
# Eden Research plc

Annual Report 2017

**Eden Research plc is an AIM-listed public company with intellectual property and expertise in encapsulation, plant-derived sustainable chemistry and formulation technologies. We work globally through multi-national and local partnerships to develop and launch innovative solutions for challenges facing the crop protection, animal health and consumer products industries.**

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

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

In **crop protection** 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

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

# CONTENTS

## COMPANY OVERVIEW



## ANNUAL REPORT AND FINANCIAL STATEMENTS



### Governance



### Financial Statements

# At a Glance

## What we do

**Eden provides sustainable solutions for crop protection, animal health and consumer products.**

Eden's products harness the biocidal efficacy of naturally occurring chemicals produced by plants as a part of their defence systems. These defence molecules are known as 'terpenes'.

Eden's products are enhanced through the use of Eden's encapsulation technology, Sustaine™, which can be used with a wide range of natural and synthetic active ingredients, including conventional pesticides, as well as biocides.

Sustaine is derived from yeast cells that come from a widely-used industrial production process. Sustaine is used to load high concentrations of active ingredients into stable formulations to deliver the slow release of these ingredients for crop protection, animal health and consumer products.

## Our products

**Using our technology, we are developing and commercialising products with equal or better performance when compared with conventional pesticides.**

We work across three key markets:

- Crop protection
- Animal health
- Consumer products

Our current focus is to develop our crop protection products including:

- Mevalone™ (bio-fungicide), Cedroz™ (bio-nematicide), and G3Y (a developmental insecticide).

Read about our products on page VIII.

## Key milestones 2017

**January**
Mevalone™ approved for sale in France

**March**
Extension of Mevalone™ patent protection in Greece

**June**
New terms agreed for licence agreement with University of Massachusetts Medical School

Multiple commercial & development agreements signed with Sipcam SpA, establishing a long-term collaborative partnership

**September**
Approval of Mevalone™ in Portugal

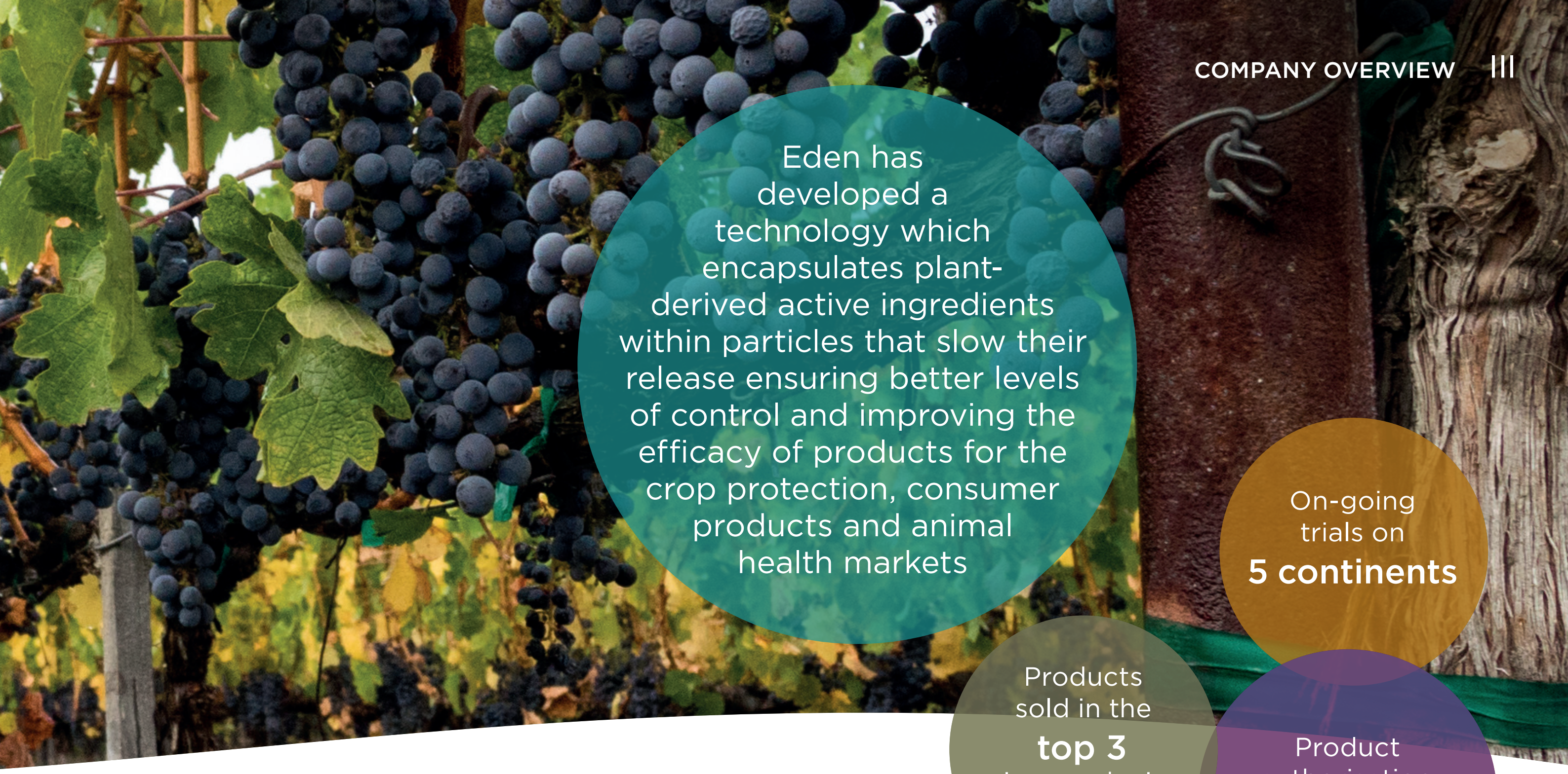
Appointment of Lykele van der Broek as Non-Executive Director and Chairman-designate

**December**
Submission of the regulatory dossiers for new nematicide, Cedroz™, by commercial partner, Eastman Chemical

**£13 million** invested in IP & registrations

**44** countries with IP protection

**130** granted & pending patents



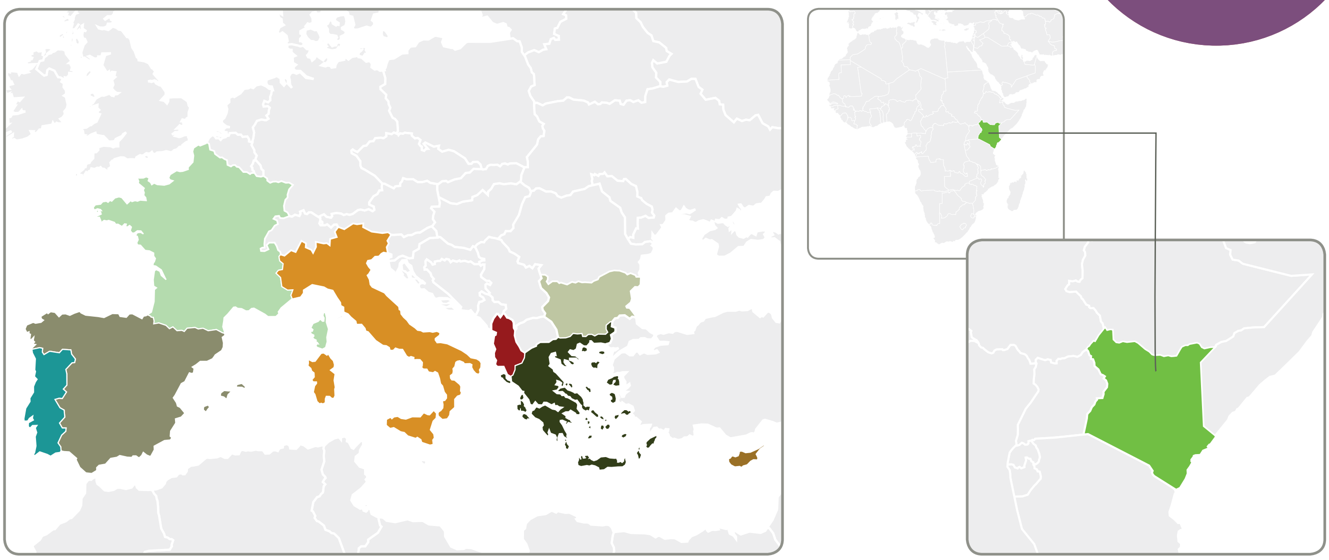
Eden has developed a technology which encapsulates plant-derived active ingredients within particles that slow their release ensuring better levels of control and improving the efficacy of products for the crop protection, consumer products and animal health markets

On-going trials on **5 continents**

Products sold in the **top 3** wine producing countries

Product authorisation granted in **10 countries**

## Commercialisation



### 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 | Portugal |
| | Mevalone™ | Redestos | Cyprus |
| | Mevalone™ | Redestos | Albania |
| | Mevalone™ | Redestos | Bulgaria |

## Our commercial partners

BAYER
SIPCAM
SUMI AGRO
EASTMAN
K&NE EARTH MATTERS

# Our Investment Proposition

Eden provides sustainable solutions for crop protection, animal health and consumer products

## Significant market potential

- Growing market for biopesticides and an increasingly rigorous regulatory environment that favours sustainable products with proven efficacy whilst large numbers of products based upon conventional chemistry are forced off the market in most countries
- Increasing adoption of biological products by farmers as demand for sustainable solutions grows
- Ability to compete with synthetic pesticides on performance, ease of use and cost

## Unique technology

- Ownership of the patents behind the Sustaine™ encapsulation technology
- Significant investment in patent protection
- Scope to exploit the core technologies beyond existing markets and products
- Proven efficacy with strong commercial validation by farmers and our partners

## Clear commercial progress

- Product sales continue to progress well and expand into new markets
- Solid commercial pipeline
- Regulatory clearance for product sales across multiple countries with further applications pending
- Commercial and collaborative partnerships in place with industry leaders
- Significant investment in commercialisation by key partners

## Skilled and experienced professionals

- Further strengthening of the Board and management team during the year
- Wealth of complementary experience in the agriculture, consumer products and animal health sectors globally
- Outsourcing of some specialist functions, such as development trials and certain regulatory expertise, to maintain a low overhead base

## Financial

- Increased revenue generation from product sales
- Significant investment from one of our commercial partners
- A robust balance sheet following a placing of new shares during the year

# Our Markets

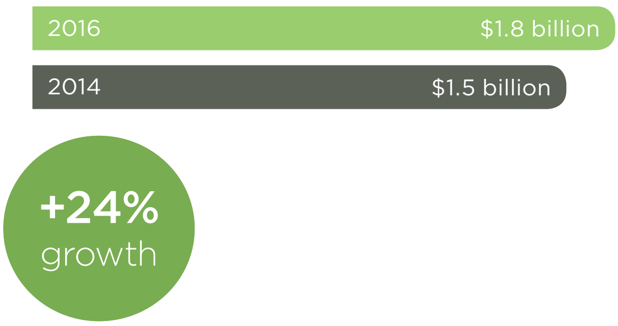
## Biopesticides

### A GROWING GLOBAL MARKET

The biopesticides market is growing rapidly. According to a report by Kline, the market grew 24% from 2014 to 2016 globally to over $1.8 billion driven by a growing awareness of the safety and efficiency of biopesticides and a move away from conventional chemical solutions. The market is expected to continue growing at double-digit rates over the next decade, and robust growth is expected in countries including Brazil, China, and France.

The United States, China, and Italy are the three largest markets for biopesticides globally at present and account for almost 80% of global sales.

### Biopesticides market growth




## The consumer market

### AN EMERGING MARKET

Over the past five years, the consumer biopesticides market in the US has grown dramatically, and now accounts for almost 12% of the global consumer biopesticides market.

This is partly due to the growth of naturally derived products which typically have shorter timelines and lower costs for registration.

**US, China & Italy** are the largest biopesticides markets...

...covering **80%** of global sales

**12%** of the global consumer biopesticides market now accounted for by the US

## Regulatory environment

### ONGOING PRESSURE FOR CONVENTIONAL PESTICIDES

The conventional pesticides market is subject to increased scrutiny and regulatory pressures. As a result, the cost of bringing new chemical products to market continues to rise and now typically costs just under $300 million (AgFunderNews July 2017). At the same time, the number of new products launched has fallen dramatically.

Biopesticides operate in a more favourable regulatory environment. There are different regulatory requirements for biopesticides in the United States and Canada, where they have lower hurdles to regulatory approval than chemical products, as some of the health, safety and ecological trials required for chemicals are waived.

Therefore, the costs of bringing a naturally-derived product to market are considerably lower. Supporters of biologicals claim they can bring new crop protection products to market for $10 million-$15 million.

Nevertheless, biologicals can suffer from issues associated with ease-of-use, efficiency, cost and some long-standing questions over their reliability. Thus, sustainable products that provide the performance characteristics of conventional products are in high demand.

## Opportunities for Eden

### PRODUCT SALES GROWTH

All of our products are based upon sustainable chemistry derived from nature, but have equal or better performance when compared with conventional pesticides. We therefore see an attractive opportunity to grow our product sales globally and take market share from competing biopesticides as well as many conventional pesticides.

On the regulatory side, we have already received 10 regulatory approvals and expect to receive additional approvals over the coming year.

The global nematicide market was estimated at **£1.29 billion** in 2017...

...with a CAGR of **4.6%** forecast between 2018 and 2023

Bio-nematicides are a rapidly growing segment of the overall nematicide market with an **estimated share of 16%**

# Our Products

## Foliar Disease Control

Eden has developed a range of fungicides targeting well-known plant diseases such as Botrytis, powdery mildew, downey 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 Mevalone is already proven.

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

## Consumer Products

In addition to applications in crop 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.

This year, we are executing the second year of a significant research and development programme which will move forward a number of additional pipeline products towards commercialisation

## Product pipeline

### Crop Protection

- Mevalone (3AEY): Botrytis (Grapes & Soft Fruits)
- Cedroz® (B2Y): Nematodes (protected crops, outdoor vegetables)
- Developmental Insecticide: white fly, spider mites
- Developmental Fungicide: powdery mildew, downy mildew,apple scab, and others
- Developmental Molluscicide: slugs

### Animal Health

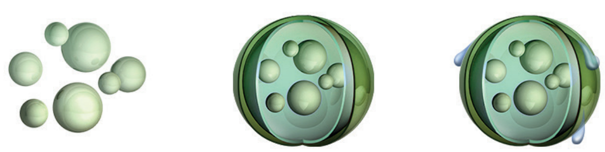
- Companion Animal Health (N. America): shampoos, conditioners, odour controls, flea & tick control
- Companion Animal (Europe): shampoos, conditioners, odour controls, flea & tick control
- Bio-Control Global: animal hygiene
- Parasite Treatments, Insect Sprays

### Consumer Products

- Head-lice
- Deodorants
- Odour Neutralisers
- Fragrances

## SUSTAINE™ COST-EFFECTIVE, HIGH CAPACITY, ROBUST, NATURAL AND SIMPLE PROCESSING WITH STANDARD EQUIPMENT

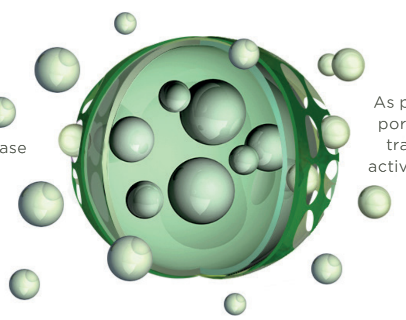
### Encapsulation



Active ingredient

Encapsulated Payload
Stabilised Aqueous Emulsion

### Release



Payload release on contact with water

As particle dries pores close and trap remaining active ingredient

X

# Our Business Model

## What we do:

**Eden provides sustainable solutions for crop protection, animal health and consumer products.**

## How we do it:

I.P.

### SECURING PATENT PROTECTION FOR INTELLECTUAL PROPERTY

Our Sustaine™ encapsulation technology is patent protected throughout the world.

## How this creates value...

### FOR CUSTOMERS

We provide customers in the crop protection, animal health and consumer products sectors with sustainable, cost-efficient and effect alternatives to conventional products

### FOR SHAREHOLDERS

We are well funded and positioned to deliver long-term shareholder value through further commercialisation and sales of our products

### GENERATING REVENUE

Revenue is generated through:

- Product sales
- Licence-based royalties
- Up-front or milestone payments from legacy agreements

### INVESTMENT IN RESEARCH AND DEVELOPMENT

We are executing a significant research and development programme which will move forward multiple pipeline products towards commercialisation.

## DEVELOPING OUR PRODUCT PIPELINE

We have a pipeline of products at differing stages of development targeting specific opportunities across our key markets. These include new fungicides, insecticides and bactericides as well as new solutions for animal health and consumer products.

## GAINING REGULATORY APPROVAL

We seek regulatory authorisation for our products on a country-by-country or regional basis, with approvals already granted in a number of European countries and Kenya. We are in the process of extending product registration into new territories.

## FOR PARTNERS

We give our partners market access to sustainable, efficient and effective alternatives to conventional chemical products

## FOR THE ENVIRONMENT

We use natural chemistries to create environmentally friendly products which support sustainable agriculture

## FOR EMPLOYEES

We promote the development of our employees through skills enhancement and training programmes

## SIGNING COMMERCIAL AGREEMENTS

We work with our sector-leading partners to commercialise products through a series of commercial production, marketing and distribution agreements.

## IDENTIFYING SUITABLE INDUSTRIAL PARTNERS

We partner with global and regional industry leaders who have existing distribution channels, local experience and knowledge to maximise sales of our products. We also add value to our partners' products using Sustaine to extend IP protection, ease regulatory burdens and enhance performance.

# Our Strategy


## Strategic Framework

Our vision is to be the leader in sustainable products enabled or enhanced by our novel Sustaine encapsulation and delivery technology in crop protection, animal health and consumer products.

| Strategic objectives | We will achieve this by: | Key achievements in 2017 |
|---|---|---|
| **Stable financial base and revenue growth** | • Continuing to evolve our business model to focus primarily on product sales<br>• Signing further agreements with industry partners to commercialise products<br>• Ensuring a well-funded balance sheet | • £1.9m revenue (2016: £0.4m)<br>• Multiple commercial agreements signed with Sipcam SpA<br>• First commercial sales achieved in France<br>• Placing of £2.2m of new shares during the year |
| **Product development**<br><br>Growing a diverse product development pipeline | • Further development of the encapsulation technology for new applications<br>• Investing in patents for new market opportunities<br>• Building our internal technical resources in terms of capability and capacity | • Label extensions received in Kenya to include authorisation for the treatment of roses<br>• 4 patents granted in key territories<br>• 4 new supplementary protection certificates awarded providing extended patent protection for Mevalone in key countries<br>• Patent applications filed in 29 countries<br>• Demonstration trials conducted for products within multiple new product segments |
| **Geographic expansion**<br><br>Targeting new geographies where there is a demand for sustainable solutions | • Extending registrations for product authorisation into new territories<br>• Investing in patent protection for our intellectual property in new territories<br>• Identifying suitable industrial partners with access to new geographies and customers | • Regulatory approvals for commercial sales in France, Cyprus, Albania and Portugal<br>• Extension of Mevalone patent protection in Greece, Spain and Italy<br>• Application for the extension of Mevalone patent protection in Cyprus and France<br>• Nematicide patent granted in the US<br>• Submission of applications for the regulatory approval of Cedroz in multiple territories |

# Board of Directors

## LYKELE VAN DER BROEK

### Non-Executive Chairman

Lykele retired as a Member of the Board of Management of Bayer CropScience, a division of Bayer AG, in 2014, being responsible for the commercialisation of innovative agricultural products and services globally. Prior to this, he held senior international roles including the Head of Bayer CropScience's BioScience division and President of the Bayer HealthCare Animal Health division.

Lykele van der Broek is Chairman of the AIM Compliance, Nominations and Remuneration Committees and a member of the Audit 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 eighteen years' experience in both practice and industry.

## 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, AIM Compliance Committee, and the Remuneration Committee.

# ANNUAL REPORT AND FINANCIAL STATEMENTS

# Chairman's Report

This is my inaugural report as Chairman of Eden Research plc ('Eden') having joined the Company and the Board in October 2017 and taken over as Chairman on 1 January 2018.

Since joining Eden, I have been struck by the significant opportunities available to the Company as it transitions from being a development to a commercialisation company. Eden has a significant intellectual property portfolio and we will look to build on this over the months and years ahead.

I believe that my years of experience at both Bayer CropScience and Bayer Animal Health, will enable me to help Eden build on its solid foundations, and become a success story in the large, and increasingly important, industries of crop protection, animal health and personal care.

## COMMERCIAL

Recent commercial activity has given me confidence that Eden is at a positive inflexion point.

In June 2017, Sipcam SpA ('Sipcam'), a global agrochemical business with revenues in the region of €0.6bn, invested £2.2m in Eden, through a placing of shares. In addition, Sipcam and Eden entered into a number of commercial agreements including an Evaluation and Option agreement and a Collaboration agreement which cover a number of territories and applications. This set of agreements is clearly significant for Eden and, I believe, gives credibility to Eden's products and technologies as Sipcam is a well-known, well-established and well-respected company in our industry.

The approvals in 2017 of Mevalone (formerly 3AEY), Eden's fungicide product, in France, Portugal, Cyprus and Albania have resulted in Eden and its partners selling product into the grape botrytis treatment market in the top three wine producing countries in the world. The approvals, which now cover most of the Southern European Union ('EU') Zone, are a valuable asset of the Company and provide a firm foundation for future growth.

Steady progress has been made by Eden's partner, Eastman Chemical ('Eastman'), which has the rights to Eden's second plant protection product, a nematicide which Eastman has called Cedroz®, with the submission of regulatory dossiers for Cedroz in Israel, Europe, and Mexico. First sales of Cedroz are expected towards the end of 2019.

## BOARD COMPOSITION

During the year, the Board of Directors comprised:

Alex Abrey – Chief Financial Officer

Robin Cridland – Non-Executive Director

Tom Lupton – Non-Executive Chairman (Retired 31 December 2017)

Sean Smith – Chief Executive Officer

Lykele van der Broek – Non-Executive Director and Chairman-Designate (appointed 1 October 2017)

In addition to my appointment as Non-Executive Director and Chairman-Designate from 1 October 2017 and subsequent appointment as Non-Executive Chairman from 1 January 2018, the Company has added to its wider team through the engagement of consultants in the roles of Project Manager and a Business Development Manager.

Eden has a significant intellectual property portfolio and we will look to build on this over the months and years ahead

Recent commercial activity has given me confidence that Eden is at a positive inflexion point

The Company is well-funded and has the right team, the technology and products, and the opportunity to really grow the business

Our intention is to strengthen the team further during the coming year, though we will continue to maintain a low-overhead base and to outsource certain functions, such as development trials and certain regulatory expertise.

The most significant change in personnel during the year was the retirement of Tom Lupton as Non-Executive Chairman on 31 December 2017. Tom had been a Director of Eden since 2012, before becoming Chairman in 2014.

The Board is very grateful to Tom for his efforts and great strides that Eden made under his careful watch, and I know that the executive team would particularly like to thank him for his guidance, support and counsel.

We wish Tom all the best for the future.

## OUTLOOK

The Company is well-funded and has the right team, the technology and products, and the opportunity to really grow the business.

In the short-term, we look forward to the ongoing sales growth of Mevalone across the Southern EU Zone countries and Kenya.

In the next twelve months, we expect to see progress being made with Sipcam for Eden's pipeline products as well as a ramp-up in the development of Sustaine™, the Company's microencapsulation technology, with Sipcam and other interested parties.

This year, we plan to execute a significant research and development programme which will move forward a number of additional pipeline products towards commercialisation.

Towards the end of 2019, we expect to see the launch of Cedroz which should have an immediate, positive impact on revenue with a market opportunity which is potentially far greater even than that of Mevalone.

In summary, I believe that the Company has good prospects. The increased adoption of biological products, such as Eden's; the on-going regulatory pressures on traditional chemical solutions; and the increasing issues of disease and pest resistance, all mean that Eden, with its effective, natural solutions, is well-positioned to become a significant player in this space.

**L J van der Broek**
**Chairman**

19 March 2018

# Chief Executive Officer's Report

## Eden has made good progress in 2017 which is reflected by a number of notable achievements.

Despite poor weather conditions that not only impacted crop yields but also reduced the demand for fungicides, the on-going adoption of our first product, Mevalone, across Southern Europe has been good. Growers have reported high levels of efficacy and satisfaction with the product, and our local partners continue to promote Mevalone strongly as a natural and sustainable solution for an expanding range of crop and disease targets.

The Company's revenue mix reflects the continued evolution of the business from a licensing company to a company whose revenue is primarily derived from the manufacture and sale of products and this sustainable revenue growth helped to contribute to a significant narrowing of operating losses.

During the year, we executed a number of agreements with Italian-headquartered, multi-national, Sipcam SpA. These agreements are important for the Company's future growth and significantly strengthen the Company's financial position through a strategic investment. This strategic partnership provides us with access to new markets, increases the partner-level evaluation and development of new products, and accelerates the development of our microencapsulation system, Sustaine, for use in conventional pesticide formulation improvements.

### FINANCIAL RESULTS

The Company has delivered a strong performance for the year with revenue of £1.9m, significantly up from £0.4m in 2016, with a loss before tax of approximately £0.8m favourably comparing with the 2016 loss of £1.9m. Cash at bank at 31 December 2017 was £3.7m (2016: £1.5m). This was a good performance as the 2017 growing season was challenging for fungicidal products in many southern European countries due to hard frosts in April followed by high heat and drought in the summer. These well-documented conditions resulted in the smallest harvests in 60 years in key markets such as France and Italy.

In June we announced that we had signed multiple commercial agreements with Sipcam SpA ('Sipcam') including an Evaluation and Option Agreement, for which a fee of €0.6m (£0.5m) was paid to Eden (see note 1 in Notes to the Financial Statements for the Revenue Recognition accounting policy), and a Collaboration Agreement establishing a long-term collaborative partnership. At this time, we also concluded a placing of new shares with Sipcam, raising £2.2m for the Company. The Company also received a non-binding indication from an existing institutional investor for £300,000 subject to the Company receiving clearance from HMRC that the Company's business would qualify for relevant tax reliefs. This clearance is still outstanding and accordingly there is no further update at this stage. As stated before, even if such clearance is granted, there can be no certainty that this additional placing will proceed. We will provide a further update as appropriate.

As a reflection of the change in the Company's business model, approximately 41% of the Company's revenue was derived from the sale of products, rather than licence-based royalties and up-front or

Eden has made good progress in 2017 which is reflected by a number of notable achievements

milestone payments. Going forward, this percentage should continue to increase as the percentage of revenue derived from existing partners has almost fully transitioned to supply and/or distribution agreements (rather than licence agreements). It is important to note that the transition of certain legacy agreements (from licensing to product sales) had not been completed with some partners by the end of 2017, but we expect this to be completed in time for the 2018 growing season.

## PRODUCT REGULATORY APPROVALS

During the year, regulatory approval was granted for Mevalone, and first commercial sales were achieved in France with further approvals received in Cyprus, Albania and Portugal. Overall, the Company is encouraged by the level of sales of the product and its continued acceptance in the market. Eden now has approval to sell Mevalone in ten countries, and it is anticipated that this list will continue to grow through 2018. Applications for registration are being progressed in a number of key countries including the US and Australia.

As reported on 12 December 2017, Eden's distribution partner, Eastman, announced the submission of the regulatory dossiers for its new nematicide, Cedroz®, which was developed by Eden. Cedroz will be a new tool for farmers to control a wide range of economically important nematodes with the first sales expected in advance of the 2020 growing season. Eastman made significant progress during the year with the submission of applications for the registration of Cedroz across a number of territories and is building a broad platform for the commercialisation of Cedroz as an important solution to the challenges that nematodes create for farmers globally.

## COMMERCIAL PROGRESS

### i. Agrochemicals

#### (a) Mevalone (3AEY)

Sales of Mevalone (and the associated, country-dependent tradenames) continued to grow in the established territories of Italy, Spain, Greece and the Balkan states. Additionally, and as described previously, we were pleased to add France and Portugal to the list of countries in which we have authorisation to sell Mevalone. Whilst our French partner, SumiAgro France, was not afforded a full marketing season due to the later-than-anticipated approval, they reported that they were pleased with sales development in the shortened and challenging season and they anticipate that 2018 will be a year of significant sales growth. In Portugal, distribution is being managed by K&N Efthymiadis via its relationship with Certis. Preparations are well underway for the commercial launch of Mevalone in Portugal for the 2018 growing season.

During the year, we executed a number of agreements with Italian-headquartered, multi-national, Sipcam SpA

The Company has delivered a strong performance for the year with revenue of £1.9m, significantly up from £0.4m in 2016

# Chief Executive Officer's Report continued

With a complement of Southern EU-approvals and an active programme pursuing label extensions to include additional crops, we anticipate that sales will continue to increase year-on-year as Mevalone gains market share. Feedback from multiple partners has revealed that Mevalone is an important product for them, and in one case it has taken the position of top fungicide in their catalogue.

### (b) Cedroz® – nematode treatment

In December 2016, Eden signed an exclusive commercialisation agreement for its nematicide product, 'B2Y', with Taminco BVBA, a subsidiary of Eastman's global crop protection division, following a series of successful field trials and market evaluations conducted by it 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 is aiming to launch Cedroz commercially in time for the 2020 growing season with first product sales by Eden to Eastman in advance of that, as regulatory approvals allow. Under the agreement, Eastman paid Eden an upfront fee which was recognised in revenue in 2016 and made their second annual renewal payment in 2017. Eastman has taken 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.

### ii. Animal health

Eden's partner for animal health applications in North America, Bayer Animal Health ('Bayer'), continues to make steady progress with the four products that it is intending to commercialise: a shampoo, a conditioner, a spray and an otic flush. These products are regarded by Bayer as an important element of their strategy to diversify their product offering and incorporate new, sustainable actives. A significant amount of work, including in vitro and in vivo studies, has been undertaken. It is expected that sales will 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.

### iii. Human health and biocides

In 2016, TerpeneTech, which is an associate of Eden through Eden's shareholding of 29.9%, undertook a second successful round of clinical trials. Since then, the company has been preparing its regulatory submissions to both the US and EU authorities for approval of its head lice treatment product. These studies are essential and support product sales, as they are a pre-requisite to approval. The process for regulatory clearances in both the US and the EU should now be completed within the first half of 2018 enabling product sales in both regions during the second half of 2018.

In addition to completing the product trials, formulation stability testing and the required regulatory studies, TerpeneTech also concluded a commercial agreement appointing a channel partner for the UK market during the course of 2017. Further commercial agreements are pending in order to provide product distribution in additional key countries.

TerpeneTech is listed as a notified supplier of the active ingredient geraniol under the EU Biocidal Products Regulation. Sales of geraniol to third parties have increased year-on-year, and we are pleased with this progress. Eden derives a royalty payment from all sales of geraniol by TerpeneTech.

Further applications of Eden's technology remain in the development stage. However, TerpeneTech reports good progress with the development of its underarm deodorant product. This product will be marketed as a natural human deodorant product with superior, long-lasting performance derived, in part, from the use of Eden's microencapsulation system. There are currently advanced-stage discussions with potential commercial partners, and, assuming success with these, TerpeneTech anticipates product launches toward the end of 2018.

## INTELLECTUAL PROPERTY ('IP')

During the year, Eden entered into a new phase in the development and management of its IP portfolio. During the year, Eden chose not to pursue one patent family relating to certain insecticide formulations due to a lack of fit with known commercial opportunities and some inherent limitations in the claims. Active management of the portfolio is essential in order to ensure that costs are contained and expenditure is limited to IP that supports a commercial objective.

Despite not pursuing the above-mentioned patent family, Eden's IP portfolio was strengthened overall during the course of the year. Highlights include the granting of a new patent covering Eden's nematicide product in the US and gaining two new granted patents in Australia covering bactericidal and preservative uses of our technology.

Eden also pursued the expansion of patents covering the use of our encapsulation technology with conventional chemical pesticides. In total, we are pursuing patents in 27 jurisdictions for this application.

During the year, Eden entered into a new phase in the development and management of its IP portfolio

Furthermore, we have filed applications for Supplementary Protection Certificates ('SPCs') covering Mevalone in key countries. SPCs effectively extend the patent protection of products that require regulatory approval before they can be sold in a given jurisdiction. They provide up to an additional seven years of patent protection, depending upon the territory. In total, SPCs have now been awarded in Spain, Greece, Italy and Cyprus, and there are pending applications in France and Portugal.

There are now a total of 130 (2016: 112) granted or pending patents in Eden's 'owned' portfolio, not including patents under licence from the University of Massachusetts.

## PERSONNEL

In 2017, Eden strengthened its team through the addition of a new Non-Executive Director and Chairman-designate with considerable industry experience in both crop protection and animal health. We were delighted to welcome Lykele van der Broek to the Board, and we are confident that in 2018 his chairmanship of the Company will continue the good work of Tom Lupton, who retired as Non-Executive Chairman at the end of 2017.

Eden also added several new, part-time staff working under consultancy engagements. These individual consultants are assisting with product management, project management, business development and general commercial advisory services. The addition of new full-time employees will commence in 2018 as we look to strengthen our dedicated in-house capabilities. New resources are planned in business development, product and project management and research and development. As always, we are seeking to balance prudent financial management and cost control whilst addressing shortfalls in our internal capacity to support both the current business, as well as future growth.

## BREXIT

The impact of Brexit is still an unknown to most UK companies, which is the case with Eden. However, the Company does not believe that the ownership of its EU approvals of Mevalone and its constituent active substances should be impacted by Brexit as guidance has been published stating that the owner of such approvals can continue to be a UK resident company.

## OUTLOOK

Eden has worked hard to build a valuable portfolio of intellectual property, product registrations, and commercial partnerships that serve as the core of today's business and the engine of future growth. As the Company's commercial success continues and our products gain more widespread, global adoption, we expect to see a further strengthening of our position in the industry and our ability to pursue new opportunities for our products and technologies in alignment with our focus on sustainable solutions for crop protection and both animal and human health.

We believe that the growth achieved in 2017 will continue in the current year, driven by new regulatory approvals received before the growing season and an expansion of the target crops across multiple territories. Moreover, the growing reputation of our first product, Mevalone, is helping to increase market share across the three largest wine-producing countries globally (Italy, France and Spain) thereby increasing both sales and profitability for Eden and our partners.

In the coming year, we will continue our work with our partners to register existing products in new, important territories, as well as to evaluate new products on expanding disease and crop targets. Furthermore, we are accelerating our collaborative work to fully demonstrate the value of our encapsulation technology in the conventional pesticide industry thereby unlocking numerous high value opportunities in both existing and, critically, new crop targets such as wheat, soybean and cotton.

I am confident that Eden's prospects are bright, and we remain focussed on a programme of prudent financial management coupled with well-informed decision making and timely execution. Over the past few years it has been reported that the Company has 'shifted gears', and this is an apt metaphor. Continuing this theme, I am looking forward to building speed and positioning Eden to be amongst the leaders in our industry.

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

19 March 2018

# Strategic Report

## REVIEW OF 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, Mevalone, for use as a pesticide in Europe is not only a key milestone in terms of its commercialisation, but also indicative 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, Mevalone has been approved for use in France, Spain, Italy, Greece, Portugal, Cyprus, Albania, Bulgaria, Kenya and Malta.

Further commercialisation of Eden's products and Sustaine encapsulation technology 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 showing the technical and commercial viability of the intellectual property.

The Company has capitalised £0.3m (2016: £0.3m) of development expenditure in the year which is a reflection of the continued development of the Company's products.

Cash is safeguarded by close working capital management, including 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 Chief Executive Officer's Report contains an update regarding this progress.

An update on TerpeneTech, Eden's associate company, is also 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 2017 consisted of upfront and milestone payments in relation to new and existing agreements, royalties and product sales. Revenue in 2017 was £1.9 million in comparison to £0.4 million in 2016. The operating loss for the year was £0.8 million compared to £1.9 million for the previous year. The loss before tax for 2017 was £0.8 million, an improvement from £1.9 million in the previous year.

The loss per share for 2017 was 0.33 pence (2016: 1.03 pence).

Administrative expenses for the year were £1.4 million (2016: £1.4 million). Aside from additional costs relating to external consultants, 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 seven years in line with the remaining life of the Company's key patents.

## 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.

The registration of the Company's first product, Mevalone, for use as a pesticide in Europe is not only a key milestone in terms of its commercialisation, but also indicative of future products as the three active substances that are registered in the EU are the basis of Eden's future product portfolio

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 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 the Company has sufficient cash resources to meet its on-going cash flow requirements.

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 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 March 2018

# Remuneration Report

For the year ended 31 December 2017

## REMUNERATION POLICY

### Introduction

The Remuneration Policy for Eden includes the three main elements of remuneration; salary, cash bonus and equity incentive.

The Policy is based on market facing structures, precedented in other AIM listed companies. The Policy has been prepared for the Executive Directors, however it is intended that the principles should apply to all staff.

An important principle is that the elements of remuneration should not overlap (to ensure that an Executive is not rewarded more than once for the same achievement).

Salary is a reward for the day to day execution of a role (which is documented in a job description).

The cash bonus is a reward for the achievement of challenging milestones in a year over and above the day to day role and linked to an increase in the value of the business through the achievement of significant commercial progress.

The equity incentive should deliver value to the Executive in the medium to long term, for example, based on a sustainable increase in the share price over the corresponding period of time, and of a magnitude related to the actual increase in value, in order to align management's incentive with the interests of shareholders.

The Remuneration Committee has absolute discretion in the application of these principles and may make adjustments where appropriate, and acting reasonably.

## SALARY

A salary review usually occurs in Q4 each year, to take effect from 1 January in the following year, unless a market adjustment is required at a different time.

Generally, salaries are benchmarked and compared to similar positions in similar sized AIM listed companies in similar industry segments, using third party advice.

## CASH BONUS

Bonuses are paid to the extent their payment does not shorten the funded runway of the business to less than eighteen months, based upon an up-to-date forecast using reasonable assumptions, as agreed by the Board. This figure may be adjusted by the Remuneration Committee.

### Target

The Target bonus levels are usually a percentage of salary.

The Target is generally made up of, and released incrementally by, the achievement of:

1. new commercial partnership deals and other commercial milestones (e.g. regulatory approvals)
2. the return received from such agreements (e.g. upfronts, milestones and royalties)
3. revenue, contribution and profit earned by the business.

As the business matures, the balance of the above factors in the Target is expected to transition in weighting from 1. through to 3.

Bonus payments are calculated prior to completion of (and included in) the annual report for the relevant year and paid out after the annual report has been approved by the auditors and the Board.

## EQUITY INCENTIVE

### Unapproved share option scheme

The Company has operated an unapproved share option scheme for Executive Directors, senior management and certain employees. This scheme was used for any options awarded prior to 28 September 2017.

### Long-Term Incentive Plan ('LTIP')

In 2017, the Company established a LTIP to incentivise the Executives to deliver long-term value creation for shareholders and ensure alignment with shareholder interests. Awards are made annually and are subject to continued service and challenging performance conditions usually over a three year period. The performance conditions are reviewed on an annual basis to ensure they remain appropriate and are currently based on increasing shareholder value. Awards are generally structured as nil cost options with a seven year life after vesting.

Other than in exceptional circumstances, an award to an Executive would be up to 100% of salary in any one year and would be granted subject to achieving challenging performance conditions set at the date of the grant. A percentage of the award will vest for 'Threshold' performance with full vesting taking place for equalling or exceeding the performance 'Target'. In between the Threshold and Target there may be pro rata vesting. The Remuneration Committee retains the ability to amend the performance conditions for future grants to ensure that such grants achieve the stated purpose.

The LTIP was adopted by the Board of Directors of Eden on 28 September 2017.



## APPLICATION OF THE POLICY

### Emoluments

Details of the annualised base salary of those who served as Directors during the year are set out below.

| | Base salary 2017 £ | Base salary 2016 £ |
|---|---|---|
| **Executive Directors** | | |
| A J Abrey | 123,000 | 120,000 |
| S M Smith | 147,088 | 143,500 |
| **Non-Executive Directors** | | |
| R J S Cridland | 30,000 | 30,000 |
| T G Lupton (retired 31 December 2017) | 35,000 | 35,000 |
| L J van der Broek (appointed 1 October 2017) | 40,000 | – |

For 2017, the target bonus levels and actual bonus achieved for Executive Directors on meeting all of these objectives were:

**Sean Smith**
70% of base salary – achieved 61.67%
(2016: 50% of base salary – achieved 45%)

**Alex Abrey**
70% of base salary – achieved 61.67%
(2016: 50% of base salary – achieved 45%)

The Committee considers that the performance metrics underpinning the cash bonus are in line with shareholders' expectations.

### Pensions

For the Executive Directors only, the Company makes contributions to a defined contribution pension scheme. The Company contributes a maximum of 4% provided that the Director makes a minimum 4% contribution. Below this, the Company contributes the same percentage as the Director.

### Non-Executive Directors

Non-Executive Directors receive a fee only with no additional benefits, bonuses or option grants.

### Directors' contracts

The Executive Directors have a service contract of indefinite term with a notice period of no more than six months.

Non-Executive Directors have Letters of Appointment which are terminable by the Director or the Company with three months' notice.

### Share option schemes

During the year, the Remuneration Committee approved the award of options over 4,016,680 ordinary shares of 1 pence each in the Company ('Ordinary Shares') under the LTIP. The awards were in respect of management performance in the financial years ending 31 December 2016 and 31 December 2015, the latter being a 'catch up' award following the later than planned implementation of the LTIP.

Further details of the awards are set out below.

In respect of 2015:

- To the CEO Sean Smith nil cost options over 1,098,680 ordinary shares
- To the CFO Alex Abrey nil cost options over 810,000 ordinary shares

The vesting date of the options is 30 September 2019, and they only become exercisable if the following share price performance conditions are met: 50% of the options become exercisable if the weighted average Ordinary Share price in the 45 day period ending on the vesting date is £0.20 or above. Between weighted average ordinary share prices of £0.20 and £0.30, vesting shall be pro-rata and on a straight-line basis between 50% and 100%. Below £0.20 the options are not exercisable and lapse in full.

In respect of 2016:

- To the CEO Sean Smith nil cost options over 1,148,000 ordinary shares
- To the CFO Alex Abrey nil cost options over 960,000 ordinary shares

The vesting date of the options is 30 September 2020, and they only become exercisable if the following share price performance conditions are met: 50% of the options become exercisable if the weighted average Ordinary Share price in the 45 day period ending on the vesting date is £0.24 or above.

# Remuneration Report continued

For the year ended 31 December 2017

## APPLICATION OF THE POLICY CONTINUED

### Share option schemes continued

Between weighted average Ordinary Share prices of £0.24 and £0.36, vesting shall be pro-rata and on a straight-line basis between 50% and 100%. Below £0.24 the options are not exercisable and lapse in full.

At 31 December 2017, the Directors had the following interests in share option schemes:

| Date from which exercisable | Expiry Date | Exercise price £ | Number at 1 January 2017 | Granted in year | Exercised in year | Lapsed in year | Number at 31 December 2017 |
|---|---|---|---|---|---|---|---|
| **A J Abrey** | | | | | | | |
| 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 |
| 30/09/2019 | 29/09/2027 | Nil | – | 810,000 | – | – | 810,000 |
| 30/09/2020 | 29/09/2027 | Nil | – | 960,000 | – | – | 960,000 |
| | | | 1,625,000 | 1,770,000 | – | – | 3,395,000 |
| **S M Smith** | | | | | | | |
| 01/03/2015 | 28/02/2018 | 0.08 | 500,000 | – | – | – | 500,000 |
| 01/09/2015 | 31/08/2018 | 0.08 | 1,000,000 | – | – | – | 1,000,000 |
| 01/09/2016 | 31/08/2019 | 0.16 | 1,000,000 | – | – | – | 1,000,000 |
| 30/09/2019 | 29/09/2027 | Nil | – | 1,098,680 | – | – | 1,098,680 |
| 30/09/2020 | 29/09/2027 | Nil | – | 1,148,000 | – | – | 1,148,000 |
| | | | 2,500,000 | 2,246,680 | – | – | 4,746,680 |



# Report of the Directors

For the year ended 31 December 2017

The Directors present their report with the financial statements of the Company for the year ended 31 December 2017.

## DIVIDENDS

The loss for the year after taxation amounted to £639,093 (2016: £1,831,092). The Directors are unable to recommend any dividend (2016: £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:

A J Abrey

R J S Cridland

T G Lupton (retired 31 December 2017)

S M Smith

L J van der Broek (appointed 1 October 2017)

Details of the Directors who had interests in share option schemes can be found in the Remuneration Report.

## 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. On 1 January 2018, Lykele van der Broek replaced Tom Lupton as the other member of the Audit Committee.

The Nominations Committee had Tom Lupton as Chairman during the year 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. On 1 January 2018, Lykele van der Broek replaced Tom Lupton as Chairman of the Nominations Committee.

The Remuneration Committee had Tom Lupton as Chairman during the year 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. On 1 January 2018, Lykele van der Broek replaced Tom Lupton as Chairman of the Remuneration Committee.

The AIM Compliance Committee had Tom Lupton as Chairman during the year and meets twice a year with the NOMAD to discuss AIM compliance and related issues. The other member of the committee is Robin Cridland. 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. On 1 January 2018, Lykele van der Broek replaced Tom Lupton as Chairman of the AIM Compliance Committee.

# Report of the Directors continued

For the year ended 31 December 2017

The shareholdings of the Directors of the Company are as follows:

| | Total Holdings | % of Enlarged Share Capital |
|---|---|---|
| Alex Abrey | 1,038,160 | 0.50% |
| Robin Cridland | 47,000 | 0.02% |
| Tom Lupton* | 403,333 | 0.19% |

* retired 31 December 2017

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 19 February 2018:

| Entity | Total Holdings | % of Enlarged Share Capital |
|---|---|---|
| Sipcam SpA | 20,494,330 | 9.90% |
| Livingbridge VC LLP | 19,512,195 | 9.42% |
| JM Finn & Co | 14,213,361 | 6.86% |
| HSBC Nominees | 14,007,734 | 6.76% |
| Artemis Investment Management | 12,293,451 | 5.94% |
| Barclays Personal Investment Management | 7,618,074 | 3.68% |
| Interactive Investor Services | 7,572,806 | 3.66% |
| Hargreaves Lansdown Asset Management | 7,389,631 | 3.57% |

## SUPPLIERS

The Company agrees terms and conditions for business transactions with its suppliers. Payment is then made on these terms, subject to the terms and conditions being met by the supplier.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU).

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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

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

## 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.

## AUDITOR

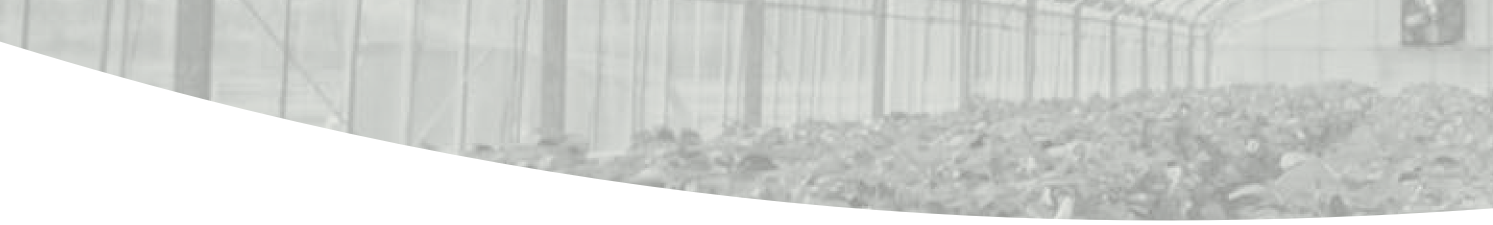
In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

**On behalf of the Board:**

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

19 March 2018

6 Priory Court
Priory Court Business Park
Poulton
Cirencester
Gloucestershire
GL7 5JB



# Independent Auditor's Report

To the members of Eden Research plc

## 1 OUR OPINION IS UNMODIFIED

We have audited the financial statements of Eden Research plc ('the Company') for the year ended 31 December 2017 which comprise the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of Company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## 2 KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

### Intangible assets (£4,933,761; 2016: £5,211,892)

Refer to page 24 (accounting policy) and page 35 (financial disclosures)

#### Forecast-based valuation

All intangible assets, including development costs, are reviewed annually for indicators of impairment.

The assessment of impairment indicators includes forecasting and discounting future cash flows (based on assumptions such as discount rates and rates of growth in revenue), which are inherently highly judgemental. In particular, due to uncertainty over the size of the potential market for the Company's products, there is a risk that the valuation of intangible assets may not be supported by potential future sales.

#### Our procedures included:

- **Our sector experience:** challenging the Company's selection of discount rates and rates of growth by using our own judgement and experience to determine an appropriate range and comparing the actual rate used to that range;
- **Assessing forecast:** assessing whether the cash flow forecasts are consistent with current business strategies in place;
- **Comparing valuations:** comparing the market capitalisation of the Company to the carrying value of the net assets to assess whether this provides an indicator of possible impairment of the intangible assets;
- **Historical comparisons:** comparing the previously forecast cash flows to actuals to assess the historical accuracy of forecasting;
- **Sensitivity analysis:** performing breakeven analysis to assess the sensitivity of the impairment reviews to changes in the key assumptions noted above; and
- **Assessing transparency:** assessing whether the Company's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the intangible valuation.

### Revenue (£1,877,187; 2016: £391,958)

Refer to page 04 (Chief Executive Officer's Report), page 24 (accounting policy) and page 29 (financial disclosures)

#### Revenue recognition

The Company's agreements with its customers are often bespoke and vary from customer to customer in terms of ongoing performance obligations, timing, quantities and payment profiles. The Directors are required to make judgements about the nature of these agreements to determine the appropriate timing of revenue recognition. The current focus of the Company is on sales growth, and the Directors are incentivised on performance through a share option scheme. This and the lack of segregation of duty gives rise to the risk that revenue recognised in the year may be recognised in the wrong period. In light of this, revenue is susceptible to fraudulent financial reporting.

#### Our procedures included:

**Test of details:**

- inspecting a sample of new significant agreements with customers to determine whether the revenue recognised is consistent with the contractual terms with regards to timing, quantities, contract value and performance obligations;
- for a sample of revenue transactions recognised in the period, agreeing the amounts to bank statements and the underlying agreements to determine whether revenue arose and was recognised in the appropriate period;
- for a sample of revenue transactions in respect of product sales checking that a sale had been made by agreeing the amounts recognised to sales invoices and bank statements;
- for a sample of product sales invoices raised either side of the balance sheet date, inspecting the documentation supporting the dispatch of goods to determine whether revenue was recognised in the correct period; and
- obtaining 100% of the journals posted in respect of revenue analysed these to identify and investigate any entries which appeared unusual based upon the specific characteristics of the journal, considering in particular whether the non-revenue side of the journal entry was as expected, based on our business understanding.

## 3 OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Materiality for the financial statements as a whole was set at £70,000, determined with reference to a benchmark of total assets, of which it represents 0.65%. We consider a benchmark of total assets to be appropriate as the Company is a start up.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £3,500, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was all performed at the Company's head office in Cirencester.

## 4 WE HAVE NOTHING TO REPORT ON GOING CONCERN

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

## 5 WE HAVE NOTHING TO REPORT ON THE OTHER INFORMATION IN THE ANNUAL REPORT

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

### Strategic Report and Directors' Report

Based solely on our work on the other information:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

# Independent Auditor’s Report continued

To the members of Eden Research plc

## 6 WE HAVE NOTHING TO REPORT ON THE OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, 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.

We have nothing to report in these respects.

## 7 RESPECTIVE RESPONSIBILITIES

### Directors’ responsibilities

As explained more fully in their statement set out on page 14, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### Auditor’s responsibilities

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

A fuller description of our responsibilities is provided on the FRC’s website at www.frc.org.uk/auditorsresponsibilities.

## 8 THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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

**Andrew Campbell-Orde**
**(Senior Statutory Auditor)**

**for and on behalf of KPMG LLP**
Statutory Auditor
Chartered Accountants
66 Queen Square
Bristol
BS1 4BE

20 March 2018

# Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

| | Notes | 2017<br>£ | 2016<br>£ |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 2 | 1,877,187 | 391,958 |
| Cost of sales | | (831,499) | (28,560) |
| **Gross profit** | | 1,045,688 | 363,398 |
| Amortisation of intangible assets | | (750,210) | (680,349) |
| Other administrative expenses | | (1,431,787) | (1,439,706) |
| Exceptional Royalties Refund | 12 | 570,462 | – |
| Licence Amendment Fee | 12 | (187,781) | – |
| Share based payments | | (27,210) | (129,707) |
| **Operating loss** | | (780,838) | (1,886,364) |
| Finance costs | 4 | (1,239) | (15,483) |
| Finance income | 4 | 25,437 | 1,278 |
| Share of profit/(loss) of equity accounted investee, net of tax | | (6,289) | (12,418) |
| **Loss before income tax** | 5 | (762,929) | (1,912,987) |
| Income tax | 6 | 123,836 | 81,895 |
| **Loss for the year** | | (639,093) | (1,831,092) |
| **Other comprehensive income** | | – | – |
| **Total comprehensive income for the year** | | (639,093) | (1,831,092) |
| Earnings per share expressed in pence per share: | 7 | | |
| Basic | | (0.33) | (1.03) |
| Diluted | | (0.34) | (1.03) |

The notes form part of these financial statements.

# Statement of Financial Position

31 December 2017

| | Notes | 2017 £ | 2016 £ |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Intangible assets | 8 | 4,933,761 | 5,211,892 |
| Investments in equity-accounted investee | 9 | 804,876 | 811,165 |
| | | 5,738,637 | 6,023,057 |
| **Current assets** | | | |
| Stock | | 206,814 | – |
| Trade and other receivables | 10 | 962,044 | 240,505 |
| Cash and cash equivalents | 11 | 3,678,383 | 1,532,341 |
| | | 4,847,241 | 1,772,846 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 12 | 2,004,501 | 965,286 |
| **Net current assets** | | 2,842,740 | 807,560 |
| **Non-current liabilities** | | | |
| Trade and other payables | 12 | 67,462 | 67,462 |
| **Net assets** | | 8,513,915 | 6,763,155 |
| **Shareholders' equity** | | | |
| Called up share capital | 15 | 2,070,643 | 1,846,542 |
| Share premium | 16 | 31,278,196 | 29,139,654 |
| Merger reserve | 16 | 10,209,673 | 10,209,673 |
| Warrant reserve | 16 | 592,495 | 614,713 |
| Retained loss | 16 | (35,637,092) | (35,047,427) |
| **Total equity** | | 8,513,915 | 6,763,155 |

The financial statements were approved by the Board of Directors on 19 March 2018 and were signed on its behalf by:

**S M Smith**
Director

The notes form part of these financial statements.

# Statement of Changes in Equity

For the year ended 31 December 2017

| | Called up share capital £ | Retained loss £ | Share premium £ |
|---|---|---|---|
| **Balance at 1 January 2016** | 1,587,583 | (33,466,782) | 26,860,972 |
| **Changes in equity** | | | |
| Issue of share capital | 258,959 | – | 2,278,682 |
| Total comprehensive income | – | (1,831,092) | – |
| Options exercised/lapsed | – | 250,447 | – |
| **Balance at 31 December 2016** | 1,846,542 | (35,047,427) | 29,139,654 |
| **Changes in equity** | | | |
| Issue of share capital | 224,101 | – | 2,138,542 |
| Total comprehensive income | – | (639,093) | – |
| Options exercised/lapsed | – | 49,428 | – |
| **Balance at 31 December 2017** | 2,070,643 | (35,637,092) | 31,278,196 |

| | Merger reserve £ | Warrant reserve £ | Total equity £ |
|---|---|---|---|
| **Balance at 1 January 2016** | 10,209,673 | 735,453 | 5,926,899 |
| **Changes in equity** | | | |
| Issue of share capital | – | – | 2,537,641 |
| Total comprehensive income | – | – | (1,831,092) |
| Options granted | – | 129,707 | 129,707 |
| Options exercised/lapsed | – | (250,447) | – |
| **Balance at 31 December 2016** | 10,209,673 | 614,713 | 6,763,155 |
| **Changes in equity** | | | |
| Issue of share capital | – | – | 2,362,643 |
| Total comprehensive income | – | – | (639,093) |
| Options granted | – | 27,210 | 27,210 |
| Options exercised/lapsed | – | (49,428) | – |
| **Balance at 31 December 2017** | 10,209,673 | 592,495 | 8,513,915 |

The notes form part of these financial statements.

# Statement of Cash Flows

For the year ended 31 December 2017

| | Notes | 2017 £ | 2016 £ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash from /(used by) operations | 17 | 222,950 | (872,201) |
| Finance costs paid | | (1,239) | (484) |
| Foreign exchange losses | | – | (14,999) |
| Tax credit received | | 8,330 | 81,895 |
| Net cash from/(used by) operating activities | | 230,041 | (805,789) |
| **Cash flows from investing activities** | | | |
| Capitalisation of development expenditure and intellectual property costs | | (324,077) | (349,149) |
| Capitalisation of patents | | (148,002) | – |
| Finance income | | 2,526 | 1,278 |
| Foreign exchange gains | | 22,911 | – |
| Net cash used by investing activities | | (446,642) | (347,871) |
| **Cash flows from financing activities** | | | |
| Issue of equity shares | | 2,397,893 | 2,668,541 |
| Share issue costs | | (35,250) | (130,900) |
| Net cash from financing activities | | 2,362,643 | 2,537,641 |
| **Increase in cash and cash equivalents** | | 2,146,042 | 1,383,981 |
| **Cash and cash equivalents at beginning of year** | | 1,532,341 | 148,360 |
| **Cash and cash equivalents at end of year** | | 3,678,383 | 1,532,341 |

The notes form part of these financial statements.

# Notes to the Financial Statements

For the year ended 31 December 2017

## 1. ACCOUNTING POLICIES

### General information

Eden Research Plc is a public company limited by shares incorporated and domiciled in England in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 47. The nature of the Company's operations and its principal activities are set out in the Chairman's Report on page 02. 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.

### 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, or where the Company has a lower interest but the right to appoint a Director. The Company acquired 29.9% of TerpeneTech Limited ('TerpeneTech') during 2015; TerpeneTech is an associated undertaking.

#### Application of the equity method to associates

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.

### Adopted IFRS not yet applied

The following Adopted IFRSs have been issued but have not yet been applied in these financial statements:

- IFRS 9 Financial Instruments (effective date 1 January 2018);
- amendments to IFRS 2 Share-based Payment: Classification and measurement of share-based payment transactions (effective date 1 January 2018);
- IFRS 15 Revenue from Contracts with Customers (effective date 1 January 2018);
- clarifications to IFRS 15 Revenue from Contracts with Customers (effective date 1 January 2018); and
- IFRS 16 Leases (effective date 1 January 2019).

The Directors are currently undertaking an exercise to assess the likely impact on the financial statements of the application of the above new standards.

### 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 £639,093 (2016: £1,831,092). Net current assets at that date amounted to £2,842,740 (2016: £807,560).

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 2017 and they consider that the Company will be able to operate with the cash resources 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.

# Notes to the Financial Statements continued

For the year ended 31 December 2017

## 1. ACCOUNTING POLICIES CONTINUED

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 2018 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 and is based on net sales value of product sold by Eden's licensees.

Upfront and annual payments made by customers at commencement and for renewal of distribution and other agreements are recognised in accordance with the terms of the agreement. Where there is no ongoing obligation on the Company under the agreement, the payment is recognised in revenue in full in the period in which it is made. Where there is an ongoing obligation on the Company, revenue is recognised over the periods to which the obligation pertains.

Licence fee payments are recognised on receipt if the Company has discharged all of its on-going obligations associated with the licence granted. Where there is an ongoing obligation on the Company, revenue is recognised in the periods to which the obligations pertain.

Product sales are recorded once product has been shipped to the customer, at which point the ownership and related rights and responsibilities pass to the customer.

### Intangible assets

Intellectual property, including development costs, is capitalised and amortised on a straight-line basis over its remaining estimated useful economic life of 7 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.

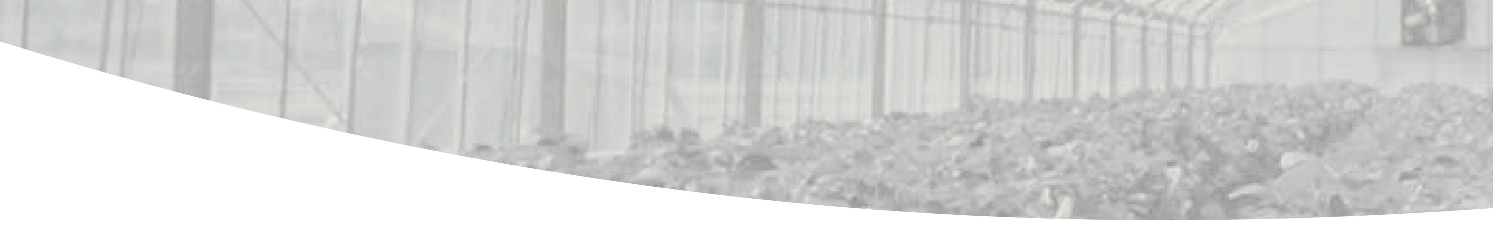
## Financial assets

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.

## Equity instruments

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



# Notes to the Financial Statements continued

For the year ended 31 December 2017

## 1. ACCOUNTING POLICIES CONTINUED

### 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.

### Stock

Stock is stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition.

### 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.

Whilst the majority of the Company's revenue is in Euros, the Company also incurs a significant level of expenditure in that currency. As such, the Company does not currently use any hedging facilities and instead chooses to keep some of its cash at the bank in Euros.

### Share-based payments

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

#### Unapproved share option scheme

The Company has operated an unapproved share option scheme for Executive Directors, senior management and certain employees. This scheme was used for any options awarded prior to 28 September 2017.

#### Long-Term Incentive Plan ('LTIP')

In 2017, the Company established a LTIP to incentivise the Executives to deliver long-term value creation for shareholders and ensure alignment with shareholder interests. Awards are made annually and are subject to continued service and challenging performance conditions usually over a three year period. The performance conditions are reviewed on an annual basis to ensure they remain appropriate and are currently based on increasing shareholder value. Awards are generally structured as nil cost options with a seven year life after vesting.

Other than in exceptional circumstances, an award to an Executive would be up to 100% of salary in any one year and would be granted subject to achieving challenging performance conditions set at the date of the grant. A percentage of the award will vest for 'Threshold' performance with full vesting taking place for equalling or exceeding the performance 'Target'. In between the Threshold and Target there may be pro rata vesting. The Remuneration Committee retains the ability to amend the performance conditions for future grants to ensure that such grants achieve the stated purpose.

The LTIP was adopted by the Board of Directors of Eden on 28 September 2017.

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.

### Defined contribution plan

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 22 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. The current tax charge includes any research and development tax credits claimed by the Company.

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.

# Notes to the Financial Statements continued

For the year ended 31 December 2017

## 1. ACCOUNTING POLICIES CONTINUED

### 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 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 (2016: £2.0m) and intellectual property which has a carrying value of £2.9m (2016: £3.2m). 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; and
- 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 8 and 9 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 judgement 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.

## 2. 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 2017 is as follows:

| | Licensing Fees £ | Milestone Payments £ | Evaluation Fees £ | Royalties £ | Grant Funding £ | Product Sales £ | Un-allocated £ | Total £ |
|---|---|---|---|---|---|---|---|---|
| Human health and biocides | 14,750 | – | – | 13,274 | – | – | – | 28,024 |
| Animal health | – | – | – | – | – | – | – | – |
| Agrochemicals | – | 967,686 | – | 116,405 | – | 765,072 | – | 1,849,163 |
| **Total** | 14,750 | 967,686 | – | 129,679 | – | 765,072 | – | 1,877,187 |
| **Adjusted EBITDA** | – | – | – | – | – | – | (3,418) | (3,418) |
| Amortisation | – | – | – | – | – | – | (750,210) | (750,210) |
| Depreciation | – | – | – | – | – | – | – | – |
| Share Based Payments | – | – | – | – | – | – | (27,210) | (27,210) |
| Net Finance Costs | – | – | – | – | – | – | 24,198 | 24,198 |
| Income Tax | – | – | – | – | – | – | 123,836 | 123,836 |
| Share of Associate's loss | – | – | – | – | – | – | (6,289) | (6,289) |
| **Loss for the Year** | – | – | – | – | – | – | (639,093) | (639,093) |
| **Total Assets** | – | – | – | – | – | – | 10,585,878 | 10,585,878 |
| Total assets includes: | | | | | | | | |
| Additions to Non-Current Assets | – | – | – | – | – | – | 472,079 | 472,079 |
| Total Liabilities | – | – | – | – | – | – | (2,071,963) | (2,071,963) |

# Notes to the Financial Statements continued

For the year ended 31 December 2017

## 2. SEGMENTAL REPORTING CONTINUED

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

| | Licensing Fees £ | Milestone Payments £ | Evaluation Fees £ | Royalties £ | Grant Funding £ | Product Sales £ | Un-allocated £ | Total £ |
|---|---|---|---|---|---|---|---|---|
| Human health and biocides | – | 14,368 | – | – | – | – | – | 14,368 |
| Animal health | – | – | – | – | – | – | – | – |
| Agrochemicals | 128,204 | 31,008 | 30,580 | 122,814 | 123 | 64,861 | – | 377,590 |
| **Total** | 128,204 | 45,376 | 30,580 | 122,814 | 123 | 64,861 | – | 391,958 |
| **Adjusted EBITDA** | – | – | – | – | – | – | (1,076,308) | (1,076,308) |
| Amortisation | – | – | – | – | – | – | (680,349) | (680,349) |
| 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) |
| **Loss for the Year** | – | – | – | – | – | – | (1,831,092) | (1,831,092) |
| **Total Assets** | – | – | – | – | – | – | 7,795,503 | 7,795,503 |
| Total assets includes: | | | | | | | | |
| Additions to Non-Current Assets | – | – | – | – | – | – | 349,149 | 349,149 |
| Total Liabilities | – | – | – | – | – | – | (1,032,748) | (1,032,748) |

### Geographical Reporting

| | 2017 £ | 2016 £ |
|---|---|---|
| UK | 28,024 | 14,368 |
| Europe | 1,849,163 | 377,590 |
| **Total** | 1,877,187 | 391,958 |

The revenue derived from Milestone Payments and Licensing Fees relates to agreements which cover a number of countries both in the EU and throughout the rest of the world.

All of the non-current assets are in the UK.

## 3. EMPLOYEES AND DIRECTORS

| | 2017<br>£ | 2016<br>£ |
|---|---|---|
| Wages and salaries | 511,647 | 447,075 |
| Pension costs | 10,804 | 4,218 |
| Social security costs | 71,572 | 32,334 |
| | 594,023 | 483,627 |

The average monthly number of employees, including Directors, was as follows:

| | 2017 | 2016 |
|---|---|---|
| Management | 5 | 4 |

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.

| | 2017<br>£ | 2016<br>£ |
|---|---|---|
| Directors' remuneration | 436,647 | 382,075 |
| Company contributions to defined contribution pension schemes | 10,804 | 4,218 |
| | 447,451 | 386,293 |
| Non-Executive Directors' fees | 75,000 | 65,000 |
| Total Directors' emoluments | 522,451 | 451,293 |
| Share based payment charge relating to all Directors | 27,210 | 129,707 |

During the year the remuneration of the highest paid Director was £258,408 (2016: £266,780).

| 2017 | Salary<br>£ | Bonus<br>£ | Fees<br>£ | Pension<br>£ | Share based payments<br>£ | Total<br>£ |
|---|---|---|---|---|---|---|
| A Abrey | 123,000 | 75,854 | - | 4,920 | 12,479 | 216,253 |
| T Lupton | – | – | 35,000 | – | – | 35,000 |
| S Smith | 147,088 | 90,705 | – | 5,884 | 14,731 | 258,408 |
| R Cridland | – | – | 30,000 | – | – | 30,000 |
| L Van Der Broek | – | – | 10,000 | – | – | 10,000 |
| | 270,088 | 166,559 | 75,000 | 10,804 | 27,210 | 549,661 |

| 2016 | Salary<br>£ | Bonus<br>£ | Fees<br>£ | Pension<br>£ | Share based payments<br>£ | Total<br>£ |
|---|---|---|---|---|---|---|
| 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 |

# Notes to the Financial Statements continued

For the year ended 31 December 2017

## 4. NET FINANCE COSTS

| | 2017<br>£ | 2016<br>£ |
|---|---|---|
| Finance income: | | |
| Foreign exchange gains | 22,911 | – |
| Deposit account interest | 2,526 | 1,278 |
| | 25,437 | 1,278 |
| Finance costs: | | |
| Foreign exchange losses | – | 14,999 |
| Finance fees | 1,239 | 484 |
| | 1,239 | 15,483 |
| Net finance costs | (24,198) | 14,205 |

## 5. LOSS BEFORE INCOME TAX

The loss before income tax is stated after charging:

| | 2017<br>£ | 2016<br>£ |
|---|---|---|
| Licences and trademarks amortisation | 20,446 | 15,720 |
| Development costs amortisation | 290,276 | 225,141 |
| Intellectual property amortisation | 439,488 | 439,488 |
| Auditors' remuneration: | | |
| – Audit of these financial statements | 22,500 | 21,800 |
| – All other services | 20,779 | – |
| Equity share based payment charge | 27,210 | 129,707 |
| Foreign exchange differences | (22,911) | 14,999 |

## 6. INCOME TAX

### Analysis of tax income

| | 2017<br>£ | 2016<br>£ |
|---|---|---|
| Current tax credit: | | |
| Current year | 123,836 | 81,895 |
| Total tax income in statement of profit or loss and other comprehensive income | 123,836 | 81,895 |

### Corporation tax

No tax charge arises on the results for the year (2016: £nil). Tax losses carried forward, for which no deferred tax asset has been recognised, amount to approximately £22,247,515 (2016: £23,800,466). The tax credit represents the research and development tax credit receivable for the year ended 31 December 2017.

## Factors affecting the tax charge

The UK standard rate of corporation tax is 19.25% (2016: 20.00%). Current tax assessed for the financial year as a percentage of the loss before taxation is (1.3)% (2016: (4.3)%)

The differences are explained below:

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | £ | % | £ | % |
| Standard rate of corporation tax in the UK | | (19.25) | | (20.00) |
| Loss before tax at standard rate of tax | (146,863) | | (382,597) | |
| Effects of | | | | |
| Losses carried forward/surrendered | 55,981 | 7.4 | 335,081 | 17.5 |
| Difference in effective tax rate of equity accounted associate | 642 | 0.1 | (2,484) | (0.1) |
| Other expenses not deductible for tax purposes | 9,413 | 1.2 | 50,000 | 2.6 |
| Research and development tax relief | (86,322) | (11.3) | (81,895) | (4.3) |
| Adjustment to prior year tax charge | (45,577) | (6.0) | – | – |
| Deferred tax not recognised | 88,890 | 11.7 | – | – |
| Total current tax credit and tax rate % | (123,836) | (16.2) | (81,895) | (4.3) |
| Deferred tax | | | | |
| Un-provided deferred tax liability | (237,330) | | – | |
| Un-provided deferred tax asset | 3,782,077 | | 4,046,079 | |
| Net un-provided deferred tax asset | 3,544,747 | | 4,046,079 | |

The adjustment to the prior year tax charge of £45,577 relates to increased submitted R&D tax credit claims compared to that provided for in the 2016 financial statements.

The un-provided for deferred tax asset arises principally in respect of trading losses, together with other minor timing differences at 17% (2016: 17%) and has not been recognised due to the uncertainty of timing of future profits against which it may be realised.

Reductions in the UK corporation tax rate to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly.

# Notes to the Financial Statements continued

For the year ended 31 December 2017

## 7. 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:

| | 2017 | | |
|---|---|---|---|
| | Earnings £ | Weighted average number of shares | Per-share amount pence |
| **Basic EPS** | | | |
| Earnings attributable to ordinary shareholders | (639,093) | 195,705,733 | (0.33) |
| Effect of dilutive securities | – | (5,019,101) | – |
| **Diluted EPS** | | | |
| Adjusted earnings | (639,093) | 190,686,632 | (0.34) |

| | 2016 | | |
|---|---|---|---|
| | Earnings £ | Weighted average number of shares | Per-share amount pence |
| **Basic EPS** | | | |
| Earnings attributable to ordinary shareholders | (1,831,092) | 178,441,431 | (1.03) |
| Effect of dilutive securities | – | – | – |
| **Diluted EPS** | | | |
| Adjusted earnings | (1,831,092) | 178,441,431 | (1.03) |

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

## 8. INTANGIBLE ASSETS

| | Licences and trademarks £ | Development costs £ | Intellectual property £ | Totals £ |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2017 | 447,351 | 3,455,276 | 8,739,743 | 12,642,370 |
| Additions | – | 324,077 | 148,002 | 472,079 |
| At 31 December 2017 | 447,351 | 3,779,353 | 8,887,745 | 13,114,449 |
| **Amortisation** | | | | |
| At 1 January 2017 | 384,310 | 1,474,960 | 5,571,208 | 7,430,478 |
| Amortisation for year | 20,446 | 290,276 | 439,488 | 750,210 |
| At 31 December 2017 | 404,756 | 1,765,236 | 6,010,696 | 8,180,688 |
| **Net Book Value** | | | | |
| At 31 December 2017 | 42,595 | 2,014,117 | 2,877,049 | 4,933,761 |

| | Licences and trademarks £ | Development costs £ | Intellectual property £ | Totals £ |
|---|---|---|---|---|
| **Cost** | | | | |
| 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 |
| **Amortisation** | | | | |
| 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 |
| **Net Book Value** | | | | |
| At 31 December 2016 | 63,041 | 1,980,316 | 3,168,535 | 5,211,892 |

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 seven years.

# Notes to the Financial Statements continued

For the year ended 31 December 2017

## 8. INTANGIBLE ASSETS CONTINUED

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% (2016: 10%).

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

Based on the review management has carried out, it is satisfied that the Intangible Assets are not impaired in respect of their carrying value.

As set out in the Strategic Report the business is in a critical phase of its development as the research and development of products is transitioned to revenue generation. The value of the intangible assets is supported by management's forecasts of continued revenue growth of existing products and the successful growth of future product sales over the next two to five years. Management has used what it considers to be reasonably prudent assumptions for that growth based on information from and discussion with strategic partners, however there is a risk that if those forecasts are not achieved then the associated tangible assets could be impaired.

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.

## 9. INVESTMENTS IN ASSOCIATES

| | 2017 | 2016 |
|---|---|---|
| **Percentage ownership interest and proportion of voting rights** | 29.9% | 29.9% |
| | £ | £ |
| Non-current assets | 584,338 | 632,158 |
| Current assets | 134,034 | 92,343 |
| Non-current liabilities | (44,493) | (78,537) |
| Current liabilities | (27,932) | (27,705) |
| **Net assets (100%)** | 645,947 | 618,259 |
| Company's share of net assets | 193,138 | 184,859 |
| Separable intangible assets | 199,089 | 213,657 |
| Goodwill | 412,649 | 412,649 |
| **Carrying amount of interest in associate** | 804,876 | 811,165 |
| Revenue | 225,187 | 144,760 |
| Profit/(loss) from continuing operations | 27,687 | 7,193 |
| Post tax profit from discontinued operations | – | – |
| 100% of total post-tax profits | 27,687 | 7,193 |
| 29.9% of total post-tax profits | 8,278 | 2,150 |
| Amortisation of separable intangible assets | (14,568) | (14,568) |
| **Company's share of profit/(loss) including amortisation of separable intangible assets** | (6,289) | (12,418) |
| Other comprehensive income | – | – |
| 100% | – | – |
| 29.9% | – | – |
| **Company's share of other comprehensive income** | – | – |
| Total comprehensive income (100%) | 27,687 | 7,193 |
| **Company's share of total comprehensive income including amortisation of separable intangible asset** | (6,289) | (12,418) |
| **Dividends received by the Company** | – | – |

TerpeneTech's registered office is Kemp House, 152 City Road, London, EC1V 2NX and its 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% (2016: 20%). The growth rates are derived from discussions with the Company's commercial partner, TerpeneTech, as described above.

Based on the review management has carried out, it is 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.

# Notes to the Financial Statements continued

For the year ended 31 December 2017

## 10. TRADE AND OTHER RECEIVABLES

| | 2017 £ | 2016 £ |
|---|---|---|
| Current: | | |
| Trade and other receivables | 731,968 | 86,426 |
| Prepayments and accrued income | 42,949 | 14,939 |
| Other debtors | 16,992 | 52,838 |
| Other taxes and social security | 115,506 | 81,895 |
| VAT recoverable | 54,629 | 4,407 |
| | 962,044 | 240,505 |

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 (2016: £nil). Details of debts past due but not impaired are given in note 22.

## 11. CASH AND CASH EQUIVALENTS

| | 2017 £ | 2016 £ |
|---|---|---|
| Short term bank deposits | 3,678,383 | 1,532,341 |

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

## 12. TRADE AND OTHER PAYABLES

| | 2017 £ | 2016 £ |
|---|---|---|
| Current: | | |
| Trade payables | 1,558,279 | 120,758 |
| Other payables | 66,389 | 40,894 |
| Other taxes and social security | 11,836 | – |
| Accruals and deferred income | 367,997 | 803,634 |
| | 2,004,501 | 965,286 |

Included in accruals is an amount of £nil (2016: £570,462), being minimum royalties due to University of Massachusetts Medical School (‘UMMS’) under the licence agreement Eden signed with UMMS in 2011. In 2017, the Company successfully re-negotiated certain terms of the licence agreement and, as such, the full amount previously accrued was written off. Future royalty amounts will be accrued for as they become payable. The Company paid a licence amendment fee of £187,781 to UMMS in respect of the renegotiation which is shown in the Income Statement. The release of the accrual is shown on the Income Statement as an Exceptional Royalties Refund of £570,462.

| | 2017 £ | 2016 £ |
|---|---|---|
| Non-current: | | |
| Other creditors | 67,462 | 67,462 |
| Aggregate amounts | 2,071,963 | 1,032,748 |

The Directors consider that the carrying value of trade and other payables approximates to their fair value. See note 22 for disclosure of the amount of trade payables denominated in foreign currency. See Directors’ Report for disclosure of the average credit period taken.

## 13. LEASING AGREEMENTS

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

| | 2017 £ | 2016 £ |
|---|---|---|
| Between one and five years | 35,000 | – |
| | 35,000 | – |

## 14. FINANCIAL ASSETS AND LIABILITIES

| | Note | 2017 £ | 2016 £ |
|---|---|---|---|
| **Financial assets at amortised cost** | | | |
| Other receivables | 10 | 962,044 | 240,505 |
| Cash and cash equivalents | 11 | 3,678,383 | 1,532,341 |
| | | 4,640,427 | 1,772,846 |
| **Financial liabilities measured at amortised cost** | | | |
| Current: | | | |
| Trade and other payables | 12 | 1,558,279 | 1,032,748 |
| | | 1,558,279 | 1,032,748 |

## 15. CALLED UP SHARE CAPITAL

| Number: | Class: | Nominal value: | 2017 £ | 2016 £ |
|---|---|---|---|---|
| 207,064,337 (2016: 184,654,119) | Ordinary | 0.01 | 2,070,643 | 1,846,542 |

**Alloted,issued and fully paid**

| Number: | Class: | Nominal value: | 2017 £ | 2016 £ |
|---|---|---|---|---|
| 207,064,337 (2016: 184,654,119) | Ordinary | 0.01 | 2,070,643 | 1,846,542 |

On 30 September 2017, the Company issued 22,410,218 ordinary shares at 10.7p each for a total consideration of £2,397,893. Share issue costs of £35,250 were incurred and have been charged to the share premium account as detailed in note 16.

The number of £0.01 ordinary shares issued in the year totalled 22,410,218 (2016: 25,895,854).

| Date | Number of ordinary shares | Aggregate nominal value £ | Issue Price £ | Premium on issue £ | Total share premium £ |
|---|---|---|---|---|---|
| 30/06/2017 | 22,410,218 | 224,101 | 0.107 | 0.097 | 2,173,792 |
| | | 224,101 | | | 2,173,792 |

# Notes to the Financial Statements continued

For the year ended 31 December 2017

## 16. RESERVES

| | Retained losses £ | Share premium £ | Merger reserve £ | Warrant reserve £ | Totals £ |
|---|---|---|---|---|---|
| At 1 January 2017 | (35,047,427) | 29,139,654 | 10,209,673 | 614,713 | 4,916,613 |
| Deficit for the year | (639,093) | – | – | – | (639,093) |
| Cash share issue | – | 2,173,792 | – | – | 2,173,792 |
| Share issue costs | – | (35,250) | – | – | (35,250) |
| Transfer to other reserves | – | – | – | – | – |
| Options granted | – | – | – | 27,210 | 27,210 |
| Options exercised/lapsed | 49,428 | – | – | (49,428) | – |
| At 31 December 2017 | (35,637,092) | 31,278,196 | 10,209,673 | 592,495 | 6,443,272 |

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.

## 17. RECONCILIATION OF LOSS FOR THE YEAR TO CASH FROM/USED BY OPERATIONS

| | 2017 £ | 2016 £ |
|---|---|---|
| Loss for the year | (639,093) | (1,831,092) |
| Share of associate’s losses | 6,289 | 12,418 |
| Depreciation charges | 750,210 | 680,349 |
| Share based payment charge | 27,210 | 129,707 |
| Finance costs | 1,239 | 15,483 |
| Finance income | (25,437) | (1,278) |
| Tax credit | (123,836) | (81,895) |
| | (3,418) | (1,076,308) |
| Increase in trade and other receivables | (606,033) | (76,089) |
| Increase in trade and other payables | 1,039,215 | 280,196 |
| Increase in stock | (206,814) | – |
| **Cash from/(used by) operations** | 222,950 | (872,201) |

## 18. CAPITAL COMMITMENTS

The Company had no capital commitments at 31 December 2017 (2016: £nil).

## 19. 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 a percentage of the value of the Company at a future date. This has been accounted for as a cash-settled share-based payment under IFRS 2.

An amount of £67,462, being the estimated fair value of the liability due to Xinova, was recognised during 2016 and included as a non-current liability, as disclosed in note 12 to the accounts. It is not believed that the value of the services provided by Xinova can be reliably measured, and so this amount was calculated based on the Company's market capitalisation at 31 December 2016, adjusted to reflect the percentage of work completed by Xinova at that date based on a pre-determined schedule of tasks.

No further charge was made during the year as no services were rendered by Xinova which would give rise to a further payment becoming due.

The fair value of the liability has been reviewed at the balance sheet date, given the change in the Company's market capitalisation, and it is deemed that no adjustment is required. Therefore, the liability of £67,462 continues to be recognised.

## 20. 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 3.

Transactions with other related parties are set out below:

During the year, Eden invoiced its associate, TerpeneTech, £14,750 for licence fees (2016: £14,368).

Also during the year, Eden received net amounts on behalf of TerpeneTech totalling £71,302 (2016: made net payments of £13,923).

At the year end, an amount of £36,597 was owed to TerpeneTech (2016: £2,490). This amount is included within Other Payables.

# Notes to the Financial Statements continued

For the year ended 31 December 2017

## 21. SHARE-BASED PAYMENT TRANSACTIONS

### Share Options

#### Unapproved option scheme

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

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Weighted average exercise price (pence) | Number | Weighted average exercise price (pence) | Number |
| Outstanding at the beginning of the year | 11 | 5,025,000 | 11 | 6,075,000 |
| Granted during the year | – | – | 13 | 2,050,000 |
| Exercised during the year | – | – | 13 | (350,000) |
| Lapsed during the year | – | – | 13 | (2,750,000) |
| | 11 | 5,025,000 | 11 | 5,025,000 |

The exercise price of options outstanding at the end of the year ranged between 8p and 16p (2016: 8p and 16p) and their weighted average contractual life was 1.5 years (2016: 2.1 years). None of the options have vesting conditions.

The share-based payment charge in respect of the unapproved option scheme for the year was £nil (2016: £129,707). The weighted average fair value of each option granted during 2017 was £nil (2016: 13p).

#### Long-Term Incentive Plan ('LTIP')

Eden Research Plc operates an unapproved option scheme for Executive Directors, senior management and certain employees under a LTIP which it adopted in the year.

During the year, the following options were granted under the LTIP:

| Description | Date of grant | Number of awards granted | Fair value per award £ | Total fair value £ |
|---|---|---|---|---|
| 2015 awards | 28/09/2017 | 1,908,680 | 0.0601 | 114,712 |
| 2016 awards | 28/09/2017 | 2,108,000 | 0.0461 | 97,179 |
| | | 4,016,680 | | 211,891 |

The share-based payment charge for the year ended 31 December 2017 and subsequent years is set out as follows:

| Financial year ended 31 December | Share based payment charge £ |
|---|---|
| 2017 | 27,210 |
| 2018 | 85,372 |
| 2019 | 75,108 |
| 2020 | 24,201 |
| | 211,891 |

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

| | 2015 Award | 2016 Award |
|---|---|---|
| Grant date | 28/09/17 | 28/09/17 |
| Number of awards | 1,908,680 | 2,108,000 |
| Share price | £0.125 | £0.125 |
| Exercise price | £nil | £nil |
| Expected dividend yield | –% | –% |
| Expected volatility | 73.20% | 73.20% |
| Risk free rate | 0.80% | 0.80% |
| Vesting period | 2 years | 3 years |
| Expected Life (from date of grant) | 10 years | 10 years |

For those options and warrants which were not granted under the Company's LTIP, 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.

For those options which were granted under the Company's LTIP, Monte Carlo techniques were used to simulate future share price movements of the Company to assess the likelihood of the performance criteria being met and the fair value of the awards upon vesting. The modelling calculates many scenarios in order to estimate the overall fair value based on the average value where awards vest.

## Warrants

| | 2017 | | 2016 | |
|---|---|---|---|---|
| Weighted average exercise price (pence) | Weighted average exercise price (pence) | Number | Weighted average exercise price (pence) | Number |
| Outstanding at the beginning of the year | 14 | 5,497,867 | 14 | 5,677,867 |
| Granted during the year | – | – | – | – |
| Exercised during the year | – | – | 13 | (180,000) |
| Lapsed during the year | – | (2,147,867) | – | – |
| | 14 | 3,350,000 | 14 | 5,497,867 |

The exercise price of warrants outstanding at the end of the year ranged between 11p and 30p (2016: 11p and 30p) and their weighted average contractual life was 1.9 years (2016: 2.6 years). None of the warrants have vesting conditions.

The share based payment charge for the year was £nil (2016: £nil). The weighted average fair value of each warrant granted during the year was £nil (2016: £nil).

# Notes to the Financial Statements continued

For the year ended 31 December 2017

## 22. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

### Credit risk

| | 2017<br>£ | 2016<br>£ |
|---|---|---|
| Cash and cash equivalents | 3,678,383 | 1,532,341 |
| Trade receivables | 731,968 | 86,426 |
| | 4,410,351 | 1,618,767 |

The average credit period for sales of goods and services is 145 days. No interest is charged on overdue trade receivables. At 31 December 2017 trade receivables of £195,404 (2016: £74,340) were past due. During the year the Company wrote off bad debts in the amount of £nil (2016: £34,138).

Trade receivables of £683,984 (2016: £40,724) at the reporting date are held in Euros and £47,984 (2016: £47,984) 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

| | 2017<br>£ | 2016<br>£ |
|---|---|---|
| Trade payables | 1,558,279 | 120,758 |
| Other payables | 66,389 | 40,894 |
| Other taxes and social security | 11,836 | – |
| Accruals and deferred income | 367,997 | 803,634 |
| | 2,004,501 | 965,286 |

The carrying amount of trade payables approximates to fair value.

The average credit period on purchases of goods is 173 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.

| | 2017<br>£ | 2016<br>£ |
|---|---|---|
| US Dollars | 448,609 | 681,054 |
| Euros | 916,887 | 18,660 |
| Swiss Francs | – | 1,274 |
| | 1,365,496 | 700,988 |

## Liquidity risk

The interest rate profile of the Company's financial liabilities at 31 December 2017 was:

| | Total £ | Fixed rate financial liabilities £ | Financial liabilities on which no interest is paid £ |
|---|---|---|---|
| **Sterling** | | | |
| 2017 | 706,467 | – | 706,467 |
| 2016 | 331,760 | – | 331,760 |
| **Euro** | | | |
| 2017 | 916,887 | – | 916,887 |
| 2016 | 18,660 | – | 18,660 |
| **US Dollar** | | | |
| 2017 | 448,609 | – | 448,609 |
| 2016 | 681,054 | – | 681,054 |
| **Swiss Franc** | | | |
| 2017 | – | – | – |
| 2016 | 1,274 | – | 1,274 |

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

## Maturity of financial liabilities

The maturity profile of the Company's financial liabilities at 31 December 2017 was as follows:

| | 2017 £ | 2016 £ |
|---|---|---|
| In one year or less, or on demand | 2,004,501 | 965,286 |
| Over one year | 67,462 | 67,462 |
| | 2,071,963 | 1,032,748 |

Liquidity risk is managed by regular monitoring of the Company's levels of cash and cash equivalents, debtor and creditor management and expected future cash flows. See note 1 for further details on the going concern position of the Company.

# Notes to the Financial Statements continued

For the year ended 31 December 2017

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

### 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 2017 and 31 December 2016.

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% (2016: 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.

## 23. DEFINED CONTRIBUTION PLANS

The Company operates a defined contribution pension plan.

The total expense relating to these plans in the current year was £10,804 (2016: £4,218).

# Company Information

For the year ended 31 December 2017

## DIRECTORS:

A J Abrey

R J S Cridland

T G Lupton (Retired 31 December 2017)

S M Smith

L J van der Broek (appointed 1 October 2017)

## SECRETARY:

A J Abrey

## REGISTERED OFFICE:

6 Priory Court
Priory Court Business Park
Poulton
Cirencester
Gloucestershire
GL7 5JB

## REGISTERED NUMBER:

**03071324 (England and Wales)**

## INDEPENDENT AUDITORS:

**KPMG LLP (UK)**
66 Queen Square
Bristol
BS1 4BE

## BANKERS:

**The Royal Bank of Scotland Plc**
Southern Corporate Office
P O Box 391
40 Islington High Street
London
N1 8JX

## SOLICITORS:

**DAC Beachcroft LLP**
100 Fetter Lane
London
EC4A 1BN

## NOMAD AND STOCKBROKER:

**Shore Capital Stockbrokers Limited**
Bond House, 14 Clifford Street
London
WS1 4JU

MIX
Paper from responsible sources
FSC www.fsc.org
FSC® C022913

Designed and produced by emperor
Visit us at emperor.works

**Eden Research plc**

6 Priory Court
Priory Court Business Park
Poulton
Cirencester
Gloucestershire
GL7 5JB
www.edenresearch.com