cannabinoid Platform
GW is a recognised world leader in cannabinoid science and is progressing a pipeline of new cannabinoid medicines across a range of therapeutic areas.

Epilepsy

Epilepsy
Highly promising pre-clinical data for GW cannabinoids in the field of epilepsy are being generated under a research collaboration with Otsuka.

Highlights 2011

Commercial

10

Sativex® is now approved and/or recommended for approval in 10 countries.

- Sativex successfully launched in Germany, Spain and Denmark – strong initial uptake in key German market recently reported by marketing partner, Almirall
- Licence agreement signed with Novartis to commercialise Sativex in Australasia, Asia (excluding Japan/China), Middle East (excluding Israel) and Africa. $5m upfront payment received. Regulatory submission filed in Australia
- Sativex approved in Czech Republic and further approvals in Italy, Sweden and Austria expected in the coming months. Launches in these countries expected in 2012
- Second European Mutual Recognition Procedure submission procedure now under way with aim to expand approvals to several additional European countries in 2012
- Expansion of facilities and staff to support sales growth and R&D activity

R&D

5

GW is currently running 5 Phase II and Phase III clinical trials to advance the pipeline.

- Two Sativex Phase III cancer pain trials recruiting on track. Third Phase III cancer pain trial in advanced stage of planning and due to commence H1 2012. All trials fully funded by US partner, Otsuka
- Two new patents granted to protect Sativex's formulation and its use in cancer pain
- Three Phase IIa clinical trials of novel cannabinoid medicines (GWP42003 and GWP42004) in diabetes/ metabolic disease now under way. First trial fully recruited
- Phase IIa clinical trial of novel cannabinoid medicine (GWP42003) in ulcerative colitis expected to commence Q1 2012
- Positive pre-clinical data in epilepsy and cancer continue to be generated as part of Otsuka research collaboration

Financial

+59%

Sativex sales up by 59% to £4.4m.

- Sativex sales up by 59% to £4.4m (2010: £2.8m) and milestone income of £5.3m (2010: £11.2m). Total revenue of £29.6m (2010: £30.7m). 95% of revenue generated from overseas customers
- Net profit before tax of £2.5m (2010: £4.6m)
- Cash and short-term deposits at 30 September 2011 increased to £28.3m (2010: £25.2m)

Chairman's Statement

This year has seen GW continue to deliver. With the international commercial roll-out of Sativex® gathering pace, we can look forward to continued sales growth as well as further approvals and launches. We also continue to invest in the pipeline in order to create new income streams to drive future growth and value creation.

Dr Geoffrey W Guy
Executive Chairman

"This year's agreement with Novartis provides further validation of the quality of GW's science."

I am pleased to report another successful year for GW across all aspects of the business – financial, commercial and pipeline development. In addition to reporting a healthy set of financial results together with a strong and improved cash position, GW is making excellent progress in the commercial roll-out of Sativex as well as in advancing its research programmes.

Having seen the UK launch of Sativex last year, launches in 2011 have taken place in Spain, Germany and Denmark. All are proceeding well with particularly strong initial uptake in the key German market. Beyond these markets, we expect launches in Italy, Sweden, Austria and the Czech Republic in the forthcoming year. In addition, having now commenced the second round of Mutual Recognition Procedure in Europe, we expect further approvals in Europe from calendar mid-2012. Such approvals should lead to further commercial launches in Europe from early fiscal 2013 onwards, driving continued sales growth in future years.

The increasing global prospects for Sativex were highlighted by this year's licence agreement with Novartis Pharma AG to commercialise Sativex in Australia and New Zealand, Asia (excluding Japan and China), Middle East (excluding Israel) and Africa. As one of the world's leading pharmaceutical companies with a strategic focus in both Multiple Sclerosis (MS) and oncology, we believe that Novartis represents an excellent commercial partner for Sativex in these important and growing international markets.

In addition to Novartis, Sativex is licensed to Otsuka Pharmaceutical Co. Ltd in the US, to Almirall S.A. in Europe (excluding the UK), to Bayer HealthCare AG in the UK and Canada, and to Neopharm Group in Israel. Taken together, these agreements have to date yielded £31m in signature fees and a further £28m in milestone payments. GW is entitled to receive up to £211m in additional milestone payments and also generates income from supply of finished product to its partners.

The currently approved Multiple Sclerosis indication for Sativex represents only the start of Sativex's commercial life. GW is seeking to maximise the potential of Sativex through a comprehensive Phase III trials programme in cancer pain, funded by Otsuka. This programme is targeted at the important US market but also provides an opportunity to address a major unmet need in other regions across the world. This Phase III programme follows completion of two Phase II studies with positive results including over 500 patients in total.

We believe that the success of Sativex provides validation of GW's cannabinoid technology platform. With its world leading position in cannabinoid science, GW has the opportunity to leverage this strategic position to develop a number of new medicines with a view to seeking new licensing partners in due course. We have therefore taken the decision to increase investment in the clinical development of the pipeline with three Phase II trials now under way in metabolic disease and a Phase II trial is due to commence in ulcerative colitis. In addition, highly promising pre-clinical data is also being generated in epilepsy and cancer under our global research collaboration with Otsuka.

We are proud of GW's achievements to date but we have even greater ambitions for the future. We believe that GW has the expertise, track record and competitive position not only to further enhance the value of Sativex but also to develop multiple new first in class cannabinoid medicines across a range of disease areas. As such, we continue to invest in research, to employ new staff and to expand collaborations with leading scientists around the world.

Finally, I should like to take this opportunity to thank all of our staff, senior management and the Board for their hard work over the last year and for their commitment and dedication to the Company, its goals and its values.

Dr Geoffrey W Guy
Executive Chairman
21 November 2011

The Commercialisation of Sativex®

Regulatory approvals and launches for Sativex provide GW with a commercial business which generates operating profits and provides a source of growing sales revenue. With further launches in prospect in Europe, coupled with the agreement signed this year with Novartis to commercialise Sativex in Australia, Asia, Middle East and Africa, GW has entered a new phase in which growing commercial sales will increasingly feature.

MS Spasticity Opportunity

MS affects more than 1.2 million people worldwide, including 600,000 people in Europe. Spasticity is one of the most common and most disabling symptoms of MS, affecting up to 84% of patients. It is widely recognised that currently available treatments are inadequate. Sativex has been developed as a treatment for the relief of symptoms in patients with moderate to severe spasticity that have not been adequately treated with currently used therapies. It is able to relieve spasticity, reduce spasms, improve sleep and improve function.

Launches

Sativex is now marketed as a treatment for MS spasticity in the UK, Germany, Spain and Denmark. Sativex has also been approved in the Czech Republic and recommended for approval in Italy, Sweden, and Austria. Launches in these four countries are expected in 2012.

Global Expansion

GW has started the regulatory process to expand the approval of Sativex across other European countries. This "mutual recognition procedure" is expected to complete around mid-2012, following which national launches in these additional markets can start to take place.

Beyond Europe, a regulatory submission is under way in Australia, the outcome of which will be known in 2012. Approval has already been granted in Canada and New Zealand. A regulatory filing is also under way in Israel and preparations are being made for applications in selected Gulf states in 2012. Preparation is also being made for regulatory filings in certain countries in Asia.

Cancer Pain

Sativex has the potential for a long commercial lifecycle to drive growth for many years to come. A key part of the strategy to enhance the value of Sativex is its development as a treatment for cancer pain. A comprehensive Phase III programme is now under way in this indication.

GW's cancer pain clinical programme is being wholly funded by Otsuka, which has licensed the US commercialisation rights to this product. The cancer pain trials are designed to obtain approval in this indication in the US, but these data will also be used by GW for future regulatory applications in this indication in Europe and around the world.

Novartis

In April 2011, GW announced an exclusive licence agreement with Novartis Pharma AG to commercialise Sativex in Australia and New Zealand, Asia (excl. Japan and China), Middle East (excl. Israel) and Africa. GW received an upfront payment of $5m and will be eligible for additional payments totaling $28.75m upon the achievement of certain milestones, as well as royalties on net sales of Sativex. As one of the world's leading pharmaceutical companies with a strategic focus in both MS and oncology, GW believes that Novartis represents an excellent commercial partner for Sativex in these important and growing international markets.

Partnerships

GW's strategy is to enter into agreements with major pharmaceutical companies for the commercialisation of Sativex. With four such agreements now signed, GW has to date received £31m in signature fees and a further £28m in milestone payments. GW is entitled to receive up to £211m in additional milestone payments. GW also generates income from supply of finished product to its partners.

GW is proud to be working with high profile companies in our industry. In addition to the Novartis agreement signed this year, GW has licensed Sativex to Otsuka in the US, to Almirall in Europe (excl. UK), to Bayer in UK and Canada, and to Neopharm in Israel.

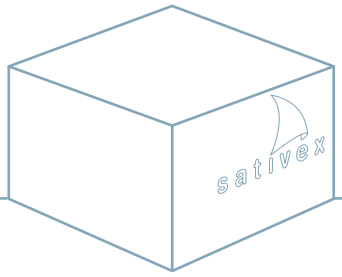
Almirall

Otsuka

NOVARTIS

BAYER

Bayer HealthCare

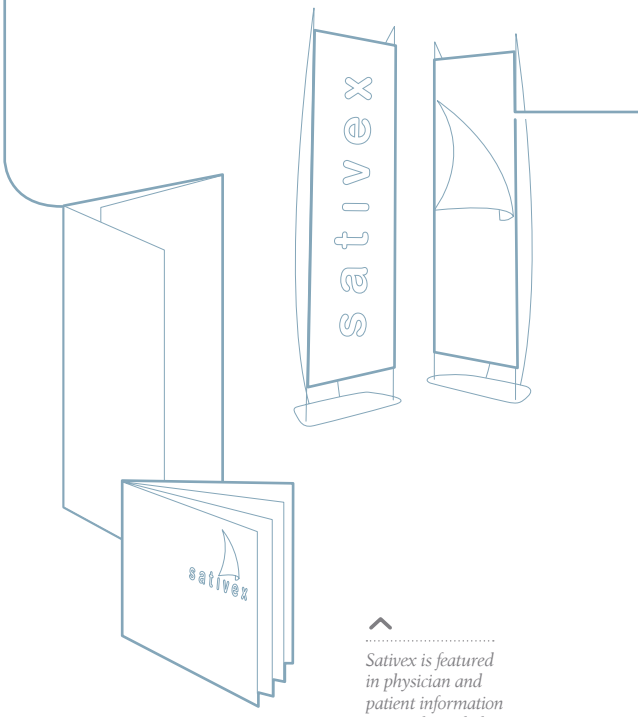


Sativex is supplied in a pack containing three 10ml vials, representing around one months' supply.

Sativex has proven to reduce the severity of symptoms and improve patients quality of life.

Prof H. P. Hartung
Chair of Neurology Heinrich-Heine University of Düsseldorf, Germany

This image from Almirall's marketing materials conveys the effect of Sativex in reducing spasticity and its positive impact on quality of life.



Sativex is featured in physician and patient information materials, and also at both national and international scientific meetings.

A Valuable Pipeline

GW's extensive research into the pharmacology of cannabinoids continues to yield highly promising data and new intellectual property across a range of therapeutic areas. GW continues to invest in further research to accelerate further growth and value creation through the development and licensing of several new cannabinoid drug candidates.

Cannabinoids

There are approx 100 cannabinoid molecules which are found only in the cannabis plant. GW has unique access to an extensive library of phytocannabinoids (plant-derived cannabinoids) and is researching a number of these molecules across different disease areas.

Cannabinoids exert many of their pharmacological effects by interacting with, and modulating, the human endocannabinoid system. This comprises a family of cannabinoid receptors, their endogenous activators (ligands), enzymes and transporters. There are at least two types of cannabinoid receptors, CB1 and CB2. In addition, the cannabinoid system interacts with other important neurotransmitter/neuromodulatory systems. The far-reaching pharmacology of cannabinoids explains why they hold such promise in such diverse therapeutic areas.

CNS and Oncology – Otsuka Research Collaboration

GW's research activities in the earlier stage pipeline are supported by income from the global cannabinoid research collaboration with Otsuka. Under this agreement, Otsuka funds GW's research into a range of cannabinoids as potential new drug candidates in the field of Central Nervous System (CNS) disorders and oncology. This collaboration was originally signed in July 2007 with a three year term, and was extended for a further three years to June 2013. To date, Otsuka's total investment in research activities under this collaboration exceeds £15m.

Products selected for full development will be the subject of a license from GW to Otsuka, the financial terms of each license to be agreed at the time of selection of each product for global development.

Diabetes/Metabolic Disease and Inflammation

Outside the therapeutic areas of CNS and oncology, GW selectively invests its own resources to advance its cannabinoid pipeline with a view to signing new out-licensing agreements in due course. The principal areas of GW's investment are in diabetes/metabolic disease and inflammatory conditions.

Intellectual Property

GW has developed a matrix of intellectual property rights comprising patents, plant variety rights and proprietary know-how, devised to provide extended protection of Sativex® and the cannabinoid pipeline.

Diabetes/ Metabolic Syndrome

GW has embarked on a programme of three Phase IIa clinical trials to evaluate a range of GW cannabinoids as treatments for features of Type 2 diabetes and metabolic syndrome

GW's clinical study programme seeks to build upon pre-clinical data demonstrating the desirable effects of GW cannabinoids on plasma insulin, leptin and adiponectin levels. In addition, these results have shown a reduction in total cholesterol with an increase in the proportion of HDL (good) cholesterol. GW cannabinoids have also shown the ability to reduce liver fat levels in animal models of hepatic steatosis. Recent findings include the observation in a rodent model of diabetes that cannabinoids are able to protect the insulin-producing cells of pancreatic islets cells.

Inflammation

GW will commence a Phase IIa study in the inflammatory diseases area in early 2012. This study will investigate CBD extract in the treatment of ulcerative colitis

Several GW cannabinoids have shown anti-inflammatory properties in a number of models of inflammation, notably of the gut and the joints, and have the capacity to inhibit the production in tissues of chemical mediators of inflammation such as TNFα. In addition to the first clinical study in ulcerative colitis, GW is conducting pre-clinical research exploring the effect of cannabinoids on various models of airways inflammation, including chronic cough, and inflammatory skin diseases.

Cancer

GW is generating highly promising pre-clinical data on the anti-cancer effects of certain cannabinoids. Key cancer targets include glioma, breast cancer, colon cancer and prostate cancer

GW cannabinoids have been shown to be orally active in the treatment of cancer and not only has a dose response been shown in the pre-clinical work, but also tumour response has been shown to be positively associated with tissue levels of cannabinoid. Results of key research in glioblastoma multiforme and in breast cancer have been published in high status journals. Work now focuses on defining the optimum cannabinoid candidate and tumour type for initial clinical studies.

Epilepsy

GW's epilepsy research takes place at the centre of excellence at the University of Reading, to which scientists from Otsuka have also been seconded

Selected GW cannabinoids have shown anti-convulsant effects across a range of in vitro and in vivo models of epilepsy. A lead candidate has been identified, supported by strong intellectual property, and additional confirmatory pre-clinical tests are under way prior to progression into clinical trials. In particular, GW cannabinoids have shown the ability to treat seizures in models of epilepsy with significantly fewer side effects than existing anti-epileptic drugs.

Psychiatric Illness

Pre-clinical research findings suggest that a range of psychiatric conditions, including schizophrenia, anxiety and depression are promising targets for cannabinoid medicines

GW is currently investigating the potential of cannabinoids as treatments for psychiatric disorders in collaboration with Otsuka. Of particular interest is emerging evidence which suggests that the cannabinoid, cannabidiol (CBD), possibly in combination with other cannabinoids, may have potential utility in schizophrenia not only as an anti-psychotic, but also in the alleviation of the metabolic and inflammatory abnormalities associated with the disease. GW has started a Phase IIa trial to investigate this further.

Expert Recognition

GW is recognised as a world leader in cannabinoid science and works closely with scientific collaborators at academic institutions across the world. These relationships yield new research pathways and valuable intellectual property. GW's research is increasingly featured in high status peer-reviewed scientific journals.

The potential of cannabinoid science is increasingly recognised by scientists across the world. GW has developed close links with academic institutions in Europe, North America and beyond to advance its research effort. These relationships extend not only to the world's leading cannabinoid pharmacologists but also to specialist research teams in target disease areas. In addition to this expanding research network, GW also supports clinicians who approach the company to explore the potential of cannabinoids in the clinic through investigator initiated studies.

Rigorous Drug Development Process

GW's approach to early product development of novel cannabinoids follows a rigorous path. Having selected a phytocannabinoid for evaluation, GW's plant geneticists breed a novel plant type which is characterised and then prepared for in vitro and in vivo pharmacologic evaluation studies evaluating the safety and routes of drug metabolism of the compound. For promising cannabinoids, additional pharmacology, toxicology and pre-clinical development are then performed in parallel with the development of clinical study formulations and analytical methodologies. Selected cannabinoid drug candidates then progress into Phase I and Phase IIa clinical evaluation studies.

Scientific Collaborations

At each step in the process, GW benefits from the wealth of expertise that resides with its scientific collaborators. GW is proud to work closely with the most eminent cannabinoid pharmacologists in the world: Prof Raphael Mechoulam of Hebrew University, Prof Roger Pertwee of Aberdeen University and Prof Vincenzo di Marzo at the Institute of Biomolecular Chemistry of the National Research Council (ICB-CNR) in Naples.

In target disease areas, GW identifies lead scientists and institutions with relevant expertise and enters into collaborations to advance its research effort. In cancer, GW's collaborators include the research team at Complutense University, Madrid led by Prof Manuel Guzman and we also benefit from the advice of Prof Karol Sikora, Dean of the medical school at Buckingham University and former Global Clinical Expert in Oncology at Astra Zeneca. Metabolic and inflammatory research is being carried out in collaboration with the University of Buckingham (Prof Mike Cawthorne), Imperial College, London (Prof Jimmy Bell), King's College, London (Prof Clive Page), and at the University of Naples (Prof Angelo Izzo). Epilepsy research is led out of the University of Reading (Dr Ben Whalley). Beyond these few examples, there are many other scientists and institutions with whom GW is proud to be associated.

Profile in Scientific Literature

The last decade has seen a dramatic increase in the number of scientific publications featuring cannabinoids, from approx 250 papers per year in 2000 to over 900 papers in 2010. Recent publications from GW's research cover a diverse spectrum of therapeutic areas including glioma, breast cancer, epilepsy, neuroprotection, bone disease and many more. Some examples are provided below:

L-L

Cannabinoids reduce ErB2-driven breast cancer progression through Akt inhibition.

BJP

Symptom-relieving and neuroprotective effects of the phytocannabinoid THCV in animal models of Parkinson's disease.

MOLECULAR CANCER

The plant cannabinoid can decrease signs of inflammation and inflammatory pain in mice.

BJP

Cannabidiol displays antiepileptiform and antiseizure properties in vitro and in vivo.

There is a wealth of pharmacologic data to suggest the potential of GW cannabinoids across a range of therapeutic areas.

Prof Vincenzo di Marzo
Institute of Biomolecular Chemistry, National Research Council, Naples

I am particularly encouraged by results of pre-clinical studies on GW cannabinoids and see exciting potential for the development of new treatments in the field of Type 2 diabetes and related metabolic disorders.

Prof Mike Cawthorne
Director of Metabolic Research, Clore Laboratory, University of Buckingham

Spasticity is a major contributor to disability in MS. Sativex® addresses a significant unmet need for patients whose treatment options are currently limited.

Prof Richard Langford
Consultant in Anaesthesia and Pain Medicine, Barts and The London NHS Trust

Managing Director's Review

As the international commercialisation of Sativex® begins to gather pace and investment into the pipeline progresses, GW has this year matured into a company with three key components to its business: Sativex Commercial; Sativex R&D; and Cannabinoid Platform/Pipeline R&D.

Justin Gover
Managing Director

1

Sativex Commercial

The commercial Sativex business already generates operating profits and provides a source of growing sales revenue. Future sales growth will be driven by GW's recent regulatory successes and launches, additional approvals and launches for Sativex in Europe, and progress with the agreement signed this year with Novartis to commercialise Sativex in Australia, Asia, Middle East and Africa.

2

Sativex R&D

We believe that the currently approved Multiple Sclerosis (MS) indication for Sativex represents only the start of Sativex's commercial life. GW is seeking to maximise the potential of Sativex through a comprehensive Phase III trials programme in cancer pain, funded by Otsuka. This programme is targeted at the important US market but also provides an opportunity to address a major unmet need in other regions across the world.

3

Cannabinoid Platform/ Pipeline R&D

GW now occupies a world leading position in cannabinoid science. We believe that there is significant opportunity to leverage this strategic position to develop a number of new medicines with a view to seeking new licensing partners in due course. A programme of Phase II trials is under way in metabolic disease and a Phase II trial is also due to commence in ulcerative colitis. Highly promising pre-clinical data is also being generated in epilepsy and cancer.

"GW has to date received £31m in signature fees and a further £28m in milestone payments."

Sativex Commercial

In prior years, GW has entered into licensing agreements for the commercialisation of Sativex with Otsuka in the US, Almirall S.A. in Europe (excluding the United Kingdom), Bayer HealthCare AG in the UK and Canada, and Neopharm Group in Israel. Together with the Novartis agreement outlined below, GW has to date received £31m in signature fees and a further £28m in milestone payments. GW is entitled to receive up to a further £211m in additional milestone payments and also generates royalty/product supply income derived from sales by its commercial partners.

Novartis

In April 2011, GW announced that it had entered into an exclusive licence agreement for Novartis Pharma AG to commercialise Sativex in Australia and New Zealand, Asia (excluding Japan, China and Hong Kong), Middle East (excluding Israel and Palestine) and Africa.

Under the agreement, GW has received an upfront payment of $5m and will be eligible for additional payments totaling $28.75m upon the achievement of certain approval and commercial milestones. In addition, GW will receive royalties on net sales of Sativex.

Regulatory Progress

In Europe, Sativex received regulatory approval in 2010 in the UK and Spain for the indication of MS spasticity. This year, GW successfully completed a Mutual Recognition Procedure (MRP) to expand these approvals into six other European countries – Germany, Italy, Denmark, Sweden, Austria and the Czech Republic.

Following successful completion of the MRP, national licences have been granted in Germany, Denmark and the Czech Republic. Licences in each of the other countries are expected to be granted in the coming months in parallel with completion of national pricing and reimbursement processes.

A further MRP submission has now been initiated with a view to expanding the approval of Sativex to approximately ten additional European countries. This process should complete around mid-2012.

Managing Director's Review *continued*

Beyond Europe, Sativex® has received full regulatory approval for MS spasticity in Canada and New Zealand. Promotion in these two countries has yet to commence. GW has regulatory submissions ongoing in Australia and in Israel. Other filings are expected to be made during 2012, notably in the Middle East where the Company has been approved as a Good Manufacturing Practice (GMP) manufacturer following an inspection of GW's manufacturing facility by the Gulf Cooperation Council (GCC) authority.

Commercialisation in Europe

As the marketing partner for Sativex across Europe (ex-UK), Almirall has a dedicated central European brand and marketing team for Sativex, as well as local teams for each individual country. In addition to significant sales force activity, Almirall sponsors booths and symposia at key national and international meetings. Most recently, at the European Congress of Multiple Sclerosis (ECTRIMS) in Amsterdam, data from three Phase III trials involving over 1,500 MS patients were presented. At this event, Almirall hosted a satellite symposium highlighting the key benefits of Sativex, attended by over 600 MS specialist physicians.

Almirall estimate that there are 700,000 patients with MS in Europe, of which 80% will present with spasticity. Of these patients, only around one third currently receive adequate treatment. Sativex is the first new therapeutic solution to treat MS symptoms in over ten years and is designed to treat those patients who do not gain adequate benefit from existing medication.

Since launch, Almirall report that the rollout is proceeding well and positive feedback has been received from physicians and patients in all territories. In view of the positive launch experience, Almirall now estimate Sativex will already have reached their top 15 product list during 2012.

Germany

Sativex was launched in Germany by Almirall in early July 2011. With over 120,000 people with MS, Germany represents the largest European market opportunity for Sativex. Almirall report that there has been strong initial uptake in the German market.

Almirall ex-factory sales in the first four months have reached €1.6m with solid monthly sales growth. Almirall have a full programme of activities and initiatives planned in 2012 to continue to drive this sales performance.

Spain

In March 2011, Sativex was launched in Spain following a determination by the Spanish Ministry of Health that Sativex should be made available as a fully reimbursed medicine under Spain's National Health System. The launch in Spain yielded a £2.5m milestone payment from Almirall. As Spain's largest domestic pharmaceutical company, Almirall is ideally placed to maximise the value of Sativex in the Spanish market.

Although the economic climate in Spain presents significant challenges, GW and Almirall are pleased with initial sales performance since launch. Ex-factory sales since March now exceed €1m. Sales growth in the coming year will largely be determined by progress in listing Sativex on the formulary of key hospitals around the country, a process which takes place on a hospital by hospital basis.

Denmark

Almirall recently established a wholly owned subsidiary in Scandinavia in anticipation of the launch of Sativex in Denmark. A "soft launch" took place during the summer and sales activities intended to drive sales during 2012 have recently begun.

UK

Sativex was launched in the UK in summer 2010 by GW's UK marketing partner, Bayer HealthCare. In-market sales since launch have now reached approximately £3.3 million.

As previously discussed, sales evolution in the UK is affected by the challenging market access environment which faces all newly introduced medicines in the UK. In addition, MS is a disease area in which the UK has fallen well behind other European countries in providing access to treatment. With significant support from patient interest groups and clinicians, GW and Bayer are working to secure NHS funding for Sativex from local Primary Care Trusts (PCTs) and this will remain the focus for activities during 2012. As previously guided, due to the structural reasons outlined, GW expects the UK market to be characterised by steady growth rather than rapid market uptake.

The medium and long term prospects for Sativex in the UK have been enhanced by the decision of the National Institute for Clinical Excellence (NICE) to consider Sativex as part of NICE MS Treatment Guidelines. Since announcing this decision, NICE has not yet appointed the committee to update these guidelines and the timing of their publication is uncertain. The prospect of updated NICE guidelines featuring Sativex can be expected to assist in gaining PCT formulary access for the medicine.

Italy/Sweden/Austria/Czech Republic

These four countries all participated in the successful MRP earlier this year and recommended approval of Sativex. A national licence has since been granted in the Czech Republic and similar licences are awaited in the other countries. In all cases, Sativex requires pricing and reimbursement to be agreed with the national authorities prior to launch. This process is formally under way in Italy and the Czech Republic and should commence in Sweden and Austria in the very near future. Launches in all four countries are expected in calendar Q2/Q3 2012.

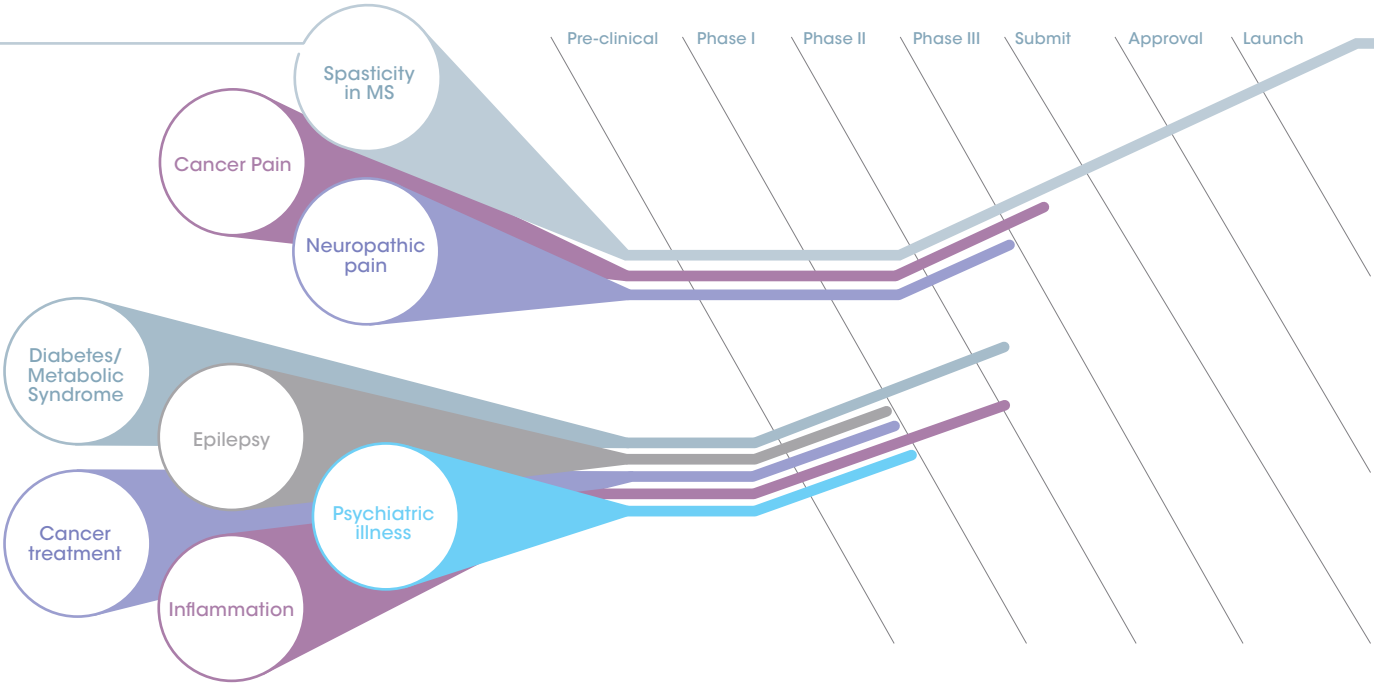
Other European Countries

Several additional European countries will be participating in the second MRP which has recently been initiated. The final list of countries in this process will be agreed during the process. This next MRP is expected to complete around mid-2012. Following this, we expect several further national approvals from the latter part of 2012 onwards and launches from early 2013.

Sativex R&D

Phase III Cancer Pain Trials Programme

Expanding Sativex to additional indications in order to maximise the product's potential and drive future sales growth is a key focus for GW. The near term priority for GW is the development of Sativex as a treatment for cancer pain and a comprehensive Phase III



programme is now under way in this indication. The market potential for this indication is substantial with studies suggesting that more than one third of patients with cancer, and more than three quarters of those with advanced disease, suffer from chronic pain. Large surveys indicate that optimal opioid therapy does not yield sufficient relief in a substantial proportion of these patients.

GW's cancer pain clinical programme is being wholly funded by Otsuka, which has licensed the US commercialisation rights to this product. The cancer pain trials are designed to obtain approval in this indication from the Food & Drug Administration (FDA) in the US, and these data will also be used by GW for future regulatory applications in this indication in Europe and around the world.

Prior to commencing the Phase III programme, GW has completed two Phase II studies with positive results including over 500 patients in total. The most recent Phase IIb study reported results in March 2010.

Two Core Phase III Trials

The core Phase III programme comprises two Phase III randomised placebo-controlled multi-centre multinational trials as well as a long term extension study. Each Phase III trial is intended to recruit 380 patients and will evaluate the efficacy and safety of Sativex versus placebo over a 5 week treatment period. The primary efficacy analysis is the continuous response analysis, the same analysis that has yielded statistically significant results in both Phase II trials.

Following the commencement of the first Phase III trial in December 2010, GW received a $4m milestone payment from Otsuka. The second Phase III study started as planned in mid-2011. Patient recruitment for both studies is on track.

The Phase III programme is expected to include patients in Europe, North America, Latin America and Asia. Recruitment for the two Phase III studies is initially taking place at sites in Europe. Professor Marie Fallon, Professor of Palliative Care, University of Edinburgh, is principal investigator of the first study. The principal investigator of the second study is Dr. Russell K. Portenoy, Chairman of the Department of Pain Medicine and Palliative Care at Beth Israel Medical Center in New York City.

Third Phase III Trial

Otsuka has requested that GW initiate a third Phase III trial (funded by Otsuka) and plans for this additional trial are well advanced. Current expectations are for the study to commence in H1 2012. The

Managing Director's Review *continued*

purpose of this trial is to provide as needed supplementary data to that generated in the first two studies. In the event that data from the first two studies are sufficient for regulatory filing purposes, there is no intention to await the outcome of the third study prior to such filing.

The third Phase III trial differs in design from the first two studies, employing an "enriched study design" akin to that which was successfully employed in the MS spasticity trials programme. The study involves exposing patients to Sativex® in a single blind phase of two weeks duration ("Phase A"), following which responders will be randomised either to stay on Sativex or switch to placebo in a double blind phase for a five week treatment period ("Phase B"). The primary efficacy analysis will be the mean change from baseline in Phase B. The study will aim to recruit 540 patients into Phase A and target 216 patients to enter Phase B.

New Sativex Indication

Beyond MS and cancer pain, Sativex has in recent years also yielded positive results from clinical trials in a range of indications, including various types of pain, as well as other symptoms of MS. GW is currently evaluating these opportunities in conjunction with its marketing partners to determine whether a new target indication should be formally developed at this time. Discussions on this matter are ongoing.

As with any new medicine, the availability of Sativex has provoked interest in its potential for other neurological conditions, particularly motor disorders. GW is working with a number of leading academic centres around Europe studying Sativex in conditions such as amyotrophic lateral sclerosis (motor neurone disease), cervical dystonia and Tourette's syndrome.

Strengthened Patent Position

GW continues to build the intellectual property base for Sativex with two new patents secured this year. In November 2011, the European Patent Office granted a patent which protects the composition of the Sativex formulation. This patent has already been granted in the United States. The patent, entitled "Cannabinoid Liquid Formulations for Mucosal Administration", provides an exclusivity period until August 2023.

In addition, the development of Sativex in cancer pain was the subject of a new US patent granted in April 2011. The patent, entitled "Pharmaceutical Compositions for the Treatment of Pain", provides an exclusivity period until April 2025, and specifically covers a method of treating cancer related pain by administering a combination of the cannabinoids cannabidiol (CBD) and delta-9 tetrahydrocannabinol (THC), the two principal cannabinoids in Sativex.

Cannabinoid Platform/Pipeline R&D

GW now occupies a world leading position in cannabinoid science. The Company has developed a proprietary and validated cannabinoid technology platform and formed constructive collaborations with leading international scientists, universities and institutions in the field. In addition to this expanding research network, GW also supports clinicians who approach the Company in seeking to explore the potential of cannabinoids in the clinic through investigator initiated studies. GW's extensive research continues to yield highly promising data and new intellectual property across a range of therapeutic areas and provides GW with the potential to develop and license several new cannabinoid drug candidates in the coming years.

GW's understanding of the pure and applied pharmacology of new cannabinoids continues to be illuminated under the direction of two of the world's most eminent cannabinoid scientists, Professor Roger Pertwee at the University of Aberdeen and Professor Vincenzo di Marzo at Institute of Biomolecular Chemistry of the National Research Council, Naples.

GW's early stage research in diabetes/metabolic disease and inflammatory conditions is funded in-house and research in the field of CNS and oncology is funded by Otsuka under a global research collaboration agreement.

In-House Funded Research

The principal areas of GW's investment are in diabetes/metabolic disease and inflammatory conditions. GW is selectively investing its resources to advance this part of the cannabinoid pipeline with a view to signing new out-licensing agreements in due course.

Diabetes/Metabolic Disease

GW has embarked on a programme of three Phase IIa clinical studies evaluating GW's cannabinoids as potential treatments in the field of type diabetes and metabolic syndrome and anticipates initial results during next year. Simultaneously, GW continues pre-clinical work aimed at better defining the mechanism of action of the cannabinoids in metabolic syndrome. Very recent findings include the observation in a rodent model of diabetes, that cannabinoids are able to protect the insulin-producing cells of the pancreatic islets Cawthorne et al. submitted World Diabetes Congress, Dubai, Dec 2011. This finding is consistent with the earlier observation that cannabinoid treatment in animal models of diabetes is associated with a reduction in fasting plasma insulin and an increase in pancreatic insulin. Islet cell preservation is seen as a highly desirable feature of a new anti-diabetic medicine.

This pre-clinical work is carried out in formal collaboration with Professor Mike Cawthorne at the University of Buckingham, and with Professor Jimmy Bell, at Imperial College London. Work at both centres is exploring different aspects of the molecular mechanisms of this cytoprotective effect Nunn et al. 2010.

The clinical study programme comprises three Phase IIa studies and seeks to build upon pre-clinical data which demonstrate the desirable effects of a number of GW cannabinoids on various features of the metabolic disease, notably plasma insulin, cholesterol and liver fat. These three studies are as follows:

- The first study is a multi-centre, randomised, double blind, placebo controlled, parallel group pilot study examining the effects on plasma lipid status of GWP42003 and GWP42004 at varying doses and at different ratios in patients with insulin resistance. This study is now fully recruited with a total of 62 patients.
- In the second randomised controlled study, which commenced in the summer of this year, we are exploring the effect of GWP42003 on liver fat in 24 patients with non-alcoholic fatty liver disease.
- The third Phase IIa study is now under way and is investigating whether GWP42003 and GWP42004 can prevent weight gain in 60 patients taking anti-psychotic therapy.

In each of these studies, a range of secondary measures are also being investigated. The objective of this early clinical development programme is to define the optimal therapeutic role for cannabinoids in metabolic syndrome. As part of GW's research effort in this therapeutic area, GW is working to set up clinical trials in the Gulf, a region with a high prevalence of diabetes.

Inflammation

Several GW cannabinoids have shown anti-inflammatory properties in a number of models of inflammation Bolognini et al. 2010; Maione et al. 2011, Costa et al. 2007, and have the capacity to inhibit the production in tissues of chemical mediators of inflammation.

GW is on track to commence a Phase IIa study in the inflammatory diseases area in early 2012. This study will investigate the efficacy and safety of GWP42003 in the treatment of ulcerative colitis and will include 62 patients. The chief investigator will be Dr. Peter Irving at Guy's and St Thomas's Hospital, London. Cannabinoids have shown potential in the treatment of IBD in standard in vivo models Borrelli et al. 2009, Jamontt et al. 2010.

Separately, GW has entered a formal research collaboration with Professor Clive Page at King's College London focused on the effect of cannabinoids on various models of airways inflammation.

Otsuka Funded Research

GW's research activities in the earlier stage pipeline are supported by income from the global cannabinoid research collaboration with Otsuka. This collaboration was originally signed in July 2007 with a three year term, and was extended for a further three years to June 2013. Under this agreement, Otsuka funds GW's research into a range of cannabinoids as potential new drug candidates in the field of CNS disorders and oncology. To date, Otsuka's total investment in GW's research activities under this collaboration exceeds £15m.

Cancer

A major focus of the GW-Otsuka research collaboration lies in the area of cancer treatment. Pre-clinical studies are most advanced in the specific areas of glioma and breast cancer, where research into the proposed mechanism of action has been a main focus. In glioma, the mechanism of action for GWs cannabinoids has been identified. This inhibition in turn stimulates the process of autophagy, with the consequence that the malignant cell dies Torres et al. 2011. This mechanism also appears to be operating in models of other cancers, offering potential additional targets Vara et al. 2011, Mirzoeva et al. 2011. Additional research is now being actively pursued to identify the optimum anti-proliferative cannabinoids to take into the clinic.

In the area of breast cancer, the development by GW research collaborators of sophisticated new transgenic animal models means that we have been able to study the effect of cannabinoids both on local spread and distant spread of various types of therapy-resistant breast cancer. In Her2 positive breast cancer, cannabinoids have shown the ability to inhibit not only local spread, but also the occurrence of distant metastases Caffarel et al. 2010, Ligresti et al., 2006, Marcu et al. 2010, McAllister et al. 2007, 2011. Efforts are now focussed on identifying the precise molecular mechanism of action of cannabinoids in breast cancer, and to define the optimum cannabinoid treatment regimen.

Neuroscience

The second major area of focus in the GW-Otsuka research collaboration lies in nervous system disorders, primarily epilepsy and psychiatric illness. GW compounds have shown promise in the area of epilepsy in standard models of seizure Jones et al. 2010, Hill et al. 2010. As in the field of cancer, confirmation of the lead cannabinoid candidate, and of the type of epilepsy to target, are subject to intensive pre-clinical development.

In the field of schizophrenia, GW cannabinoids have shown notable anti-psychotic effects in accepted pre-clinical models of schizophrenia Gururajan et al. 2011 and importantly have also demonstrated the ability to reduce the characteristic movement disorders induced by currently available anti-psychotic agents.

Neurodegenerative diseases are known to be associated with abnormalities of the endocannabinoid system Fernandez-Ruiz 2009; Blázquez et al. 2011; Bisogno & Di Marzo 2011. Studies in Huntington's Disease have shown that both the CB1 and CB2 receptors have a role in disease progression, and cannabinoids are neuroprotective in animal models of Huntington's Disease. A small preliminary clinical study programme looking at the impact of treatment with cannabinoids in Huntington's Disease has now started in collaboration with the Spanish network for the study of neurodegenerative diseases. In addition, cannabinoids have symptom-relieving and neuroprotective activity in models of Parkinson's Disease Garcia et al. 2011.

Outlook

As the commercialisation of Sativex continues to extend to more countries, Sativex sales growth can be expected to be a key driver of GW's revenue stream. In parallel we believe that further investment in Sativex as a treatment for cancer pain, as well as investment in the pipeline will be a major driver of future growth and new income streams. With a world leading position in cannabinoid science, a promising pipeline, partnership track record, and a prudent financial model focused on revenue growth and partner-funded R&D, we are confident that GW is well placed to continue to build a dynamic and successful biopharmaceutical business.

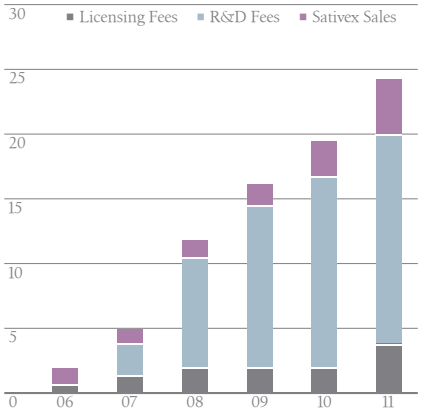
Justin Gover
Managing Director
21 November 2011

Finance Director's Review

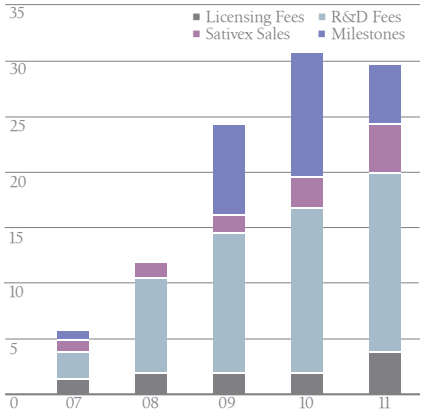
GW is pleased to report a healthy set of financial results for the year and a strong and improved cash position.

David Kirk
Finance Director

Revenue Analysis £m
excluding Milestones



Total Revenue Analysis £m
including Milestones



Revenues
Total revenues, at £29.6m, were marginally lower than the £30.7m recorded in 2010 due to the lower value of milestones received in 2011. 95% (2010: 94%) of GW's revenues are generated from overseas customers.

Sativex® sales increased 59% to £4.4m (2010: £2.8m). Sales to Almirall for the Spanish and German markets, launched in March 2011 and July 2011 respectively, totalled £1.9m (2010: £nil). Sales to Bayer for the UK and Canada increased to £2.2m (2010: £1.6m including a £1.2m UK launch order). GW's sales represent the value of stock sold by GW to Almirall and Bayer.

Milestone income in 2011, totalling £5.3m (2011: £11.2m) includes milestones of £2.75m from Almirall on the achievement of launches in Spain and Germany and £2.6m received from Otsuka upon commencement of the cancer pain Phase III trial programme. The prior year comprised £11.2m of Sativex approval milestones from Bayer for the UK and Canada.

Signature and technical access fee revenues of £3.8m includes £1.9m of revenue recognised from the signature fees received from Almirall and Otsuka in previous years, and £1.9m of revenue resulting from the £3.1m upfront payment received from the Novartis licence agreement signed in April. The remaining £1.2m of this upfront payment will be recognised in future periods.

Research and development fee revenues have increased to £16.0m (2010: £14.8m). These fees consist of research and development costs incurred by GW and charged to Otsuka under the Sativex US development agreement, totalling £10.8m (2010: £10.2m) and the global cannabinoid research collaboration agreement of £5.2m (2010: £4.6m).

Research & Development Expenditure
In order to maximise the commercial opportunity for Sativex, GW and its partners continue to invest in Sativex R&D. The majority of this expenditure is funded by Otsuka and relates to the Phase III cancer pain programme. At the same time, both GW and Otsuka are investing in GW's pipeline of potential products in order to advance them to the point of outlicensing.

Total research and development expenditure, which is expensed as incurred, was £22.3m (2010: £21.8m), of which £16.0m (2010: £14.8m) was funded by Otsuka. GW-funded research totalled £6.3m (2010: £7.0m) representing 28% (2010: 32%) of overall research and development spend.

Segmental results
This year, for the first time, we have provided a segmental analysis of our business (see Note 2) showing the profit and loss account split into three activities: Sativex Commercial, Sativex R&D and Pipeline R&D.

The Sativex commercial business generated a contribution of £12.5m (2010: £15.2m) from product sales, milestones and license fee revenues received from commercial partners.

Investment in Sativex R&D was £14.8m (2010: £14.5m), of which £10.8m (£10.4m) was Otsuka funded Phase III cancer pain expenditure. The remaining £3.9m (2010: £4.1m) was funded by GW.

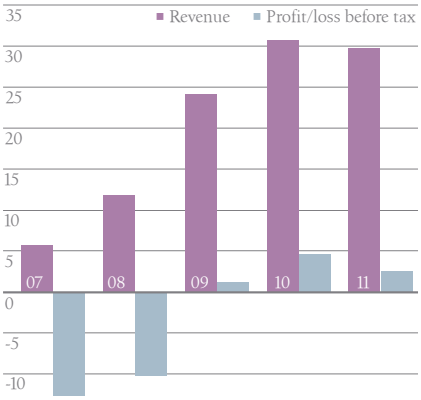
Investment in Pipeline R&D was £7.8m (2010: £7.4m), of which Otsuka funded £5.2m (2010: £4.4m). The remaining £2.6m (2010:£3.0m) was funded by GW.

Profitability
Pre-tax profit for the year was £2.5m (2010: £4.6m). This is ahead of previous guidance, principally due to higher than anticipated Sativex sales and fees earned from the new Novartis agreement.

Expenditure
Management and administration expenditure decreased modestly to £2.9m (2010: £3.0m) whilst the share-based payment charge increased slightly to £0.8m (2010: £0.6m). Interest income of £0.3m in 2011 (2010: £0.1m) reflects the combined effects of an increasing cash balance and improving rates of interest. GW continues to take a very conservative approach to managing counterparty credit risk on its cash deposits.

Finance Director's Review *continued*

Financial Profile £m



Taxation

The Group has not claimed a research and development tax credit for the year ended 30 September 2011 (2010: nil). The £0.2m tax credit in 2011 represents the successful outcome of a 2010 R&D tax credit claim which resulted in receipt of a repayment that had not been accrued in the 2010 accounts.

GW welcomes the recently announced improvements to the UK R&D tax credit scheme and we also expect to benefit significantly from the Government's patent box scheme proposals when implemented. The combination of these two measures should result in GW claiming increased R&D tax credits in the near term as well as a long term low rate of corporation tax.

Cash Flow

Net cash inflow for the year was £3.1m (2010: £4.6m).

Receipts include £5.3m of milestone income (2010: £11.2m), £3.1m (2010: £nil) of fees arising from the Novartis licence agreement and the exercise of share options by GW staff which generated proceeds of £1.4m (2010: £0.7m).

Capital expenditure of £0.9m (2010: £0.4m) consisted mainly of laboratory equipment.

Balance Sheet

The Group's net funds comprise cash balances together with amounts held on short term deposit of £28.3m (2010: £25.2m).

Inventory of £1.4m (2010: £0.8m) consists of finished goods, consumable items and work in progress and is stated net of a realisable value provision of £3.4m (2010:£3.9m).

This provision is calculated in accordance with the inventory accounting policy set out in note 1.

Trade and other receivables at 30 September 2011 were £2.3m (2010: £1.2m), consisting of £1.5m (2010: £0.6m) of trade debtors (from sales of Sativex®) and £0.8m (2010: £0.6m) of other receivables and prepayments.

At 30 September 2011 the Group had received £2.1m (2010: £3.2m) of advance payments for research activities to be carried out on behalf of Otsuka in the next six months. This has been disclosed as an advance payment received, within deferred revenue due within one year.

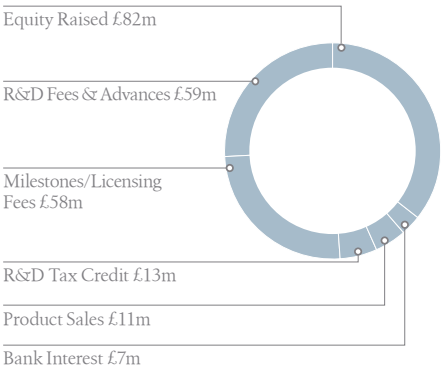
Deferred signature and technical access fee revenue amounts to £12.7m (2010: £13.5m), of which £1.3m (2010: £1.9m) is shown as due within one year. £11.4m (2010: £11.6m) is shown as due after more than one year and represents the balance of non-refundable Sativex licence agreement fees. These will be recognised as revenue in future periods.

In 2011 we capitalised a £65m intercompany loan from the Company to GW Pharma Limited (the Group's main operating subsidiary) into an equity investment. This has eliminated the deficit on GW Pharma Limited's profit and loss reserve and will enable the Group to pay dividends in the future if the Board determine such payments are appropriate.

Average headcount of the Group for the year was 152 (2010: 120). The increase in staff numbers reflects the expansion of operations necessary to support the commercial growth of Sativex as well as the Phase III and Phase II trials programmes now under way.

Sources of Cash
(since incorporation)

£230M



2012 Guidance:

Sales

As Sativex increases its market penetration and undergoes further launches, GW can look forward to growing in-market sales. GW's sales revenues are generated as sales of bulk product to licensing partners. As a result, and as previously indicated, the rate of GW's product sales growth in the next few years is likely to be influenced by a variety of factors, including the timing of new commercial launches, the timing of delivery of batches to partners, partner stock-holding policies and the rate of market uptake. Until the pattern of batch deliveries becomes more regular, we are likely to see variability in the level of GW's Sativex sales from one period to the next.

We expect product launches in 2012 in Italy, Sweden, Austria and the Czech Republic. Having now commenced the second round of Mutual Recognition Procedure in Europe, we expect further approvals in Europe from calendar mid-2012. Such approvals should lead to further commercial launches by Almirall in Europe from early fiscal 2013 onwards, driving continued sales growth in future years.

R&D Spend

As a result of GW's strategic decision to advance its cannabinoid pipeline into a programme of Phase II trials in metabolic and inflammatory diseases, we expect GW-funded R&D spend for the coming year to increase by 40-50% over the 2011 figure of £6.3m. This investment is intended to generate important clinical data on novel cannabinoid drug candidates in both metabolic and inflammatory diseases and help drive future growth.

Milestones

In 2012, Sativex pricing approval in Italy is expected to result in a £250,000 milestone payment from Almirall. There are no other milestones currently expected during the 2012 financial year.

Profitability

In contrast to the last few years, in which significant milestone income from Sativex licence agreements has been a key feature, this forthcoming year is expected to see a change in the balance of revenue streams away from milestone income and towards a greater emphasis on product sales revenue. As discussed above, R&D spend will also increase in 2012 as we invest in progressing the pipeline. As a consequence, and consistent with current market expectations, we expect to report a loss for the 2012 financial year. It should be noted however that a loss in 2012 should enable the Group to claim an R&D tax credit for the year.

David Kirk
Finance Director
21 November 2011

Board of Directors

1. James Noble MA, FCA

Non-executive Deputy Chairman Aged 52.

Mr Noble has extensive experience in the biotech industry and is currently CEO of Immunocore Limited and Adaptimmune Limited, two companies involved in T cell receptor technology. Mr Noble was previously CEO of Avidex Limited, a private biotech company, which was sold to MediGene AG in 2006, and also a Director of CuraGen Corporation, a NASDAQ-listed biopharmaceutical company. Mr Noble is also Chairman of 3D Diagnostic Imaging plc, an AIM-listed UK Biotech company.

2. Thomas Lynch BSc (Econ), FCA

Non-executive Director Aged 54.

Mr Lynch most recently served as Chairman and Chief Executive Officer of Amarin Corporation plc, a NASDAQ listed company specialising in cardiovascular disease, until December 2009. From 1993 to 2004, Mr Lynch worked in a variety of capacities in Elan Corporation plc, including Chief Financial Officer and Executive Vice-President, as well as Vice-Chairman. In 1994, Mr Lynch founded a company which became Warner Chilcott plc, of which he was a Director until 1999, and from then until 2002 served as a Director of Galen plc, which acquired Warner Chilcott in 1999. Mr Lynch currently serves as a Director of the IDA Ireland (an Irish government investment agency); senior independent Director of ICON plc (clinical research); Profectus BioSciences Inc., (immunological diseases); and is Chairman of Chronetech AB (infectious diseases).

3. Dr Geoffrey W Guy BSc, MB BS, MRCS Eng, LRCP, LMSSA, Dip Pharm Med

Executive Chairman Aged 57.

Dr Guy founded Ethical Holdings plc, in 1985 and led that company as Chairman and Chief Executive to its NASDAQ flotation in 1993 before leaving in 1997. He received 3i's "Venturer of the Year" award in the science and technology category. In 1990, Dr Guy co-founded the plant-medicines company that became Phytopharm plc, of which he was Chairman until 1997. Dr Guy served as Director of Clinical Development at Napp Laboratories from 1983 to 1985 and as International Clinical Research Co-ordinator at Laboratories Pierre Fabre from 1981 to 1983.

4. Justin Gover BSc, MBA

Managing Director Aged 40.

Mr Gover has been Managing Director of GW since January 1999. In this time, he has been responsible for managing the Group's operations, equity financing and business development activities. Mr Gover has 16 years' experience in the biotech industry and was previously Head of Corporate Affairs at Ethical Holdings plc, the NASDAQ-quoted drug delivery company. In this role, he was responsible for the company's strategic corporate activities, including mergers and acquisitions, strategic investments, equity financing and investor relations. He holds a MBA from the INSEAD business school.

5. Dr Stephen Wright MA, MD, FRCPE, FFPM

Research & Development Director Aged 59.

Dr Wright joined GW's senior management team in January 2004 as Research & Development Director and was promoted to the Board in March 2005. Dr Wright has more than 20 years of experience in medicines development. He joined GW from Ipsen, where he was Senior Vice President of Clinical Research & Development and a member of the UK Board of Directors. In this role he led teams responsible for regulatory success in both the US and EU. Prior to this, he was Venture Head of Neuroscience at Abbott Laboratories, based in the US, and was also formerly Associate Medical Director at Glaxo in the UK.

6. David Kirk BSc, FCA

Finance Director Aged 58.

Mr Kirk joined GW as Finance Director in September 2001. He joined Arthur Andersen in 1975, qualifying as a Chartered Accountant in 1978 and becoming a partner in 1988. At Arthur Andersen he specialised in entrepreneurial growth companies and worked across a range of sectors. He was responsible for launching the UK Arthur Andersen Biotech Programme in 1994 whilst Head of its UK Technology Team. In 1997 he became the first Finance Director of CeNeS Limited, the company developing drugs for CNS disorders and pain control. He was a founding Director of Amura Limited, an antibacterial research company, and was until June 2001 a non-executive Director of Avlar Bioventures, a biotechnology venture capital fund based in Cambridge.

7. Richard Forrest BSc

Non-executive Director Aged 63.

Mr Forrest has 30 years' commercial experience in the international pharmaceutical industry. This included 19 years with the Rhone-Poulenc Rorer Group (now Sanofi-Aventis), where his most senior position was Senior Vice-President, Europe. His roles included responsibility for General Management, Marketing and Sales and Business Development in Europe and Rest of the World (South America, Africa, Middle East and South-East Asia). Mr Forrest was also a member of the global committees responsible for worldwide operational performance, as well as R&D portfolio decisions and licensing. More recently he was Chief Operating Officer of Novuspharma, an Italian biotech company, prior to its merger with Cell Therapeutics Inc. (USA).

5 6 7

Directors' Report

The Directors present their report and the audited financial statements for the Company and for the Group for the financial year ended 30 September 2011.

Principal Activity and Business Review

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

A review of the results for the year and of future developments in the business is given in the Chairman's Statement, Managing Director's Review and in the Financial Review, which form part of this Annual Report.

The subsidiary undertakings principally affecting the results and net assets of the Group are listed in note 11 to the financial statements.

Results and Dividends

The consolidated income statement for the year is set out on page 36. The Group's profit for the financial year after taxation was £2.7m (2010: £4.6m).

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

Group Research and Development Activities

The research and development undertaken by the Group amounted to £22.3m (2010: £21.8m), all of which was written off during the year. This included £16.0m (2010: £14.8m) of research and development expenditure which was carried out under contract for, and was fully funded by our development partners.

Substantial Shareholdings

On 21 November 2011 the Company had been notified, in accordance with the Companies Act 2006, of the following interests in the ordinary share capital of the Company:

	Number of shares held	%
Prudential plc group of companies	18,303,889	13.8
Dr Geoffrey W Guy	17,552,654	13.2
Dr Brian Whittle	10,044,641	7.7
Great Point Partners	5,852,000	4.4
Mr Preston L Parish	6,682,245	5.0
Mr Justin Gover	3,983,668	3.0

Share Capital

Information relating to changes to the issued share capital during the year is given in note 19 to the financial statements.

The Group is funded wholly by its ordinary share capital and has no debt (2010: nil) other than a single finance lease incepted during 2009. Further details of this liability are given in note 16.

Directors and their Interests

The Directors who served during the year and to the date of signing, together with their beneficial interests in the shares of the Company, are as follows:

	Ordinary shares of 0.1p 30 September 2011	Ordinary shares of 0.1p 30 September 2010
Executive		
Dr Geoffrey W Guy[1] – Chairman	**17,552,654**	18,364,448
Justin Gover[2] – Managing Director	**3,983,668**	3,983,668
David Kirk[3] – Finance Director	**59,500**	59,500
Dr Stephen Wright[4] – Research and Development Director	**5,000**	5,000
Non-executive		
James Noble[5] – Deputy Chairman and senior independent non-executive	**72,500**	72,500
Thomas Lynch	**236,344**	–
Richard Forrest	**90,000**	60,000

There have been no changes in the beneficial interests in the shares of the Company held by the Directors since 30 September 2011.

1 Dr Geoffrey Guy's holding includes 25,000 ordinary shares held by his immediate family and 1,144,758 shares held by his personal pension plan.
2 Justin Gover's holding includes 33,147 ordinary shares held by his wife.
3 David Kirk's holding includes 6,750 ordinary shares held by his wife and 40,000 shares held by his personal pension plan.
4 Dr Stephen Wright's holding of 5,000 ordinary shares is held by his wife.
5 James Noble's holding of 72,500 ordinary shares is held by his wife.

Details of the Directors' share options and service contracts are shown in the Directors' Remuneration Report. Biographical details of the Directors are given on pages 20 and 21.

In accordance with the Articles of Association of the Company, Justin Gover and Stephen Wright will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Risks and Uncertainties

In common with other pharmaceutical development companies GW faces a number of risks and uncertainties. Internal controls are in place to help identify, manage and mitigate these risks. Further details of these controls are outlined on page 25 in the Chairman's Corporate Governance Report. The main risks have been identified as follows:

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

GW's lead product is a controlled drug and as such is subject to both national and international legislation, which can change at any time.

Manufacturing

GW may encounter problems in its manufacturing process which may delay product development programmes or restrict the commercial quantities of product that can be made.

Marketing and Commercialisation

Following regulatory approval, GW's products may not achieve commercial success or may be subject to competition. Reimbursement agencies may not agree to cover the cost of an approved product.

Safety

During post-marketing surveillance, quality, safety or efficacy issues may emerge which may result in the withdrawal or restriction of the product licence.

Intellectual Property

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

Directors' Report *continued*

Funding
The Group may require access to additional funding in the future. If it fails to obtain such funding the Group may need to delay or scale back some of its research and development programmes or the commercialisation of some of its products.

Risk in Relation to the use of Financial Instruments
The Group is exposed to a number of financial risks, including credit risk, liquidity risk, market price risk and exchange rate risk. It is the Group's policy that no speculative trading in financial instruments shall be undertaken.

Credit Risk
The Group'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 and building societies with high credit ratings.

Trade receivables are concentrated to a small number of large customers, where the risk of default is 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 365 days and at call. This portfolio of deposits is managed to ensure that a rolling programme of maturity dates is managed in accordance with Group 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 365 days, on a breakable deposit basis. The majority of funds are deposited for terms of a maximum of 110 days. This allows the Group to react to rate changes within a reasonable timeframe and to mitigate pricing risk accordingly.

Exchange Rate Risk
The Group's principal functional currency is Pounds Sterling (GBP). However, during the year the Group had exposure to Euros (€), US Dollars (US$) and Canadian Dollars (CAD). The Group's policy is to maintain natural hedges, where possible, by matching revenue and receipts with expenditure.

Going Concern
The financial position of the Group, its cash flows and liquidity position are fully described in the Finance Director's Review on pages 16 to 19. The Group's business activities and the key factors affecting the likely development of the business in 2011 are described in the Managing Director's Review on pages 10 to 15. In addition, the key policies for managing financial risks are set out above.

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

Charitable and Political Contributions
No charitable donations were made during the year (2010: £nil).

No political donation was made in either year.

Supplier Payment Policy
It is the Group's policy to settle debts with its creditors on a timely basis, taking into consideration the terms and conditions offered by each supplier. The number of supplier days outstanding at the year end, based on the average monthly outstanding Group creditor balances, was 43 days (2010: 43 days).

Employee Consultation
The Group places considerable value on the involvement of its employees and they are regularly briefed on the Group's activities. Their contribution is a key element to the future success of the Group and accordingly, from time to time, employees are given the opportunity to participate in the Company's share capital by joining one or more of the share option schemes operated by the Company. Details of the share options issued under these plans are set out in note 20 to the financial statements. Equal opportunity is given to all employees regardless of their age, sex, colour, race, religion or ethnic origin.

Disabled Employees
Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Annual General Meeting
The Annual General Meeting will be held at 11am on 25 January 2012 at Porton Down Science Park, Salisbury, Wiltshire SP4 0JQ.

Auditors and Audit Information
Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

(a) so far as the Director is aware, there is no relevant audit information of which the Company's auditors is unaware; and

(b) the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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

By order of the Board

Adam George
Company Secretary
21 November 2011

Chairman's Corporate Governance Report

"I am pleased to report that throughout 2011 the Board has continued to demonstrate its commitment to maintaining high standards of corporate governance."

As a company that has securities which are traded on the Alternative Investment Market (AIM), we are not required to comply with the principles of the UK Corporate Governance Code. However, the Board has sought to robustly apply the principles of the Code as far as practicable given the size of the Company and the nature of its operations.

In this report I will explain how we have managed our corporate governance during 2011 and how we intend to maintain practices consistent with the requirements of the Code in future. I will also identify those provisions of the Code with which we are not fully compliant.

Our Strategy, Business Model and Approach to Risk

The nature of our business is to take product developmental risk in order to create valuable medicines targeted to address areas of significant unmet medical need. We invest our efforts and financial resources into the process of identifying suitable pharmaceutical product candidates which we then take through an extensive development process. This is an inherently risky process. Not all of our product candidates will progress successfully to become marketable products. However, our in-house development expertise and unique knowledge of the cannabinoids with which we work will allow us to develop valuable products in an efficient manner that will significantly reduce, but which cannot eliminate this risk in future.

We manage the extent of retained risk by:

- licensing our products to pharmaceutical partners with the expertise, resources and contacts to market our approved products, reducing the need for investment in sales infrastructure, allowing us to focus upon our own areas of expertise;
- managing the development process of our products, in conjunction with our partners, to ensure optimal management of each stage of development, utilising our in-house resource wherever possible to ensure compliance with good clinical practice, maintenance of our knowledge base and close control;
- seeking funding from partners for early stage research by entering into collaboration agreements, sharing the financial risks associated with our pipeline development;
- negotiating licensing terms with partners that require our partners to fund most of the latter stages of product development, Phase III trials, indication expansion and product lifecycle management; and
- controlling the manufacturing of our products, in house, to ensure that quality is maintained, processes optimised and manufacturing expertise is maintained within GW.

All of the above result in a business model that allows us to create value by developing a broad pipeline of potential future products whilst sharing the financial risk with our partners. By maintaining close internal control over most aspects of research and development, product manufacture and regulatory compliance we mitigate the other risks associated with our business by continuing to maintain a robust internal controls process and risk management framework.

Having carried out a review of the level of risks that we are taking in pursuit of the Group's strategy, the Board is satisfied that the level of retained risk is appropriate and commensurate with the financial rewards that should result from achievement of our strategy.

The Board of Directors

The Company is controlled by the Board of Directors which currently comprises four Executive and three independent non-executive Directors. The Board of Directors has overall responsibility for the Group. Its aim is to represent the interests of the Group's shareholders and to provide leadership and control in order to ensure the growth and long-term success of the business.

Provision A2.1 of the Code recommends separation of the roles of Chairman and Chief Executive. Due to the current size of the Group, it is the Board's view that the existing arrangement, whereby I continue to provide leadership to the Board in my role as Executive Chairman, continues to be in the best interests of the Group. The Board is satisfied that the presence of Mr James Noble, Mr Thomas Lynch and Mr Richard Forrest, who are all considered by the Board to be independent Directors provides sufficient independent influence to ensure that the Board is balanced and that good corporate governance practice is maintained.

Chairman's Corporate Governance Report *continued*

Mr James Noble acts as the Company Deputy Chairman and senior independent non-executive.

All Directors are able to take independent advice in furtherance of their duties if necessary.

The Board is responsible to shareholders for the proper management of the Group. Board meetings are held at least six times a year to set the overall direction and strategy of the Group and to review financial and operating performance. Financial policy and budgets, including capital expenditure, are approved and monitored by the Board. All key strategic decisions are subject to Board approval. The Company Secretary is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

Directors are subject to election by shareholders at the first opportunity after their appointment. In addition, one third of the Directors are subject to retirement by rotation at each Annual General Meeting. The Board have considered the recommendation within Provision B7.1 of the UK Corporate Governance Code, aimed at FTSE350 companies and above, that all Directors should be reappointed annually. However the Board has concluded that it is not appropriate for a company of GW's size to adopt annual reappointment. For the foreseeable future we will continue with the existing practice of retirement by rotation every three years.

During the year, there were six full meetings of the Board of Directors. All members of the Board of Directors attended each of the six meetings.

Committees of the Board

The detailed terms of reference of each of the Board committees can be found on the Group website at www.gwpharm.com.

Remuneration Committee

The Remuneration Committee comprises all the non-executive Directors under the chairmanship of Mr Thomas Lynch. It reviews, inter alia, the performance of the Executive Directors and sets the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of the shareholders.

The Remuneration Committee also determines the allocation of awards under the Long-Term Incentive Plan (LTIP) to Executive Directors. No Director has a service agreement with a notice period exceeding one year.

During the year, there were three full meetings of the Remuneration Committee. All members of the Committee attended these meetings.

It is a policy of the Remuneration Committee that no individual participates in discussions or decisions concerning his own remuneration.

The Directors' Remuneration Report is set out on pages 28 to 32.

Audit Committee

The Audit Committee comprises all the non-executive Directors under the chairmanship of James Noble. It meets at least three times per year and overviews the monitoring of the Group's internal controls, accounting policies and financial reporting and provides a forum through which the external auditors report. It meets at least once a year with the external auditors without executive Board members present.

The Audit Committee is also responsible for overseeing the activities of the external auditors including their appointment, reappointment, or removal as well as monitoring of their objectivity and independence. The Committee also considers the fees paid to the external auditors and whether the fee levels for non-audit services, individually and in aggregate, relative to the audit fee are appropriate so as not to undermine their independence.

During the year, there were three full meetings of the Audit Committee which were fully attended.

Nominations Committee

The Nominations Committee comprises Mr James Noble and Mr Richard Forrest, under my chairmanship. It meets at least twice a year and reviews the structure, size and composition of the Board, supervising the selection and appointment process in relation to Directors, making recommendations to the Board with regard to any changes, using an external search consultancy if considered appropriate. For new appointments, the Nominations Committee will make a final recommendation to the Board, which will have the opportunity to meet the candidate prior to approving the appointment. Once appointed, the Nominations Committee oversees the induction of new Directors as well as ensuring that the Board as a whole receive the appropriate training during the course of the year in order to ensure that they have the knowledge and skills necessary to operate effectively.

The Nominations Committee also retains responsibility for the Board appraisal process whereby the performance of all Directors is appraised annually both on an individual basis and for the Board as a whole, taking into account such factors as attendance record, contribution during Board meetings and the amount of time that has been dedicated to Board matters during the course of the year. I oversee the appraisal process, while my performance as Chairman is reviewed by James Noble, in his capacity as senior independent Director, taking into account feedback from other members of the Board.

Provision B6.2 of the UK Corporate Governance Code recommends that the Board should consider utilising an independent third party to facilitate the Board appraisal process, noting that this may not be appropriate for companies smaller than FTSE350. Having considered this recommendation, the Board has decided that the current appraisal process is operating satisfactorily and that, in recognition of GW's size, it is not considered necessary to utilise the services of an independent facilitator at this time. The Nominations Committee will reconsider this in future and may appoint an independent facilitator if it determines that this is appropriate.

During 2011 there have been two Nominations Committee meetings. These meetings were fully attended.

Executive Management Committees

Operational decision making is delegated to a number of Executive Management Committees which are committees consisting of certain Directors and members of senior management. The Executive Management Committees meet as required and on average every six weeks.

Communication with Shareholders

The Board attaches great importance to effective communication with shareholders and encourages dialogue with both its institutional and private investors and responds promptly to all questions received verbally or in writing. Regular communication is maintained with all shareholders through Company announcements, the Annual Report and Accounts, Preliminary Results and the Interim Report. In addition the Company operates a website which can be found at www.gwpharm.com. The website contains further details of the Group, its products and its activities, details of regulatory announcements and Company announcements, Annual and Interim Reports, and details of the Company's share price, share trading activity and graphs.

The Executive Directors regularly attend meetings with analysts and institutional shareholders throughout the year. With private shareholders this is not always practical. The Board has therefore sought to use the Company's Annual General Meeting as the opportunity for both the Executive and the non-executive Directors to meet shareholders, after which the Board gives a presentation on the activities of the Group and there is also an opportunity to ask questions of all Directors on a formal and informal basis. At other times during the year, the non-executive members of the Board and I are available to meet with our institutional shareholders upon request. We welcome the opportunity to develop a mutual understanding of objectives with our shareholders.

All shareholders have at least 21 days' notice of the Annual General Meeting.

Maintenance of a Sound System of Internal Control

The Directors have overall responsibility for ensuring that the Group maintains a system of internal control to provide them with reasonable assurance that the assets of the Group are safeguarded and that the shareholders' investments are protected. The system includes internal controls covering financial, operational and compliance areas, and risk management. There are limitations in any system of internal control, which can provide reasonable but not absolute assurance with respect to the preparation of financial information, the safeguarding of assets and the possibility of material misstatement or loss.

During 2011 the Board has considered and reviewed the system of internal controls in place. An assessment of the major risk areas for the business and methods used to monitor and control them was also undertaken with a particular focus upon the changing profile of the risks facing the business as we continue the transition from being an R&D business to being commercially focused, manufacturing and selling an approved pharmaceutical product.

In addition to financial risk, the review covered operational, commercial, environmental, regulatory and research and development risks. The risk review is an on-going process with regular review by the Board at least annually with appropriate input from the Audit Committee. The prime purpose of this review is to ensure that, having considered the controls that are in place to mitigate risks, the Board is satisfied with the residual level of risk being taken in pursuit of the Group strategy.

The key procedures designed to provide an effective system of internal control that have operated throughout the year and up to the date of the sign-off of this report are described below.

Control Environment

There is an organisational structure with clearly defined lines of responsibility and delegation of accountability and authority.

Risk Management

The Group employs Directors and senior executives with the appropriate knowledge and experience for a pharmaceutical group such as GW Pharmaceuticals plc. A formal risk management review is performed annually as part of the process of determining the adequacy of the Group's system of internal controls and risk mitigation procedures.

Financial Information

The Group prepares detailed budgets and working capital projections, which are approved annually by the Board and are updated regularly throughout the year. Detailed management accounts and working capital cash flows are prepared on a monthly basis and compared to budgets and projections to identify and manage any significant variances.

Management of Liquid Resources

The Board is risk averse when investing the Group's surplus cash funds. The Group's treasury management policy sets out strict procedures and limits on how surplus funds are invested.

The Board has considered it inappropriate to establish an internal audit function, given the size of the Group. However, we will review this decision as the operations of the Group develop.

Dr Geoffrey Guy
Executive Chairman
21 November 2011

Directors' Remuneration Report

Introduction

Companies that have securities that trade on AIM are not required to comply with the disclosure requirements of Directors' Remuneration Report Regulations 2002 or to comply with the UKLA Listing Rules and the disclosure provisions under Schedule 8 of the Companies Act 2006. However, the Remuneration Committee is committed to maintaining high standards of corporate governance and has taken steps to comply with best practice in so far as it can be applied practically given the size of the Company and the nature of its operations.

Unaudited Information

Remuneration Report

The Board has applied the Principles of Good Governance relating to Directors' remuneration as described below:

The Remuneration Committee

The Remuneration Committee comprises all the non-executive Directors under the chairmanship of Mr Thomas Lynch. The constitution and operation of the Committee is in compliance with the provisions of the UK Corporate Governance Code. When setting its remuneration policy for Executive Directors the Committee gives full consideration to the provisions and principles of the UK Corporate Governance Code.

Remuneration Policy for Executive Directors

The remuneration policy has been designed to ensure that Executive Directors should receive appropriate incentive and reward given their performance, responsibility and experience. In determining this, the Remuneration Committee has regard to ensure that the policy aligns the interests of Executive Directors with those of the shareholders.

The Group remuneration policy for Executive Directors is to:

- have regard to the individuals' experience and the nature and complexity of their work in order to pay a competitive salary that attracts and retains management of the highest quality, while avoiding remunerating those Directors more than is necessary;
- link individual remuneration packages to the Group's long term performance through the award of share options, bonus schemes and via participation in the Group's Long Term Incentive Plan;
- provide post-retirement benefits through defined contribution pension schemes; and
- provide employment-related benefits including the provision of life assurance and medical insurance.

Directors' Service Contracts

It is Group policy that Executive Directors should have contracts with an indefinite term providing for a maximum of one year's notice.

Details of Directors' service contracts are as follows:

Director	Date of contract	Notice period
Executive		
Geoffrey W Guy	November 2000	12 months
Justin Gover	November 2000	12 months
David Kirk	September 2001	12 months
Stephen Wright	March 2005	12 months
Non-executive		
James Noble	January 2007	3 months
Richard Forrest	March 2007	3 months
Thomas Lynch	July 2010	3 months

Remuneration Package for Executive Directors

Executive Directors' remuneration packages are considered annually and comprise a number of elements, as follows:

i) Basic Salary

Basic salaries are reviewed annually at the end of each calendar year. The review process is undertaken having regard to the development of the Group and the contribution that individuals will continue to make. Consideration is also given to the need to retain and motivate individuals and information on the salary levels in comparable organisations. In this respect the Remuneration Committee draws on the findings of external salary surveys and undertakes its own research.

ii) Annual Performance Incentive

Executive Directors are eligible for an annual bonus at the discretion of the Remuneration Committee. Bonus awards are reviewed at the end of each calendar year and any such awards are determined by the performance of the individual and the Group as a whole based upon the achievement of strategic objectives set at the beginning of the year. The awards are normally limited to a maximum of 50% of basic salary, however in exceptional circumstances the annual maximum may increase up to 100% of basic salary.

iii) Pensions and Other Benefits

The Group does not operate a Group pension scheme. Instead the Group makes contributions to individual private pension arrangements. Other benefits provided are life assurance, permanent health insurance, private medical insurance and car allowance.

iv) Share Options/Long Term Incentive Plan

Executive Directors are awarded share options at the discretion of the Remuneration Committee. Share options are granted at the closing mid-market value of the Company's ordinary shares on the day prior to grant and vest after a period of three years.

Under the terms of the Long Term Incentive Plan Executive Directors are awarded options to subscribe for the Company's ordinary shares at an exercise price equal to the nominal value. 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.

The first award, granted in 2008 following approval of this new scheme by shareholders at the Annual General Meeting on 18 March 2008, was subject to a performance condition whereby the Group must achieve approval for its main product, Sativex®, in one of the four major European territories within three years from date of grant. Having achieved UK approval for Sativex in 2010 this award vested in March 2011.

The 2009 award, is subdivided into three tranches, each of which will vest upon first Sativex approval in each of the first, second and third major European territories. These approvals must be obtained within three years from the date of grant, otherwise the options shall lapse. The achievement of UK, Spanish and German approvals achieved in 2010 and 2011 will result in this award vesting in March 2012.

The 2010 award is subdivided into four equal tranches, each of which will ordinarily vest on 19 July 2013 upon achievement of the following performance conditions:

- one quarter will vest upon achievement of regulatory approvals of the Company's lead product in a further six European countries (excluding UK and Spain) and three non-EU countries;
- one quarter will vest upon the conclusion of one new significant non-Sativex license agreement;
- one quarter will vest upon the successful completion of a Phase II proof of concept clinical trial in one non-Sativex product; and
- one quarter will vest if, on the vesting date, the GW Pharmaceuticals plc share price has both increased and outperformed the FTSE AIM All Share Index over the period from the date of grant until vesting of the option.

Directors' Remuneration Report *continued*

The 2011 award is subject to a performance condition whereby the number of options vesting on the third anniversary of the date of grant will be determined according to the performance of the GW share price relative to a comparator group consisting of the constituents of the FTSE small cap index. Awards will only vest if GW is ranked at median or above. 25% of the award will vest if GW achieves median ranking, with 100% vesting if an upper quartile ranking is achieved. A straight line approach will be used to calculate the percentage vesting between these two extremes.

The Remuneration Committee considered that, at the date of grant of these awards, the performance measures used represented the key value drivers for the business and that achievement of these performance measures should deliver significant value to the Group and to shareholders, such that the interests of the Executive Directors, the Group and our shareholders are appropriately aligned.

Remuneration Policy for non-executive Directors

The remuneration of the non-executive Directors is determined by the Board as a whole, based on a review of current practices in other equivalent companies. The non-executive Directors do not receive any pension from the Company, nor do they participate in any of the bonus or share option schemes.

The non-executive Directors have service agreements which are reviewed by the Board annually. They are included in the one third of Directors subject to retirement by rotation at each Annual General Meeting.

Audited Information

Directors' Remuneration

The Directors received the following remuneration during the year:

Name of Director	Salary and fees £	Bonus £	Taxable benefits £	Pension contributions £	**2011 Total £**	2010 Total £
Executive						
Dr Geoffrey W Guy	332,487	90,228	2,142	53,817	**478,674**	585,478
Justin Gover	268,483	74,196	1,362	44,255	**388,296**	478,355
David Kirk	219,360	59,112	2,604	35,658	**316,734**	383,835
Dr Stephen Wright	226,235	61,800	2,142	36,861	**327,038**	402,787
Non-executive						
James Noble	50,050	–	–	–	**50,050**	45,407
Thomas Lynch[1]	–	–	–	–	**–**	–
Richard Forrest	36,050	–	–	–	**36,050**	35,788
Hans Schram	–	–	–	–	**–**	29,780
Aggregate emoluments	1,132,665	285,336	8,250	170,591	**1,596,842**	1,961,430

1 Since his appointment as a non-executive Director in July 2010, Thomas Lynch has waived his right to receive remuneration for this role.

Directors' Share Options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by the Directors. Details of the options are as follows:

Name of Director	At 1 Oct 2010	Granted	Exercised	Lapsed	**At 30 Sept 2011**	Exercise price	Earliest date of exercise	Date of expiry
Executive								
Dr Geoffrey W Guy	150,000	–	(150,000)	–	**–**	36.21p	15/01/04	15/01/11
	216,080	–	–	–	**216,080**	199.00p	22/01/07	22/01/14
	302,344	–	–	–	**302,344**	128.00p	02/03/08	02/03/15
	171,315	–	–	–	**171,315**	125.50p	10/02/09	10/02/16
	364,675	–	–	–	**364,675**	95.50p	26/03/10	26/03/17
	170,000	–	–	–	**170,000**	0.1p	19/03/11	19/03/18
	170,000	–	–	–	**170,000**	0.1p	27/03/12	27/03/19
	259,836	–	–	–	**259,836**	0.1p	19/07/13	19/07/20
	–	259,493	–	–	**259,493**	0.1p	08/06/14	08/06/21
Justin Gover	11,931	–	–	(11,931)	**–**	182.00p	14/05/04	14/05/11
	205,569	–	–	(205,569)	**–**	182.00p	01/06/04	01/06/11
	217,500	–	–	(217,500)	**–**	237.00p	01/06/04	01/06/11
	175,000	–	–	–	**175,000**	171.00p	16/01/06	16/01/13
	170,854	–	–	–	**170,854**	199.00p	22/01/07	22/01/14
	239,063	–	–	–	**239,063**	128.00p	02/03/08	02/03/15
	135,458	–	–	–	**135,458**	125.50p	10/02/09	10/02/16
	299,844	–	–	–	**299,844**	95.50p	26/03/10	26/03/17
	153,000	–	–	–	**153,000**	0.1p	19/03/11	19/03/18
	153,000	–	–	–	**153,000**	0.1p	27/03/12	27/03/19
	213,666	–	–	–	**213,666**	0.1p	19/07/13	19/07/20
	–	213,384	–	–	**213,384**	0.1p	08/06/14	08/06/21
David Kirk	900,000	–	(900,000)	–	**–**	104.50p	10/09/04	10/09/11
	500,000	–	–	–	**500,000**	171.00p	16/01/06	16/01/13
	155,778	–	–	–	**155,778**	199.00p	22/01/07	22/01/14
	217,969	–	–	–	**217,969**	128.00p	02/03/08	02/03/15
	123,506	–	–	–	**123,506**	125.50p	10/02/09	10/02/16
	238,883	–	–	–	**238,883**	95.50p	26/03/10	26/03/17
	137,000	–	–	–	**137,000**	0.1p	19/03/11	19/03/18
	137,000	–	–	–	**137,000**	0.1p	27/03/12	27/03/19
	170,228	–	–	–	**170,228**	0.1p	19/07/13	19/07/20
	–	172,558	–	–	**172,558**	0.1p	08/06/14	08/06/21
Dr Stephen Wright	100,000	–	–	–	**100,000**	199.00p	22/01/07	22/01/14
	400,000	–	–	–	**400,000**	99.00p	02/09/07	02/09/14
	200,000	–	–	–	**200,000**	119.50p	21/01/08	21/01/15
	107,570	–	–	–	**107,570**	125.50p	10/02/09	10/02/16
	229,610	–	–	–	**229,610**	95.50p	26/03/10	26/03/17
	140,000	–	–	–	**140,000**	0.1p	19/03/11	19/03/18
	140,000	–	–	–	**140,000**	0.1p	27/03/12	27/03/19
	177,970	–	–	–	**177,970**	0.1p	19/07/13	19/07/20
	–	177,735	–	–	**177,735**	0.1p	08/06/14	08/06/21

Directors' Remuneration Report *continued*

Options Granted

The options granted during 2011 represent an award under the Group LTIP. The options are subject to a performance condition which must be achieved within three years from date of grant in order for the options to vest. The options will lapse in the event that the performance conditions are not achieved. Full details of the performance conditions are given on page 30.

Options Exercised

During the year 1,050,000 options (2010: 886,750) were exercised. These had an average exercise price of 95p (2010: 28p) and an average market price at date of exercise of 116p (2010: 104p), resulting in a notional gain at exercise of £225,000 (2010: £674,000).

In addition the following ordinary shares have been conditionally gifted under the rules of the GW Pharmaceuticals All Employee Share Scheme as follows:

Name of Director	**At 1 Oct 2010 and 30 Sept 2011**	Vested
Executive		
Mr Justin Gover	**14,384**	02/10/03
	2,450	23/01/05
Dr Stephen Wright	**1,507**	22/01/07
	1,500	21/01/08
Mr David Kirk	**2,450**	23/01/05

Directors' Shareholdings

The interests of the Directors in the shares of the Company as at 30 September 2011 were:

Name of Director	**Ordinary shares of 0.1p 30 Sept 2011**	Ordinary shares of 0.1p 30 Sept 2010
Executive		
Dr Geoffrey W Guy[1]	**17,552,654**	18,364,448
Justin Gover[2]	**3,983,668**	3,983,668
David Kirk[3]	**59,500**	59,500
Dr Stephen Wright[4]	**5,000**	5,000
Non-executive		
James Noble[5]	**72,500**	72,500
Tom Lynch	**236,344**	–
Richard Forrest	**90,000**	60,000

1 Dr Geoffrey Guy's holding includes 25,000 ordinary shares held by his immediate family and 1,244,758 shares held by his personal pension plan.
2 Justin Gover's holding includes 33,147 ordinary shares held by his wife.
3 David Kirk's holding includes 6,750 ordinary shares held by his wife and 40,000 shares held by his personal pension plan.
4 Dr Stephen Wright's holding of 5,000 ordinary shares is held by his wife.
5 James Noble's holding of 72,500 ordinary shares is held by his wife.

The market price of the Company's shares as at 30 September 2011 was 98p (2010: 100p) and the range during the year was 88p to 130p (2010: 80p to 156p)

By order of the Board

Thomas Lynch
Chairman of the Remuneration Committee
21 November 2011

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the European Union. Under company law the Directors must not approve the accounts 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, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditors' Report
For the year ended 30 September 2011

Independent Auditors' Report to the Members of GW Pharmaceuticals plc
We have audited the financial statements of GW Pharmaceuticals plc for the year ended 30 September 2011 which comprise the Group Income Statement, the Group and parent company Balance Sheets, the Group and parent company Cash Flow Statements, the Group and parent company Statements of Changes in Equity and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

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 auditors' 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 Auditors
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 Group's and the parent 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 Group's and the parent company's affairs as at 30 September 2011 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on Other Matters Prescribed by the Companies Act 2006
In our opinion:
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are Required to Report by Exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Other Matters

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the provisions of the Companies Act 2006 that would have applied were the Company a quoted company.

Although not required to do so, the Directors have voluntarily chosen to make a corporate governance statement detailing the extent of their compliance with the UK Corporate Governance Code. We reviewed:

- the Directors' statement contained within the Directors' report in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

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

Consolidated Income Statement

For the year ended 30 September 2011

	Notes	2011 £000's	2010 £000's
Revenue	2	**29,627**	30,676
Cost of sales		**(1,347)**	(752)
Gross profit		**28,280**	29,924
Research and development expenditure	3	**(22,325)**	(21,823)
Management and administrative expenses		**(2,892)**	(2,959)
Share-based payment	22	**(795)**	(630)
Operating profit		**2,268**	4,512
Interest payable	7	**(3)**	(8)
Interest receivable	7	**263**	100
Profit on ordinary activities before taxation	4	**2,528**	4,604
Tax credit on ordinary activities	8	**221**	37
Profit on ordinary activities after taxation being retained profit for the financial year		**2,749**	4,641
Earnings per share – basic	9	**2.1p**	3.6p
Earnings per share – diluted	9	**2.0p**	3.4p

The accompanying notes are an integral part of this consolidated income statement.

All activities relate to continuing operations.

The Group has no recognised gains or losses other than the gains and losses shown above and therefore no separate consolidated statement of comprehensive income has been presented.

Statements of Changes in Equity

For the year ended 30 September 2011

Group	Called-up share capital £000's	Share premium account £000's	Other reserves £000's	Retained earnings £000's	Total £000's
At 1 October 2009	129	64,677	19,262	(77,346)	6,722
Exercise of share options	2	678	–	–	680
Share-based payment	–	–	–	630	630
Retained profit for the year	–	–	–	4,641	4,641
Balance at 30 September 2010	**131**	**65,355**	**19,262**	**(72,075)**	**12,673**
Exercise of share options	2	1,433	–	–	1,435
Share-based payment	–	–	–	795	795
Retained profit for the year	–	–	–	2,749	2,749
Balance at 30 September 2011	**133**	**66,788**	**19,262**	**(68,531)**	**17,652**

Company	Called-up share capital £000's	Share premium account £000's	Other reserves £000's	Retained earnings £000's	Total £000's
At 1 October 2009	129	64,677	–	2,949	67,755
Exercise of share options	2	678	–	–	680
Share-based payment	–	–	–	630	630
Retained loss for the year	–	–	–	(214)	(214)
Balance at 30 September 2010	**131**	**65,355**	**–**	**3,365**	**68,851**
Exercise of share options	2	1,433	–	–	1,435
Share-based payment	–	–	–	795	795
Retained loss for the year	–	–	–	(300)	(300)
Balance at 30 September 2011	**133**	**66,788**	**–**	**3,860**	**70,781**

Balance Sheets
As at 30 September 2011

	Notes	Group 2011 £000's	Group 2010 £000's	Company 2011 £000's	Company 2010 £000's
Non-current assets					
Intangible assets – goodwill	10	**5,210**	5,210	**–**	–
Investments	11	**–**	–	**77,495**	68,854
Property, plant and equipment	12	**1,868**	1,566	**–**	–
		7,078	6,776	**77,495**	68,854
Current assets					
Inventories	13	**1,424**	780	**–**	–
Trade and other receivables	14	**2,281**	1,217	**31**	19
Cash and cash equivalents		**28,319**	25,219	**1,000**	–
		32,024	27,216	**1,031**	19
Total assets		**39,102**	33,992	**78,526**	68,873
Current liabilities					
Trade and other payables	15	**(6,562)**	(4,554)	**(7,745)**	(22)
Obligations under finance leases	16	**(7)**	(40)	**–**	–
Deferred revenue	17	**(3,459)**	(5,120)	**–**	–
		(10,028)	(9,714)	**(7,745)**	(22)
Non-current liabilities					
Obligations under finance leases	16	**–**	(6)	**–**	–
Deferred revenue	17	**(11,422)**	(11,599)	**–**	–
Total liabilities		**(21,450)**	(21,319)	**(7,745)**	(22)
Net assets		**17,652**	12,673	**70,781**	68,851
Equity					
Share capital	19	**133**	131	**133**	131
Share premium account		**66,788**	65,355	**66,788**	65,355
Other reserves	21	**19,262**	19,262	**–**	–
Retained earnings		**(68,531)**	(72,075)	**3,860**	3,365
Shareholders' funds		**17,652**	12,673	**70,781**	68,851

The financial statements of GW Pharmaceuticals plc, registered number 04160917, on pages 36 to 60 were approved by the Board on 21 November 2011, and were signed on its behalf by:

Dr Geoffrey W Guy
Executive Chairman
21 November 2011

The accompanying notes are an integral part of these balance sheets.

Cash Flow Statements

For the year ended 30 September 2011

	Group		Company	
	2011 £000's	2010 £000's	**2011 £000's**	2010 £000's
Operating profit/(loss)	**2,268**	4,512	**(300)**	(214)
Adjustments for:				
Depreciation of property, plant and equipment	**589**	726	**–**	–
Share-based payment charge	**795**	630	**–**	–
Operating cash flow before movements in working capital	**3,652**	5,868	**(300)**	(214)
Increase in inventories	**(644)**	(229)	**–**	–
Increase in receivables	**(1,043)**	(406)	**(11)**	(426)
Increase/(decrease) in payables	**168**	(1,298)	**(124)**	(40)
Cash generated/(used) by operations	**2,133**	3,935	**(435)**	(680)
Research and development tax credits received	**221**	397	**–**	–
Net cash inflow/(outflow) from operating activities	**2,354**	4,332	**(435)**	(680)
Investment activities				
Interest received	**244**	100	**–**	–
Interest paid	**(3)**	(8)	**–**	–
Purchases of property, plant and equipment	**(891)**	(434)	**–**	–
Net cash outflow from investing activities	**(650)**	(342)	**–**	–
Financing activities				
Proceeds on exercise of share options	**1,435**	680	**1,435**	680
Expenses of share issue	**–**	(18)	**–**	–
Capital element of finance leases	**(39)**	(34)	**–**	–
Net cash inflow from financing activities	**1,396**	628	**1,435**	680
Net increase in cash and cash equivalents	**3,100**	4,618	**1,000**	–
Cash and cash equivalents at beginning of year	**25,219**	20,601	**–**	–
Cash and cash equivalents at end of the year	**28,319**	25,219	**1,000**	–

Notes to the Financial Statements
For the year ended 30 September 2011

1. Significant Accounting Policies
The principal Group accounting policies are summarised below.

Basis of Accounting
These financial statements have been prepared using accounting policies under International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS regulation.

The financial statements have been prepared under the historical cost convention.

Adoption of New and Revised Standards
In the current year, the following new and revised Standards and Interpretations have been adopted in these financial statements.

IFRS 3(2008) Business Combinations
IAS 27(2008) Consolidated and Separate Financial Statements
IAS 28(2008) Investments in Associates
Amendment to IFRS 2 Share-based Payment
Amendment to IAS 17 Leases
Amendment to IAS 39 Financial Instruments: Recognition and Measurement
IFRIC 17 Distributions of Non-Cash Assets to Owners
IFRS 2 (amended) Group Cash-settled Share-based Payment Transactions

None of the above had any impact upon the presentation and disclosure, reported results or financial position.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 9 Financial Instruments
IAS 24 (amended) Related Party Disclosures
IAS 32 (amended) Classification of Rights Issues
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
IFRIC 14 (amended) Prepayments of a Minimum Funding Requirement
Improvements to IFRSs (May 2010)
IFRS 10 Consolidated Financial Statements
IFRS 11 Joint Arrangements
IFRS 12 Disclosure of Interests in Other Entities
IFRS 13 Fair value measurement
IAS 27 Separate Financial Statements
Amendments to IFRS 7 Financial Instruments
Deferred tax: Recovery of underlying assets
Severe Hyperinflation and Removal of Fixed Dates for first time adopters
Presentation of Items of Other Comprehensive Income
Amendments to IAS 19 Employee Benefits

The Directors do not expect that the adoption of these Standards and Interpretations in future periods will have a material impact on the financial statements of the Group.

Going Concern
The Directors have considered the financial position of the Group, its cash position and future cash flows when considering going concern. They have also considered the Group's business activities, the key policies for managing financial risks and the key factors affecting the likely development of the business in 2012. In the light of this review, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Basis of Consolidation
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 September each year. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies of the entity concerned, generally accompanying a shareholding of more than one half of the voting rights. All intra-group transactions, balances, income and expenses are eliminated on consolidation. Acquisitions are accounted for under the purchase method.

1. Significant Accounting Policies *continued*

As part of a Group reconstruction GW Pharmaceuticals plc acquired GW Pharma Limited on 31 May 2001. This purchase was accounted for under merger accounting principles. Under this method, results are reported as if the acquiring companies have been combined since the earlier date of incorporation. No purchased goodwill was created on the acquisition and the assets and liabilities of the acquired company were not adjusted to reflect their market value.

No income statement is presented for GW Pharmaceuticals plc as permitted by Section 408 of the Companies Act 2006. The Company's loss for the financial year was £300,000 (2010: £214,000).

Intangible Assets – Goodwill

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

Determination of whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which the goodwill has been allocated. The value in use calculation requires an estimate of the present value of expected future cash flows discounted at an appropriate discount rate. Where appropriate, provision is then made to ensure that the carrying value does not exceed this value in use estimate.

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, value added tax and other sales-related taxes. No revenue is recognised for consideration, the value or receipt of which is dependent on future events, future performance or refund obligations. The Group's principal revenue streams and their respective accounting treatments are set out below:

Product Sales

Revenue from the sale of products is recognised upon collection by customers or at the time of delivery depending on the terms of sale.

Research and Development Fees

Revenue from contract research and development (R&D) agreements is recognised as the services are performed.

Licensing Fees

Licensing fees represent revenues derived from product out-licensing agreements and from contract (R&D) agreements.

Signature fees received in connection with product out-licensing agreements, even where such fees are non-refundable and not creditable against future royalty payments, are deferred and recognised over the period of the license term, or the period of the associated collaborative assistance if that period is reasonably estimable.

Technical access fees are fees charged to licensing partners to have access to and to commercially exploit data that GW already possesses or which can be expected to result from GW research programmes that are already in progress. Such fees are recognised upon delivery of data to the partner or, in the event that the research programme is on-going, over the period taken to complete the research and to provide the data.

Development and Approval Milestones

During the term of certain contract R&D agreements and licensing agreements, the Group is eligible to receive non-refundable development and approval milestone payments when certain clinical or regulatory results are achieved or upon the occurrence of certain milestone events. These milestones are recognised upon achievement of the relevant result or upon the occurrence of the milestone event when they become receivable.

Research and Development

R&D expenditure is recognised as an intangible asset only when the Group has achieved reasonable certainty that future economic benefits will flow to the Group and then only to the extent that the asset created is separately identifiable and the costs of which can be measured reliably.

All R&D expenditure incurred prior to achieving regulatory approval is therefore expensed as incurred.

R&D expenditure incurred subsequent to regulatory approval is only recognised as an intangible asset if there is reasonable certainty that additional future economic benefits will flow to the Group as a direct result of that research.

Notes to the Financial Statements *continued*
For the year ended 30 September 2011

1. Significant Accounting Policies *continued*

Property, Plant and Equipment
Fixtures and equipment are stated at cost, net of accumulated depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life commencing upon the satisfactory completion of installation such that assets are ready for their intended use, as follows:

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

Investments
Investments are shown at cost less any provision for impairment. Investments in subsidiary companies which are accounted for under merger accounting principles are shown at the nominal value of shares issued in accordance with the provisions of Section 131 of the Companies Act 2006.

The carrying value of investments in subsidiary companies in the Company balance sheet is increased annually by the value of the capital contribution deemed to have been made by the Company in its subsidiary by the grant of equity-settled share-based payments to the employees of the subsidiary company. The value attributable to these equity-settled share-based payments is calculated in accordance with IFRS 2, Share-based payments.

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

Provision is made for obsolete, slow moving or defective items where appropriate. Inventory is also provided for where the level of inventory held is in excess of the amount required to manufacture projected future sales volumes based on the current regulatory status of the relevant product. The provision ensures that the carrying value of inventory does not exceed expected net realisable value.

Prior to achieving territorial regulatory approvals, the sales volume projections for each territory, used to estimate the required level of inventory provision, are derived by applying historic growth rates to the current volumes being sold via named patient sales programmes. Once a territorial approval is achieved, volume projections are revised to take account of expected commercial sales volumes for that territory, based upon projections provided by commercial partners, adjusted to take into account other factors such as historic experience of sales growth rates and expected market penetration.

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

The tax payable or recoverable is provided for 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 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.

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.

Retirement Benefit Costs
The Group does not operate any pension plans, but makes defined contributions to the personal pension arrangements of its Executive Directors and employees. The amounts charged to the income statement in respect of pension costs are the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

1. Significant Accounting Policies *continued*

Foreign Currency

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

Share-based Payment

The Group has applied the requirements of IFRS 2, Share-based payments.

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

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

Leases

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

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.

Financial Instruments

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

Trade Receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost, using the effective interest rate method where credit exceeds normal terms. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. 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 deposits held at call with banks and other short-term highly liquid investments with a maturity of three months or less.

Trade Payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described above, the 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.

Notes to the Financial Statements *continued*
For the year ended 30 September 2011

1. Significant Accounting Policies *continued*

Critical Judgements in Applying the Group's Accounting Policies

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 Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Recognition of Clinical Trials Expenditure

The Group 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 but for which invoices have not yet been received. 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.

Revenue Recognition

The Group recognises R&D fee revenues as services are performed. Where services are in-progress at the period end, the Group recognises revenues proportionately, in line with the stage of completion of the service. Where such in-progress services include the conduct of clinical trials, the Directors recognise service fees in line with the stage of completion of each trial so that revenues are recognised in line with the clinical trials expenditure, as outlined in detail above.

The Group recognises licensing fees either over the estimated term of the commercial license or, in the case of technical access fees, over the period taken to provide access to the data to the licensee. For existing data, this may be immediate, but in the case of data that is expected to arise from in-progress research, it is necessary to estimate the timescale for completing the research and to recognise the revenue over this period. In the case of upfront fees that represent a number of different elements, these are allocated according to the underlying obligations of the contract, with the revenue being recognised when these obligations have been carried out and the earnings process is regarded as being complete.

Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Carrying Value of Inventory

The Group maintains inventory which, based upon current sales levels and the current regulatory status of the product, is in-excess of the amount that is expected to be utilised in the manufacture of finished product for future commercial sales. Provision is therefore required to reduce the carrying value of inventory to its expected net realisable value. Estimation of the level of provision required involves estimation of future product sales volumes. Future changes to the regulatory status of products can be expected to lead to revisions to future sales projections which may in turn lead to partial release of this provision in future. However, the timing and extent of future provision release will be contingent upon timing and extent of future regulatory approvals and post-approval in-market sales demand, which remain uncertain at this time.

Deferred taxation

The Group has accumulated tax losses of £46.0m (2010: £44.3m) which are available to carry forward and to offset against trading profits in future periods in order to make future corporation tax savings. If the value of these losses were recognised within our balance sheet at the balance sheet date, we would be carrying a deferred tax asset of £11.9m (2010: £11.9m). However, as explained in the taxation accounting policy note on page 42, our policy is to recognise deferred tax assets only to the extent that it is probable that future taxable profits will be available against which the brought forward trading losses can be utilised so that the asset becomes realised. Estimation of the level of future taxable profits is therefore required in order to determine the appropriate carrying value of the deferred tax asset at each balance sheet date.

2. Segmental Information

Operating Segments

Previously, the Directors have considered GW's business to consist of a single operating segment, being pharmaceutical development.

The Directors now consider that GW's business consists of three operating segments, being:

Sativex® – Commercial operations
Sativex – Research and development
Pipeline – Research and Development

The management information used by the GW Board for monitoring performance and allocating resources now focuses upon the financial results of these three segments.

This reflects the fact that, following the series of Sativex commercial launches during 2011, the importance and value of GW's Sativex commercial business has increased significantly.

At the same time, the Board recognise that it is essential that we and our partners continue to invest in further Sativex R&D, in order to maximise the commercial opportunity for Sativex by seeking approvals for a broader range of clinical indications, whilst also moving forward the development of our pipeline product candidates to a licensable stage. Management information has therefore been adapted to allow decisions to be made about resource allocation between these two important activities.

The Board continues to make operational decisions and to assess performance against our strategic plan using cash flow and balance sheet information for the Group as a single operating entity. Therefore, no analysis of net assets or cash flows by segment have been provided.

Profit and Loss

For the Year Ended 30 September 2011

	Sativex Commercial year ended 2011 £'000	Sativex R&D year ended 2011 £'000	Pipeline R&D year ended 2011 £'000	Consolidated year ended 2011 £'000
Product sales	4,409	–	–	4,409
Research and development fees	–	10,822	5,216	16,038
Licensing fees:				
– signature and technical access fees	3,843	–	–	3,843
– development and approval milestones	5,337	–	–	5,337
Total revenue	13,589	10,822	5,216	29,627
Cost of sales	(1,347)	–	–	(1,347)
Research and development expenditure	266	(14,757)	(7,834)	(22,325)
Segmental result	12,508	(3,935)	(2,618)	5,955
Management and administrative expenses				(2,892)
Share-based payment				(795)
Operating profit				2,268
Interest payable				(3)
Interest received				263
Profit before tax				2,528
Tax				221
Profit after tax				2,749

Notes to the Financial Statements *continued*
For the year ended 30 September 2011

2. Segmental Information *continued*

Profit and Loss
For the Year Ended 30 September 2010

	Sativex® Commercial year ended 2010 £'000	Sativex R&D year ended 2010 £'000	Pipeline R&D year ended 2010 £'000	Consolidated year ended 2010 £'000
Product sales	2,768	–	–	2,768
Research and development fees	–	10,381	4,427	14,808
Licensing fees:				
– signature and technical access fees	1,900	–	–	1,900
– development and approval milestones	11,200	–	–	11,200
Total revenue	15,868	10,381	4,427	30,676
Cost of sales	(752)	–	–	(752)
Research and development expenditure	114	(14,518)	(7,419)	(21,823)
Segmental result	15,230	(4,137)	(2,992)	8,101
Management and administrative expenses				(2,959)
Share-based payment				(630)
Operating profit				4,512
Interest payable				(8)
Interest received				100
Profit before tax				4,604
Tax				37
Profit after tax				4,641

Revenues from the Group's largest customer are included within the above segments as follows:

	Sativex Commercial £'000	Sativex R&D £000's	Pipeline R&D £000's	Total £000's
Year ended 30 September 2011	**3,687**	**10,729**	**5,216**	**19,632**
Year ended 30 September 2010	1,100	10,381	4,427	15,908

Geographical analysis of revenue by destination of customer:

	2011 £000's	2010 £000's
UK	**1,469**	1,834
Europe (excluding UK)	**10,317**	12,511
North America	**12,625**	11,904
Asia	**5,216**	4,427
	29,627	30,676

All revenue, profits and losses before taxation originated in the UK. All assets and liabilities are held in the UK.

3. Research and Development Expenditure

	2011 £000's	2010 £000's
GW-funded research	**6,286**	7,015
Development partner-funded research	**16,039**	14,808
	22,325	21,823

4. Profit on Ordinary Activities before Taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

	2011 £000's	2010 £000's
R&D expenditure	**22,325**	21,823
Operating lease rentals – land and buildings	**782**	749
Depreciation and amounts written off tangible fixed assets – owned	**541**	678
Depreciation and amounts written off tangible fixed assets – leased	**48**	48
Inventory recognised as an expense	**1,210**	528
Inventory provision (decrease)/increase	**(425)**	(114)
Foreign exchange gain	**(96)**	(16)
Staff costs (see note 5)	**7,737**	7,459
The auditors for the years ending 30 September 2011 and 2010 were Deloitte LLP		
Fees payable to the Company's auditor were:		
– Audit of the Company	**8**	8
– Audit of subsidiaries	**37**	34
– Interim review procedures	**5**	5

5. Staff Costs

The average number of Group employees (including Executive Directors) was:

	2011 Number	2010 Number
R&D	**136**	104
Management and administration	**16**	16
	152	120

The Company had no employees during the year (2010: nil).

	2011 £000's	2010 £000's
Their aggregate remuneration comprised:		
Wages and salaries	**6,443**	6,260
Social security costs	**865**	798
Other pension costs	**429**	401
	7,737	7,459

The Company incurred no staff costs during the year (2010: nil).

6. Directors' Remuneration, Interests and Transactions

Aggregate Remuneration

The total amounts for Directors' remuneration and other benefits were as follows:

	2011 £000's	2010 £000's
Emoluments	**1,426**	1,796
Money purchase contributions to Directors' pension arrangements	**171**	165
Gain on exercise of share options	**225**	674
	1,822	2,635

During 2011, four Directors were members of defined contribution pension schemes (2010: four).

Further details concerning the Directors' remuneration, shareholdings and share options which form part of these financial statements are set out in the Directors' Remuneration Report on pages 28 to 32.

Notes to the Financial Statements *continued*
For the year ended 30 September 2011

7. Interest

	2011 £000's	2010 £000's
Finance lease interest payable	**(3)**	(8)
Bank interest receivable	**263**	100

8. Tax Credit on Profit on Ordinary Activities

	2011 £000's	2010 £000's
Current year charge	**–**	–
Adjustment in respect of prior year – credit	**(221)**	(37)
UK Corporation tax – R&D tax credit	**(221)**	(37)

The UK Corporation tax credit relates to 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:

	2011 £000's	2010 £000's
Group profit on ordinary activities before tax	**2,528**	4,604
Tax charge on Group profit at standard UK Corporation tax rate of 27% (2010: 28%)	**682**	1,289
Effects of:		
Expenses not deductible for tax purposes	**(181)**	(400)
Fixed asset timing differences	**(74)**	71
Other short term timing differences	**625**	(97)
R&D tax relief	**(1,275)**	(1,342)
Share-based payment	**(412)**	202
Deferred tax losses not recognised	**635**	277
Adjustment in respect of prior year	**(221)**	(37)
Group tax credit for the year	**(221)**	(37)

At 30 September 2011 there were tax losses available for carry forward of approximately £46.0m (2010: £44.3m).

Net deferred tax assets, relating to carried forward losses, of approximately £11.9m (2010: £11.9m) have not been recognised as there is insufficient evidence at this stage that the assets will be recovered. These assets would be utilised if the Group were to make future taxable profits.

9. Earnings Per Share

The calculations of earnings per share are based on the following profits and numbers of shares:

	Basic		Diluted	
	2011 £000's	2010 £000's	2011 £000's	2010 £000's
Profit for the financial year	**2,749**	4,641	**2,779**	4,657

	Number of shares		Number of shares	
	2011 m	2010 m	2011 m	2010 m
Weighted average number of shares	**131.9**	129.9	**138.2**	136.7

10. Intangible Fixed Assets – Goodwill

	2011 £000's	2010 £000's
Cost		
As at 1 October	**5,210**	5,210
Provision for impairment	**–**	–
Net Book Value		
As at 30 September	**5,210**	5,210

Goodwill arose upon the acquisition of GW Research Ltd (formerly G-Pharm Ltd) by GW Pharma Limited in 2001.

The carrying value of the goodwill attributable to the GW Research acquisition in 2001 derives from its entitlement to a share of future product sales revenues of GW Pharma Ltd. The value in use of this entitlement is calculated by discounting the cash flows expected to arise from projected future product sales revenues for the next 15 years, the estimated Sativex® product lifecycle, using an estimated risk-adjusted cost of capital of 12% (2010: 12%) to calculate a present value. An impairment provision is recognised only if the goodwill carrying value exceeds this value in use.

No such provision was required at 30 September 2011 (2010: nil).

As at 30 September 2011 the Company had no intangible assets (2010: nil).

11. Investments

Principal Group Investments

Company	Investments £000's	Loans to Group undertakings £000's	Total £000's
At 1 October 2010	4,540	64,314	68,854
Add capital contribution in respect of share-based payment charge	795	–	795
Additional funds advanced during year	–	1,149	1,149
Amount capitalised as equity investment in subsidiary	65,000	(65,000)	–
Intra Group Transfer of GW Research Ltd from GW Pharma Ltd	7,160	–	7,160
Transfer to intercompany creditors	–	(463)	(463)
At 30 September 2011	**77,495**	**–**	**77,495**

The Company and the Group have investments in the following subsidiary undertakings.

Name of undertaking	Country of registration	Description of shares held	Activity	% holding
GW Pharma Limited[1]	England and Wales	0.1p ordinary shares	Production commercialisation	100
GW Research Limited[1,2]	England and Wales	£1 ordinary shares	Research and Development	100
Cannabinoid Research Institute Limited[1]	England and Wales	£1 ordinary shares	Research and Development	100
Guernsey Pharmaceuticals Limited	Guernsey	£1 ordinary shares	Research and Development	100
GWZ Limited	Guernsey	£1 ordinary shares	Research & Development	40
GWP Trustee Company Limited	England and Wales	£1 ordinary shares	Employee Share Ownership	100
G-Pharm Trustee Company Limited	England and Wales	£1 ordinary shares	Dormant	100
G-Pharm Limited[1,3]	England and Wales	£1 ordinary shares	Dormant	100

1 Held directly by GW Pharmaceuticals plc.
2 Formerly G-Pharm Ltd.
3 Formerly Advanced Dispensing Systems Ltd.

All the subsidiary undertakings are included in the consolidated accounts.

On 15 September 2011, GW Pharmaceuticals plc converted £65m of its long-term intercompany loan to GW Pharma Limited into an equity investment.

On 21 September 2011, ownership of GW Research Limited was transferred from GW Pharma Limited to GW Pharmaceuticals plc.

Notes to the Financial Statements *continued*
For the year ended 30 September 2011

12. Property, plant and equipment

Group	Motor vehicles £000's	Plant, machinery and lab equipment £000's	Office and IT equipment £000's	Leasehold improvements £000's	2011 Total £000's
Cost					
At 1 October 2009	11	3,091	984	1,022	5,108
Additions	–	234	188	12	434
Disposals	–	(185)	(394)	(66)	(645)
At 1 October 2010	11	3,140	778	968	4,897
Additions	–	405	344	142	891
Disposals	–	–	–	–	–
At 30 September 2011	**11**	**3,545**	**1,122**	**1,110**	**5,788**
Accumulated Depreciation					
At 1 October 2009	11	1,773	833	633	3,250
Charge for the year	–	405	105	216	726
Disposals		(185)	(394)	(66)	(645)
At 1 October 2010	11	1,993	544	783	3,331
Charge for the year	–	403	125	61	589
Disposals	–	–	–	–	–
At 30 September 2011	**11**	**2,396**	**669**	**844**	**3,920**
Net Book Value					
At 30 September 2011	**–**	**1,149**	**453**	**266**	**1,868**
At 30 September 2010	–	1,147	234	185	1,566

The Net Book Value at 30 September 2011 includes £10,000 in respect of assets held under finance leases (2010: £58,000).

The depreciation charge for the year includes a charge of £48,000 in respect of assets held under finance leases (2010: £48,000).

The Company does not own any property, plant and equipment.

13. Inventories

	Group		Company	
	2011 £000's	2010 £000's	**2011 £000's**	2010 £000's
Raw materials	**70**	126	**–**	–
Work in progress	**771**	505	**–**	–
Finished goods	**583**	149	**–**	–
	1,424	780	**–**	–

Inventories are stated net of a realisable value provision of £3.4m (2010: £3.9m).

Further details of how the level of provision is calculated are given in the inventories accounting policy note on page 42.

14. Financial Assets

Trade and Other Receivables

	Group		Company	
	2011 £000's	2010 £000's	**2011 £000's**	2010 £000's
Amounts falling due within one year				
Trade receivables	**1,521**	645	**–**	–
Other receivables	**330**	154	**7**	3
Prepayments and accrued income	**430**	418	**24**	16
	2,281	1,217	**31**	19

The Directors consider that the carrying value of trade receivables equals their fair value.

No provision is required for impairment (2010: nil).

Trade receivables at 30 September 2011 represent 19 days of sales (2010: eight days). The average trade receivable days during the year was 18 days (2010: 24 days).

No interest is charged on trade receivables.

The trade receivables balance at 30 September 2011 consisted of balances due from six customers (2010: five customers) with the largest single customer representing 36% (2010: 83%) of the total amount due. No receivables are past their due date (2010: nil).

15. Financial Liabilities

Trade and Other Payables

	Group		Company	
	2011 £000's	2010 £000's	**2011 £000's**	2010 £000's
Amounts falling due within one year				
Trade payables	**2,381**	1,281	**35**	6
Other taxation and social security	**441**	356	**–**	–
Other creditors and accruals	**3,695**	2,876	**7,710**	16
Defined contribution pension scheme accruals	**45**	41	**–**	–
	6,562	4,554	**7,745**	22

Trade payables at 30 September 2011 represents the equivalent of 46 days purchases (2010: 26 days).

The average trade payable days during the year was 43 days (2010: 43 days).

The Directors consider that the carrying value of trade payables approximates to their fair value.

Notes to the Financial Statements *continued*
For the year ended 30 September 2011

16. Obligations under Finance Leases

	Minimum lease payments		Present value of lease payments	
	2011 £000's	2010 £000's	2011 £000's	2010 £000's
Amounts payable under finance leases:				
Within one year	**7**	42	**7**	40
In the second to fifth years inclusive	**–**	7	**–**	6
	7	49	**7**	46
Less: future finance charges	**–**	(3)	**n/a**	n/a
Present value of lease obligations	**7**	46	**7**	46
Less: Amount due for settlement within 12 months (shown under current liabilities)			**–**	40
Amount due for settlement after 12 months			**–**	6

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is three years. For the year ended 30 September 2011, the average effective borrowing rate was 11% (2010: 11%). 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 fair value of the Group's lease obligations is approximately equal to their carrying amount.

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

17. Deferred Revenue

	Group		Company	
	2011 £000's	2010 £000's	**2011 £000's**	2010 £000's
Amounts falling due within one year				
Deferred signature and technical access fee income	**1,294**	1,900	**–**	–
Advance payments received	**2,165**	3,220	**–**	–
	3,459	5,120	**–**	–
Amounts falling due after one year				
Deferred signature and technical access fee income	**11,422**	11,599	**–**	–

Deferred signature and technical access fee income represents the balance of the non-refundable licensing fees received from Almirall, Otsuka and Novartis.

For Almirall the £12m signature fee is being recognised at the rate of £0.8m per year over 15 years from December 2005.

In the case of Otsuka, where the Group's obligations are weighted towards the earlier years, the $18m (£9.2m) signature fee has been recognised from 1 April 2007 to 30 September 2011 at the rate of £1.1m per year and will be recognised at the rate of £0.28m per year for the following 15 years.

The Novartis up-front payment of £3.1m consisted of both a signature fee and technical access fees. £1.9m of this has been earned and recognised during 2011. The remaining £1.2m has been deferred and will be recognised over the estimated 10 year term of the license, at the rate of £0.2m per year for the period from 1 October 2011 to 31 March 2015 and thereafter at the rate of £0.1m per year until 31 March 2021.

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

18. Financial Instruments

The Group's senior management are responsible for monitoring and managing the financial risks relating to the operations of the Group. These risks include credit risk, market risks, arising from interest rate risk and currency risk, and liquidity risk. The Board and Audit Committee review and approve the internal policies for managing each of these risks, as summarised below.

The Group's financial instruments comprise cash and liquid resources and various items such as trade payables and trade receivables, which arise directly from the Group's operations.

Categories of Financial Instruments

	2011 £000's	2010 £000's
Financial Assets		
Receivables, cash and cash equivalents	**30,598**	26,436
Financial Liabilities		
Liabilities at amortised cost	**6,602**	4,600

It is, and has been throughout the period under review, the Group's policy that no speculative trading in financial instruments shall be undertaken.

Credit Risk:

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties, principally involving the major UK clearing banks and their wholly owned subsidiaries, when placing cash on deposit. In addition the Group operates a Treasury policy that dictates the maximum cash balance that may be placed on deposit with any single institution or Group. This policy is reviewed and approved from time to time by the Audit Committee and the Board.

Trade Receivables represent amounts due from customers for the sale of commercial product and research funding from development partners, consisting primarily of a small number of major pharmaceutical companies where the credit risk is considered to be low. The Group seeks to minimise credit risk by offering only 30 days credit to commercial customers and by requesting payment in advance from its development partners for the majority of its research activities.

Due to the nature of the small number of development partners and the sums involved in funding research activity, concentration of credit risk is considered to be high. In the short-term the Group manages this risk by seeking payments in advance for most research activity.

At the balance sheet date the maximum credit risk attributable to any individual counterparty was £7.2m (2010: £7.1m).

The carrying amount of the financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk as no collateral or other credit enhancements are held.

Market Risk:

Market risk arises from the Group's exposure to fluctuation in interest rates and foreign currency exchange rates. These risks are managed by maintaining an appropriate mix of cash deposits in various currencies, placed with a variety of financial institutions for varying periods according to expected liquidity requirements. There has been no material change to the Group's exposure to market risks or the manner in which it manages and measures risk.

i) Interest Rate Risk

The Group is exposed to interest rate risk as it places surplus cash funds on deposit to earn interest income. The Group seeks to ensure that it consistently earns commercially competitive interest rates by using the services of an independent broker to identify and secure the best commercially available interest rates from those banks that meet the Group's stringent counterparty credit rating criteria. In doing so the Group manages the term of cash deposits, up to a maximum of 365 days, in order to maximise interest earnings while also ensuring that it maintains sufficient readily available cash in order to meet short-term liquidity needs.

Interest income of £263,000 (2010: £100,000) during the year ended 30 September 2011 was earned from deposits with a weighted average interest rate of 0.86% (2010: 0.64%). Therefore, a 100 basis point increase in interest rates would have increased interest income, and increased the profit for the year, by £306,000 (2010: £156,000).

Notes to the Financial Statements *continued*
For the year ended 30 September 2011

18. Financial Instruments *continued*

The Group does not have any balance sheet exposure to assets or liabilities which would increase or decrease in fair value with changes to interest rates.

ii) Currency Risk

The Group's functional currency is Sterling and the majority of its transactions are denominated in that currency. However, the Group receives revenues and incurs expenditures in foreign currencies and is exposed to the effects of foreign exchange. The Group seeks to minimise this exposure by passively maintaining foreign currency cash balances at levels appropriate to meet foreseeable foreign currency expenditures, converting surplus foreign currency balances into Sterling as soon as they arise. The Group does not use forward exchange contracts to manage exchange rate exposure.

The table below shows an analysis of year end cash deposits by currency:

Cash deposits:

	2011 £000's	2010 £000's
Sterling	**24,247**	21,841
Euro	**1,219**	222
US Dollar	**2,848**	3,145
Canadian Dollar	**5**	11
	28,319	25,219

The table below shows those transactional exposures that give rise to net currency gains and losses recognised in the income statement. Such exposures comprise the net monetary assets and monetary liabilities of the Group that are not denominated in the functional currency of the Group. As at 30 September 2011 these exposures were as follows:

Net Foreign Currency Assets/(Liabilities):

	2011 £000's	2010 £000's
Euro	**902**	(159)
US Dollar	**986**	2,988
Canadian Dollar	**218**	10
Other	**(39)**	(38)
	2,067	2,801

Foreign Currency Sensitivity Analysis:

The most significant currencies in which the Group trades, other than Sterling, are the US Dollar and the Euro. The Group also trades in the Canadian Dollar; the Czech Crown and the Polish Zloty. The following table details the Group's sensitivity to a 10% change in the key foreign currency exchange rates against Sterling:

Year ended 30 September 2011	**Euro £'000**	**US Dollar £'000**	**Can Dollar £'000**	**Other £'000**
Profit Before Tax	**90**	**99**	**22**	**(4)**
Equity	**90**	**99**	**22**	**(4)**

Year ended 30 September 2010	Euro £'000	US Dollar £'000	Can Dollar £'000	Other £'000
Profit Before Tax	(16)	299	1	(4)
Equity	(16)	299	1	(4)

Liquidity Risk:

Responsibility for Liquidity management rests with the Board of Directors, which has built a liquidity risk management framework to enable the monitoring and management of short, medium and long term cash requirements of the business.

The Board actively monitors Group cash flows and regularly reviews projections of future cash requirements to ensure that appropriate levels of liquidity are maintained. The Group manages its short term liquidity primarily by planning the maturity dates of cash deposits in order to time the availability of funds as liabilities fall due for payment. The Group does not maintain any borrowing facilities.

18. Financial Instruments *continued*

The cash deposits comprise deposits placed on money markets for periods of up to 365 days and on call. The weighted average time for which the rate was fixed was 64 days (2010: 35 days).

The Directors consider that all of the Group's financial liabilities at the year end and prior year end have maturity dates of less than 12 months from the balance sheet date. There have been no material changes to the Group's exposure to liquidity risks or the manner in which it manages and measures liquidity risk.

Fair Value of Financial Assets

The Directors consider there to be no material difference between the book and fair value of the Group's financial instruments at the balance sheet date.

19. Share Capital

As at 30 September 2011 the authorised share capital of the Company and the allotted, called-up and fully paid amounts were as follows:

	2011 £000's	2010 £000's
Authorised		
200,000,000 ordinary shares of 0.1p each	**200**	200
Allotted, called-up and fully paid	**133**	131

Changes to the number of ordinary shares in issue have been as follows:

	Number of shares	Total nominal value £000's	Total share premium £000's	Total consideration £000's
As at 1 October 2009	129,277,655	129	–	–
Exercise of share options	1,920,137	2	678	680
As at 30 September 2010	131,197,792	131	–	–
Exercise of share options	1,857,362	2	1,433	1,435
As at 30 September 2011	**133,055,154**	**133**		

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

20. Options and Warrants in the Shares of GW Pharmaceuticals plc

Options

Options have been granted over 0.1p ordinary shares as follows:

	2011 Number	2010 Number
At 1 October	**14,212,354**	15,513,436
Granted during the year	**913,763**	911,450
Exercised during the year	**(1,857,362)**	(1,920,137)
Lapsed during the year	**(2,227,625)**	(292,395)
At 30 September	**11,041,130**	14,212,354

Notes to the Financial Statements *continued*
For the year ended 30 September 2011

20. Options and Warrants in the Shares of GW Pharmaceuticals plc *continued*

Share options, which include the share options granted to Directors as stated in the Directors' Remuneration Report, are as shown below:

	At 1 Oct 2010 Number	Options granted Number	Options exercised Number	Options lapsed Number	**At 30 Sept 2011 Number**	Date granted	Exercise price	Earliest date of exercise	Date of expiry
Approved Share Options:									
GW Pharmaceuticals Approved Company Share Option Scheme									
	111,800	–	(111,800)	–	**–**	01/02/01	36.21p	01/02/04	01/02/11
GW Pharmaceuticals Approved Share Option Scheme 2001									
	28,708	–	(28,708)	–	**–**	10/09/01	104.50p	10/09/04	10/09/11
	52,200	–	(52,200)	–	**–**	26/09/01	72.00p	26/09/04	26/09/11
	29,000	–	–	–	**29,000**	31/10/01	107.00p	31/10/04	31/10/11
	116,770	–	–	(8,700)	**108,070**	23/01/02	122.00p	23/01/05	23/01/12
	8,700	–	–	–	**8,700**	04/04/02	131.00p	04/04/05	04/04/12
	11,600	–	–	(11,600)	**–**	03/07/03	210.50p	03/07/06	03/07/13
	101,138	–	–	–	**101,138**	22/01/04	199.00p	22/01/07	22/01/14
	89,500	–	–	–	**89,500**	02/09/04	99.00p	02/09/07	02/09/14
	7,900	–	–	–	**7,900**	21/01/05	119.50p	21/01/08	21/01/15
	264,363	–	(47,500)	–	**216,863**	19/10/05	72.00p	19/10/08	19/10/15
	20,300	–	–	–	**20,300**	18/04/06	84.00p	18/04/09	18/04/16
	63,800	–	(15,300)	–	**48,500**	27/09/06	83.00p	27/09/09	27/09/16
	40,200	–	(3,000)	–	**37,200**	20/11/06	78.00p	20/11/09	20/11/16
	159,862	–	(26,362)	–	**133,500**	05/11/07	54.00p	05/11/10	05/11/17
	18,000	–	–	(8,000)	**10,000**	19/09/08	39.00p	19/09/11	19/09/18
Enterprise Management Incentive (EMI) Share Options:									
GW Pharmaceuticals Executive Share Option Scheme									
	72,500	–	(72,500)	–	**–**	15/01/01	36.21p	15/01/04	15/01/11
	14,500	–	(14,500)	–	**–**	01/02/01	36.21p	01/02/04	01/02/11
	304,500	–	(304,500)	–	**–**	14/05/01	55.00p	14/05/04	14/05/11
	401,021	–	–	(401,021)	**–**	14/05/01	182.00p	14/05/04	14/05/11
GW Pharmaceuticals Unapproved Share Option Scheme 2001									
	6,000	–	(6,000)	–	**–**	01/06/01	55.00p	01/06/04	01/06/11
	60,900	–	(11,600)	–	**49,300**	08/07/02	107.00p	08/07/05	08/07/12
	92,500	–	–	–	**92,500**	15/07/02	107.00p	15/07/05	15/07/12
	133,340	–	–	–	**133,340**	16/01/03	171.00p	16/01/06	16/01/13
	52,575	–	–	(2,325)	**50,250**	22/01/04	199.00p	22/01/07	22/01/14
	189,700	–	(17,500)	–	**172,200**	02/09/04	99.00p	02/09/07	02/09/14
	162,500	–	(20,000)	(2,500)	**140,000**	19/10/05	72.00p	19/10/08	19/10/15
	11,600	–	(5,800)	–	**5,800**	18/04/06	84.00p	18/04/09	18/04/16
	150,000	–	–	–	**150,000**	05/11/07	54.00p	05/11/10	05/11/17
GW Pharmaceuticals Long Term Incentive Plan									
	359,999	–	–	(10,000)	**349,999**	26/11/08	0.1p	26/11/11	26/11/18
	101,133	–	–	(18,000)	**83,133**	20/05/09	0.1p	20/05/12	20/05/19
	19,750	–	–	–	**19,750**	30/11/09	0.1p	30/11/12	30/11/19
	169,374	–	–	–	**169,374**	19/07/10	0.1p	19/07/13	19/07/20
	–	100,000	–	–	**100,000**	08/06/11	0.1p	08/06/14	08/06/21
Sub-total – carried forward									
	3,425,733	100,000	(737,270)	(462,146)	**2,326,317**				

20. Options and Warrants in the Shares of GW Pharmaceuticals plc *continued*

	At 1 Oct 2010 Number	Options granted Number	Options exercised Number	Options lapsed Number	**At 30 Sept 2011 Number**	Date granted	Exercise price	Earliest date of exercise	Date of expiry
Sub-total – brought forward									
	3,425,733	100,000	(737,270)	(462,146)	**2,326,317**				
Unapproved Share Options:									
GW Pharmaceuticals Executive Share Option Scheme									
	150,000	–	(150,000)	–	**–**	15/01/01	36.21p	15/01/04	15/01/11
	491,479	–	–	(491,479)	**–**	01/06/01	182.00p	01/06/04	01/06/11
	942,500	–	–	(942,500)	**–**	01/06/01	237.00p	01/06/04	01/06/11
	871,292	–	(871.292)	–	**–**	10/09/01	104.50p	10/09/04	10/09/11
	9,380	–	–	–	**9,380**	23/01/02	122.00p	23/01/05	23/01/12
	50,000	–	–	(50,000)	**–**	23/01/02	182.00p	23/01/05	23/01/12
	790,958	–	–	–	**790,958**	16/01/03	171.00p	16/01/06	16/01/13
	701,004	–	–	–	**701,004**	22/01/04	199.00p	22/01/07	22/01/14
	620,000	–	–	–	**620,000**	02/09/04	99.00p	02/09/07	02/09/14
	205,000	–	–	–	**205,000**	21/01/05	119.50p	21/01/08	21/01/15
	857,814	–	–	–	**857,814**	02/03/05	128.00p	02/03/08	02/03/15
	309,500	–	–	(35,000)	**274,500**	19/10/05	72.00p	19/10/08	19/10/15
	585,658	–	–	–	**585,658**	10/02/06	125.50p	10/02/09	10/02/16
	1,219,454	–	–	–	**1,219,454**	26/03/07	95.50p	26/03/10	26/03/17
GW Pharmaceuticals Long Term Incentive Plan									
	600,000	–	–	–	**600,000**	19/03/08	0.1p	19/03/11	19/03/18
	600,000	–	–	–	**600,000**	27/03/09	0.1p	27/03/12	27/03/19
	722,326	–	–	–	**722,326**	19/07/10	0.1p	19/07/13	19/07/20
	–	813,763	–	–	**813,763**	08/06/11	0.1p	08/06/14	08/06/21
Options Issued to Consultants and Other Non-employees:									
	43,500	–	(43,500)	–	**–**	01/02/01	36.21p	01/02/04	01/02/11
	20,300	–	(20,300)	–	**–**	01/06/01	55.00p	01/06/04	01/06/11
	123,250	–	–	(123,250)	**–**	01/06/01	182.00p	01/06/04	01/06/11
	123,250	–	–	(123,250)	**–**	01/06/01	237.00p	01/06/04	01/06/11
	24,167	–	–	–	**24,167**	23/01/02	122.00p	21/12/05	23/01/12
	24,167	–	–	–	**24,167**	23/01/02	122.00p	21/12/06	23/01/12
	24,166	–	–	–	**24,166**	23/01/02	122.00p	21/12/07	23/01/12
	50,000	–	–	–	**50,000**	14/10/02	94.50p	14/10/05	14/10/12
	86,600	–	–	–	**86,600**	16/01/03	171.00p	16/01/06	16/01/13
	50,000	–	–	–	**50,000**	03/07/03	210.50p	03/07/06	03/07/13
	72,360	–	–	–	**72,360**	22/01/04	199.00p	22/01/07	22/01/14
	35,000	–	–	–	**35,000**	02/09/04	99.00p	02/09/07	02/09/14
	102,500	–	–	–	**102,500**	21/01/05	119.50p	21/01/08	21/01/15
	135,000	–	–	–	**135,000**	02/03/05	128.00p	02/03/08	02/03/15
	50,996	–	–	–	**50,996**	10/02/06	125.50p	10/02/09	10/02/16
	15,000	–	(15,000)	–	**–**	18/04/06	84.00p	18/04/09	18/04/16
	20,000	–	(20,000)	–	**–**	19/09/08	39.00p	19/09/11	19/09/18
	60,000	–	–	–	**60,000**	26/11/08	29.50p	26/11/11	26/11/19
Total	14,212,354	913,763	(1,857,362)	(2,227,625)	**11,041,130**				

Notes to the Financial Statements *continued*
For the year ended 30 September 2011

20. Options and Warrants in the Shares of GW Pharmaceuticals plc *continued*

Warrants

Warrants to subscribe for ordinary shares in the Company are as shown below:

	At 1 Oct 2010 Number	Warrants granted Number	Warrants exercised Number	Warrants lapsed Number	**At 30 Sept 2011 Number**	Date of issue	Exercise price	Date of expiry
Warrant Holder								
Peter Mountford	108,750	–	–	(108,750)	_	09/02/01	188.0p	14/01/11
Adrian Bradshaw	108,750	–	–	(108,750)	_	09/02/01	188.0p	14/01/11
Seven Hills Partners LLC	77,075	–	–	(77,075)	_	10/01/06	139.6p	10/01/11
Kings Road Investments Ltd	924,897	–	–	(924,897)	_	10/01/06	161.0p	10/01/11
Kings Road Investments Ltd	924,897	–	–	(924,897)	_	10/01/06	174.5p	10/01/11
Great Point Partners	1,888,480	–	–	–	**1,888,480**	13/08/09	105.0p	13/08/14
Great Point Partners	1,888,480	–	–	–	**1,888,480**	13/08/09	175.0p	13/08/14
Total	5,921,329	–	–	(2,144,369)	**3,776,960**			

21. Other Reserves

Other reserves is a merger reserve of £19,262,000 that arose in 2001 as a result of the acquisition by GW Pharmaceuticals plc of GW Pharma Ltd via a share for share exchange which was merger accounted.

ESOP Reserve

The GW Pharmaceuticals All Employee Share Scheme is an Inland Revenue approved all employee share scheme constituted under a trust deed. The trust holds shares in the Company for the benefit of and as an incentive for the employees of the Group.

The trustee is the GWP Trustee Company Limited, a wholly owned subsidiary. Costs incurred by the trust are expensed in the Group's financial statements as incurred. Distributions from the trust are made in accordance with the scheme rules and on recommendations from the Board of Directors of GW Pharmaceuticals plc.

As at 30 September 2011 the trust held the following shares:

	2011 Number	2010 Number
Unconditionally vested in employees	**260,331**	328,474
Conditionally gifted to employees	**186,341**	196,769
Shares available for future distribution to employees	**22,316**	11,888
Total	**468,988**	537,131

Accordingly as at 30 September 2011 the number and market value of shares held by the trust which have not yet unconditionally vested in employees is 208,657 (2010: 208,657) and £204,484 (2010: £208,657) respectively.

The shares held by the trust were originally acquired for nil consideration by way of a gift and hence the balance on the ESOP reserve is nil (2010: nil).

22. Share-based Payment

Equity-settled Share Option Scheme

The Company operates share option schemes for all employees of the Group. Options are granted at the market price on the day of grant, with the exception of options issued under the LTIP which are issued with an exercise price equivalent to the nominal value of the shares under option. The vesting period is three years from the date of grant and the options lapse after 10 years. The options under the LTIP lapse if the performance condition is not achieved by the time the three year vesting period has elapsed. All other options usually lapse if the employee leaves the Group before the options vest. Vested options usually need to be exercised within six months of leaving. Details of the share options outstanding during the year are as follows:

	2011		2010	
	Number of share options	**Weighted average exercise price £**	Number of share options	Weighted average exercise price £
Outstanding at beginning of the year	**14,212,354**	**1.08**	15,513,436	1.06
Granted during the year	**913,763**	**0.001**	911,450	0.001
Exercised during the year	**(1,857,362)**	**0.77**	(1,920,137)	0.36
Lapsed during the year	**(2,227,625)**	**2.04**	(292,395)	1.32
Outstanding at the end of the year	**11,041,130**	**0.85**	14,212,354	1.08
Exercisable at the end of the year	**8,122,785**	**1.15**	11,231,910	1.35

The weighted average market price at the date of exercise for share options exercised during the year was £1.03 (2010: £1.03).

The options outstanding at 30 September 2011 had a weighted average exercise price of £0.85 (2010: £1.08) and a weighted average remaining contractual life of 4.9 years (2010: 4.2 years).

In the current year, options were granted on 8 June 2011 and 1 September 2011. The aggregate of the estimated fair values of the options granted on those dates is £1.21m.

In the prior year, options were granted on 30 November 2009 and 19 July 2010. The aggregate of the estimated fair values of the options granted on those dates is £1.04m.

The inputs into the Black-Scholes Option Pricing Model are as follows:

	2011	2010
Weighted average share price	**108p**	115p
Weighted average exercise price	**0.1p**	0.1p
Expected volatility	**68%**	75%
Expected life	**3.0 years**	3.0 years
Risk-free rate	**0.5%**	0.5%
Expected dividend yield	**Nil**	Nil

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, performance conditions and behavioural considerations.

The Group recognised a total charge of £795,000 and £630,000 related to equity-settled share-based payment transactions in 2011 and 2010 respectively.

Notes to the Financial Statements *continued*
For the year ended 30 September 2011

23. Financial Commitments

The Group had capital commitments for fixed assets contracted but not provided for at 30 September 2011 of £234,000 (2010: nil).

At the balance sheet date the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2011 £000's	Group 2010 £000's	**Company 2011 £000's**	Company 2010 £000's
– within one year	**955**	677	**–**	–
– between two and five years	**3,442**	1,714	**–**	–
– after five years	**–**	856	**–**	–
	4,397	3,247	**–**	–

The minimum lease payments payable under operating leases recognised as an expense in the year were £782,000 (2010: £749,000).

Operating lease payments represent rentals payable by the Group for certain of its leased properties. Manufacturing and laboratory facilities are subject to 10 year leases with a seven year lease break at GW's option. Office properties are usually leased for one year or less with the exception of the London and Histon properties which are on a five year lease and ten year lease with a five year break respectively.

24. Contingent Liabilities

There were no contingent liabilities at 30 September 2011 (2010: nil).

25. Related Party Transactions

Remuneration of Key Management Personnel:

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration Report on pages 28 to 32.

	2011 £000's	2010 £000's
Short term employee benefits	**1,426**	1,796
Post-employment benefits	**171**	165
Share-based payments	**625**	444
	2,222	2,405

Other Related Party Transactions:

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

During the year the Group purchased services in the ordinary course of business from Brian Whittle Associates Limited, a company controlled by Brian Whittle, a former Director and substantial shareholder of GW Pharmaceuticals plc, at a cost of £19,000 (2010: £44,000). As at 30 September 2011 there was no amount due to Brian Whittle Associates Limited (2010: £24,000).

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Cautionary statement:

This annual report contains forward-looking statements that reflect GW's current expectations regarding future events, including development and regulatory clearance of GW's products. Forward-looking statements involve risks and uncertainties. Actual results and events could differ materially from those projected herein and depend on a number of factors, including (inter alia), the success of GW's research strategies, the applicability of the discoveries made therein, the successful and timely completion of uncertainties related to the regulatory process, and the acceptance of Sativex® and other products by consumer and medical professionals. The forward-looking statements reflect knowledge and information available at the date of preparation of this annual report and the Company undertakes no obligation to update these forward-looking statements. Nothing in this annual report should be construed as a profit forecast.

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