GW pharmaceuticals

Annual Report and Accounts

2018

www.gwpharm.com

Contents

Strategic Report

The Directors present their Strategic Report for the Group covering the 15-month financial period ended 31 December 2018.

Strategy, Objectives and Business Model

Overview
We are a biopharmaceutical company focused on discovering, developing and commercialising novel therapeutics from our proprietary cannabinoid product platform in a broad range of disease areas. In our 20 years of operations, we have established a world-leading position in the development of plant-derived cannabinoid therapeutics through our proven drug discovery and development processes, our intellectual property portfolio and regulatory and manufacturing expertise. Our lead cannabinoid product is Epidiolex® oral solution, a pharmaceutical formulation of cannabidiol ("CBD"), for which we retain global commercial rights. Epidiolex was approved by the Food and Drug Administration ("FDA") on 25 June 2018 for the treatment of seizures associated with Lennox-Gastaut syndrome, or LGS, or Dravet syndrome, in patients two years of age and older. LGS and Dravet syndrome are severe childhood-onset, drug-resistant epilepsy syndromes. On 28 September 2018, the Drug Enforcement Agency ("DEA") placed Epidiolex in Schedule V, the lowest restriction classification. Epidiolex became commercially available in the US on 1 November 2018.

In Europe, we submitted an application for Epidiolex to the European Medicines Agency's, or EMA's, Committee for Medical Products for Human Use ("CHMP") in December 2017, and we expect an opinion from the CHMP on the application in the second quarter of 2019. We have received Orphan Drug Designation from the FDA for Epidiolex for LGS, Dravet syndrome and tuberous sclerosis complex ("TSC"). We also received Orphan Designation from the EMA's Committee for Orphan Medical Products ("COMP") for Epidiolex for Dravet syndrome, LGS, and TSC. We continue to develop Epidiolex for additional indications, including the treatment of seizures associated with TSC and plan to commence a pivotal trial in the treatment of Rett syndrome.

Previously, we developed the world's first plant-derived cannabinoid prescription drug, Sativex® (nabiximols), which is approved for the treatment of spasticity due to multiple sclerosis in numerous countries outside the US. In the US, we met with the FDA in December 2018 to discuss the optimal regulatory pathway for US approval of Sativex and are now in the process of planning a pivotal Phase 3 clinical trial, which we expect to start in the fourth quarter of 2019.

We have a deep pipeline of additional cannabinoid product candidates focusing primarily on orphan childhood-onset neurologic conditions and oncology. Our pipeline includes research in autism spectrum disorder ("ASD") and Rett syndrome using both CBD and cannabidivarin ("CBDV"). We reported positive Phase 2 data for our CBD:THC product in the treatment of glioblastoma multiforme. We have also reported positive Phase 2 data in schizophrenia. In addition, we have received Orphan Drug Designation and Fast Track Designation from the FDA for intravenous CBD for the treatment of Neonatal Hypoxic Ischemic Encephalopathy ("NHIE"), for which a Phase 1 trial has been completed.

Our Marketed Products: Epidiolex

Epidiolex in the United States
We launched Epidiolex on 1 November 2018 in the US market after FDA approval for the treatment of seizures associated with LGS or Dravet syndrome in patients two years of age and older. The FDA confirmed orphan drug exclusivity for Epidiolex and granted us a rare paediatric disease voucher. Following the approval, DEA placed Epidiolex in Schedule V.

We have reported positive results from two LGS Phase 3 pivotal trials, both achieving the primary endpoint of a median reduction in monthly drop seizures compared with placebo. We have also reported positive results from two Phase 3 pivotal trials in Dravet syndrome. Epidiolex demonstrated an acceptable safety profile in these Phase 3 pivotal trials. The Company's development programme represents the only well-controlled clinical evaluation of a cannabinoid medication for patients with LGS and Dravet syndrome.

LGS is a type of epilepsy with multiple types of seizures, particularly tonic (stiffening) and atonic (drop) seizures. The estimated prevalence of LGS is between 3% and 4% of childhood epilepsy cases. LGS affects between 14,500 to 18,500 children under the age of 18 years in the US and over 30,000 children and adults in the US. Eighty percent of children with LGS continue to experience seizures, psychiatric, intellectual and behavioural deficits in adulthood. Seizures due to LGS are hard to control and generally require life-long treatment.

Dravet syndrome is a severe infantile-onset, genetic, drug-resistant epilepsy syndrome with a distinctive but complex electroclinical presentation. Onset of Dravet syndrome occurs during the first year of life with clonic seizures (jerking) and tonic-clonic (convulsive) seizures in previously healthy and developmentally normal infants. Symptoms peak at about five months of age, and the latest onset beginning by 15 months of age. Other seizures develop between one and four years of age such as prolonged focal dyscognitive seizures and brief absence seizures, and duration of these seizures decreases during this period, but their frequency increases. Prognosis is poor, with death occurring in approximately 14% of children. Patients develop intellectual disability and life-long ongoing seizures. Intellectual impairment varies from severe (50% of patients), to moderate (25% of patients), to mild (25% of patients). Patients rarely return to normal intellect.

Our US subsidiary, Greenwich Biosciences, markets Epidiolex through an experienced commercial organisation consisting of sales, medical affairs, marketing, and market access/payer teams. Our medical affairs organisation has been in place for over two years and includes 15 Medical Science Liaisons. Our US marketing plan includes a combination of community neurology/epilepsy meetings, patient advocacy events, an extensive programme for US clinicians to share their Epidiolex experiences and a media-based awareness programme.

Strategic Report continued

We manufacture Epidiolex through utilisation of in-house and external third-party facilities for various steps in the production process. We have expanded various parts of the production process both in-house and with external third parties in readiness for commercial launch. As part of the New Drug Application ("NDA") review, the FDA pre-approval inspections of our manufacturing facilities did not result in any Form 483 observations. We are continuing to expand our Epidiolex manufacturing capacity in anticipation of post-US launch and projected demand in Europe and elsewhere.

Epidiolex in Europe
In Europe, we submitted a marketing authorisation application in December 2017 for both the Dravet syndrome and LGS indications. In late November 2018, during the later stages of this review, the second successful Phase 3 pivotal study in Dravet syndrome was completed and the Company agreed with the regulatory authority to add this data to the application. Fully integrating this data, along with some necessary administrative Brexit-related changes, now results in an expected EMA/CHMP opinion in the second quarter of 2019. GW has recently initiated an Early Access Programme in the five largest European countries in Europe, enabling patients with the most immediate need to gain access.

We continue to make good progress for the commercialisation of Epidiolex in Europe and are planning initial launches in the five major European markets in 2019. Our commercial leadership team is fully recruited and in place. This experienced team, which includes several epilepsy disease experts, is focused on progressing the necessary pricing and reimbursement, medical and pre-commercial activities required to deliver a successful European launch. In particular, significant progress is being made on building the local country organisations in the five major European markets. This first wave of local recruitment is very much focused on leadership and medical staff. Medical affairs activities are progressing well with national advisory boards now completed in all the major markets and significant presence and data exposure at key European and National Congresses.

Epidiolex Follow-On Target Indication: TSC
TSC is a genetic disorder that causes non-malignant tumours to form in many different organs, primarily in the brain, eyes, heart, kidney, skin and lungs. According to the Tuberous Sclerosis Alliance, TSC is estimated to affect approximately 50,000 patients in the US. The most common symptom of TSC is epilepsy, which occurs in 75–90% of patients, about 70% of whom experience seizure onset in their first year of life. Approximately 60% of these TSC patients (or approximately 25,000 of patients in the US) have treatment-resistant seizures.

We are progressing a Phase 3 trial of Epidiolex in patients with TSC. This 210-person trial, which is fully recruited, is a 16-week comparison of Epidiolex versus placebo to assess the safety and efficacy of Epidiolex as an adjunctive anti-epileptic treatment. Data from this trial is expected in the first half of 2019. Subject to positive results, we expect to submit a supplemental NDA for Epidiolex in TSC in the second half of 2019.

Epidiolex Follow-On Target Indication: Rett Syndrome
Rett syndrome ("RTT") is a rare, non-inherited, X-linked neurodevelopmental disorder affecting approximately 1 in 10,000 to 15,000 live female births. There are no approved treatments for RTT. The management options target specific symptoms and are not without undesirable side effects. As such, there is currently a high unmet medical need. Data from animal models suggests CBD may be able to improve deficits in cognition, language, social behaviour and motor function, as well as having the potential to modulate the cellular mechanisms thought to be involved in the neurobehavioural deficits present in RTT.

A Phase 3 trial of Epidiolex in patients with RTT is expected to start in the second quarter of 2019. It is an international multi-centre, randomised, double-blind, placebo-controlled study to investigate safety and efficacy.

Epidiolex Formulation Life Cycle Management
In addition to the Epidiolex formulation, we continue to develop additional formulations of CBD as part of its life cycle management plan. We are developing a capsule to provide more convenient administration, particularly for adults and older children across our target indications. We are also developing an improved oral solution.

Our Marketed Products: Sativex

Sativex is an oromucosal spray of a formulated extract of the cannabis sativa plant. We developed Sativex to be administered as an oromucosal spray, whereby the active ingredients are absorbed in the lining of the mouth, either under the tongue or inside the cheek. At this time, we have received regulatory approval for Sativex in numerous countries outside the US.

Sativex in the US
In December 2017, we terminated our license agreement with Otsuka Pharmaceutical Co., Ltd., in relation to Sativex in the US and we have reacquired full ownership of the development and commercialisation rights to the product in the US. In the US, we met with the FDA in December 2018 to discuss the optimal regulatory pathway for US approval of Sativex and are now in the process of planning a pivotal Phase 3 clinical trial, which we expect to commence in the fourth quarter of 2019.

Beyond an initial target US indication of MS spasticity, we believe that Sativex has significant additional market potential. We have completed over 10 placebo-controlled trials and believe there is the potential for future development of multiple indications.

Sativex in Europe
To support the development and commercialisation of Sativex in Europe, we have license and development agreements with the following major pharmaceutical companies: Almirall S.A., or Almirall, in Europe (excluding the UK) and Mexico; Bayer HealthCare AG, or Bayer, in the UK and Canada; Ipsen Biopharm Ltd, or Ipsen, in Latin America (excluding Mexico and the Islands of the Caribbean); and Neopharm Group, or Neopharm, in Israel. These agreements provide our collaborators with the sole right to commercialise Sativex in exclusive territories for all indications.

Sativex Intellectual Property
Our strategy is to seek and obtain patents related to Sativex across all major pharmaceutical markets around the world. In the US, our patents (and our pending applications if they issue) relating to Sativex would expire on various dates between 2021

and 2029, excluding possible patent term extensions. We have at least seven different patent families containing one or more pending and/or issued patents directed to the Sativex formulation, the extracts from which Sativex is composed, the extraction technique used to produce the extracts and the therapeutic use of Sativex.

Proprietary Cannabinoid Product Platform

We have established a world-leading position in cannabinoid therapeutics through our proven proprietary cannabinoid product platform. Our platform consists of a continually evolving library of internally generated novel cannabis plant types that produce selected cannabinoids, discovery of novel cannabinoid pharmacology through our network of world-leading scientists, a global intellectual property portfolio, in-house formulation, processing and manufacturing capabilities, and development and regulatory expertise. We further believe that we are in a unique position to develop and manufacture plant-derived cannabinoid formulations worldwide at sufficient quality, uniformity, scale and sophistication for the purposes of pharmaceutical development and to meet international regulatory requirements.

The cannabis plant is the unique source of more than 70 structurally related, plant-derived cannabinoids. Although one cannabinoid, THC, is known to cause psychoactive effects associated with the use of illicit herbal cannabis, none of the other cannabinoids are known to share this property. In recent decades, there have been major scientific advances that have led to the discovery of new plant-derived cannabinoids and a cannabinoid receptor system in the human body, or endocannabinoid system. We are at the forefront of this new area of science, and we believe that our proprietary cannabinoid product platform uniquely positions us to discover and develop cannabinoids as new therapeutics.

Our proprietary cannabinoid product platform consists of our:

- continually evolving library of internally generated novel cannabis plant types that produce selected cannabinoids, or chemotypes. We can reproduce the selected chemotypes through propagation of plant cuttings, or clones, in order to ensure that all subsequent plant material is genetically uniform. We can also generate seeds of selected chemotypes for large-scale production;
- in-house extraction, processing methodologies and analytical techniques, which yield well-characterised and standardised chemotype extracts;
- discovery of novel cannabinoid pharmacology through conducting pharmacologic evaluation studies in validated disease models to determine the most promising potential therapeutic areas for each extract;
- in-house formulation and manufacturing capabilities, supplemented by third-party contractors;
- global in-house development and regulatory expertise; and
- intellectual property portfolio, which includes issued and/or pending claims directed to plants, plant extracts, extraction technology, pharmaceutical formulations, drug delivery and the therapeutic uses of cannabinoids, as well as plant variety rights, know-how and trade secrets.

With the exception of Sativex, which is subject to licensing agreements described above, we retain global commercial rights to all of our product pipeline candidates.

Pipeline Summary
Epilepsy and Paediatric Neurology

Product/Product Candidates	Indication	Partner(s)	Status	Expected Next Steps
Epidiolex ("CBD")	Childhood-onset epilepsy	We retain global rights.	Approved by the FDA and launched in the US.	
	Initial targets: Treatment of seizures in LGS and Dravet syndrome in patients two years of age and older.		Under review by EMA in Europe.	CHMP opinion expected in Q2 2019.
	Additional targets: TSC		Phase 3 trial in TSC fully recruited.	Data from Phase 3 TSC trial expected in H1 2019. Subject to positive results, sNDA in H2 2019.
	Rett syndrome			IND for pivotal trial submitted. Trial expected to commence H1 2019.

Strategic Report continued

Product/Product Candidates	Indication	Partner(s)	Status	Expected Next Steps
GWP42006 (CBDV)	ASD	We retain global rights.	Company-sponsored IND submitted Nov. 2018. Investigator-led placebo-controlled trial in autism; expanded access IND to treat seizures associated with autism underway.	Company-sponsored open-label trial expected to commence H1 2019. Investigator-led placebo-controlled trial expected to commence H1 2019.
	Rett syndrome		Investigator-led Phase 2 open label trial in Rett syndrome. FDA orphan designation in Rett syndrome.	Trial expected to commence H1 2019.
	Epilepsy		Phase 2a trial completed.	Under evaluation.
Intravenous GWP42003	Neonatal hypoxic-ischemic encephalopathy	We retain global rights.	Phase 1 trial in healthy volunteers complete.	Phase 2 trial due to commence 2019.

Other Pipeline Candidates

Product/Product Candidates	Indication	Partner(s)	Status	Expected Next Steps
Sativex (nabiximols)	MS spasticity (ex-US)	Almirall, Bayer, Ipsen and Neopharm.	Approved in numerous countries.	
	MS spasticity (US)	We retain rights.	FDA meeting completed in December 2018.	Pivotal Phase 3 trial expected to commence in Q4 2019.
	Neuropathic pain/other neurological symptoms		Multiple placebo-controlled trials completed.	Pivotal programme in planning.
Combination of CBD and THC	Glioblastoma	We retain global rights.	Phase 2 trial complete and reported in February 2017. Data presented at ASCO. FDA orphan designation.	Pivotal clinical programme under evaluation.
GWP42003	Schizophrenia	We retain global rights.	Positive Phase 2 proof-of-concept.	Phase 2b trial under evaluation.

Business Strategy

Our goal is to capitalise on our leading position in the field of plant-derived cannabinoid therapeutics by pursuing the following strategies:

> Commercialise our lead product candidate Epidiolex in Dravet syndrome and LGS in the US and Europe using our own commercial organisation, and to identify the optimal commercial pathway in other markets around the world.
> Expand the market opportunity for Epidiolex within the field of epilepsy and Rett syndrome.
> Seek US approval for Sativex, commercialise Sativex in the US using our own commercial organisation, and expand the Sativex market to new indications.
> Advance several clinical-stage proprietary cannabinoid product candidates to late-stage development.
> Leverage our proprietary cannabinoid product platform and world-leading position to discover, develop and commercialise additional novel first-in-class cannabinoid products.
> Further strengthen our lead competitive position.

Review of the Business

The Group has changed its year-end to 31 December, and this is the first set of financial statements adopting the new year-end date. We are reporting for the 15-month period ended 31 December 2018.

The Group has also elected to convert its presentational currency to US Dollars to be consistent with our external financial reports to the United Securities and Exchange Commission, as required by our listing on NASDAQ. The Group additionally reassessed the functional currency of its Group companies and considered that the Group's top company, GW Pharmaceuticals plc, had a functional currency of US Dollars with effect from 1 July 2018.

To enable prior period comparisons, we are also reporting pro forma unaudited results for the 12-month period ended 31 December 2018 and comparatives for the 12-month period ended 31 December 2017 (referred to here as 2018 and 2017 respectively). The unaudited results have been prepared using the same accounting policies and procedures as the audited results.

We believe that the presentation of these unaudited results is also representative of the performance in the 15-month period to 31 December 2018. Any deviations from this are explained below.

The below results include the implementation of IFRS 15 Revenue from Contracts with Customers during the 15-month period and year to 31 December 2018. The results below for the three months and year to 31 December 2017 do not include the impact of this implementation.

	A 15 months to 31 December 2018 (audited) $000s	**B** Unadjusted 3 months to 31 December 2017 (unaudited) $000s	**C** IFRS 15 adoption 31 December 2017 (unaudited) $000s	**B–C** Adjusted 3 months to 31 December 2017 (unaudited) $000s	**A–(B–C) 12 months to 31 December 2018 (unaudited) $000s**	**12 months to 31 December 2017 (unaudited) $000s**
Revenue	19,391	7,728	(3,716)	4,012	**15,379**	**15,709**
Cost of sales	(7,912)	(1,190)	–	(1,190)	**(6,722)**	**(4,828)**
Research and development expenditure	(167,142)	(40,818)	–	(40,818)	**(126,324)**	**(152,088)**
Sales, general and administrative expenses	(187,602)	(23,445)	–	(23,445)	**(164,157)**	**(68,438)**
Net foreign exchange (loss)/gain	(2,666)	(3,442)	–	(3,442)	**776**	**(24,467)**
Operating loss	(345,931)	(61,167)	(3,716)	(64,883)	**(281,048)**	**(234,112)**
Interest expense	(1,573)	(320)	–	(320)	**(1,253)**	**(1,160)**
Interest and other income	11,155	1,621	–	1,621	**9,534**	**3,347**
Loss before tax	(336,349)	(59,866)	(3,716)	(63,582)	**(272,767)**	**(231,925)**
Tax benefit	(5,090)	(3,433)	–	(3,433)	**(1,657)**	**19,732**
Loss for the period	(341,439)	(63,299)	(3,716)	(67,015)	**(274,424)**	**(212,193)**

	A 3 months to 31 December 2016 (unaudited) $000s	**B** 12 months to 30 September 2017 (audited) $000s	**C** 3 months to 31 December 2017 (unaudited) $000s	**B–A+C 12 months to 31 December 2017 (unaudited) $000s**
Revenue	2,538	10,519	7,728	**15,709**
Cost of sales	(883)	(4,521)	(1,190)	**(4,828)**
Research and development expenditure	(30,752)	(142,022)	(40,818)	**(152,088)**
Sales, general and administrative expenses	(8,250)	(53,243)	(23,445)	**(68,438)**
Net foreign exchange (loss)/gain	14,583	(6,442)	(3,442)	**(24,467)**
Operating loss	(22,764)	(195,709)	(61,167)	**(234,112)**
Interest expense	(111)	(951)	(320)	**(1,160)**
Interest and other income	337	2,063	1,621	**3,347**
Loss before tax	(22,538)	(194,597)	(59,866)	**(231,925)**
Tax benefit	3,287	26,452	(3,433)	**19,732**
Loss for the period	(19,251)	(168,145)	(63,299)	**(212,193)**

Strategic Report continued

Revenue
Total revenue for the year ended 31 December 2018 was $15.4 million, compared to $15.7 million for the year ended 31 December 2017. The decrease of $0.3 million comprises:

- An increase of $6.3 million in product sales to $14.8 million for the year ended 31 December 2018, compared to $8.5 million for the year ended 31 December 2017. This was driven by:
  - The recording of $4.7 million in Epidiolex product sales revenues following the product launch in the United States in November 2018.
  - A $1.6 million increase in Sativex product sales revenues to $10.1 million due to increased shipments to partners. In-market sales volumes sold by GW's commercial partners for the year ended 31 December 2018 were 16% higher than the year ended 31 December 2017.
- A $4.9 million decrease in licence, collaboration and technical access fees following the adoption of IFRS 15 in the period. This has resulted in the acceleration of all previously-unrecognised deferred fee income.
- A $1.8 million decrease in research and development fee income to $0.4 million compared to $2.2 million for the year ended 31 December 2017. This reflects the continued reduction of rechargeable activity associated with our prior collaboration with Otsuka, which ended in December 2017.
- A $0.1 million decrease in development and approval milestones.

The explanations above are also representative of the increase of $8.9 million to $19.4 million for the 15-month period ended 31 December 2018 compared to $10.5 million for the year ended 30 September 2017.

Cost of Sales
Cost of sales for the year ended 31 December 2018 of $6.7 million represents an increase of $1.9 million compared to the $4.8 million recorded in the year ended 31 December 2017. This increase reflects the launch of Epidiolex in the United States as well as the growth in the volume of Sativex inventory shipped to commercial partners in the current period.

Research and Development Expenditure
Total R&D expenditure for the year ended 31 December 2018 of $126.3 million decreased by $25.8 million compared to the $152.1 million incurred in the year ended 31 December 2017.

The most significant driver for the decrease in R&D expenditure is the commencement of capitalisation of Epidiolex inventory onto the balance sheet. The Group determined that the successful acceptance by the Federal Drug Administration (FDA) for Epidiolex in the United States in December 2017 triggered the commencement of capitalisation of inventory; prior to this date, all high CBD plant material and associated production costs were expensed as R&D.

From 1 January 2018 onwards, manufacturing and associated production costs were absorbed into inventory and capitalised onto the balance sheet, with a full provision against this material. This inventory was fully provided for until the point of product approval, which occurred in June 2018. The closing Epidiolex inventory balance as at 31 December 2018 was $44.4 million.

Sales, General and Administrative Expenses
Sales, general and administrative expenses for the year ended 31 December 2018 of $164.2 million increased by $95.8 million compared to the $68.4 million incurred in the year ended 31 December 2017. This net increase is due to the launch of Epidiolex in the United States in November 2018, which included the hiring of an internal salesforce, finalising infrastructure and commercialisation processes required for a company marketing its own product in the United States for the first time. Additionally, the Group continues to hire key business leads and positions in Europe ahead of potential launches in 2019.

The explanations above are also representative of the increase of $134.4 million to $187.6 million for the 15-month period ended 31 December 2018 compared to $53.2 million for the year ended 30 September 2017.

Net Foreign Exchange Gains/(Losses)
Net foreign exchange movements resulted in a $0.8 million gain for the year ended 31 December 2018 compared to a $24.5 million loss for the year ended 31 December 2017. This foreign exchange gain mostly arises from unrealised gains on our US Dollar denominated cash deposits upon retranslation at the closing balance sheet exchange rate.

Interest Expense
Interest expense of $1.3 million for the year ended 31 December 2018 increased by $0.1 million compared to the $1.2 million recorded for the year ended 31 December 2017. This increase reflects an increase in interest paid on leases for manufacturing facilities and interest on repayments of the fit-out funding previously received.

Interest and Other Income
Interest and other income increased by $6.2 million to $9.5 million for the year ended 31 December 2018 compared to $3.3 million for the year ended 31 December 2017. This increase reflects the recognition of the Group's expected R&D large company tax credit claim ("RDEC") in respect of the statutory 15-month period ended 31 December 2018. Previously the Group was eligible to claim R&D tax credits under the Small and Medium Enterprise ("SME"), and these were classified within Tax Benefit. The additional increase reflects growth in interest income earned on the Group's cash and cash equivalents balance throughout the period.

Tax
Our tax benefit decreased by $21.4 million to a $1.7 million charge for the year ended 31 December 2018 compared to $19.7 million benefit for the year ended 31 December 2017. As noted in "Interest and Other Income" above, this previously included the Group's SME R&D tax claim for which the Group is no longer eligible.

The explanation above is also representative of the decrease of $31.6 million to a $5.1 million charge for the 15-month period ended 31 December 2018 compared to a $26.5 million benefit for the year ended 30 September 2017.

Consolidated Balance Sheet
The following information is on an "as reported" basis as noted on the Consolidated Income Statement shown on page 40, and illustrates the movement from the end of the balance sheet periods of 30 September 2017 to 31 December 2018.

Property, plant and equipment
Property, plant and equipment increased by $31.1 million to $89.4 million at 31 December 2018 compared to $58.3 million at 30 September 2017. This reflects the Group's continuing investment in expansion of our cannabinoid extraction and production facilities in the United Kingdom.

Inventories
Total inventories increased by $45.3 million to $51.0 million at 31 December 2018 compared to $5.7 million at 30 September 2017. This increase is due to the commercialisation of Epidiolex. Effective from 1 January 2018, costs associated with producing Epidiolex commercial inventory were capitalised as an asset to the balance sheet but fully-provided against. Upon approval from the FDA in June 2018, this provision was reversed to the extent that the material was supportable by sales forecasts, as the uncertainty surrounding the recoverability of this inventory had been removed.

Cash and cash equivalents
Total cash and cash equivalents increased by $269.3 million to $591.5 million at 31 December 2018 compared to $322.2 million at 30 September.

- Total net cash outflow from operating activities for the 15 months to 31 December 2018 was $301.4 million, representing the operating expenditure of the organisation and commercialisation scale-up activities.
- Total net cash inflow from financing activities was $620.8 million, representing the completion of two public offerings on NASDAQ in December 2017 and October 2018, raising a combined total of $622.5 million (net) after expenses.
- Total cash outflow from investing activities was a net $41.4 million, predominantly driven by capital expenditure associated with the construction of our manufacturing facilities.

Subsequent to the period end date, the Group completed the sale of a Rare Pediatric Disease Priority Review Voucher for $105.0 million. See Note 28 for further details.

Trade and other payables
Total current trade and other payables increased by $19.4 million to $63.6 million at 31 December 2018 compared to $44.2 million at 30 September 2017. This increase reflects the scale-up of the Group's operations following Epidiolex commercial launch in November 2018, and additional organisation costs associated with preparation for European commercialisation.

Deferred revenue
Total deferred revenue has decreased to $nil at 31 December 2018 compared to $8.8 million at 30 September 2017. This is following the adoption of IFRS 15 Revenue from Contracts with Customers which has resulted in the acceleration of previously unrecognised deferred income. More information is presented in Note 2 to the financial statements.

Our Key Business Trends

The following information provides a summary of the development and performance of the Company's business during the 15-month period and the position of the business as at 31 December 2018.

We have elected to provide unaudited calendar year figures to provide the maximum information to shareholders, and this aligns with the Group's amended accounting reference date of 31 December.

The Group considers that the primary key performance indicator is the progress on the regulatory approval, rescheduling and sales volumes of Epidiolex in the US and around the world. The progress of regulatory filings and product launches are not easily quantifiable, but best represents the Group's progress during 2018.

Revenue
Our revenues consist of product sales revenues, R&D fees, licence, collaboration and technical access fees and development and approval milestone fees.

The trend analysis below reflects the impact of the adoption of IFRS 15 Revenue from Contracts with Customers and assumes that revenue accounting under IFRS 15 had been in place since 1 October 2014. The impact of this removes any license, collaboration and technical access fee for the years ended 31 December 2016, 2017 and 2018.

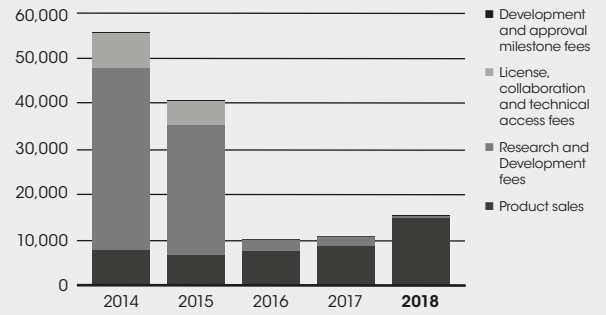
For the year ended 31 December 2018, we recorded revenues of $15.4 million, an increase of $4.6 million or 42% from the $10.8 million recorded for the year ended 31 December 2017.

- In the year to 31 December 2018 we saw the commercial launch of Epidiolex, recording revenue of $4.7 million. This is the Group's first own commercial product, and first marketed into the United States
- We recorded Sativex product sales revenue of $10.1 million in the year ended 31 December 2018, an increase of $1.6 million from the $8.5 million recorded in the year ended 31 December 2017. This is supported by strong performance in market, particularly in Germany. In-market sales made by our commercial partners increased by 16%
- We have seen a continued decline in our R&D fee income to $0.4 million compared to $1.8 million for the year ended 31 December 2017. This reflects the conclusion of rechargeable activity associated with our prior collaboration with Otsuka, which ended in December 2017.

We see product sales as the key driver for the Group, following the launch of Epidiolex in the United States in November 2018.

Strategic Report continued

Total Group Revenue ($000s)
Year ended 31 December



Number of Countries Sold to In-Market

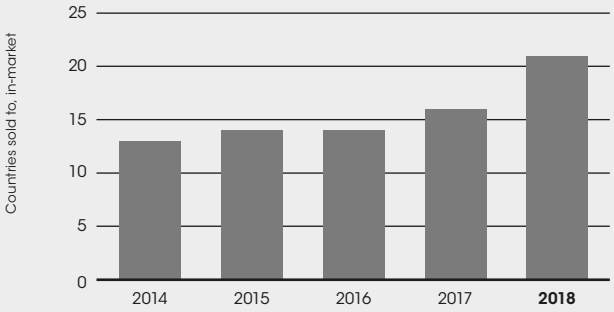
The Number of Countries Sold to In-Market graph below primarily illustrates the in-market commercial sales volumes of Sativex® by our commercial marketing partners Bayer in the United Kingdom and Canada, Almirall in Europe, Neopharm in Israel and Ipsen in South America. This also includes the impact of the launch of Epidiolex in the United States from 1 November 2018.

In total, the number of countries sold to in-market grew from 16 countries at 31 December 2017, to 20 countries at 31 December 2018. In the period, the first in-market sales were made predominantly in South American territories, including Brazil, Chile and Colombia via our marketing partner, Ipsen, as well as our first launch of Epidiolex into the United States.

As at 31 December 2014, commercial sales were present in thirteen territories. In 2015, Almirall launched Sativex in Belgium. In 2017 we launched in New Zealand and Australia following the return of the rights for Sativex® from Novartis.

We expect the growth of Epidiolex sales markets, subject to approval, to be the key driver in this trend for future years.

Number of Countries Sold to In-Market
As at 31 December



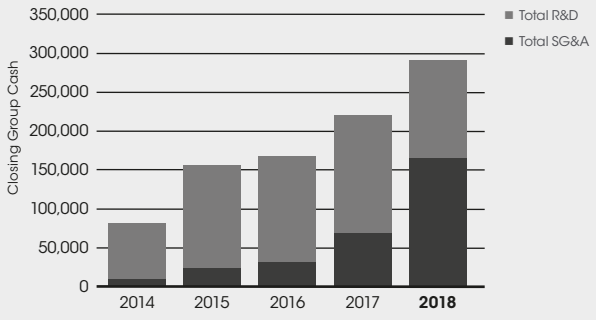
Total Group Expenditure

As illustrated in the Total Group Expenditure graph below, our R&D expenditures have shown a consistent growth trend over the last five financial years from $71.3 million in 2014 to $152.1 million in 2017. This increase reflected the Phase 3 clinical research with Epidiolex, progress with other pipeline product candidates and scale up of R&D activities associated with our growing programmes.

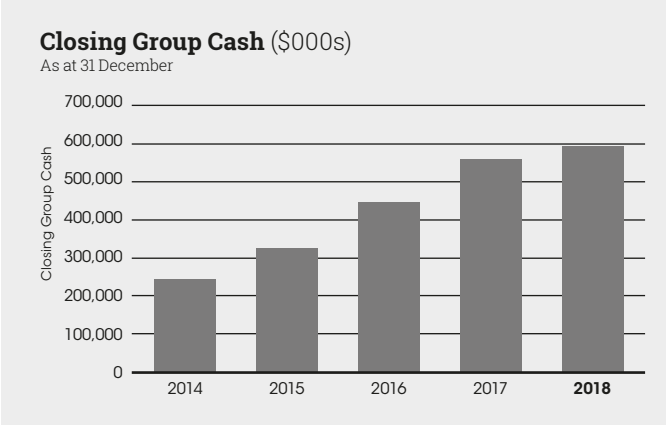
The decline to $126.3 million in 2018, a decrease of $25.8 million, is due to the absorption of costs associated with inventory previously expensed as R&D which were eligible for capitalisation once sufficient certainty of product approval had been received from the FDA. Inventory recognition commenced from 1 January 2018.

Sales, general and administrative expenditure has increased from $9.4 million in 2014, from when all of the Group's external commercial sales were conducted through partners, to $164.2 million in 2018. The increase of $95.8 million from $68.4 million in 2017 to $164.2 million reflects the completion of the full commercial organisation in place in the United States to support the commercial launch of Epidiolex on 1 November, as well as the significant investment in pre-launch activities in Europe.

Total Group Expenditure ($000s)
Year ended 31 December



Group Cash
The graph below illustrates the trend in our 31 December closing cash position for each of the last five years.



Since our listing on NASDAQ in May 2013, having taken the decision to invest in the development of Epidiolex to treat a number of refractory forms of childhood onset epilepsy we have consistently recorded operating cash outflows, offset by the proceeds of a series of fundraisings, each of which have been conducted following the achievement of key product development milestones. Our aim has been to ensure that the Group remains well funded with sufficient working capital to successfully execute our Epidiolex and other pipeline product development plans. Consequently, we have completed at least one equity fundraising in each of 2014 through to 2018, to help execute this strategy.

During 2018 we completed a public offering of 26,220,000 ordinary shares of the Company on the NASDAQ Global Market, raising net proceeds after underwriting discounts and commissions of $324.6 million.

We believe that we are suitably well-funded to execute on our US Epidiolex launch, prepare for European commercialisation and continue our life cycle and clinical development programmes.

Principal 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. A Risk Committee has been established who, based upon input from programme directors, functional heads and subject matter experts, prepare a risk matrix outlining the status of risks, mitigating controls and action plans. This matrix is reviewed by the Board of the Company as part of their annual assessment of the principal risks and risk management controls.

Further details of risk factors considered by GW for the 15-month period ended 31 December 2018 are included on Form 10-KT which was filed with the US Securities and Exchange Commission on 27 February 2019. The risks have been identified as follows:

Marketing and Commercialisation
> Our prospects are highly dependent on the successful commercialisation of Epidiolex.
> If we do not obtain regulatory approval of Epidiolex for other indications in the US, or for any indications in foreign jurisdictions, we will not be able to market Epidiolex for other indications or in other jurisdictions, which will limit our commercial revenues.
> Our FDA approval subjects us to ongoing obligations and continued regulatory review, which may result in significant additional expense and, if we do not meet those ongoing obligations, we could be subject to significant penalties, including market withdrawal and/or civil or criminal penalties.
> Epidiolex has only been studied in a limited number of patients and in limited populations. As we continue our commercial launch, Epidiolex will become available to a much larger number of patients, and we do not know whether the results of Epidiolex use in such larger number of patients will be consistent with the results from our clinical trials.
> We have limited marketing experience, and have only recently established our sales force, distribution and reimbursement capabilities, and we may not be able to successfully commercialise Epidiolex, or any of our product candidates if they are approved in the future.
> Our product candidates, if approved, may be unable to achieve the expected market acceptance and, consequently, limit our ability to generate revenue from new products.
> We expect to face intense competition, often from companies with greater resources and experience than we have.
> Product shipment delays could have a material adverse effect on our business, results of operations and financial condition.
> If the price for Epidiolex, Sativex or any future approved products decreases or if governmental and other third-party payers do not provide adequate coverage and adequate reimbursement levels, our revenue and prospects for profitability will suffer.
> Counterfeit versions of our products could harm our business.
> Our existing collaboration arrangements and any that we may enter into in the future may not be successful, which could adversely affect our ability to develop and commercialise Epidiolex, Sativex and our product candidates.

Strategic Report continued

Clinical
- We are dependent on the success of our product candidates, some of which may not receive regulatory approval or be successfully commercialised.
- Clinical trials for our product candidates are expensive, time-consuming, uncertain and susceptible to change, delay or termination. The results of clinical trials are open to differing interpretations.
- Information obtained from expanded access studies may not reliably predict the efficacy of our product candidates in Company-sponsored clinical trials and may lead to adverse events that could limit approval.
- There is a high rate of failure for drug candidates proceeding through clinical trials.

Regulatory and Legislative
- Epidiolex, Sativex and our product candidates contain controlled substances, the use of which may generate public controversy.
- If product liability lawsuits are successfully brought against us, we will incur substantial liabilities and may be required to limit the commercialisation of Epidiolex, Sativex and our product candidates.
- Our employees may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements.
- If we are unable to use net operating loss carry-forwards and certain built-in losses to reduce future tax payments, or benefit from favourable tax legislation, our business, results of operations and financial condition may be adversely affected.
- We are subject to the UK Bribery Act, the US Foreign Corrupt Practices Act and other anti-corruption laws, as well as export control laws, customs laws, sanctions laws and other laws governing our operations. If we fail to comply with these laws, we could be subject to civil or criminal penalties, other remedial measures, and legal expenses, which could adversely affect our business, results of operations and financial condition.
- Our proprietary information, or that of our customers, suppliers and business partners, may be lost or we may suffer security breaches.
- Legislative or regulatory reform of the health care system in the US and foreign jurisdictions may affect our ability to profitably sell our products, if approved.
- We expect additional federal and state legislative proposals for health care reform, which could limit the prices that can be charged for the products we develop and may limit our commercial opportunity.
- Any failure by us to comply with existing regulations could harm our reputation and operating results.
- We are subject to federal, state and foreign healthcare laws and regulations and implementation of or changes to such healthcare laws and regulations could adversely affect our business and results of operations.
- If we are found in violation of federal or state "fraud and abuse" laws, we may be required to pay a penalty and/or be suspended from participation in federal or state health care programmes, which may adversely affect our business, financial condition and results of operations.
- Our ability to research, develop and commercialise Epidiolex, Sativex and our product candidates is dependent on our ability to maintain licenses relating to the cultivation, possession and supply of controlled substances.
- The development of a REMS for Epidiolex or our product candidates could cause delays in the approval process and would add additional layers of regulatory requirements that could impact our ability to commercialise our product candidates in the US and reduce their market potential.
- Controlled substance legislation differs between countries and legislation in certain countries may restrict or limit our ability to sell Epidiolex, Sativex and our product candidates.
- Epidiolex is and the product candidates we are developing will be subject to US controlled substance laws and regulations and failure to comply with these laws and regulations, or the cost of compliance with these laws and regulations, may adversely affect the results of our business operations, both during clinical development and post approval, and our financial condition.
- If one of our product candidates is approved and classified as a Schedule II controlled substance, federal law may impose additional restrictions on importation for commercial purposes.
- The legalisation and use of medical and recreational marijuana in the US and elsewhere may impact our business.

Orphan Drug Designation and Intellectual Property
- In respect of our product candidates targeting rare indications, orphan drug exclusivity may afford limited protection, and if another party obtains orphan drug exclusivity for the drugs and indications we are targeting, we may be precluded from commercialising our product candidates in those indications during that period of exclusivity.
- We may not be able to adequately protect Epidiolex, Sativex, our product candidates or our proprietary technology in the marketplace.
- If third parties claim that intellectual property used by us infringes upon their intellectual property, our operating profits could be adversely affected.

Manufacturing and Technology
- Problems in our manufacturing process, failure to comply with manufacturing regulations or unexpected increases in our manufacturing costs could harm our business, results of operations and financial condition.
- We may fail to expand our growing and manufacturing capability in time to meet market demand for our products and product candidates, and the FDA may refuse to accept our facilities or those of our contract manufacturers as being suitable for the production of our products and product candidates.
- Product recalls or inventory losses caused by unforeseen events, cold chain interruption and testing difficulties may adversely affect our operating results and financial condition.
- Business interruptions could delay us in the process of developing our product candidates and could disrupt our product sales.
- Failure of our information technology systems, including cybersecurity attacks or other data security incidents, could significantly disrupt the operation of our business.
- Security breaches, loss of data and other disruptions could compromise sensitive information related to our business, prevent us from accessing critical information or expose us to liability, which could adversely affect our business and our reputation.

> We depend on a limited number of suppliers for materials and components required to manufacture Epidiolex, Sativex and our product candidates. The loss of these suppliers, or their failure to supply us on a timely basis, could cause delays in our current and future capacity and adversely affect our business.

Safety
> Serious adverse events or other safety risks could require us to abandon development and preclude, delay or limit approval of our product candidates, limit the scope of any approved label or market acceptance, or cause the recall or loss of marketing approval of products that are already marketed.

Staffing
> If we are unable to effectively train and equip our sales force, our ability to successfully commercialise Epidiolex may be harmed.
> We have recently grown our business and will need to further increase the size and complexity of our organisation in the future, and we may experience difficulties in managing our growth and executing our growth strategy.
> We depend upon our key personnel and our ability to attract and retain employees.

Funding and Operational
> We have significant and increasing liquidity needs and may require additional funding.
> Operating results may vary significantly in future periods.
> We may acquire other companies which could divert our management's attention, result in additional dilution to our shareholders and otherwise disrupt our operations and harm our operating results.
> A significant portion of our cash and cash equivalents are held at a small number of banks.
> The market price of our ADSs may be volatile.
> Our largest shareholder owns a significant percentage of our share capital and voting rights of the Company.
> Substantial future sales of our ADSs in the public market, or the perception that these sales could occur, could cause the price of the ADSs to decline.
> Unlike in prior years, as of 1 October 2018, we are required to comply with the domestic reporting regime under the Exchange Act and will incur significant legal, accounting and other expenses, and our management will be required to devote substantial additional time to new compliance initiatives and corporate governance matters.
> US investors may have difficulty enforcing civil liabilities against our Company, our Directors or members of senior management.
> The rights of our shareholders may differ from the rights typically offered to shareholders of a US corporation.
> We may be classified as a passive foreign investment company, or PFIC, in any taxable year and US holders of our ordinary shares could be subject to adverse US federal income tax consequences.

Brexit
> The UK's vote in favour of withdrawing from the European Union (known as "Brexit") could lead to increased market volatility which could adversely impact the market price of our ADSs and make it more difficult for us to do business in Europe or have other adverse effects on our business.

In response to this situation, the Group established a cross-functional Brexit Taskforce early in 2018. The Group's position has been to expect the most disruptive impact of Brexit, and therefore has pre-emptively moved any EU-dependent pharmaceutical product registrations and employment roles to be located or duplicated within the European Union.

However, until the Brexit process is concluded by the UK and EU parliaments and the impacts of transition to any new arrangement between them are known with clarity, it is difficult to anticipate the overall potential impact on the Group's operations and hence the final expected costs to be incurred.

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, and as such the Group does not enter into contracts for complicated or compound financial instruments. Further details are provided in note 21 to the financial statements.

Credit Risk
> The Group's principal financial assets are cash and short-term cash equivalents. Risk is minimised through an investment policy restricting the investment of surplus cash to interest-bearing deposits principally held with the major UK banking groups and with UK subsidiaries of banking groups, and US government interest-bearing bonds with acceptable credit ratings.
> Trade receivables are concentrated in a small number of large customers, predominantly across the US and Europe, with well-established relationships, where the risk and history of default is considered to be low.

Liquidity Risk
> This risk is minimised by placing surplus funds in a range of low-risk cash deposits and short-term liquid investments for periods up to 90 days. This portfolio of deposits is managed to ensure that a rolling programme of maturity dates is managed in accordance with 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 90 days, on a breakable deposit basis. The majority of funds are deposited for terms of less than 90 days. This allows the Group to react to rate changes within a reasonable timeframe and to mitigate pricing risk accordingly.

Strategic Report continued

Exchange Rate Risk

> The individual financial statements of each Group Company are prepared in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of the Group are presented in US Dollars.

Exchange rate fluctuations between local currencies and the US Dollar create risk in several ways, including the following:

> weakening of the US Dollar may increase the US Dollar cost of overseas R&D expenses and the cost of sourced product components outside the US;
> strengthening of the US Dollar may decrease the value of our revenues denominated in other currencies;
> exchange rates on non-Dollar transactions and cash deposits can distort our financial results; and
> commercial pricing and profit margins are affected by currency fluctuations.

The Group believes that the move to report in US Dollar has minimised the reporting risk, as the largest proportion of cash and cash equivalents is held in that currency.

During the period the Group had exposure to Pounds Sterling ("GBP"), Euros ("€") and Canadian Dollars ("CAD"). The Group's policy is to maintain natural hedges, where possible, by matching revenue and receipts with expenditure. The Group continues to hold a large balance of GBP, to match future anticipated GBP-denominated expenditure on continuing manufacturing, clinical and capital expenditure activities based in the United Kingdom.

Going Concern

Having reviewed cash flow forecasts for the 12-month period following the date of signing the financial statements, 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.

Employee Consultation and Human Rights

The Group places considerable value on the involvement of its employees. They are regularly briefed on the Group's activities in Company-wide meetings and updates, and have regular opportunities to share their views with Executive Officers. Regular Group-wide employment surveys are conducted, with specific focused follow-ups to ensure that employee matters are addressed.

We believe that any individual employee's contribution is a key element to the future success of the Group and accordingly, the majority of 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 23 to the financial statements. Equal opportunity is given to all employees regardless of their age, sex, colour, race, disability, religion or ethnic origin.

The Group maintains and operates a Code of Conduct and Business Ethics called "i-CARE". This sets out the Group's approach to ensure that our corporate values are maintained throughout our global business through five main arms:

> Integrity
> Compliance
> Accountability
> Respect
> Ethics

This Code applies to all employees of GW companies, who are required to comply with this policy.

The Group considers that respecting human rights is a global standard of expected conduct for all business enterprises. The Group aims to comply with all applicable laws, especially health and safety, to prevent abuses of human rights. Regular dialogue is held between employees at each of the Group's sites and senior management to ensure that any issues are identified and resolved.

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.

Our Employees

We aim to recruit, retain and motivate intelligent people who will share our passion for developing medicines that meet the needs of patients and who will strive to help us to achieve strategic aims. We appreciate that the accumulated knowledge and experience of our staff is one of our greatest assets and we recognise and reward loyalty.

As at 31 December 2018, 129 (30 September 2017: 119) of our staff have worked for the Group for more than five years. 50 (2017: 57) of these have been with us for more than 10 years. We seek to encourage staff retention by offering participation in staff share option schemes, bonus schemes and the GW Above & Beyond scheme with which we reward those members of staff who have demonstrated exceptional achievements, innovative ideas, great teamwork and/or other praiseworthy achievements that go beyond the day-to-day requirements of their role.

We recruit individuals who have the skills, experience and positive attitude needed to optimally perform the roles that we need in order to help us to drive our business forward. We recruit without regard to sex or ethnic origin, appointing and thereafter promoting staff based upon merit, positive attitude and success.

The profile of the Group's employees at 31 December 2018 was as follows:

	Male 31 December 2018	Female 31 December 2018	Total 31 December 2018
Number of persons who were Directors of the Group (including non-Executive)	6	2	8
Number of persons who were Executive Officers of the Group	6	–	6
Number of persons who were Senior Managers of the Group	23	12	35
Number of persons who were Employees of the Group	356	396	752
Total Employees at 31 December 2018	391	410	801

Environmental Matters

We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. Our sources of emission relate principally to our growing and manufacturing facilities, the costs of which are included within our consolidated financial statements. We have responsibility for any emission sources where we bear the associated costs in our consolidated statements.

We have used the Greenhouse Gas ("GHG") Protocol Corporate Accounting and Reporting Standard (revised edition) data gathered to fulfil our requirements under the CRC Energy Efficiency scheme, and emission factors from UK Government's GHG Conversion Factors for Company Reporting 2016.

We have used the most recent evidence or estimates provided by our energy supply partners to generate our disclosure of emissions for the 15-month period ended 31 December 2018. These include the purchase of electricity, heat, steam or cooling.

The annual quantity of emissions for the Group for 2018 was 2,211 tonnes of carbon dioxide (2017: 2,417 tonnes), produced by activities for which the Group is responsible. The Group considers that the intensity ratio of tonnes of carbon dioxide per employee is a suitable metric for its operations. This was 3.2 tonnes per head average (2017: 4.5 tonnes) for the 15 months ended 31 December 2018.

The Group is aware of the risks of climate change and actively looks to minimise indirect areas of emissions by encouraging remote working and promoting online conferencing facilities to reduce business-related travel and is actively exploring ways to reduce the light energy used in some of its plant growing facilities.

As a business whose core activity starts with the growing of plants which are actively absorbing carbon dioxide, we have a natural carbon capture process within our business operations. We have not sought to quantify the extent to which this offsets the carbon footprint of our business but we take some comfort from the fact that this helps to mitigate the environmental impact of our business and we expect this to increase as the scale of our growing operations expands to meet future demand for our plant-derived medicines.

This report was approved by the Board of Directors on 28 March 2019 and signed on its behalf by:

Adam George
Company Secretary
28 March 2019

Directors' Report

The Directors present their report and the consolidated financial statements for the Company and for the Group for the 15 months ended 31 December 2018. The Company has chosen to set out some of the matters, as outlined below, otherwise required by regulations made under section 416(4) of the Companies Act 2006 to be disclosed in the Strategic Report as the Directors consider they are of strategic importance to the Company.

Group Research and Development ("R&D") Activities

The R&D undertaken by the Group amounted to $167.1 million (year ended 30 September 2017: $142.0 million), all of which was expensed during the 15-month period ended 31 December 2018. This included $0.6 million (year ended 30 September 2017: $0.7 million) of R&D expenditure which was carried out under contract for, and was fully funded by, our development partners.

Results and Dividends

The Consolidated Income Statement for the period is set out on page 40. The Group's loss after tax for the 15-month period to 31 December 2018 was $341.4 million (year ended 30 September 2017: $168.1 million).

The Directors do not recommend the payment of a dividend (year ended 30 September 2017: $nil).

Share Capital

Information relating to changes to the issued share capital during the period is given in note 22 to the financial statements.

The Group is funded principally by ordinary share capital and has no bank debt as at 31 December 2018 (30 September 2017: $nil). The Group had a fit-out funding liability of $10.0 million at 31 December 2018 (30 September 2017: $11.1 million) and a finance lease liability of $6.1 million (30 September 2017: $6.6 million), reflecting funding provided by our landlords to fit out leased properties of a number of our manufacturing premises.

Substantial Shareholdings

On 28 March 2019 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	Percentage
Capital Research Global Investors (US)	43,286,016	11.8
Capital World Investors (US)	32,538,864	8.9
Scopia Capital Management L.P.	16,142,376	4.4
M&G Investment Management, LTD	15,877,176	4.3
CPP Investment Board	14,100,000	3.8

Directors and Their Interests

The following Directors held office during the period and up to the date of signing the financial statements:

Dr Geoffrey W Guy	
Justin Gover	
James Noble	
Thomas Lynch	
Cabot Brown	
Catherine Mackey	(appointed 21 December 2017)
Alicia Secor	(appointed 21 December 2017)
William Waldegrave	(appointed 21 December 2017)

Details of the beneficial interests of Directors in the ordinary shares of the Company are disclosed within the Directors' Remuneration Report on page 21.

Details of the Directors' share options and service contracts are shown in the Directors' Remuneration Report.

In accordance with the Articles of Association of the Company, James Noble and Thomas Lynch will retire by rotation at the forthcoming Annual General Meeting ("AGM") and, being eligible, offer themselves for re-election.

Annual General Meeting

The AGM will be held in London on 13 June 2019. Further details will be provided to shareholders prior to the meeting. Details of the resolutions to be proposed at the meeting are set out in the Notice of AGM 2019 which will be circulated to all shareholders.

Auditor 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 auditor 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 auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006. The Audit Committee has recommended the reappointment of the Group's existing auditor, Deloitte LLP, which will be proposed at the forthcoming AGM.

This report was approved by the Board of Directors on 28 March 2019 and signed on its behalf by

Adam George
Company Secretary
28 March 2019

Directors' Remuneration Report

The information provided in this part of the Directors' Remuneration Report is not subject to audit.

Remuneration Committee Chairman's Annual Statement

Dear Shareholder
On behalf of the Board I am pleased to present the Remuneration Committee's report for the 15-month period ended 31 December 2018.

I would like to take this opportunity to provide you with an overview of the Remuneration Committee's major decisions taken during 2018, together with the context in which these decisions were taken.

We were pleased to receive a high level of shareholder voting support at the Annual General Meeting ("AGM") in March 2018, with over 83% of proxy voting in support of the resolution to adopt the 2017 Remuneration Report, and over 81% of shareholders supported the approval of the revised Directors' Remuneration Policy.

Context of the Committee's Decisions in 2018
2018 has been a year of significant progress with execution of the Board's strategy. The launch of Epidiolex® in the United States in November 2018, following approval from the Food and Drug Administration ("FDA") in June 2018 was a pivotal event in the history of the Company. The Board continue to work on preparations for Epidiolex approval and launch in Europe, with an approval decision expected in mid-2019.

Looking forward, we are clear that the primary objective for the year ahead is to execute a successful US launch. We believe that we can continue to create shareholder value via successful execution of our commercial strategy whilst continuing to advance the development of our pipeline of other cannabinoid product candidates. It is in this context that the Committee have made our major decisions during 2018.

The Remuneration Committee
In accordance with best practice, the GW Remuneration Committee, consisting of independent non-executive Directors under my Chairmanship, manages the remuneration of the Executive Directors within the framework of the shareholder-approved Policy and shareholder-approved LTIP option scheme rules.

Our approach to remuneration:

The Group remuneration policy for Executive Directors aims to:

> align the interests of Executive Directors with those of shareholders;
> 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 short-term and long-term performance through the award of incentives via participation in the Group's cash and equity-based incentive schemes;
> provide post-retirement benefits through defined contribution pension schemes; and
> provide employment-related benefits including the provision of life assurance and medical assurance.

I believe that these aims, which remain unchanged from previous years, have been working well, continue to be relevant and provide a firm framework within which future remuneration will be determined. The shareholder-approved Policy provides a set of parameters within which we work whilst still allowing the Remuneration Committee sufficient flexibility to adapt remuneration packages in line with the development of the business. This should allow the Company to attract, retain and motivate Directors and Executive Officers with the skills, talent and motivation to deliver upon our strategy and to continue to create value for our shareholders.

Key Remuneration Committee Activities in 2018:
During 2018 the Remuneration Committee's key activities have been as follows:

> At the start of the 2018 financial year, we engaged Willis Towers Watson as independent advisers to benchmark the remuneration of the Directors against the selected peer group and to provide recommendations for basic salaries, Long Term Incentive Plan ("LTIP") awards and the structure of bonus incentive awards for the year. As the Company continues to grow in size and complexity, the Remuneration Committee requested that Willis Towers Watson reviewed the peer group of comparable US-listed biotech/pharmaceutical development companies. The current peer group consists of *ACADIA Pharmaceuticals Inc., Agios Pharmaceuticals Inc., Alder Biopharmaceuticals Inc., Alnylam Pharmaceuticals Inc., bluebird bio Inc., Clovis Oncology, Inc., Intercept Pharmaceuticals Inc., Juno Therapeutics Inc., Neurocrine Biosciences Inc., Pacira Pharmaceuticals Inc., Portola Pharmaceuticals Inc., Puma Biotechnology Inc., Radius Health Inc., Sage Therapeutics Inc., Sarepta Therapeutics Inc., Spark Therapeutics, Inc., Tesaro Inc. and Ultragenyx Pharmaceuticals Inc.* Willis Towers Watson received $31,805 in compensation for their work relating to Directors' remuneration advice.
> In February 2018, the Remuneration Committee met to consider the basic salary increases to be awarded to Executive Officers. Inflationary increases had been given to the majority of our staff and the Executive Directors were given an inflationary basic salary increase of 3% effective from 1 January 2018. External benchmarking analysis for the Chief Executive Officer and Chief Financial Officer were below the median of peer group data. The Remuneration Committee approved an increase in the Chief Executive Officer's basic salary to $600,000 and the Chief Financial Officer's basic salary to $400,000 effective from 1 March 2018.
> At the same time, the Remuneration Committee met to consider the extent of achievement of 2017 calendar year objectives by the Executive Team, and to determine the level of short-term bonus incentive award to be paid in respect of the 2017 calendar year. The consensus was that 2017 had been a year of substantial progress with all material objectives having been achieved, well positioning the Company for FDA approval. The consensus reached by the Remuneration Committee was that each member of the Executive Team who had been present throughout all of 2017 should receive a

Directors' Remuneration Report continued

short-term incentive bonus award, in respect of achievements in the 2017 calendar year equivalent to 60% of their 2017 basic salary. Those members of the Executive Team who joined during early 2017, being the Chief Medical Officer, Chief Financial Officer and Chief Legal Officer, were awarded a short-term incentive bonus award based upon 50% of their pro-rata basic salary.

> At the same time, the Remuneration Committee approved the bonus objectives to be achieved by the Executive Directors during 2018. The approved objectives are primarily linked to FDA approval and execution of the Epidiolex US market launch. These were considered by the Remuneration Committee to be the key value drivers for the business and therefore represent the optimum objectives for Executive Team incentive schemes to be based upon in 2018.

> The Remuneration Committee also met and agreed the terms of the 2018 grant of LTIP awards to the Directors and Executive Officers. These were segmented so that:
  - 50% of the value of the award is linked to specific performance conditions, which must be achieved in the three-year vesting period, with vesting dependent upon US approval of Epidiolex by the FDA and commercial launch in the US;
  - 25% of the value of the award is in the form of market-priced share options with a three-year vesting period; and
  - 25% of the value of the award took the form of restricted stock options which vest at the rate of 25% per annum over a four-year vesting period.

The selected performance conditions are required to be achieved in order to trigger vesting of 50% of this award are again considered to be directly linked to key business value drivers creating alignment with shareholders' interests. The restricted stock option element of the award is considered to encourage long-term retention, considered to be a key factor critical to future success, and the market priced options are intended to align the interests of the Executive Directors with shareholders' interests.

At the grant date in February 2018 these awards had expected values at grant equivalent to 575% of basic salary for the Chief Executive Officer, 450% of basic salary for the Executive Chairman, 400% of basic salary for President, North America and Chief Financial Officer, 350% of basic salary for Chief Legal Officer and Chief Operating Officer and 300% for the Chief Medical Officer, and Managing Director, UK.

> In November 2018, the Remuneration Committee met to consider the state of achievement of 2018 bonus objectives, to consider and approve the re-appointment of Willis Towers Watson as independent remuneration advisers to the committee for 2019 and to initiate a benchmarking/peer group refresh exercise. Finally, the Committee considered the potential impact of the equity incentive award limit contained within the shareholder approved remuneration policy and the potential impact upon the committee's ability to provide market-competitive remuneration packages to the CEO and potential new senior executive officer hires in 2019.

Proposed change to the Remuneration Policy – for approval by shareholders at the Annual General Meeting in June 2019

As a UK registered public company, we are required by the Companies Act to maintain a shareholder approved remuneration policy containing a set of limits within which the Remuneration Committee has discretion to manage Directors' remuneration. The policy was last approved by shareholders at the 2018 Annual General Meeting and has been in use throughout 2018. However, at the end of 2018 Peer group refresh and benchmarking exercise conducted on behalf of the committee by our independent adviser, Willis Towers Watson, together with the recruitment activity that we have in progress seeking to appoint a new lead US Commercial Officer, to fill the role that will be vacated by Julian Gangolli upon his retirement in early 2019, have highlighted the fact that the current fixed equity incentive award annual limit, limiting the value of equity incentive awards to a fixed 600% of annual salary, has the potential to frustrate the Committee's ability to maintain a market competitive remuneration package for the Chief Executive Officer and, potentially, the Committee's ability to be able to offer market-competitive remuneration packages that will enable recruitment and retention of the best candidates for senior officer roles. With this in mind, the Committee has consulted with independent advisers and has concluded that it is necessary to seek shareholder approval for a single amendment to the remuneration policy at the 2019 AGM, whereby we propose to replace the existing fixed equity incentive limit with a limit that is based on peer group benchmarking data, whereby the value of GW's annual equity incentive awards to Directors and senior officers will not exceed the 75th percentile of peer group data. This is in-line with the approach that is currently taken with the policy limit for basic salary and should give the committee the flexibility needed to maintain market-competitive remuneration incentives structured similarly to those in use by peer group companies.

With the exception of this single change to the equity incentive limit outlined above we are confident that the Remuneration Policy remains appropriate for the business and we intend to seek approval for the amended policy at the forthcoming AGM in June 2019. On the pages that follow we set out the Remuneration Policy that, if approved, will be effective until 2022 unless any changes are required before then. We believe that the Policy set out on the following pages continue to give the Remuneration Committee transparent powers to implement appropriate incentive rewards, in line with US market practice, enabling us to continue to maintain appropriate remuneration for the existing Executive and non-executive Directors as they work to continue the success of the Company.

Thomas Lynch
Remuneration Committee Chairman
28 March 2019

Annual Report on Remuneration

The information provided in this part of the Directors' Remuneration Report is subject to audit.

Single Total Figure of Remuneration for Each Director

The Directors received the following remuneration for the 15 months ended 31 December 2018:

Name of Director	Salary and fees £	Taxable benefits £	Short-term incentives £	Long-term incentive plans[2] £	Pension contributions £	**2018 total £**
Executive						
Dr Geoffrey W Guy	521,535	4,602	271,010	1,852,124	–	**2,649,271**
Justin Gover	486,511	19,029	236,018	2,041,377	7,784	**2,790,719**
Non-executive						
James Noble	86,460	–	–	257,471	–	**343,931**
Cabot Brown	84,587	–	–	257,471	–	**342,058**
Thomas Lynch[1]	–	–	–	257,471	–	**257,471**
Catherine Mackey	53,956	–	–	–	–	**53,956**
Alicia Secor	52,029	–	–	–	–	**52,029**
William Waldegrave[3]	48,840	–	–	–	–	**48,840**
Aggregate emoluments	1,333,918	23,631	507,028	4,665,914	7,784	**6,538,275**

1 Since his appointment as a non-executive Director in July 2010, Thomas Lynch has waived his right to receive fees, taxable benefits, short-term incentives and pension contributions for this role.
2 LTIP gains represent the unrealised gains on LTIPs that vested during the 15 months ended 31 December 2018, calculated according to the share price at the date of vesting. These gains have not been realised by 31 December 2018 as the Directors have not exercised or sold these LTIPs.
3 Not included within William Waldegrave's salary and fees received is £13,800 relating to amounts paid for services provided prior to appointment as a Director of the Company.

The Directors received the following remuneration for the year ended 30 September 2017:

Name of Director	Salary and fees £	Taxable benefits £	Short-term incentives £	Long-term incentive plans[2] £	Pension contributions £	2017 total £
Executive						
Dr Geoffrey W Guy	421,027	11,878	355,603	837,415	18,228	1,644,151
Justin Gover	406,765	38,393	362,329	787,350	15,492	1,610,329
Adam George[3]	79,957	5,951	198,248	411,546	10,162	705,864
Dr Stephen Wright[3]	94,954	6,874	243,564	506,492	12,485	864,369
Chris Tovey[3]	83,985	6,008	215,234	446,804	11,033	763,064
Julian Gangolli[3]	135,565	1,350	324,830	316,955	11,395	790,095
Non-executive						
James Noble	69,600	–	–	–	–	69,600
Cabot Brown	68,181	–	–	–	–	68,181
Thomas Lynch[1]	–	–	–	–	–	–
Aggregate emoluments	1,360,034	70,454	1,699,808	3,306,562	78,795	6,515,653

1 Since his appointment as a non-executive Director in July 2010, Thomas Lynch has waived his right to receive fees, taxable benefits, short-term incentives and pension contributions for this role.
2 LTIP gains represent the unrealised gains on LTIPs that vested during the year ended 30 September 2017, calculated according to the share price at the date of vesting. These gains have not been realised by 30 September 2017 as the Directors have not exercised or sold these LTIPs.
3 The indicated Directors resigned their Statutory Directorships on 13 February 2017. All remained in employment with the Company until 30 September 2017, but no longer constitute voting Board members. In respect of their post-Directorship periods, not included in the table above, Adam George received a total of £172,425, Dr Stephen Wright received £131,066, Chris Tovey received £172,523 and Julian Gangolli received £196,311.

Directors' Remuneration Report continued

Long-Term Incentive Awards Vesting During the Financial Year
On 6 January 2018, the vesting period for first tranche of Restricted Stock Options awarded to Justin Gover during 2017 ended. The vesting of this award was linked to continuing employment with the Company throughout the vesting period. The intrinsic value of these vested options has been included in the 2018 remuneration table above based on the share price at the vesting date of £8.09 per ordinary share.

On 15 February 2018, the vesting period for second tranche of Restricted Stock Options awarded to the Executive Directors during 2016 ended. The vesting of this second award was linked to continuing employment with the Company throughout the two-year vesting period. The intrinsic value of these vested options has been included in the 2018 remuneration table above based on the share price at the vesting date of £7.77 per ordinary share.

On 24 June 2018, vesting periods for three tranches of options, awarded to the Executive Directors, completed:

i) Market-priced Options: The vesting of this award was linked to continuing employment with the Company throughout the three-year vesting period.
ii) Restricted Stock Options: The vesting period for the third and final tranche awarded during 2015 ended. The vesting of this third award was linked to continuing employment with the Company throughout the three-year vesting period.
iii) Performance Stock Options: The vesting of this award was linked to two performance conditions:
   – Vesting of half of the performance stock options will occur upon receipt from FDA of their confirmation of acceptance of an Epidiolex NDA filing.
   – Vesting of half of the performance stock options will occur upon FDA grant of Epidiolex regulatory approval.

Both conditions were met, and therefore all options vested.

In all instances, the intrinsic value of these vested options has been included in the 2018 remuneration table above based on the share price at the vesting date of £9.11 per ordinary share.

On 10 August 2018, the vesting period for first tranche of Restricted Stock Options awarded to Geoffrey Guy during 2017 ended. The vesting of this award was linked to continuing employment with the Company throughout the vesting period. The intrinsic value of these vested options has been included in the 2018 remuneration table above based on the share price at the vesting date of £8.79 per ordinary share.

On 29 December 2018, vesting periods for two tranches of options, awarded to the Non-Executive Directors, completed:

i) Restricted Stock Options: The vesting period for the tranche awarded during 2015 ended. The vesting of this award was linked to continuing service to the Company throughout the three-year vesting period.
ii) Market-Priced Options: The vesting of this award was linked to continuing service with the Company throughout the three-year vesting period.

In both instances above, the intrinsic value of these vested options has been included in the 2018 remuneration table above based on the share price at the vesting date of £6.39 per ordinary share.

Long-Term Incentive Awards Granted to the Directors and Executive Officers in 2018
Directors and Executive Officers are awarded LTIPs at the discretion of the Remuneration Committee. Awards are typically calculated with reference to the closing mid-market ordinary share price of the Company's ordinary shares on the day prior to grant. During periods of volatility, the price used to determine award size is determined by reference to the average closing mid-market ordinary share price of the previous five trading days.

Following the completion of the review of the Group's remuneration strategy, the Directors and Executive Officers were awarded options to subscribe for the Company's ordinary shares split into three different types of options:

> market-priced options, whereby the options have an exercise price equivalent to the market price at market close on the day prior to grant;
> performance stock options, whereby the options will vest upon the third anniversary of the date of grant subject to certain corporate performance conditions having been achieved; and
> restricted stock options, whereby the options are subject to a four-year service condition and vesting period. 25% of the options will vest on each anniversary of the date of grant over the four-year period.

In general, the awards may be exercised at any time between the vesting date and the 10th anniversary of the date of grant. Our US-based Directors and Executive Officers will be required to exercise their performance stock and restricted stock options before 15 March of the year following the year of vesting. The exercise price of the performance stock options and restricted stock options is 0.1p per ordinary share, being the par value of the shares. Awards which do not vest at the end of the vesting period will lapse permanently. The Company's share options are traded on NASDAQ as American Depositary Shares ("ADSs"), for which 12 ordinary shares equate to one ADS.

The table below sets out the LTIPs awarded in the 15-month period to 31 December 2018 to Executive Directors:

Name of Director	Granted	Value at date of grant (£)	Valuation method	Exercise price	Performance period end	Date of expiry	% of award vesting for minimum performance
Justin Gover							
Market-priced options	147,624	636,232	Fair value	685.1p ($115.31 per ADS)	26/02/2021	26/02/2028	100%
Performance stock options	299,196	2,103,326	Fair value	0.1p	26/02/2021	26/02/2021	0%
Restricted stock units year 1 – 25%	22,440	157,752	Fair value	0.1p	26/02/2019	26/02/2019	100%
Restricted stock units year 2 – 25%	22,440	157,752	Fair value	0.1p	26/02/2020	26/02/2020	100%
Restricted stock units year 3 – 25%	22,440	157,752	Fair value	0.1p	26/02/2021	26/02/2021	100%
Restricted stock units year 4 – 25%	22,440	157,752	Fair value	0.1p	26/02/2022	26/02/2022	100%
Dr Geoffrey W Guy							
Market-priced options	107,352	462,667	Fair value	685.1p ($115.31 per ADS)	26/02/2021	26/02/2028	100%
Performance restricted stock units	217,572	1,529,515	Fair value	0.1p	26/02/2021	26/02/2028	0%
Restricted stock options year 1 – 25%	16,317	114,707	Fair value	0.1p	26/02/2019	26/02/2028	100%
Restricted stock options year 2 – 25%	16,317	114,707	Fair value	0.1p	26/02/2020	26/02/2028	100%
Restricted stock options year 3 – 25%	16,317	114,707	Fair value	0.1p	26/02/2021	26/02/2028	100%
Restricted stock options year 4 – 25%	16,317	114,707	Fair value	0.1p	26/02/2022	26/02/2028	100%

The vesting of the above awards is subject to the following performance conditions.

Grant Relating to Executive Directors

25% of the awards are in the form of market-priced options, whereby the options have an exercise price equivalent to the market price at market close on the day prior to grant ($115.31 per ADS, equivalent to 685.1p per ordinary share). These options become exercisable on the third anniversary of the date of grant. Future gains upon exercise of these options will be linked to the extent of share price growth over the vesting period. The Committee consider that this element of the awards will help to ensure continuing alignment between Executive and shareholders' interests. The Black-Scholes option pricing model was used to derive the fair values.

50% of the awards are in the form of performance stock options, whereby the options will vest upon the third anniversary of the date of grant subject to certain corporate performance conditions having been achieved.

(i) half of the share options vested upon US approval of Epidiolex by the FDA; and
(ii) half vest upon commercial launch in the US.

The Remuneration Committee considers these particular milestones to be important elements of our agreed strategy and the key value drivers for the business at this time.

25% of the awards are in the form of restricted stock options for UK-based Directors, or restricted stock units for US-based Directors, whereby these options are subject to a four-year service condition and vesting period. 25% of the options will vest on each anniversary of the date of grant over the next four years. US-based Directors' restricted stock units are automatically exercised immediately on successful vesting. The committee consider that this element of the awards should help to ensure retention of our team of Executive Directors, a key factor for GW's future success.

Directors' Remuneration Report continued

Long-Term Incentive Awards Granted to the Non-Executive Directors in the 15-month period to 31 December 2018
During January 2018, the executive members of the Board met to discuss and approve the latest such award.

The table below sets out the LTIPs awarded in the 15-month period to 31 December 2018 to non-executive Directors:

Name of Director	Granted	Value at date of grant	Valuation method	Exercise price	Performance period end	Date of expiry	% of award vesting for minimum performance
James Noble							
Market-priced options	17,676	88,571	Fair value	821.4p ($134.09 per ADS)	03/01/2021	03/01/2028	100%
Restricted stock options – year 1 (1/3rd)	3,580	29,487	Fair value	0.1p	03/01/2019	03/01/2028	100%
Restricted stock options – year 2 (1/3rd)	3,580	29,487	Fair value	0.1p	03/01/2020	03/01/2028	100%
Restricted stock options – year 3 (1/3rd)	3,580	29,487	Fair value	0.1p	03/01/2010	03/01/2028	100%
Cabot Brown							
Market-priced options	17,676	88,571	Fair value	821.4p ($134.09 per ADS)	03/01/2021	03/01/2028	100%
Restricted stock units – year 1 (1/3rd)	3,580	29,487	Fair value	0.1p	03/01/2019	03/01/2019	100%
Restricted stock units – year 2 (1/3rd)	3,580	29,487	Fair value	0.1p	03/01/2020	03/01/2020	100%
Restricted stock units – year 3 (1/3rd)	3,580	29,487	Fair value	0.1p	03/01/2010	03/01/2010	100%
Thomas Lynch							
Market-priced options	17,676	88,571	Fair value	821.4p ($134.09 per ADS)	03/01/2021	03/01/2028	100%
Restricted stock options – year 1 (1/3rd)	3,580	29,487	Fair value	0.1p	03/01/2019	03/01/2028	100%
Restricted stock options – year 2 (1/3rd)	3,580	29,487	Fair value	0.1p	03/01/2020	03/01/2028	100%
Restricted stock options – year 3 (1/3rd)	3,580	29,487	Fair value	0.1p	03/01/2010	03/01/2028	100%
Catherine Mackey							
Market-priced options	35,340	177,083	Fair value	821.4p ($134.09 per ADS)	03/01/2021	03/01/2028	100%
Restricted stock units – year 1 (1/3rd)	3,580	29,487	Fair value	0.1p	03/01/2019	03/01/2019	100%
Restricted stock units – year 2 (1/3rd)	3,580	29,487	Fair value	0.1p	03/01/2020	03/01/2020	100%
Restricted stock units – year 3 (1/3rd)	3,580	29,487	Fair value	0.1p	03/01/2010	03/01/2010	100%
Alicia Secor							
Market-priced options	35,340	177,083	Fair value	821.4p ($134.09 per ADS)	03/01/2021	03/01/2028	100%
Restricted stock units – year 1 (1/3rd)	3,580	29,487	Fair value	0.1p	03/01/2019	03/01/2019	100%
Restricted stock units – year 2 (1/3rd)	3,580	29,487	Fair value	0.1p	03/01/2020	03/01/2020	100%
Restricted stock units – year 3 (1/3rd)	3,580	29,487	Fair value	0.1p	03/01/2010	03/01/2010	100%
William Waldegrave							
Market-priced options	35,340	177,083	Fair value	821.4p ($134.09 per ADS)	03/01/2021	03/01/2028	100%
Restricted stock options – year 1 (1/3rd)	3,580	29,487	Fair value	0.1p	03/01/2019	03/01/2028	100%
Restricted stock options – year 2 (1/3rd)	3,580	29,487	Fair value	0.1p	03/01/2020	03/01/2028	100%
Restricted stock options – year 3 (1/3rd)	3,580	29,487	Fair value	0.1p	03/01/2010	03/01/2028	100%

50% of the awards are in the form of market-priced options, whereby the options have an exercise price equivalent to the market price at market close on the day prior to grant ($134.09 per ADS, equivalent to 821.8p per ordinary share). These options become exercisable on the third anniversary of the date of grant. Future gains upon exercise of these options will be linked to the extent of share price growth over the vesting period. The Committee consider that this element of the awards will help to ensure continuing alignment between Executive and shareholders' interests. The Black-Scholes option pricing model was used to derive the fair values.

50% of the awards are in the form of restricted stock options for UK-based Non-Executive Directors, or restricted stock units for US-based Non-Executive Directors, whereby these options are subject to a three-year service condition and vesting period. 33% of the options will vest on each anniversary of the date of grant over the next three years. US-based Directors' restricted stock units are automatically exercised immediately on successful vesting. The committee consider that this element of the awards should help to ensure retention of our team of non-executive Directors, a key factor for GW's future success.

Awards for Catherine Mackey, Alicia Secor and William Waldegrave included an additional joining tranche of market-priced options to reflect the commencement of their appointment to the Board.

In structuring these grants, the Directors were mindful of best practice advice received from Willis Towers Watson whereby the award of options with vesting linked to performance is considered to have the potential to impair the independence of the non-executive members of the Board. It is for this reason that the vesting of awards is not linked to specific future performance conditions.

Statement of Directors' Shareholding and Share Interests

The table below shows, for each Director, the total number of ordinary shares owned, the total number of share options with and without performance conditions, those vested but unexercised and those exercised during the period.

		Nominal-cost options:			
Name of Director	Shares owned[1]	Unvested with performance measures	Unvested without performance measures[2]	Vested not yet exercised	Exercised during the Period
Executive					
Dr Geoffrey W Guy	9,470,446	767,641	601,039	15,343	362,771
Justin Gover	2,558,999	937,219	716,871	123,725	262,009
Non-executive					
James Noble	27,500	–	56,220	82,601	–
Cabot Brown	7,200	–	56,220	82,601	–
Thomas Lynch	–	–	56,220	82,601	–
Catherine Mackey	–	–	46,080	–	–
Alicia Secor	–	–	46,080	–	–
William Waldegrave	–	–	46,080	–	–

1 This comprises the Directors' holding of ordinary shares as at 31 December 2018. Further details are given in the table on the following page.

2 Unvested awards in this column are solely subject to a service performance requirement.

Note: Each NASDAQ listed ADS represents 12 0.1 pence ordinary shares.

Directors' Remuneration Report continued

The table below shows the total number of Directors' interests in the ordinary shares of GW Pharmaceuticals plc:

Name of Director	Ordinary shares of 0.1p 31 December 2018	Ordinary shares of 0.1p 30 September 2017
Executive		
Dr Geoffrey W Guy[1]	9,470,446	10,647,856
Justin Gover[2]	2,558,999	2,513,759
Non-executive		
James Noble	27,500	27,500
Cabot Brown	7,200	7,200
Thomas Lynch	–	–
Catherine Mackey	–	–
Alicia Secor	–	–
William Waldegrave	–	–

1 Dr Geoffrey Guy's holding includes 403,925 ordinary shares held by his personal pension plan and 25,000 held by his wife.
2 Justin Gover's holding includes 2,143,308 ordinary shares held by The Gover Family Investment LLP, of which Justin owns 99% and the remaining 1% is held by his wife.
Note: Each NASDAQ listed ADS represents 12 ordinary 0.1 pence shares.

The interests of the Directors in share options over the ordinary shares of the Company as at 31 December 2018 were:

Name of Director	At 1 Oct 2017	Granted	Exercised	Lapsed	**At 31 Dec 2018**	Nominal value	Exercise price	Date of vesting	Date of expiry
Geoffrey Guy	11	–	(11)	–	**–**	0.1p	0.1p	06/06/2015	06/06/2022
	9	–	(9)	–	**–**	0.1p	0.1p	24/09/2016	24/09/2023
	82,639	–	(82,639)	–	**–**	0.1p	0.1p	12/08/2017	12/08/2024
	69,202	–	(69,202)	–	**–**	0.1p	671.0p	24/06/2018	24/06/2025
	9,740	–	(9,740)	–	**–**	0.1p	0.1p	24/06/2016	24/06/2025
	9,740	–	(9,740)	–	**–**	0.1p	0.1p	24/06/2017	24/06/2025
	9,740	–	(9,740)	–	**–**	0.1p	0.1p	24/06/2018	24/06/2025
	129,869	–	(129,869)	–	**–**	0.1p	0.1p	24/06/2018	24/06/2025
	9,740	–	–	–	**9,740**	0.1p	0.1p	24/06/2019	24/06/2025
	182,171	–	–	–	**182,171**	0.1p	257.0p	15/02/2019	15/02/2026
	25,914	–	(25,914)	–	**–**	0.1p	0.1p	15/02/2017	15/02/2026
	25,914	–	(25,907)	–	**7**	0.1p	0.1p	15/02/2018	15/02/2026
	25,914	–	–	–	**25,914**	0.1p	0.1p	15/02/2019	15/02/2026
	345,517	–	–	–	**345,517**	0.1p	0.1p	15/02/2019	15/02/2026
	25,914	–	–	–	**25,914**	0.1p	0.1p	15/02/2020	15/02/2026
	138,672	–	–	–	**138,672**	0.1p	645.6p	10/08/2020	10/08/2027
	15,336	–	–	–	**15,336**	0.1p	0.1p	10/08/2018	10/08/2027
	15,336	–	–	–	**15,336**	0.1p	0.1p	10/08/2019	10/08/2027
	15,336	–	–	–	**15,336**	0.1p	0.1p	10/08/2020	10/08/2027
	15,336	–	–	–	**15,336**	0.1p	0.1p	10/08/2021	10/08/2027
	204,552	–	–	–	**204,552**	0.1p	0.1p	10/08/2020	10/08/2027
	–	107,352	–	–	**107,372**	0.1p	685.1p	26/02/2021	26/02/2028
	–	16,317	–	–	**16,317**	0.1p	0.1p	26/02/2019	26/02/2028
	–	16,317	–	–	**16,317**	0.1p	0.1p	26/02/2020	26/02/2028
	–	16,317	–	–	**16,317**	0.1p	0.1p	26/02/2021	26/02/2028
	–	16,317	–	–	**16,317**	0.1p	0.1p	26/02/2022	26/02/2028
	–	217,572	–	–	**217,572**	0.1p	0.1p	26/02/2021	26/02/2028
Total	1,356,602	390,192	(362,771)	–	**1,384,023**				

Name of Director	At 1 Oct 2017	Granted	Exercised	Lapsed	**At 31 Dec 2018**	Nominal value	Exercise price	Date of vesting	Date of expiry
Justin Gover	67,955	–	(67,955)	–	**–**	0.1p	0.1p	12/08/2017	12/08/2024
	75,874	–	–	–	**75,874**	0.1p	671.0p	24/06/2018	24/06/2025
	10,679	–	(10,668)	(11)	**–**	0.1p	0.1p	24/06/2017	24/12/2017
	10,679	–	(10,679)	–	**–**	0.1p	0.1p	24/06/2018	24/12/2018
	142,391	–	(142,382)	(9)	**–**	0.1p	0.1p	24/06/2018	24/12/2018
	10,679	–	–	–	**10,679**	0.1p	0.1p	24/06/2019	24/12/2019
	213,245	–	–	–	**213,245**	0.1p	257.0p	15/02/2019	15/02/2026
	30,334	–	(30,325)	(9)	**–**	0.1p	0.1p	15/02/2017	15/08/2017
	30,334	–	–	–	**30,334**	0.1p	0.1p	15/02/2018	15/08/2018
	30,334	–	–	–	**30,334**	0.1p	0.1p	15/02/2019	15/08/2019
	404,455	–	–	–	**404,455**	0.1p	0.1p	15/02/2019	15/08/2019
	30,334	–	–	–	**30,334**	0.1p	0.1p	15/02/2020	15/08/2020
	142,344	–	–	–	**142,344**	0.1p	792.4p	06/01/2020	06/01/2027
	17,517	–	–	–	**17,517**	0.1p	0.1p	06/01/2018	15/03/2019
	17,517	–	–	–	**17,517**	0.1p	0.1p	06/01/2019	15/03/2020
	17,517	–	–	–	**17,517**	0.1p	0.1p	06/01/2020	15/03/2021
	17,517	–	–	–	**17,517**	0.1p	0.1p	06/01/2021	15/03/2022
	233,568	–	–	–	**233,568**	0.1p	0.1p	06/01/2020	15/03/2021
	–	147,624	–	–	**147,624**	0.1p	685.1p	26/02/2021	26/02/2028
	–	22,440	–	–	**22,440**	0.1p	0.1p	26/02/2019	26/02/2019
	–	22,440	–	–	**22,440**	0.1p	0.1p	26/02/2020	26/02/2020
	–	22,440	–	–	**22,440**	0.1p	0.1p	26/02/2021	26/02/2021
	–	22,440	–	–	**22,440**	0.1p	0.1p	26/02/2022	26/02/2022
	–	299,196	–	–	**299,196**	0.1p	0.1p	26/02/2021	26/02/2021
Total	1,503,273	536,580	(262,009)	(29)	**1,777,815**				
James Noble	68,122	–	–	–	**68,122**	0.1p	383.0p	29/12/2018	29/12/2025
	14,479	–	–	–	**14,479**	0.1p	0.1p	29/12/2018	29/12/2025
	18,636	–	–	–	**18,636**	0.1p	792.4p	06/01/2020	06/01/2027
	9,168	–	–	–	**9,168**	0.1p	0.1p	06/01/2020	06/01/2027
	–	17,676	–	–	**17,676**	0.1p	821.8p	03/01/2021	03/01/2028
	–	3,580	–	–	**3,580**	0.1p	0.1p	03/01/2019	03/01/2028
	–	3,580	–	–	**3,580**	0.1p	0.1p	03/01/2020	03/01/2028
	–	3,580	–	–	**3,580**	0.1p	0.1p	03/01/2021	03/01/2028
Total	110,405	28,416	–	–	**138,821**				
Cabot Brown	68,122	–	–	–	**68,122**	0.1p	383.0p	29/12/2018	29/06/2019
	14,479	–	–	–	**14,479**	0.1p	0.1p	29/12/2018	29/06/2019
	18,636	–	–	–	**18,636**	0.1p	792.4p	06/01/2020	06/01/2027
	9,168	–	–	–	**9,168**	0.1p	0.1p	06/01/2020	15/03/2021
	–	17,676	–	–	**17,676**	0.1p	821.8p	03/01/2021	03/01/2028
	–	3,580	–	–	**3,580**	0.1p	0.1p	03/01/2019	03/01/2019
	–	3,580	–	–	**3,580**	0.1p	0.1p	03/01/2020	03/01/2020
	–	3,580	–	–	**3,580**	0.1p	0.1p	03/01/2021	03/01/2021
Total	110,405	28,416	–	–	**138,821**				
Thomas Lynch	68,122	–	–	–	**68,122**	0.1p	383.0p	29/12/2018	29/12/2025
	14,479	–	–	–	**14,479**	0.1p	0.1p	29/12/2018	29/12/2025
	18,636	–	–	–	**18,636**	0.1p	792.4p	06/01/2020	06/01/2027
	9,168	–	–	–	**9,168**	0.1p	0.1p	06/01/2020	06/01/2027
	–	17,676	–	–	**17,676**	0.1p	821.8p	03/01/2021	03/01/2028
	–	3,580	–	–	**3,580**	0.1p	0.1p	03/01/2019	03/01/2028
	–	3,580	–	–	**3,580**	0.1p	0.1p	03/01/2020	03/01/2028
	–	3,580	–	–	**3,580**	0.1p	0.1p	03/01/2021	03/01/2028
Total	110,405	28,416	–	–	**138,821**				

Directors' Remuneration Report continued

Name of Director	At 1 Oct 2017	Granted	Exercised	Lapsed	**At 31 Dec 2018**	Nominal value	Exercise price	Date of vesting	Date of expiry
Catherine Mackey	–	35,340	–	–	**35,340**	0.1p	821.8p	03/01/2021	03/01/2028
	–	3,580	–	–	**3,580**	0.1p	0.1p	03/01/2019	03/01/2019
	–	3,580	–	–	**3,580**	0.1p	0.1p	03/01/2020	03/01/2020
	–	3,580	–	–	**3,580**	0.1p	0.1p	03/01/2021	03/01/2021
Total	–	46,080	–	–	**46,080**				
Alicia Secor	–	35,340	–	–	**35,340**	0.1p	821.8p	03/01/2021	03/01/2028
	–	3,580	–	–	**3,580**	0.1p	0.1p	03/01/2019	03/01/2019
	–	3,580	–	–	**3,580**	0.1p	0.1p	03/01/2020	03/01/2020
	–	3,580	–	–	**3,580**	0.1p	0.1p	03/01/2021	03/01/2021
Total	–	46,080	–	–	**46,080**				
William Waldegrave	–	35,340	–	–	**35,340**	0.1p	821.8p	03/01/2021	03/01/2028
	–	3,580	–	–	**3,580**	0.1p	0.1p	03/01/2019	03/01/2028
	–	3,580	–	–	**3,580**	0.1p	0.1p	03/01/2020	03/01/2028
	–	3,580	–	–	**3,580**	0.1p	0.1p	03/01/2021	03/01/2028
Total	–	46,080	–	–	**46,080**				

During the 15-month period 624,780 options (year to 30 September 2017: 1,697,437) over ordinary shares were exercised. The average exercise price for the 15-month period ended 31 December 2018 was £0.744 (year to 30 September 2017: £0.001) and the average market price per US-listed ADR, each equivalent to 12 ordinary shares and denominated in US Dollars, at date of exercise was $126.97 (year to 30 September 2017: $114.11).

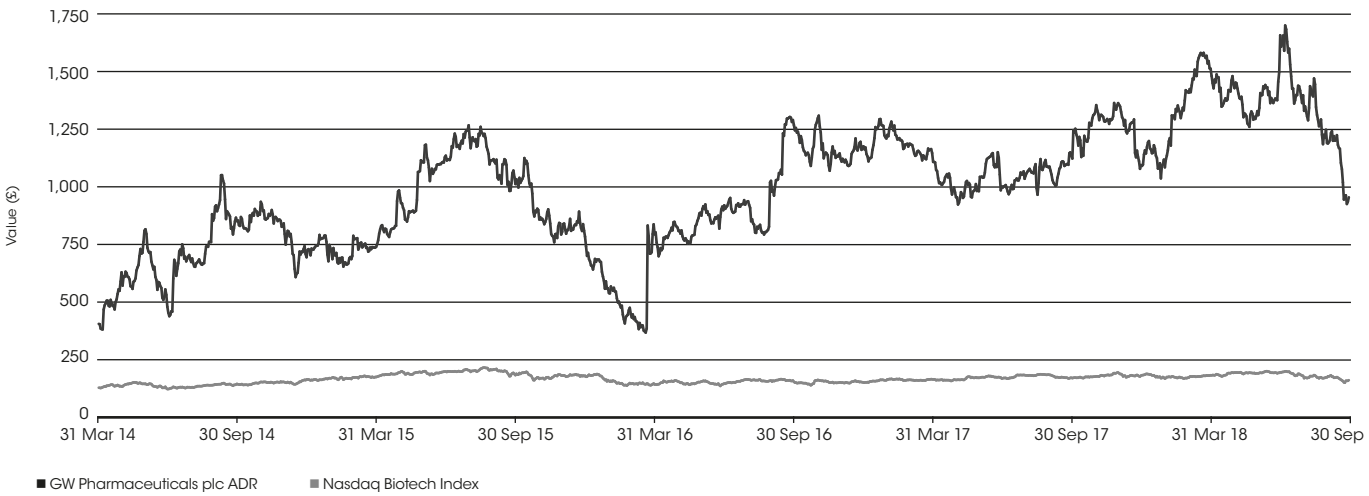
The market price of the Company's US-listed ADRs as at 31 December 2018 was $97.39 (30 September 2017: $101.49) and the range during the 15-month period to 31 December was $94.36 to $174.50 (year to 30 September 2017: $94.14 to $134.02).

Illustration of Total Shareholder Return

The information provided in this part of the Directors' Remuneration Report is not subject to audit.

The graph below shows the Company's performance, measured by total shareholder return, for the ADSs listed on NASDAQ as compared to the NASDAQ Biotech Index ("NASDAQ BTI"). GW's ADSs are a constituent of the NASDAQ BTI, so this is considered to be the most suitable comparator index.

Total ADR Shareholder Return (£000s)



This graph shows the daily movements to 31 December 2018 of $100 invested in GW Pharmaceuticals plc ADRs on 1 May 2013 compared with the value of $100 invested in the Nasdaq Biotech Index.

Chief Executive Officer Total Remuneration History

The table below sets out total remuneration details for the Chief Executive Officer in British Pounds Sterling.

Year	CEO Single Figure of Total Remuneration[1]	Short-Term Incentive Pay-out Against Maximum	Long-Term Incentive Vesting Rates Against Maximum Opportunity
2018	2,790,719	100%	100%
2017	1,610,329	100%	100%
2016	3,129,535	48%	100%
2015	1,295,928	50%	50%
2014	1,390,235	100%	100%
2013	482,084	35%	50%
2012	586,171	50%	100%
2011	541,294	30%	100%
2010	535,325	70%	100%
2009	354,871	23%	100%

1 This total includes unrealised gains on share options vesting in each of the financial years shown above.

The table below shows the percentage change in remuneration of the Chief Executive Officer and the Company's employees as a whole between 2017 and 2018.

	Percentage increase in remuneration in 2018 compared with remuneration in 2017	
	CEO %	All employees %
Basic salary	9	3
Taxable benefits	(48)	33
Short-term incentives	(29)	7

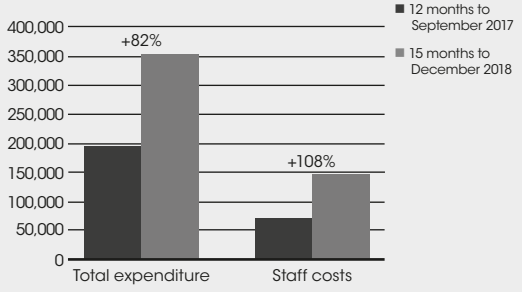
The employee comparator group comprises employees in the UK and the US. We consider this to be an appropriate comparator group because it is representative of the Group and the employee populations are well balanced in terms of seniority and demographics. To provide a meaningful comparison of salary increases, a consistent employee comparator group is used by which the same individuals appear in the 2017 and 2018 group.

Relative Importance of Spend on Pay

The Committee has determined that total expenditure is the most relevant comparator for staff costs of the Group. Dividend distribution and share buy-back comparators have not been included as the Group has no history of such transactions.

The graph below shows the Group actual staff costs as compared to total expenditure for the last two financial years and illustrates the year-on-year growth in both. Staff costs continue to grow faster than total spend as, in addition to headcount growth we have been expanding our manufacturing and commercialisation team headcount in preparation for future commercialisation of Epidiolex.

Relative Importance of Spend on Pay (£000s)



Directors' Remuneration Report continued

Proposed Application of the Remuneration Policy for the Year Ended 31 December 2019

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

i) Fixed Elements of Remuneration
Fixed elements of remuneration including basic salary, pension contributions and other benefits will be set and paid in accordance with our Remuneration Policy. Any changes to salary will be considered in the context of a number of factors including the annual peer group based benchmarking exercise carried out for the Remuneration Committee by Willis Towers Watson, home-market location, any changes to executive responsibilities since the last review and broader employee increases.

ii) Short-Term Incentive
The Remuneration Committee met in February 2019 to assess Director and Executive Officer performance for the calendar year ended 31 December 2018. Based upon this assessment and in accordance with the Remuneration Policy Report below, the Remuneration Committee awarded a cash bonus payment to each Executive Director. Further details will be provided in the 2019 Annual Report.

iii) Long-Term Incentive Plan
The February 2016 LTIP award was scheduled to vest on 15 February 2019. This award was divided at grant into a number of tranches:

- 25% of the awards are in the form of market-priced options, whereby the options have an exercise price equivalent to the market price at market close on the day prior to grant ($44.64 per ADS). These options become exercisable on the third anniversary of the date of grant.
- 50% of the awards are in the form of performance stock options, whereby the options will vest upon the third anniversary of the date of grant subject to certain corporate performance conditions having been achieved.
  - Vesting of half of the performance stock options will occur upon receipt from FDA of their confirmation of acceptance of an Epidiolex NDA filing.
  - Vesting of half of the performance stock options will occur upon FDA grant of Epidiolex regulatory approval.
- 25% of the awards are in the form of restricted stock options whereby these options are subject to a four-year service condition and vesting period. 25% of the options will vest on each anniversary of the date of grant over the next four years.

100% of the LTIP award vested on 15 February 2019.

iv) Non-Executive Director Fees and Equity-Based Incentives
We do not expect the level of cash-based fees to change during 2019 but we do expect there to be a further grant of equity-based incentives. This grant will be subject to approval by the executive members of the Board and is likely to be linked to a combination of share price performance and service-based conditions.

Remuneration Committee Approach to Remuneration Matters

The Remuneration Committee comprises Cabot Brown and Catherine Mackey under the chairmanship of Thomas Lynch.

During the year the Committee received advice from Adam George in his capacity as Company Secretary. The Committee also retains Willis Towers Watson to provide ongoing peer group remuneration benchmarking, option valuations and remuneration policy related advice. The Committee is satisfied that Willis Towers Watson, signatories of the Remuneration Consultants' Code of Conduct, provides independent and objective advice.

The terms of reference of the Remuneration Committee can be found on the GW website at www.gwpharm.com.

Statement of Voting at Annual General Meeting

The Group is committed to ongoing shareholder dialogue and the Remuneration Committee takes an active interest in voting outcomes.

Voting at our shareholder meetings is generally conducted by a show of hands by shareholders who are in attendance at the meeting. Such votes have resulted in unanimous approval of the Directors' Remuneration Report at each of the last three AGMs. No votes were withheld.

On 14 March 2018 the Group put the Remuneration Policy to shareholders for approval and at the AGM held on that date, 83.36% of shareholders' proxy votes approved the September 2017 Directors' Remuneration Report.

In the event that we experience significant levels of shareholder votes against any remuneration-related resolutions we will seek to investigate the reasons for such votes and in the event that the Remuneration Committee consider that changes to the Remuneration Policy are appropriate, we will disclose details of proposed changes in a timely manner.

Remuneration Policy Report

The information provided in this part of the Directors' Remuneration Report is not subject to audit.

The Remuneration Policy has been designed to ensure that Executive Directors are appropriately incentivised and rewarded for their performance, responsibility and experience. The Remuneration Committee aims to ensure that the policy aligns the interests of Directors with those of shareholders.

The Remuneration Policy that follows will be presented to shareholders at the AGM in June 2019 for a binding vote. Following shareholder approval this policy then became effective from the date of the AGM and will remain in use for three years, or until a revised policy is approved by shareholders. There will continue to be an advisory vote on the Directors' Remuneration Report presented to shareholders at the AGM on an annual basis.

For the avoidance of doubt, in approving this Directors' Remuneration Policy, authority is given to the Company to honour any commitments entered into with current or former Directors (such as the payment of a pension or the vesting/exercise of past share awards). Details of any payments to former Directors will be set out in the Annual Report on Remuneration as they arise.

Future Policy Table
The policy table on the following page describes GW's shareholder-approved Remuneration Policy for Directors and seeks to explain how each element of the Directors' remuneration packages operates.

Directors' Remuneration Report continued

Summary Remuneration Policy – Directors

Element of remuneration	Purpose and link to strategy	Operation	Changes to be proposed	Maximum	Performance targets
Salary	Rewards skills and experience and provides the basis for a competitive remuneration package.	Salaries will be reviewed annually by reference to market practice and market data, on which the Committee receives independent advice, rates of inflation, broader employee increases, the individual's experience and scope of the role. Salaries will be benchmarked against comparable roles in a selected peer group of other US-listed pharmaceutical development companies with similar market capitalisations and/or scale of operational complexity. We typically expect to align salaries with the 50th percentile of peer group comparator data but may vary from this general rule where we consider that special circumstances apply or where recruitment or retention of a particular role is required. The Committee may also decide to approve future increases following changes to job responsibilities or to reflect experience within the role.	None	Salaries will not exceed the 75th percentile of peer group comparator data for the relevant role. The Committee will reference alternative comparator data for roles not widely represented in the core peer group.	Not applicable.
Retirement savings	Enables Executive Directors to build long-term retirement savings.	Company contribution to a personal pension/401(k) scheme or salary supplement. Levels will be reviewed annually and the Committee may decide to increase future contribution levels should the review indicate such a change is appropriate. Statutory limits to employer contributions will be applied.	None	Up to 5% of basic salary.	Not applicable performance conditions.
Benefits	Protects against risks and provides other benefits in line with market practice.	Benefits currently include death-in-service life insurance, family private medical cover, ill-health income protection and a taxed cash car allowance. The Committee will review benefits offered from time to time and retains the discretion to add or substitute benefits to ensure they remain market competitive. In the event that the Group requires a Director or Executive Officer to relocate, we would offer appropriate relocation assistance and would be likely to update the package of benefits to align with local market practice, e.g. increased health insurance benefits if relocating to US.	None	The disclosed taxable value of benefits and allowances is not expected to exceed 15% of salary per annum. The Committee may exceed this in the event of relocation, both on a one-off and ongoing basis to align with local market norms.	Not applicable.

Element of remuneration	Purpose and link to strategy	Operation	Changes to be proposed	Maximum	Performance targets
Short-term incentive awards	Incentivises and rewards achievement of the near-term business objectives, reflecting individual and team performance of the Directors and Executive Officers.	Objectives are set at the start of each calendar year. The choice of annual performance objectives will reflect the Committee's assessment of the key milestones/metrics required to be achieved within the calendar year in order to make progress towards achieving GW's strategic plan. Payable in cash. Clawback provisions will apply (see details below).	None	Up to 150% of salary.	The Committee retains the ability to set performance objectives annually. These objectives can be Group-based and/or individual, financial and/or non-financial, and are likely to include various milestones linked to: > successful execution of key elements of the Epidiolex development programme and worldwide commercialisation; > identification and execution of other new orphan drug developments; > key regulatory steps (IND grants, NDA filings, regulatory approvals); > successful commercialisation of approved products, either by our own commercial organisation or by our partners; > the Group's financial position and results; and > equity liquidity and valuation.
Long-term incentive awards	Rewards execution of GW's strategic plan and growth in shareholder value over a multi-year period. Encourages achievement of strategy over the medium to long term and aligns Executive Directors' interests with those of shareholders.	Conditional awards of nominal-cost options, share options, performance shares and/or restricted shares. Awards normally vest over periods of three or more years. The Committee is able to grant awards which permit phased vesting over the period. Clawback provisions will apply (see details below).	Individual awards in any one year will not exceed the 75th percentile of peer group data	Individual awards in any one year will not exceed the 75th percentile of peer group data. Expected values are calculated in accordance with generally accepted methodologies based on Black-Scholes or binomial stochastic models.	Performance conditions are set at the discretion of the Remuneration Committee and will generally consist of a mixture of: > service requirements; > milestone-based events, linked to the successful execution of GW's strategic plan, likely to include items such as positive trial results, or regulatory approvals; and > market-based measures such as absolute or relative share price performance. Major shareholders may be consulted as part of the process of setting performance conditions.

Directors' Remuneration Report continued

Notes to the Policy Table

Clawback of incentives: The clawback policy provides that certain incentive compensation is recoverable from a Director if the Company is required to restate financial statements due to the misconduct of that particular Director, and that misconduct has significantly contributed to the need for the restatement. Generally, eligible incentive grants shall include cash short-term incentive awards and equity-based long-term incentive awards that have been awarded and/or vested based upon achievement of specific financial or operational goals which were deemed to have been achieved but which, following restatement, are considered to no longer have been achieved. To be effective, intention to claw back awards which have already vested and been exercised must be notified to the Director within 24 months of the award having vested. The Committee may effect a clawback either through a cash or equity repayment by the individual, or via an adjustment to an outstanding award that is yet to vest or that has vested but is not yet exercised.

Equity retention policy: To encourage executives to retain a meaningful amount of equity in the Company, a retention policy is in effect for Directors and Executive Officers. The purpose of this policy is to encourage ownership of the Company's shares, promote alignment of the long-term interests of the Directors and Executive Officers with those of our shareholders, and promote our commitment to sound corporate governance. The policy is applicable to our Directors and Executive Officers, and certain other members of our leadership team, as nominated by our Chief Executive Officer. Under the policy, covered Directors and officers must retain an agreed proportion of each new equity grant issued to them after 1 January 2015, subject to the payment of any applicable taxes, for a period of five years from vesting until an overall level of share ownership is achieved. The target level of ownership equates to four times basic salary for the Chief Executive Officer and two times basic salary for the other Directors and Officers. The target deadline for achieving the ownership requirement is intended to be five years from implementation of the policy. Existing shareholdings or direct purchases of equity by executives shall contribute towards attainment of the targeted shareholding cap. The Committee retains the power to consider an individual ineligible for future equity incentive grants if the required target has not been achieved in a timely manner, subject to the consideration of individual circumstances.

General discretions relating to the operation of incentive plans: The committee will operate all incentive plans in accordance with Plan Rules and will retain full discretion over a number of areas relating to the operation and administration of these plans. This includes, but is not limited to, determining eligibility, setting performance conditions, determining the extent to which performance conditions are achieved, leaver terms and the vehicle of delivery.

Summary Remuneration Policy – Non-Executive Directors

Element of remuneration	Purpose and link to strategy	Operation	Maximum	Performance targets
Non-executive fees	Reflects time commitments and responsibilities of each role. Reflects fees paid by similarly sized companies.	The remuneration of the non-executive Directors will be determined by the Board as a whole by reference to market practice and market data, on which the Committee receives independent advice, and reflects the individual's experience, scope of the role, time commitment and changes to the job responsibilities. Fees typically consist of a basic fee for non-executive Director responsibilities plus incremental fees for additional roles/ responsibilities such as chairmanship of Board sub-committees, senior non-executive Director and US representative Director roles. Fees can be paid in the form of cash or shares to be held until the individual retires from the Board. Any element of fees paid in the form of shares will not be subject to performance conditions. The non-executive Directors do not receive any pension from the Company, nor do they participate in any performance-related incentive plans.	The value of individuals' aggregate fees will not exceed the 75th percentile of peer group comparator data.	Not applicable.

All-Employee Comparison

The following differences exist between the Company's policy for the remuneration of Directors and Executive Officers as set out above and its approach to the payment of employees generally:

> Benefits offered to other employees are consistent with those offered to the Directors and Executive Officers.
> All US-based employees are entitled to a contribution from the Company towards a 401(k) scheme. This is generally at the same level as contributions paid to the personal pension/401(k) schemes of the US-based Executive Director. UK-based employees are entitled to a personal pension scheme contribution equating to 6.67% of basic salary. UK-based Directors do not currently receive an employer's pension contribution.
> All employees are able to participate in the LTIP schemes although the size of LTIP awards tends to increase with seniority as there is a greater emphasis on performance-related pay for senior members of staff.
> A lower level of maximum annual bonus/short-term incentive opportunity typically applies to other employees.

Approach to Recruitment Remuneration

The remuneration package for a new Director or Executive Officer, to include basic salary, benefits, pension, annual bonus/short-term incentive and long-term incentive awards, will be set in accordance with the terms of the Company's prevailing approved Remuneration Policy at the time of appointment. The Committee will consider the role, responsibility and experience of the candidate and will seek independent advice and market data to help derive an appropriate level of remuneration in order to secure the right candidate with the required skills and experience for the role.

To facilitate recruitment, the Committee may offer additional cash and/or share-based remuneration to take account of, and compensate for, remuneration that the Director or Executive Officer is required to relinquish when leaving a former employer, or to ensure that a fully market-competitive package is offered to the candidate. Any such offer would take into account the nature, time horizon and performance conditions attached to any waived remuneration.

For an internal Director and Executive Officer appointment, any variable pay element awarded in respect of the prior role will be allowed to pay out according to its terms. In addition, any other contractual remuneration obligations existing prior to appointment may continue.

For external and internal appointments, the Committee may agree that the Group will provide reasonable relocation support. In all cases, the Committee will ensure that decisions made are in the best interests of the Group.

The remuneration for any non-executive appointments will be set in accordance with the prevailing Remuneration Policy. Typically, the first grant of equity-based incentive awards made after appointment of a new non-executive to the Board will be increased by 50%. No additional cash payments will usually be made.

Service Contracts
It is Group policy that Executive Directors should have contracts with an indefinite term providing for a maximum of 12 months' notice. New appointees to the Board are typically given a six-month notice period which can then be increased to 12 months' notice, at the discretion of the Remuneration Committee, once the new appointee is considered to be established within their role.

Executive Directors' service contracts, which include details of remuneration, have been filed with the US Securities and Exchange Commission and so are publicly available.

Details of Directors' service contracts are as follows:

Director	Date of contract	Notice period
Executive		
Dr Geoffrey W Guy	March 2013	12 months
Justin Gover	February 2013	12 months
Non-executive		
James Noble	February 2016	3 months
Thomas Lynch	February 2013	3 months
Cabot Brown	January 2016	3 months
Catherine Mackey	December 2017	3 months
Alicia Secor	December 2017	3 months
William Waldegrave	December 2017	3 months

The non-executive Directors have service agreements which are subject to a three-month notice period. Their remuneration is reviewed by the Board annually. In accordance with the Company's Articles of Association, non-executive Directors are included in the requirement that one-third of Directors are subject to retirement by rotation at each AGM. James Noble and Thomas Lynch will be retiring by rotation at the next AGM and, being eligible, they will seek re-election.

Directors' Remuneration Report continued

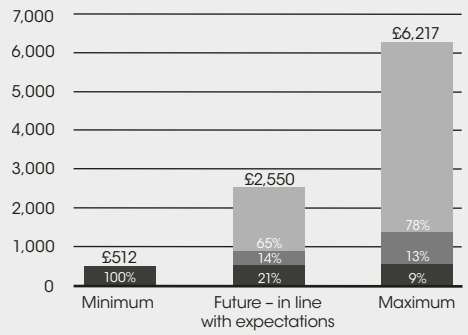
Illustrations of the Application of the Remuneration Policy – Performance and Remuneration Scenarios

The following table and graphical illustrations provide an illustration of the potential remuneration for the year ended 31 December 2019 for each of the Directors, computed in accordance with the Remuneration Policy outlined above for each of three performance scenarios, as follows:

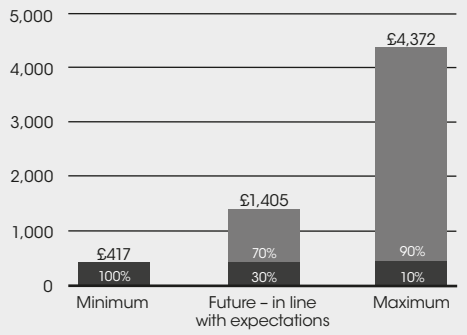
The following table and graphs provide an illustration of the potential remuneration. In interpreting these scenarios it is very important to note that it is likely that a significant proportion of future long-term equity incentive grants to the Executive Directors are likely to consist partly of share options which will only have value to the Executive Directors if they are successful in generating share price growth during the vesting period. The Remuneration Committee believes that this approach will align the interests of Executive Directors with those of our shareholders. The face value of equity incentive awards shown in the graphical illustrations below is not therefore indicative of the amount that the Directors will earn from these awards in future, as it is principally the future growth in value of these awards that will generate a financial return for each Director:

Minimum – fixed elements of remuneration	This scenario assumes that the current basic salary for each Director is as per the Remuneration Committee determination in February 2019 (see page 26). The value of benefits receivable for the year ended 31 December 2019 assumed to be equal to the value of benefits received in the year ended 31 December 2018 as set out in the single total figure of remuneration table on page 17. The pension or 401K contribution receivable by each Director for the year ended 31 December 2018 is assumed to be in line with the current level of contributions. No short-term incentive payment is assumed for any Director. No vesting of long-term equity-based incentives is assumed.
Performance in line with expectations	This scenario is illustrative only and is not expected to be predictive of 2019 remuneration for either of the Executive Directors. Fixed elements of remuneration, as set out above, plus: On-target level of short-term incentive payment, for the Chief Executive Officer, is taken to be 60% of basic salary, being the on-target amount for 2019. The Chairman is no longer entitled to an annual bonus. This scenario assumes the grant of equity-based incentives with a Black-Scholes valuation at grant equivalent to 600% of basic salary to the CEO and 400% for the Chairman. It is then assumed that 50% of these awards will vest. We are required to illustrate the face value of these awards, i.e. where awards consist of market-priced option awards, the face value is derived by multiplying the number of options granted by the exercise price. For the purposes of the illustrations below, we have assumed that the face value of options will equate to 160% of the Black-Scholes value. This has been derived by reference to the most recent equity incentive award to the Directors in 2018. No account is taken of share price growth over the vesting period.
Maximum remuneration receivable	This scenario is illustrative only and is not expected to be predictive of 2019 remuneration for either of the Executive Directors. Fixed elements of remuneration, as set out above, plus: On-target level of short-term incentive payment, for the Chief Executive Officer, is taken to be 150% of basic salary, being the maximum percentage that can be awarded by the Remuneration Committee. This scenario assumes the grant to the Chief Executive Officer, of the maximum possible number of equity-based incentives per the above policy, being awards with a Black-Scholes valuation at grant equivalent to 600% of basic salary under the current Remuneration Policy. For the Chairman this equivalent is set at 600% of basic salary. We are required to illustrate the face value of these awards, i.e. where awards consist of market priced option awards, the face value is derived by multiplying the number of options granted by the exercise price. For the purposes of the illustrations below, we have assumed that the face value of options will equate to 160% of the Black-Scholes value. This has been derived by reference to the most recent equity incentive award to the Directors in 2018. For illustrative purposes, it is then assumed that 100% of these awards will vest. No account is taken of share price growth over the vesting period. Operation of the equity retention policy, outlined above, will also mean that Executive Directors may only be able to realise a proportion of the illustrated incentive gains in 2019 as they are likely to be required to retain equity shares acquired under such schemes for an extended period.

Chief Executive Officer (£000s)



Chairman (£000s)



Policy for Payments for Loss of Office

The Committee's approach to payments in the event of termination is to take account of the individual circumstances including the reason for termination, individual performance, contractual obligations and the terms of the LTIPs in which the Director participates. On notice from the Company, the Company will normally continue to pay salary, pension and other benefits during the balance of the notice period while the individual remains an employee. Although the Director employment contracts do not provide for payment in lieu of notice, the Remuneration Committee may offer payment in lieu of notice if they consider that it is in the best interests of the Company, subject to such payment not exceeding the contractual notice entitlement. The Committee may also approve other limited payments in connection with a departure, which may include legal fees connected to the departure, untaken holiday/accrued vacation, out-placement and repatriation.

There is no automatic contractual entitlement to bonus on termination although this may be considered.

Unvested LTIP awards normally lapse although the Committee retains the power to determine, in accordance with the good leaver provisions of the LTIP scheme rules, what proportion of unvested awards will be retained and what proportion will lapse. In determining this, the Committee will give consideration to the reason for leaving, the extent of achievement of performance conditions at the date of leaving and may decide to time pro-rate awards.

Statement of Consideration of Employment Conditions Elsewhere in the Company

During the annual review of remuneration, the Committee considers the remuneration and terms and conditions for the broader employee population when determining the extent of basic salary increases for the Directors. Employees have not been consulted in respect of the design of the Company's senior executive remuneration policy to date although the Committee will keep this under review.

Statement of Shareholder Views

The Remuneration Committee considers shareholder feedback received in relation to the Annual General Meeting ("AGM") each year at a meeting immediately following the AGM. This feedback, plus any additional feedback received from shareholders in respect of remuneration matters during the financial year, is then considered as part of the Company's annual review of remuneration policy.

Approval

This report was approved by the Board of Directors and signed on its behalf by:

Adam George
Company Secretary
28 March 2019

Directors' Responsibilities Statement

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, as issued by the International Accounting Standards Board ("IASB") 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 financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, 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 UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 28 March 2019 and is signed on its behalf by:

Adam George
Company Secretary
28 March 2019

Independent Auditor's Report

For the 15-month period ended 31 December 2018

Report on the audit of the financial statements

Opinion

In our opinion:

- **the financial statements of GW Pharmaceuticals plc (the 'parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2018 and of the Group's loss for the 15-month period then ended;**
- **the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board ("IASB");**
- **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.**

We have audited the financial statements which comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Loss;
- the Consolidated and Parent Company Balance Sheets;
- the Consolidated and Parent Company Statements of Changes in Equity;
- the Consolidated and Parent Company Cash Flow Statements; and
- the related notes 1 to 28.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the "FRC's") Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matter	The key audit matter that we identified in the current year was related to the date at which Epidiolex inventory could start to be capitalised and the appropriateness of the methodology to determine the inventory cost associated with each stage of production. Epidiolex inventory was not included in the comparative balance sheet at 30 September 2017, but has been capitalised for the first time during this 15-month reporting period to 31 December 2018.
Materiality	The materiality that we used for the Group financial statements in the current year was $10,200,000 which was determined based on a blended measure including net cash flows from operations and total operating expenses benchmarks.
Scoping	The audit of the parent company was performed by the UK Group audit team. The other significant components of the Group were subject to full scope audits, with work performed by both the UK Group audit team and component auditors in the USA. This distribution of work was a change from the prior period. The four components detailed further below account for 99% of the Group's loss before tax, 99% of the Group's net assets and 100% of the Group's revenue.
Significant changes in our approach	The key audit matter identified in the current period is different to prior year, as discussed in further detail below. We have involved a component auditor in performing our audit procedures to support the opinion for the 15-month period ended 31 December 2018.

Independent Auditor's Report continued

Conclusions Relating to Going Concern

We are required by ISAs (UK) to report in respect of the following matters where:
> the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
> the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Key Audit Matters

A key audit matter is a matter that, based on professional judgement, was of most significance in our audit of the financial statements for the current period and includes the most significant assessed risk of material misstatement (whether or not due to fraud) that we identified. Key audit matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

The matter set out below was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

The key audit matter in the current period is related to Epidiolex inventory which is a new balance in the period. The prior year key audit matter on Research and Development (R&D) activity related to HMRC's small or medium-sized enterprises ("SME") scheme is not applicable as at 31 December 2018 as the Company no longer qualifies for the scheme.

Epidiolex inventory

Key audit matter description 	Management determined that Epidiolex inventory costs should be capitalised from the date the US Food and Drug Administration (FDA) accepted the Epidiolex New Drug Application (NDA) on 27 December 2017. This is a material judgement that impacts the value of Epidiolex inventory at 31 December 2018. The Epidiolex balance at 31 December 2018 is $44.4 million (2017: $nil). The key audit matter is in relation to the date at which Epidiolex inventory could start to be capitalised and the methodology to determine the inventory cost associated with each stage of production. Management determined the actual cost of producing Epidiolex for the period from 27 December 2017 to 31 December 2018. The method includes detailed analysis of the actual costs incurred in production and, in particular, the basis for absorbing the costs based on the number of batches, inventory stage and buildings. Management then determined the actual cost of the Epidiolex inventory balance at 31 December 2018 by applying the valuation principles in accordance with IAS 2 to the inventory produced after 27 December 2017.
How the scope of our audit responded to the key audit matter 	In responding to this key audit matter associated with Epidiolex inventory the following procedures were undertaken to challenge management's position and outcome: > Assessment of the Epidiolex capitalisation date in line with IAS 2 Inventories; > Assessment of the methodology applied by management in determining the cost of each bottle of Epidiolex; > A detailed test on the batches of Epidiolex at different production stages to determine that only batches produced after 27 December 2017 were included in the inventory value at 31 December 2018; > Testing that the capitalised costs were appropriate and valid by tracing a sample of costs to supporting evidence; > Testing that the capitalised costs were appropriately capitalised in accordance with the requirements of IAS 2; > Key controls implemented by management to address the risk of material misstatements were identified. The design and implementation were assessed, and operating effectiveness of the controls was tested.
Key observations 	Based on the procedures performed, we concluded that the capitalisation date and the methodology applied to calculate the cost of Epidiolex inventory are appropriate.

Our Application of Materiality
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	$10,200,000 (2017: $6,300,000) The large movement in comparison to prior year is primarily due to the current period materiality being calculated based on 15-month period totals.	$10,100,000 (2017: $5,700,000) The large movement in comparison to prior year is primarily due to the current period materiality being calculated based on increased total assets in the 15-month period.
Basis for determining materiality	We determined materiality based on a combination of benchmarks including net cash flows from operations and total operating expenses. Our materiality of $10,200,000 represents 3.4% of total operating expenditure and 4.4% of net cash flows from operations.	We determined materiality based on 2% of total assets.
Rationale for the benchmark applied	We believe that a combination of total operating expenditure and net cash flows from operations is reflective of the relevant benchmarks for stakeholders in assessing the performance of the Group. The value of the Group is derived from successful research and development, with a significant proportion of the value derived from the commercialisation of Epidiolex.	Total assets has been used as this is a non-trading holding company and we consider this to be the most appropriate basis. We have capped this at 99% of Group materiality.

We have agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $514,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An Overview of the Scope of Our Audit
Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level sufficient to give reasonable assurance that the financial statements are free from material misstatement.
We performed full scope audits on four significant components of the Group, located in the UK and the USA, using component materialities that are lower than Group materiality:
> The parent company – GW Pharmaceuticals plc (component materiality: $10,100,000)
> GW Pharma Limited ("GWP") – responsible for Epidiolex manufacturing activities (component materiality: $6,200,000)
> GW Research Limited ("GWR") – responsible for research and development activities (component materiality: $8,200,000)
> Greenwich Biosciences, Inc ("GBI") – which is expanding significantly to facilitate commercialisation of Epidiolex (component materiality: $8,200,000).

These four significant components cover 100% of the Group's revenue, 99% of the Group's loss before tax and 99% of the Group's net assets.

At the parent entity level, we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatements of the aggregated financial information of the remaining components not subject to audit.

In audits for previous periods all work was performed by the UK group engagement team. In the current year, the UK group team engaged component auditors in the US in regard to GBI, GWP and GWR.

Independent Auditor's Report continued

The group team prepared the overall audit strategy, materiality, risk assessment and provided detailed instructions to the component auditor including which aspects of each component's audit work were to be performed by which team.

The group team visited the component auditor in the US to perform a detailed workpaper review and to discuss significant audit matters. Telephone conference meetings were also held with the component auditor throughout the audit.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

We have nothing to report in respect of these matters.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of Directors

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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006.
In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:
> the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
> the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception
Adequacy of explanations received and accounting records

We have nothing to report in respect of these matters.

Under the Companies Act 2006 we are required to report to you if, in our opinion:
> we have not received all the information and explanations we require for our audit; or
> 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.

Directors' remuneration
Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of this matter.

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

David Hedditch
(Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
28 March 2019

Consolidated Income Statements

For the 15 months ended 31 December 2018 and 12 months ended 30 September 2017

	Notes	15 months to 31 December 2018 $000s	Restated 12 months to 30 September 2017 $000s
Revenue	3	**19,391**	10,519
Cost of sales		**(7,912)**	(4,521)
Research and development expenditure	4	**(167,142)**	(142,022)
Sales, general and administrative expenses		**(187,602)**	(53,243)
Net foreign exchange loss		**(2,666)**	(6,442)
Operating loss		**(345,931)**	(195,709)
Interest expense	9	**(1,573)**	(951)
Interest and other income	9	**11,155**	2,063
Loss before tax	5	**(336,349)**	(194,597)
Tax (charge)/benefit	10	**(5,090)**	26,452
Loss for the period		**(341,439)**	(168,145)
Loss per share – basic	11	**(100.3)c**	(55.4)c
Loss per share – diluted	11	**(100.3)c**	(55.4)c

The accompanying notes are an integral part of these Consolidated Income Statements.

All activities relate to continuing operations.

Consolidated Statements of Comprehensive Loss

For the 15 months ended 31 December 2018 and 12 months ended 30 September 2017

	15 months to 31 December 2018 $000s	Restated 12 months to 30 September 2017 $000s
Loss for the period	**(341,439)**	(168,145)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	**(9,210)**	9,728
Other comprehensive (loss)/gain for the period	**(9,210)**	9,728
Total comprehensive loss for the period	**(350,649)**	(158,417)

The accompanying notes are an integral part of these Consolidated Statements of Comprehensive Loss.

No tax arises relating to components of other comprehensive (loss)/gain.

Consolidated Statement of Changes in Equity

For the 15 months ended 31 December 2018 and 12 months ended 30 September 2017

Group	Share Capital $000s	Share Premium Account $000s	Merger Reserve $000s	Foreign Exchange Reserve $000s	Accumulated Deficit $000s	Total Equity $000s
Balance at 1 October 2016 (restated)	**480**	**837,374**	**31,119**	**(81,134)**	**(273,278)**	**514,561**
Loss for the year	–	–	–	–	(168,145)	(168,145)
Other comprehensive gain	–	–	–	9,728	–	9,728
Total comprehensive loss for the year	**–**	**–**	**–**	**9,728**	**(168,145)**	**(158,417)**
Exercise of share options (note 22)	3	119	–	–	–	122
Share-based payment transactions	–	–	–	–	15,143	15,143
Deferred tax attributable to unrealised share option gains	–	–	–	–	171	171
Balance at 30 September 2017 (restated)	**483**	**837,493**	**31,119**	**(71,406)**	**(426,109)**	**371,580**
Loss for the period	–	–	–	–	(341,439)	(341,439)
Other comprehensive loss	–	–	–	(9,210)	–	(9,210)
Total comprehensive loss for the period	**–**	**–**	**–**	**(9,210)**	**(341,439)**	**(350,649)**
Impact of adoption of IFRS 15 on opening accumulated deficit	–	–	–	–	7,433	7,433
Issue of share capital (note 22)	79	624,968	–	–	–	625,047
Expenses of new equity issue	–	(2,475)	–	–	–	(2,475)
Exercise of share options (note 22)	2	616	–	–	–	618
Share-based payment transactions	–	–	–	–	40,520	40,520
Deferred tax attributable to unrealised share option gains	–	–	–	–	(123)	(123)
Balance at 31 December 2018	**564**	**1,460,602**	**31,119**	**(80,616)**	**(719,718)**	**691,951**

Company Statement of Changes in Equity

or the 15 months ended 31 December 2018 and 12 months ended 30 September 2017

Company	Share Capital $000s	Share Premium Account $000s	Foreign Exchange Reserve $000s	Accumulated Profit $000s	Total Equity $000s
Balance at 1 October 2016 (restated)	**480**	**837,374**	**(142,294)**	**150,813**	**846,373**
Profit for the year	–	–	–	9,910	9,910
Other comprehensive gain	–	–	30,323	–	30,323
Total comprehensive gain for the year	**–**	**–**	**30,323**	**9,910**	**40,233**
Exercise of share options (note 22)	3	119	–	–	122
Share-based payment transactions	–	–	–	15,143	15,143
Balance at 30 September 2017 (restated)	**483**	**837,493**	**(111,971)**	**175,866**	**901,871**
Profit for the period	–	–	–	17,772	17,772
Other comprehensive loss	–	–	(22,399)	–	(22,399)
Total comprehensive loss for the period	**–**	**–**	**(22,399)**	**17,772**	**(4,627)**
Issue of share capital (note 22)	79	624,968	–	–	625,047
Expenses of new equity issue	–	(2,475)	–	–	(2,475)
Exercise of share options (note 22)	2	616	–	–	618
Share-based payment transactions	–	–	–	40,520	40,520
Balance at 31 December 2018	**564**	**1,460,602**	**(134,370)**	**234,158**	**1,560,954**

The accompanying notes are an integral part of these consolidated and Company Statements of Changes in Equity.

Consolidated and Company Balance Sheets

As at 31 December 2018 and 30 September 2017

	Notes	Group 31 December 2018 $000s	Group Restated 30 September 2017 $000s	Group Restated 1 October 2016 $000s	Company 31 December 2018 $000s	Company Restated 30 September 2017 $000s	Company Restated 1 October 2016 $000s
Non-current assets							
Intangible assets – goodwill	12	**6,959**	6,959	6,728	**–**	–	–
Other intangible assets	13	**2,417**	1,401	812	**–**	–	–
Investments	27	**–**	–	–	**837,447**	584,283	393,875
Property, plant and equipment	14	**89,430**	58,328	50,291	**–**	–	–
Deferred tax asset	10	**8,380**	8,391	5,001	**–**	–	–
		107,186	75,079	62,832	**837,447**	584,283	393,875
Current assets							
Inventories	15	**51,007**	5,669	5,485	**–**	–	–
Taxation recoverable	10	**4,833**	26,812	27,533	**–**	–	–
Trade receivables and other current assets	16	**19,424**	14,983	5,883	**183,876**	61,202	30,127
Cash and cash equivalents	21	**591,497**	322,154	483,445	**544,196**	257,538	423,122
		666,761	369,618	522,346	**728,072**	318,740	453,249
Total assets		**773,947**	444,697	585,178	**1,565,519**	903,023	847,124
Current liabilities							
Trade and other payables	17	**(63,586)**	(44,236)	(40,251)	**(4,565)**	(1,152)	(751)
Current tax liabilities	10	**(2,391)**	(1,119)	(1,140)	**–**	–	–
Obligations under finance leases	19	**(400)**	(274)	(272)	**–**	–	–
Deferred revenue	20	**–**	(3,082)	(3,468)	**–**	–	–
		(66,377)	(48,711)	(45,131)	**(4,565)**	(1,152)	(751)
Non-current liabilities							
Trade and other payables	17	**(9,929)**	(12,364)	(12,168)	**–**	–	–
Obligations under finance leases	19	**(5,690)**	(6,352)	(6,403)	**–**	–	–
Deferred revenue	20	**–**	(5,690)	(6,915)	**–**	–	–
Total liabilities		**(81,996)**	(73,117)	(70,617)	**(4,565)**	(1,152)	(751)
Net assets		**691,951**	371,580	514,561	**1,560,954**	901,871	846,373
Equity							
Share capital	22	**564**	483	480	**564**	483	480
Share premium account		**1,460,602**	837,493	837,374	**1,460,602**	837,493	837,374
Merger reserve	24	**31,119**	31,119	31,119	**–**	–	–
Foreign exchange reserve	24	**(80,616)**	(71,406)	(81,134)	**(134,370)**	(111,971)	(142,294)
Accumulated (deficit)/profit		**(719,718)**	(426,109)	(273,278)	**234,158**	175,866	150,813
Total equity		**691,951**	371,580	514,561	**1,560,954**	901,871	846,373

The financial statements of GW Pharmaceuticals plc, registered number 04160917, on pages 40 to 77 were authorised by the Board and approved for issue on 28 March 2019.

No income statement or statement of comprehensive income is presented for GW Pharmaceuticals plc as permitted by Section 408 of the Companies Act 2006. The Company's profit for the 15-month period ended 31 December 2018 was $17,772,000 (year ended 30 September 2017: $9,910,000).

The accompanying notes are an integral part of these Consolidated and Company Balance Sheets.

By order of the Board.

Adam George
Company Secretary
28 March 2019

Consolidated and Company Cash Flow Statements

For the 15 months ended 31 December 2018 and 12 months ended 30 September 2017

	Group		Company	
	15 months to 31 December 2018 $000s	Restated 12 months to 30 September 2017 $000s	**15 months to 31 December 2018 $000s**	Restated 12 months to 30 September 2017 $000s
(Loss)/profit for the period/year	**(341,439)**	(168,145)	**17,772**	9,910
Adjustments for:				
Interest expense	**1,573**	951	**–**	–
Interest and other income	**(11,155)**	(2,063)	**(5,932)**	(2,002)
Tax charge/(benefit)	**5,090**	(26,452)	**–**	–
Depreciation of property, plant and equipment	**10,626**	6,739	**–**	–
Impairment of property, plant and equipment	**–**	809	**–**	–
Reversal of impairment of property, plant and equipment	**–**	(276)	**–**	–
Amortisation of intangible assets	**1,118**	313	**–**	–
Net foreign exchange losses	**2,666**	6,442	**3,188**	6,253
Increase in provision for inventories	**1,405**	133	**–**	–
Decrease in deferred signature fees	**(1,178)**	(1,750)	**–**	–
Share-based payment charge	**40,520**	15,143	**778**	–
Loss on disposal of property, plant and equipment	**361**	801	**–**	–
	(290,413)	(167,355)	**15,806**	14,161
Increase in inventories	**(47,025)**	(128)	**–**	–
Increase in trade receivables and other current assets	**(9,254)**	(3,877)	**(125,715)**	(30,037)
Increase in trade and other payables and deferred revenue	**21,808**	5,755	**3,168**	546
Cash used in operations	**(324,884)**	(165,605)	**(106,741)**	(15,330)
Income taxes paid	**(3,703)**	(2,906)	**–**	–
Research and development tax credits received	**27,168**	27,746	**–**	–
Net cash outflow from operating activities	**(301,419)**	(140,765)	**(106,741)**	(15,330)
Investing activities				
Interest received	**5,190**	1,830	**5,153**	2,002
Increase in loan to subsidiary	**–**	–	**(224,420)**	(153,894)
Purchase of property, plant and equipment	**(44,934)**	(20,941)	**–**	–
Purchase of intangible assets	**(2,194)**	(826)	**–**	–
Proceeds from sale of property, plant and equipment	**517**	–	**–**	–
Net cash outflow from investing activities	**(41,421)**	(19,937)	**(219,267)**	(151,892)
Financing activities				
Proceeds on exercise of share options	**618**	122	**618**	122
Proceeds of new equity issue	**625,047**	–	**625,047**	–
Expenses of new equity issue	**(2,475)**	(171)	**(2,475)**	(171)
Interest paid	**(1,533)**	(1,232)	**–**	–
Repayments of fit out funding	**(651)**	(1,074)	**–**	–
Repayments of obligations under finance leases	**(216)**	(267)	**–**	–
Net cash inflow/(outflow) from financing activities	**620,790**	(2,622)	**623,190**	(49)
Effect of foreign exchange rate changes	**(8,607)**	2,033	**(10,524)**	1,687
Net increase/(decrease) in cash and cash equivalents	**269,343**	(161,291)	**286,658**	(165,584)
Cash and cash equivalents at the beginning of the period/year	**322,154**	483,445	**257,538**	423,122
Cash and cash equivalents at end of the period/year	**591,497**	322,154	**544,196**	257,538

The accompanying notes are an integral part of these Consolidated and Company Cash Flow Statements.

Notes to the Consolidated Financial Statements

For the 15 months ended 31 December 2018 and 12 months ended 30 September 2017

1. General Information

GW Pharmaceuticals plc (the "Company") and its subsidiaries (the "Group") are primarily involved in the development of cannabinoid prescription medicines using botanical extracts derived from the Cannabis plant. The Group is developing a portfolio of cannabinoid medicines, of which the lead product is Epidiolex®, an oral medicine for the treatment of refractory childhood epilepsies.

The Company is a public limited company, which has had American Depository Receipts ("ADRs") registered with the US Securities and Exchange Commission ("SEC") and has been listed on NASDAQ since 1 May 2013. The Company is incorporated and domiciled in the United Kingdom. The address of the Company's registered office and principal place of business is Sovereign House, Vision Park, Histon, Cambridgeshire, CB24 9BZ, United Kingdom.

The Company has elected to modify its financial year end to 31 December from 30 September and presents 15-month results to 31 December 2018. This is to align with the Group's external financial reporting calendar. Consequently, the amounts presented in these financial statements may not be entirely comparable.

2. Significant Accounting Policies

The principal Group accounting policies are summarised below.

Basis of Accounting
The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union and as issued by the International Accounting Standards Board ("IASB"). The Group financial statements also comply with Article 4 of the European Union IAS regulation.

The financial statements have been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for the assets and received for the liabilities. The principal accounting policies are set out below.

Going Concern
At 31 December 2018 the Group had cash and cash equivalents of $591.5 million (30 September 2017: $322.2 million). The Directors have considered the financial position of the Group, its cash position and forecast cash flows for the 12-month period from the date of this report when considering going concern. They have also considered the Group's key risks and uncertainties affecting the likely development of the business. 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 at least a 12-month period from the date of this Report. 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 31 December. 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.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation. Acquisitions are accounted for under the acquisition method.

In future business combinations, if a non-controlling interest in a subsidiary arises, such non-controlling interest will be identified separately from the Group's equity therein. The interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Notes to the Consolidated Financial Statements continued

For the 15 months ended 31 December 2018 and 12 months ended 30 September 2017

2. Significant Accounting Policies continued

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to accumulated deficit) in the same manner as would be required if the relevant assets or liabilities are disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the costs on initial recognition of an investment in an associate or jointly controlled entity.

Change of presentation currency

On 1 October 2017, the Group changed its presentation currency from Sterling to US dollars. This change has been made retrospectively and the 2017 full year financial statements have been restated using the following procedures:

> Assets and liabilities were translated into US dollars at closing rates of exchange;
> Income and expenses were translated into US dollars at average rates of exchange;
> Differences resulting from the retranslation were taken to reserves;
> Share capital, share premium, other reserves were translated at historic rates prevailing at the dates of transactions.

In accordance with the requirements of IAS 1 Presentation of Financial Statements, a transition balance sheet as of 1 October 2016 has been included within the primary financial statements.

Change of functional currency

IAS 21 The effects of changes in foreign exchange rates describes functional currency as 'the currency of the primary economic environment in which an entity operates.' Determining when the functional currency of an entity has changed is a matter of judgement as the determining factors may move gradually over time. The Board has concluded that the functional currency of the Company, under IFRS reporting standards, changed from Sterling to US dollars with effect from 1 July 2018.

The main reasons for the change were:

> Approval of Epidiolex by the US Federal Drug Administration and the start of Epidiolex commercial sales during the period indicate that the majority of the Group's commercial activity will be driven by the US pharmaceutical market. This approval was received in June 2018;
> A change in the Board structure during the period resulted in the Group no longer meeting the requirements for Foreign Private Issuer (FPI) status with the US Securities and Exchange Commission per the assessment as of 31 March 2018. The majority of the Group's Board are now located in the United States; and
> All of the Group's equity fundraising activity since 2013 has been denominated in US dollars and driven by the Company's US Nasdaq listing. The Company is solely listed on the US Nasdaq market, and so any potential future equity fundraising would most likely be denominated in US dollars.

In accordance with IAS 21, the change in functional currency has been applied prospectively from 1 July 2018.

Intangible Assets – Other

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

Amortisation is provided so as to write off the cost of assets, less their estimated residual values, over their useful lives using the straight-line method, as follows:

Software	3 years
Licences	3 years or term of licence if longer

Revenue
The Company has adopted IFRS 15: Revenue from Contracts with Customers ("IFRS 15"), and all the related amendments to all contracts using the modified approach. As required by the modified implementation method, revenue for the current period is accounted for under the new guidance. The comparative revenue is not restated for the impact of adopting IFRS 15; instead the current period opening balances are adjusted for the cumulative impact of adopting IFRS 15. Certain practical expedients prescribed in IFRS 15 were utilised in the adoption of IFRS 15, including using historical experience to calculate transaction price for the Group's revenue contracts. Under IFRS 15, an entity recognises revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of IFRS 15, the entity performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognise revenue when (or as) the entity satisfies a performance obligation. The Group only applies the five-step model to contracts when it is probable that the entity will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception, once the contract is determined to be within the scope of IFRS 15, the Group assesses the goods or services promised within each contract and determines those that are performance obligations, and assesses whether each promised good or service is distinct. The Group then recognises as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

Product Sales
The Group's product sales consist of sales of Epidiolex, which was FDA approved for sale in the United States during the current accounting period for use in treating Dravet syndrome and Lennox-Gastaut syndrome, two severe paediatric forms of Epilepsy. Product sales revenue relating to Epidiolex shipments is recognised when shipped.

Product sales also consist of sales of Sativex®, which is currently being commercialised for spasticity due to multiple sclerosis ("MS") outside the United States. The Company has entered into license agreements for the commercialisation of Sativex with Almirall S.A. ("Almirall"), in Europe (excluding the United Kingdom) and Mexico; Bayer HealthCare AG ("Bayer") in the United Kingdom and Canada; Ipsen Biopharm Ltd ("Ipsen"), in Latin America (excluding Mexico and the Islands of the Caribbean); and Neopharm Group ("Neopharm") in Israel. Under these license agreements, the Group sells fully labelled Sativex vials to its commercial partners for a contractually agreed price, which is generally based on percentages of the commercial partners' in-market net selling price charged to end customers. Product sales revenue related to Sativex shipments to commercial license partners is recognised when shipped, at which point the customer obtains control of the product. The Group commercialises Sativex in Australia and New Zealand through a consignment relationship with a local distributor. Product sales revenue related to Sativex sales in Australia and New Zealand are recognised when the product is sold through to the end customer.

Revenue for the Group's product sales has not been adjusted for the effects of a financing component as the Group expects, at contract inception, that the period between when the Group transfers control of the product and when the Group receives payment will be one year or less. Product shipping and handling costs are included in cost of product sales.

For sales of Epidiolex, consistent with industry practice, limited product return rights for damages, shipment errors, and expiring product; provided that the return is within a specified period around the product expiration date as set forth in the applicable individual distribution agreement. We do not allow product returns for a product that has been dispensed to a patient. We are able to make a reasonable estimate of future potential product returns based on on-hand channel inventory data and sell-through data. In arriving at our estimate, we also consider historical product returns, the underlying product demand, and industry data specific to the speciality pharmaceutical distribution industry.

The Group maintains a rebate provision for expected reimbursements to our commercial partners in circumstances in which actual net revenue per vial differs from expected net revenue per vial as a consequence of, as an example, ongoing pricing negotiations with local health authorities. The amount of our rebate provision is based on, amongst other things, monthly unit sales and in-market sales data received from commercial partners and represents management's best estimate of the rebate expected to be required to settle the present obligation at the end of the reporting period. Provisions for rebates are established in the same period that the related sales are recorded.

Other Revenue
The Group's other revenue primarily consists of research and development fee revenue for research and development services provided under a Sativex development agreement with Otsuka Pharmaceutical Co. Ltd ("Otsuka") that was terminated in December 2017 and variable consideration milestone payments related to the Sativex license agreements.

The research and development fee revenue is recognised at the time the underlying services are performed.

Notes to the Consolidated Financial Statements continued

For the 15 months ended 31 December 2018 and 12 months ended 30 September 2017

2. Significant Accounting Policies continued

The Sativex license agreements contain provisions for the Group to earn variable consideration in the form of regulatory milestone payments, sales-based milestone payments, and royalty payments. The Group has no further performance obligations related to the regulatory milestone payments and these amounts are recognised in accordance with IFRS 15 when receipt of these payments becomes probable and there is no significant risk of revenue reversal. Revenue related to the sales-based milestone payments and product royalty payments are subject to the sales-based royalty exception under IFRS 15 and will be recognised when the underlying sales are made.

Research and Development

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

An internally generated intangible asset arising from the Group's development activities is recognised only if the following conditions can be demonstrated:

> the technical feasibility of completing the intangible asset so that it will be available for use or sale;
> the intention to complete the intangible asset and use or sell it;
> the ability to use or sell the intangible asset;
> how the intangible asset will generate probable future economic benefits;
> the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
> the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the income statement using the effective interest method.

Property, Plant and Equipment

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

Leasehold buildings	20 years or term of lease if shorter
Plant, machinery and lab equipment	3 to 20 years
Office and IT equipment	3 to 5 years
Leasehold improvements	4 to 20 years or term of the lease if shorter

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

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

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

Property, plant and equipment assets are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable in its current condition. They are stated at the lower of carrying amount and fair value less costs to sell. Depreciation is not recorded on assets classified as held-for-sale.

Investments in Subsidiary Companies

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

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

Inventories manufactured prior to regulatory approval are capitalised as an asset but provided for until there is a high probability of regulatory approval of the product. At the point when a high probability of regulatory approval is obtained, which can vary by territory and product but typically will be on acceptance of application by the relevant regulatory authority, the provision is adjusted appropriately to increase the carrying value to expected net realisable value, which may not exceed original cost.

Adjustments to the provision for inventories manufactured prior to regulatory approval are recorded as a component of research and development expenditure. Adjustments to the provision against commercial product related inventories manufactured following achievement of regulatory approval are recorded as a component of cost of goods.

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

The tax payable or recoverable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the Consolidated Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using 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. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the Consolidated Income Statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

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

(Loss)/Earnings per Share
Basic earnings or loss per share is calculated by dividing the net profit or loss by the weighted average number of ordinary shares outstanding for the period, without consideration for ordinary share equivalents. Diluted profit or loss per share is computed by dividing the net profit or loss by the weighted average number of ordinary shares and ordinary share equivalents outstanding for the period.

For the purposes of this calculation, market-priced share options are considered to be ordinary share equivalents but are not included in the calculations of diluted net loss per share for the periods presented as their effect would be antidilutive. Nominal exercise-price options are considered ordinary share equivalents and are included in the calculation of basic weighted average shares outstanding once they have become vested.

Notes to the Consolidated Financial Statements continued

For the 15 months ended 31 December 2018 and 12 months ended 30 September 2017

2. Significant Accounting Policies continued

The Company incurred net losses for both periods presented and there were no reconciling items for potentially dilutive shares. More specifically, at 31 December 2018 and 30 September 2017, options totalling approximately 13.0 million ordinary shares and 7.5 million ordinary shares respectively were excluded from the calculation of diluted net loss per share as their effect would have been anti-dilutive.

Retirement Benefit Costs
The Group does not operate any pension plans, but makes contributions to personal pension arrangements of its Executive Directors and employees. The amounts charged to the Consolidated Income Statement in respect of pension costs are the contributions payable in the year. Differences between contributions payable in the year and contributions paid are shown as either accruals or prepayments in the Consolidated Balance Sheet.

Foreign Currency
The individual financial statements of each Group company are prepared in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of the Group is presented in United States Dollars (US$).

The Group additionally reassessed its functional currency and considered that the Group's parent company, GW Pharmaceuticals plc, had a functional currency of US Dollars with effect from 1 July 2018.

The functional currencies of some of the Company's subsidiaries differ from the consolidated group US dollar presentation currency. As a result, the assets and liabilities of these subsidiaries are translated on consolidation at the rates of exchange prevailing at the balance sheet date. Revenue and expenses are translated at the average rate of exchange for the period. The unrealised gain or loss resulting from this translation is recognised in accumulated other comprehensive income.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates of exchange prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rate for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

Share-Based Payments
The Group operates a number of equity-settled share-based compensation plans under which the Company receives services from employees as consideration for equity instruments (options) of the Company. The fair value of the employee services received in exchange for the grant of the awards is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted (excluding the effect of any non-market-based performance and service vesting conditions) at the date of grant.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based performance and service vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

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

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

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

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

Assets held under finance leases are recognised as assets of the 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 expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as an expense in the periods in which they are incurred.

Financial Instruments

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

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

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

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

Loans and Receivables

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

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

Cash and Cash Equivalents

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

Financial Liabilities

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

Other Financial Liabilities

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

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

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

Critical Judgements in Applying the Group's Accounting Policies

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

Notes to the Consolidated Financial Statements continued

For the 15 months ended 31 December 2018 and 12 months ended 30 September 2017

2. Significant Accounting Policies continued

The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revisions and future periods if the revision affects both current and future periods.
The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Inventories
Inventories manufactured prior to regulatory approval are capitalised as an asset but provided for until there is a high probability of regulatory approval of the product.

During the period to 31 December 2018, the Group commenced capitalisation of Epidiolex inventory material and associated production costs at the point of acceptance of the Group's NDA filing with FDA in December 2017. At the point of FDA approval in June 2018, the Group concluded that the remaining doubt of regulatory approval had been removed and the provision was adjusted to increase the carrying value to expected net realisable value. This adjustment to the provision was recorded as a component of research and development expenditure.

Any subsequent adjustments to the provision against commercial product related inventories manufactured following achievement of regulatory approval have been recorded as a component of cost of goods.

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.

Deferred Taxation
At the balance sheet date, the Group has accumulated tax losses of $515.0 million (30 September 2017: $272.6 million) and other temporary differences of $21.5 million (30 September 2017: $23.8 million) available to offset against future profits. If the value of these losses and other temporary differences were recognised within the Group's balance sheet at the balance sheet date, the Group would be carrying an additional deferred tax asset of $91.2 million (30 September 2017: $50.4 million). However, as explained in the tax accounting policy note, the Group's policy is to recognise deferred tax assets only to the extent that it is probable that future taxable profits, feasible tax-planning strategies, and deferred tax liabilities will be available against which the brought-forward trading losses can be utilised. 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. As such, a deferred tax asset of $8.4 million has been recognised at 31 December 2018 (30 September 2017: $8.2 million) in respect of temporary timings differences relating to the Group's US subsidiary that are expected to be fully recoverable.

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

Adoption of New and Revised Standards
In the current period the following revised standards have been adopted in these financial statements. With the exception of the adoption of IFRS 15, adoption has not had a significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions.

IFRS 9 Financial Instruments (July 2014)
IFRS 15 Revenue from Contracts with Customers
Amendments to IAS 7: Disclosure Initiative (January 2016)
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (January 2016)
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (September 2014)

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were issued by the IASB but not yet effective:

IFRS 11 Joint Arrangements Annual Improvements to IFRSs 2015–2017 Cycle
IFRS 16 Leases (January 2016)
IFRS 17 Insurance Contracts (May 2017)
Amendments to IFRS 1: Annual Improvements to IFRS Standards 2014–16 (December 2016)
Amendments to IFRS 2: Classification and Measurement of Share-Based Payment Transactions (June 2016)
Amendments to IFRS 3: Annual Improvements to IFRSs 2015–2017 Cycle
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (September 2016)
Amendments to IAS 23: Annual Improvements to IFRSs 2015–2017 Cycle
Amendments to IAS 40: Transfer of Investment Property (December 2016)
Amendments to IFRS 9: Prepayment Features with Negative Compensation (October 2017)
Amendments to IAS 28: Annual Improvements to IFRSs 2014–2016 Cycle
Amendments to IAS 28: Long-Term Interests in Associates and Joint Ventures (October 2017)

IFRS 15 Revenue from Contracts with Customers: IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue and its related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Group has early-adopted IFRS 15 with practical expedients, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 October 2017). Accordingly, the comparative information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

The following table summarises the impact of transition to IFRS 15 on retained earnings at 1 October 2017.

	Impact of adopting IFRS 15 at 1 October 2017 $000s
Retained earnings	
Acceleration of deferred signature fee income	7,433
Impact at 1 October 2017	**7,433**

The following tables summarise the impact of adopting IFRS 15 on the Group's Consolidated Statement of Financial Position as at 31 December 2018 and its Consolidated Income Statement for the period then ended for each of the line items affected. There was no material impact on the Group's statement of cash flows for the 15-month period ended 31 December 2018.

Impact on the Consolidated Balance Sheet

	As reported $000s	Adjustments $000s	Amounts without adoption of IFRS 15 $000s
Assets	**–**	**–**	**–**
Total Assets	–	–	–
Equity			
Accumulated deficit brought forwards	(426,109)	7,433	(433,542)
Total Equity	**(426,109)**	**7,433**	**(433,542)**
Liabilities			
Deferred revenue	–	5,613	5,613
Total Liabilities	**–**	**5,613**	**5,613**

Notes to the Consolidated Financial Statements continued

For the 15 months ended 31 December 2018 and 12 months ended 30 September 2017

2. Significant Accounting Policies continued

Impact on the Consolidated Income Statement

	As reported $000s	Adjustments $000s	Amounts without adoption of IFRS 15 $000s
Revenue			
Product sales	17,085	–	17,085
Research and development fees	2,153	–	2,153
License, collaboration and technical access fees	–	(1,820)	1,820
Development and approval milestones	153	–	153
Total Revenue	19,391	(1,820)	21,211
Cost of sales	(7,912)	–	(7,912)
Research and development expenditure	(167,142)	–	(167,142)
Sales, general and administrative expenses	(187,602)	–	(187,602)
Net foreign exchange loss	(2,666)	–	(2,666)
Operating loss	**(345,931)**	**(1,820)**	**(344,111)**
Interest expense	(1,573)	–	(1,573)
Interest and other income	11,155	–	11,155
Loss before tax	**(336,349)**	**(1,820)**	**(334,529)**
Tax charge	(5,090)	–	(5,090)
Loss for the period	**(341,439)**	**(1,820)**	**(339,619)**

License, collaboration and technical access fees: Under IAS 18, revenue relating to deferred signature fees was recognised in a linear fashion over the expected timeline of the underlying research and collaboration agreement, based on an estimate formed at inception of the agreement.

Under IFRS 15, recognition of the deferred signature fees is instead linked to the specific R&D performance obligations under the agreement. Per the requirements of IFRS 15, the completion of these performance obligations occurred at an earlier stage, and so leads to recognition of the deferred signature fee balances faster than previously accounted for under IAS 18. All performance obligations with the affected agreements were completed in a prior accounting period according to IFRS 15, and therefore there are no significant ongoing effects of the adoption of IFRS 15.

IFRS 15 did not have a significant impact on the Group's accounting policies with respect to other revenue streams, and so no adjustment was required.

IFRS 16 Leases: The Group is required to adopt IFRS 16 Leases from 1 January 2019. The Group has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below. The actual impacts of adopting the standard on 1 January 2019 may change because the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Group will recognise new assets and liabilities for its operating leases of office space, warehouse and production facilities. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised. In addition, the Group will no longer recognise provisions for operating leases that it assesses to be onerous. Instead, the Group will include the payments due under the lease in its lease liability. No significant impact is expected for the Group's finance leases.

While the Group is still finalising the adoption procedures, the Group estimates that the adoption of this standard will result in recognition of additional lease assets and lease liabilities on its consolidated balance sheet as of 1 January 2019 of approximately $13.0 million to $17.0 million. The Group does not believe the adoption of IFRS 16 will materially affect its consolidated net loss or liquidity. The Group plans to apply IFRS 16 initially using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

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

3. Segmental Information

In accordance with IFRS 8 Operating Segments, the chief operating decision maker ("CODM"), who is responsible for allocating resources and assessing performance of the Group, has been identified as a sub-group of the Executive Leadership Team ("ELT"), consisting of those members charged with executive management of the Group's business activities.

In December 2017, the Group's research and development agreement with Otsuka was terminated by mutual agreement. As part of this process, the rights to develop and commercialise Sativex in the United States were returned to the Group. As a result of this, the recognition of certain advance payments and deferred signature fee income balances in the Income Statement was accelerated on the basis that no further obligations remain to be fulfilled by the Group. The Group's CODM considered that, following this termination, the nature of the Group's operations has changed such that a review of operating segments was performed. The results of this identified that reporting a single operating segment has become appropriate, and reflects the Group's strategy of discovering, developing and commercialising novel therapeutics from its proprietary cannabinoid product platform in a broad range of disease areas. The subsequent FDA approval and successful commercial release of another pipeline candidate, Epidiolex, during the last quarter of the current financial period further confirms this strategic orientation. Accordingly, the information required under IFRS 8 "Operating Segments", including the respective comparative information, has been presented for the single operating segment below.

The Group has licensing agreements for the commercialisation of Sativex with Almirall S.A. in Europe (excluding the United Kingdom) and Mexico, Bayer HealthCare AG in the United Kingdom and Canada, Neopharm Group in Israel, Emerge Health Pty. Ltd. in Australasia and Malaysia and Ipsen Biopharm Ltd. in Latin America (excluding Mexico and the Islands of the Caribbean). Revenues include product sales, royalties, license, collaboration and technical access fees, and development and approval milestone fees.

Revenues arising from the Group's activities during the period were as follows:

	15 months to 31 December 2018 $000s	12 months to 30 September 2017 $000s
Revenue		
Product sales – Sativex	**12,416**	7,957
Product sales – Epidiolex	**4,669**	–
Product sales – Total	**17,085**	7,957
Research and development fees	**2,153**	672
Licence, collaboration and technical access fees	**–**	1,750
Development and approval milestones	**153**	140
	19,391	10,519

Segment Results

Revenues from the Group's largest customers are included within revenue as follows:

	15 months to 31 December 2018 $000s	12 months to 30 September 2017 $000s
Customer A	**7,937**	5,405
Customer B	**4,849**	–
Customer C	**3,137**	1,991
Customer D	**2,065**	669

Notes to the Consolidated Financial Statements continued

For the 15 months ended 31 December 2018 and 12 months ended 30 September 2017

3. Segmental Information continued

Geographical Analysis of Revenue by Location of Customer:

	15 months to 31 December 2018 $000s	12 months to 30 September 2017 $000s
United Kingdom	**1,981**	1,918
Europe (excluding UK)	**8,012**	6,821
United States	**6,230**	479
Canada	**1,378**	743
Asia/Other	**1,790**	558
	19,391	10,519

Allocation to geographies is made in reference to the location of each individual customer.

4. Research and Development Expenditure

	15 months to 31 December 2018 $000s	12 months to 30 September 2017 $000s
GW-funded research and development	**166,538**	141,353
Development partner-funded research and development	**604**	669
	167,142	142,022

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

Development partner-funded research and development expenditures include the costs of maintaining and defending patents. These expenditures are charged to the Group's commercial partners, principally Otsuka.

5. Loss Before Tax

Loss before tax is stated after charging/(crediting):

	15 months to 31 December 2018 $000s	12 months to 30 September 2017 $000s
Cost of inventories recognised as an expense	**7,002**	4,521
Operating lease rentals – land and buildings	**6,913**	4,599
Operating lease rentals – equipment	**359**	32
Depreciation of property, plant and equipment	**10,626**	6,739
Impairment of property, plant and equipment	**–**	809
Reversal of impairment of property, plant and equipment	**–**	(276)
Amortisation of intangible assets	**1,118**	313
(Increase)/decrease in provision for inventories	**893**	133
Foreign exchange loss	**2,666**	6,442
Staff costs (see note 7)	**147,065**	70,645

6. Auditor's Remuneration

	15 months to 31 December 2018 $000s	12 months to 30 September 2017 $000s
The auditor for the periods ended 31 December 2018 and 30 September 2017 was Deloitte LLP		
Audit fees:		
– Audit of the Group's annual accounts[1]	**1,908**	606
– Audit of the Company and subsidiaries pursuant to legislation	**82**	74
Total audit fees	**1,990**	680
Other services		
– Audit-related assurance[2]	**170**	130
– Other assurance services[3]	**253**	26
– All other services	**68**	–
Total non-audit fees	**491**	156

1 For the periods ended 31 December 2018 and 30 September 2017, audit fees include amounts for the audit of the consolidated financial statements in accordance with the International Standards of Auditing, standards of the Public Company Accounting Oversight Board (United States) and include amounts for the audit of the Group's internal controls over financial reporting.
2 Audit-related assurance fees relate to fees for the performance of interim reviews, and other procedures on interim results.
3 Other assurance services represents assurance reporting on historical financial information included in the Company's shelf and follow-on US registration statements.

An additional $79,000 was billed in respect of the 2016 audit during the year ended 30 September 2017.

The Audit Committee's policy is to pre-approve all audit, audit-related and other services performed by the auditor. All such services were pre-approved during the period ended 31 December 2018 and year ended 30 September 2017 under the Audit Committee's policy.

7. Staff Costs

The monthly average number of Group employees for the period was:

	15 months to 31 December 2018 Number (Restated)	12 months to 30 September 2017 Number (Restated)
Production	**156**	114
Research and development	**293**	319
Sales, general and administration	**234**	100
	683	533

During the 15-month period ended 31 December 2018, the Group received FDA approval for Epidiolex in the United States. As a result, commercial production of Epidiolex commenced during the period. Those employees associated with production activities have been disclosed separately in the note above for the current period. To aid comparability with the year ended 30 September 2017, those carrying out comparable activities in the prior year have been reclassified from research and development activities to production. Employees involved in production activities may produce material used in commercial or research and development activities.

Notes to the Consolidated Financial Statements continued

For the 15 months ended 31 December 2018 and 12 months ended 30 September 2017

7. Staff Costs continued

The average number of Company employees for the 15-month period was six (year ended 30 September 2017: four), and all in the current and comparative period are Executive or non-Executive Directors on service agreements.

	15 months to 31 December 2018 $000s	12 months to 30 September 2017 $000s
Group aggregate remuneration comprised:		
Wages and salaries	**96,901**	47,903
Social security costs	**6,266**	5,492
Other pension costs	**3,378**	2,107
Share-based payment	**40,520**	15,143
	147,065	70,645

The Company incurred $1.4 million of staff costs during the 15-month period ended 31 December 2018 (year ended 30 September 2017: $0.5 million).

8. Directors' Remuneration

Directors' remuneration and other benefits for the period ended 31 December 2018 and year ended 30 September 2017 were as follows:

	15 months to 31 December 2018 $000s	12 months to 30 September 2017 $000s
Emoluments	**2,520**	3,997
Money purchase contributions to Directors' pension arrangements	**10**	101
Gain on exercise of share options	**5,992**	16,570
	8,522	20,668

During 2018, one Director was a member of a defined contribution pension scheme (year ended 30 September 2017: six).

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 15 to 33.

9. Other income and expense

	15 months to 31 December 2018 $000s	12 months to 30 September 2017 $000s
Interest expense – finance lease interest	**(596)**	(461)
Interest expense – fit out funding interest	**(977)**	(490)
Total interest expense	**(1,573)**	(951)
Interest income – bank interest	**6,094**	2,063
Other income	**5,061**	–
Total interest and other income	**11,155**	2,063

Other income relates to an "above the line" credit associated with the UK large company R&D tax scheme. This represents an amount which was claimable from UK tax authorities in relation to qualifying expenditure incurred in the same period.

10. Tax

a) Analysis of Tax Charge/(Benefit) for the Period

	15 months to 31 December 2018 $000s	12 months to 30 September 2017 $000s
Current year research and development tax credit	**–**	(25,409)
Current period tax charge	**5,134**	2,738
Adjustment in respect of prior year tax credit	**(55)**	(598)
Deferred tax credit	**–**	(3,349)
Movements on deferred tax assets	**11**	166
Tax charge/(benefit)	**5,090**	(26,452)

Tax credits relate to UK research and development tax credits claimed under the Corporation Tax Act 2009. In the period to 31 December 2018, the Group was no longer eligible to claim research and development tax credits under the SME scheme. Tax credits are now claimed under the large company RDEC scheme and are recorded as other income in the profit and loss account.

The Group recognises in full the estimated benefit for qualifying current period UK research and development expenditures and resulting tax credits. Any difference in the credit ultimately received is recorded as an adjustment in respect of prior year.

The Group recognises the likely recoverable estimated benefit for qualifying current year US research and development expenditures and resulting tax credits. Any difference in the credit ultimately received is recorded as an adjustment in respect of prior year.

At 31 December 2018 the Group had tax losses available for carry forward of approximately $515.0 million (30 September 2017: $272.6 million). These losses were generated in the UK. Of such carried-forward losses, which are not subject to expiry, the Group has recognised a deferred tax asset of $1.7 million (30 September 2017: $2.2 million) up to the level of deferred tax liabilities arising in the same jurisdiction and additionally an asset supportable by taxable income projections of $nil (30 September 2017: $nil). The Group has also recognised a deferred tax asset of $8.4 million (30 September 2017: $8.4 million) in respect of taxable temporary timing differences relating to timing differences in another jurisdiction supportable by taxable income projections. In addition, the Group has not recognised deferred tax assets relating to other temporary differences of $21.5 million (30 September 2017: $23.8 million). These deferred tax assets have not been recognised as the Group's management considers that there is insufficient future taxable income, taxable temporary differences and feasible tax-planning strategies to utilise all of the cumulative losses and therefore it is probable that the deferred tax assets will not be realised in full. If future income differs from current projections, this could significantly impact the tax charge or benefit in future periods.

In addition to the amount charged to the income statement and other comprehensive income, the following amounts relating to tax have been recognised directly in equity:

	15 months to 31 December 2018 $000s	12 months to 30 September 2017 $000s
Change in estimate of excess tax deductions related to share-based payments	**(123)**	171
Total income tax recognised directly in equity	**(123)**	171

Notes to the Consolidated Financial Statements continued

For the 15 months ended 31 December 2018 and 12 months ended 30 September 2017

10. Tax continued

b) Factors Affecting the Tax Benefit for the Year

The tax benefit for the period can be reconciled to the tax benefit on the Group's loss for the period at the standard UK corporation tax rate as follows:

	15 months to 31 December 2018 $000s	12 months to 30 September 2017 $000s
Loss before tax	**(336,349)**	(194,597)
Tax credit on Group loss before tax at the standard UK corporation tax rate of 19.0% (Year ended 30 September 2017: 19.5%)	**(63,906)**	(37,946)
Effects of:		
Expenses not deductible in determining taxable profit	**1,676**	967
Impact of employee share acquisition relief	**(3,093)**	(3,565)
Current year UK research and development tax credit	**–**	(25,409)
Current year US tax credits	**(2,940)**	(2,574)
R&D enhanced tax relief and surrender of losses	**–**	14,855
Effect of unrecognised losses and temporary differences	**67,412**	27,234
Overseas profits taxed at different rates	**5,996**	582
Adjustment in respect of prior year tax credit	**(55)**	(596)
Tax	**5,090**	(26,452)

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting periods:

	Accelerated Tax Depreciation $000s	Tax Losses $000s	Share-Based Payment and Other Compensation $000s	Total $000s
At 1 October 2016	(2,477)	2,371	5,107	5,001
Credited to profit or loss	137	281	2,931	3,349
Charged to equity	–	–	(171)	(171)
Exchange differences	(79)	94	197	212
At 1 October 2017	(2,419)	2,746	8,064	8,391
Credited/(charged) to profit or loss	1,533	(1,657)	113	(11)
Credited to equity	–	–	123	123
Exchange differences	46	(53)	(116)	(123)
At 31 December 2018	**(840)**	**1,036**	**8,184**	**8,380**

Deferred tax assets and liabilities have been offset where the Group has a legally enforceable right to do so, and intends to settle on a net basis. The taxing authority permits the Group to make or receive a single net payment for all UK subsidiaries. The Group's US subsidiary operates in a different jurisdiction with no legally enforceable right to offset against UK tax charges or credits.

On 15 September 2016, the reduction in the main rate of corporation tax from 19% to 17% was enacted, with effect from 1 April 2020. This reduction to 17% received Royal Assent in February 2019. The enacted UK tax rate until 31 March 2017 was 20%.

11. Loss Per Share

The calculations of loss per share are based on the following data:

	15 months to 31 December 2018 $000s	12 months to 30 September 2017 $000s
Loss for the period – basic and diluted	**(341,439)**	(168,145)

	Number of shares	
	15 months to 31 December 2018 million	12 months to 30 September 2017 million
Weighted average number of ordinary shares	**340.4**	303.6
Less ESOP trust ordinary shares[1]	**–**	–
Weighted average number of ordinary shares for purposes of basic earnings per share	**340.4**	303.6
Effect of potentially dilutive shares arising from share options[2]	**–**	–
Weighted average number of ordinary shares for purposes of diluted earnings per share	**340.4**	303.6
Loss per share – basic	**(100.3)c**	(55.4)c
Loss per share – diluted	**(100.3)c**	(55.4)c

1 As at 31 December 2018 33,054 ordinary shares were held in the ESOP trust (30 September 2017: 33,054). The effect is less than 0.1 million shares, and consequently these have not been presented above.

2 The Group incurred a loss in each of the financial periods above. As a result, the inclusion of potentially dilutive share options in the diluted loss per share calculation would have an anti-dilutive effect on the loss per share for the period. The impact of 13.0 million share options have therefore been excluded from the diluted loss per share calculation for the period ended 31 December 2018 (year ended 30 September 2017: 7.5 million).

12. Intangible Assets – Goodwill

Group	31 December 2018 $000s	30 September 2017 $000s
Cost – as at 1 October	**6,959**	6,959
Net book value – as at period end	**6,959**	6,959

Goodwill arose upon the acquisition of GW Research Limited (formerly G-Pharm Limited) in 2001. For impairment testing purposes, all goodwill has been allocated to the single reportable segment, as described in Note 3, as a separate cash-generating unit. Goodwill has an indefinite useful life and is tested annually for impairment or more frequently if there are indications of impairment.

The Group has determined the recoverable amount of the Commercial segment based on a value-in-use calculation. This calculation uses pre-tax cash flow projections based on financial budgets approved by management covering a two-year period. Cash flows beyond the two-year period are based upon detailed internal and external third-party analysis of the Group's product opportunity, of which Epidiolex is a significant contributor, or are extrapolated using the estimated growth rates stated below. The projections include assumptions about the timing and likelihood of product launches and pricing policy.

Management has determined the following assumptions to be the key assumptions in the calculation of value-in-use for the Commercial segment:

Growth rate – sales volume in each period is the main driver for revenue and costs. The same growth rates have been used in financial budgets and are consistent with in-market run rates and internal commercial forecasts based on a 10-year period.

Long-term growth rate – A 0% growth rate has been applied after 10 years (30 September 2017: 0% after 10 years). This approach has been adopted by management as it is representative of the long development and product lifecycle in the pharmaceutical sector. In future periods, depending on the performance of the Commercial segment, it may be necessary to revise the terminal growth rate.

Discount rate – a 13.4% (30 September 2017: 15.7%) pre-tax rate has been used. This is considered appropriate for the purpose of impairment reviews as it reflects the current market assessment of the time value of money and the risks specific to the cash-generating unit.

Any reasonably possible change in the key assumptions on which value-in-use is based would not cause the carrying amount to exceed the recoverable amount of the Commercial segment.

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For the 15 months ended 31 December 2018 and 12 months ended 30 September 2017

13. Other Intangible Assets

Group	Intangible Assets Under the Course of Construction $000s	Software $000s	Licences $000s	Total $000s
Cost				
At 1 October 2016	535	379	107	1,021
Additions	323	459	61	843
Reclassifications	52	–	–	52
Transfers of completed assets	(697)	697	–	–
Disposals	(52)	–	–	(52)
Exchange differences	10	66	6	82
At 1 October 2017	171	1,601	174	1,946
Additions	2,398	–	–	2,398
Transfers of completed assets	(2,508)	2,508	–	–
Disposals	–	(165)	–	(165)
Exchange differences	8	(181)	(9)	(182)
At 31 December 2018	**69**	**3,763**	**165**	**3,997**
Accumulated amortisation				
At 1 October 2016	–	197	12	209
Charge for the year	–	297	16	313
Exchange differences	–	22	1	23
At 1 October 2017	–	516	29	545
Charge for the period	–	1,078	40	1,118
Disposals	–	(4)	–	(4)
Exchange differences	–	(76)	(3)	(79)
At 31 December 2018	**–**	**1,514**	**66**	**1,580**
Net book value				
At 31 December 2018	**69**	**2,249**	**99**	**2,417**
At 30 September 2017	171	1,085	145	1,401

Included in additions are $nil of other intangible assets which are unpaid at the balance sheet date and are included in trade and other payables (30 September 2017: $nil).

14. Property, Plant and Equipment

Group	Assets Under the Course of Construction $000s	Leasehold Buildings $000s	Plant, Machinery and Lab Equipment $000s	Office and IT Equipment $000s	Leasehold Improvements $000s	Total $000s
Cost						
At 1 October 2016	27,578	4,652	16,566	1,831	13,304	63,931
Additions	13,990	–	599	92	535	15,216
Reclassifications	(52)	–	–	–	–	(52)
Transfers of completed assets	(33,921)	–	12,697	168	21,056	–
Transfers to assets held for sale in year	–	–	(1,595)	–	–	(1,595)
Disposals	(498)	–	(984)	(42)	(287)	(1,811)
Exchange differences	183	160	1,067	65	1,435	2,910
At 1 October 2017	7,280	4,812	28,350	2,114	36,043	78,599
Additions	45,743	–	163	232	314	46,452
Transfers of completed assets	(7,991)	–	6,002	569	1,420	–
Disposals	–	–	(228)	(283)	–	(511)
Exchange differences	(2,133)	(239)	(1,676)	(111)	(1,824)	(5,983)
At 31 December 2018	**42,899**	**4,573**	**32,611**	**2,521**	**35,953**	**118,557**
Accumulated depreciation and impairment						
At 1 October 2016	783	81	7,132	869	4,775	13,640
Charge for the year	–	230	2,765	423	3,321	6,739
Transfers to assets held for sale in year	–	–	(435)	–	–	(435)
Impairment of assets	–	–	809	–	–	809
Reversal of impairment of assets	(276)	–	–	–	–	(276)
Disposals	(498)	–	(215)	(41)	(191)	(945)
Exchange differences	(9)	13	381	46	308	739
At 1 October 2017	–	324	10,437	1,297	8,213	20,271
Charge for the period	–	299	4,351	578	5,398	10,626
Disposals	–	–	(78)	(233)	–	(311)
Exchange differences	–	(30)	(712)	(73)	(644)	(1,459)
At 31 December 2018	**–**	**593**	**13,998**	**1,569**	**12,967**	**29,127**
Net book value						
At 31 December 2018	**42,899**	**3,980**	**18,613**	**952**	**22,986**	**89,430**
At 30 September 2017	7,280	4,488	17,913	817	27,830	58,328

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

The net book value of property, plant and equipment at 31 December 2018 includes $5.1 million in respect of assets held under finance leases (30 September 2017: $6.1 million). Included in additions is $0.1 million of property, plant and equipment which is unpaid and is included in trade and other payables (30 September 2017: $2.7 million).

During the prior financial year, the Group's purpose-built manufacturing and processing facility was completed and occupied. Upon completion the associated capitalised costs previously held in Assets Under the Course of Construction were reclassified to the relevant asset class for each component asset. Depreciation commenced at this date and will continue over the relevant assets' useful economic lives.

Notes to the Consolidated Financial Statements continued

For the 15 months ended 31 December 2018 and 12 months ended 30 September 2017

15. Inventories

Group	31 December 2018 $000s	30 September 2017 $000s
Raw materials	**724**	266
Work in progress	**41,918**	4,513
Finished goods	**8,365**	890
Total inventories, net of provision	**51,007**	5,669

Inventories with a carrying value of $35.3 million are considered to be recoverable after more than one year from the balance sheet date, but within the Group's normal operating cycle (30 September 2017: $2.8 million).

The provision for inventories relates to inventories expected to be utilised in the Group's R&D activities. The movement in the provision for inventories is as follows:

	31 December 2018 $000s	30 September 2017 $000s
Opening balance	**55**	152
Write-down of inventories	**24,359**	203
Write off of inventories included in the provision	**(467)**	(226)
Reversal of write-down of inventories	**(22,954)**	(75)
Foreign exchange	**(45)**	1
Closing balance	**948**	55

The reversal of write-down is as a result of the Group achieving a successful Federal Drug Administration (FDA) approval for Epidiolex in the United States in June 2018. This reduced the uncertainty surrounding the recoverability of existing commercial inventory, and therefore resulted in the reversal of the provision on Epidiolex-related inventory accumulated prior to that date.

Write off of inventories previously provided for and reversal of write-down of inventory does not impact cash flow.

The Company did not own any inventory in the current or prior years.

16. Trade and Other Receivables

	Group		Company	
	31 December 2018 $000s	30 September 2017 $000s	**31 December 2018 $000s**	30 September 2017 $000s
Amounts falling due within one year				
Trade receivables	**4,192**	1,366	**–**	–
Prepayments and accrued income	**10,967**	9,993	**1,768**	377
Other receivables	**4,265**	3,624	**2**	71
Amounts due from group undertakings	**–**	–	**182,106**	60,754
	19,424	14,983	**183,876**	61,202

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

Trade receivables at 31 December 2018 represent 105 days of sales (30 September 2017: 45 days). The average trade receivable days during the period ended 31 December 2018 was 45 days (year ended 30 September 2017: 47 days). The credit period extended to customers is 30 to 60 days.

The trade receivables balance at 31 December 2018 consisted of balances due from six customers (30 September 2017: five customers) with the largest single customer representing 87% (30 September 2017: 53%) of the total amount due. The Group's customers consist of a small number of large pharmaceutical companies, where the risk attributable to each customer is considered to be low. The Group seeks to mitigate credit risk by seeking payments in advance from pharmaceutical partners for significant expenditure to be incurred on their behalf.

No interest is charged on trade receivables. No impairment losses were recognised during the period ended 31 December 2018 (year ended 30 September 2017: $nil).

Prepayments and accrued income include $1.6 million (30 September 2017: $5.1 million) of deposits paid in advance on tangible and intangible fixed assets. The goods and services associated with these deposits are expected to be received by the Group within one year.

The Directors consider that the carrying value of trade receivables approximates to their fair value due to the short maturity thereof.

17. Trade and Other Payables

	Group		Company	
	31 December 2018 $000s	30 September 2017 $000s	**31 December 2018 $000s**	30 September 2017 $000s
Amounts falling due within one year				
Other creditors and accruals	**41,824**	25,824	**2,586**	583
Clinical trial and associated accruals	**10,059**	7,373	**–**	–
Trade payables	**9,788**	7,757	**–**	285
Other taxation and social security	**1,372**	2,714	**19**	13
Fit out funding (see note 18)	**539**	520	**–**	–
Onerous lease provision	**4**	48	**–**	–
Amounts owed to group undertakings	**–**	–	**1,960**	271
	63,586	44,236	**4,565**	1,152
Amounts falling due after one year				
Fit out funding (see note 18)	**9,434**	10,629	**–**	–
Other creditors and accruals	**495**	1,720	**–**	–
Onerous lease provision	**–**	15	**–**	–
	9,929	12,364	**–**	–
	73,515	56,600	**4,565**	1,152

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For the 15 months ended 31 December 2018 and 12 months ended 30 September 2017

17. Trade and Other Payables continued

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. Trade payables at 31 December 2018 represent the equivalent of 17 days' purchases (30 September 2017: 19 days).

The average credit period taken for trade purchases during the period ended 31 December 2018 was 19 days (year ended 30 September 2017: 15 days).

For most suppliers, no interest is charged on invoices that are paid within a pre-agreed trade credit period. The Group has procedures in place to ensure that invoices are paid within agreed credit terms so as to ensure that interest charges by suppliers are minimised.

The Directors consider that the carrying value of trade payables approximates to their fair value due to the short maturity thereof.

The onerous lease provision relates to an operating lease held on a property which was vacated in order to occupy larger premises.

18. Fit Out Funding

On 19 November 2013 the Group entered into an agreement with its landlord to receive fit out funding of $13.1 million to fund the expansion and upgrades to manufacturing facilities. The funds were received in tranches, with the final amount received on 1 July 2014. The repayment of the borrowing takes the form of quarterly rental payments over a period of 15 years which commenced on 27 May 2016 when the Group entered into the associated lease of the building. As at 31 December 2018 associated interest of $3.7 million has been incurred (30 September 2017: $3.0 million). The total liability at 31 December 2018 is $10.0 million (30 September 2017: $11.1 million). The Group has estimated that $0.5 million of the total liability will be due within one year and the remaining $9.4 million is due after one year.

The liability in respect of the funding was initially recognised at the amount of proceeds received, net of transaction costs, and has been subsequently carried at amortised cost using the effective interest method and a rate of 7.0% (30 September 2017: 7.0%).

The following table details the Group's remaining contractual maturity for its borrowings and the related interest payments. The tables are based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group could be required to pay. The table includes cash flows for both interest, based on the rate applicable as at 31 December 2018, and principal amounts:

Forward projection of cash flows as at 31 December 2018	**<1 year $000s**	**1–2 years $000s**	**2–3 years $000s**	**3–4 years $000s**	**4–5 years $000s**	**5+ years $000s**	**Total $000s**
Principal	539	576	619	664	712	6,863	9,973
Interest	686	649	606	561	513	1,924	4,939
Total	**1,225**	**1,225**	**1,225**	**1,225**	**1,225**	**8,787**	**14,912**

Forward projection of cash flows as at 30 September 2017	<1 year $000s	1–2 years $000s	2–3 years $000s	3–4 years $000s	4–5 years $000s	5+ years $000s	Total $000s
Principal	520	557	596	641	687	8,148	11,149
Interest	769	732	693	648	602	2,709	6,153
Total	1,289	1,289	1,289	1,289	1,289	10,857	17,302

19. Obligations Under Finance Leases

Group	Minimum Lease Payments 31 December 2018 $000s	Minimum Lease Payments 30 September 2017 $000s
Amounts payable under finance leases:		
Within one year	**826**	743
In the second to fifth years inclusive	**2,804**	2,965
After five years	**6,696**	7,960
	10,326	11,668
Less: future finance charges	**(4,236)**	(5,042)
Present value of lease obligations	**6,090**	6,626

	Present Value of Lease Payments 31 December 2018 $000s	Present Value of Lease Payments 30 September 2017 $000s
Amounts payable under finance leases:		
Amounts due for settlement within 12 months	**400**	274
Amounts due for settlement after 12 months	**5,690**	6,352
	6,090	6,626

It is the Group's policy to lease certain of its property, plant and equipment under finance leases. The weighted average lease term remaining is 15.2 years (30 September 2017: 16.1 years). For the period ended 31 December 2018, the average effective borrowing rate was 7.7% (30 September 2017: 7.6%). Interest rates are fixed at the contract date. All leases to date have been on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in Pounds Sterling.

The carrying value of the Group's lease obligations as at 31 December 2018 approximates to their fair value.

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

Notes to the Consolidated Financial Statements continued

For the 15 months ended 31 December 2018 and 12 months ended 30 September 2017

20. Deferred Revenue

Group	31 December 2018 $000s	30 September 2017 $000s
Amounts falling due within one year		
Deferred licence, collaboration and technical access fee income	–	1,558
Advance research and development fees	–	1,524
	–	3,082
Amounts falling due after one year		
Deferred licence, collaboration and technical access fee income	–	5,690

In the 15-month period to 31 December 2018, the Group adopted IFRS 15 Revenue from Contracts with Customers. More information is provided in Note 2.

21. Financial Instruments

The capital structure of the Group consists of cash and cash equivalents and total equity attributable to the owners of the parent. The Group manages its capital to ensure that entities in the Group will be able to continue operating as a going concern while maximising shareholder returns. The Group's overall strategy remains unchanged.

Group senior management are responsible for monitoring and managing the financial risks relating to the operations of the Group, which include credit risk, market risks arising from interest rate risk and currency risk, and liquidity risk. The Board of Directors and the Audit Committee review and approve the internal policies for managing each of these risks, as summarised below. The Group is not subject to any externally imposed capital requirements.

The Group's financial instruments are summarised below:

Categories of Financial Instruments

	Group		Company	
	31 December 2018 $000s	30 September 2017 $000s	31 December 2018 $000s	30 September 2017 $000s
Financial assets – loans and receivables				
Cash at bank and in hand	**489,869**	322,154	**442,568**	257,538
Cash equivalents – Money market liquidity fund	**101,628**	–	**101,628**	–
Cash and cash equivalents	**591,497**	322,154	**544,196**	257,538
Trade receivables – at amortised cost	**4,192**	1,366	**–**	–
Other receivables	**2,917**	2,269	**950**	187
Amounts due from group undertakings	**–**	–	**182,106**	60,754
Total financial assets	**598,606**	325,789	**727,252**	318,479
Financial liabilities – amortised cost				
Other creditors and accruals	**41,212**	22,102	**2,586**	583
Clinical trial accruals	**10,059**	7,373	–	–
Trade payables	**9,788**	7,757	–	285
Fit out funding	**9,973**	11,149	–	–
Obligations under finance leases	**6,090**	6,626	–	–
Amounts owed to group undertakings	**–**	–	**1,960**	271
Total financial liabilities	**77,122**	55,007	**4,546**	1,139

All Group and Company financial assets are current in nature. All Group financial liabilities, other than the non-current element of $5.7 million in respect of the obligations under finance leases (30 September 2017: $6.4 million), $0.5 million (30 September 2017: $1.7 million) of other creditors and accruals and $9.4 million (30 September 2017: $10.6 million) of fit out funding received from the Group's landlord, are current in nature. All Company financial liabilities were current in nature. In all instances, the Directors consider that the carrying value of financial assets and financial liabilities approximates to their fair value.

The money market liquidity fund portfolios, accounted for as cash equivalents, are managed by external third-party fund managers to maintain a AAA rating. The Group's investments represent no more than 10% of each overall fund value.

It is, and has been throughout the period ended 31 December 2018 and year ended 30 September 2017, 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 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 by the Board of Directors.

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.

At the balance sheet date, the maximum credit risk attributable to any individual counterparty was $173.4 million (30 September 2017: $114.2 million).

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
The Group's activities expose it primarily to financial risks of changes 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 the Group's 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 secures 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 90 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 $6.1 million (year ended 30 September 2017: $2.1 million) during the period ended 31 December 2018 was earned from deposits with a weighted average interest rate of 1.59% (year ended 30 September 2017: 0.89%). Therefore a 100 basis point increase in interest rates, a reasonable approximation of possible changes in the current economic environment, would have increased interest income, and reduced the loss for the period, by $3.9 million (year ended 30 September 2017: reduced loss by $2.4 million).

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 functional currency of the Company, and its subsidiary Greenwich Biosciences, Inc., is US Dollars ("US$"). The functional currency of each its subsidiaries apart from Greenwich Biosciences, Inc., is Pounds Sterling ("GBP"). The Group receives revenues and incurs expenditures in foreign currencies and is exposed to the risks of foreign exchange rate movements, with the impact recognised in the consolidated income statement. 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 Pounds as soon as they arise. The Group does not use derivative contracts to manage exchange rate exposure.

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21. Financial Instruments continued

The table below shows analysis of the US dollar equivalent of period-end cash and cash equivalent balances by currency:

	Group		Company	
	31 December 2018 $000s	30 September 2017 $000s	**31 December 2018 $000s**	30 September 2017 $000s
Cash at bank and in hand:				
Pounds Sterling	**43,698**	76,468	**34,979**	44,556
Euro	**4,791**	2,469	**–**	–
US Dollar	**116,839**	34,304	**85,585**	5,406
Australian Dollar	**44**	–	–	–
Canadian Dollar	**2,493**	1,338	**–**	–
Total	**167,865**	114,579	**120,564**	49,962
Short-term deposits and cash equivalents (less than 30 days):				
US Dollar	**423,632**	207,575	423,632	207,576
Total cash and cash equivalents	**591,497**	322,154	**544,196**	257,538

The table below shows those transactional exposures that give rise to net currency gains and losses recognised in the consolidated 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 relevant Group entity. As at period end these exposures were as follows:

Net Foreign Currency Assets/(Liabilities)

	Group		Company	
	31 December 2018 $000s	30 September 2017 $000s	**31 December 2018 $000s**	30 September 2017 $000s
Pounds Sterling	**20,386**	57,442	**214,292**	104,774
Euro	**1,889**	561	**–**	–
Canadian Dollar	**2,493**	1,338	**–**	–
Other	**(705)**	(369)	**–**	–
	24,063	58,972	**214,292**	104,774

Foreign Currency Sensitivity Analysis

The most significant currencies in which the Group transacts, other than Pounds Sterling, are the US Dollar, the Euro and the Canadian Dollar. The Group also trades in other currencies in small amounts as necessary.

The following table details the Group's sensitivity to a 10% change in the period-end rate, which the Group feels is the maximum likely change in rate based upon recent currency movements, in the key foreign currency exchange rates against Pounds Sterling:

Fifteen-month period ended 31 December 2018	**Pounds Sterling $000s**	**Euro $000s**	**Canadian Dollar $000s**	**Other $000s**
Loss before tax	**2,039**	**189**	**249**	**(70)**
Equity	**2,039**	**189**	**249**	**(70)**

Year ended 30 September 2017	Pounds Sterling $000s	Euro $000s	Canadian Dollar $000s	Other $000s
Loss before tax	5,744	56	134	(37)
Equity	5,744	56	134	(37)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the period-end exposure does not reflect the exposure during the period.

Liquidity Risk
Responsibility for liquidity risk 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 of Directors 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.

Cash deposits, classified as cash and cash equivalents on the balance sheet, comprise deposits placed on money markets for periods of up to three months and on call. The weighted average time for which the rate was fixed was 32 days (year ended 30 September 2017: 32 days).

All of the Group's financial liabilities at each balance sheet date have maturity dates of less than 12 months from the balance sheet date, other than the $5.7 million in respect of the obligations under finance leases (30 September 2017: $6.4 million) and $9.4 million (30 September 2017: $10.6 million) of fit out funding received from the Group's landlord. The obligations under finance leases will be repaid over a weighted average 15.2 year term (30 September 2017: 16.1 year term) and the fit out funding received is being repaid over a 15-year finance term of which repayments commenced during the year ended 30 September 2016. 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.

22. Share Capital

As at 31 December 2018 the share capital of the Company's allotted, called-up and fully paid amounts were as follows:

	31 December 2018 $000s	30 September 2017 $000s
Allotted, called-up and fully paid	564	483

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

	Number of Shares	Total Nominal Value $000s	Total Share Premium $000s	Total Consideration $000s
As at 1 October 2016	302,093,139	480	837,374	837,854
Exercise of share options	2,346,601	3	119	122
As at 1 October 2017	304,439,740	483	837,493	837,976
Issue of new shares (net of issuance costs)	59,340,000	79	622,493	622,572
Exercise of share options	2,836,948	2	616	618
As at 31 December 2018	**366,616,688**	**564**	**1,460,602**	**1,461,166**

In December 2017, the Group completed the first equity financing held during the period, issuing 33,120,000 ordinary shares in the form of American Depositary Shares ("ADSs") listed on the NASDAQ Global market, raising net proceeds after expenses of US$297.9 million. This took the form of 2,760,000 ADSs at a price to the public of US$115.00 per ADS. Each ADS represents 12 ordinary shares of 0.1p each in the capital of the Company.

Subsequently, in October 2018 the Group completed its second equity financing during the period, issuing 26,220,000 ordinary shares in the form of ADSs listed on the NASDAQ Global market, raising net proceeds after expenses of US$324.6 million. This took the form of 2,185,000 ADSs at a price to the public of US$158.00 per ADS. Each ADS represents 12 ordinary shares of 0.1p each in the capital of the Company.

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

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23. Share-Based Payments

Share Option Schemes

In March 2008, the Group adopted the GW Pharmaceuticals plc Long-Term Incentive Plan ("the 2008 LTIP Plan"). Share-based awards granted by the Group from March 2008 to March 2017 were granted under the 2008 LTIP Plan. On 14 March 2017, the Group adopted the GW Pharmaceuticals plc 2017 Long-Term Incentive Plan ("the 2017 LTIP Plan"). The 2017 LTIP plan authorises the Group to issue up to an aggregate of 15,000,000 ordinary shares, or 1,250,000 ADSs, related to share-based awards to employees, non-employee Directors and consultants. No grants under the 2017 LTIP Plan may be made after 13 March 2022. As of 31 December 2018, 6,706,971 ordinary shares have been or may be issued pursuant to share-based awards that have been granted under the 2017 LTIP Plan.

The Group issues new ordinary shares and the commensurate number of ADSs when share-based awards are exercised.

Provisions of Share-Based Awards

The Group issues nominal exercise price share options, which have an exercise price equal to the £0.001 par value per ordinary share of the Company's ordinary shares, to executive officers, employees and consultants. The Group also issues market-priced options to executive officers and non-employee Directors. Nominal exercise priced options granted to US residents prior to April 2017 contain short-term expiration provisions so the awards are compliant with provisions of IRS Code 409(a). Nominal exercise price options granted to US residents beginning in April 2017 are awarded in the form of RSU-style options.

Substantially all of the share-based awards issued by the Group have service-based vesting conditions. Many awards also have non-market-based performance conditions, which must be achieved within the service-based vesting period for the awards to vest. These performance conditions are generally linked to operational, regulatory or strategic milestones and are designed to incentivise individual employees and advance the Group's progress towards its strategic objectives. Share-based awards that do not automatically exercise at vest date expire ten years from the date of grant.

Share-Based Award Activity

The following tables summarise the Group's share option activity. The number of options, the weighted average grant date fair value per share option, and the weighted average exercise price are all on a per ordinary share basis. The Group's ADSs that are listed on the Nasdaq Global Market each represent 12 ordinary shares.

The following table summarises the Group's nominal exercise price share option activity:

	15 months to 31 December 2018		Year ended 30 September 2017	
	Nominal Exercise Price Options Number	**Weighted Average Grant Date Fair Value $**	Nominal Exercise Price Options Number	Weighted Average Grant Date Fair Value $
Outstanding, beginning of period	**9,752,126**	**7.90**	9,182,071	5.16
Granted during the period	**4,431,675**	**9.35**	3,097,105	9.66
Exercised during the period	**(2,767,274)**	**7.22**	(2,239,063)	3.21
Lapsed during the period	**(234,273)**	**9.07**	(287,987)	6.69
Outstanding, end of period	**11,182,254**	**8.44**	**9,752,126**	**7.90**
Exercisable, end of period	**1,053,777**	**3.65**	**1,986,029**	**4.52**

The following table summarises the Group's market-priced share option activity:

	15 months to 31 December 2018		12 months to 30 September 2017	
	Nominal Exercise Price Options Number	Weighted Average Grant Date Fair Value $	Nominal Exercise Price Options Number	Weighted Average Grant Date Fair Value $
Outstanding, beginning of period	**2,173,822**	**8.28**	1,451,101	5.80
Granted during the period	**784,721**	**9.65**	830,263	9.62
Exercised during the period	**(69,673)**	**9.03**	(107,538)	1.15
Lapsed during the period	**–**	**–**	(4)	0.69
Outstanding, end of period	**2,888,870**	**8.49**	**2,173,822**	**8.28**
Exercisable, end of period	**461,317**	**6.90**	**–**	**–**

The weighted average per share fair value of market-priced options granted during the 15-month period ended 31 December 2018 was $5.98 (year ended 30 September 2017: $6.00).

The aggregate intrinsic value of the share options exercised in the 15 months ended 31 December 2018 was $32.3 million. The aggregate intrinsic value of share options exercised in the year ended 30 September 2017 was $22.9 million. As of 31 December 2018, the weighted average remaining contractual life of options outstanding and options exercisable are 5.1 years and 5.4 years, respectively. Based on the Group's closing year-end share price of $97.39 per ADS (or $8.12 per ordinary share) at 31 December 2018, the aggregate intrinsic value of options outstanding and options exercisable are $97.8 million and $9.8 million, respectively.

Valuation and Expense Recognition of Share-Based Awards

The fair value of share option awards that do not contain a market condition is estimated using the Black-Scholes option-pricing model. The estimated fair value of each share option is then expensed over the requisite service period, which is generally the vesting period. The determination of fair value using the Black-Scholes model is affected by the Company's ADS price as well as assumptions regarding a number of complex and subjective variables, including expected ADS price volatility, risk-free interest rate, expected dividends and projected employee share option exercise behaviours. Share options granted during the period ended 31 December 2018 and the year ended 30 September 2017 were valued using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	15 months to 31 December 2018	12 months to 30 September 2017
Weighted average share price	**$10.15**	$9.36
Weighted average exercise price	**$1.58**	$1.93
Expected volatility	**62%**	67%
Expected life	**3.7 years**	3.3 years
Risk-free rate	**2.35%**	1.25%
Expected dividend yield	**Nil**	Nil

The Group estimates its share price volatility based using a combination of historical share price volatility and the average implied volatility of options traded in the open market. The risk-free interest rate assumption is based on observed interest rates for the appropriate term of the Group's share options. The Group has never declared or paid dividends and has no plans to do so in the foreseeable future. The expected option life assumption is estimated based on the mid-point between vest date and expiration date since the Group does not have sufficient exercise history to estimate expected option life of historical grants.

Compensation expense for share-based awards based on a service condition is recognised only for those awards that are ultimately expected to vest. An estimated forfeiture rate has been applied to unvested awards for the purpose of calculating compensation cost. Forfeitures were estimated based on historical experience. These estimates are revised, if necessary, in future periods if actual forfeitures differ from the estimates. Changes in forfeiture estimates impact compensation cost in the period in which the change in estimate occurs. Compensation expense for share-based awards with graded, service-based vesting conditions is recognised over the requisite service period using the accelerated attribution method.

Notes to the Consolidated Financial Statements continued

For the 15 months ended 31 December 2018 and 12 months ended 30 September 2017

23. Share-Based Payments continued

The table below summarises the total share-based compensation expense included in the Group's Consolidated Income Statement for the periods presented (in thousands):

	15 months to 31 December 2018 $000s	12 months to 30 September 2017 $000s
Cost of sales	**413**	–
Research and development expenditure	**11,434**	5,164
Sales, general and administrative expenses	**28,673**	9,979
	40,520	15,143

As of 31 December 2018, total compensation cost related to non-vested share options not yet recognised was approximately $39.7 million, which is expected to be recognised over the next 38 months (11 months on a weighted average basis).

24. Other Reserves

The merger reserve credit of $31.1 million (30 September 2017: credit $31.1 million) was created as a result of the acquisition by the Company of the entire issued share capital of GW Pharma Limited in 2001. This acquisition was effected by a share-for-share exchange which was merger accounted under UK Generally Accepted Accounting Practice ("UK GAAP"), in accordance with the merger relief provisions of Section 131 of the Companies Act 1985 (as amended) relating to the accounting for business combinations involving the issue of shares at a premium. In preparing consolidated financial statements, the amount by which the fair value of the shares issued exceeded their nominal value was recorded in a merger reserve on consolidation, rather than in a share premium account. The merger reserve was retained upon transition to IFRSs, as allowed under UK law. This reserve is not considered to be distributable.

The foreign exchange reserve debit of $80.6 million (30 September 2017: $71.4 million) is due to accumulated foreign exchange translation differences arising on translation of the group's operations into a US Dollar presentational currency. This reserve is not considered to be distributable.

ESOP Reserve

The Group's "ESOP" 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 of the ESOP is GWP Trustee Company Limited, a wholly owned subsidiary of the Company. 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 the recommendation of the Board of Directors of the Company.

Shares held in trust represent issued and fully paid up 0.1p ordinary shares and remain eligible to receive dividends. The shares held by the ESOP were originally acquired in 2000 for nil consideration by way of a gift from a shareholder and hence the balance on the ESOP reserve is nil (30 September 2017: nil).

As at the balance sheet date, the ESOP held the following shares:

	31 December 2018 Number	30 September 2017 Number
Unconditionally vested in employees	**47,118**	69,119
Shares available for future distribution to employees	**33,054**	33,054
Total	**80,172**	102,173

The valuation methodology used to compute the share-based payment charge related to the ESOP is based on fair value at the grant date, which is determined by the application of a Black-Scholes share option pricing model. The assumptions underlying the Black-Scholes model for the ESOP shares are as detailed in note 23 relating to the LTIP awards. The exercise price for shares granted under the ESOP is nil, and the vesting conditions include employment by the Group over a three-year vesting period from the date of grant. The share-based payment charge for shares granted under the ESOP plan amounted to $nil in the period ended 31 December 2018 (year ended 30 September 2017: $nil).

As at 31 December 2018 the number and market value of shares held by the trust which have not yet unconditionally vested in employees is 33,054 (30 September 2017: 33,054) and $0.3 million (30 September 2017: $0.2 million) respectively.

25. Financial Commitments

The Group had capital commitments for property, plant and equipment contracted but not provided for at 31 December 2018 of $38.2 million (30 September 2017: $10.2 million).

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	
	31 December 2018 $000s	30 September 2017 $000s
Within one year	**6,164**	4,846
Between two and five years	**18,673**	11,681
After five years	**11,012**	2,587
	35,849	19,114

The minimum lease payments payable under operating leases recognised as an expense in the period were $7.3 million (2017: $4.6 million).

Operating lease payments represent rentals payable by the Group for certain of its leased properties. Manufacturing and laboratory facilities are subject to 5 to 20-year leases, some of which have a lease break three years prior to the conclusion of the lease at the Group's option. Office properties are subject to 1 to 10-year leases.

During the year ended 30 September 2016, the Group signed a commercial growing agreement with an external supplier to produce plant material for use in the Epidiolex development programmes and commercial release. This agreement commenced on 1 January 2017 and includes multiple fee elements designed to incentivise cost-efficient, reliable production volumes of raw materials for use in research, development and commercial activities.

As part of the accounting treatment for this agreement a component operating lease was identified under the requirements of IFRIC 4 Determining Whether an Arrangement Contains a Lease. Rental payments commenced on 1 January 2017 and continue over a five-year non-cancellable period. Future minimum lease payments associated with this operating lease are included in the table shown above.

Other gross payments associated with this agreement, excluding operating lease rentals and capital commitments outlined above, fall due as follows:

	Group	
	31 December 2018 $000s	30 September 2017 $000s
Within one year	**12,284**	11,986
Between two and five years	**24,295**	39,996
	36,579	51,982

The Company has no commitments for future minimum lease payments under non-cancellable operating leases.

Notes to the Consolidated Financial Statements continued

For the 15 months ended 31 December 2018 and 12 months ended 30 September 2017

26. 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.

	15 months to 31 December 2018 $000s	12 months to 30 September 2017 $000s
Short-term employee benefits	**6,875**	5,291
Post-employment benefits	**58**	107
Share-based payments	**19,417**	9,240
	26,350	14,638

Key management personnel are defined for the purpose of disclosure under IAS 24 as the members of the Board and Executive Officers.

Other Related Party Transactions

Group

The Group had no material related party transactions which might reasonably be expected to influence decisions made by the users of these Financial Statements.

Company

During 2018, the Company advanced funds to GW Research Limited, in order to fund Group pipeline research and development activities. This took the form of a long-term loan, bearing interest at 5% per annum. The balance due to the Company at 31 December 2018 was $662.0 million (30 September 2017: $446.9 million). As a long-term loan, this has been disclosed within the Company balance sheet as an investment – see Note 27.

At 31 December 2018, the amount due from GW Pharma Limited to the Company was $182.1 million (30 September 2017: $60.1 million).

At 31 December 2018, the amount due from the Company to Greenwich Biosciences, Inc. was $0.3 million (30 September 2017: $0.3 million).

27. Investments

Group Investments

Company	Investments $000s	Loans to Group undertakings $000s	Total $000s
At 1 October 2016	117,491	276,384	393,875
Add capital contribution in respect of share-based payment charge	15,143	–	15,143
Additional funds advanced during year	–	153,894	153,894
Foreign exchange	4,747	16,624	21,371
At 1 October 2017	137,381	446,902	584,283
Add capital contribution in respect of share-based payment charge	39,742	–	39,742
Additional funds advanced during period	–	224,420	224,420
Foreign exchange	(1,836)	(9,162)	(10,998)
At 31 December 2018	**175,287**	**662,160**	**837,447**

The Company has investments in the following subsidiary undertakings:

Name of Undertaking	Type of ownership	Activity	% Holding
United Kingdom			
GW Pharma Limited	Direct	Production and development	100
GW Research Limited	Direct	Research and development	100
GWP Trustee Company Limited	Indirect	Employee share ownership	100
Cannabinoid Research Institute Limited	Indirect	Dormant	100
G-Pharm Limited	Indirect	Dormant	100
Sovereign House, Vision Park, Histon, Cambridgeshire, CB24 9BZ			
United States			
Greenwich Biosciences, Inc.	Direct	Commercialisation and research services	100
5750 Fleet Street, Carlsbad, California, United States			
Australia			
GW Pharmaceuticals Australia Pty Limited	Direct	Dormant	100
Suite 2, Level 10, 45 Williams Street, Melbourne, Australia			
Germany			
GW Pharma (Germany) GmbH	Direct	Dormant	100
Landsberger Strasse 155, 80687 Munich, Germany			
Italy			
GW Pharma (Italy) S.R.L.	Direct	Dormant	100
Viale Abruzzi, 94 Cap 20131, Milan, Italy			
Netherlands			
GW Pharma International BV	Indirect	Commercial	100
Prins Bernhardplein 200, 1097JB Amsterdam			

All the subsidiary undertakings are included in the consolidated accounts, and all holdings are of ordinary voting shares.

During the period ended 31 December 2018, Guernsey Pharmaceuticals Limited, a dormant subsidiary company under 100% indirect ownership of GW Pharmaceuticals Plc, was dissolved.

28. Subsequent Events

In June 2018, the Group received a Rare Pediatric Disease Priority Review Voucher ("PRV") from the US FDA on their approval of Epidiolex in the United States. This PRV entitles the Group to request a priority review of a subsequent US drug application that would otherwise not qualify for a priority review. At 31 December 2018 the PRV is held on the balance sheet at a carrying value of $nil, which equates to its historic cost.

On 15 March 2019 subsequent to the period end, the Group completed the sale of its Rare Pediatric Disease Priority Review Voucher ("PRV)" for $105 million. The Company had received the PRV from the FDA in connection with the approval of Epidiolex.

Advisers

Registered Office
GW Pharmaceuticals plc
Sovereign House
Vision Park
Histon
Cambridgeshire CB24 9BZ
United Kingdom
T: +44 (0)1223 266800
F: +44 (0)1223 235667
E: info@gwpharm.com

Registered Number
04160917 England and Wales

Solicitors to the Company
Mayer Brown LLP
201 Bishopsgate
London EC2M 3AF

Auditor
Deloitte LLP
2 New Street Square
London EC4A 3BZ

Principal Bankers
HSBC Bank plc
70 Pall Mall
London SW1Y 5EZ

Public Relations Advisers
FTI Consulting
Holborn Gate
Southampton Buildings
London WC2A 1PB

Registrars
Link Asset Services
6th Floor
65 Gresham Street
London EC2V 7NQ

ADR depositary
Citibank
National City Nominees
Citigroup Centre
33 Canada Square
Canary Wharf
London E14 5LB
dcc.adr@citi.com

Cautionary statement:
This Annual Report contains forward-looking statements that reflect GW's current expectations regarding future events, including statements regarding financial performance, the timing of clinical trials, the timing and outcomes of regulatory or intellectual property decisions, the relevance of GW products commercially available and in development, the clinical benefits of EPIDIOLEX (cannabidiol) oral solution and Sativex (nabiximols) and the safety profile and commercial potential of EPIDIOLEX and Sativex. Forward-looking statements involve risks and uncertainties. Actual events could differ materially from those projected herein and depend on a number of factors, including (inter alia), the success of GW's research strategies, the applicability of the discoveries made therein, the successful and timely completion and uncertainties related to the regulatory process, and the acceptance of Sativex, EPIDIOLEX and other products by consumer and medical professionals. A further list and description of risks and uncertainties associated with an investment in GW can be found in GW's filings with the US Securities and Exchange Commission, including the most recent Form 10-KT filed on 28 February 2019. Existing and prospective investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. GW undertakes no obligation to update or revise the information contained in this press release, whether as a result of new information, future events or circumstances or otherwise.

Notes

Notes

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GW Pharmaceuticals plc
Sovereign House
Vision Park
Histon
Cambridgeshire
CB24 9BZ
United Kingdom
T: +44 (0)1223 266800
F: +44 (0)1223 235667
www.gwpharm.com