



# Eden Research plc

Annual Report and Accounts 2016

Eden Research plc is an AIM-listed public company with intellectual property and expertise in encapsulation, terpenes and formulation technologies. We are developing these technologies through innovative research and a series of commercial production, marketing and distribution partnerships.

**Our vision** is to be the leader in naturally-derived **bioactive products enabled or enhanced** by our novel **encapsulation and delivery** technologies

Our focus is on protecting high-value **crops, improving crop yields and value**

Eden has **regulatory clearance** in the top 3 wine producing countries worldwide

Eden has partnered with Eastman Chemical for the **commercialisation** of its second product **in nearly 30 countries**

Our products are **based upon natural chemistries** but deliver **performance, ease of use, and cost on par with synthetic pesticides**

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## Our Business



Plant Protection



Animal Health



Human Health



Biocides

## What we do

**Eden Research is an IP-led technology development and commercialisation company focused on plant protection, animal and human health, and biocides.**

The Company has a number of patents and a pipeline of products at differing stages of development targeting specific market opportunities. The Company has invested in the region of £12m in developing and protecting its intellectual property and seeking regulatory approval for products that rely upon the Company's technologies.

To date, the Company has concentrated on securing patent protection for its intellectual property, gaining regulatory approvals, identifying suitable industrial partners, and signing commercial agreements and is now entering the commercial stage of its development.

Our customers are global and regional industry leaders who wish to add value to their products by:

- Producing more effective treatments
- Improving safety and efficacy
- Surmounting regulatory hurdles
- Improving consumer appeal
- Extending the shelf life of existing patents
- Improving resistance management

### SUSTAINED™ - ENCAPSULATION



Active Ingredient



Encapsulated Payload  
Stabilised Aqueous Emulsion



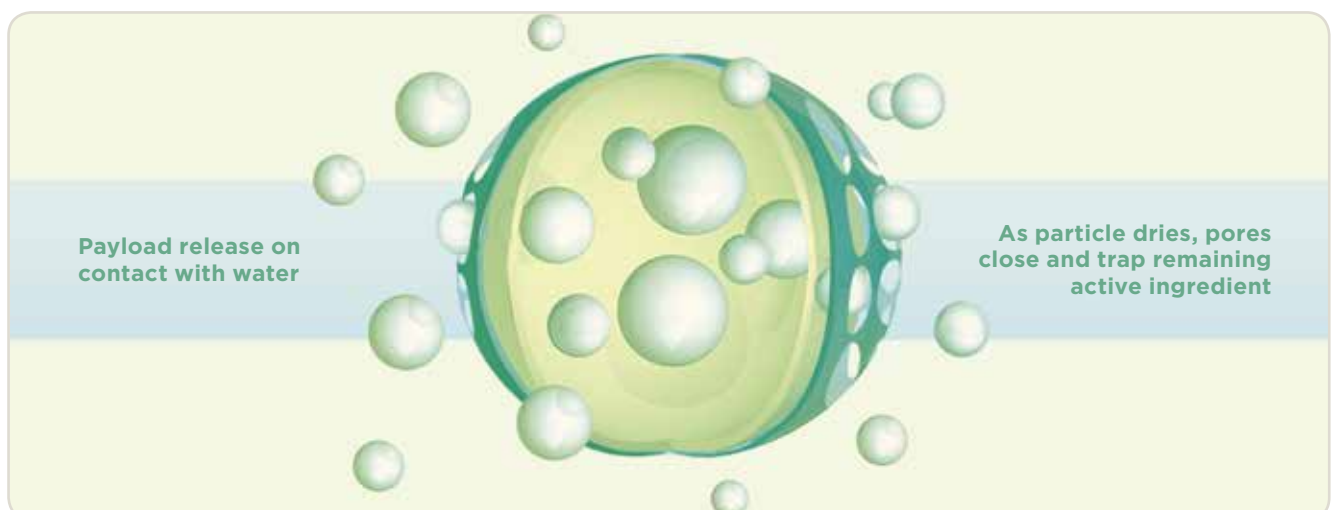
## Our technology

### Eden own the patents behind the “Sustaine™” delivery technology

Eden’s encapsulation technology harnesses the biocidal efficacy of naturally occurring chemicals produced by plants (terpenes) and can also be used with both natural and synthetic active ingredients. The technology uses yeast cells that are a by-product of numerous commercial production processes to deliver a slow release of active ingredients for agricultural and non-agricultural uses. Terpenes are already widely used in the food flavouring, cosmetic and pharmaceutical industries.

Historically, terpenes have had limited commercial use in a number of important industry sectors due to their volatility, phytotoxicity and poor solubility. Eden’s platform encapsulation technology provides a unique, environmentally friendly solution to these problems and enables terpenes to be used as effective, low-risk agrochemicals.

### SUSTAINE™ - RELEASE





## Our Products

### Foliar Disease Control

Eden has developed a range of fungicides targeting well-known plant diseases such as Botrytis, powdery mildew, downy mildew and others.

These products are suitable for a wide range of crops, and current efforts are focused upon high value fruits and vegetables where their efficacy and regulatory status make them ideally suited to solve the challenges faced by growers in today's increasingly tough regulatory climate.

### Protected Glass House Crops

Many of the high-value fruits and vegetables that benefit from Eden's products are produced in high volume commercial greenhouses and poly-tunnels.

In addition to providing effective disease prevention and control, the safety profile of Eden's products means that they are well-suited to environments in which worker exposure can be relatively high.

### Soil Pests

Plant-parasitic nematodes are soil-dwelling worms measuring approximately 0.1-5 mm in length.

Nematode populations can cause considerable damage to a wide range of high value vegetable crops and horticultural species. The most severely affected plants include intensively-grown crops such as potatoes, tomatoes, carrots, grapevines and many perennial fruits that are grown under monoculture conditions, plus sugar beet and golf course turf. The financial cost of nematode damage for farmers, gardeners and owners of golf courses and sports fields is substantial. At present, effective nematode control requires an integrated approach including cultural, physical and chemical methods.

### Animal Health

Terpenes are well-known as effective treatments for a range of pathogens that affect animal health.

Organisms associated with skin conditions and ear infections can be effectively treated by one or more terpenes. However, upon encapsulation, these same terpenes are generally more effective due to their increased bioavailability and persistence, which is achieved through sustained release. Odour control and hair conditioning are among the added benefits of Eden's products used in animal health.

### Post Harvest Applications

Eden's objective is to improve fruit and vegetable quality by reducing storage soft rots.

These diseases are similar to the Botrytis disease in grapes where efficacy of Eden product 3AEY is already proven.

Shelf life extension, lack of pesticide residues and improved produce quality are key objectives in this high value market.

### Biocides

In addition to applications in plant protection and animal health, Eden's encapsulated terpene products are highly effective biocides.

Key markets include oral care, human hair care, hygienic surface treatments and deodorants. Eden has partnered with TerpeneTech for the further development of its technology in this important sector, and recently TerpeneTech became a notified supplier of certain terpene products under the European Biocidal Products Regulation.

Natural chemistries  
create environmentally  
friendly products and  
support sustainable  
agriculture

## Product pipeline



Mevalone (3AEY): Botrytis (Grapes & Soft Fruits, Powdery Mildew, GH Vegetable)

Cedroz® (B2Y): Nematodes, protected crops, outdoor vegetables

2EY: Powdery Mildew, outdoor vegetables

G3Y: Molluscicide

Insecticide: White fly, spider mites

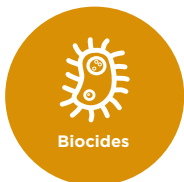


Companion Animal Health NA: Shampoos, conditioners, odour controls, flea & tick control

Companion Animal EU: Shampoos, conditioners, odour controls, flea & tick control

Bio-Control Global: Animal hygiene

Parasite Treatments, Insect Sprays



Odour neutralisers

Active ingredient supply

Agro-industrial applications

Consumer applications



Head-lice

Fragrances

Wound-care

Food flavourings



# Chairman's Report



**“With approvals of 3AEY having been granted in Spain, Italy and France, we expect to see a significant increase in product sales in 2017. The revenue from existing agreements will now be in the form of product sales to existing (and new) partners, following the progression of Eden’s business model to include product supply as well as licensing.”**

## INTRODUCTION

I am pleased to report that the Company has made significant progress in 2016 in its commercialisation.

Our Chief Executive Officer, Sean Smith, will provide more details in his report on page 8 but I will first give an overview of this progress.

## COMMERCIAL

Early in 2016, Eden received approval for its first agrochemical product, 3AEY, a fungicide which targets Botrytis on grapes, in both Spain and Italy. This allowed Sipcam, our commercial partner in those territories, to sell 3AEY on a commercial scale following the successful marketing campaign which Sipcam had undertaken.

Since the year end, France has also given its approval for 3AEY, which means that approvals are in place for 3AEY in three of the largest grape producing countries in the world.

In addition to the sale of products, which exceeded Sipcam’s initial forecasts, “3logy®” (the name under which 3AEY is sold in Italy) won an award for Innovation at the prestigious Macfrut Exhibition in Rimini, Italy.

Towards the end of the year, we announced that Eden had signed an exclusive, global commercialisation agreement with Taminco BVBA, a subsidiary of Eastman Chemical Company’s global crop protection division, for Eden’s nematocide product which will be marketed by Taminco as “Cedroz®”.

This is an important product and agreement for Eden. We are very pleased to have Eastman as a partner as they have a global reach and have invested, and continue to invest, significant resource into Cedroz® to achieve success in a large market which is seeking such a product.

## PERSONNEL

During the year, the management committee comprised of:

Tom Lupton – Non-Executive Chairman

Robin Cridland – Non-Executive Director

Sean Smith – Chief Executive Officer

Alex Abrey – Chief Financial Officer

In 2016, we added to the team at Eden through the appointment of two key advisors:

Michel Villeneuve, who has over thirty years’ experience in a variety of senior commercial, regulatory and management roles with major multinational companies involved in plant protection. Michel is supporting Eden with strategy and business development.

Peter A. Watson, who was employed by the UK National Pesticide Competent Authority before holding various senior regulatory roles with Dow AgroScience Services. Peter’s role is to act as our Senior Regulatory Strategy Advisor.



Approval for 3AEY in multiple countries including Italy, Spain, France, Greece, and Kenya

Exclusive, global commercialisation deal with Eastman Chemical for Eden's nematocide, B2Y

We welcome both Michel and Peter to the team at Eden. We will continue to grow the team, as we increase commercial and development activity.

**OUTLOOK**

With approvals of 3AEY having been granted in Spain, Italy and France, we expect to see a significant increase in product sales in 2017. The revenue from existing agreements will now be in the form of product

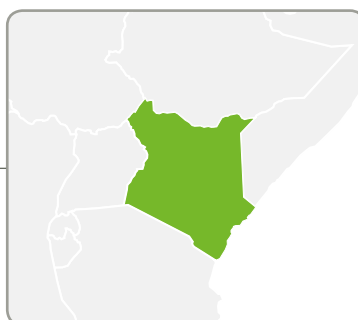
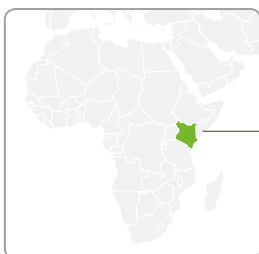
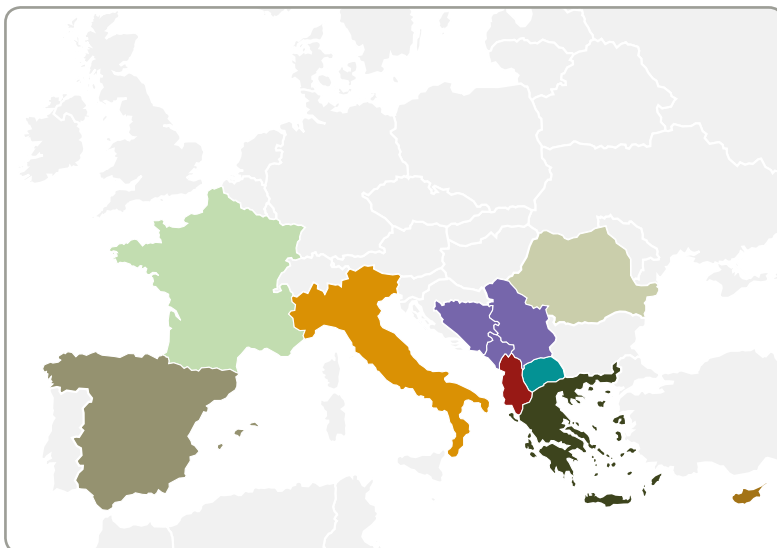
sales to existing (and new) partners, following the progression of Eden's business model to include product supply as well as licensing.

The adoption and acceptance of biological products, such as 3AEY, continues to increase throughout the world. Eden is well positioned to benefit from this trend. We are focused on exploiting this situation by leveraging the valuable intellectual property, in the form of

patents, know-how and regulatory dossiers, that Eden has invested in. To that end, Eden will continue to enter into agreements with partners in new territories for 3AEY as well as other products that Eden continues to develop.

**T G Lupton**  
**Chairman**

19 May 2017



**COMMERCIALISATION STATUS OF 3AEY**

Key	Brand Name	Partner	Country
	3logy®	Sipcam	Italy
	ARAW®	Sipcam	Spain
	Hawk™	Lachlan	Kenya
	Mevalone™	Sumi-Agro	France
	Mevalone™	Redestos	Greece
	Mevalone™	Redestos	FYROM
	Mevalone™	Redestos	Cyprus
	Mevalone™	Redestos	Albania
	Mevalone™	Redestos	Romania
	Mevalone™	Redestos	Balkans

# Chief Executive Officer's Report



**“The early part of 2016 saw the Company receive authorisation to sell its first product, 3AEY, for use in the prevention and treatment of Botrytis in table and wine grapes, in numerous territories. EU approvals were granted in Spain, Italy and Bulgaria increasing the geographical footprint of sales in the 2016 growing season.”**

I am pleased to provide shareholders with an update on the progress that we have made in 2016 in respect of regulatory approvals, IP protection and increasing commercial success, as well as outline the evolution of our sales model and strategy to ensure profit maximisation and higher quality revenue streams over the longer-term. Whilst this has had some impact on our 2016 financial performance, Eden is now better positioned to benefit from our past product and technology development investments.

## STRATEGY & FINANCIAL RESULTS

As I described in my report last year, Eden has for many years adopted a technology licensing model. However, in 2015 we refined our commercialisation strategy to a product sales approach which allows the Company to derive more value from the products and technologies that it has developed in the long term.

In the short term, this approach has seen a reduction in upfront licence payments, however, in the medium and long term, this model will lead to greater returns and allow us to build brand value by establishing greater visibility in our end-use markets, and to have greater control over our

supply chain. Looking forward, we anticipate that revenue and profit lines will grow at a greater rate than when compared with a pure licensing model.

## FINANCIAL RESULTS

Revenue for the year ended 31 December 2016 totalled £0.4m, and, whilst lower than the previous year, this level is a reflection of the short term impact of the evolution of our business model from technology licensing to product sales.

In previous years, the majority of our revenue has come from fees associated with licensing our technology (2015: £0.74m, £0.6m of which was from TerpeneTech), however the change in our sales model resulted in just £0.13m in licensing revenues in 2016. Also, as expected, fees from milestone payments were less prominent, being £0.05m compared to £0.06m in 2015. Evaluation fees fell slightly to £0.03m (2015: £0.05m) as evaluation studies, such as the nematocide trials conducted by Eastman, concluded successfully and matured into commercialisation agreements, outlined below, which will yield future revenues for the Company.

Whilst commercial sales are still modest, they are growing and are now the largest contributor to overall revenue. Revenue received

An expanding portfolio of regulatory clearances supported by active applications in key territories

Expanded use of 3AEY in Greece and Spain

from commercial sales, both from direct product sales and royalty revenue, were £0.19m compared to £0.04m in the previous year. These sales include the first royalties received from sales of 3AEY in Italy, Greece and Spain which, at distributor level, were in excess of €1m with over 85,000 litres sold in total, and were comfortably greater than what our partners and we had forecast for first year sales in these territories.

Operating loss increased to £1.9m (2015: £1.1m). Operating loss excluding Share Based Payment Charge of £0.1m and Amortisation of £0.6m was £1.1m (2015: £0.2m). Loss for the year increased to £1.9m (2015: £1.3m). Loss per share (both basic and diluted) increased to 1.03p from 0.74p (see Strategic Report on page 14 for further details).

In March 2016, the Company raised £2.6m before expenses demonstrating continued support from existing and new institutional shareholders. The proceeds have provided the capital to accelerate our expansion without the funding constraints under which the Company had traditionally operated, as well as being able to expand the Company's product portfolio and geographical footprint for both existing and new products. Cash at the year-end was £1.5m.

### REGULATORY PRODUCT APPROVALS

The early part of 2016 saw the Company receive authorisation to sell its first product 3AEY, for use in the prevention and treatment of Botrytis in table and wine grapes, in numerous territories. EU approvals were granted in Spain, Italy and Bulgaria increasing the geographical footprint of sales in the 2016 growing season.

The year also saw the first examples of how our products can gain regulatory clearance outside of the initial authorisation for the prevention and cure of Botrytis on table and wine grapes. In June we announced the granting of label extensions in Spain to target the control of vine powdery mildew, one of the most challenging and widespread fungal diseases affecting grapevines around the world. In Greece, the authorities expanded the use of 3AEY in the treatment of Botrytis beyond grapes to field and greenhouse grown aubergines, kiwis, pomegranates and fresh onions. Combined, these crops cover more than 14,000 hectares in Greece. We also received label extensions during the year in Kenya which expanded the use of our products to include the treatment of roses as well as certain edible crops.

At the year-end we were disappointed not to have secured regulatory approvals for 3AEY from both France and Portugal, and whilst our uncertainty on the timing of regulatory approval in Portugal remains unchanged, we were delighted to announce in January this year regulatory approval in France, one of the leading wine producing nations of the world, in time for the 2017 season. In addition, whilst they are not major markets in terms of size, we were nevertheless pleased to receive regulatory approvals from Albania and Cyprus with authorisations in Romania and the Former Yugoslav Republic of Macedonia still pending.

In addition, there are a number of other on-going regulatory approvals being sought for both 3AEY and Cedroz® in important areas such as the USA.

# Chief Executive Officer's Report continued

## COMMERCIAL PROGRESS

### i. 3AEY – Botrytis & powdery mildew treatment

We have made significant commercial progress this year following receipt of the necessary approvals to sell our lead product 3AEY, which focuses on plant protection, via our distribution partners. Below is a summary of our commercial progress and current geographical footprint:

Country	3AEY Brand	Partner	Approved use	Commercial launch
Italy	3logy®	Sipcam	Botrytis in grapes	Yes
France	Mevalone™	SumiAgro	Botrytis in grapes	Pending – 2017
Spain	ARAW®	Sipcam	Botrytis in grapes & vine powdery mildew	Yes
Greece	Mevalone™	Redestos	Botrytis in grapes, field and greenhouse aubergines, kiwis, pomegranates & fresh onions	Yes
Bulgaria	Mevalone™	Redestos	Botrytis in grapes	Pending
FYROM	Mevalone™	Redestos	Botrytis in grapes	Pending
Malta	TBD	TBD	Botrytis in grapes	Pending
Cyprus	Mevalone™	Redestos	Botrytis in grapes, field and greenhouse aubergines, kiwis, pomegranates & fresh onions	Pending – 2017
Albania	Mevalone™	Redestos	Botrytis in grapes, field and greenhouse aubergines, kiwis, pomegranates & fresh onions	Pending – 2017
Kenya	Hawk™	Lachlan	Botrytis and powdery mildew in peas, beans and cucurbits, and roses	Yes
Romania	Mevalone™	Redestos	Pending	Pending – 2017
Balkans	Mevalone™	Redestos	Pending	Pending

As mentioned above, the 2016 results benefitted from the first sales of 3AEY in Italy, Greece and Spain. In total, 2016 sales of 3AEY (at the distributor level) were in excess of €1m with over 85,000 litres sold throughout the year. This was comfortably above what we and our partners had forecast in these territories, which is encouraging, particularly in light of the fact that Botrytis was not especially prevalent this last season and authorisation in Italy was granted somewhat later than required for full promotion via certain product catalogues. Nevertheless, in some regions our products achieved a market share of approximately 20%, which is a remarkable achievement for a new product to market.

Total 2016 sales  
of 3AEY in excess  
of €1m\*

Substantial  
investment in the  
registration and  
commercialisation  
of Cedroz® by  
Eastman Chemical

\* at distributor level

## ii. B2Y - nematode treatment

In December 2016, we signed an exclusive commercialisation agreement for our nematicide product, "B2Y", with Taminco BVBA, a subsidiary of Eastman Chemical Company's global crop protection division ("Eastman") following a series of successful field trials and market evaluations conducted by them between 2014 and 2016.

Eastman will be responsible for developing our nematicide formulation, to be marketed as Cedroz®, across multiple territories covering 29 countries worldwide including some of the largest markets for nematicide products globally. Eastman are aiming to launch Cedroz® commercially in 2019 or sooner, where allowed. Under the agreement, Eastman has paid Eden an upfront fee and will make annual milestone payments until 2019. Eastman will take on the responsibility for the registration of Cedroz® in each territory whilst Eden retains responsibility for the registration of the active ingredients. Furthermore, and consistent with its evolved business model, Eden will supply Eastman with its product requirements globally from its global network of contract manufacturers and raw material suppliers.

## iii. Animal health

Eden's partner for animal health applications in North America, Bayer Animal Health, continues to

make steady progress with the four products that it is commercialising: a shampoo, a conditioner, a spray and an otic flush.

A significant amount of work, including in vitro and in vivo studies, has been undertaken with some further in vivo and formulation work required. As such, it is forecast that sales of product will be likely to commence in 2018. Eden remains confident that the products, once commercialised, will command a strong market share in the large North American market for companion animal health products.

## iv. Human health

Over the past year, TerpeneTech, which is an associate of Eden through Eden's shareholding of 29.9%, has undertaken a second successful round of clinical trials and has been preparing its regulatory submissions to both the US and EU authorities for approval of its head-lice treatment product.

Since the head-lice treatment product is expected to be a medical device, once the regulatory submission has been made and TerpeneTech has satisfied itself that it has met the regulatory requirements, it will be possible to commence sales of that product. It is expected that this submission will take place in the next few months.

**"We have made significant commercial progress this year following receipt of the necessary approvals to sell our lead product 3AEY, which focuses on plant protection, via our distribution partners."**

# Chief Executive Officer's Report continued

**“We believe the decision to evolve Eden’s business model to one which is primarily product sales based will maximise the returns to shareholders in the medium to long term.”**

In parallel, TerpeneTech has been negotiating with a number of different parties to distribute the head-lice product in the UK, initially, and then the rest of the EU and USA. It is expected that sales will commence this year.

With regard to the other biocide applications using Eden’s technology and know-how, TerpeneTech continues to negotiate with a number of potential partners, though Eden understands that less focus has been placed on these opportunities in the past year due to the need to focus on commercialising the head-lice treatment product. Once the submission for the head-lice product has been made, it is understood that these other areas will be prioritised by TerpeneTech.

In addition, TerpeneTech, which is listed as a registered supplier under the EU Biocides Directive of a terpene called geraniol, has been selling geraniol to third parties which Eden understands has helped TerpeneTech to achieve revenues of £0.14m in 2016 and an operating profit of £0.01m. Whilst there is room for growth, TerpeneTech’s use of its position as a notified supplier of geraniol illustrates one additional way in which its assets can be leveraged commercially.

## INTELLECTUAL PROPERTY (“IP”)

Following the agreement signed between Eden and Intellectual Ventures’ Invention Development Fund (now called Xinova LLC) towards the end of 2015, the two parties have been working together to expand the breadth of Eden’s intellectual property base with some exciting and interesting opportunities starting to come from this collaboration.

Also, following the year end, we successfully extended our patent protection in Greece for 3AEY, until May 2030, through a successful application for a Supplementary Protection Certificate from the Patent Office.

## PEOPLE

This financial year we welcomed Michel Villeneuve, as Senior Strategic Commercial Advisor, and Peter Watson, as Senior Regulatory Strategy Advisor, to the team at Eden. Michel has over thirty years’ experience in a variety of senior commercial, regulatory and management roles with major multinational companies involved in plant protection. Peter has worked for the UK’s National Pesticide Competent Authority and Dow AgroScience Services in a number of senior

Strong interest from distributors to sell 3AEY outside the EU

Further investment in regulatory approvals this year

Working with Xinova LLC to expand breadth of intellectual property

regulatory roles. Both gentlemen bring tremendous experience, insight and drive to our efforts to accelerate commercialisation of our first products.

### OUTLOOK

We believe the decision to evolve Eden's business model to one which is primarily product sales based will maximise the returns to shareholders in the medium to long term. However, even in the short term, we expect to see revenues rise significantly in 2017 from those in previous years based upon the sale of 3AEY mainly in France, Spain and Italy.

Following on from the successful launch in 2016 of 3AEY in Italy, where it is sold as 3logy®, we have received strong interest from distributors looking to sell the product outside of the EU. We expect to conclude arrangements in a number of these territories over the next twelve months.

Already this year we have undertaken an increased amount of research and development work which will continue apace throughout the rest of 2017 and 2018. This will strengthen the commercial viability of Eden's product portfolio which to date has been progressing at a slower pace than we would have liked due to restricted resources.

We are also investing further this year in regulatory approvals which will ultimately result in a number of Eden's products being sold throughout the world thereby increasing the inherent value of Eden's intellectual property and helping to build our business on a global basis.

**S M Smith**  
**Chief Executive Officer**

19 May 2017

# Strategic Report

## REVIEW OF THE BUSINESS

The review of this year's business activities is as set out in the Chairman's Report and Chief Executive Officer's Report.

The key performance indicators of the business are that of the development and commercialisation of the Company's products and the management of its cash position.

The registration of the Company's first product, 3AEY, for use as a pesticide in Europe is not only a key milestone in terms of its commercialisation but also of future products as the three active substances that are registered in the EU are the basis of Eden's future product portfolio. Thus far, 3AEY has been approved for use in France, Spain, Italy, Greece, Cyprus, Albania, Kenya, Bulgaria and Malta.

Further commercialisation of Eden's products and encapsulation technologies through supply, licensing, evaluation and option agreements also serve as a key indicator to the Company's performance.

Successful trial results are also significant in the showing the commercial viability of the intellectual property.

The Company has capitalised £0.3m (2015: £0.2m) of development expenditure in the year which is a reflection of the continued development of the Company's products.

Cash is managed by tightly controlling the Company's creditor position.

The progress of the development of the Company's products is measured against internally set timescales as well as against the regulatory process which will result in the registration of products. The Chairman's Report contains an update regarding this progress.

An update on TerpeneTech, Eden's associate company, is included in the Chief Executive Officer's Report.

## KEY FINANCIAL PERFORMANCE INDICATORS

Revenue derived from product sales, licence fees and milestone payments are all considered to be key financial performance indicators. Maintaining a low overhead base and progress towards profitability are also key indicators.

Revenue in 2016 consisted of charges made for samples and consultancy to existing and potential licensees, upfront and milestone payments in relation to new and existing agreements and product sales. Revenue in 2016 was £0.4 million in comparison to £0.9 million in 2015, which included £0.6m for a licence fee paid by TerpeneTech. The operating loss for the year was £1.9 million compared to £1.1 million for the previous year. The loss before tax for 2016 was £1.9 million, an increase from £1.3 million in the previous year.

The loss per share for 2016 was 1.03 pence compared to 0.74 pence in 2015.

Administrative expenses for the year (excluding the amortisation of intangible assets and share based payments charge) were £1.4 million (2015: £1.0 million). Aside from additional costs relating to external consultants and minimum royalties due to University of Massachusetts Medical School of £0.3m (2015: £0.1m) (see note 14 for further details), the Company maintains a policy of keeping a low head count in order to maintain a low level of overheads.

Intellectual property, including development expenditure, is written off over eight years in line with the remaining life of the Company's master patent.

## OTHER KEY NON-FINANCIAL PERFORMANCE INDICATORS

The regulatory approval of products and milestones related to such processes are deemed to be key non-financial performance indicators.

## PRINCIPAL RISKS AND UNCERTAINTIES

The Company's prime risk is the on-going commercialisation of its intellectual property, which involves testing of the Company's products, obtaining regulatory approval and reaching a commercially beneficial agreement for each product to be taken to market. This is measured by comparing actual results with forecasts that have been agreed by the Company's Board of Directors.



Initial validation of Sustaine™ now complete in greenhouse trials

The Board remains committed to developing further a culture that encourages the inclusion and diversity of all of the Company's employees

The Company's credit risk is primarily attributable to its trade receivables. Credit risk is managed by running credit checks on customers and by monitoring payments against contractual agreements.

The Company monitors cash flow as part of its day to day control procedures. The Board considers cash flow projections at its meetings and ensures that appropriate facilities are available to be drawn down upon as necessary.

Due to the nature of the business, there is inherent risk of infringement of Eden's intellectual property rights by third parties. The risk of infringement is managed by taking the relevant legal advice as and when required.

There is also inherent uncertainty surrounding the regulatory approval of products in terms of timing and success. This risk is managed by contracting with expert consultants who are well experienced in this regard.

### EMPLOYEE DIVERSITY AND INCLUSION

The Board remains committed to developing further a culture that encourages the inclusion and diversity of all of the Company's employees through respecting and appreciating their differences and to promoting the continuous development of employees through skills enhancement and training programmes. The Company's employment policies are designed to attract, retain, train and motivate the very best people, recognising that this can be achieved only through offering equal opportunities regardless of gender, race, religion, age, disability, sexual orientation or any other aspect of diversity. Applications from disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. It is the policy of the Company that the training, career development and promotion of disabled persons (including those who become disabled whilst employees of the Company) should, as far as reasonably possible, be identical to that of other employees.

### INDEMNITY COVER

The Company purchases insurance cover for Directors and Officers to protect the directors from third party claims.

### ENVIRONMENT

The Company has an environment policy and acknowledges that environmental considerations form an integral part of its corporate social responsibility. The Company's environment committee meets to discuss ways in which the business can contribute more to their local environments by getting involved in local initiatives and also to look at ways of promoting environmental wellbeing amongst the staff. Employees are actively encouraged to ensure conservation of energy and resource through awareness campaigns and positive action.

On behalf of the Board:

**S M Smith**  
**Director**

19 May 2017

## Board of Directors



**Tom Lupton**  
**Non-Executive  
Chairman**

Tom graduated from Oxford University in 1978 in Agriculture and Forest Sciences. After an executive career in the development and management of agriculture and forestry related enterprises largely in Africa and Asia, recently he was responsible for running a highly visible Farm Project at Sissinghurst.

Tom Lupton is a member of the Audit Committee and Chairman of the Nominations Committee, Remuneration Committee and the AIM Compliance Committee.



**Sean Smith**  
**Chief Executive  
Officer**

Sean has a bachelors degree in microbiology and over 25 years of experience in the speciality chemicals and industrial biotechnology industries. He has held senior commercial leadership roles ranging from sales and marketing to business management and intellectual property licensing in blue chip companies such as Ciba (now BASF) and Honeywell. In recent years, Sean has focussed on technology commercialisation through licensing and company formation working with Intellectual Ventures and several start-ups.



**Alex Abrey**  
**Chief Financial  
Officer**

Alex, a Chartered Certified Accountant, joined the Board in September 2007, having been Chief Accountant to Eden for the previous four years. He has acted as Financial Director to a diverse range of businesses including a financial and management consultancy business based in Oxfordshire, a medical waste management company and an intellectual property licensee involved in plastics manufacturing. Alex has seventeen years' experience in both practice and industry.

Alex Abrey is a member of the AIM Compliance Committee.



**Robin Cridland**  
**Non-Executive  
Director**

Rob currently serves as Chief Financial Officer and Company Secretary of Itaconix plc. He joined Itaconix in September 2008 from Renovo Group plc where he spent seven years as Executive Director of Finance and Business Development.

He began his career at Coopers & Lybrand Deloitte, before moving on to senior transactional roles at Enskilda Securities and senior finance and transactional roles at GlaxoWellcome and GlaxoSmithKline. He is also currently a Governor and a Non-Executive Director of Cheadle Hulme School, Cheshire.

Robin Cridland is Chairman of the Audit Committee and a member of the Nominations Committee, and the Remuneration Committee.

# Report of the Directors

For the year ended 31 December 2016

The directors present their report with the financial statements of the Company for the year ended 31 December 2016.

## DIVIDENDS

The loss for the year after taxation amounted to £1,831,092 (2015: £1,157,103). The directors are unable to recommend any dividend (2015: £nil).

## RESEARCH AND DEVELOPMENT

An indication of research and development activities is included within the Chief Executive Officer's Report.

## FUTURE DEVELOPMENTS

An indication of future developments is included within the Chief Executive Officer's Report.

## DIRECTORS

The directors during the year under review were:

T G Lupton  
S M Smith  
A J Abrey  
R J S Cridland

At 31 December 2016, the directors had the following interests in share option schemes:

Date of grant	Expiry Date	Exercise price £	Number at 1 January 2016	Granted in year	Exercised in year	Lapsed in year	Number at 31 December 2016
<b>A J Abrey</b>							
17/01/2011	16/01/2016	0.13	1,050,000	-	-	(1,050,000)	-
14/08/2014	19/05/2019	0.10	450,000	-	-	-	450,000
08/05/2015	07/05/2018	0.10	125,000	-	-	-	125,000
17/01/2016	16/01/2021	0.13	-	1,050,000	-	-	1,050,000
			1,625,000	1,050,000	-	(1,050,000)	1,625,000
<b>S M Smith</b>							
01/03/2015	28/02/2018	0.08	1,000,000	-	-	-	1,000,000
01/09/2015	31/08/2018	0.08	500,000	-	-	-	500,000
01/09/2016	31/08/2019	0.16	-	1,000,000	-	-	1,000,000
			1,500,000	1,000,000	-	-	2,500,000

## CORPORATE GOVERNANCE

The directors acknowledge the importance of the principles set out in the Corporate Governance Code. Although the Corporate Governance Code is not compulsory for AIM quoted companies, the directors have applied the principles as far as practicable and appropriate for a relatively small public company as follows:

The Board currently comprises two executive directors and two non-executive directors. The Board meets regularly to consider strategy, performance and the framework of internal controls. To enable the Board to discharge its duties, all directors receive appropriate and timely information. Briefing papers are distributed to all directors in

advance of Board meetings. All directors have access to the advice and services of the Company Secretary and the Chief Financial Officer, who is responsible for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with. In addition, procedures are in place to enable the directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.

The directors have established Audit, Nominations, Remuneration and AIM Compliance Committees; the Audit Committee has Robin Cridland as Chairman and has primary responsibility for monitoring the quality of internal controls ensuring that the financial performance of

the Company is properly measured and reported on and reviewing reports from the Company's auditors relating to the Company's accounting and internal controls, in all cases having due regard to the interests of shareholders. The Audit Committee meets at least twice a year. Tom Lupton was the other member of the Audit Committee during the year.

The Nominations Committee has Tom Lupton as Chairman and identifies and nominates for the approval of the Board, candidates to fill Board vacancies as and when they arise. The Nominations Committee meets at least twice a year. Robin Cridland was the other member of the Nominations Committee during the year.

# Report of the Directors continued

For the year ended 31 December 2016

The Remuneration Committee has Tom Lupton as Chairman and reviews the performance of the executive directors and determines their terms and conditions of service, including their remuneration and the grant of options, having due regard to the interests of shareholders. The Remuneration Committee meets at least twice a year. Robin Cridland was the other member of the Remuneration Committee during the year.

The AIM Compliance Committee has Tom Lupton as Chairman and meets twice a year with the NOMAD to discuss AIM compliance and related issues. The other member of the committee is Alex Abrey. The directors comply with Rule 21 of the AIM Rules relating to directors' dealings and there are procedures in place to ensure compliance by the Company's applicable employees. The Company has adopted a share dealing code which is appropriate for an AIM quoted company.

	Total Holdings	% of Enlarged Share Capital
Alex Abrey	1,038,160	0.56%
Tom Lupton	403,333	0.22%
Robin Cridland	47,000	0.02%

The Company has been notified that the following are substantial shareholders of Eden, each holding more than 3% of the Company's issued share capital, as at 4 May 2017:

Entity	Total Holdings	% of Enlarged Share Capital
Livingbridge VC LLP	19,512,195	10.57%
HSBC Nominees	14,007,734	7.59%
JM Finn & Co	13,055,044	7.07%
Artemis Investment Management	12,293,451	6.66%
Barclays Personal Investment Management	8,958,705	4.85%
TD Direct Investing	7,218,345	3.91%
Hargreaves Lansdown Asset Management	6,515,282	3.53%

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards 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, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the Board:

**S M Smith**  
Director

19 May 2017

# Report of the Independent Auditors

to the Members of Eden Research plc

We have audited the financial statements of Eden Research Plc for the year ended 31 December 2016 on pages 20 to 47. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Statement of Directors' Responsibilities set out on page 18, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the FRC's website at [www.frc.org.uk/apb/scope/UKP.cfm](http://www.frc.org.uk/apb/scope/UKP.cfm).

## OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

## MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## John Griffiths FCA (Senior Statutory Auditor)

for and on behalf of  
UHY Hacker Young  
Statutory Auditor,  
Chartered Accountants  
Bristol

19 May 2017

# Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	Notes	2016 £	2015 As Restated (Note 2) £
<b>Continuing operations</b>			
Revenue	4	391,958	883,312
Cost of sales		(28,560)	(98,708)
<b>Gross profit</b>		363,398	784,604
Amortisation of intangible assets		(680,385)	(655,304)
Other administrative expenses		(1,439,670)	(1,019,957)
Share based payments		(129,707)	(247,973)
<b>Operating loss</b>		(1,886,364)	(1,138,630)
Finance costs	6	(15,483)	(20,486)
Finance income	6	1,278	247
Share of profit/(loss) of equity	11	(12,418)	(99,494)
<b>Loss before income tax</b>	7	(1,912,987)	(1,258,363)
Income tax	8	81,895	101,260
<b>Loss for the year</b>		(1,831,092)	(1,157,103)
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income for the year</b>		(1,831,092)	(1,157,103)
Earnings per share expressed in pence per share:	9		
Basic		(1.03)	(0.74)
Diluted		(1.03)	(0.74)

The notes form part of these financial statements.

# Statement of Financial Position

As at 31 December 2016

	Notes	2016 £	2015 As Restated (Note 2) £
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	10	5,211,892	5,543,092
Investments in equity-accounted investee	11	811,165	823,583
		6,023,057	6,366,675
<b>Current assets</b>			
Trade and other receivables	12	240,505	164,416
Cash and cash equivalents	13	1,532,341	148,360
		1,772,846	312,776
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	14	965,286	752,552
<b>Net current assets/(liabilities)</b>		807,560	(439,776)
<b>Non-current liabilities</b>			
Trade and other payables	14	67,462	-
<b>Net assets</b>		6,763,155	5,926,899
<b>Shareholders' equity</b>			
Called up share capital	17	1,846,542	1,587,583
Share premium	18	29,139,654	26,860,972
Merger reserve	18	10,209,673	10,209,673
Warrant reserve	18	614,713	735,453
Retained loss	18	(35,047,427)	(33,466,782)
<b>Total equity</b>		6,763,155	5,926,899

The financial statements were approved by the Board of Directors on 19 May 2017 and were signed on its behalf by:

**S M Smith**  
Director

# Statement of Changes in Equity

For the year ended 31 December 2016

	Called up share capital £	Retained loss As restated (Note 2)	Share premium £
<b>Balance at 1 January 2015</b>	1,541,430	(32,346,353)	26,014,049
<b>Balance at 1 January 2015 restated</b>	1,541,430	(32,346,353)	26,014,049
<b>Changes in equity</b>			
Issue of share capital	46,153	-	846,923
Total comprehensive income	-	(1,157,103)	-
Options exercised/lapsed	-	36,674	-
<b>Balance at 31 December 2015</b>	1,587,583	(33,466,782)	26,860,972
<b>Changes in equity</b>			
Issue of share capital	258,959	-	2,278,682
Total comprehensive income	-	(1,831,092)	-
Options exercised/lapsed	-	250,447	-
<b>Balance at 31 December 2016</b>	1,846,542	(35,047,427)	29,139,654

	Merger reserve £	Warrant reserve £	Total equity As restated (Note 2) £
<b>Balance at 1 January 2015</b>	10,209,673	524,154	5,942,953
<b>Balance at 1 January 2015 restated</b>	10,209,673	524,154	5,942,953
<b>Changes in equity</b>			
Issue of share capital	-	-	893,076
Total comprehensive income	-	-	(1,157,103)
Options granted	-	247,973	247,973
Options exercised/lapsed	-	(36,674)	-
<b>Balance at 31 December 2015</b>	10,209,673	735,453	5,926,899
<b>Changes in equity</b>			
Issue of share capital	-	-	2,537,641
Total comprehensive income	-	-	(1,831,092)
Options granted	-	129,707	129,707
Options exercised/lapsed	-	(250,447)	-
<b>Balance at 31 December 2016</b>	10,209,673	614,713	6,763,155

The notes form part of these financial statements.



# Statement of Cash Flows

For the year ended 31 December 2016

	Notes	2016 £	2015 £
<b>Cash flows from operating activities</b>			
Cash used by operations	19	(983,364)	(185,635)
Finance costs paid		(15,483)	(20,486)
Tax credit		81,895	101,260
Net cash used by operating activities		(916,952)	(104,861)
<b>Cash flows from investing activities</b>			
Capitalisation of development expenditure and intellectual property costs		(237,985)	(132,006)
Interest received		1,278	247
Net cash from investing activities		(236,707)	(131,759)
<b>Cash flows from financing activities</b>			
Issue of equity shares		2,668,540	-
Share issue costs		(130,900)	(30,000)
Net cash from/(used by) financing activities		2,537,640	(30,000)
<b>Increase/(decrease) in cash and cash equivalents</b>		1,383,981	(266,620)
<b>Cash and cash equivalents at beginning of year</b>	20	148,360	414,980
<b>Cash and cash equivalents at end of year</b>	20	1,532,341	148,360

The notes form part of these financial statements.

# Notes to the Financial Statements

For the year ended 31 December 2016

## ACCOUNTING POLICIES

### Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The Company does not have any subsidiary undertakings.

### Associates

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity. The Company acquired 29.9% of TerpeneTech Limited ("TerpeneTech") during 2015; TerpeneTech is an associated undertaking.

### Application of the equity method to associates

The Company has one associated undertaking, TerpeneTech, which was acquired in 2015. As disclosed in note 2 below, the Company did not equity account for its interest in TerpeneTech in the prior year financial statements; this treatment has been amended by adjusting the prior period figures.

The investment in TerpeneTech is accounted for using the equity method. The investment was initially recognised at cost. The Company's investment includes goodwill identified on acquisition, net of any accumulated impairment losses and any separable intangible assets. The financial statements include the Company's share of the total comprehensive income and equity movements of TerpeneTech, from the date that significant influence commenced.

### General information

Eden Research Plc is a company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 48. The nature of the Company's operations and its principal activities are set out in the Chairman's Review on page 6. The Company is quoted on the AIM Market in London.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

The Company has adopted the following revisions and amendments to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Company's financial statements for the year beginning 1 January 2016.

- IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - Amendments to IFRS 10, IFRS 12 and IAS 28
- Amendments to IFRS 10 and IAS 28
- IFRS 11 Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11
- IFRS 14 Regulatory Deferral Accounts
- IAS 1 Disclosure Initiative - Amendments to IAS 1
- IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38
- IAS 16 and IAS 41 Agriculture - Bearer Plants - Amendments to IAS 16 and IAS 41
- IAS 19 Defined Benefit Plans: Employee Contributions - Amendments to IAS 19
- IAS 27 - Equity Method in Separate Financial Statements - Amendments to IAS 27
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal
- IFRS 7 Financial Instruments: Disclosures - Servicing Contracts
- IFRS 7 Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements
- IAS 34 Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'

The directors have assessed that the adoption of these revisions and amendments did not have an impact on the financial position or performance of the Company.

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

Effective 1 January 2018  
IFRS 15 Revenue from Contracts with Customers  
IFRS 9 Financial Instruments  
Effective 1 January 2019  
IFRS 16 Leases

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company.

### Going Concern

The financial statements have been prepared on a going concern basis which contemplates the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Company has reported a loss for the year after taxation of £1,831,092 (2015: £1,157,103). Net current assets at that date amounted to £807,560 (2015: £439,776 net current liabilities).

The directors have prepared budgets and projected cash flow forecasts, based in part on forecasts provided by Eden's commercial partners, for a period of two years from 31 December 2016 and they consider that the Company will be able to operate within the cash facilities that are available to it for this period. The ability of the Company to continue as a going concern is ultimately dependent upon the amounts and timing of cash flows from the exploitation of the Company's intellectual property and the availability of additional funding to meet the short term needs of the business until the commercialisation of the Company's portfolio is reached.

The forecasts adopted only include revenue derived from existing contracts and, while there is a risk these payments might be delayed if milestones are not reached, there is the significant potential upside from on-going discussions and negotiations with other parties as well as other "blue sky" opportunities.

In addition, the Company has relatively low fixed running costs and has a demonstrable ability to delay certain other costs, such as the forecast Research and Development expenditure, in the event of unforeseen cash constraints.

The directors have also considered a scenario whereby the Company receives no revenue from the date of this Report. On this basis, the directors believe that the Company has sufficient cash to cover a period of at least 12 months from the date of this Report.

The directors are closely monitoring performance against cash flow projections that have been prepared for the period to 31 December 2017 and beyond and are confident that the Company will be able to generate the necessary cash resources over and above those referred to above.

On this basis the directors consider it appropriate to prepare the financial statements on the going concern basis. The financial statements do not include any adjustments that would result from a failure by the Company to meet these forecasts.

### Revenue recognition

Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be reliably estimated.

Revenue represents amounts receivable by the Company in respect of services rendered during the year in accordance with the underlying contract or licence, stated net of value added tax.

Royalty income is recognised as accrued in accordance with the terms of the underlying contract.

Milestone payments receivable under agreements are recognised in accordance with the terms of the underlying agreement and are typically recognised upon the completion of the significant acts within the agreements. Revenue is specifically only recognised when the terms of any milestone are reasonably expected to be met and the relevant act has been completed as the Company has no contractual rights to the revenue until this point.

Licence fee revenue is recognised up-front as a sale of the Company if the Company has discharged all of its significant on-going obligations.

# Notes to the Financial Statements continued

For the year ended 31 December 2016

## 1. ACCOUNTING POLICIES CONTINUED

### Intangible assets

Intellectual property, including development costs, is capitalised and amortised on a straight line basis over its remaining estimated useful economic life of 8 years in line with the remaining life of the Company's master patent, which was originally 20 years. The useful economic life of intangible assets is reviewed on an annual basis.

### Impairment of non-financial assets

The directors regularly review the intangible assets for impairment and provision is made if necessary. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### Research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

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

- the project is technically and commercially feasible;
- an asset is created that can be identified;
- the Company intends to complete the asset and use or sell it and has the ability to do so;
- it is probable that the asset created will generate future economic benefits;
- the development cost of the asset can be measured reliably; and
- there are sufficient resources available to complete the project.

Internally-generated intangible assets are amortised on a straight line basis over their useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

### Financial instruments

The Company uses certain financial instruments in its operating and investing activities that are deemed appropriate for its strategy and circumstances.

Financial assets and liabilities are recognised on the Statement of Financial Position when the Company has become a party to the contractual provisions of the instrument.

Financial instruments recognised on the Statement of Financial Position include cash and cash equivalents, trade receivables, trade payables and borrowings and fixed interest convertible debt.

Cash and cash equivalents comprise cash on hand and on demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Interest bearing loans and overdrafts are recorded at the fair value received less any transaction costs. Subsequent to initial recognition such instruments are measured at amortised cost, using the effective interest method.

### Financial assets

Trade receivables, loans and other receivables that have fixed or determinable payments are classified as "Loans and receivables" and are measured initially at fair value plus transaction costs and subsequently at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

Financial assets are assessed for impairment at each reporting date by considering the recoverable amount of the asset in comparison to its carrying value and any impairment recognised in the Statement of Profit or Loss and Other Comprehensive Income. Trade receivables are assessed for collectability and where appropriate the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account and changes in the carrying amount of the allowance account are recognised in the profit or loss in the Statement of Profit or Loss and Other Comprehensive Income.

## **Debt and equity instruments issued by the company**

### **Loan notes**

Where loans that were previously convertible have been converted to equity in accordance with the original terms of the contract as a result of an agreement between the note holder and the Company, the value of the loan and any associated accrued interest is transferred to equity at nil gain, nil loss.

The Company also enters into agreements to convert loans and creditors into equity which were not convertible under the original terms of the agreement. Where this is the case the Company applies the requirements of IFRIC 19 and recognises the issue of equity at the fair value of the instruments issued. Any profit or loss arising on the extinguishment of the liability is taken to profit or loss.

### **Convertible loans**

Due to the nature of the arrangements, management are required to make significant judgments in order to determine whether the conversion of loans has taken place in accordance with the original terms of the underlying agreement. Each conversion is considered individually. In previous years, all conversions were deemed to have been made in accordance with the original terms of the agreements.

### **Equity instruments**

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

### **Financial liabilities**

Financial liabilities such as trade payables and loans are classified as "Other financial liabilities" and are measured initially at fair value less transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, except for short term payables when the recognition of interest would be immaterial.

Non-executory contracts are recognised when all obligations due to the Company under the terms of the contract have been met, but the Company retains a financial liability. This financial liability is measured in accordance with the Company's accounting policy for the measurement of financial liabilities.

### **Leasing**

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

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

### **Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

### **Share-based payments**

The Company has applied the requirements of IFRS2 Share-Based Payments.

The Company operates an unapproved share option scheme for executive directors, senior management and certain employees.

# Notes to the Financial Statements continued

For the year ended 31 December 2016

## 1. ACCOUNTING POLICIES CONTINUED

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of Profit or Loss and Other Comprehensive Income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that ultimately the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted, as long as other vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in fair value of the options, measured immediately before and after the modification is also charged to the Statement of Profit or Loss and Other Comprehensive Income over the remaining vesting period.

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

### Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

### Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risks), credit risk and liquidity risk. Risk management focuses on minimising any potential adverse effect on the Company's financial performance and is carried out under policies approved by the Board of Directors. Further detail is given in note 26 to the financial statements.

### Current and deferred income tax

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Profit or Loss and Other Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the 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 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 other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient 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 realized based on the tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

## Critical accounting estimates and areas of judgement

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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:

### Capitalised development costs and intellectual property

The directors have considered the recoverability of an internally generated intangible asset, being development costs, which has a carrying value of £2.0m (2015: £1.9m) and intellectual property which has a carrying value of £3.2m (2015: £3.5m). The projects relating to these items continue to progress in a satisfactory manner and the directors are confident that the carrying amount of the asset will be recovered in full. This situation will be closely monitored and adjustments made in future periods if future market activity indicates that such adjustments are appropriate.

The key factors which could impact upon whether it remains appropriate to continue to capitalise intangible assets or on the impairment considerations include:

- The availability of the necessary finance and hence the ability of the Company to continue as a going concern.
- The assumptions surrounding the perceived market sizes for the products and the achievable market share for the Company.
- The successful conclusion of commercial arrangements will serve as an indicator as to the likely success of the projects and, as such, any need for potential impairment.
- The level of upfront, milestone and royalty receipts will also serve as a guide as to the net present value of the assets and whether any impairment is required.

### Impairment of assets

The directors have considered the progress of the business in the current year, including a review of the potential market for its products, the progress the Company has made in registering its products and other key commercial factors to determine whether any indicators of impairment exist. Based upon the review management have carried out they are satisfied that no such factors exist and therefore a full impairment review on the Company's intangible assets and investments has not been carried out.

Further details on impairment review can be found in note 10 and 11 to the accounts.

### Going concern

The directors have considered the ability of the Company to continue as a going concern and this is considered to be the most significant estimate made by the directors in preparing the financial statements.

The ability of the Company to continue as a going concern is ultimately dependent upon the amount and timing of cash flows arising from the exploitation of the Company's intellectual property and the availability of additional funding to meet the short term needs of the business until the commercialisation of the Company's portfolio is reached. The directors consider it is appropriate for the financial statements to be prepared on a going concern basis based on the estimates they have made, which are summarised on page 25.

### Convertible loans

Due to the nature of the arrangements management are required to make significant judgements in order to determine whether conversion of loans has taken place in accordance with the original terms of the underlying agreement.

### Application of equity method to associates

In the prior year financial statements the Company did not equity account for its interest in TerpeneTech; in the current year the Board has decided to adopt equity accounting as a new accounting policy and, as a result, the comparative figures have been restated as disclosed in note 2 of the accounts.

# Notes to the Financial Statements continued

For the year ended 31 December 2016

## 1. ACCOUNTING POLICIES CONTINUED

### Accounting for TerpeneTech

In August 2015 the Company sold a licence to TerpeneTech Limited (“TerpeneTech”) for £0.6m in order for TerpeneTech to use the Company’s Intellectual Property in head lice products; this was reflected as revenue as the Company had no significant on-going obligations in respect of the transaction.

Following this transaction, the Company issued 4,615,385 ordinary shares at 20p each (the market value at the time of issue) in exchange for 29.9% of the equity shares in TerpeneTech.

This transaction was treated as a separate transaction. The Board is satisfied that these transactions were at arm’s length and that there were no reciprocal arrangements or reacquisition of rights. TerpeneTech was not an associated undertaking at the time the licence was sold. TerpeneTech had sold its interest in the Company by 31 December 2015, as disclosed in note 11.

## 2. PRIOR PERIOD RESTATEMENT

In the prior year financial statements, the Board concluded that, since the Company had no subsidiary undertakings and consequently was not required to prepare consolidated accounts, the Company was not required to equity account for its interest in TerpeneTech Limited.

During 2016, the Company received a number of queries from the FRC’s Corporate Reporting Review Committee under the Conduct Committee’s operating procedures for reviewing corporate reporting regarding its report and accounts for the year ended 31 December 2015. The principal matter discussed was the accounting for the Company’s 29.9% investment in TerpeneTech Limited. Following those discussions, the Company acknowledged that this investment should have been classified as an associate. In order to present accounts that comply with IFRS, the Company has equity accounted for its investment in TerpeneTech Limited in these accounts and provided all relevant disclosures in respect of that investment. The comparative figures have been restated accordingly. Following changes in the Companies Act 2006 effective from 1 January 2016, the Board has concluded that there is no requirement to include separate financial statements accounting for the investment in TerpeneTech Limited at cost.

In addition, the Company has provided additional explanation justifying why there was substance to the transaction involving the granting of rights to TerpeneTech Limited to use the Company’s intellectual property and supporting the recognition of revenue of £0.6m within the 2015 accounts.

The Company also discussed with the FRC the treatment of the settlement of a loan repaid in 2014. The Company acknowledges that clearer information on the cost of the settlement should have been provided in its strategic report for the year ended 31 December 2015 and has therefore included additional disclosure in these accounts (see note 3 below).

The FRC has confirmed that it has completed its enquiries with regard to these matters and does not expect to require any further action by the Company in respect of these matters.

The impacts of the restatement are:

- i) Increase in the loss for the year by £99,494 by including the Company’s share of TerpeneTech Limited’s loss for the period following the Company’s investment.
- ii) A reduction in investments and net assets/total equity of £99,494.
- iii) Increase in the earnings per share from a loss of 0.68p to a loss of 0.74p.

Further disclosure is provided in notes 1 and 11.

There was no impact on the results or financial position at 1 January 2015 or prior and accordingly, the Company has not included a third statement of financial position as at the beginning of the preceding period.



### 3. PRIOR YEAR ACCOUNTING FOR FINANCIAL LIABILITIES

In the year ended 31 December 2014, the Company converted £2,295,192 of debt owed to Oxford Capital Limited into 20,865,382 new ordinary shares. Of the total amount converted, charges of £1,142,592 were incurred, excluding Share Based Payment charge, as detailed below.

A breakdown of the total debt which was converted and the finance charges incurred is as follows:

		£	£
Loans		1,110,000	
<b>Cost of advancing the loans</b>			
Finance charges*	492,500		492,500
Loan fees	76,200		76,200
		568,700	
		1,678,700	
Interest accrued		42,694	94
Carrying value of debt at conversion		1,721,394	
Cost of cash conversion*		573,798	573,798
		2,295,192	1,142,592**
Share Based Payment charge (see below)			106,686
<b>Total finance charges (as restated)</b>			<b>1,249,278</b>

\* calculated at a discount to the share price at the time of loan advance or conversion.

\*\* total finance charges incurred in 2014, per 2014 and 2015 accounts.

As part of the overall settlement of the outstanding loan amounts due, the Company granted to Oxford Capital 2,000,000 warrants at 11p which expire on 10 December 2019.

A share based payment charge of £106,686 was made in respect of the warrants granted.

# Notes to the Financial Statements continued

For the year ended 31 December 2016

## 4. SEGMENTAL REPORTING

IFRS 8 requires operating segments to be reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for the resource allocation and assessing performance of the operating segments has been identified as the Executive Directors as they are primarily responsible for the allocation of the resources to segments and the assessment of performance of the segments.

The Executive Directors monitor and then assess the performance of segments based on product type and geographical area using a measure of adjusted EBITDA. This is the result of the segment after excluding the share based payment charges, other operating income and the amortisation of intangibles. These items, together with interest income and expense are not allocated to a specific segment.

The segmental information for the year ended 31 December 2016 is as follows:

	Licencing Fees £	Milestone Payments £	Evaluation Fees £	Royalties £	Grant Funding £	Product Sales £	Un-allocated £	Total £
Biocides	-	14,368	-	-	-	-	-	14,368
Agrochemicals	128,204	31,008	30,580	122,814	123	64,861	-	377,590
<b>TOTAL</b>	128,204	45,376	30,580	122,814	123	64,861	-	391,958
<b>Adjusted EBITDA</b>	-	-	-	-	-	-	(1,076,272)	(1,076,272)
Amortisation	-	-	-	-	-	-	(680,385)	(680,385)
Depreciation	-	-	-	-	-	-	-	-
Share Based Payments	-	-	-	-	-	-	(129,707)	(129,707)
Net Finance Costs	-	-	-	-	-	-	(14,205)	(14,205)
Income Tax	-	-	-	-	-	-	81,895	81,895
Share of Associate's loss	-	-	-	-	-	-	(12,418)	(12,418)
<b>Loss for the Year</b>	-	-	-	-	-	-	(1,831,092)	(1,831,092)
<b>Total Assets</b>	-	-	-	-	-	-	7,799,175	7,799,175
Total assets includes:								
Additions to Non-Current Assets	-	-	-	-	-	-	349,149	349,149
<b>Total Liabilities</b>	-	-	-	-	-	-	(1,032,748)	(1,032,748)

The segmental information for the year ended 31 December 2015 is as follows:

	Licencing Fees £	Milestone Payments £	Evaluation Fees £	Royalties £	Grant Funding £	Product Sales £	Un-allocated £	Total (As restated) £
Biocides	-	12,346	-	3,031	-	-	-	15,377
Human Health	600,000	-	-	-	-	-	-	600,000
Agrochemicals	138,068	50,676	45,214	3,345	531	30,101	-	267,935
<b>TOTAL</b>	<b>738,068</b>	<b>63,022</b>	<b>45,214</b>	<b>6,376</b>	<b>531</b>	<b>30,101</b>	<b>-</b>	<b>883,312</b>
<b>Adjusted EBITDA</b>	-	-	-	-	-	-	(235,353)	(235,353)
Amortisation	-	-	-	-	-	-	(655,304)	(655,304)
Depreciation	-	-	-	-	-	-	-	-
Share Based Payments	-	-	-	-	-	-	(247,973)	(247,973)
Net Finance Costs	-	-	-	-	-	-	(20,239)	(20,239)
Income Tax	-	-	-	-	-	-	101,260	101,260
Share of Associate's loss	-	-	-	-	-	-	(99,494)	(99,494)
<b>Loss for the Year</b>	-	-	-	-	-	-	(1,157,103)	(1,157,103)
<b>Total Assets</b>	-	-	-	-	-	-	6,679,451	6,679,451
Total assets includes:								
Additions to Non-Current Assets	-	-	-	-	-	-	274,656	274,656
<b>Total Liabilities</b>	-	-	-	-	-	-	(752,552)	(752,552)

## 5. EMPLOYEES AND DIRECTORS

	2016 £	2015 £
Wages and salaries	447,075	385,471
Pension costs	4,218	-
Social security costs	32,334	33,074
	483,627	418,545

The average monthly number of employees during the year was as follows:

	2016	2015
Management	4	5

Staff costs, including executive directors' remuneration, are included within administrative expenditure in the Statement of Profit or Loss and Other Comprehensive Income. The executive directors are considered to also be the key management personnel of the Company.

# Notes to the Financial Statements continued

For the year ended 31 December 2016

## 5. EMPLOYEES AND DIRECTORS CONTINUED

	2016 £	2015 £
Directors' remuneration	386,293	308,616
Non-executive directors' fees	65,000	76,855
Total directors' emoluments	451,293	385,471
Share based payment charge relating to all directors	129,707	142,959

During the year the remuneration of the highest paid director was £266,780 (2015: £317,526).

2016	Salary £	Bonus £	Fees £	Pension £	Share based payments £	Total £
A Abrey	120,000	54,000	-	1,920	73,300	249,220
T Lupton	-	-	35,000	-	-	35,000
S Smith	143,500	64,575	-	2,298	56,407	266,780
R Cridland	-	-	30,000	-	-	30,000
	263,500	118,575	65,000	4,218	129,707	581,000

2015	Salary £	Bonus £	Fees £	Share based payments £	Total £
A Abrey	86,250	31,050	-	4,884	122,184
K Brooks	7,500	-	22,500	-	30,000
C Newitt	4,365	-	-	-	4,365
T Lupton	-	-	35,000	-	35,000
S Smith	137,335	42,116	-	138,075	317,526
R Cridland	-	-	19,355	-	19,355
	235,450	73,166	76,855	142,959	528,430

## 6. NET FINANCE COSTS

	2016 £	2015 £
Finance income:		
Deposit account interest	1,278	247
Finance costs:		
Exchange variances	14,999	20,064
Finance fees	484	422
	15,483	20,486
Net finance costs	14,205	20,239

## 7. LOSS BEFORE INCOME TAX

The loss before income tax is stated after charging:

	2016 £	2015 £
Licences and trademarks amortisation	15,720	15,723
Development costs amortisation	225,141	200,093
Intellectual property amortisation	439,488	439,488
Auditors' remuneration	21,800	16,000
Equity share based payment charge	129,707	247,973
Foreign exchange differences	14,999	20,064

## 8. INCOME TAX

### Analysis of tax income

	2016 £	2015 £
Current tax:		
Tax	(81,895)	(101,260)
Total tax income in statement of profit or loss and other comprehensive income	(81,895)	(101,260)

### Corporation tax

No tax charge arises on the results for the year (2015: £nil). Tax losses carried forward amount to approximately £23,800,466 (2015: £21,287,596). The tax credit represents the research and development tax credit receivable for the year ended 31 December 2016.

### Factors affecting the tax charge

The UK standard rate of corporation tax is 20.00% (2015: 20.25%). Current tax assessed for the financial year as a percentage of the loss before taxation is (4.3)% (2015: (8.0)%).

The differences are explained below:

	2016		2015 As restated	
	£	%	£	%
Standard rate of corporation tax in the UK		(20.00)		(20.25)
Loss before tax at standard rate of tax	(382,597)		(254,819)	
Effects of				
Losses carried forward	335,081	17.5	260,904	20.73
Difference in effective tax rate of equity accounted associate	(2,484)	(0.1)	(20,147)	(1.60)
Other expenses not deductible for tax purposes	50,000	2.6	14,062	1.12
Research and development tax relief	(81,895)	(4.3)	(101,260)	(8.0)
Total current tax credit and tax rate %	(81,895)	(4.3)	(101,260)	(8.0)
Deferred tax				
Un-provided deferred tax asset	4,046,079		3,500,613	

The un-provided for deferred tax asset arises principally in respect of trading losses, together with other minor timing differences at 17% (2015: 18%) and has not been recognised due to the uncertainty of timing of future profits against which it may be realised.

## Notes to the Financial Statements continued

For the year ended 31 December 2016

### 9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares.

Reconciliations are set out below:

	2016		
	Earnings £	Weighted average number of shares	Per-share amount pence
<b>Basic EPS</b>			
Earnings attributable to ordinary shareholders	(1,831,092)	178,441,431	(1.03)
Effect of dilutive securities	-	-	-
<b>Diluted EPS</b>			
Adjusted earnings	(1,831,092)	178,441,431	(1.03)
	2015		
	Earnings (As restated) £	Weighted average number of shares	Per-share amount pence
<b>Basic EPS</b>			
Earnings attributable to ordinary shareholders	(1,157,103)	155,685,557	(0.74)
Effect of dilutive securities	-	-	-
<b>Diluted EPS</b>			
Adjusted earnings	(1,157,103)	155,685,557	(0.74)

Due to the loss for the year there is no dilution of the loss per share arising from options in existence.

### 10. INTANGIBLE ASSETS

	Licences and trademarks £	Development costs £	Intellectual property £	Totals £
<b>Cost</b>				
At 1 January 2016	447,351	3,188,498	8,657,372	12,293,221
Additions	-	266,778	82,371	349,149
At 31 December 2016	447,351	3,455,276	8,739,743	12,642,370
<b>Amortisation</b>				
At 1 January 2016	368,590	1,249,819	5,131,720	6,750,129
Amortisation for year	15,720	225,141	439,488	680,349
At 31 December 2016	384,310	1,474,960	5,571,208	7,430,478
<b>Net book value</b>				
At 31 December 2016	63,041	1,980,316	3,168,535	5,211,892

	Licences and trademarks £	Development costs £	Intellectual property £	Totals £
<b>Cost</b>				
At 1 January 2015	447,351	2,979,440	8,591,774	12,018,565
Additions	-	209,058	65,598	274,656
At 31 December 2015	447,351	3,188,498	8,657,372	12,293,221
<b>Amortisation</b>				
At 1 January 2015	352,867	1,049,726	4,692,232	6,094,825
Amortisation for year	15,723	200,093	439,488	655,304
At 31 December 2015	368,590	1,249,819	5,131,720	6,750,129
<b>Net book value</b>				
At 31 December 2015	78,761	1,938,679	3,525,652	5,543,092

The amortisation charge is included within administration expenses. Intellectual property represents intellectual property in relation to use of encapsulated terpenes in agrochemicals. The remaining useful economic life of that asset is eight years.

An annual impairment review is undertaken by the Board of Directors. The directors have considered the progress of the business in the current year, including a review of the potential market for its products, the progress the Company has made in registering its products and other key commercial factors to determine whether any indicators of impairment exist.

The directors have used discounted cash-flow forecasts, based on product sales forecasts provided by the Company's commercial partners, and have taken into account the market potential for Eden's products and technologies using third party market data that Eden has acquired licences to.

The discount rate and the expected growth rate are two key assumptions used. The discount rate is estimated using pre-tax rates that reflect current market assessments of the time value of money and the risk specific to the asset. The rate used was 10% (2015: 10%).

The growth rates are derived from discussions with the Company's commercial partners, as described above.

Based on the review management have carried out, they are satisfied that the Intellectual Property is not impaired in respect of its carrying value.

The directors have also considered whether any reasonable change in assumptions would lead to an impairment and are satisfied that this is not the case.

All revenues have been projected to come from the cash generating units identified in the segmental reporting and Chairman's Report, namely the key product lines of the Company.

# Notes to the Financial Statements continued

For the year ended 31 December 2016

## 11. INVESTMENTS IN ASSOCIATES

	2016	2015
<b>Percentage ownership interest and proportion of voting rights</b>	29.9%	29.9%
	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Non-current assets	632,158	679,979
Current assets	92,343	64,784
Non-current liabilities	(78,537)	(108,150)
Current liabilities	(27,705)	(25,547)
<b>Net assets (100%)</b>	<b>618,259</b>	<b>611,066</b>
Company's share of net assets	184,859	182,709
Separable intangible assets	213,657	228,225
Goodwill	412,649	412,649
<b>Carrying amount of interest in associate</b>	<b>811,165</b>	<b>823,583</b>
Revenue	144,760	44,223
Profit/(loss) from continuing operations	7,193	(316,515)
Post tax profit from discontinued operations	-	-
100% of total post-tax profits	7,193	(316,515)
29.9% of total post-tax profits	2,150	(94,638)
Amortisation of separable intangible assets	(14,568)	(4,856)
<b>Company's share of profit/(loss) including amortisation of separable intangible assets</b>	<b>(12,418)</b>	<b>(99,494)</b>
Other comprehensive income		
100%	-	-
29.9%	-	-
<b>Company's share of other comprehensive income</b>		
Total comprehensive income (100%)	7,193	(316,515)
<b>Company's share of total comprehensive income including amortisation of separable intangible asset</b>	<b>(12,418)</b>	<b>(99,494)</b>
Dividends received by the Company	-	-

The investment in associates relates to the Company's interest in TerpeneTech Limited. As discussed in Note 2 above, the Company did not equity account for the interest in the prior year financial statements; the prior year figures have been restated in order to comply with IAS 28.

The Company acquired 29.9% of TerpeneTech's share capital in 2015 by issuing shares in the Company. The fair value of the share was deemed to be £923,077.

In August 2015, the Company signed a licence agreement with TerpeneTech Limited, a company registered in England and Wales, granting it the exclusive, global rights to use Eden's technology and know-how to develop and market head-lice products (the head-lice agreement).

Eden had previously signed a licence agreement in 2011 with TerpeneTech granting it the exclusive, global rights to use Eden's technology and know-how to develop and market biocide products, the rights to which are separate to those described above.



For the rights granted to TerpeneTech in 2015, under the head-lice agreement, Eden received an upfront licence fee of £600,000. This amount was paid in cash upon signature of the agreement and was a non-refundable fee with insignificant on-going performance obligations on Eden under the licence.

Subsequent to discussions regarding the then potential head-lice licence agreement and following successful clinical trials undertaken by TerpeneTech on the head-lice product, Eden contemplated taking a shareholding in TerpeneTech in order to, amongst other things, provide Eden with a greater potential return on the intellectual property that TerpeneTech was exploiting (both its own and that licensed from Eden) and to provide Eden with a degree of influence over TerpeneTech.

Shortly after the completion of the head-lice licence agreement, Eden took a shareholding in TerpeneTech through a share-swap arrangement (the share-swap), whereby Eden issued 4,615,385 of its shares in exchange for new shares in TerpeneTech totalling 29.9% of the enlarged, issued share capital. The value of the shares issued to TerpeneTech, and the value at which Eden recorded its investment in TerpeneTech, was £923,077.

Prior to the year ended 31 December 2015, TerpeneTech disposed of its investment in Eden at a loss of £0.3m.

The share-swap and the head-lice licence agreement were negotiated and completed on arm's length commercial terms.

TerpeneTech's principal place of business is 3 rue de Commandant Charcot, 22410, St Quay Portrieux, France.

An impairment review of the investment in TerpeneTech was undertaken by the Board of Directors. The directors have considered the progress of the business in the current year, including a review of the potential market for its products, the progress TerpeneTech has made in registering its products and other key commercial factors to determine whether any indicators of impairment exist.

The directors have used discounted cash-flow forecasts, based on product sales forecasts provided by TerpeneTech, and have taken into account the market potential for those products.

The discount rate and the expected growth rate are two key assumptions used. The discount rate is estimated using pre-tax rates that reflect current market assessments of the time value of money and the risk specific to the asset. The rate used was 20% (2015: 20%). The growth rates are derived from discussions with the Company's commercial partner, TerpeneTech, as described above.

Based on the review management have carried out, they are satisfied that the Investment is not impaired in respect of its carrying value.

The directors have also considered whether any reasonable change in assumptions would lead to an impairment and are satisfied that this is not the case.

## 12. TRADE AND OTHER RECEIVABLES

	2016 £	2015 £
Current:		
Trade and other receivables	236,098	144,997
VAT recoverable	4,407	19,419
	240,505	164,416

The directors consider that the carrying value of trade and other receivables approximates to the fair value. Trade debtors are included net of a provision of £nil (2015: £nil). Details of debts past due but not impaired are given in note 26.

# Notes to the Financial Statements continued

For the year ended 31 December 2016

## 13. CASH AND CASH EQUIVALENTS

	2016 £	2015 £
Short term bank deposits	1,532,341	148,360

The carrying amount of these short term bank deposits approximates to their fair value.

## 14. TRADE AND OTHER PAYABLES

	2016 £	2015 £
Current:		
Trade payables	120,758	326,940
Other payables	40,894	25,668
Accruals and deferred income	803,634	399,944
	965,286	752,552

Included in accruals is an amount of £570,462, being minimum royalties due to University of Massachusetts Medical School ("UMMS") under the licence agreement Eden signed with UMMS in 2011. Eden is currently re-negotiating some of the terms of the licence with UMMS and, as such, the Company has taken the view that, whilst it is unlikely that the full accrued amount will be paid, it is prudent to accrue the full amount due, per the licence agreement.

	2016 £	2015 £
Non-current:		
Other creditors	67,462	-
Aggregate amounts	1,032,748	752,552

## 15. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2016 £	2015 £
Between one and five years	-	11,958
	-	11,958

## 16. FINANCIAL ASSETS AND LIABILITIES

	Note	2016 £	2015 £
<b>Financial assets at amortised cost</b>			
Other receivables	12	240,505	164,416
Cash and cash equivalents	13	1,532,341	148,360
		1,772,846	312,776
<b>Financial liabilities measured at amortised cost</b>			
Current:			
Trade and other payables	14	1,032,748	752,552
		1,032,748	752,552

## 17. CALLED UP SHARE CAPITAL

Number:	Class:	Nominal value:	2016 £	2015 £
184,654,119 (2015: 158,758,265)	Ordinary	0.01	1,846,542	1,587,583

### Allotted, issued and fully paid

Number:	Class:	Nominal value:	2016 £	2015 £
184,654,119 (2015: 158,758,265)	Ordinary	0.01	1,846,542	1,587,583

On 20 January 2016 the Company issued 350,000 ordinary shares at 13p each for a consideration of £45,500 and 180,000 ordinary shares at 12.80p each for a consideration of £23,040 in respect of share options and warrants exercised. On 20 June 2016, the Company issued a further 25,365,854 ordinary shares at 10.25p each for consideration of £2,600,000. Share issue costs of £130,899 were incurred and have been charged to the share premium account as detailed in note 18.

The number of £0.01 ordinary shares issued in the year totalled 25,895,854 (2015: 4,615,385).

Date	Number of ordinary shares	Aggregate nominal value £	Issue Price £	Premium on issue £	Total share premium £
20/01/2016	350,000	3,500	0.1300	0.1200	42,000
20/01/2016	180,000	1,800	0.1300	0.1180	21,240
30/03/2016	25,365,854	253,659	0.1025	0.0925	2,346,341
	25,895,854	258,959			2,409,581

## 18. RESERVES

	Retained losses (As restated) £	Share premium £	Merger reserve £	Warrant reserve £	Totals (As restated) £
At 1 January 2016	(33,466,782)	26,860,972	10,209,673	735,453	4,339,316
Deficit for the year	(1,831,092)	-	-	-	(1,831,092)
Cash share issue	-	2,409,581	-	-	2,409,581
Transfer to other reserves	-	(130,899)	-	-	(130,899)
Options granted	-	-	-	129,707	129,707
Options exercised/lapsed	250,447	-	-	(250,447)	-
At 31 December 2016	(35,047,427)	29,139,654	10,209,673	614,713	4,916,613

The merger reserve arose on the acquisition of a subsidiary undertaking in a prior year for which merger relief was permitted under the Companies Act 2006. The warrant reserve represents the fair value of share options and warrants granted, and not exercised or lapsed, in accordance with the requirements of IFRS 2 Share Based Payment.

# Notes to the Financial Statements continued

For the year ended 31 December 2016

## 19. RECONCILIATION OF LOSS BEFORE INCOME TAX TO CASH USED BY OPERATIONS

	2016 £	2015 As restated* £
Loss before income tax	(1,912,987)	(1,258,363)
Share of associate's losses	12,418	99,494
Depreciation charges	680,349	655,304
Share based payment charge	129,707	247,973
Finance costs	15,483	20,486
Finance income	(1,278)	(247)
	(1,076,308)	(235,353)
Increase in trade and other receivables	(76,089)	(101,882)
Increase in trade and other payables	169,033	151,600
<b>Cash used by operations</b>	<b>(983,364)</b>	<b>(185,635)</b>

\*The restatement relates to the correction of the figures for the increase in trade and other receivables and the increase in trade and other payables as £142,650 relating to development costs accrued but unpaid was adjusted in the movement in trade and other receivables in error. It should have been deducted from the increase in trade and other payables.

## 20. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31 December 2016	31.12.16 £	1.1.16 £
Cash and cash equivalents	1,532,341	148,360

Year ended 31 December 2015	31.12.15 £	1.1.15 £
Cash and cash equivalents	148,360	414,980

## 21. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2015, the company acquired 29.9% of share capital of TerpeneTech for £923,077. The consideration was paid via the issue of shares as disclosed per note 11 and was a major non-cash transaction. Share issue costs of £30,000 were incurred.

## 22. CAPITAL COMMITMENTS

The Company had no capital commitments at 31 December 2016 (2015: £nil).

## 23. CONTINGENT LIABILITY

In September 2015, the Company entered into a Collaboration and Licence agreement with Invention Development Management Company LLC (part of Intellectual Ventures, now called Xinova LLC). As part of this agreement, upon successful completion of a number of different tasks, Xinova will be entitled to a payment which is calculated using the value of the Company at a future date. As at 31 December 2015, no contingent liability had been realised.

During the year, an amount of £67,462, being the amount estimated as due to Xinova had been realised and is included as a non-current liability, as disclosed in note 14 to the accounts.

## 24. RELATED PARTY DISCLOSURES

Disclosures required in respect of IAS 24 regarding remuneration of key management personnel are covered by the disclosure of directors' remuneration included within note 5.

Transactions with other related parties are set out below:

During the year, Ricewood Limited, of which A Abrey is a director and shareholder, supplied consultancy services to Eden Research Plc in the amount of £nil (2015: £15,000).

During the year, Eden invoiced its associate, TerpeneTech, £14,368 for licence fees (2015: £612,261).

Also during the year, Eden made payments on behalf of TerpeneTech totalling £13,923 (2015: £3,500).

At the year end, an amount of £2,490 was owed to TerpeneTech (2015: £16,413). This amount is included within Other Payables.

The directors regard all the transactions disclosed above as being in the normal course of business and the transactions were enacted at arms' length.

## 25. SHARE-BASED PAYMENT TRANSACTIONS

### Share Options

Eden Research Plc operates an unapproved option scheme for executive directors, senior management and certain employees.

	2016		2015	
	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)	Number
Outstanding at the beginning of the year	11	6,075,000	12	4,650,000
Granted during the year	13	2,050,000	9	1,625,000
Exercised during the year	13	(350,000)	-	-
Lapsed during the year	13	(2,750,000)	18	(200,000)
	11	5,025,000	11	6,075,000

The exercise price of options outstanding at the end of the year ranged between 8p and 16p (2015: 8p and 18p) and their weighted average contractual life was 2.1 years (2015: 1.5 years). None of the options have vesting conditions.

The share based payment charge for the year was £129,707 (2015: £142,959). The weighted average fair value of each option granted during 2016 was 13p (2015: 9p).

The following information is relevant in the determination of the fair value of options granted during the year under the unapproved options scheme operated by Eden Research Plc.

### Equity-settled

Option price model used	Black Scholes
Weighted average share price at grant date (pence)	12
Exercise price (pence)	13
Weighted average contractual life (days)	1,095
Expected volatility	64.4%
Expected dividend growth rate	-
Risk-free interest rate	0.95%

Expected volatility is calculated based on historic share price movements.

# Notes to the Financial Statements continued

For the year ended 31 December 2016

## 25. SHARE-BASED PAYMENT TRANSACTIONS CONTINUED

### Warrants

	2016		2015	
	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)	Number
Outstanding at the beginning of the year	14	5,677,867	13	3,340,000
Granted during the year	-	-	15	2,337,867
Exercised during the year	13	(180,000)	-	-
Lapsed during the year	-	-	-	-
	14	5,497,867	14	5,677,867

The exercise price of warrants outstanding at the end of the year ranged between 11p and 30p (2015: 11p and 30p) and their weighted average contractual life was 2.6 years (2015: 3 years). None of the warrants have vesting conditions.

The share based payment charge for the year was £nil (2015: £105,014). The weighted average fair value of each warrant granted during the year was £nil (2015: 15p).

## 26. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

### Credit risk

	2016 £	2015 £
Cash and cash equivalents	1,532,341	148,360
Trade receivables	236,098	144,997
	1,768,439	293,357

The average credit period for sales of goods and services is 83 days. No interest is charged on overdue trade receivables. At 31 December 2016 trade receivables of £74,340 (2015: £28,899) were past due. During the year the Company wrote off bad debts in the amount of £34,138 (2015: £nil).

Trade receivables of £40,724 (2015: £28,900) at the reporting date are held in Euros and £47,984 (2015: £84,122) were held in USD.

The Company's policy is to provide for doubtful debts based on estimated irrecoverable amounts determined by reference to specific circumstances and past default experience. At the balance sheet date the directors consider that no provision for doubtful debts is required and that there is no further credit risk.

### Financial liabilities

	2016 £	2015 £
Trade payables	120,758	326,940
Other payables	40,894	25,668
Accruals and deferred income	871,096	399,944
	1,032,748	752,552

The carrying amount of trade payables approximates to fair value.

The average credit period on purchases of goods is 27 days. No interest is charged on trade payables. The Company has policies in place to ensure that trade payables are paid within the credit timeframe or as otherwise agreed.

## Credit risk

As explained above, the directors consider that there is no material exposure to credit risk at the reporting date.

## Currency risk

The Company publishes its financial statements in pounds sterling and conducts some of its business in US dollars, Swiss Francs and Euros. As a result, it is subject to foreign currency exchange risk due to exchange movements, which will affect the Company's transaction costs and translation of the results. No financial instruments are utilised to manage risk and currency gains, and losses are charged to the Statement of Profit or Loss and Other Comprehensive Income as incurred. At the year end, the Company had the following net foreign currency balances in liabilities.

	2016 £	2015 As restated* £
US dollars	681,054	404,968
Euro	18,660	12,117
Swiss Francs	1,274	-
	700,988	417,085

## Liquidity risk

The interest rate profile and maturity profile of financial liabilities is set out below:

The interest rate profile of the Company's financial liabilities at 31 December 2016 was:

	Total £	Fixed rate financial liabilities £	Financial liabilities on which no interest is paid £
<b>Sterling</b>			
2016	325,247	-	325,247
2015	335,467*	-	335,467*
<b>Euro</b>			
2016	18,660	-	18,660
2015	12,117	-	12,117
<b>US Dollar</b>			
2016	681,054	-	681,054
2015	404,968*	-	404,968*
<b>Swiss Franc</b>			
2016	1,274	-	1,274
2015	-	-	-

All the Euro, Swiss Franc and US Dollar liabilities are held within trade creditors and are non interest bearing.

\*The restatement relates to the correction of financial liabilities denominated in US Dollars in 2015 which had previously been shown as denominated in Sterling. The total amount adjusted is £267,396.

# Notes to the Financial Statements continued

For the year ended 31 December 2016

## 26. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES CONTINUED

### Maturity of financial liabilities

The maturity profile of the Company's financial liabilities at 31 December 2016 was as follows:

	2016 £	2015 £
In one year or less, or on demand	965,286	752,552
Over one year	67,462	-
	1,032,748	752,552

Liquidity risk is managed by regular monitoring of the Company's undrawn borrowing facilities, levels of cash and cash equivalents, and expected future cash flows, and availability of loans from shareholders. See note 1 for further details on the going concern position of the Company.

### Market price risk

The Company's exposure to market price risk comprises interest rate and currency risk exposures. It monitors these exposures primarily through a process known as sensitivity analysis. This involves estimating the effect on results before tax over various periods of a range of possible changes in interest rates and exchange rates. The sensitivity analysis model used for this purpose makes no assumptions about any interrelationships between such rates or about the way in which such changes may affect the economies involved. As a consequence, figures derived from the Company's sensitivity analysis model should be used in conjunction with other information about the Company's risk profile.

The Company's policy towards currency risk is to eliminate all exposures that will impact on reported results as soon as they arise. This is reflected in the sensitivity analysis, which estimates that five and ten percentage point increases in the value of sterling against all other currencies would have had minimal impact on results before tax.

On the other hand, the Company's policy is to accept a degree of interest rate risk as long as the effects of various changes in rates remain within certain prescribed ranges. On the basis of the Company's analysis, the only financial liabilities held by the Company are loans which are subject to a fixed rate of interest. As such it is considered that any increases in interest rates would not have had an impact on the Company's loss before tax for the year.

### Capital risk management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Company seeks to enhance shareholder value by capturing business opportunities as they develop. To achieve this goal, the Company maintains sufficient capital to support its business.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions.

The Company looks to maintain a reasonable debt position by repaying debt or issuing equity, as and when it is deemed to be required.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 31 December 2015.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company's policy is to keep the gearing ratio below 10% (2015: below 10%). The Company includes within net debt, interest bearing loans and borrowings, a loan from a venture partner, trade and other payables, less cash and cash equivalents.



	2016 £	2015 As restated £
Borrowings	-	-
Less: Cash and cash equivalents	(1,532,341)	(148,360)
Net debt	(1,532,341)	(148,360)
Total equity	6,763,155	5,926,899
Total capital	5,230,814	5,778,539
Gearing ratio	0%	0%

## 27. DEFINED CONTRIBUTION PLANS

The Company operates a defined contribution pension plan.

The total expense relating to these plans in the current year was £4,218 (2015: £nil).

## 28. POST BALANCE SHEET EVENTS

In January 2017, Eden entered into a new operating lease, details of which are below.

Minimum lease payments under non-cancellable operating leases fall due as follows:

	£
Between one and five years	35,000
	35,000

## Company Information

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S M Smith  
A J Abrey  
R J S Cridland

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A J Abrey

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### **SOLICITORS**

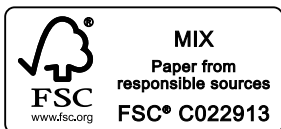
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