GW pharmaceuticals

Annual Report and Accounts

2019

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Contents

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Strategic Report

The Directors present their Strategic Report for the Group, covering the year ended 31 December 2019.

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 over 20 years of operations, we have established a world-leading position in the science, development and commercialisation of plant-derived cannabinoid therapeutics through our proven drug discovery and development processes, our intellectual property portfolio, regulatory, manufacturing and commercial expertise.

Our lead cannabinoid product is Epidiolex®, a pharmaceutical formulation of cannabidiol, or CBD, for which we retain global commercial rights. Epidiolex is approved in the United States for the treatment of seizures associated with Lennox-Gastaut syndrome, or LGS, and Dravet syndrome, in patients two years of age and older. LGS and Dravet syndrome are severe childhood-onset, drug-resistant epilepsy syndromes. We launched Epidiolex in the United States in November 2018. In September 2019, we received approval from the European Commission, or EC, for Epidyolex® (the trade name in Europe for Epidiolex) for use as adjunctive therapy of seizures associated with LGS or Dravet syndrome, in conjunction with clobazam, for patients two years of age and older. We have launched Epidyolex in Germany and the U.K. and are planning launches in France, Italy and Spain during 2020.

We continue to develop Epidiolex for additional indications. In May 2019, we announced positive results from a Phase 3 trial for the use of Epidiolex to treat seizures associated with Tuberous Sclerosis Complex, or TSC, a rare genetic disorder that causes non-malignant tumours to form in many different organs that affects approximately 50,000 individuals in the United States and one million worldwide. On 3 February 2020, we announced that we had submitted a supplemental New Drug Application, or sNDA, to the US Food and Drug Administration, or FDA, to expand the Epidiolex label to include the treatment of seizures associated with TSC. In March 2020 we filed for supplemental approval for the TSC indication in Europe. We have received Orphan Drug Designation from the FDA and the Committee for Orphan Medical Products (COMP) for TSC (we previously received the same designations for Dravet syndrome and LGS).

We have begun recruiting patients for a pivotal trial of Epidiolex in the treatment of Rett syndrome, a rare, non-inherited neurodevelopmental disorder affecting approximately one in 10,000 to 15,000 live female births. This trial focuses on the behavioural abnormalities associated with the disorder.

We have a deep pipeline of additional cannabinoid product candidates that includes compounds in Phase 1, Phase 2, and Phase 3 trials. Our most advanced pipeline asset in the United States is nabiximols, for which we expect to commence a pivotal clinical programme in the first half of 2020 in the treatment of spasticity due to multiple sclerosis. We anticipate commercialising nabiximols in the US using our in-house commercial organisation. Nabiximols is already approved in over 25 countries outside the United States for the treatment of spasticity due to multiple sclerosis under the brand name Sativex. We are advancing plans to commence clinical programmes for nabiximols in 2020 in spasticity due to spinal cord injury and post-traumatic stress disorder, or PTSD.

In addition to nabiximols, our pipeline includes cannabinoid product candidates for schizophrenia, autism spectrum disorder, or ASD, and Neonatal Hypoxic Ischemic Encephalopathy, or NHIE.

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, US Drug Enforcement Administration, or DEA, placed Epidiolex in Schedule V.

Our US subsidiary, Greenwich Biosciences, Inc., markets Epidiolex through a commercial organisation consisting of sales, medical affairs, marketing, and market access/payer teams.

The US sales team includes two National Directors, eight Regional Managers and 65 Neurology Account Managers and is targeting approximately 6,400 physicians who treat patients with LGS or Dravet syndrome. In 2020, we will be launching a commercial initiative in the long-term care segment.

Epidyolex in Europe
On 23 September 2019, we announced that the EC approved the marketing authorisation for Epidyolex (the trade name in Europe for Epidiolex) for use as adjunctive therapy of seizures associated with LGS or Dravet syndrome, in conjunction with clobazam, for patients two years of age and older. We have launched Epidyolex in Germany and the U.K. and are planning launches in France, Italy and Spain during 2020.

Epidiolex Follow-On Target Indication: TSC
In May 2019, we announced positive top-line Phase 3 results in the use of Epidiolex to treat seizures associated with TSC, and more extensive study results from this positive trial were presented in December 2019 at the annual meeting of the American Epilepsy Society.

In early February 2020, we submitted an sNDA to the FDA to expand the Epidiolex label to include the treatment of seizures associated with TSC. In March 2020, we filed for supplemental approval for the TSC indication in Europe.

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. The brain and skin are the most affected organs. TSC results from a mutation in tumour suppression genes TSC1 or TSC2. 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.

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TSC patients typically have treatment-resistant seizures. The seizures of TSC are typically focal in onset, meaning that they are localised to one region and hemisphere of the brain. There are significant co-morbidities associated with TSC including cognitive impairment in 50%, ASD in up to 40% and neurobehavioural disorders in over 60% of individuals with TSC.

The safety profile observed was consistent with findings from previous studies, with no new safety risks identified.

Epidiolex Follow-On Target Indication: Rett Syndrome
Rett syndrome, or RTT, is a rare, non-inherited, X-linked neurodevelopmental disorder affecting approximately 1 in 10,000 to 15,000 live female births. RTT is most commonly caused by heterozygous de-novo mutations in the gene encoding methyl-CpG-binding protein 2, or MeCP2, resulting in a loss of function of the MeCP2 protein. The condition affects predominantly females and it results in abnormal neuronal development and function in affected children. The symptomatology of RTT is progressive, with early onset from about 6–18 months of life, followed by a rapid destructive phase at the age of 1 to 4 years. This stage is characterised by loss of purposeful hand skills, loss of spoken language, breathing and cardiac irregularities, microcephaly, and autistic-like behaviours. After the period of regression, patients enter a prolonged period of stabilisation where most of the impairments associated with the destructive phase persist together with apraxia, motor problems, and seizures. Over time, the patient's motor function continues to deteriorate, resulting in reduced mobility, scoliosis, rigidity, muscular weakness and spasticity.

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.

A Phase 3 trial of Epidiolex in patients with RTT was initiated in 2019 and is an international multi-centre, randomised, double-blind, placebo-controlled study. The endpoints are to evaluate the efficacy of up to 24 weeks of treatment with Epidiolex, compared with placebo, in reducing symptom severity in patients with RTT using the Rett Syndrome Behaviour Questionnaire and the Clinical Global Impressions – Improvement.

Epidiolex Formulation Lifecycle Management
In addition to the currently marketed Epidiolex oral solution formulation, we continue to develop additional formulations of CBD as part of its lifecycle 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: Nabiximols (known as Sativex® outside of the United States)

Nabiximols is a complex botanical medicine formulated from extracts of the cannabis sativa plant that contains the principal cannabinoids delta-9-tetrahydrocannabinol, or THC, and CBD as well as specific minor cannabinoids and other non-cannabinoid components. We developed nabiximols to be administered as an oromucosal spray, whereby the active ingredients are absorbed in part in the lining of the mouth, either under the tongue or inside the cheek.

Nabiximols is already approved in over 25 countries outside the United States for the treatment of spasticity due to multiple sclerosis under the brand name Sativex. To support the development and commercialisation of Sativex internationally, we have licence and development agreements with commercial partners. These agreements provide our collaborators with the sole right to commercialise Sativex in exclusive territories for all indications.

On 2 March 2020 the Group announced that GW will regain exclusive U.K. commercialisation rights for Sativex from Bayer. Under the terms of the agreement, there will be a transitional period until 31 December 2020 at which point GW will take over all responsibilities for nabiximols in the U.K.

Proprietary Cannabinoid Product Platform

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 their potential for therapeutic use. We are a global leader in this developing 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 *in vitro* and *in vivo* pharmacologic evaluation studies in validated disease models to determine the most promising potential therapeutic areas for each cannabinoid or 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 outside of the United States, we retain global commercial rights to all of our product pipeline candidates.

Pipeline Summary

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		Approved by the EC (under the brand name Epidyolex).	
	Additional targets: TSC		Positive Phase 3 trial completed. Supplemental NDA filed in February 2020.	
	Rett syndrome		Phase 3 trial in Rett initiated.	
Nabiximols	MS spasticity (ex-US)	Almirall, Bayer, Ipsen and Neopharm.	Approved in numerous countries.	
	MS spasticity (US)	We retain rights.	FDA meetings held to determine pivotal clinical program.	Pivotal clinical trials to commence in 2020.
	Spasticity associated with spinal cord injury		Planning Phase 2/3 trial.	Initiate Phase 2/3 trial.
	Post-Traumatic Stress Disorder		Planning Phase 2 trial.	Initiate Phase 2 trial.
	Other neurological symptoms		Evaluating next target indications.	
GWP42003	Schizophrenia	We retain global rights.	Positive Phase 2 proof-of-concept.	Phase 2b trial to commence in 2020.
GWP42006 (CBDV)	Autism Spectrum Disorder	We retain global rights.	Company sponsored open-label trial commenced. Investigator-led placebo-controlled trial in autism; expanded access Investigational New Drug (IND) to treat seizures associated with autism commenced in 2019.	
	Rett syndrome		Investigator-led Phase 2 open label trial in Rett syndrome. Trial initiated in 2019. FDA orphan designation in Rett syndrome.	
	Epilepsy		Phase 2a trial completed.	Under evaluation.
Intravenous GWP42003	Neonatal hypoxic-ischemic encephalopathy	We retain global rights.	Recruiting for Phase 2 trial in neonates.	

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Nabiximols in the United States
Our nearest term pipeline opportunity in the United States is nabiximols. Following meetings with the FDA, we expect to commence a pivotal clinical programme in 2020 for nabiximols in the treatment of spasticity due to multiple sclerosis. We believe that nabiximols has the potential to be developed in several additional indications and are planning clinical programmes in spasticity due to spinal cord injury and PTSD.

MS is the most common disabling neurological condition affecting young adults. According to the World Health Organisation, MS affects more than 1.3 million people worldwide, of which over 400,000 are in the United States and over 600,000 are in Europe. MS affects twice as many women as men and typically develops between the ages of 20 and 40 years. Spasticity is one of the most common, chronic, and disabling symptoms of MS, affecting up to 80% of MS patients over their lifetimes. Spasticity refers to an abnormal, involuntary tightness of muscles, which increases when the muscles are rapidly stretched, so that the associated joint appears to resist movement. Some of the features of spasticity include muscle stiffness, muscle spasms and pain. As a result of the increased muscle tone due to spasticity, "simple" everyday movements become difficult or impossible altogether. In addition, painful muscle spasms can lead to difficulty with sleeping, sitting in a chair or lying in bed. Occasionally, spasms may be triggered by fairly minor irritations such as tight clothing, a full bladder or bowel, urinary tract infection or skin irritation, such as from a pressure sore. Moderate to severe spasticity can lead to significant impairment.

There is no cure for MS spasticity, and it is widely recognised that currently available oral treatments afford only partial relief and have clinically-important side effects. Because nabiximols has been approved and commercialised elsewhere around the world since 2005, we have collected nearly 100,000 patient years of safety data and believe its safety profile has been well established.

With respect to the lifecycle for nabiximols beyond MS spasticity, we see potential opportunities within the broader spasticity markets as there are around three million patients in the United States with spasticity associated with various conditions. We are, in parallel, planning clinical programmes in two further indications: spasticity due to spinal cord injury and PTSD. We expect to commence clinical programmes in the second half of 2020 to address these broader markets with a view to achieving a series of approved indications for nabiximols over the coming years.

GWP 42003 in Schizophrenia
Schizophrenia is a chronic disease that manifests through disturbances of perception, thought, cognition, emotion, motivation and motor activity. Over a lifetime, about 1% of the population will develop schizophrenia. All antipsychotic treatments for schizophrenia rely primarily upon their antagonistic action at the dopamine D2 receptor for their antipsychotic effect. They produce a wide range of adverse events and are often poorly tolerated by patients resulting in poor compliance with treatment. Current antipsychotics also have little or no effect upon the negative symptoms (blunted mood and lack of pleasure, motivation and movement) of schizophrenia or the associated cognitive deficit. Furthermore, the positive symptoms (such as hallucinations, delusions and thought disorder) of at least one-third of patients fail to respond adequately to current treatments.

GWP42003 features CBD as the primary cannabinoid and has shown notable anti-psychotic effects in accepted pre-clinical models of schizophrenia and importantly has also demonstrated the potential to reduce the characteristic movement disorders induced by currently available anti-psychotic agents.

We are commencing a Phase 2b trial of GWP42003 in schizophrenia in the first half of 2020.

Our portfolio of intellectual property related to the use of cannabinoids in schizophrenia includes a number of issued patents and pending applications in both the US and Europe. This portfolio is directed to the use of various cannabinoids individually or in combination with other cannabinoids or antipsychotic medications in the treatment of schizophrenia or side effects relating to schizophrenia.

GWP42006 (CBDV) in Epilepsy, Rett and Autism Spectrum Disorder (ASD)
GWP42006 features CBDV as the primary cannabinoid. CBDV has shown anti-epileptic properties across a range of *in vitro* and *in vivo* models of epilepsy.

We have also evaluated GWP42006 in both general and syndromic pre-clinical models of ASD yielding promising signals on cognitive and social endpoints as well as repetitive behaviour. Initial clinical observations from treating physicians suggest a potential role for cannabinoids in addressing problems associated with ASD such as deficits in cognition, behaviour and communication.

We have initiated a company-sponsored open label trial in ASD in 2019. An investigator-led 100 patient placebo-controlled trial in ASD also commenced in 2019. An investigator-led open label study CBDV in children with Rett syndrome and seizures is ongoing. CBDV in Rett syndrome has received Orphan Drug Designation from the FDA.

In February 2018, we announced that a Phase 2a study of CBDV in adult patients with focal seizures did not meet its primary endpoint and showed a favourable safety and tolerability profile. We are currently evaluating next steps for this indication.

We have a portfolio of intellectual property relating to CBDV for use in various indications including epilepsy and ASD. These patent families include issued and pending claims to use of CBDV alone or in combination with standard anti-epileptic drugs in the treatment of seizures, and pending claims to the use of CBDV in the treatment of ASD and associated conditions. Other families include pending claims directed to the use of CBDV in other therapeutic areas such as neuropathic pain, Alzheimer's disease and Duchenne's disease, CBDV compositions and CBDV extracts. We anticipate additional patent applications being filed as new data is generated.

Intravenous GWP42003 (CBD) in Neonatal Hypoxic-Ischemic Encephalopathy (NHIE)
NHIE is acute or sub-acute brain injury due to asphyxia caused during birth resulting from deprivation of oxygen, referred to as hypoxia, as a result of a sentinel event such as ruptured placenta, parental shock and even increased heart rate. Hypoxic damage can occur to most of the infant's organs, but brain damage is the most serious and least likely to heal, resulting in encephalopathy. This can later manifest itself as either mental retardation (including developmental delay and/or intellectual disability) or physical disabilities such as spasticity, blindness and deafness. Spastic diplegia and the other manifestations of cerebral palsy often feature asphyxiation during the birth process as a contributing factor. The exact timing and underlying causes of these outcomes remains unknown, but it is widely stipulated that interventions need to be administered within six hours of the hypoxic insult.

According to Kurinczuk. et al. in the 2010 edition of Early Human Development, the incidence of NHIE is 1.5 to 2.8 per 1,000 births in the US, or, by our estimate, 6,500 to 12,000 cases per year. Of these, 35% are expected to die in early life and 30% of cases will result in permanent disability. There are currently no FDA-approved medicines specifically indicated for NHIE. The only FDA-approved treatment is the Olympic Cool-Cap System and treatment guidelines in many European countries also support use of whole-body hypothermia.

We held a pre-IND meeting with the FDA to discuss the development programme for an intravenous CBD formulation in the treatment of NHIE. In April 2015, we received Orphan Drug Designation from the FDA for CBD for the treatment of NHIE and in July 2015 we received fast track designation. In July 2015 we received Orphan Drug Designation from the EMA for CBD for the treatment of perinatal asphyxia, an alternate term that describes the same condition. A Phase 1 trial of intravenous GWP42003 in healthy volunteers was completed, and we are now recruiting for a Phase 2 trial in neonates.

Our portfolio of intellectual property related to the use of cannabinoids in NHIE includes a number of issued patents and pending applications in both the US and Europe. This portfolio is directed to the use of cannabidiol in the treatment of NHIE and product formulations.

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 through the approval of the TSC indication, and expand beyond seizure indications initially by targeting the treatment of Rett syndrome.
- Seek US approval for nabiximols in the treatment of MS spasticity, commercialise nabiximols in the US using our own commercial organisation, and expand the 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
This is the first period that the Group has presented 12-month financial results to 31 December, following the change in year-end effective as of 31 December 2018. Consistent with last year's disclosures and to enable prior period comparisons, we are also reporting pro forma unaudited results for the 12-month period ended 31 December 2018 and these are set out below. 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.

	12 months to 31 December 2019 (audited) $000s	12 months to 31 December 2018 (unaudited) $000s
Revenue	311,332	15,379
Cost of sales	(35,569)	(6,722)
Research and development expenditure	(146,810)	(126,324)
Sales, general and administrative expenses	(258,944)	(164,157)
Net foreign exchange (loss)/gain	(2,272)	776
Operating loss	(132,263)	(281,048)
Interest expense	(2,464)	(1,253)
Interest income	8,465	5,452
Other income	108,109	4,082
Loss before tax	(18,153)	(272,767)
Tax benefit/(charge)	500	(1,657)
Loss for the period	(17,653)	(274,424)

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	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**
Revenue	19,391	7,728	(3,716)	4,012	**15,379**
Cost of sales	(7,912)	(1,190)	–	(1,190)	**(6,722)**
Research and development expenditure	(167,142)	(40,818)	–	(40,818)	**(126,324)**
Sales, general and administrative expenses	(187,602)	(23,445)	–	(23,445)	**(164,157)**
Net foreign exchange (loss)/gain	(2,666)	(3,442)	–	(3,442)	**776**
Operating loss	(345,931)	(61,167)	(3,716)	(64,883)	**(281,048)**
Interest expense	(1,573)	(320)	–	(320)	**(1,253)**
Interest and other income	11,155	1,621	–	1,621	**9,534**
Loss before tax	(336,349)	(59,866)	(3,716)	(63,582)	**(272,767)**
Tax benefit	(5,090)	(3,433)	–	(3,433)	**(1,657)**
Loss for the period	**(341,439)**	(63,299)	(3,716)	(67,015)	**(274,424)**

Revenue
Total revenue for the year ended 31 December 2019 was $311.3 million, compared to $15.4 million for the year ended 31 December 2018. The increase of $295.9 million, through product sales, was primarily due to the November 2018 launch of Epidiolex in the United States.

Other revenue primarily consists of milestone revenue related to our Sativex licence agreements and research and development fee revenue related to licence and collaboration agreements. Other revenue in the years ended 31 December 2019 and 2018 consist of remaining development fees related to the Otsuka licence agreement.

Cost of Sales
Cost of sales for the year ended 31 December 2019 of $35.6 million represents an increase of $28.9 million compared to the $6.7 million recorded in the year ended 31 December 2018.

The increase in cost of sales is primarily due to an increase in product net sales, primarily due to the launch of Epidiolex in the United States. The reduction in cost of sales as a percentage of product net sales is due to the positive impact of directly commercialising Epidiolex in the United States in the year ended 31 December 2019. In the year ended 31 December 2018, the majority of product net sales were sales of Sativex outside of the US through licence partners.

Research and Development Expenditure
Research and development expenditure increased by $20.5 million to $146.8 million for the year ended 31 December 2019 compared to $126.3 million the year ended 31 December 2018. The increase in expenditure is primarily due to an increase in spend on the Group's nabiximols program, other earlier-phase R&D programmes outside of Epidiolex and a further increase in the headcount to support the Group's global R&D programs.

Sales, General and Administrative Expenses
Sales, general and administrative expenses for the year ended 31 December 2019 of $258.9 million increased by $94.7 million compared to the $164.2 million incurred in the year ended 31 December 2018. This increase was primarily due to an increase in employee-related expenses driven by the build-out of our commercial functions in the United States and Europe, costs related to the launch of Epidyolex in Europe, an increase in our corporate support functions, and an increase in insurance expenses.

Net Foreign Exchange (Losses)/Gains
Net foreign exchange movements resulted in a $2.3 million loss for the year ended 31 December 2019 compared to a $0.8 million gain for the year ended 31 December 2018. The movement to a foreign exchange loss in 2019 was due primarily to a smaller year over year change in the foreign currency exchange rates of the US Dollar and British Pound compared to the change in rates for the similar period in 2018.

Interest Expense
Interest expense of $2.5 million was recorded for the year ended 31 December 2019, an increase of $1.2 million compared to the $1.3 million recorded for the year ended 31 December 2018. Interest expense is primarily related to our finance lease liabilities, which increased due to the adoption of IFRS 16 Leases effective from 1 January 2019.

Interest Income
Interest income increased by $3.0 million to $8.5 million for the year ended 31 December 2019 compared to the $5.5 million recorded for the year ended 31 December 2018.

Other Income
Other income increased by $104.0 million to $108.1 million for the year ended 31 December 2019 compared to $4.1 million recorded for the year ended 31 December 2018.

This increase includes the one-off net proceeds of $104.1 million earned from the sale of the Group's priority review voucher that we received from the FDA in connection with the approval of Epidiolex in the United States.

The remaining decrease of $0.1 million relates to the Group's expected R&D large company tax credit claim ("RDEC") in respect of the statutory year ended 31 December 2019.

Tax
Our tax benefit increased by $5.6 million to a $0.5 million benefit for the year ended 31 December 2019, compared to a $5.1 million charge for the year ended 31 December 2018. This increase is primarily due to an additional tax charge recorded in 2018 in respect of the remeasurement of the Group's deferred tax asset following the passing of tax legislation reform in the United States and higher excess tax benefits related to share-based payment charges.

Loss
The overall impact of the above changes had resulted in a reduction in the Group's loss to $17.7 million for the year ended 31 December 2019, compared to a loss of $274.4 million for the year ended 31 December 2018.

Consolidated Balance Sheet
The following information is on an 'as reported' basis as noted on the Consolidated Income Statements shown on page 45, and illustrates the movement from the end of the balance sheet periods of 31 December 2019 to 31 December 2018.

Property, Plant and Equipment
Property, plant and equipment increased by $63.0 million to $152.4 million at 31 December 2019 compared to $89.4 million at 31 December 2018. This reflects the Group's continuing investment in expansion of our cannabinoid extraction and production facilities.

Inventories
Total inventories increased by $44.5 million to $95.5 million at 31 December 2019 compared to $51.0 million at 31 December 2018. This increase is due to the increasing growing and production of product for the ongoing commercialisation of Epidiolex.

Cash and Cash Equivalents
Total cash and cash equivalents decreased by $54.6 million to $536.9 million at 31 December 2019 compared to $591.5 million at 31 December 2019.

- Total net cash outflow from operating activities for the year to 31 December 2019 was $124.7 million, representing the operating expenditure of the organisation and commercialisation scale-up activities.
- Total cash inflow from investing activities was an inflow of $67.2 million, predominantly driven by the sale of net proceeds of $104.1 million earned from the sales of the Group's priority review voucher that was received in connection with the approval of Epidiolex in the United States, offset by $42.6 million of capital expenditure associated with the construction of our manufacturing facilities and infrastructure.
- Total net cash outflow from financing activities was $2.6 million, representing interest payments and lease payments relating to the Group's adoption of IFRS 16 during the current year.

Trade and Other Receivables
Total trade and other receivables increased by $48.3 million to $67.7 million at 31 December 2019 compared to $19.4 million at 31 December 2018. This increase is due to an increase in accounts receivable on US Epidiolex sales.

Trade and Other Payables
Total current trade and other payables increased by $47.3 million to $110.9 million at 31 December 2019 compared to $63.6 million at 31 December 2018. This increase reflects the continued scale-up of the Group's operations following the Epidiolex commercial launch, accrued sales rebates and discounts associated with US commercialisation and additional organisational costs associated with preparation for European commercialisation.

Our Key Business Trends

The following information provides a summary of the development and performance of the Company's business during the year ended and as at 31 December 2019. We have elected to provide unaudited calendar year figures for the comparative periods to provide the maximum information to shareholders.

The Group considers that the primary key performance indicator is the progress on sales of Epidiolex in the United States, and regulatory approval, pricing and sales volumes of Epidyolex in Europe and the Rest of the World. The progress of regulatory filings and product launches are not easily quantifiable, but best represents the Group's progress during 2019.

Revenue
Our revenues consist of product sales revenues, milestone revenue related to our Sativex licence agreements and research and development fee revenue related to licence and collaboration agreements.

Consistent with prior year disclosures, 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 licence, collaboration and technical access fee for the years ended 31 December 2016, 2017 and 2018.

Our product net sales include sales of Epidiolex, which we launched in the United States in November 2018 and began to sell in certain European markets in late 2019, and sales of Sativex outside of the United States pursuant to licence agreements with commercial partners. We also sell Epidiolex through certain early access programmes outside of the United States.

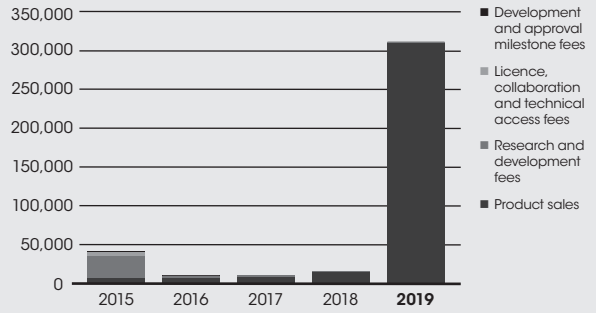
For the year ended 31 December 2019, we recorded revenues of $311.3 million, an increase of $295.9 million or 1,921% from the $15.4 million recorded for the year ended 31 December 2018.

- In the year to 31 December 2019, we saw the first full year of Epidiolex commercialisation, following its launch in November 2018. This is the Group's first own commercial product, and first marketed into the United States. Total Epidiolex sales of $296.4 million were recorded in the period, compared to $4.7 million for the year ended 31 December 2018.
- We recorded Sativex product sales revenue of $13.9 million in the year ended 31 December 2019 compared to $10.1 million for the year ended 31 December 2018, an increase of $3.8 million. This is supported by strong performance in market, particularly in Germany.
- Research and development fee income increased to $1.0 million for the year to 31 December 2019 compared to $0.4 million incurred for the year ended 31 December 2018. This reflects rechargeable activity associated with our prior collaboration with Otsuka, which ended in December 2017.

Strategic Report continued

We see product sales as the key driver for the Group, following the launch of Epidiolex in the United States in November 2018 and the filing of a supplementary NDA with FDA in February 2020 for Tuberous Sclerosis Complex, and commercialisation of Epidyolex in Europe following approval by EMA in September 2019.

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



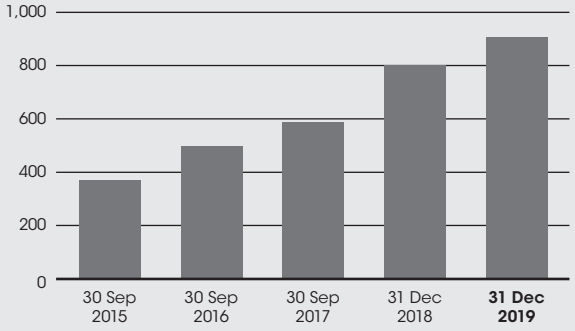
Total Group Employees

The Total Group Employees graph below illustrates the total number of people employed by the GW Pharmaceuticals plc Group as at the end of the accounting period. This includes all of the Group's global employees, and Executive Directors.

The total number of employees grew from 801 at 31 December 2018 to 907 as at 31 December 2019. This increase represents further build of the Group's commercial operations, both in the United Kingdom and United States. As at 31 December 2019, the Group had employees in the United Kingdom, United States and Switzerland.

From 30 September 2015 until 31 December 2018 the total Group headcount increased from 369 to 801. This significant increase mirrors the overall Group expansion into the United States, and the build-out of the manufacturing operations in the United Kingdom, and commercial organisations in both the United States and United Kingdom to support the Group's first own-marketed product, Epidiolex/Epidyolex.

Total Group Employees at Period End



Total Group Expenditure

We believe that our future revenues and cash flows are most likely to be affected by the successful development and approval of our significant late-stage research and development candidates. As of 31 December 2019, we consider the following research and development projects to be our most significant late-stage product candidates:

> Epidiolex for the treatment of Tuberous Sclerosis Complex (United States and Europe)
> Nabiximols for spasticity associated with MS (United States)

On 23 September 2019, we announced that the European Commission approved the marketing authorisation for Epidyolex in Europe. We have received Orphan Designation from the European Commission for Orphan Medicinal Products for Epidyolex for Dravet syndrome and LGS.

We have completed our Phase 3 trial of Epidiolex for the treatment of TSC. In May 2019, we reported positive top-line Phase 3 results and in December 2019 we reported additional positive trial data. On 3 February 2020, we announced that we submitted a supplemental new drug application with the FDA for this indication, and in March 2020, we filed a supplemental approval in Europe in early 2020.

Research and development expenses consist of internal and external costs to conduct our pre-clinical studies and clinical trials, payroll costs associated with employing our team of research and development staff, share-based payment expenses, property costs associated with leasing laboratory and office space to accommodate our research teams, costs of growing botanical raw material, costs of processing product for clinical trials, costs of consumables used in the conduct of our in-house research programs, payments for research work conducted by sub-contractors and sponsorship of work by our network of academic collaborative research scientists, costs associated with safety studies and costs associated with the development of Epidiolex, Sativex, and our other pipeline product candidates.

As illustrated in the Total Group Expenditure graph below, our R&D expenditure has increased by $20.5 million to $146.8 million for the year ended 31 December 2019 compared to the $126.3 million recorded for the year ended 31 December 2018. This increase represents investment in the Group's nabiximols R&D program, early-stage R&D programmes and additional headcount to conduct and support pre-clinical and clinical studies.

The decline to $126.3 million in 2018, a decrease of $25.8 million, was 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 capitalisation commenced from 1 January 2018.

Prior to this, the Group demonstrated a consistent growth trend from $131.8 million in 2015 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.

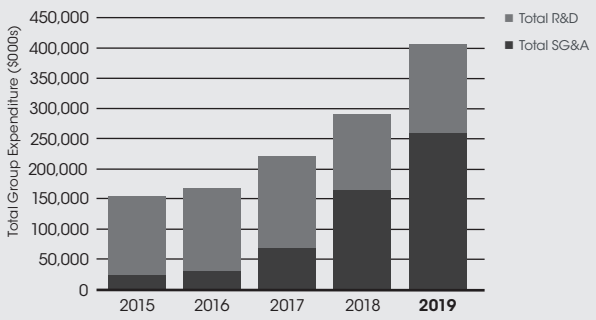
Sales, general and administrative expenditure consist primarily of salaries and benefits related to our executive, commercial, and

corporate support functions, expenses associated with our commercial activities, and other general administration expenses.

Sales, general and administrative expenditure has increased from $23.6 million in 2014, from when all of the Group's external commercial sales were conducted through partners, to $258.9 million in 2019. The increase of $94.7 million from $164.2 million in 2018 to $258.9 million reflects an increase in employee-related expenses driven by the build-out of our commercial functions in the United States and Europe, costs related to the launch of Epidiolex in Europe, an increase in our corporate support functions, and an increase in insurance expenses.

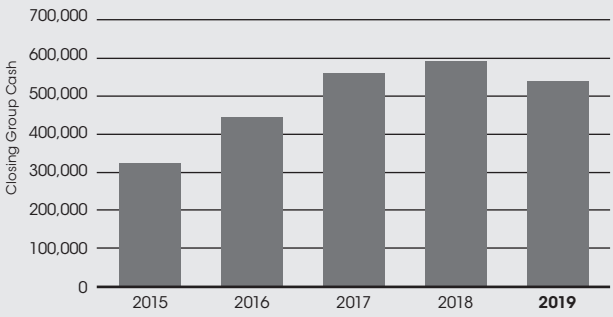
We expect that sales, general and administrative expenses will increase in the future as we expand our operating activities and continue to build our commercial team in preparation for the launch of Epidiolex in additional markets in Europe.

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.

Closing Group Cash ($000s)
As at 31 December



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 completed at least one equity fundraising in each of 2015 through to 2018, to help execute this strategy, the most recent of which being 2018's 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.

2019 has seen significant cash inflows resulting from Epidiolex sales in the US, and was bolstered by the one-off sale of the Group's rare paediatric disease Priority Review Voucher ("PRV") in March 2019 of $104.1 million (net). The Group maintains a strong cash position and, as cash inflows from revenue increase, we believe that we are suitably well-funded to progress on our US Epidiolex sales program, progress European commercialisation and continue our lifecycle 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. This is further reinforced by the Group's requirement to maintain effective internal control over financial reporting, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organisations of the Treadway Commission, in line with our NASDAQ listing on the Securities and Exchange Commission.

A Risk Committee has been established who, based upon input from programme directors, functional heads and subject matter experts, prepare an Enterprise Risk Review 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 year ended 31 December 2019 are included on Form 10-K which was filed with the US Securities and Exchange Commission on 27 February 2020. Full disclosure of the list of risks has been compiled below. The risks have been identified as follows:

Marketing and Commercialisation

> Our prospects are highly dependent on the successful commercialisation of Epidiolex/Epidyolex. To the extent Epidiolex/Epidyolex is not commercially successful, our business, financial condition and results of operations may be materially adversely affected and the price of our American Depositary Shares (ADSs) may decline.
> If we do not obtain regulatory approval of Epidiolex for other indications in the US, Europe 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 and EC approval subjects us to ongoing obligations and continued regulatory review, which may result in significant additional expense. If we do not meet those ongoing obligations, we could be subject to significant penalties, including market withdrawal and/or civil or criminal penalties. Additionally, our other product candidates, if approved, could be subject to labelling and other restrictions

Strategic Report continued

and we may be subject to penalties (including market withdrawal) if we fail to comply with regulatory requirements or experience unanticipated problems with our products.
> 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.
> If the price for Epidiolex, nabiximols or any future approved products decreases or if governmental and other third-party payers do not provide coverage and adequate reimbursement levels, our revenue and prospects for profitability will suffer.
> 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.
> 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, nabiximols and our product candidates.

Clinical and Development
> 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.
> There is a high rate of failure for drug candidates proceeding through clinical trials.

Regulatory and Legislative
> Epidiolex, nabiximols 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, nabiximols and our product candidates.
> Our employees may engage in misconduct or other improper activities, including non-compliance 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 U.K. 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 healthcare 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 healthcare 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 programs, which may adversely affect our business, financial condition and results of operations.
> Our ability to research, develop and commercialise Epidiolex, nabiximols and our product candidates is dependent on our ability to maintain licences relating to the cultivation, possession and supply of controlled substances.
> The development of a Risk Evaluation and Mitigation Strategy (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, nabiximols 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, relevant regulatory exclusivities such as orphan drug exclusivity or paediatric exclusivity may not be granted or, if granted, may be limited.
> We may not be able to adequately protect Epidiolex, nabiximols, 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 and EMA 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, nabiximols 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 salesforce, 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.
- US investors may have difficulty enforcing civil liabilities against our Company, our Directors or members of senior management and the experts named in this Annual Report.
- 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 United Kingdom's withdrawal from the European Union 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 U.K. 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.

Coronavirus Disease (COVID-19) Outbreak
In 2020, an outbreak of coronavirus disease (COVID-19) that was first reported from Wuhan, China, on 31 December 2019, emerged into a worldwide health situation which has included the restriction of movement of individuals within and between many countries across the world.

At the point of signing this Annual Report and Financial Statements, it is difficult to quantify the impact on the Group's operations. We do not believe that this will impact the Group's ability to operate as a going concern. We will continue to review our position as the COVID-19 situation evolves.

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 U.K. banking groups and with U.K. subsidiaries of banking groups, and US government interest-bearing bonds with acceptable credit ratings.

Strategic Report continued

> 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.

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 holds the largest proportion of cash and cash equivalents in US Dollars, to mitigate the likelihood of foreign exchange fluctuations.

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. The Group expects to formalise a corporate hedging programme in 2020 to partially mitigate the potential volatility of the USD:GBP exchange rate, given the ongoing uncertainty on the U.K. economy following its vote to leave the European Union and likely conclusion of the transition period as of December 2020.

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.

Key Stakeholders: Connecting with our Stakeholders
This is the first period for which the Group is required to comply with the Companies (Miscellaneous Reporting) Regulations 2018 and to report on how the Directors of the Group have met their duty under section 172(1) of the Companies Act 2006. Our business touches the lives of many people and organisations. We exist in a complex and evolving regulatory and scientific environment and we have a number of key stakeholder groups, some examples of which are included below.

The Group maintains and operates a Code of Business Conduct and 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 Group companies, and all are required to attest compliance with the 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.

Separately, 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.

Overview	Why it is important to engage	How the Board of Directors engaged	What were the key factors of engagement?	What was the impact of the engagement including any actions taken?
Shareholders and investors	The Board of Directors is accountable to shareholders, and must act in a way that is likely to promote the success of the Company for the benefit of its members as a whole. Through the Board's engagement activities, the Board strives to obtain investor buy-in into GW's strategic objectives and execution plan. The Board can create value for its shareholders by generating strong commercial progress and successful development of future projects. The Board seeks to promote an investor base that is interested in a long-term holding in the Company.	The key mechanisms of engagement included: > Annual General Meeting > Investor days > Attendance at key conferences	The Group's Remuneration Policy was put to shareholders at the Annual General Meeting in June 2019.	A revised Remuneration Policy was approved by shareholders. This provides the parameters for remuneration from June 2019 onwards, effective for three years.
			At the same meeting, the Group requested a view on the retrospective Remuneration Report for the 15 months ended 31 December 2018.	Shareholders endorsed the Remuneration Report for the period.
			An advisory vote was also held, on a non-binding basis, to hold future shareholder advisory votes on the compensation of the Company's named Executive Officers every year.	Shareholders also voted to hold an advisory vote on an annual basis.
Patients and families	The Board places the patient at the centre of its activities, and as such engagement is required to understand the needs of the patient and their caregivers.	> Close collaboration with patient advocacy groups in the US and Europe. > Engaged patients in our development and clinical trial programmes to ensure a patient-informed medicine. > Active support of charitable foundations associated with the Group's products.	> Creation and support of bespoke websites in approved indications to enable patients to learn more about the conditions and connect with other patient groups. > Our patient support programmes provide patient and caregiver focused education and help provide resources.	> Charitable days to support epilepsy organisations throughout the United States and U.K. > Patient support programmes established may lower patients' out-of-pocket costs or provide product at no cost to eligible patients in the United States, where the product was marketed for the full period.
Suppliers	The Board directs the Group to spend a substantial amount of funds with suppliers across all aspects of operations, including R&D, manufacturing and commercialisation. Having an effective supplier process is critical to success of the organisation.	> Engaged with suppliers via meetings with their senior management, which allows discussion and the development of sustainable working partnerships between those suppliers and GW. > Third parties and suppliers are required to comply with the Group's GW Code of Conduct for Business Partners, to which GW requires suppliers, vendors, customers, agents, consultants and contractors to conform.	> Review of Procurement Policy following global expansion of the Group. > Review of latest i-CARE policy, including Code of Conduct for all organisations, including suppliers.	> Establishing and expanding an integrated Procurement function, across the organisation. > On a half-yearly basis, disclosure of payment practices, policies and performance in line with Regulations made under section 3 of the Small Business, Enterprise and Employment Act 2015.
Employees	The Board places considerable value on the involvement of its employees. We believe that any individual employee's contribution is a key element to the future success of the Group.	Employees are regularly briefed on the Group's activities in Company-wide meetings and updates, and have regular opportunities to share their views with members of the Board and Executive Officers at online and in-person meetings across our U.K. and US sites.	During Q4 2019, the Group conducted the latest version of its Group-wide engagement survey. This survey was open to all employees and completion rate across the organisation was 94%, an increase from the 89% rate recorded for the 2018 survey.	Similar to the 2018 engagement survey, the Group will identify detailed actions which are then tracked and reported on in Company-wide meetings. As an example, 2018's survey resulted in improvements around employee recognition, systems, diversity and inclusion, collaboration and culture.

Strategic Report continued

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 U.K. 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 year ended 31 December 2019. These include the purchase of electricity, heat, steam or cooling.

We estimate that the annual quantity of emissions for the Group for 2019 was 2,482 tonnes of carbon dioxide (2018: 2,211 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 2.9 tonnes per head average (15 months ended 31 December 2018: 3.2 tonnes) for the year ended 31 December 2019.

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. This has resulted in significant investment in video conferencing across all U.K. and US locations.

The Group has focused its attentions on its manufacturing facilities based in the United Kingdom. A number of improvements have already been introduced:

- Used botanical raw material is now actively composted rather than incinerated
- Zero production waste is taken to landfill
- Odour controls implemented leading to a reduction in Total Volatile Organic Compounds
- Switch from the use of non-recyclable foam packaging to recyclable material for product supply
- Improved management of waste across all global sites with a greater emphasis on recycling

Additionally, in relation to our energy consumption, we are actively exploring ways to reduce the light energy used in some of our plant growing facilities through various low-light R&D trials, which may also provide significant cost savings of production.

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.

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 2019, 176 (31 December 2018: 129) of our staff have worked for the Group for more than five years. Fifty-four (2018: 50) 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 2019 was as follows:

	Male 31 December 2019	Female 31 December 2019	Total 31 December 2019
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 Leaders of the Group	21	11	32
Number of persons who were Employees of the Group	405	456	861
Total Employees at 31 December 2019	438	469	907

This report was approved by the Board of Directors on 18 March 2020 and signed on its behalf by:

Justin Gover
Director
18 March 2020

Directors' Report

The Directors present their Annual Report and the audited consolidated financial statements for the Group and Company for the year ended 31 December 2019. 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 $146.8 million (15-month period ended 31 December 2018: $167.1 million), all of which was expensed during the year ended 31 December 2019.

Results and Dividends

The Consolidated Income Statements for the year are set out on page 45. The Group's loss after tax for the year ended 31 December 2019 was $17.7 million (15-month period to 31 December 2018: $341.4 million).

The Directors do not recommend the payment of a dividend (15-month period ended 31 December 2018: $nil).

Share Capital

Information relating to changes to the issued share capital during the year 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 2019 (31 December 2018: $nil). The Group has lease liabilities of $33.4 million at 31 December 2019 (31 December 2018: $6.1 million). This increase reflects the adoption of IFRS 16 Leases, with further information given in note 2 to the financial statements.

Substantial Shareholdings

On 18 March 2020 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)	43,476,806	11.7
Franklin Advisers, Inc.[1]	27,516,372	7.4
Canada Pension Plan Investment Board	14,100,000	3.8
Capital World Investors (US)	13,255,261	3.6
Victory Capital Management, Inc. (Investment Management)	11,663,364	3.1

1 The interest recorded by Franklin Advisers, Inc., also includes 114,408 ordinary shares held by the Fiduciary Trust Company International and Franklin Templeton Investments (Asia) Ltd. as disclosed in the Statement of Acquisition of Beneficial Ownership by Individuals as filed with the SEC on 4 February 2020.

Directors and Their Interests

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

Dr Geoffrey Guy
Justin Gover
James Noble
Thomas Lynch
Cabot Brown
Catherine Mackey
Alicia Secor
William Waldegrave

Details of the beneficial interests of Directors in the ordinary shares of the Company are disclosed within the Directors' Remuneration Report on page 16.

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, Dr. Geoffrey Guy and Cabot Brown 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 Andover on 26 May 2020. 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 2020 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/she ought to have taken as a Director in order to make himself/herself 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 18 March 2020 and signed on its behalf by

Justin Gover
Director
18 March 2020

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
As Chairman of the Remuneration Committee, and on behalf of the Board I am pleased to present the Remuneration Committee's report for the year ended 31 December 2019. I would like to take this opportunity to provide you with an overview of the Remuneration Committee's major decisions taken during 2019, together with the context in which these decisions were taken.

We were pleased to receive a significant level of shareholder voting support at the Annual General Meeting ("AGM") in June 2019, with over 97% of shareholders supporting the approval of the Directors' Remuneration Policy, and over 99% approving the 2018 Remuneration Report. The June 2019 AGM was the Group's first as a US Domestic Registrant. We also asked shareholders to set out the frequency of future votes on executive compensation and over 99% requested annual advisory votes, in line with the Board's recommendation.

Context of the Committee's Decisions in 2019
For GW, 2019 reflected the first full period for Epidiolex sales in the United States. We believe that this has been an exceptional first year for the product and provides a compelling foundation for continued success. This was bolstered following approval by the European Medicines Agency ("EMA") in September 2019, and commercialisation commencing in France and Germany before the end of the year.

Looking into 2020, our goal is not only to continue to drive Epidiolex growth in the United States and Europe, but also continue to advance our pipeline. It is in this context that the Committee have made our major decisions during 2019.

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 2019:
During 2019 the Remuneration Committee's key activities have been as follows:

- In January 2019, consistent with previous years, 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, new-hire equity awards, prevalence of performance plans 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.

  Willis Towers Watson suggested biopharmaceutical companies that had a 12-month trailing market capitalisation of between $1.0 billion to $11.2 billion, revenue of less than $500 million per annum and with greater than 100 employees, applying a consultative review to arrive at a shortlist of potential additional peers based on industry and business description and organisations considered to be close competitors. This was then subject to review, refinement and approval by the Remuneration Committee.

  Based on these criteria, Willis Towers Watson recommended, and our Committee approved, removing *Alder Biopharmaceuticals, Inc., Juno Therapeutics, Inc., Pacira Pharmaceuticals, Inc.* and *Radius Health, Inc.* and adding *Amarin Corporation plc, Array BioPharma Inc., Exelixis, Inc., FibroGen, Inc.* and *Halozyme Therapeutics, Inc.* The latest peer group consists of 19 companies with a median market capitalisation of $3.8 billion.

  The peer group used for benchmarking in January 2019 consisted of *ACADIA Pharmaceuticals, Inc., Agios Pharmaceuticals, Inc., Alnylam Pharmaceuticals Inc., Amarin Corporation plc, Array Pharmaceuticals, Inc., bluebird bio, Inc., Clovis Oncology, Inc., Exelixis, Inc., FibroGen, Inc., Halozyme Therapeutics, Inc., Intercept Pharmaceuticals Inc., Neurocrine Biosciences Inc., Portola Pharmaceuticals Inc., Puma Biotechnology Inc., Sage Therapeutics, Inc., Sarepta Therapeutics, Inc., Spark Therapeutics, Inc., Tesaro, Inc.* and *Ultragenyx Pharmaceuticals, Inc.*

Willis Towers Watson received $45,728 in compensation for their work relating to Directors' remuneration advice.

> In February 2019, 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 2019. External benchmarking analysis for the Chief Executive Officer, Chief Medical Officer and Chief Operating Officer were below the median of peer group data. The Remuneration Committee approved an increase in the Chief Executive Officer's basic salary to $650,000, an increase in the Chief Medical Officer's basic salary by 4% to $450,000, and the Chief Operating Officer's basic salary by 5% to £296,000 effective from 1 March 2019.

> At the same time, the Remuneration Committee met to consider the extent of achievement of 2018 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 2018 calendar year. The consensus was that 2018 had been an exceptional year in which substantial progress with all material objectives had been approved, including the Group's first FDA approval.

  Under the 2018 bonus program, bonus incentive awards were determined by first establishing a bonus pool. The bonus pool was calculated by aggregating the target cash incentive awards for all eligible plan participants and then multiplying that sum by a modifier established by our Remuneration Committee based on our performance as measured against the 2018 Company goals. The 2018 Company goals approved by our Board of Directors and Remuneration Committee at the beginning of the year were as follows:

2018 Company Goals:

- Achieve FDA regulatory approval of Epidiolex
- Progress EU regulatory submission to support approval in 2019
- Manufacturing sufficient inventory of Epidiolex to support commercial launch, and advance all steps necessary to meet long-term demand
- Ensure organisation and operational readiness to execute successful US launch and progress EU launch preparations
- Progress Epidiolex clinical strategy, completing close out of second Dravet syndrome clinical study and complete recruitment of Phase 3 Tuberous Sclerosis study
- Formulate protocol and development plan for Sativex US multiple sclerosis development
- Implement comprehensive programme of compliance policies to support US and EU commercial launches
- Successfully manage all elements of conversion to a US domestic registrant, with effect from fiscal year ended 30 September 2018
- Progress other pipeline projects, with particular focus on CBDV and CBD:THC

The bonus pool was then allocated among all of the plan participants in accordance with the terms of the 2018 annual bonus incentive program. Consistent with 2017, our Chief Executive Officer and executive team bonus incentive awards were based 75% on Company goals and 25% on individual objectives.

Our Remuneration Committee assessed performance and determined that the executive team had met or exceeded each of the 2018 Company goals and, after considering the pivotal nature of FDA approval of Epidiolex in the United States, approved a bonus award equating to 150% of target for each Officer. The Remuneration Committee considered that the Chief Executive Officer, Chief Operating Officer and Chief Medical Officer deserved additional recognition in respect of their individual efforts towards the US approval of Epidiolex. The Committee approved an incremental bonus award taking total bonus to 160% of target for these individuals.

> At the same time, the Remuneration Committee approved the bonus objectives to be achieved by the Executive Directors during 2019. The approved objectives are predominantly EMA approval of Epidiolex and success of US commercial 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 for 2019.

  It is expected that future bonus targets will be 70% of basic salary for the Chief Executive Officer, and 50% of basic salary for all other Executive Officers. Consistent with previous years, individual objectives have been agreed with each of the executive team, with 75% of the 2019 bonus award to be awarded by the Remuneration Committee based upon achievement of Group objectives, with the remaining 25% to be awarded based upon the achievement of individual objectives.

> At the same time, the Remuneration Committee met and agreed the terms of the 2019 grant of LTIP awards to the Directors and Executive Officers. These were segmented so that (i) 50% of the value of the award is linked to rigorous performance conditions linked to Company key value drivers, which must be achieved in the three-year vesting period, (ii) 25% of the value of the award is in the form of market-priced share options with a three-year vesting period, and (iii) 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 that 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 further the interests of the Executive Directors with shareholders' interests. The resulting mix is designed to create an appropriate balance of long-term incentives linked to value-driving objectives, aligned with shareholder value creation, whilst encouraging retention of the team considered to be a key success factor for the future.

  Recommendations for equity grants had been proposed by Willis Towers Watson, designed to target alignment with the median of peer group data. It was highlighted that an equity grant for the Chief Executive Officer with a fair value equivalent to 750% of basic salary is required to align with the median of peers. As this grant would have exceeded the 600% limit contained within the shareholder-approved

Directors' Remuneration Report continued

Remuneration Policy, it was resolved to proceed with the maximum grant of 600% and only to grant the incremental 150% after the required amendment to the Remuneration Policy had been approved by shareholders at the June 2019 Annual General Meeting. Then, having received shareholder approval of this policy limit change, the additional grant took place in June 2019.

At the grant date these awards had expected values at grant equivalent to 600% of basic salary for the Chief Executive Officer, 450% of basic salary for the Executive Chairman, 350% of basic salary for Chief Financial Officer, Chief Legal Officer and Chief Operating Officer, Chief Medical Officer, and Managing Director, U.K.

The amended Remuneration Policy was approved by shareholders at the June 2019 Annual General Meeting, resulting in an additional grant of 150% of basic salary to the Chief Executive Officer.

- In April 2019, the Remuneration Committee met to consider the terms of the offer of employment for Darren Cline for the role of Chief Commercial Officer. In line with recommendations put forward by Willis Towers Watson in the January 2019 review, a basic salary of $450,000, bonus target of up to 50% of basic salary and a LTIP award upon joining equivalent to 400% of basic salary was proposed and approved.
- In September 2019, the Remuneration Committee met to approve the reimbursement of certain travel and expense amounts for US resident Directors of GW Pharmaceuticals plc for travel to Board meetings held in the United Kingdom. These expenses are taxable on the individual for services incurred in the United Kingdom. There are no proposed changes to the Remuneration Policy at the Annual General Meeting, scheduled for May 2020.
- In February 2020, 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 2020. External benchmarking analysis for the Chief Financial Officer and Chief Operating Officer were below the median of peer group data. The Remuneration Committee approved an increase in the Chief Financial Officer's basic salary by 5.1% to $433,000, and an increase in the Chief Operating Officer's basic salary by 8.1% to £320,000 effective from 1 March 2020.
- At the same time, the Remuneration Committee met to consider the extent of achievement of 2019 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 2019 calendar year. The consensus was that 2019 had been a very strong year for the Group, with strong sales of Epidiolex for the first full year in the United States and the achievement of an EMA approval for Epidyolex in Europe.

Under the bonus program, bonus incentive awards were determined by first establishing a bonus pool. The bonus pool was calculated by aggregating the target cash incentive awards for all eligible plan participants and then multiplying that sum by a modifier established by our Remuneration Committee based on our performance as measured against the 2019 Company goals.

The 2019 Company goals approved by our Board of Directors and Remuneration Committee at the beginning of the year were as follows:

2019 Company Goals:

- Successful US commercial trajectory of Epidiolex
- Epidyolex approval by EMA leading to launches in major markets
- Manufacturing scale-up to meet in-market demand for medium-term capacity requirements
- Epidiolex label expansion by completion of Tuberous Sclerosis study to enable sNDA filing and commencement of Rett syndrome study
- Progress with development of Epidiolex lifecycle management
- Pipeline progress with a focus on nabiximols

The bonus pool was then allocated among all of the plan participants in accordance with the terms of the 2019 annual bonus incentive program. Consistent with 2018, our Chief Executive Officer and executive team bonus incentive awards were based 75% on Company goals and 25% on individual objectives.

Our Remuneration Committee assessed performance and determined that the executive team had met or exceeded each of the 2019 Company goals and, after considering the success of Epidiolex commercialisation in the United States, approved a bonus award equating to 115% of target for each Director or Executive Officer. The Remuneration Committee considered that the Chief Operating Officer deserved additional recognition in respect of his individual effort towards the European approval of Epidyolex, the establishment of a European commercial organisation and the manufacturing expansion projects. The Committee approved an incremental bonus award taking total bonus to 120% of target.

Thomas Lynch
Remuneration Committee Chairman
18 March 2020

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 year ended 31 December 2019:

Name of Director	Salary and fees £	Taxable benefits £	Short-term incentives[2] £	Long-term incentive plans[3] £	Pension contributions £	**2019 total £**
Executive						
Dr Geoffrey W Guy	410,000	3,566	–	5,395,149	–	**5,808,715**
Justin Gover	502,187	42,955	398,970	6,259,595	7,440	**7,211,147**
Non-executive						
James Noble	71,965	–	–	23,683	–	**95,648**
Cabot Brown	70,401	3,163	–	23,683	–	**97,247**
Thomas Lynch[1]	–	–	–	23,683	–	**23,683**
Catherine Mackey	54,756	5,475	–	23,683	–	**83,914**
Alicia Secor	52,801	1,316	–	23,683	–	**77,800**
William Waldegrave	50,845	–	–	23,683	–	**74,528**
Aggregate emoluments	1,212,955	56,475	398,970	11,796,842	7,440	**13,472,682**

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 Short-term incentives represent the bonus paid in February 2020 in respect of salary and fees earned in 2019.
3 LTIP gains represent the unrealised gains on LTIPs that vested during the year ended 31 December 2019, calculated according to the share price at the date of vesting. Only a portion of these gains had been realised by 31 December 2019, depending on whether the Directors exercised or sold these LTIPs. The following elements of the gain are attributable to share price appreciation/depreciation:
- Dr. Geoffrey W Guy: Appreciation of £3,947,950
- Justin Gover: Appreciation of £4,535,818
- James Noble, Cabot Brown, Thomas Lynch, Catherine Mackey, Alicia Secor and William Waldegrave: Depreciation of £8,249 each

Details on the nature of each of the above categories can be found within the Summary Remuneration Policy table on page 31.

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[2] £	Long-term incentive plans[3] £	Pension contributions £	2018 total £
Executive						
Dr Geoffrey W Guy	521,535	4,602	–	1,852,124	–	**2,378,261**
Justin Gover	486,511	19,029	376,182	2,041,377	7,784	**2,930,883**
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[4]	48,840	–	–	–	–	**48,840**
Aggregate emoluments	1,333,918	23,631	376,182	4,665,914	7,784	**6,407,429**

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 Short-term incentives represent the bonus paid in February 2019 in respect of salary and fees earned in 2018.
3 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.
4 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.

Directors' Remuneration Report continued

Long-Term Incentive Awards Vesting During the Financial Year
The table set out below illustrates the long-term incentive awards which vested during 2019. All of the following data has been included in the 2019 remuneration table above.

Performance period end	Name of Director	Award date	Type of Option	Vesting condition	Vesting occurred?	Share price at vesting date	ADS price at vesting date
03/01/2019	James Noble	03/01/2018	RSO[1]	Continued employment throughout the vesting period	✓	**62p**	**$99.69**
	Cabot Brown		RSU[2]				
	Thomas Lynch		RSO				
	Catherine Mackey		RSU				
	Alicia Secor		RSU				
	William Waldegrave		RSO				
06/01/2019	Justin Gover	06/01/2017	RSO	Continued employment throughout the vesting period	✓	**718p**	**$108.88**
15/02/2019	Justin Gover	15/02/2016	RSO	Continued employment throughout the vesting period	✓	**979p**	**$150.49**
	Justin Gover		PSO[3]	Half of the performance stock options will occur upon receipt from FDA of their confirmation of acceptance of an Epidiolex NDA filing. Half of the performance stock options will occur upon FDA grant of Epidiolex regulatory approval.			
	Justin Gover		MPO[4]	Continued employment throughout the vesting period			
	Geoffrey Guy		RSO	Continued employment throughout the vesting period			
	Geoffrey Guy		PSO	Half of the performance stock options will occur upon receipt from FDA of their confirmation of acceptance of an Epidiolex NDA filing. Half of the performance stock options will occur upon FDA grant of Epidiolex regulatory approval.			
	Geoffrey Guy		MPO	Continued employment throughout the vesting period			
26/02/2019	Justin Gover	26/02/2018	RSU	Continued employment throughout the vesting period	✓	**970p**	**$152.89**
	Geoffrey Guy		RSO				
24/06/2019	Justin Gover	24/06/2015	RSO	Continued employment throughout the vesting period	✓	**1125p**	**$172.27**
	Geoffrey Guy						
10/08/2019	Geoffrey Guy	10/08/2018	RSU	Continued employment throughout the vesting period	✓	**1147p**	**$166.98**

1 RSO is a restricted stock option
2 RSU is a restricted stock unit, which automatically vests
3 PSO is a performance stock option
4 MPO is a market-priced option

Long-Term Incentive Awards Granted to the Directors and Executive Officers in 2019
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.

The Executive Directors and 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 or restricted stock units, 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 before 15 March of the year following the year of vesting. Restricted stock units vest automatically on the vesting date. 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 ("ADS"), for which 12 ordinary shares equate to one ADS.

The table below sets out the LTIPs awarded in the year to 31 December 2019 to Executive Directors:

Name of Director	Granted	Face value at date of grant (£)	Exercise price	Performance period end	Date of expiry	% of award vesting for minimum performance
Justin Gover						
Market-priced options	119,472	1,292,686	1,082.0p ($172.01 per ADS)	01/03/2022	01/03/2029	100%
Market-priced options	30,936	357,564	1,155.8p ($175.74 per ADS)	14/06/2022	14/06/2029	100%
Performance stock options	226,752	2,453,317	0.1p	01/03/2022	01/03/2022	0%
Performance stock options	55,488	670,097	0.1p	14/06/2022	14/06/2022	0%
Restricted stock units year 1 – 25%	17,004	183,973	0.1p	01/03/2020	01/03/2020	100%
Restricted stock units year 2 – 25%	17,004	183,973	0.1p	01/03/2021	01/03/2021	100%
Restricted stock units year 3 – 25%	17,004	183,973	0.1p	01/03/2022	01/03/2022	100%
Restricted stock units year 4 – 25%	17,004	183,973	0.1p	01/03/2023	01/03/2023	100%
Restricted stock units year 1 – 25%	4,164	50,286	0.1p	14/06/2020	14/06/2020	100%
Restricted stock units year 2 – 25%	4,164	50,286	0.1p	14/06/2021	14/06/2021	100%
Restricted stock units year 3 – 25%	4,164	50,286	0.1p	14/06/2022	14/06/2022	100%
Restricted stock units year 4 – 25%	4,164	50,286	0.1p	14/06/2023	14/06/2023	100%
Dr Geoffrey W Guy						
Market-priced options	75,252	814,151	1,082.0p ($172.01 per ADS)	01/03/2022	01/03/2029	100%
Performance restricted stock units	142,824	1,593,018	0.1p	01/03/2022	01/03/2022	0%
Restricted stock options year 1 – 25%	10,704	115,811	0.1p	01/03/2020	01/03/2020	100%
Restricted stock options year 2 – 25%	10,704	115,811	0.1p	01/03/2021	01/03/2021	100%
Restricted stock options year 3 – 25%	10,704	115,811	0.1p	01/03/2022	01/03/2022	100%
Restricted stock options year 4 – 25%	10,704	115,811	0.1p	01/03/2023	01/03/2023	100%

The face value of the above options has been derived using the closing share price of the Group's ADSs the day prior to grant.

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 ($172.01 per ADS, equivalent to 1,082.0p 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 having achieved an agreed Epidiolex net sales revenue target for 2019.

The Remuneration Committee considers this particular milestone to be an important element of our agreed strategy and the key value driver for the business at this time.

Directors' Remuneration Report continued

25% of the awards are in the form of restricted stock options for U.K.-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 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.

Following the approval of the current Remuneration Policy by shareholders at the June 2019 Annual General Meeting, an additional grant of 150% of basic salary was made to the Chief Executive Officer. The terms were as above, except that the exercise price equivalent to the market price at market close on the day prior to grant was $175.74 per ADS, equivalent to 1,155.8p per ordinary share.

Long-Term Incentive Awards Granted to the Non-Executive Directors in 2019
During February 2019, 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 year to 31 December 2019 to non-executive Directors:

Name of Director	Granted	Face value at date of grant (£)	Exercise price	Performance period end	Date of expiry	% of award vesting for minimum performance
James Noble						
Market-priced options	16,548	179,049	1,082.0p ($172.01 per ADS)	01/03/2022	01/03/2029	100%
Restricted stock options – year 1 (1/3rd)	3,144	34,016	0.1p	01/03/2020	01/03/2029	100%
Restricted stock options – year 2 (1/3rd)	3,144	34,016	0.1p	01/03/2021	01/03/2029	100%
Restricted stock options – year 3 (1/3rd)	3,144	34,016	0.1p	01/03/2022	01/03/2029	100%
Cabot Brown						
Market-priced options	16,548	179,049	1,082.0p ($172.01 per ADS)	01/03/2022	01/03/2029	100%
Restricted stock units – year 1 (1/3rd)	3,144	34,016	0.1p	01/03/2020	01/03/2029	100%
Restricted stock units – year 2 (1/3rd)	3,144	34,016	0.1p	01/03/2021	01/03/2029	100%
Restricted stock units – year 3 (1/3rd)	3,144	34,016	0.1p	01/03/2022	01/03/2029	100%
Thomas Lynch						
Market-priced options	16,548	179,049	1,082.0p ($172.01 per ADS)	01/03/2022	01/03/2029	100%
Restricted stock options – year 1 (1/3rd)	3,144	34,016	0.1p	01/03/2020	01/03/2029	100%
Restricted stock options – year 2 (1/3rd)	3,144	34,016	0.1p	01/03/2021	01/03/2029	100%
Restricted stock options – year 3 (1/3rd)	3,144	34,016	0.1p	01/03/2022	01/03/2029	100%
Catherine Mackey						
Market-priced options	16,548	179,049	1,082.0p ($172.01 per ADS)	01/03/2022	01/03/2029	100%
Restricted stock units – year 1 (1/3rd)	3,144	34,016	0.1p	01/03/2020	01/03/2029	100%
Restricted stock units – year 2 (1/3rd)	3,144	34,016	0.1p	01/03/2021	01/03/2029	100%
Restricted stock units – year 3 (1/3rd)	3,144	34,016	0.1p	01/03/2022	01/03/2029	100%
Alicia Secor						
Market-priced options	16,548	179,049	1,082.0p ($172.01 per ADS)	01/03/2022	01/03/2029	100%
Restricted stock units – year 1 (1/3rd)	3,144	34,016	0.1p	01/03/2020	01/03/2029	100%
Restricted stock units – year 2 (1/3rd)	3,144	34,016	0.1p	01/03/2021	01/03/2029	100%
Restricted stock units – year 3 (1/3rd)	3,144	34,016	0.1p	01/03/2022	01/03/2029	100%
William Waldegrave						
Market-priced options	16,548	179,049	1,082.0p ($172.01 per ADS)	01/03/2022	01/03/2029	100%
Restricted stock options – year 1 (1/3rd)	3,144	34,016	0.1p	01/03/2020	01/03/2029	100%
Restricted stock options – year 2 (1/3rd)	3,144	34,016	0.1p	01/03/2021	01/03/2029	100%
Restricted stock options – year 3 (1/3rd)	3,144	34,016	0.1p	01/03/2022	01/03/2029	100%

The face value of the above options has been derived using the closing share price of the Group's ADSs the day prior to grant.

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 ($172.01 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 U.K.-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.

Consistent with previous years, 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 year. Details of the equity retention policy applicable to the Directors is set out on page 33. This policy has been applied with during 2019.

Name of Director	Shares owned[1]	Unvested with performance measures	Unvested without performance measures[2]	Vested not yet exercised	Exercised during the year
Executive					
Dr Geoffrey W Guy	7,850,446	564,948	469,629	34,338	576,000
Justin Gover	2,554,847	815,004	657,736	539,201	283,164
Non-executive					
James Noble	27,500	–	78,620	3,585	82,596
Cabot Brown	7,216	–	78,620	34,061	52,104
Thomas Lynch	–	–	78,620	86,181	–
Catherine Mackey	2,688	–	68,480	–	3,576
Alicia Secor	2,676	–	68,480	–	3,576
William Waldegrave	–	–	68,480	4	3,576

1 This comprises the Directors' holding of ordinary shares as at 31 December 2019. Further details are given in the table below.
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.

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 2019	Ordinary shares of 0.1p 31 December 2018
Executive		
Dr Geoffrey W Guy[1]	7,850,446	9,470,446
Justin Gover[2]	2,554,847	2,558,999
Non-executive		
James Noble	27,500	27,500
Cabot Brown	7,216	7,200
Thomas Lynch	–	–
Catherine Mackey	2,688	–
Alicia Secor	2,676	–
William Waldegrave	–	–

1 Dr Geoffrey Guy's holding includes 103,925 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 Mr. Gover owns 99% and the remaining 1% is held by his wife.
Note: Each NASDAQ listed ADS represents 12 ordinary 0.1 pence shares.

Directors' Remuneration Report continued

The interests of the Directors in share options over the ordinary shares of the Company as at 31 December 2019 were:

Name of Director	At 1 Jan 2019	Granted	Exercised	Lapsed	**At 31 Dec 2019**	Nominal value	Exercise price	Date of vesting	Date of expiry
Dr. Geoffrey Guy	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
	7	–	(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	–	–	–	**107,352**	0.1p	685.1p	26/02/2021	26/02/2028
	16,317	–	(7,055)	–	**9,262**	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
	–	75,252	–	–	**75,252**	0.1p	1,081.9p	01/03/2022	01/03/2029
	–	142,824	–	–	**142,824**	0.1p	0.1p	01/03/2022	01/03/2029
	–	10,704	–	–	**10,704**	0.1p	0.1p	01/03/2020	01/03/2029
	–	10,704	–	–	**10,704**	0.1p	0.1p	01/03/2021	01/03/2029
	–	10,704	–	–	**10,704**	0.1p	0.1p	01/03/2022	01/03/2029
	–	10,704	–	–	**10,704**	0.1p	0.1p	01/03/2023	01/03/2029
Total	1,384,023	260,892	(576,000)	–	**1,068,915**				

Name of Director	At 1 Jan 2019	Granted	Exercised	Lapsed	**At 31 Dec 2019**	Nominal value	Exercise price	Date of vesting	Date of expiry
Justin Gover	75,874	–	–	–	**75,874**	0.1p	671.0p	24/06/2018	24/06/2025
	10,679	–	(10,668)	(11)	**–**	0.1p	0.1p	24/06/2019	24/12/2019
	213,245	–	–	–	**213,245**	0.1p	257.0p	15/02/2019	15/02/2026
	30,334	–	(30,324)	(10)	**–**	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	–	(171,890)	–	**232,565**	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	–	(17,508)	(9)	**–**	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
	–	119,472	–	–	**119,472**	0.1p	1,082.0p	01/03/2022	01/03/2029
	–	226,752	–	–	**226,752**	0.1p	0.1p	01/03/2022	01/03/2022
	–	17,004	–	–	**17,004**	0.1p	0.1p	01/03/2020	01/03/2020
	–	17,004	–	–	**17,004**	0.1p	0.1p	01/03/2021	01/03/2021
	–	17,004	–	–	**17,004**	0.1p	0.1p	01/03/2022	01/03/2022
	–	17,004	–	–	**17,004**	0.1p	0.1p	01/03/2023	01/03/2023
	–	30,936	–	–	**30,936**	0.1p	1,155.8p	14/06/2022	14/06/2029
	–	4,164	–	–	**4,164**	0.1p	0.1p	14/06/2022	14/06/2022
	–	4,164	–	–	**4,164**	0.1p	0.1p	14/06/2020	14/06/2020
	–	4,164	–	–	**4,164**	0.1p	0.1p	14/06/2021	14/06/2021
	–	4,164	–	–	**4,164**	0.1p	0.1p	14/06/2022	14/06/2022
	–	55,488	–	–	**55,488**	0.1p	0.1p	14/06/2022	14/06/2022
Total	1,777,815	517,320	(283,164)	(30)	**2,011,941**				
James Noble	68,122	–	(68,117)	(5)	**–**	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
	–	16,548	–	–	**16,548**	0.1p	1,082.0p	01/03/2022	01/03/2029
	–	3,144	–	–	**3,144**	0.1p	0.1p	01/03/2020	01/03/2029
	–	3,144	–	–	**3,144**	0.1p	0.1p	01/03/2021	01/03/2029
	–	3,144	–	–	**3,144**	0.1p	0.1p	01/03/2022	01/03/2029
Total	138,821	25,980	(82,596)	(5)	**82,200**				

Directors' Remuneration Report continued

Name of Director	At 1 Jan 2019	Granted	Exercised	Lapsed	**At 31 Dec 2019**	Nominal value	Exercise price	Date of vesting	Date of expiry
Cabot Brown	68,122	–	(34,056)	(6)	**34,060**	0.1p	383.0p	29/12/2018	29/06/2019
	14,479	–	(14,472)	(7)	**–**	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	–	(3,576)	(4)	**–**	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
	–	16,548	–	–	**16,548**	0.1p	1,082.0p	01/03/2022	01/03/2029
	–	3,144	–	–	**3,144**	0.1p	0.1p	01/03/2020	01/03/2029
	–	3,144	–	–	**3,144**	0.1p	0.1p	01/03/2021	01/03/2029
	–	3,144	–	–	**3,144**	0.1p	0.1p	01/03/2022	01/03/2029
Total	138,821	25,980	(52,104)	(17)	**112,680**				
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
	–	16,548	–	–	**16,548**	0.1p	1,082.0p	01/03/2022	01/03/2029
	–	3,144	–	–	**3,144**	0.1p	0.1p	01/03/2020	01/03/2029
	–	3,144	–	–	**3,144**	0.1p	0.1p	01/03/2021	01/03/2029
	–	3,144	–	–	**3,144**	0.1p	0.1p	01/03/2022	01/03/2029
Total	138,821	25,980	–	–	**164,801**				
Catherine Mackey	35,340	–	–	–	**35,340**	0.1p	821.8p	03/01/2021	03/01/2028
	3,580	–	(3,576)	(4)	**–**	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
	–	16,548	–	–	**16,548**	0.1p	1,082.0p	01/03/2022	01/03/2029
	–	3,144	–	–	**3,144**	0.1p	0.1p	01/03/2020	01/03/2029
	–	3,144	–	–	**3,144**	0.1p	0.1p	01/03/2021	01/03/2029
	–	3,144	–	–	**3,144**	0.1p	0.1p	01/03/2022	01/03/2029
Total	46,080	25,980	(3,576)	(4)	**68,480**				
Alicia Secor	35,340	–	–	–	**35,340**	0.1p	821.8p	03/01/2021	03/01/2028
	3,580	–	(3,576)	(4)	**–**	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
	–	16,548	–	–	**16,548**	0.1p	1,082.0p	01/03/2022	01/03/2029
	–	3,144	–	–	**3,144**	0.1p	0.1p	01/03/2020	01/03/2029
	–	3,144	–	–	**3,144**	0.1p	0.1p	01/03/2021	01/03/2029
	–	3,144	–	–	**3,144**	0.1p	0.1p	01/03/2022	01/03/2029
Total	46,080	25,980	(3,576)	(4)	**68,480**				
William Waldegrave	35,340	–	–	–	**35,340**	0.1p	821.8p	03/01/2021	03/01/2028
	3,580	–	(3,576)	(4)	**–**	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
	–	16,548	–	–	**16,548**	0.1p	1,082.0p	01/03/2022	01/03/2029
	–	3,144	–	–	**3,144**	0.1p	0.1p	01/03/2020	01/03/2029
	–	3,144	–	–	**3,144**	0.1p	0.1p	01/03/2021	01/03/2029
	–	3,144	–	–	**3,144**	0.1p	0.1p	01/03/2022	01/03/2029
Total	46,080	25,980	(3,576)	(4)	**68,480**				

During the year ended 31 December 2019, 1,004,592 options (15-month period ended 31 December 2018: 624,780) over ordinary shares were exercised. The average exercise price for the year ended 31 December 2019 was 85.6p per ordinary share (15-month period ended 31 December 2018: 74.4p per ordinary share) and the average market price per US-listed ADS, each equivalent to 12 Ordinary shares and denominated in US Dollars, at date of exercise was $177.25 (15-month period ended 31 December 2018: $126.97).

The market price of the Company's US-listed ADSs as at 31 December 2019 was $104.56 (15-month period ended 31 December 2018: $97.39) and the range during the year ended 31 December 2019 was $96.10 to $187.21 (15-month period ended 31 December 2018: $94.36 to $174.50).

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 (US$)

This graph shows the daily movements to 31 December 2019 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. Short-term incentives are included in the year paid.

Year	CEO single figure of total remuneration[1]	Short-term incentive pay-out against maximum	Long-term incentive vesting rates against maximum opportunity
Year ended 31 December 2019	7,188,360	80%	100%
15-months ended 31 December 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%

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

Directors' Remuneration Report continued

The table below shows the percentage change in remuneration of the Chief Executive Officer and the Company's employees as a whole between 2018 and 2019.

	Percentage increase in remuneration in 2019 compared with remuneration in 2018	
	CEO %	All employees %
Basic salary	8	6
Taxable benefits	33	6
Short-term incentives	30	9

The employee comparator Group consists of employees in the U.K. 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 2018 and 2019 Group.

For this period, the Group has disclosed the Chief Executive Officer's total pay and remuneration for 2019, compared to the 25th, 50th and 75th percentiles of the organisation.

The Group's overall organisation continues to expand. During 2019, the total number of employees increased from to 801 to 907. This growth was split between the United Kingdom and the United States. The Group expects to increase employee numbers in major European markets in 2020 as the commercial organisation prepares and executes launches of Epidyolex across Europe.

The ratios have been calculated in accordance with the Companies (Miscellaneous Reporting) Requirements 2018 (the Regulations). We have chosen Option A which is a calculation based on all U.K. employees on a full-time equivalent basis as at 31 December 2019. The group in the United Kingdom represents approximately 2/3rd of all global employees. The calculation includes basic salary, taxable benefits, short-term incentives and the grant of long-term incentives compared to the global population of employees. Full-time equivalent has been determined based upon a full-time working pattern, i.e. an employee's gross salary at 100% employment.

Year	Method	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2019	Option A	151:1	111:1	68:1

There will continue to be differences between the remuneration of the Chief Executive Officer, who is based in the United States, and the remuneration of employees based in United Kingdom due to the nature of the employment markets. However, the Group believes that the calculation above is the most reflective of the percentile analysis demanded by the Requirements.

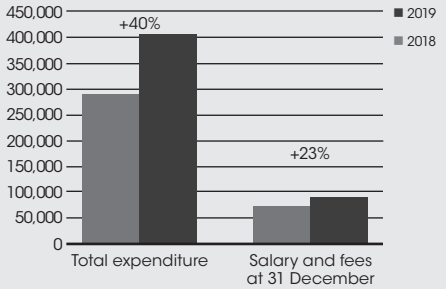
The Committee is mindful of debate on executive pay and seeks to ensure that when determining the remuneration of the CEO it sets the right balance between rewarding performance in a highly competitive global executive talent market, and pay across the Group.

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 at 31 December in each period, compared to total expenditure for the last two calendar years ended 31 December 2019 and 2018 respectively. This illustrates the year-on-year growth in both. Staff costs are now growing slower than total spend as a substantial proportion of the Group's expenditure is now related to commercialisation costs directly attributable to product sales.

Relative Importance of Spend on Pay ($000s)



Proposed Application of the Remuneration Policy for the Year Ended 31 December 2020

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 by Andersen Advisers for the Remuneration Committee, 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 2020 to assess Director and Executive Officer performance for the calendar year ended 31 December 2019. 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 have been provided in the Remuneration Committee Chairman's Annual Statement.

It is the committee's intention that the short-term incentive for services in 2020 will be similar to that paid in February 2020.

iii) Long-Term Incentive Plan
Equity grants under the Long-Term Incentive Plan in 2020 are expected to comprise of two elements:

> 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.
> Restricted stock options (Or restricted stock units for US-based Directors or Executive Officers), 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.

It is the committee's expectation that, unless a Director or Executive Officer no longer remains in employment when the service period has completed, that all market-price and restricted stock options will vest. This would be applicable to any options where vesting is scheduled to complete during 2020.

The performance stock option element of the January 2017 LTIP award was scheduled to vest on 6 January 2020. 50% of the overall awards were in the form of performance stock options, with a corporate performance condition:

> 50% vest upon receipt from FDA of their confirmation of acceptance of an Epidiolex NDA filing
> 50% vest upon FDA grant of Epidiolex regulatory approval.

100% of the 2017 LTIP award therefore vested on 6 January 2020.

iv) Non-Executive Director Fees and Equity-Based Incentives
We do not expect the level of cash-based fees to change during 2020 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 service-based condition.

Directors' Remuneration Report continued

Remuneration Committee Approach to Remuneration Matters

The Remuneration Committee comprises Cabot Brown and Alicia Secor 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 retained Willis Towers Watson for much of 2019 to provide ongoing peer group remuneration benchmarking, option valuations and Remuneration Policy related advice. In late 2019, Andersen Advisers were retained to provide benchmarking services for the 2020 annual remuneration review and Remuneration Policy advice for 2020. A total of $25,000 was incurred in 2019 for these services, with a further $25,000 incurred in 2020. The Committee is satisfied that both of these advisers, signatories of the Remuneration Consultants' Code of Conduct, provide 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 13 June 2019, the Group put its most recent Remuneration Policy to shareholders for approval and at the AGM held on that date, 97.45% of shareholders' proxy votes approved the revised Policy. At that AGM, 99.49% of shareholders' proxy votes approved the Directors' Remuneration Report for 2018.

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 will next be presented to shareholders in 2022 for a binding vote, as each Policy is 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 below describes GW's shareholder-approved Remuneration Policy for Directors and seeks to explain how each element of the Directors' remuneration packages operates:

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 plan	Enables Executive Directors to build long-term retirement savings.	Company contribution to a personal pension/401k 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.
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.

Directors' Remuneration Report continued

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.

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 executive members of 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.

Directors' Remuneration Report continued

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 401k scheme. This is generally at the same level as contributions paid to the personal pension/401k schemes of the US-based Executive Director. U.K.-based employees are entitled to a personal pension scheme contribution equating to 6.67% of basic salary. U.K.-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 on Form 10-K which was filed with the US Securities and Exchange Commission on 27 February 2020.

Details of Directors' service contracts are as follows:

Director	Date of contract	Notice period
Executive		
Dr Geoffrey Guy	March 2013	12 months
Justin Gover	February 2013[1]	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

1 Justin Gover's service contract was transferred and subject to amendment in July 2015. The majority of clauses were retained, including notice period.

The non-executive Directors have service agreements which are subject to a three month notice period. Their remuneration is reviewed by the executive members of 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. Dr Geoffrey Guy and Cabot Brown will be retiring by rotation at the next AGM and, being eligible, they will seek re-election.

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 2020 for each of the Directors, computed in accordance with the Remuneration Policy outlined above for each of three performance scenarios, as follows:

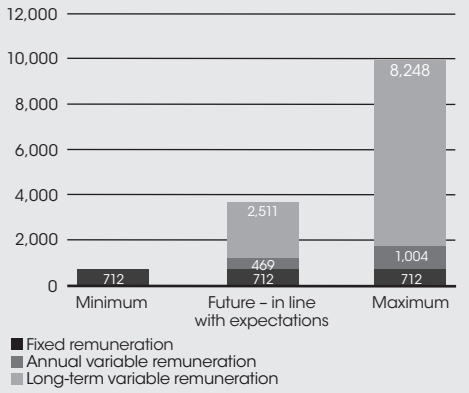
The following table and graphs provide an illustration of the potential remuneration. In interpreting these scenarios it is very important to note that it is likely that a significant proportion of future long-term equity incentive grants to the Executive Directors are likely to consist partly of share 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 2020 (see page 31). The value of benefits receivable for the year ended 31 December 2020 assumed to be equal to the value of benefits received in the year ended 31 December 2019 as set out in the single total figure of remuneration table on page 19. The pension or 401k contribution receivable by each Director for the year ended 31 December 2019 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 2020 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 70% of basic salary, being the on-target amount for 2020. The Chairman is not entitled to an annual bonus. This scenario assumes the grant of equity-based incentives with a Black-Scholes valuation at grant equivalent to 750% of basic salary to the CEO and 450% 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 2019. No account is taken of share price growth over the vesting period.

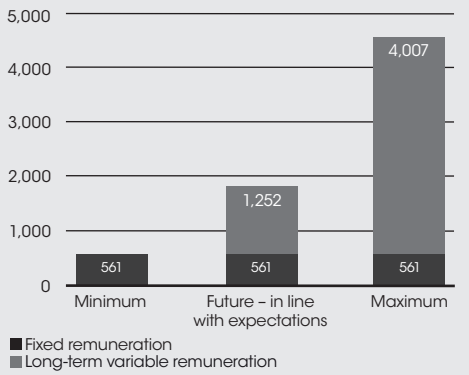
Directors' Responsibilities Statement

Maximum remuneration receivable	This scenario is illustrative only and is not expected to be predictive of 2020 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 the 75th percentile of the peer group data. For 2020, this was calculated as being 770% of gross 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 2019. 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 2020 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, outplacement 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 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:

Justin Gover
Director
18 March 2020

Directors' Responsibilities Statement continued

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 U.K. 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 18 March 2020 and is signed on its behalf by:

Justin Gover
Director
18 March 2020

Independent Auditor's Report

to the Members of GW Pharmaceuticals Plc

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 2019 and of the Group's loss for the year 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 United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; 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 Statements;
- the Consolidated Statements of Comprehensive Expense;
- the Consolidated Statements of Changes in Equity;
- the Consolidated Balance Sheets;
- the Consolidated Cash Flow Statements;
- the related notes 1 to 27;
- the Company Balance Sheet;
- the Company Statements of Changes in Equity; and
- the related notes 1 to 13.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (U.K.) (ISAs (U.K.)) 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 U.K., 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: > Epidiolex Product Net Sales – Rebates.
Materiality	Overall Group Materiality: $14.0 million based on total operating expenditure. Overall Parent Company Materiality: $13.8 million based on total assets.
Scoping	We identified three significant components which required a full scope audit of their complete financial information due to their size. We identified one component which had one or more individual balances that were significant to the Group's financial statements. Audit procedures were performed by the U.K. Group team and US component audit team. The distribution of the work was consistent with the prior period. Taken together, the above procedures accounted for 99% of the Group's loss before tax, 99% of the Group's net assets and 98% of the Group's revenue.
Significant changes in our approach	The materiality benchmark used in current year is different to prior period, as discussed in further detail below. The key audit matter identified in the current period is different to the prior year, as discussed in further detail below.

Independent Auditor's Report continued

Conclusions Relating to Going Concern

We are required by ISAs (U.K.) 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 have nothing to report in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These 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.

These matters were 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 these matters.

The key audit matter in the current period is related to Epidiolex Product Net Sales – Rebates. This has been determined as it relates to a material balance in the financial statements, which is recognised for the first time in this accounting period, and there is significant estimation and uncertainty involved in management's assumptions in calculation. The prior year key audit matter, which pertained to the Epidiolex inventory balance, is no longer considered a key audit matter as at 31 December 2019 as the costing and valuation methodology forms an established business process and accounting policy, which remains consistent with the current year. Accordingly, we have concluded that this is no longer a key audit matter as at 31 December 2019.

Epidiolex Product Net Sales – Rebates

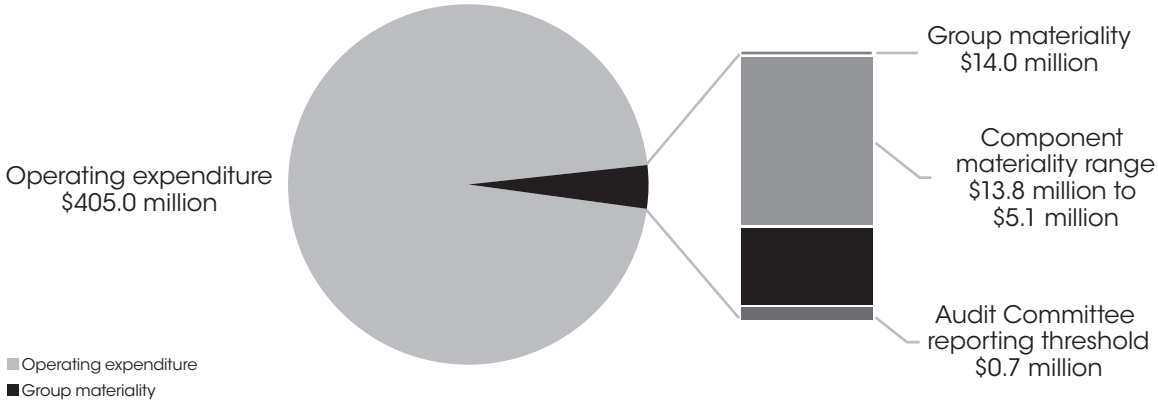
Key audit matter description	As more fully disclosed in note 3 to the financial statements, the Group recognises revenue from product sales, net of allowances for rebates, which are included in accrued liabilities on the Consolidated Balance Sheets ($22.9 million; FY18: $0.6 million). The allowances for rebates include mandated discounts under the Medicaid Drug Rebate Program and the Medicare Part D prescription drug benefit as well as contractual rebates with commercial payers. The allowance for rebates is based on contracted or statutory discount rates and expected utilisation by benefit plan participants. Given the significant estimation and uncertainty involved in management's assumptions to calculate the rebates, such as consideration of historical claims experience, expected utilisation, unbilled claims, and claims submission time lags, and the limited historical data currently available, auditing these estimates involved significant judgement.
How the scope of our audit responded to the key audit matter	Our auditing procedures related to allowances for rebates for Epidiolex product sales included the following, among others: > We tested the effectiveness of internal controls over the development of the allowances for rebates, including the underlying assumptions and key inputs into the Group's allowances for rebates as well as controls over management's review of the application of the governmental pricing regulations. > We compared the significant assumptions used by management to currently available historical trends, evaluated the change in the accruals from prior quarters, and assessed the historical accuracy of management's estimates against actual results. > We estimated the rebates accrual for a sample of US programs, using a combination of Group internal data, historical information, executed contracts, and third-party data and compared our estimate to the amount recorded by the Group. > We tested the completeness and accuracy of the underlying data used in the Company's calculations through reconciliation to third-party invoices, executed contracts, claims data, and actual cash payments.
Key observations	Based on the procedures performed, we concluded that the key management judgements and assumptions applied in Epidiolex Product Net Sales Rebate balances are appropriate.

Our Application of Materiality

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	$14.0 million (2018: $10.2 million)	$13.8 million (2018: $10.1 million)
Basis for determining materiality	Approximately 3.4% of total operating expenses (2018: 3.4%).	Equates to 2% of total assets and capped at 99% of Group materiality (2018: 2%, capped at 99% of Group materiality).
Rationale for the benchmark applied	There is an expectation that operating expenditure incurred will contribute to higher revenue generating capacity for the future, which is a key metric investors consider in their decision-making. This is a change from prior period where a combination of operating expenses and the net cash flows from operations was used as the benchmark. The significance of cash flows from operations reduced in the current period as the Group started to generate its own cash.	Total assets has been used as this is a non-trading holding company and we consider this to be the most appropriate basis. This is consistent with prior period.



Performance materiality
We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 80% of Group materiality for the 2019 audit (2018: 75%). In determining performance materiality, we considered the following factors:
> Our risk assessment, including our assessment of the Group's control environment, and that we consider it appropriate to rely on controls over a significant number of business processes.
> Our past experience, which indicates a low number of corrected and uncorrected misstatements in the prior periods.
> Low turnover of management and key accounting personnel, which indicates a consistent control environment in the current period.

Error reporting threshold
We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $0.7 million (2018: $0.5 million), 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.

Independent Auditor's Report continued

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Identification and scoping of components
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 have selected the components in scope based on the financial significance of each entity to the Group, with reference to the total operating expenditure benchmark used in determining materiality. There are no changes in our scoping compared to the prior period.

We identified three significant components which required a full scope audit of their complete financial information due to their size. These components are the principal operating units within the U.K. and US.

We identified one component which had one or more individual balances that were significant to the Group's financial statements. The work was focused on cash and expenditure balances.

Our consideration of the control environment
From our walkthroughs and understanding of the entity (including the key controls of the business cycle and at account business levels), we have identified the key IT systems that are relevant to the audit. These are key IT systems that are used across all of its legal entities, with the exception of certain non-significant components. We audited the key controls over those systems.

The work performed included:
> Identification of the relevant technology elements to the audit as well as the risks arising from IT and relevant general IT controls (GITCs)
> Testing of the specific relevant automated controls
> Testing of the specific relevant system-generated reports
> Testing of the management's GITCs to maintain or monitor segregations of duties for end-user system access

As a result of the work performed we were able to rely on the general IT controls, automated controls and system-reports from the key systems tested.

From our understanding of the entity, walkthroughs and the testing of controls at the business cycle level, we have relied on controls over the following business cycles: order to cash, purchase to pay, payroll expenditure, lease liabilities, share-based payments and inventory.

Working with other auditors
Consistent with last year, the U.K. Group audit team engaged component auditors in the US to audit specified balances within the plc (the Parent Company), and the full scope audit of the significant components, Greenwich Biosciences Inc, GW Pharma Ltd and GW Research Ltd.

We have directed and supervised the component auditor in the US, which included attendance on regular calls. The Senior Statutory Auditor and the senior members of the U.K. Group audit engagement team also visited the component auditor in the US. We include the US component audit partner and team in our team briefing, as well as discuss the risk assessment, and review documentation of the findings from their work.

At the Group level, the procedures accounted for 99% of the Group's loss before tax (2018: 99%), 99% of the Group's net assets (2018: 99%) and 98% of the Group's revenue (2018: 100%). We tested the consolidation process and carried out risk assessment reviews on components that are not in scope. In addition, we have performed 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.

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.

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.

We have nothing to report in respect of these matters.

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 (U.K.) 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
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.

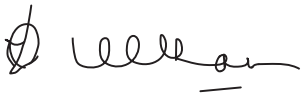
We have nothing to report in respect of these matters.

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 these matters.

Independent Auditor's Report continued

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.



Lee Welham
(Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Cambridge, United Kingdom
18 March 2020

Consolidated Income Statements

For the 12 months ended 31 December 2019 and 15 months ended 31 December 2018

	Notes	12 months to 31 December 2019 $000s	15 months to 31 December 2018 $000s
Revenue	4	**311,332**	19,391
Cost of sales		**(35,569)**	(7,912)
Research and development expenditure		**(146,810)**	(167,142)
Sales, general and administrative expenses		**(258,944)**	(187,602)
Net foreign exchange loss		**(2,272)**	(2,666)
Operating loss		**(132,263)**	(345,931)
Interest expense	9	**(2,464)**	(1,573)
Interest income	9	**8,465**	6,094
Other income	10	**108,109**	5,061
Loss before tax	5	**(18,153)**	(336,349)
Tax benefit/(charge)	11	**500**	(5,090)
Loss for the year/period		**(17,653)**	(341,439)
Loss per share – basic	12	**(4.8)c**	(100.3)c
Loss per share – diluted	12	**(4.8)c**	(100.3)c

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

All activities relate to continuing operations.

Consolidated Statements of Comprehensive Expense

For the 12 months ended 31 December 2019 and 15 months ended 31 December 2018

	12 months to 31 December 2019 $000s	15 months to 31 December 2018 $000s
Loss for the year/period	**(17,653)**	(341,439)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	**10,792**	(9,210)
Other comprehensive income/(expense) for the year/period	**10,792**	(9,210)
Total comprehensive expense for the year/period	**(6,861)**	(350,649)

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

No tax arises relating to components of other comprehensive expense.

Consolidated Statements of Changes in Equity

For the 12 months ended 31 December 2019 and 15 months ended 31 December 2018

Group	Notes	Share Capital $000s	Share Premium Account $000s	Merger Reserve $000s	Foreign Exchange Reserve $000s	Accumulated Deficit $000s	Total Equity $000s
Balance at 30 September 2017		**483**	**837,493**	**31,119**	**(71,406)**	**(426,109)**	**371,580**
Loss for the period		–	–	–	–	(341,439)	(341,439)
Other comprehensive expense		–	–	–	(9,210)	–	(9,210)
Total comprehensive expense 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	22	79	624,968	–	–	–	625,047
Expenses of new equity issue	22	–	(2,475)	–	–	–	(2,475)
Exercise of share options	22	2	616	–	–	–	618
Share-based payment transactions	23	–	–	–	–	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**
Loss for the year		–	–	–	–	(17,653)	(17,653)
Other comprehensive income		–	–	–	10,792	–	10,792
Total comprehensive income/(expense) for the year		**–**	**–**	**–**	**10,792**	**(17,653)**	**(6,861)**
Exercise of share options	22	6	2,872	–	–	–	2,878
Share-based payment transactions	23	–	–	–	–	48,030	48,030
Deferred tax attributable to unrealised share option gains		–	–	–	–	(687)	(687)
Balance at 31 December 2019		**570**	**1,463,474**	**31,119**	**(69,824)**	**(690,028)**	**735,311**

The accompanying notes are an integral part of these Consolidated Statements of Changes in Equity.

Consolidated Balance Sheets

As at 31 December 2019 and 2018

	Notes	31 December 2019 $000s	31 December 2018 $000s
Non-current assets			
Intangible assets – goodwill	13	**6,959**	6,959
Other intangible assets	14	**4,057**	2,417
Property, plant and equipment	15	**152,387**	89,430
Deferred tax asset	11	**17,752**	8,380
		181,155	107,186
Current assets			
Inventories	16	**95,469**	51,007
Taxation recoverable	11	**10,302**	4,833
Trade receivables and other current assets	17	**67,682**	19,424
Cash and cash equivalents	21	**536,933**	591,497
		710,386	666,761
Total assets		**891,541**	773,947
Current liabilities			
Trade and other payables	18	**(110,932)**	(63,586)
Current tax liabilities	11	**(2,585)**	(2,391)
Lease liabilities	20	**(4,037)**	(400)
		(117,554)	(66,377)
Non-current liabilities			
Trade and other payables	18	**(9,282)**	(9,929)
Lease liabilities	20	**(29,394)**	(5,690)
Total liabilities		**(156,230)**	(81,996)
Net assets		**735,311**	691,951
Equity			
Share capital	22	**570**	564
Share premium account		**1,463,474**	1,460,602
Merger reserve	24	**31,119**	31,119
Foreign exchange reserve	24	**(69,824)**	(80,616)
Accumulated deficit		**(690,028)**	(719,718)
Total equity		**735,311**	691,951

The consolidated financial statements of GW Pharmaceuticals plc, registered number 04160917, on pages 45 to 77 were authorised by the Board and approved for issue on 18 March 2020.

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

By order of the Board.

Justin Gover
Director
18 March 2020

Consolidated Cash Flow Statements

For the 12 months ended 31 December 2019 and 15 months ended 31 December

	12 months to 31 December 2019 $000s	15 months to 31 December 2018 $000s
Loss for the year/period	**(17,653)**	(341,439)
Adjustments for:		
Interest expense	**2,464**	1,573
Interest income	**(8,465)**	(6,094)
Other income	**(108,109)**	(5,061)
Tax (benefit)/charge	**(500)**	5,090
Depreciation of property, plant and equipment	**12,719**	10,626
Amortisation of intangible assets	**1,240**	1,118
Net foreign exchange losses	**2,272**	2,666
Increase in provision for inventories	**869**	1,405
Decrease in deferred signature fees	**–**	(1,178)
Share-based payment charge	**48,030**	40,520
Loss on disposal of property, plant and equipment	**94**	361
	(67,039)	(290,413)
Increase in inventories	**(43,757)**	(47,025)
Increase in trade receivables and other current assets	**(44,154)**	(9,254)
Increase in trade and other payables	**40,747**	21,808
Cash used in operations	**(114,203)**	(324,884)
Income taxes paid	**(10,462)**	(3,703)
Research and development tax credits received	**–**	27,168
Net cash outflow from operating activities	**(124,665)**	(301,419)
Investing activities		
Interest received	**8,223**	5,190
Purchase of property, plant and equipment	**(42,638)**	(44,934)
Purchase of intangible assets	**(2,490)**	(2,194)
Proceeds from sale of property, plant and equipment	**–**	517
Proceeds from sale of priority review voucher	**104,117**	–
Net cash inflow/(outflow) from investing activities	**67,212**	(41,421)
Financing activities		
Proceeds on exercise of share options	**2,878**	618
Proceeds of new equity issue	**–**	625,047
Expenses of new equity issue	**–**	(2,475)
Interest paid	**(2,511)**	(1,533)
Repayments of fit-out funding	**(543)**	(651)
Repayments of lease liabilities	**(2,431)**	(216)
Net cash (outflow)/inflow from financing activities	**(2,607)**	620,790
Effect of foreign exchange rate changes	**5,496**	(8,607)
Net (decrease)/increase in cash and cash equivalents	**(54,564)**	269,343
Cash and cash equivalents at the beginning of the year/period	**591,497**	322,154
Cash and cash equivalents at end of the year/period	**536,933**	591,497

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

Notes to the Consolidated Financial Statements

For the 12 months ended 31 December 2019 and 15 months ended 31 December 2018

1. Presentation of the Financial Statements

General Information

GW Pharmaceuticals plc (the "Company") and its subsidiaries (the "Group") is a biopharmaceutical company focused on discovering, developing and commercialising novel therapeutics from our proprietary cannabinoid product platform in a broad range of disease areas. The Company is developing a portfolio of cannabinoid medicines, of which the lead product is Epidiolex, an oral medicine for the treatment of certain refractory childhood epilepsies.

The Company is a public limited company, limited by ordinary shares, which has American Depository Shares ("ADSs") registered with the US Securities and Exchange Commission ("SEC") and has been listed on NASDAQ since 1 May 2013. The Company's ADSs each represent 12 ordinary shares of GW Pharmaceuticals plc. 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, United Kingdom.

In the prior period, the Company elected to modify its financial year end to 31 December from 30 September and presented its 15-month results to 31 December 2018. This was to align with the Group's external financial reporting calendar. Consequently, the results for the year ended 31 December 2019 as presented in these financial statements may not be entirely comparable with the prior period.

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 2019 the Group had cash and cash equivalents of $536.9 million (31 December 2018: $591.5 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 Group has 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.

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.

Notes to the Consolidated Financial Statements continued

For the 12 months ended 31 December 2019 and 15 months ended 31 December 2018

1. Presentation of the Financial Statements continued

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 IFRS 9 Financial Instruments or, when applicable, the costs on initial recognition of an investment in an associate or jointly controlled entity.

2. Adoption of New and Revised Accounting Standards

In the current period the following revised standards have been adopted in these financial statements. With the exception of the adoption of IFRS 16, 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 16 Leases (January 2016)
IFRS 11 Joint Arrangements Annual Improvements to IFRSs 2015 – 2017 Cycle (December 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 (December 2017)
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (September 2016)
Amendments to IFRS 9: Prepayment Features with Negative Compensation (October 2017)
Amendments to IAS 23: Annual Improvements to IFRSs 2015 – 2017 Cycle (December 2017)
Amendments to IAS 28: Annual Improvements to IFRSs 2014 – 2016 Cycle (December 2016)
Amendments to IAS 28: Long-Term Interests in Associates and Joint Ventures (October 2017)
Amendments to IAS 40: Transfer of Investment Property (December 2016)

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 17 Insurance Contracts (May 2017)
Amendments to IAS 1 and IAS 8: Definition of Material (October 2018)
Amendments to IFRS 3: Definition of a Business (October 2018)
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between and Investor and its Associates or Joint Venture

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.

IFRS 16 Leases:
The Group has adopted IFRS 16 Leases using the modified retrospective approach from 1 January 2019 and has not restated comparatives for the prior period, as permitted under IFRS 16. The Group has elected to measure the right-of-use asset equal to the lease liability, adjusted for accruals or prepayments, with the result of no net impact on opening retained earnings and no restatement of prior period comparatives. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the point of adoption. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.9%. In order to calculate the incremental borrowing rate, reference was made to interest rates available on borrowing rates in the companies and countries, in which the lease is recognised, up to a period of 15 years. Initial adoption resulted in the recognition of additional right-of-use assets of $20.0 million and lease liabilities of $20.6 million.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application.

The measurement principles of IFRS 16 are only applied after that date.

The following reconciliation to the opening balance for the lease liabilities as at 1 January 2019 is based on the operating lease obligations as at 31 December 2018:

	2018 $000s
Operating lease commitments disclosed as at 31 December 2018	**35,849**
Discounted using the lessee's incremental borrowing rate at the date of initial application	(7,549)
Relief option for short-term leases	(76)
Relief option for low-value leases	(261)
Non-lease components	(1,495)
Contracted, but not commenced	(2,458)
Update of estimates	(92)
Remeasurement of embedded leases	(3,319)
Lease liability recognised as at 1 January 2019	**20,599**

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:
> the use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
> reliance on previous assessments on whether leases are onerous.
> the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.
> the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.
> the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

IFRS 9: Financial Instruments:
IFRS 9 replaces the previous IAS 39 Financial Instruments: Recognition and Measurement guidance relating to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 was mandatory for accounting periods commencing after 1 January 2018. In accordance with the transitional provisions of IFRS 9, the Group's comparative figures have not been restated. Until 31 December 2018 financial assets were accounted for in accordance with the requirements of IAS 39. From 1 January 2019 the requirements of IFRS 9 have been applied. The adoption of IFRS 9 had no impact on the opening retained losses of the Group.

The Group did not carry out any hedging activities during the current or prior accounting periods, or engage in transactions involving derivative financial instruments. All equity investments held across the Group relate to wholly-owned subsidiaries, which are outside the scope of IFRS 9.

As part of the IFRS 9 adoption process, management assessed the financial instruments held by the Group as well as the Group's business model. Each identified financial instrument was then allocated to one of the required classifications under IFRS 9. This process did not identify any changes in the amounts already recognised in accordance with IAS 39, and therefore did not give rise to any IFRS 9 adoption adjustments on 1 January 2019.

In providing for credit risk on trade receivables, the Group has elected to apply the simplified model for expected credit losses arising on trade receivable balances. However, the adoption of IFRS 9 has not resulted in any significant change of outcome. As a consequence of this, there is no change in the provision against trade receivables on adopting IFRS 9.

Notes to the Consolidated Financial Statements continued

For the 12 months ended 31 December 2019 and 15 months ended 31 December 2018

3. Significant Accounting Policies

The principal Group accounting policies are summarised below.

Revenue
In the prior period, the Company early adopted IFRS 15: Revenue from Contracts with Customers, and all the related amendments to all contracts using the modified approach. IFRS 15 and its requirements have been applied throughout the entirety of the year ended 31 December 2019.

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 highly 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.

Epidiolex Product Net Sales
The Group's product sales consist of sales of its cannabidiol oral solution which is FDA approved for sale in the United States under the tradename "Epidiolex", for use in treating Dravet syndrome and Lennox-Gastaut syndrome, two severe paediatric forms of epilepsy.

The Company recognises revenue from product sales upon receipt of product at specialty pharmacies ("SPs") and specialty distributors ("SDs"), the date at which the control is transferred, net of the following allowances which are reflected either as a reduction to the related account receivable or as an accrued liability, depending on how the allowance is settled:

Distribution Fees: Distribution fees include distribution service fees paid to the SPs and SDs based on a contractually fixed percentage of the wholesale acquisition cost (WAC), and prompt payment discounts. Distribution fees are recorded as an offset to revenue based on contractual terms at the time revenue from the sale is recognised.

Rebates: Allowances for rebates include mandated discounts under the Medicaid Drug Rebate Program and the Medicare Part D prescription drug benefit, and contractual rebates with commercial payers. Rebates are amounts owed after the final dispensing of the product to a benefit plan participant and are based upon contractual agreements or statutory requirements. The allowance for rebates is based on contracted or statutory discount rates and expected utilisation by benefit plan participants. The Company's estimates for expected utilisation of rebates is based on utilisation data received from the SPs since product launch. Rebates are generally invoiced and paid in arrears so that the accrual balance consists of an estimate of the amount expected to be incurred for the current quarter's activity, plus an accrual balance for prior quarters' unpaid rebates. If actual future rebates vary from estimates, the Company may need to adjust prior period accruals, which would affect revenue in the period of adjustment.

Chargebacks: Chargebacks are discounts and fees that relate to contracts with government and other entities purchasing from the SDs at a discounted price. The SDs charge back to the Company the difference between the price initially paid by the SDs and the discounted price paid to the SDs by these entities. The Company also incurs group purchasing organisation fees for transactions through certain purchasing organisations. The Company estimates sales with these entities and accrues for anticipated chargebacks and organisation fees, based on the applicable contractual terms. If actual future chargebacks vary from these estimates, the Company may need to adjust prior period accruals, which would affect revenue in the period of adjustment.

Co-Payment Assistance: The Company offers co-payment assistance to commercially insured patients meeting certain eligibility requirements. Co-payment assistance is accrued for based on actual programme participation and estimates of programme redemption using data provided by third-party administrators.

Product Returns: Consistent with industry practice, the Company offers the SPs and SDs 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. The Company does not allow product returns for product that has been dispensed to a patient. As the Company receives inventory reports from the SPs and SDs and has the ability to control the amount of product that is sold to the SPs and SDs, it is able to make a reasonable estimate of future potential product returns based on this on-hand channel inventory data and sell-through data obtained from the SPs and SDs. In arriving at its estimate, the Company also considers historical product returns, the underlying product demand, and industry data specific to the specialty pharmaceutical distribution industry.

On 23 September 2019, the Company announced that the European Commission (EC) approved the marketing authorisation for Epidyolex™ (the trade name in Europe for Epidiolex) for use as adjunctive therapy of seizures associated with Lennox-Gastaut syndrome (LGS) or Dravet syndrome, in conjunction with clobazam, for patients two years of age and older. The Company recognises revenue from product sales in Europe upon delivery of the product, which is the point at which control of the goods is transferred to the customer. The Company recognises revenue net of standard discounts and allowances, which are reflected as accrued liabilities.

The Company also supplies Epidiolex in certain markets outside of the United States under early access programmes that enable patients to receive the product prior to regulatory approval. Revenue under early access programmes is generally recognised when the product is delivered.

Sativex Product Net Sales
Sales of Sativex are made outside of the United States for the treatment of spasticity due to multiple sclerosis, or MS, pursuant to licence agreements with commercial partners. Under these licence agreements, the Company 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 net sales revenue related to Sativex shipments to commercial licence partners is recognised when shipped, at which point the customer obtains control of the product. The Company commercialises Sativex in Australia and New Zealand through a consignment relationship with a local distributor. Product net sales revenues related to Sativex sales in Australia and New Zealand are recognised when the product is sold through to the end customer.

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 licence agreements.

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

The Sativex licence 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 highly 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.

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

Notes to the Consolidated Financial Statements continued

For the 12 months ended 31 December 2019 and 15 months ended 31 December 2018

3. Significant Accounting Policies continued

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

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 and freehold property	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
Motor vehicles	3 years

Right-of-use lease assets 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.

Trade and Other Receivables
Financial assets included in Trade and other receivables are recognised initially at fair value. The Group holds the Trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest rate method, less any impairment losses.

Following the adoption of IFRS 9 the Group applies the expected credit loss method to calculate a provision for doubtful receivables. As the Group's trade receivables balances are short-term in nature, there was no material impact assessed as arising from the introduction of this approach.

Inventories
Inventory is stated at the lower of cost or estimated net realisable value. We use a combination of standard and actual costing methodologies to determine the cost basis for our inventories, which approximates actual cost. Inventory is valued on a first-in, first-out basis. We reduce our inventory to net realisable value for potentially excess, dated or obsolete inventory based on an analysis of forecasted demand compared to quantities on hand, as well as product shelf life.

Our inventory production process includes the cultivation of botanical raw material. Because of the duration of the cultivation process, a substantial portion of our inventory will not be sold within one year. Consistent with the practice in other industries that cultivate botanical raw materials, all inventory is classified as a current asset.

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 Statements 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 Statements, 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.

The Group incurred net losses for both periods presented and there were no reconciling items for potentially dilutive shares. More specifically, at 31 December 2019 and 31 December 2018, options totalling approximately 11.8 million and 13.0 million ordinary shares respectively were excluded from the calculation of diluted net loss per share as their effect would have been antidilutive.

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 Statements 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 Sheets.

Notes to the Consolidated Financial Statements continued

For the 12 months ended 31 December 2019 and 15 months ended 31 December 2018

3. Significant Accounting Policies continued

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$).

During the comparative period, the Group 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
Prior to 1 January 2019 the requirements of IAS 17 Leases were applied. Leases were 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 were classified as operating leases. Rentals under operating leases were charged on a straight-line basis over the term of the relevant lease. Assets held under finance leases were 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 was included in the balance sheet as a finance lease obligation. Lease payments were 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 were recognised immediately in profit or loss, unless they were directly attributable to qualifying assets, in which case they were capitalised in accordance with the Group's general policy on borrowing costs.

From 1 January 2019, the Group has applied IFRS 16 Leases using the modified retrospective approach. Comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4, with the impact of changes disclosed in note 2. All leases recognised by the Group are lessee leases.

At inception of a contract the Group assesses whether a contract is, or contains, a lease. A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if unavailable, the Group's incremental borrowing rate. The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office or production equipment.

The Group presents right-of-use assets that do not meet the definition of investment property in "property, plant and equipment" and lease liabilities in "lease liabilities" in the balance sheet. All lease balances recognised relate to lessee leases, as the Group does not carry out lessor lease activities.

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

Until 31 December 2018, under IAS 39 financial assets were 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 depended on the nature and purpose of the financial assets and was determined at the time of initial recognition.

From 1 January 2019, under IFRS 9 financial assets are classified into "amortised cost", "at fair value through other comprehensive income", and "at fair value through profit or loss". The adoption of IFRS 9 did not result in any changes to the financial asset balances previously recognised under IAS 39.

Trade and Other Receivables

Trade and other receivables have fixed or determinable payments and are not quoted in an active market. They 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 and other receivables are assessed for indicators of impairment at each balance sheet date. Appropriate allowances for estimated irrecoverable amounts are recognised in the Consolidated Income Statements. 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

Until 31 December 2018, under IAS 39 financial liabilities were classified as either financial liabilities "at fair value through profit and loss" or "other financial liabilities".

From 1 January 2019, under IFRS 9 financial liabilities are classified into "amortised cost", and "at fair value through profit or loss". The adoption of IFRS 9 did not result in any changes to the financial liability balances previously recognised under IAS 39.

Notes to the Consolidated Financial Statements continued

For the 12 months ended 31 December 2019 and 15 months ended 31 December 2018

3. Significant Accounting Policies continued

Trade payables are initially recognised at fair value and then held at amortised cost which equates to fair 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.

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.

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 during the prior period.

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.

Epidiolex Product Net Sales

As outlined in the revenue accounting policy above, the Company recognises revenue from product sales, net of allowances for rebates, which are included in accrued liabilities on the Consolidated Balance Sheet. Allowances for rebates include discounts under government-sponsored programmes as well as contractual rebates with commercial payers. The allowance for rebates is based on contracted or statutory discount rates and expected utilisation. Management's judgements are made with consideration of historical claims experience, expected utilisation, unbilled claims, claim submission time lags, and the limited historical data currently available.

The total amount deducted from gross sales for the allowances described above for the year ended 31 December 2019 was $63.3 million.

Deferred Taxation

At the balance sheet date, the Group has accumulated tax losses of $609.4 million (31 December 2018: $515.0 million) and other temporary differences of $30.4 million (31 December 2018: $21.5 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 $108.6 million (31 December 2018: $91.2 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 $17.8 million has been recognised at 31 December 2019 (31 December 2018: $8.4 million) in respect of temporary timing differences relating to the Group's US subsidiary that are expected to be fully recoverable.

4. 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.

The Group has one operating segment that 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 Group's track record of FDA approval and successful commercial release of Epidiolex during the comparative financial period reflects this strategic orientation. Accordingly, the information required under IFRS 8 "Operating Segments", including the respective comparative information, is 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, licence, collaboration and technical access fees, and development and approval milestone fees.

On 2 March 2020 the Group announced that GW will regain exclusive U.K. commercialisation rights for Sativex from Bayer. Under the terms of the agreement, there will be a transitional period until 31 December 2020 at which point GW will take over all responsibilities for nabiximols in the U.K.

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

	12 months to 31 December 2019	15 months to 31 December 2018
Revenue		
Product net sales – Epidiolex	**296,396**	4,669
Product net sales – Sativex	**13,935**	12,416
Product net sales – Total	**310,331**	17,085
Research and development fees	**1,001**	2,153
Development and approval milestones	**–**	153
	311,332	19,391

Segment Results

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

	12 months to 31 December 2019 $000s	15 months to 31 December 2018 $000s
Customer A	**88,026**	1,183
Customer B	**82,266**	1,026
Customer C	**45,570**	471
Customer D	**30,305**	701
Customer E	**18,999**	241

Geographical Analysis of Revenue by Location of Customer

	12 months to 31 December 2019 $000s	15 months to 31 December 2018 $000s
United Kingdom	**2,543**	1,981
Europe (excluding United Kingdom)	**16,516**	8,012
United States	**288,164**	6,230
Canada	**744**	1,378
Asia/Other	**3,365**	1,790
	311,332	19,391

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

Notes to the Consolidated Financial Statements continued

For the 12 months ended 31 December 2019 and 15 months ended 31 December 2018

5. Loss Before Tax

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

	12 months to 31 December 2019 $000s	15 months to 31 December 2018 $000s
Cost of inventories recognised as an expense	**28,422**	7,002
Operating lease rentals – land and buildings[1]	**–**	6,913
Operating lease rentals – equipment[1]	**–**	359
Depreciation of property, plant and equipment		
– Owned	**7,978**	10,116
– Leased[2]	**4,741**	510
Amortisation of intangible assets	**1,240**	1,118
(Decrease)/increase in provision for inventories	**(152)**	893
Foreign exchange loss	**2,272**	2,666
Staff costs (see note 7)	**175,724**	147,065

1 Operating lease rental expense figures relate to those leases formerly accounted for in accordance with IAS 17 Leases.
2 Leased asset depreciation expensed during the prior period wholly arose in relation to finance lease assets recognised in accordance with IAS 17 Leases.

6. Auditor's Remuneration

	12 months to 31 December 2019 $000s	15 months to 31 December 2018 $000s
The auditor for the year ended 31 December 2019 and period ended 31 December 2018 was Deloitte LLP		
Audit fees:		
– Audit of the Group's annual accounts[1]	**1,589**	1,908
– Audit of the Company and subsidiaries pursuant to legislation	**173**	82
Total audit fees	**1,762**	1,990
Other services		
– Audit-related assurance[2]	**180**	170
– Other assurance services3	**50**	253
– Taxation compliance and taxation advisory services	**487**	35
– All other services	**3**	33
Total non-audit fees	**720**	491

1 For the year ended 31 December 2019 and period ended 31 December 2018, 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 represent assurance on historical financial information included in the Company's shelf and follow-on US registration statements.

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 year ended 31 December 2019 and 15-month period ended 31 December 2018.

7. Staff Costs

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

	12 months to 31 December 2019 $000s	15 months to 31 December 2018 $000s
Production	**231**	156
Research and development	**282**	293
Sales, general and administration	**332**	234
	845	683

Employees involved in production activities may produce material used in commercial or research and development activities.

	12 months to 31 December 2019 $000s	15 months to 31 December 2018 $000s
Group aggregate remuneration comprised:		
Wages and salaries	**110,690**	96,901
Social security costs	**13,652**	6,266
Other pension costs	**3,351**	3,378
Share-based payment	**48,031**	40,520
	175,724	147,065

8. Directors' Remuneration

Directors' remuneration and other benefits for the year ended 31 December 2019 and period ended 31 December 2018 were as follows:

	12 months to 31 December 2019 $000s	15 months to 31 December 2018 $000s
Emoluments	**2,150**	2,520
Money purchase contributions to Directors' pension arrangements	**10**	10
Gain on exercise of share options	**13,436**	5,992
	15,596	8,522

During 2019, one Director was a member of a defined contribution pension scheme (period ended 31 December 2018: one).

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 16 to 35.

9. Interest income and expense

	12 months to 31 December 2019 $000s	15 months to 31 December 2018 $000s
Interest expense – lease interest	**(1,774)**	(596)
Interest expense – fit-out funding interest	**(690)**	(977)
Total interest expense	**(2,464)**	(1,573)
Interest income – bank interest	**8,465**	6,094
Total interest income	**8,465**	6,094

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For the 12 months ended 31 December 2019 and 15 months ended 31 December 2018

10. Other income

	12 months to 31 December 2019 $000s	15 months to 31 December 2018 $000s
Proceeds on sale of Priority Review Voucher	**104,117**	–
U.K. Research and Development Expenditure Credit	**3,992**	5,061
Total other income	**108,109**	5,061

U.K. Research and Development Expenditure Credit relates to an "above the line" credit associated with the U.K. large company R&D tax scheme. This represents an amount which was claimable from U.K. tax authorities in relation to qualifying expenditure incurred in the same period.

Proceeds on sale of Priority Review Voucher represents the profit on sale of the Priority Review Voucher (PRV) awarded to the Group by the US Federal Drug Administration on approval of Epidiolex in the United States. See note 14 for more information.

11. Tax

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

	12 months to 31 December 2019 $000s	15 months to 31 December 2018 $000s
Current period tax charge	**510**	5,134
Adjustment in respect of prior year tax credit	**(132)**	(55)
Movements on deferred tax assets	**(878)**	11
Tax (benefit)/charge	**(500)**	5,090

Tax credits relate to U.K. research and development tax credits claimed under the Corporation Tax 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 income statement.

The Group recognises in full the estimated benefit for qualifying current period U.K. 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 2019 the Group had tax losses available for carry forward of approximately $609.4 million (31 December 2018: $515.0 million). These losses were generated in the U.K. Of such carried-forward losses, which are not subject to expiry, the Group has recognised a deferred tax asset of $0.4 million (31 December 2018: $1.7 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 (31 December 2018: $nil). The Group has also recognised a deferred tax asset of $17.8 million (31 December 2018: $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 $30.4 million (31 December 2018: $21.5 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:

	12 months to 31 December 2019 $000s	15 months to 31 December 2018 $000s
Change in estimate of excess tax deductions related to share-based payments	**(687)**	(123)
Total income tax recognised directly in equity	**(687)**	(123)

b) Factors Affecting the Tax (Benefit)/Charge for the Year

The tax benefit for the year can be reconciled to the tax benefit on the Group's loss for the year at the standard U.K. corporation tax rate as follows:

	12 months to 31 December 2019 $000s	15 months to 31 December 2018 $000s
Loss before tax	**(18,153)**	(336,349)
Tax credit on Group loss before tax at the standard U.K. corporation tax rate of 19.0% (Period ended 31 December 2018: 19.0%)	**(3,449)**	(63,906)
Effects of:		
Expenses not deductible in determining taxable profit	**(2,409)**	1,676
Impact of employee share acquisition relief	**(6,827)**	(3,093)
Current year US tax credits	**(2,515)**	(2,940)
Effect of unrecognised losses and temporary differences	**14,335**	67,412
Overseas profits taxed at different rates	**1,374**	5,996
Adjustment in respect of prior year tax credit	**(1,009)**	(55)
Tax	**(500)**	5,090

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

	Accelerated Tax Depreciation $000s	Tax Losses $000s	Share-Based Payment and Other Compensation $000s	Total $000s
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
Credited/(charged) to profit or loss	(26)	4,808	5,203	9,985
Credited to equity	–	–	(687)	(687)
Exchange differences	–	–	72	72
At 31 December 2019	**(866)**	**5,844**	**12,772**	**17,750**

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 U.K. subsidiaries. The Group's US subsidiary operates in a different jurisdiction with no legally enforceable right to offset against U.K. 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. On 11 March 2020 it was announced that the corporation tax rate would remain at 19% from 1 April 2020. This is expected to be introduced in the Finance Bill 2020 on 19 March 2020 and will then be subject to Royal Assent.

Notes to the Consolidated Financial Statements continued

For the 12 months ended 31 December 2019 and 15 months ended 31 December 2018

12. Loss Per Share

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

	12 months to 31 December 2019 $000s	15 months to 31 December 2018 $000s
Loss for the year – basic and diluted	**(17,653)**	(341,439)

	Number of shares	
	12 months to 31 December 2019 $000s	15 months to 31 December 2018 $000s
Weighted average number of ordinary shares	**371.6**	340.4
Less ESOP trust ordinary shares[1]	**–**	–
Weighted average number of ordinary shares for purposes of basic earnings per share	**371.6**	340.4
Effect of potentially dilutive shares arising from share options[2]	**–**	–
Weighted average number of ordinary shares for purposes of diluted earnings per share	**371.6**	340.4
Loss per share – basic	**(4.8)c**	(100.3)c
Loss per share – diluted	**(4.8)c**	(100.3)c

1 As at 31 December 2019 33,054 ordinary shares were held in the ESOP trust (31 December 2018: 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 antidilutive effect on the loss per share for the period. The impact of 11.8 million share options have therefore been excluded from the diluted loss per share calculation for the year ended 31 December 2019 (period ended 31 December 2018: 13.0 million).

13. Intangible Assets – Goodwill

	31 December 2019 $000s	31 December 2018 $000s
Cost – as at year end	**6,959**	6,959
Net book value – as at year/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 4, 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 (31 December 2018: 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 14.8% (31 December 2018: 13.4%) 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.

14. Other Intangible Assets

	Intangible Assets Under the Course of Construction $000s	Software $000s	Licences $000s	Total $000s
Cost				
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
Additions	2,688	123	–	2,811
Transfers of completed assets	(588)	588	–	–
Disposals	–	(8)	–	(8)
Exchange differences	20	102	5	127
At 31 December 2019	**2,189**	**4,568**	**170**	**6,927**
Accumulated amortisation				
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
Charge for the year	–	1,210	30	1,240
Disposals	–	(7)	–	(7)
Exchange differences	–	54	3	57
At 31 December 2019	**–**	**2,771**	**99**	**2,870**
Net book value				
At 31 December 2019	**2,189**	**1,797**	**71**	**4,057**
At 31 December 2018	69	2,249	99	2,417

Included in additions are $0.4 million of other intangible assets which are unpaid at the balance sheet date and are included in trade and other payables (31 December 2018: $nil).

In April 2019, the Group sold the rare paediatric disease Priority Review Voucher (PRV) it received from the US FDA in connection with the United States approval of Epidiolex to Biohaven Pharmaceutical Holding Ltd for consideration of $105.0 million. The net proceeds of $104.1 million from the sale of the PRV were recognised as a gain on the sale of an intangible asset.

Notes to the Consolidated Financial Statements continued

For the 12 months ended 31 December 2019 and 15 months ended 31 December 2018

15. Property, Plant and Equipment

Group	Assets Under the Course of Construction $000s	Leasehold and Freehold Property $000s	Plant, Machinery and Lab Equipment $000s	Office and IT Equipment $000s	Leasehold Improvements $000s	Motor Vehicles $000s	Total $000s
Cost							
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
Additions	40,876	26,651	181	725	1,724	2,350	72,507
Transfers of completed assets	(7,043)	–	2,444	601	3,998	–	–
Disposals	(56)	–	(9)	(45)	(172)	–	(282)
Exchange differences	1,807	152	1,110	76	1,188	–	4,333
At 31 December 2019	**78,483**	**31,376**	**36,337**	**3,878**	**42,691**	**2,350**	**195,115**
Accumulated depreciation and impairment							
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
Charge for the year	–	3,788	3,574	493	4,076	788	12,719
Disposals	–	–	(7)	(28)	(154)	–	(189)
Exchange differences	–	58	504	49	460	–	1,071
At 31 December 2019	**–**	**4,439**	**18,069**	**2,083**	**17,349**	**788**	**42,728**
Net book value							
At 31 December 2019	**78,483**	**26,937**	**18,268**	**1,795**	**25,342**	**1,562**	**152,387**
At 31 December 2018	42,899	3,980	18,613	952	22,986	–	89,430

Included in additions is $3.8 million of property, plant and equipment which is unpaid and is included in trade and other payables (31 December 2018: $0.1 million).

Included in the above net book values are right-of-use assets over the following:

Group	**31 December 2019 $000s**	31 December 2018[1] $000s
Assets under the course of construction	**–**	–
Leasehold and freehold buildings	**26,936**	3,980
Plant, machinery and lab equipment	**1,274**	1,396
Office and IT equipment	**–**	–
Leasehold improvements	**–**	–
Motor vehicles	**1,562**	–
Net book value – as at year end	**29,772**	5,376

1 Only finance lease assets in accordance with IAS 17 Leases were recognised in the previous period.

Further details of the Group's leasing activities are provided in note 20.

16. Inventories

Group	31 December 2019 $000s	31 December 2018 $000s
Raw materials	**1,976**	724
Work in progress	**88,489**	41,918
Finished goods	**5,004**	8,365
Total inventories, net of provision	**95,469**	51,007

The movement in the provision for inventories is as follows:

	31 December 2019 $000s	31 December 2018 $000s
Opening balance	**948**	55
Write-down of inventories	**996**	24,359
Write off of inventories included in the provision	**(1,047)**	(467)
Reversal of write-down of inventories	**(127)**	(22,954)
Foreign exchange	**26**	(45)
Closing balance	**796**	948

The reversal of write-down in the prior period was 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.

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

17. Trade and Other Receivables

	31 December 2019 $000s	31 December 2018 $000s
Amounts falling due within one year		
Trade receivables, net	**48,884**	4,192
Prepayments and accrued income	**16,013**	10,967
Other receivables	**2,785**	4,265
	67,682	19,424

Trade receivables disclosed above are measured at amortised cost under the requirements of IFRS 9.

Trade receivables at 31 December 2019 represent 57 days of sales (31 December 2018: 105 days). The average trade receivable days during the year ended 31 December 2019 was 39 days (period ended 31 December 2018: 45 days). The typical credit period extended to customers is 30 to 60 days.

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. The largest single customer represented 29% (31 December 2018: 87%) of the total trade receivables due at 31 December 2019.

The provision for trade receivables relates to receivables for certain customer accounts for which recoverability is uncertain. The movement in the provision for trade receivables is as follows:

	31 December 2019 $000s	31 December 2018 $000s
Opening balance	**–**	–
Write-down of trade receivables	**330**	–
Closing balance	**330**	–

No interest is charged on trade receivables. The Directors consider that the carrying value of trade receivables approximates to their fair value due to the short maturity thereof.

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18. Trade and Other Payables

	31 December 2019 $000s	31 December 2018 $000s
Amounts falling due within one year		
Other creditors and accruals	**65,243**	41,196
Accrued sales rebates and discounts	**22,995**	628
Clinical trial and associated accruals	**10,382**	10,059
Trade payables	**9,971**	9,788
Other taxation and social security	**1,746**	1,372
Fit-out funding (see note 19)	**595**	539
Onerous lease provision	**–**	4
	110,932	63,586
Amounts falling due after one year		
Fit-out funding (see note 19)	**9,150**	9,434
Other creditors and accruals	**132**	495
	9,282	9,929
	120,214	73,515

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. Trade payables at 31 December 2019 represent the equivalent of 13 days' purchases (31 December 2018: 17 days).

The average credit period taken for trade purchases during the year ended 31 December 2019 was 12 days (period ended 31 December 2018: 19 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.

19. 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 2019 associated interest to date of $4.5 million has been incurred (31 December 2018: $3.7 million). The total liability at 31 December 2019 is $9.7 million (31 December 2018: $10.0 million). The Group has estimated that $0.6 million of the total liability will be due within one year and the remaining $9.1 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% (31 December 2018: 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 2019, and principal amounts:

Forward projection of cash flows as at 31 December 2019	<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	595	640	686	736	788	6,300	9,745
Interest	670	625	579	529	477	1,512	4,392
Total	**1,265**	**1,265**	**1,265**	**1,265**	**1,265**	**7,812**	**14,137**

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

20. Leases

Due to the initial application of IFRS 16 at 1 January 2019, additional assets and liabilities from leases were recognised. Only finance lease liabilities in accordance with IAS 17 were recognised in the balance sheet during the comparative period.

The Group has leases for offices, production and warehousing properties as well as leases of motor vehicles. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment.

Leases of manufacturing and laboratory facilities are subject to five to 20 year leases. Office properties are typically subject to one to 10 year leases. Leases of vehicles are generally limited to a lease term of three years.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sub-let the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to extend the lease for a further term.

Right-of-Use Assets

Additional information on the right-of-use assets by class of assets is as follows:

	Leasehold Property $000s	Plant Machinery and Lab Equipment $000s	Motor Vehicles $000s	Total $000s
Opening balance	21,841	1,396	2,135	25,372
Additions	6,993	–	215	7,208
Modifications	1,246	–	–	1,246
Exchange differences	650	44	–	694
Depreciation	(3,794)	(166)	(788)	(4,748)
Net book value – as at period end	**26,936**	**1,274**	**1,562**	**29,772**

The right-of-use assets are included in the same property, plant and equipment line item as where the corresponding underlying assets would be presented if they were owned.

Lease Liabilities

Lease liabilities are presented in the balance sheet as follows:

	Present Value of Lease Payments	
	31 December 2019 $000s	31 December 2018[1] $000s
Amounts payable under leases:		
Amounts due for settlement within 12 months	**4,037**	400
Amounts due for settlement after 12 months	**29,394**	5,690
	33,431	6,090

1 Only finance lease liabilities in accordance with IAS 17 were recognised in the previous period.

The weighted average lease term remaining is 8.4 years (31 December 2018: 15.2 years). For the year ended 31 December 2019, the average effective borrowing rate was 5.9% (period ended 31 December 2018: 7.7%). Interest rates are fixed at the contract date and all leases to date have been on a fixed repayment basis.

The carrying value of the Group's lease obligations as at 31 December 2019 approximates to their fair value. The Group's lease liabilities are secured by the related underlying assets.

Notes to the Consolidated Financial Statements continued

For the 12 months ended 31 December 2019 and 15 months ended 31 December 2018

20. Leases continued

The undiscounted maturity analysis of lease liabilities as recognised at 31 December 2019 is as follows:

	31 December 2019 $000s	31 December 2018[1] $000s
Within one year	**6,629**	826
One to two years	**6,227**	701
Two to three years	**5,320**	701
Three to four years	**4,500**	701
Four to five years	**4,419**	701
Greater than five years	**17,610**	6,696
Total gross payments	**44,705**	10,326
Less: future cash lease incentive	**(746)**	–
Less: future finance charges	**(10,528)**	(4,236)
Present value of lease obligations	**33,431**	6,090

1 Only finance lease liabilities in accordance with IAS 17 were recognised in the previous period.

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

	31 December 2019 $000s	31 December 2018 $000s
Financial assets – at amortised cost:		
Cash at bank and in hand	**331,732**	489,869
Cash equivalents – money market liquidity fund	**205,201**	101,628
Cash and cash equivalents	**536,933**	591,497
Trade receivables	**48,884**	4,192
Other receivables	**1,034**	2,917
Total financial assets	**586,851**	598,606
Financial liabilities – at amortised cost:		
Other creditors and accruals	**65,243**	40,584
Accrued sales rebates and discounts	**22,995**	628
Clinical trial accruals	**10,382**	10,059
Trade payables	**9,971**	9,788
Fit-out funding	**9,745**	9,973
Lease liabilities	**33,431**	6,090
Total financial liabilities	**151,767**	77,122

All Group financial assets are current in nature. All Group financial liabilities, other than the non-current element of $29.4 million in respect of the obligations under leases (31 December 2018: $5.7 million), $0.1 million (31 December 2018: $0.5 million) of other creditors and accruals and $9.2 million (31 December 2018: $9.4 million) of fit-out funding received from the Group's landlord, are 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 an AAA rating. The Group's investments represent no more than 10% of each overall fund value.

It is, and has been throughout the year ended 31 December 2019 and period ended 31 December 2018, the Group's policy that no speculative trading in financial instruments shall be undertaken. The Group did not carry out hedging activities during either accounting period reported herein.

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 U.K. 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 $164.7 million (31 December 2018: $173.4 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 $8.5 million (period ended 31 December 2018: $6.1 million) during the year ended 31 December 2019 was earned from deposits with a weighted average interest rate of 2.26% (period ended 31 December 2018: 1.59%). Therefore a 100-basis point fluctuation in interest rates, a reasonable approximation of possible changes in the current economic environment, would have impacted interest income, and the loss for the year, by $3.8 million (period ended 31 December 2018: $3.9 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 Statements. 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.

Notes to the Consolidated Financial Statements continued

For the 12 months ended 31 December 2019 and 15 months ended 31 December 2018

21. Financial Instruments continued

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

	31 December 2019 $000s	31 December 2018 $000s
Cash at bank and in hand:		
Pounds Sterling	**57,174**	43,698
Euro	**6,036**	4,791
US Dollar	**98,724**	116,839
Australian Dollar	**47**	44
Canadian Dollar	**3,093**	2,493
Total	**165,074**	167,865
Short-term deposits and cash equivalents (less than 30 days):		
US Dollar	**371,859**	423,632
Total cash and cash equivalents	**536,933**	591,497

The table below shows those transactional exposures that give rise to net currency gains and losses recognised in the Consolidated Income Statements. 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 year end these exposures were as follows:

Net Foreign Currency Assets/(Liabilities)

	31 December 2019 $000s	31 December 2018 $000s
Pounds Sterling	**26,470**	20,386
Euro	**7,771**	1,889
Canadian Dollar	**3,345**	2,493
Other	**537**	(705)
	38,123	24,063

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, a reasonable percentage movement, in the Group's key foreign currencies against US Dollar:

Year ended 31 December 2019	Pounds Sterling $000s	Euro $000s	Canadian Dollar $000s	Other $000s
Loss before tax	**2,647**	**777**	**334**	**54**
Equity	**2,647**	**777**	**334**	**54**

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)

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

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 22 days (period ended 31 December 2018: 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 $29.4 million in respect of the obligations under leases (31 December 2018: $5.7 million) and $9.2 million (31 December 2018: $9.4 million) of fit-out funding received from the Group's landlord. The obligations under leases will be repaid over a weighted average 8.4 year term (31 December 2018: 15.2 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 2019 the share capital of the Company's allotted, called-up and fully paid amounts were as follows:

	31 December 2019 $000s	31 December 2018 $000s
Allotted, called-up and fully paid	**570**	564

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 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
Exercise of share options	4,451,748	6	2,872	2,878
As at 31 December 2019	**371,068,436**	**570**	**1,463,474**	**1,464,044**

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

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 2019, 10,348,568 ordinary shares (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 ADS when share-based awards are exercised.

Notes to the Consolidated Financial Statements continued

For the 12 months ended 31 December 2019 and 15 months ended 31 December 2018

23. Share-Based Payments continued

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 10 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:

	12 months to 31 December 2019		15 months to 31 December 2018	
	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 year	11,182,254	8.44	9,752,126	7.90
Granted	3,493,272	13.93	4,431,675	9.35
Exercised	(3,797,848)	5.43	(2,767,274)	7.22
Lapsed	(418,401)	11.69	(234,273)	9.07
Outstanding, end of year	**10,459,277**	**11.24**	**11,182,254**	**8.44**
Exercisable, end of year	**1,433,881**	**5.47**	**1,053,777**	**3.65**

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

	12 months to 31 December 2019		15 months to 31 December 2018	
	Market Exercise Price Options Number	Weighted Average Exercise Price $	Market Exercise Price Options Number	Weighted Average Exercise Price $
Outstanding, beginning of year	2,888,870	8.49	2,173,822	8.28
Granted	601,548	14.82	784,721	9.65
Exercised	(653,900)	2.32	(69,673)	9.03
Lapsed	(13)	3.89	–	–
Outstanding, end of year	**2,836,505**	**9.35**	**2,888,870**	**8.49**
Exercisable, end of year	**619,973**	**4.99**	**461,317**	**6.90**

The weighted average per share fair value of market priced options granted during the year ended 31 December 2019 was $14.82 (15-month period ended 31 December 2018: $5.98).

The aggregate intrinsic value of the share options exercised in the year ended 31 December 2019 was $52.9 million. The aggregate intrinsic value of share options exercised in the 15-month period ended 31 December 2018 was $32.3 million. As of 31 December 2019, the weighted average remaining contractual life of options outstanding and options exercisable are 4.6 years and 4.3 years, respectively. Based on the Group's closing year-end share price of $102.01 per ADS (or $8.50 per ordinary share) at 31 December 2019, the aggregate intrinsic value of options outstanding and options exercisable are $92.2 million and $12.2 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 NASDAQ 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 year ended 31 December 2019 and period ended 31 December 2018 were valued using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	12 months to 31 December 2019	15 months to 31 December 2018
Weighted average share price	**$13.88**	$10.15
Weighted average exercise price	**$1.75**	$1,58
Expected volatility	**56%**	62%
Expected life	**6.5 years**	6.5 years
Risk-free rate	**2.56%**	2.35%
Expected dividend yield	**Nil**	Nil

The Group estimates its share price volatility 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.

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

	12 months to 31 December 2019 $000s	15 months to 31 December 2018 $000s
Cost of sales	**2,805**	413
Research and development expenditure	**9,757**	11,434
Sales, general and administrative expenses	**35,468**	28,673
	48,030	40,520

As of 31 December 2019, total compensation cost related to non-vested share options not yet recognised was approximately $45.2 million, which is expected to be recognised over the next 42 months (10 months on a weighted average basis).

24. Other Reserves

The merger reserve credit of $31.1 million (31 December 2018: credit of $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 U.K. Generally Accepted Accounting Practice ("U.K. 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 U.K. law. This reserve is not considered to be distributable.

The foreign exchange reserve debit of $69.8 million (31 December 2018: debit of $80.6 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.

Notes to the Consolidated Financial Statements continued

For the 12 months ended 31 December 2019 and 15 months ended 31 December 2018

24. Other Reserves continued

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 (31 December 2018: nil).

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

	31 December 2019 Number	31 December 2018 Number
Unconditionally vested in employees	**43,866**	47,118
Shares available for future distribution to employees	**33,054**	33,054
Total	**76,920**	80,172

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 year ended 31 December 2019 (period ended 31 December 2018: $nil).

As at 31 December 2019 the number and market value of shares held by the trust which have not yet unconditionally vested in employees is 33,054 (31 December 2018: 33,054) and $0.3 million (31 December 2018: $0.3 million) respectively.

25. Financial Commitments

The Group had capital commitments for property, plant and equipment contracted but not provided for at 31 December 2019 of $8.5 million (31 December 2018: $38.2 million).

Purchasing commitments contracted for, but not received as of 31 December 2019, fall due as follows:

	31 December 2019 $000s	31 December 2018 $000s
Within one year	**14,554**	12,284
Between two and five years	**14,533**	24,295
Greater than five years	**1,317**	–
	30,404	36,579

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.

	12 months to 31 December 2019 $000s	15 months to 31 December 2018 $000s
Short-term employee benefits	**5,959**	6,875
Post-employment benefits	**51**	58
Share-based payments	**17,793**	19,417
	23,803	26,350

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

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

27. Group Investments

Details of companies controlled by the Group are outlined in note 3 to the Company financial statements.

Company Balance Sheets

As at 31 December 2019 and 31 December 2018

	Notes	31 December 2019 $000s	31 December 2018 $000s
Non-current assets			
Investments	3	**1,239,816**	837,447
		1,239,816	837,447
Current assets			
Trade receivables and other current assets	7	**7,123**	183,876
Cash and cash equivalents		**405,585**	544,196
		412,708	728,072
Total assets		**1,652,524**	1,565,519
Current liabilities			
Trade and other payables	8	**(5,138)**	(4,565)
		(5,138)	(4,565)
Total liabilities		**(5,138)**	(4,565)
Net assets		**1,647,386**	1,560,954
Equity			
Share capital	9	**570**	564
Share premium account		**1,463,474**	1,460,602
Foreign exchange reserve	10	**(134,370)**	(134,370)
Accumulated profit		**317,712**	234,158
Total equity		**1,647,386**	1,560,954

The Company financial statements of GW Pharmaceuticals plc, registered number 04160917, on pages 78 to 84, were authorised by the Board and approved for issue on 18 March 2020.

No income statement or statement of comprehensive income is presented for the Company as permitted by Section 408 of the Companies Act 2006. The Company's profit for the year ended 31 December 2019 was $35.5 million (15-month period ended 31 December 2018: $17.8 million).

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

By order of the Board.

Justin Gover
Director
18 March 2020

Company Statements of Changes in Equity

For the 12 months ended 31 December 2019 and 15 months ended 31 December 2018

Group	Notes	Share Capital $000s	Share Premium Account $000s	Foreign Exchange Reserve $000s	Accumulated Profit $000s	Total Equity $000s
Balance at 30 September 2017		**483**	**837,493**	**(111,971)**	**175,866**	**901,871**
Profit for the period		–	–	–	17,772	17,772
Other comprehensive expense		–	–	(22,399)	–	(22,399)
Total comprehensive expense for the period		**–**	**–**	**(22,399)**	**17,772**	**(4,627)**
Issue of share capital	9	79	624,968	–	–	625,047
Expenses of new equity issue	9	–	(2,475)	–	–	(2,475)
Exercise of share options	9	2	616	–	–	618
Share-based payment transactions	6	–	–	–	40,520	40,520
Balance at 31 December 2018		**564**	**1,460,602**	**(134,370)**	**234,158**	**1,560,954**
Profit for the year		–	–	–	35,524	35,524
Total comprehensive income for the year		**–**	**–**	**–**	**35,524**	**35,524**
Exercise of share options	9	6	2,872	–	–	2,878
Share-based payment transactions	6	–	–	–	48,030	48,030
Balance at 31 December 2019		**570**	**1,463,474**	**(134,370)**	**317,712**	**1,647,386**

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

Notes to the Company Financial Statements

For the 12 months ended 31 December 2019 and 15 months ended 31 December 2018

1. General Information

GW Pharmaceuticals plc (the "Company") is primarily involved in the development of cannabinoid prescription medicines using botanical extracts derived from the Cannabis plant. The Company represents the ultimate parent of the GW Pharmaceuticals Plc Group of companies. 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 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.

2. Significant Accounting Policies

The principal Company accounting policies are summarised below.

Basis of Accounting
These Company financial statements are prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and with U.K. accounting presentation as at 31 December 2019, with comparative figures as at 31 December 2018. There were no comparative figures that required adjustment as a result of adopting FRS 101 in the current year. The financial statements are prepared using the historical cost convention, and on a going concern basis. The company is included within the consolidated Group financial statements of GW Pharmaceuticals, and are publicly available.

The following exemptions from the disclosure requirements of IFRS have been applied in accordance with FRS 101:
> Paragraphs 45(b) and 46 to 52 of IFRS 2, "Share-based payment"
> IFRS 7, "Financial Instruments – Disclosures"
> Paragraphs 91-99 of IFRS 13, "Fair value measurement"
> Paragraph 38 of IAS 1, "Presentation of financial statements" comparative information requirements in respect of paragraph 79(a) (iv) of IAS 1
> Paragraphs 10(d), 10(f), 16, 38(A), 38 (B to D), 40 (A to D), 111 and 134 to 136 of IAS 1, "Presentation of financial statements"
> IAS 7, "Statement of cash flows"
> Paragraph 30 and 31 of IAS 8, "Accounting policies, changes in accounting estimates and errors"
> Paragraph 17 of IAS 24, "Related party disclosures" and the further requirement in IAS 24 to disclose related party transactions entered into between two or more members of a Group.

Further details of the adoption of new and revised accounting standards for the year ended 31 December 2019 can be found in note 2 to the Consolidated Financial Statements on page 50. The adoption of IFRS 9 during the current year did not give rise to any accounting adjustments in relation to the Company.

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 Payment.

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 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.

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 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.

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

Share-Based Payments
The Company operates a number of equity-settled share-based compensation plans under which the Company and its subsidiaries receive 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 Company's estimate of shares that will eventually vest. At each balance sheet date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based performance and service vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

Operating Profit
A fee of $26,780 (2018: $26,000) relating to the audit of the Company has been charged within operating profit.

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

In applying the Company's accounting policies the Directors have not identified any critical accounting judgements, other than those involving estimation, that have a significant effect on the amounts recognised in the financial statements.

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.

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. Further details on investments in subsidiaries and inter-company receivables are given in note 3 and note 7.

3. Investments

Investments in subsidiary undertakings

Company	Investments $000s	Loans to Group undertakings $000s	Total $000s
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
Add capital contribution in respect of share-based payment charge	46,757	–	46,757
Additional equity investments	87	–	87
Additional funds advanced during period	–	263,768	263,768
Repayments received during period	–	(100,000)	(100,000)
Reclassification of loan balance to investment loan	–	191,757	191,757
At 31 December 2019	**222,131**	**1,017,685**	**1,239,816**

Notes to the Company Financial Statements continued

For the 12 months ended 31 December 2019 and 15 months ended 31 December 2018

3. Investments continued

Subsequent to year end, the Company capitalised $1,012.2 million of investment loans to Group undertakings that were outstanding at 31 December 2019 in exchange for additional share capital in the relevant subsidiaries, and reclassified them as equity investments.

During the year ended 31 December 2019, as part of a reorganisation of the Group structure the Company acquired 100% direct control over its 100% indirectly-controlled subsidiaries GW Pharma International BV, GW Pharma (France) SARL, and GW Pharma (Italy) SRL. In each case the relevant subsidiaries were acquired at the cost of their net assets at the time of acquisition, which approximated their fair value.

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
GW U.K. Services Limited	Indirect	Commercial	100
GW Global Services (International) Limited	Direct	Commercial	100
G-Pharm Limited	Direct	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			
France			100
GW Pharma (France) SARL	Indirect	Commercial	
43/37 Avenue de la Grande Armee, 75116, Paris, France			
Germany			
GW Pharma (Germany) GmbH	Direct	Commercial	100
Landsberger Strasse 155, 80687 Munich, Germany			
Italy			
GW Pharma (Italy) S.R.L.	Indirect	Commercial	100
Viale Abruzzi, 94 Cap 20131, Milan, Italy			
Netherlands			
GW Pharma International BV	Direct	Commercial	100
Prins Bernhardplein 200, 1097JB Amsterdam, Netherlands			
Spain			
GW Pharma (Spain) S.L.	Direct	Commercial	100
Paso de Recoletos 37-41, 1º, 28004, Madrid, Spain			

All the subsidiary undertakings are included in the consolidated accounts, and all holdings are of ordinary voting shares. During the current year, the indirect subsidiary Cannabinoid Research Institute Limited was renamed GW U.K. Services Limited and ceased to be dormant.

4. Staff Costs

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

	12 months to 31 December 2019 $000s	15 months to 31 December 2018 $000s
Directors	**6**	6
	6	6

5. Directors' Remuneration

Directors' remuneration and other benefits for the year ended 31 December 2019 and period ended 31 December 2018 were as follows:

	12 months to 31 December 2019 $000s	15 months to 31 December 2018 $000s
Emoluments	**2,150**	2,520
Money purchase contributions to Directors' pension arrangements	**10**	10
Gain on exercise of share options	**13,436**	5,992
	15,596	8,522

During 2019, one Director was a member of a defined contribution pension scheme (period ended 31 December 2018: one). Of the amounts disclosed above in relation to the Directors of the Company, $13.6 million was paid by another Group company during the year ended 31 December 2019 (period ended 31 December 2018: $8.1 million).

6. Share-Based Payment

The Company participates in a share option scheme for all employees. Options are exercisable on the shares of the Company at a price equal to the estimated fair value of the Company's shares on the date of grant. The vesting periods range from one to three years. If the options remain unexercised after a period of 10 years from the date of grant the options expire. Options are forfeited if the employee leaves the Company before the options vest.

With regard to share options granted to the Company's employees, the weighted average ADS share price at the date of exercise for share options exercised during the year was $180.40 (period ended 31 December 2018: no exercises by employees of the Company). The options outstanding at 31 December 2019 had ADS exercise prices ranging from of $0.012 to $172.01 (31 December 2018: ADS exercise prices ranging from $0.012 to $134.09) and a weighted average remaining contractual life of 6.67 years (31 December 2018: 7.44 years). During the year ended 31 December 2019, options were granted on 1 March 2019. The aggregate of the estimated fair values of the options granted on those dates is $1.7 million. During the period ended 31 December 2018, options were granted on 3 January 2018. The aggregate of the estimated fair values of the options granted on those dates is $1.8 million.

7. Trade and Other Receivables

	31 December 2019 $000s	31 December 2018 $000s
Amounts falling due within one year		
Prepayments and accrued income	**2,401**	1,768
Other receivables	**456**	2
Amounts due from Group undertakings	**4,266**	182,106
	7,123	183,876

During the year ended 31 December 2019, the Company reclassified an intra-Group loan totalling $191.8 million due from a subsidiary to equity investments and is therefore included within the amounts disclosed in note 3.

Amounts due from Group undertakings relate to trading balances receivable from subsidiaries in relation to recharges for services performed by the Company.

Notes to the Company Financial Statements continued

For the 12 months ended 31 December 2019 and 15 months ended 31 December 2018

8. Trade and Other Payables

	31 December 2019 $000s	31 December 2018 $000s
Amounts falling due within one year		
Other creditors and accruals	**819**	2,586
Trade payables	**18**	–
Other taxation and social security	**88**	19
Amounts owed to Group undertakings	**4,213**	1,960
	5,138	4,565

Amounts owed to Group undertakings relate to trading balances payable to subsidiaries in relation to recharges for services performed for the Company.

9. Share Capital

Details of the Company's share capital movements for the year are included in note 22 to the Consolidated Financial Statements.

10. Other Reserves

The foreign exchange reserve debit of $134.4 million (31 December 2018: debit of $134.4 million) is due to accumulated foreign exchange translation differences arising on translation of the Company's equity balances prior to the transition to a US Dollar functional currency in the prior accounting period. The Company was accounted for as a US Dollar functional currency entity throughout the year ended 31 December 2019. This reserve is not considered to be distributable.

11. Ultimate Controlling Company

The Directors regard the Company as having no ultimate controlling party or majority shareholder.

12. Related Party Transactions

The remuneration of the Directors, who are the key management personnel of the Company, is set out in note 5.

13. Subsequent Events

Subsequent to the year end, the Company capitalised $1,012.2 million of investment loans to Group undertakings that were outstanding at 31 December 2019, as disclosed in note 3 above, in exchange for additional share capital in the relevant wholly-owned subsidiaries, and reclassified them as investment equity.

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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-K filed on 27 February 2020. 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.

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