



EDEN

THE NATURAL SOLUTION

EDEN RESEARCH PLC

ANNUAL REPORT 2018



# EDEN IS THE ONLY UK LISTED COMPANY FOCUSED ON BIOPESTICIDES FOR SUSTAINABLE AGRICULTURE.

Globally, Eden is one of few biocontrol companies with proven products and regulatory authorisation in multiple countries.



CROP PROTECTION



ANIMAL HEALTH



CONSUMER PRODUCTS

Revenue

£2.8m

(2017: £1.9m)

Upfront and milestone payments

£1.2m

(2017: £1.1m)

Operating loss

£0.5m

(2017: loss £0.8m)

Operating profit\*

£0.02m

(2017: loss £0.6m)

\* before non-cash share based payment charge, amortisation and royalties refund



Product sales increased 112%

£1.6m

(2017: £0.8m)

WE HAVE INTELLECTUAL PROPERTY AND EXPERTISE IN PLANT-DERIVED SUSTAINABLE CHEMISTRY, MICROENCAPSULATION AND FORMULATION TECHNOLOGIES.



For more information see **pages VIII to IX**

## CONTENTS

### Company Overview

At a Glance	II
Our Vision	IV
Our Markets	VI
Our Products	VIII
Our Business Model	X
Our Strategy	XII

### Annual Report and Financial Statements

Chairman's Report	02
Chief Executive Officer's Report	04
Strategic Report	10

### Governance

Corporate Governance Report	12
Remuneration Report	23
Audit Committee Report	26
Report of the Directors	28

### Financial Statements

Independent Auditor's Report	30
Statement of Profit or Loss and Other Comprehensive Income	34
Statement of Financial Position	35
Statement of Changes in Equity	36
Statement of Cash Flows	37
Notes to the Financial Statements	38
Company Information	63



See our website for the latest information

[www.edenresearch.com](http://www.edenresearch.com)

## AT A GLANCE

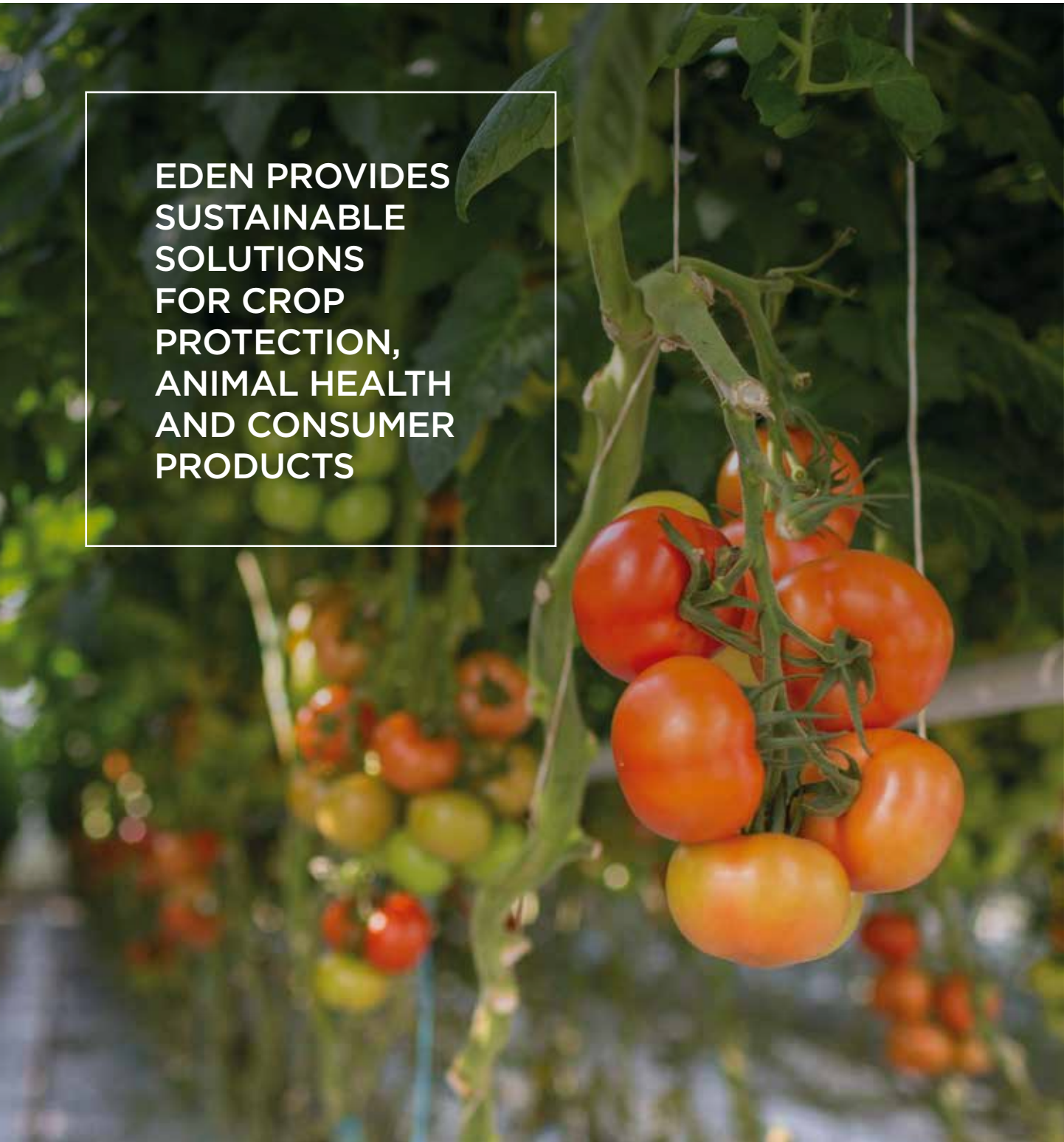
### OUR BUSINESS

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.



**EDEN PROVIDES  
SUSTAINABLE  
SOLUTIONS  
FOR CROP  
PROTECTION,  
ANIMAL HEALTH  
AND CONSUMER  
PRODUCTS**



10

new local distributorships in 2018

110

granted and pending patents

£14m

invested in IP & registrations

29

countries with pending registration applications

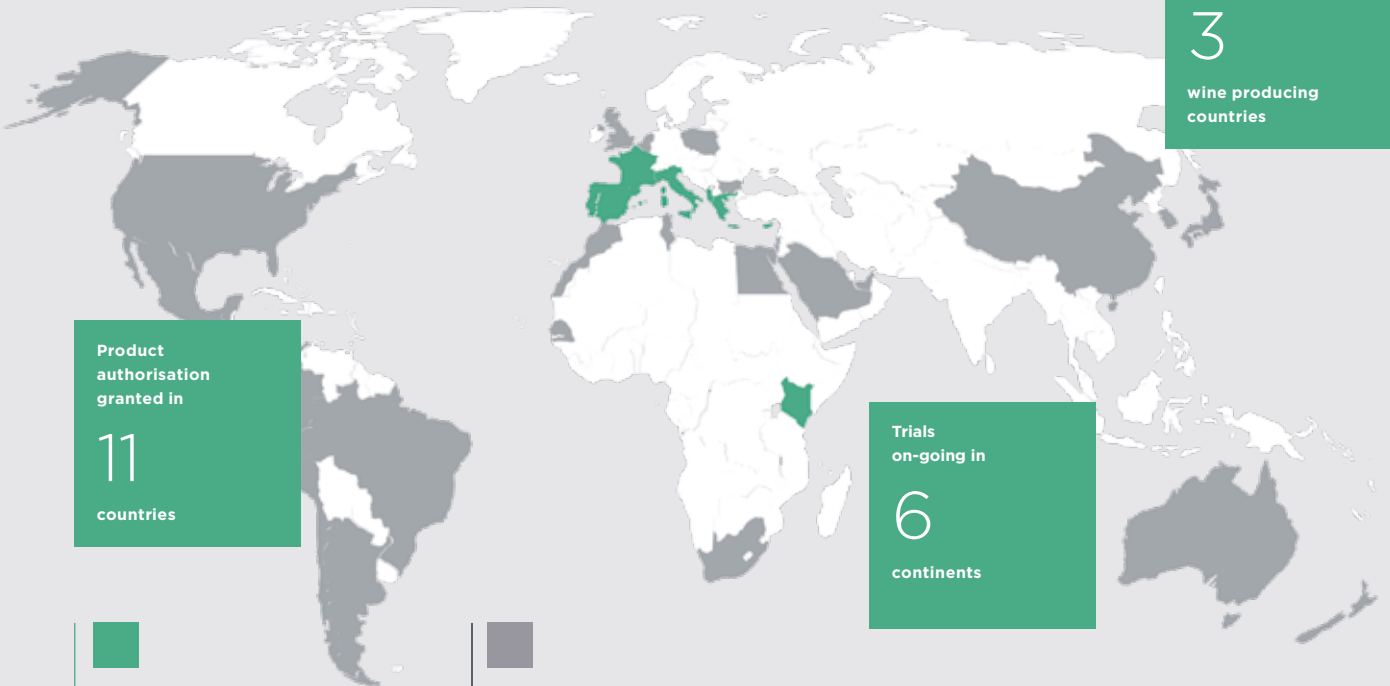
55

countries with IP protection

11

countries have granted product authorisation

OUR GEOGRAPHIC FOOTPRINT



Where we are now

Product sales have commenced in key markets where we have **authorisation to market** and sell our first product, Mevalone.

New partnerships and regulatory activity

Eden has **regulatory clearance** for its first product in multiple countries with approval expected for its second product in 2019.



For more information See pages XII to XIII

OUR COMMERCIAL PARTNERS



For more information See pages 4 to 6

## OUR VISION

OUR VISION IS TO  
BE THE LEADER IN  
SUSTAINABLE BIOACTIVE  
PRODUCTS ENABLED OR  
ENHANCED BY OUR NOVEL  
ENCAPSULATION AND  
DELIVERY TECHNOLOGIES



### 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 many countries

Ability to compete with synthetic pesticides on performance, ease of use and cost



For more information [See pages VI to VII](#)



### 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



For more information [See page VIII](#)



### CLEAR COMMERCIAL PROGRESS

Product sales continue to progress well with expansion into new markets

Solid commercial pipeline

Regulatory clearance for product sales across multiple countries with further applications pending

Commercial and development collaborations with multiple 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, maintaining a low overhead base



### TRAJECTORY OF FINANCIAL GROWTH

Increased revenue generation from product sales

Strategic investment from one of our commercial partners

A strong balance sheet following the exercise of options on commercial rights by Sipcam

## OUR MARKETS



**SIGNIFICANT  
MARKET  
POTENTIAL**

**BIO-NEMATOCIDES ARE A RAPIDLY  
GROWING SEGMENT OF THE  
OVERALL NEMATOCIDE MARKET  
WITH AN ESTIMATED SHARE OF**

**16%**

The dominant molluscicide approved for use in the EU is metaldehyde. The UK banned metaldehyde in late 2018. AHDB estimates that a lack of slug control products will cost UK agriculture

**£100m**

per year!

The re-registration of copper-based products as fungicides was approved in the EU but a

**33%**

reduction in use limit was imposed

### A GROWING GLOBAL MARKET

The global biopesticides market is projected to be worth more than

**\$8.8bn**

by 2022

The biopesticides market is growing at a CAGR of approximately

**17%**

per annum

Animal health market value estimated to exceed

**\$33bn**

by 2020



## SIGNIFICANT MARKET OPPORTUNITIES

### HIGH DEMAND FOR SUSTAINABLE PRODUCTS THAT CAN COMPETE WITH CONVENTIONAL PRODUCTS ON EASE-OF-USE, EFFICACY, SAFETY, COST AND RELIABILITY

- Ongoing pressure on the conventional pesticides market, which is subject to increased scrutiny and regulatory pressures **contributing to significant disruption of the crop protection industry**
- Major product withdrawals across all segments of the conventional crop protection industry are having a significant impact on growers leaving them with lower yields and declining productivity
- Increasing time and cost of bringing new conventional chemical products to market: **12 years** and around **\$300 million**
- Significantly lower costs of bringing biopesticides to market – around **\$25-50 million**
- Significant barriers to entry
- New EU rules have prohibited any substance identified as an Endocrine Disruptor from being used in plant protection products. The new rules will nonetheless have an impact upon the availability of several important insecticides and fungicides

## CROP PROTECTION MARKET

### CONVENTIONAL CROP PROTECTION PRODUCTS FACE MAJOR CHALLENGES SUCH AS:

#### CONSUMER CONCERNS OVER FOOD SAFETY

#### INCREASINGLY CHALLENGING REGULATORY REQUIREMENTS

#### FARMERS SEEKING EFFECTIVE ALTERNATIVES



Neonicotinoid insecticides were worth \$3.1 billion globally but are now facing withdrawal in Europe and elsewhere

Conventional crop protection products formulated with Sustaine and Eden's active ingredients can help address many of these issues

### COMPANIES WHOSE PRODUCTS FIT THE 'NEW REALITY' AND ENABLE A MORE SUSTAINABLE AGRICULTURE WILL BENEFIT FROM THE DISRUPTION CAUSED BY STRICT REGULATION AND WILL BE THE NEW INDUSTRY LEADERS IN YEARS TO COME

Eden's proven addressable market today

**\$1.2bn**

Tomorrow, Eden's addressable market grows to more than

**\$4bn**

not including Sustaine-related opportunities

The global crop protection market is valued at approx.

**\$58bn**

in 2017

## OUR PRODUCTS

### INDUSTRY APPLICATIONS

We work globally through multi-national and local partnerships to develop and launch solutions for challenges facing **three key industries**.



#### CROP PROTECTION

- Foliar disease & insect control
- Open field & greenhouses
- Soil pests
- Post harvest shelf-life extension



#### ANIMAL HEALTH

- Shampoos
- Conditioners
- Skin disease control
- Odour controls
- Flea & tick control



#### CONSUMER PRODUCTS

- Head-lice treatments
- Deodorants
- Odour neutralisers
- Fragrances

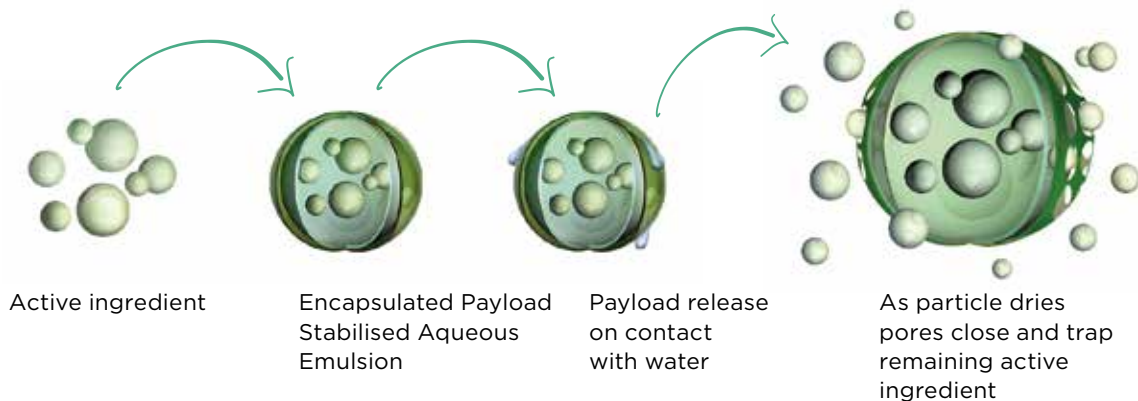


#### UNIQUE TECHNOLOGY

Eden's products serve as sustainable alternatives to conventional chemicals without limitations such as residue limits, disease and pest resistance, pre-harvest intervals, long field re-entry periods or increasing restrictions on use.

### WE HAVE DEVELOPED A NATURAL FORMULATION TECHNOLOGY, SUSTAINÉ™

Particles are derived from **natural yeast cells**. Sustainé encapsulates active ingredients and provides for the **sustained release** of these ingredients enabling their **safe, more efficient use**.



COST EFFECTIVE

USEFUL ACROSS A WIDE RANGE OF ACTIVE INGREDIENTS

VERSATILE AND ROBUST

NATURAL AND SUSTAINABLE

SIMPLY PROCESSED AND USED WITH STANDARD EQUIPMENT



**OUR PRODUCT FOCUS**

Our focus is on crop protection, developing products based on sustainable chemistries to protect high-value crops from pests and disease, with equal or better performance when compared with conventional pesticides.

Critically, our products are exempt from pesticide residue limits and can be used up to the point of harvest giving growers reduced risk, maximum flexibility and security.



**FUNGICIDES**

Botrytis, powdery mildew, downy mildew



**NEMATICIDES**

Root knot nematodes



**INSECTICIDES**

Mites and white flies



**MOLLUSCICIDES**

Slug and snail control

**PRODUCTS INCLUDE:**



**MEVALONE**

**CEDROZ™**



**Residue-free crops command a higher value and have a significant commercial advantage in the valuable export markets.**

**Ownership** of the patents behind the Sustaine encapsulation technology

**Significant investment** in patent protection and the registration of new actives

**Proven efficacy** with strong commercial validation by farmers and our partners

**Scope** to exploit the core technologies beyond existing markets and products

Our products harness the biocidal activity of naturally occurring molecules produced by plants as part of their defence systems.

**These active ingredients are known as terpenes.**

Our biopesticides, formulated with Sustaine, add value compared to conventional pesticides by:

**Enabling sustained delivery**, increasing residual efficacy and reducing use rates

**Tackling resistance build-up**

**Protecting plants** from potentially damaging chemicals

**Allowing solvent-free, stable formulations** with high loadings of active ingredients

**Naturally binding to plant and animal surfaces** improving efficacy and retention

**Providing flexible formulation options**

Exemption from **maximum residue levels**

**Low or no pre-harvest intervals** giving growers maximum flexibility, security and control

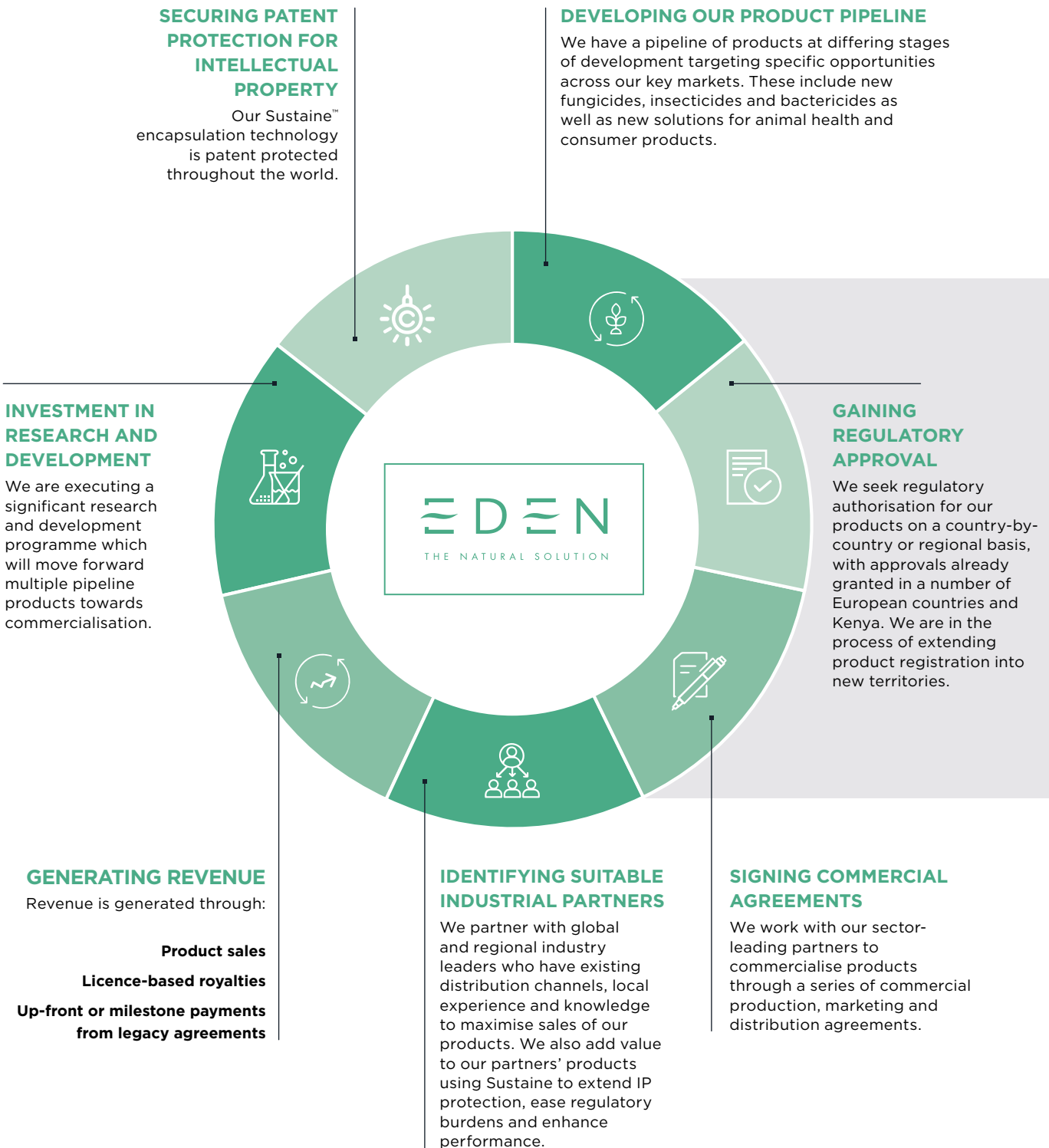


## OUR BUSINESS MODEL

### WHAT WE DO

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

### HOW WE DO IT





## THE VALUE THIS CREATES

### EDEN IS LEVERAGING TWO TECHNOLOGY PLATFORMS IN ORDER TO PROVIDE SUSTAINABLE SOLUTIONS TO CHALLENGES IN CROP PROTECTION, ANIMAL HEALTH AND CONSUMER PRODUCTS.

The company has built a strong portfolio of IP rights and know-how as well as a growing register of national product authorisations granting access to key markets globally for its customers and partners. Sustainability drives all that we do in the development of our products, business, partnerships and team.



#### FOR CUSTOMERS

We provide customers in the crop protection, animal health and consumer products sectors with sustainable, cost-efficient and effective 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



#### 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



## 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.



#### STABLE FINANCIAL BASE AND REVENUE GROWTH



#### PRODUCT DEVELOPMENT



#### GEOGRAPHIC EXPANSION

### WE WILL ACHIEVE THIS BY

Continuing to evolve our business model to focus primarily on product sales

Signing further agreements with industry partners to commercialise products

Ensuring a well-funded balance sheet

Growing a diverse product development pipeline

Further developing the encapsulation technology for new applications

Investing in patents for new market opportunities

Building our internal technical resources in terms of capability and capacity

Targeting new geographies where there is a demand for sustainable solutions

Extending registrations for product authorisation into new territories

Investing in patent protection for our intellectual property in new territories

Identifying suitable industrial partners with access to new geographies and customers

### KEY ACHIEVEMENTS IN 2018

£2.8m revenue (2017: £1.9m)

£1.6m product sales revenue (2017: £0.8m)

£1.2 m upfront and milestone payments (2017: £1.1m)

Operating profit\* of £0.02m (2017: loss £0.6m)

Successful positioning of Mevalone as an early-season treatment contributing to product sales growth of 112%

Further development of the encapsulation technology (Sustaine) with existing and new partners

Regulatory trials supporting label extensions on crops and authorisation in Central Europe

Sipcam-Oxon appointed as exclusive distributor for Mevalone in 10 new territories including USA, Brazil, China and Japan

Submission of the first applications for the regulatory approval of Mevalone in Australia and the USA with more applications nearing submission

\* before non-cash share-based payment charge, amortisation and royalties refund





**CLEAR  
COMMERCIAL  
PROGRESS**

## **PRODUCT SALES CONTINUE TO PROGRESS WELL WITH EXPANSION INTO NEW MARKETS**

**Solid commercial pipeline**  
Regulatory clearance for  
product sales across multiple  
countries with applications  
pending in 29 new countries  
**Commercial and collaborative  
partnerships**

**Significant investment in  
commercialisation by key  
partners including Eastman  
& Sipcam**

**Key crops growing from one  
to more than ten in the next  
three years**

**Sales on two continents today**  
- expanding to five in the  
coming years  
- a flexible, low overhead base





**SKILLED AND  
EXPERIENCED  
PROFESSIONALS**

## **STRONG BOARD AND MANAGEMENT TEAM**

**Wealth of experience in the agriculture, consumer products and animal health sectors globally**

**Outsourcing of some functions to maintain a flexible, low overhead base**

**Expansion of the core team in 2019**



**TRAJECTORY  
OF FINANCIAL  
GROWTH**

## **STRENGTHENING OUR FINANCIAL POSITION**

**Increased revenue generation from product sales**

**Market forecasts met in the last two financial years**

**Significant investment by key partners**

**Robust balance sheet and cash position**



# ANNUAL REPORT AND FINANCIAL STATEMENTS

Chairman's Report	02
Chief Executive Officer's Report	04
Strategic Report	10
<b>Governance</b>	
Corporate Governance Report	12
Remuneration Report	23
Audit Committee Report	26
Report of the Directors	28
<b>Financial Statements</b>	
Independent Auditor's Report	30
Statement of Profit or Loss and Other Comprehensive Income	34
Statement of Financial Position	35
Statement of Changes in Equity	36
Statement of Cash Flows	37
Notes to the Financial Statements	38
Company Information	63



## CHAIRMAN'S REPORT

For the year ended 31 December 2018



### INTRODUCTION

**I'm pleased to report that 2018 has been a year of further growth for Eden, building on the firm foundations laid by the Company over a number of years. Overall revenue and, importantly, product sales have seen significant growth and, in the background, regulatory activity, which is key to future product sales expansion, has also increased.**

Whilst the financial results for 2018 are again pleasing, there is a lot of upside potential which the Company aims to realise. There are a number of products, in addition to Mevalone and Cedroz which Eden is in the advanced stages of developing. The new products in the Company's pipeline aim to address markets which are potentially bigger than those already covered by its existing products and are creating a healthy pipeline of growth opportunities for Eden.

There is potential for an even greater opportunity around the use of Eden's proprietary, natural micro-encapsulation technology, Sustaine™, which is being tested by a number of third parties, including some of the major agchem companies.

## 2018 HAS BEEN A YEAR OF FURTHER GROWTH FOR EDEN, BUILDING ON THE FIRM FOUNDATIONS LAID BY THE COMPANY OVER A NUMBER OF YEARS.

All of these opportunities are being progressed as quickly as possible and are, as a whole, showing promising potential.

### COMMERCIAL

During the year some important commercial milestones were achieved by the Company.

In June, we announced that the submission for Mevalone, Cedroz and three active ingredients had been made to the Environmental Protection Agency to seek marketing authorisation in the USA. The agchem market in the US is a large part of the global agchem market and, as such, presents a potentially valuable opportunity to Eden for Mevalone and Cedroz, as well as future products.

In October, TerpeneTech, Eden's associate company, received regulatory clearance to sell its head-lice product in the European Economic Area. The commercial launch of this product is expected in 2019 and shows the diversity of Eden's Sustaine technology.

A further significant milestone for Eden was realised in December when it was announced that Sipcam had exercised its option to become the exclusive distributor for Mevalone in ten additional countries, for which it paid a fee of €0.9m. Sipcam has proven itself to be a reliable partner in Spain and Italy and so we are very pleased to see our relationship grow.

### BOARD COMPOSITION

During the year, the Board of Directors comprised:

- **Alex Abrey**  
Chief Financial Officer
- **Robin Cridland**  
Non-executive Director
- **Sean Smith**  
Chief Executive Officer
- **Lykele van der Broek**  
Non-executive Chairman

### OUTLOOK

From my time at Bayer CropScience, I know that the development of new chemistries and products takes time.

Not only do you have to ensure the formulations are the best they can be, having spent years identifying possible active ingredients, you then have to confirm the expected activity of those formulations through laboratory, greenhouse and then field trials to ensure that the efficacy is satisfactory. If this is so, you can then move onto the regulatory approval process and, finally, the production and commercialisation stage, assuming approval has been granted.

This is a simplistic overview of what is, in reality, a very complex, detailed and, at times, challenging process that agchem companies have to go through all of the time.

Although the same is true for Eden, I can assure our shareholders that we are a long way down that path with a number of new, competitive bio-pesticide products in a market which is growing considerably, year-on-year.

Due to the positive safety profiles of the active ingredients we use, with Maximum Residue Level ('MRL') exemption status for all three of our active ingredients in the European Union and our natural Sustaine technology, we are able to move relatively quickly to commercialisation based on the significant amount of work that has been done thus far.

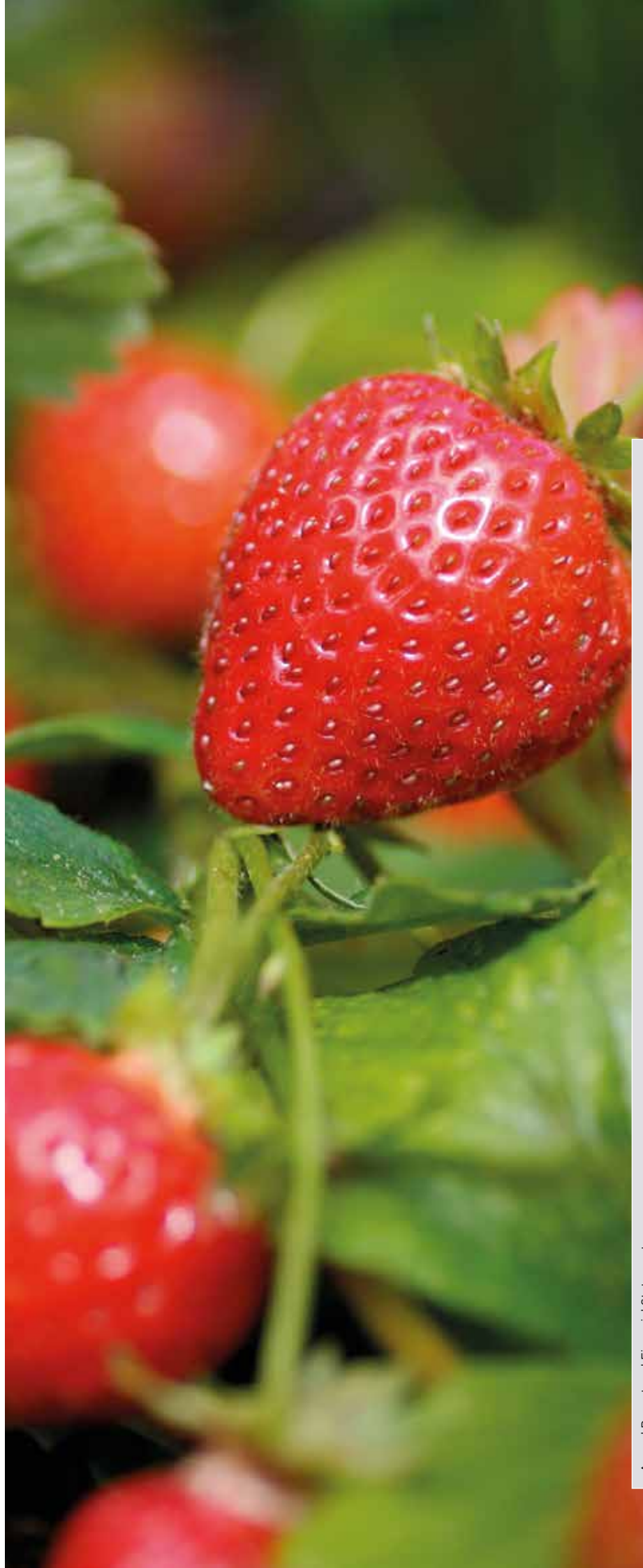
Expediting the commercialisation of our products and those which will benefit from Sustaine is now our main priority.

In line with the current commercial and regulatory status of the business, we aim to ensure the long-term viability and growth of the Company is duly achieved. I personally believe that Eden will continue to grow as a leader in its fields and will become a global success story in the industry.

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

1 April 2019

**THERE IS  
POTENTIAL FOR  
AN EVEN GREATER  
OPPORTUNITY  
AROUND THE USE OF  
EDEN'S PROPRIETARY,  
NATURAL MICRO-  
ENCAPSULATION  
TECHNOLOGY,  
SUSTAINÉ™**





## CHIEF EXECUTIVE OFFICER'S REPORT

For the year ended 31 December 2018

### FINANCIAL RESULTS

**Product sales increased 112%**

£1.6m

(2017: £0.8m)

**Revenue**

£2.8m

(2017: £1.9m)

Revenue for the year was £2.8m compared to £1.9m in 2017 with product sales increasing by 112% to £1.6m from £0.8m in 2017.

Overheads were £1.5m, compared to £1.4m in 2017 and Operating Loss was £0.5m compared to a loss of £0.8m in 2017. As a result of a change agreed with our auditors in the amortisation schedule for intellectual property from 6 years to 12 years, loss before tax and operating loss have both been reduced by c.£0.5m from the previously announced figure.

### OVERVIEW

**Eden continues to make good progress in both the development of product sales and overall revenue growth. Product sales more than doubled in the period, whilst overall revenue grew by nearly 50%. Product sales growth was driven by increases in market share as well as improvements to product positioning in key countries. This was achieved despite the fact that 2018 was not a year that favoured the use of fungicides across Southern Europe due to the dry weather conditions.**

In 2018, the Company realised the benefits of a number of collaborations initiated over the past four years, with the highlight being Sipcam's election to exercise its full rights to Mevalone under the 2017 Evaluation and Option Agreement. Progress with Eden's second product, Cedroz, which will be marketed by Eastman in nearly 30 countries globally, continues apace, as exemplified by the Company's recent announcement that this important new product has cleared its first meaningful regulatory hurdle.



In 2019, **growth is expected to continue** from our existing commercial and regulatory platform.





## EDEN CONTINUES TO MAKE GOOD PROGRESS IN BOTH THE DEVELOPMENT OF PRODUCT SALES AND OVERALL REVENUE GROWTH.

In 2019, growth is expected to continue from our existing commercial and regulatory platform, whilst we anticipate that new territories will be added to the list of countries in which Eden products are authorised for sale and use. Furthermore, we expect the growth of our distributor network and increasing collaboration around the use of Sustaine, Eden's patented micro-encapsulation system to continue.

### SALES AND MARKET DEVELOPMENT

In 2018, Eden saw strong growth of its first product, Mevalone, across Southern Europe where the product is authorised for marketing and use on grapes and a list of other high value fruits and vegetables. Mevalone was initially developed for use on table and wine grapes for the treatment of botrytis, a fungal disease which can have devastating effects on crop production and quality, and in recent years our partners have been working to broaden the number of crops on which Mevalone can be used. Year-on-year sales growth was strong despite growing conditions during the season not favouring the use of fungicides. This growth, in part, reflected an optimisation of product positioning by our partners in several countries.

The early part of the growing season is important in establishing the potential for botrytis to develop during the peak risk period (typically in September) when cooler and wetter weather is prevalent. However, until this year, and since the first launch of Mevalone in late 2016, Mevalone

has been positioned mainly as a late season botryticide based upon its favourable risk profile, performance, exemption from maximum residue levels and low pre-harvest intervals. This means that, unless there is an outbreak of this disease late in the season, sales are likely to be modest as growers are reluctant to apply products that they perceive as unnecessary (as would be the case in the absence of disease). However, in conjunction with our partners, we are pleased with our first efforts to position Mevalone in the early part of the season this year as a treatment that is effective in reducing the potential for the later stage development of botrytis.

Early season applications act as an insurance policy for growers and provide for more predictable sales for Eden and our partners. This positioning is backed by data which has been developed by our partners working with leading academic experts in the field of plant pathology. This has been translated into strong early season sales in the territories in which this positioning was initiated in 2018. We anticipate a broadening of this product positioning in 2019 and beyond, as we are able to support early season applications with territory specific performance data.

Mevalone is also approved for use in Kenya, where it is marketed as 'Hawk' for the treatment of botrytis on flowers and a number of additional crops. Market conditions in Kenya remain challenging, but there is an opportunity to improve our

market share in the country and to explore how we might grow our business in the region. Furthermore, we believe that there is also the opportunity to commercialise Eden's nematocide in Kenya, and efforts are underway to realise this potential as quickly as possible.

Given the current footprint of approvals for Eden's products, which is currently limited to the treatment of botrytis on grapes and a variety of additional crops in the EU's Southern Zone and in Kenya, sales progress has met our expectations during the year. We expect to see an increase in product sales volumes in the years to come as our market share grows and changes in product positioning ensures more frequent treatments using Mevalone. The full extent of this increase will be closely linked to the end-of-season weather patterns and their impact on the emergence of botrytis in the late pre-harvest period.

As authorisations in new territories are granted, we expect a further strengthening of Mevalone sales and a reduced dependency upon regional weather patterns and the seasonality associated with sales being limited to the northern hemisphere. Similarly, further sales gains are expected as we expand the 'label' for Mevalone to include major new disease and crop targets. Applications for authorisation and use are pending in an increasing number of countries with notable applications submitted in the United States of America and Australia during the course of 2018.

## CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED

For the year ended 31 December 2018

### COMMERCIAL PARTNERSHIPS

#### EASTMAN

In partnership with Eastman, we have been busy preparing for the commercial launch of our second product, a nematicide for use in open field and greenhouse agriculture across a range of fruit and vegetable crops. This product will be marketed by Eastman as 'Cedroz™' in 29 countries, including the US and multiple European countries. As recently announced, Eastman has now received authorisation for Cedroz from the Regulatory Affairs Directorate in Malta. Malta is acting as the zonal rapporteur Member State ('zRMS') for the Southern EU agricultural zone and on behalf of a number of additional EU countries for indoor uses. This represents the successful completion of the first stage in the authorisation process in the EU.

Following the authorisation by Malta, the concerned Member States ('cMS') are allocated time to grant authorisation for the sale and use of Cedroz within their jurisdictions. Once ratified by each cMS, the approvals are expected to cover Spain, Italy, Portugal, and Greece for outdoor uses and, in addition to these Member States, France, Belgium, the Netherlands and the United Kingdom for professional greenhouse uses.

In addition to these important new territories for Eden's products, Malta has authorised the use of Cedroz on a wide range of crops, including cucumbers, courgettes, melons, aubergine, peppers, tomatoes and strawberries. Nematodes are known to cause severe damage to crops globally for both open field and greenhouse growers resulting in yield losses and driving up costs.

The market is eagerly awaiting the arrival of Cedroz as a sustainable solution for nematode control. It is now expected that the cMS will grant authorisation for use with no pre-harvest interval and with an exemption from maximum residue levels providing reduced risks for growers and the food chain, alike.

#### SIPCAM-OXON

In December, the Company's commercial partner, Sipcaml Oxon SpA ('Sipcaml'), exercised its option over the exclusive distribution rights in ten new countries covered under the 2017 Evaluation and Option Agreement, for which a fee of €0.9m (£0.8m) was paid to Eden. As a result, Sipcaml will be the exclusive distributor of Eden's fungicide product, known as Mevalone, in twelve countries including Italy, Spain, USA, China, Brazil and Japan. It is important to note that this means that Sipcaml has elected to take up their complete set of rights for the distribution of Mevalone. This adds ten new countries to Eden's 'commercial footprint', including major grape producers such as China, the US, Argentina, Australia, New Zealand and South Africa.



#### BAYER ANIMAL HEALTH

As previously announced, the launch of animal health products in the USA by Eden's partner, Bayer Animal Health ('Bayer'), has been delayed. This is due to the need for additional formulation work on one of the three initial products Bayer has developed. It is now anticipated that the launch of these products will take place in 2019, subject to successful completion of the additional formulation work. Bayer and Eden are working closely together to expedite matters, and both partners consider the launch of these products to be of high priority.

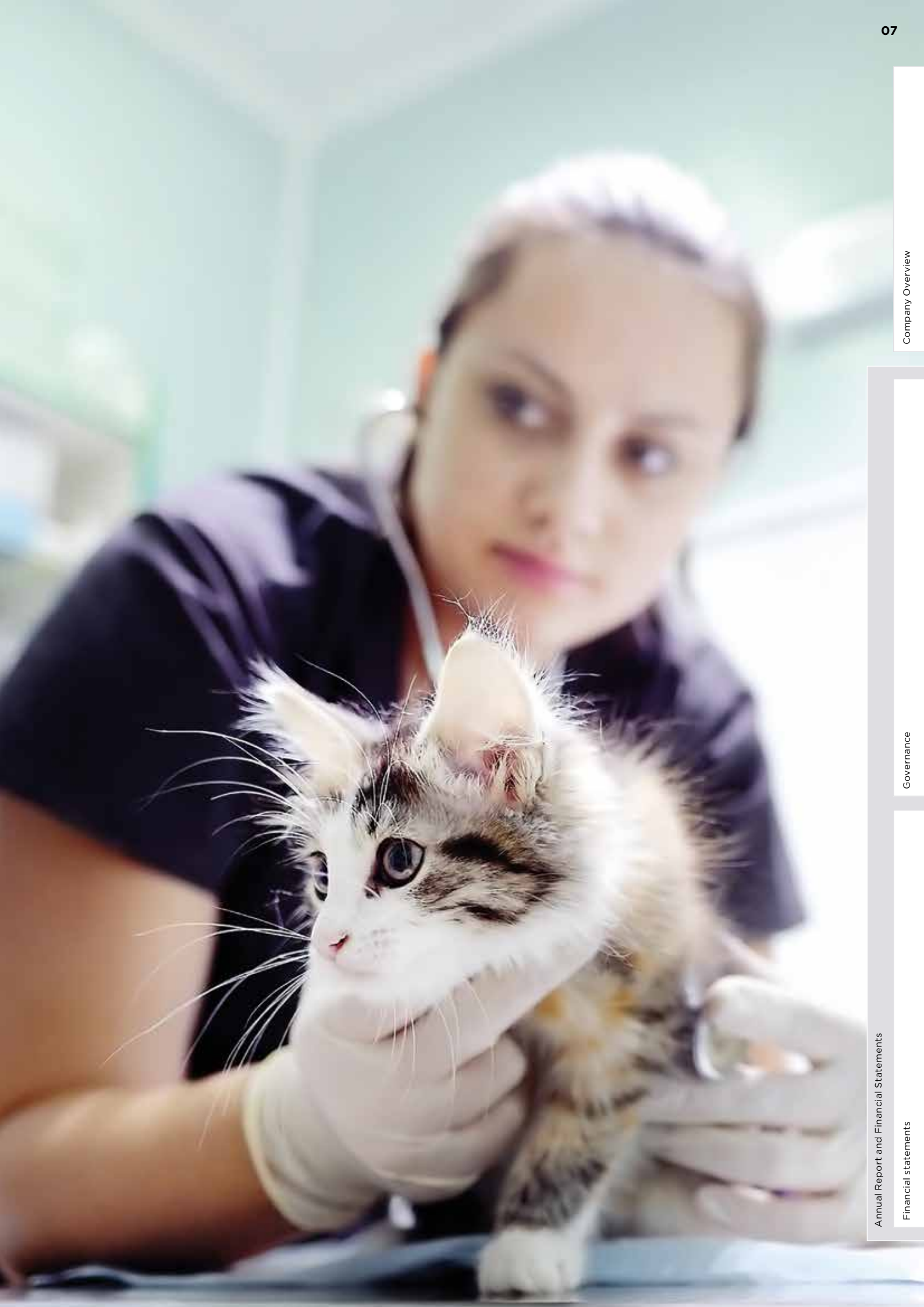


#### TERPENETECH

TerpeneTech secured a CE mark for its head-lice treatment product in European Economic Area ('EEA') in 2018. This is the first step in the marketing and sales of such products. TerpeneTech has also established its first channel distribution partner who will target the U.K. market. The first product launch in the U.K. is expected to coincide with the back-to-school schedule in the autumn of 2019. Sales will commence in other countries in the EEA once arrangements with additional distribution partners have been finalised. This is expected to take place during 2019.

Eden plans to supply a concentrate of encapsulated active ingredients (based upon Eden's microencapsulation technology) to TerpeneTech who will then formulate the finished product, which will initially be sold by its distribution partner into the discount retail market in the U.K.

The development, efficacy testing, and Medical Device regulatory dossier of this head-lice treatment product has been in drafting for approximately three years, and it should be noted that the launch of any consumer product into a regulated market, such as the head-lice treatment products market, is significantly more complicated, time consuming and costly than launching products into unregulated markets.







Overall, we are pleased with the sales, market, regulatory and product-related developments of the past year.

## CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED

For the year ended 31 December 2018

### INVESTING IN REGULATORY APPROVALS

As announced on 14 June 2018, Eden has submitted an application for the authorisation of its three active ingredients and first two products, Mevalone and Cedroz, in the United States. The US Environmental Protection Agency (EPA) has confirmed the initiation of its technical review. Upon approval, these authorisations will give Eden and our partners the ability to sell Mevalone and Cedroz in the US and also ease the way for the approval of future products based upon any of the same three active ingredients. We anticipate that authorisation will be granted in time for the 2020 growing season. However, we caution that the precise timelines for authorisation are controlled by various regulatory agencies and therefore subject to change.

We are currently pursuing registrations in a number of additional key territories for Mevalone, and we are supporting Eastman in seeking authorisation in nearly 30 territories for Cedroz. Further announcements on regulatory progress will be made as and when appropriate.

### OUR RESEARCH AND DEVELOPMENT EFFORTS ARE SHOWING REAL PROMISE FOR THE DEVELOPMENT AND REGISTRATION OF NEW PRODUCT CATEGORIES.

### BREXIT

The impact of Brexit is still largely uncertain for many UK companies, which is the case with Eden. However, the Company understands that the ownership of its EU approvals of Mevalone and its constituent active substances should not be impacted by Brexit as guidance has been published stating that the owner of such approvals can continue to be a UK resident company. However, seeking regulatory approval in the UK for Eden products has become somewhat more challenging, and the Company is now weighing up market opportunities and costs under the various Brexit scenarios.

It should be noted that TerpeneTech has taken steps through the establishment of an Irish subsidiary to ensure that it can remain a notified supplier of geraniol in the EU after Brexit, as the guidance for authorisation holders under the Biocidal Products Regulation requires holders to be based in the EU.

### DIVIDEND

There was no dividend paid or proposed in respect of 2018. The Board continues to monitor its dividend policy.

### OUTLOOK

Overall, we are pleased with the sales, market, regulatory and product-related developments over the past year. It is particularly satisfying to see, despite the 2018 growing season's weather-related challenges, strong sales growth for Mevalone which reflects increases in market share and improved product positioning. With an expanding footprint of regulatory approvals for Mevalone and the anticipated entry of Eden's second product onto the market, we believe this will drive

ongoing sales growth through ongoing market share gains and an expanding list of countries in which we are authorised to sell Eden's products.

Our Research and Development efforts are showing real promise for the development and registration of new product categories. Assuming continued success, we believe we will be in a position to submit applications for regulatory approval for a new class of product in the next few years. Also, Sustaine™, Eden's patented, natural micro-encapsulation technology, is being evaluated by an increasing number of parties, including Sipcam, on a large and growing number of active ingredients used in crop protection. This technology represents significant medium-term potential for the Company, and we are pleased with the attention it is receiving in the hands of current and new collaborators.

Finally, in 2019 we will increase our focus on the growth of in-house capabilities. Eden has long relied upon out-sourced expertise for a variety of functions, and our management team has been stretched and largely focused on nearer-term objectives. In 2019, we aim to add in-house capabilities with a view to accelerating our growth and capitalising upon existing and new opportunities.

I look forward to working with the Board, our team and our partners to fully realise our ambitions in 2019 and in the future.

**S M Smith**  
Chief Executive Officer

1 April 2019

## STRATEGIC REPORT

For the year ended 31 December 2018

### 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, FYROM, 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 £0.4m (2017: £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 TerpenTech, 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 2018 consisted of upfront and milestone payments in relation to new and existing agreements, royalties and product sales. Revenue in 2018 was £2.8 million in comparison to £1.9 million in 2017. The operating loss for the year was £0.5 million compared to £0.8 million for the previous year. The loss before tax for 2018 was £0.5 million, slightly down from £0.8 million in the previous year.

The loss per share for 2018 was 0.16 pence (2017: 0.33 pence).

Administrative expenses for the year were £1.5 million (2017: £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 twelve years in line with the remaining life of the Company's key patents, taking into account additional protection provided by granted Supplementary Protection Certificates.

### 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.

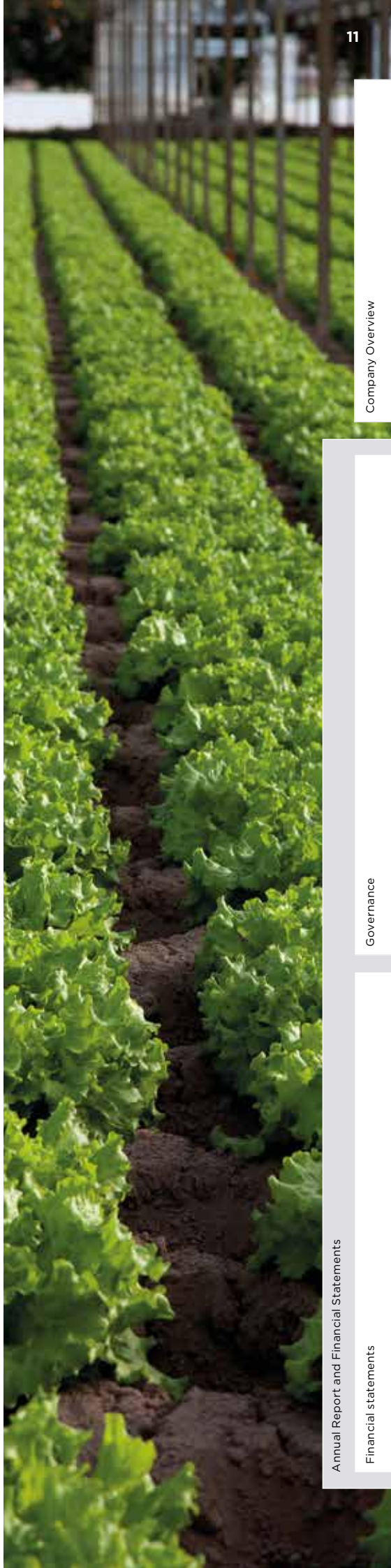
The Company's credit risk is primarily attributable to its trade receivables. Credit risk is managed by running credit checks on customers and by monitoring payments against contractual agreements.

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**  
**Chief Executive Officer**

1 April 2019



**The Company has capitalised £0.4m of development expenditure in the year.**



**Revenue in 2018 consisted of upfront and milestone payments in relation to new and existing agreements, royalties and product sales.**

## CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2018



### LETTER FROM THE CHAIRMAN

Dear shareholder,

**The Directors have adopted the principles set out in the Quoted Companies Alliance Corporate Governance Code. The Directors have applied these 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 of Eden champion openness and accountability at every level. This involves focusing on how this takes place throughout the company and by those who act on its behalf.

The quality of our governance is evident in the way we conduct business and how we treat our workforce, customers and suppliers.

The Board sets the framework of values within which the desired corporate culture can evolve and thrive.

Ownership of the values is strengthened by a collaborative approach by both the leadership and the workforce being involved in a two-way process to define the company's values.

Clear messages are given through decisions, strategies and conduct. Directors reinforce values through their own behaviour and decisions. To increase the effectiveness executive and non-executive Directors have increased visibility.

The Board demonstrates ethical leadership and displays the behaviours they expect from others and communicate what they consider to be acceptable business practice and they consider chosen behaviours when setting strategy and financial targets.

The Company seeks to keep its strategy consistent with its purpose and values and its responsibilities for long-term success and to contribute to wider society.

Values are embedded at every level of the organisation and the Board seeks assurance from management that it has effectively embedded the Company's purpose and values in operational policies and practices including aligning incentives, rewards and promotion decisions to values.

Values and expected behaviours are reinforced through our recruitment, promotion, reward, performance management and policies, processes and practices.

Our reward structures produce appropriate incentives to encourage desired behaviours and responsible risk-taking and management consistently communicate values and expected behaviours widely and clearly across the company and ensure that they are understood by the workforce.

Management also encourage suppliers to meet the expected standards of behaviour.

Values and expected behaviours include:

- Honesty
- Openness
- Transparency
- Respect
- Adaptability
- Reliability
- Recognition
- Acceptance of challenge
- Accountability
- A sense of shared purpose

The Board is alert to signs of possible cultural problems and recognises that the workforce is a vital source of insight into the culture of the company.

## MONITORING OF EFFECTIVENESS

Monitoring efforts are focused on existing internal capabilities and information:

- Training data
- Recruitment, reward and promotion decisions
- Use of non-disclosure agreements
- Whistleblowing, grievance and 'speak-up' data
- Board interaction with senior management and workforce
- Health and safety data, including near misses
- Promptness of payments to suppliers
- Attitudes to regulators, internal audit and employees

Areas including human resources, audit & risk and compliance offer an integrated approach to aid understanding of how behaviours and culture impact performance and offer analysis and advice the Board.

The Board identifies areas of good practice and excellence that are used to drive up standards across the business which reinforces the value that a healthy culture adds.

**L J van der Broek**  
Chairman

1 April 2019

## QCA PRINCIPLE 1

### STRATEGY AND BUSINESS MODEL

The Company's business model can be found on the Company's website [www.edenresearch.com](http://www.edenresearch.com) and in the Company Overview section, at the front of the Annual Report.

### KEY CHALLENGES

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.

Key challenges	We will address these by:
<p><b>Stable financial base and revenue growth</b></p>	<ul style="list-style-type: none"> <li>• Continuing to evolve our business model to focus primarily on product sales</li> <li>• Signing further agreements with industry partners to commercialise products</li> <li>• Ensuring a well-funded balance sheet</li> </ul>
<p><b>Product development</b> Growing a diverse product development pipeline</p>	<ul style="list-style-type: none"> <li>• Further development of the encapsulation technology for new applications</li> <li>• Investing in patents for new market opportunities</li> <li>• Building our internal technical resources in terms of capability and capacity</li> </ul>
<p><b>Geographic expansion</b> Targeting new geographies where there is a demand for sustainable solutions</p>	<ul style="list-style-type: none"> <li>• Extending registrations for product authorisation into new territories</li> <li>• Investing in patent protection for our intellectual property in new territories</li> <li>• Identifying suitable industrial partners with access to new geographies and customers</li> </ul>



## CORPORATE GOVERNANCE REPORT CONTINUED

For the year ended 31 December 2018

### QCA PRINCIPLE 2

#### SHAREHOLDER ENGAGEMENT

##### INVESTOR RELATIONS CALENDAR (TYPICAL, ROLLING)

Date	Type of communication	Location
January	Trading update	London
March/April	Preliminary results announcement and presentation	London
March/April	Preliminary results roadshow	London
May/June	AGM	London
September	Interim results announcement and presentation	London
September	Interim results roadshow	London
Calls	Investor calls	Europe

##### INTERACTION WITH SHAREHOLDERS

The Board recognises the need for a programme of engagement which offers all shareholders opportunities to receive information directly and enable them to share their views with the Board.

Communications with shareholders are considered important by the Directors. The Chief Executive is responsible for maintaining communication with all shareholders who are not Directors.

The company maintains a website on which all material news is displayed. Any significant technical and operating information is posted in accordance with AIM regulations. In the 90 days to 28 August 2018, there were over 11,000 visits to individual pages on our website which shows that shareholder engagement has been successful.

The company works with its Nominated Advisor and Broker to communicate with institutional and private shareholders via road shows and one-to-one meetings, as appropriate. Contact is maintained with other stockbroker analysts to maximise awareness of the company's activities amongst the investment community.

A comprehensive annual report containing statutory financial information and operating activities is prepared and published after the end of each financial year. The Board takes note of the disclosure guidance provided by the Combined Code in the preparation of the report.

The company encourages shareholders to attend the AGM to facilitate the widest possible contact with all members of the Board.

### QCA PRINCIPLE 3

#### STAKEHOLDER RESPONSIBILITIES

##### KEY RESOURCES

The business plan that Eden updates and approves on an annual basis, and which is based on the business model, includes cash-flow projections and commentary which help the Board to identify the key resources required to execute the plan, as follows:

- 1. Cash-flow** – The cash required for the period covered by the plan (usually two years)
- 2. Personnel** – The number of people needed, with the right skills and expertise
- 3. Cap Ex** – Any capital expenditure required (equipment, premises etc)

##### KEY RELATIONSHIPS

As a business, Eden is reliant on a number of key relationships:

- 1. Customers** – Licensees, distribution partners
- 2. Suppliers** – Raw materials, operational expenses, toll manufacturers
- 3. Regulatory** – Regulatory consultants, legal regulatory advisors
- 4. Intellectual property ('IP')** – Patent agents, collaboration partners
- 5. Research and development ('R & D')** – Third party contractors, research centres
- 6. Advisors and consultants** – Industry specific commercial consultants, lawyers, Nominated Advisor, Broker

## INVESTOR RELATIONS AND CONTACT

During the course of the year, our Chief Executive and Financial Officers meet with institutional investors to discuss our strategy and progress and to understand how investors view our business. It is their responsibility to manage and develop the company's external relationships with shareholders, potential investors and analysts. Shareholder communications take place through a combination of briefings to analysts and institutional investors, individual discussions with shareholders and potential investors, regulatory announcements, press releases and updates on the company's website.

Shareholder and potential shareholder meetings usually take place after we release our interim and preliminary results.

Our financial PR company liaises with shareholders on a regular basis and endeavours to answer questions that are raised, where possible.

Often, the Company will receive emails directly from shareholders which are either answered directly, where possible, or forwarded to the financial PR company to handle.

## POINTS OF CONTACT

Eden Research plc		Powerscourt (Financial PR)	
<b>Sean Smith</b>	<b>01285 359 555</b>	<b>Nick Dibden</b>	<b>020 7250 1446</b>
<b>Alex Abrey</b>	<b><a href="http://www.edenresearch.com">www.edenresearch.com</a></b>	<b>Jana Tsiligannis</b>	

The above key relationships are identified through the Risk Management process which is undertaken by the Risk Management Team.

In addition, commercial, regulatory, R & D, AIM and IP updates are provided at each Board meeting which form the basis of discussions which help the Board to assess and identify the key relationships on which the business relies.

## STAKEHOLDER FEEDBACK

In order to obtain feedback from stakeholders, the Management regularly meets with them, where possible, in person, or holds conference calls online or by phone.

During the year, our investor relations programme included meetings in the locations set out in our investor relations calendar above, and these focused on the company's corporate governance arrangements. The meetings were structured to allow for a successful, open dialogue and discussion on the matters of importance to our shareholders including strategy, Board composition and succession.

The Board sets time aside during its meetings to discuss feedback from shareholder meetings, including relevant feedback obtained by independent brokers and our advisors. This allows all Directors to successfully understand major shareholders' views, significant market developments, share price performance and changes in the shareholder base.

The Company's Annual General Meeting is generally well attended and gives the Board an opportunity to communicate with both private and institutional investors, and we welcome their involvement.

All of our Board members will be available to answer questions at the AGM on 14 May 2019.

Management travels, as necessary, to ensure that the Company has a good understanding of what, if any, issues its key stakeholders have by meeting with them in person and seeing, first-hand, the work that they are doing for or on behalf of Eden.

The Company's website, email footers and business cards all provide contact information which provide stakeholders with contact details of the relevant person at the Company that they can use, should they need to get in touch.

The Company has identified from various stakeholders that 'nature-identical', biological products, such as Eden's, are being increasingly demanded by end-users. To this end, the Company has developed such products to meet this demand.

## CORPORATE GOVERNANCE REPORT CONTINUED

For the year ended 31 December 2018

### QCA PRINCIPLE 4

#### RISK MANAGEMENT

---

##### RISK MANAGEMENT TEAM

###### PURPOSE

To identify, assess and manage uncertainty and, as a result, improve the ability of Eden to succeed in its business model.

###### PROCESS

###### Summary

We manage a process in which all business functions are represented in a Risk Management Team (RMT) which meets on a regular basis to follow a defined, Board approved procedure to identify, assess and prioritise business risks, followed by the implementation of agreed mitigating actions in order to reduce unacceptable risk. Regular RMT meetings will allow for ongoing review, analysis and decision making, with the outputs recorded in a dynamic (i.e. real time) risk register. The process should be cyclical and continual so that changes in risks (as a result of mitigation or otherwise), including the detection of new risks, are monitored and learnings and feedback can be incorporated.

**Identification** – The RMT systematically considers and documents the risks affecting the business.

**Assessment** – Each risk is described, including its cause and effect, and any current mitigating controls and processes are identified. Each risk is scored for:

- impact on the business if risk occurs (1 low, 2 medium, 3 high),
- probability of risk occurring (1 low, 2 medium, 3 high)

The scores for both parameters are multiplied together to give an overall Risk Priority Number (RPN) which allows all identified risks to be ranked for priority to the business.

**Control** – Taking into account the prioritisation, a systematic review is conducted risk by risk in which further mitigating actions over and above existing measures are identified for any portion of that risk

that remains unacceptable. Each action is allocated an owner and a target implementation date. On action completion each risk is reassessed to determine if the RPN has reduced to an acceptable level – if so it is recorded that the risk is now considered acceptable, if not further actions are identified and the process repeated. It should be noted that some risks may have a high RPN but be considered acceptable as no mitigating actions can be identified, e.g. an inherent business risk outside of the company's control.

**Responsibilities** – It is the responsibility of the Board to determine the business's appetite for the risks facing it and approve the overall management process. It is the responsibility of management (e.g. delegated to the RMT) to execute the approved process and regularly make status reports to the Board.

**Team** – The RMT is:

- Sean Smith – CEO
- Alex Abrey – CFO
- Robin Cridland – Non-executive Director

The RMT is responsible for compilation and annual review of an overview risk register, including prioritisation, for Board review, amendment and approval. The prioritisation would then inform a cycle of risk review programmes to be scheduled.

An important principle is that appropriate resource is deployed to risk management, considering the inherent riskiness of the business and the resources available, whilst still permitting the execution of Eden Research's business plan. Risk management is in support of the business plan rather than competing with it for resources.

###### ASSURANCE

The review of reports produced by the RMT by both the Board and the Company's external auditor provides assurance that the risk management and related control systems in place are effective.

---



## QCA PRINCIPLE 5

### BOARD COMPOSITION

#### Directors' independence and time commitment

The Directors of Eden hold the following roles and their independence and length of service are shown in the table below:

Director	Role	Independent	Length of service	Full (FT) or Part Time (PT)
<b>A Abrey</b>	Chief Financial Officer	No	11 years	FT
<b>R Cridland</b>	Non-Executive Director	Yes	3 years	PT - 10 days/year
<b>S Smith</b>	Chief Executive Officer	No	4 years	FT
<b>L van der Broek</b>	Chairman	Yes	1 years	PT - 10 days/year

#### Attendance at Board and Committee meetings

Board and Committee meetings are scheduled in advance for each calendar year. Additional meetings are arranged as necessary to review strategic and financial plans.

The scheduled Board and Committee meetings and attendance during the year ended 31 December 2018 were as follows:

Director	Role	Board (6 meetings)	AIM Compliance (1 meeting)	Remuneration & Nominations (10 meetings)	Audit (6 meetings)
<b>A Abrey</b>	Chief Financial Officer	✓✓✓✓✓✓	✓		
<b>R Cridland</b>	Non-Executive Director	✓✓✓✓✓✓	✓	✓✓✓✓✓✓✓✓ ✓✓✓	✓✓✓✓✓✓
<b>S Smith</b>	Chief Executive Officer	✓✓✓✓✓✓	✓		
<b>L van der Broek</b>	Chairman	✓✓✓✓✓✓	✓	✓✓✓✓✓✓✓✓ ✓✓✓	✓✓✓✓✓✓

## CORPORATE GOVERNANCE REPORT CONTINUED

For the year ended 31 December 2018

## QCA PRINCIPLE 6

## BOARD EXPERIENCE

## Board of Directors



**Lykele van der Broek**  
Non-Executive Chairman

**Appointed**

October 2017 (Board)  
January 2018 (Chairman)

**Background and experience**

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.

**Committee membership**

- AIM Compliance Committee (Chairman)
- Nominations Committee (Chairman)
- Remuneration Committee (Chairman)
- Audit Committee

**External appointments**

Genus plc (Non-Executive Director)



**Sean Smith**  
Chief Executive Officer

**Appointed**

September 2014

**Background and experience**

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 focused on technology commercialization through licensing and company formation working with Intellectual Ventures and several start-ups.

**Committee membership**

None

**External appointments**

None



**Alex Abrey**  
Chief Financial Officer

**Appointed**

September 2007

**Background and experience**

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.

**Committee membership**

- AIM Compliance Committee

**External appointments**

Ricewood Ltd (Director)



**Robin Cridland**  
Non-Executive Director

**Appointed**  
May 2015

### Background and experience

Rob served as Chief Financial Officer and Company Secretary of Itaconix plc until July 2018. 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 was also currently a Governor and a Non-Executive Director of Cheadle Hulme School, Cheshire.

### Committee membership

- AIM Compliance Committee
- Nominations Committee
- Remunerations Committee
- Audit Committee (Chairman)

### External appointments

None

Alex Abrey is a Chartered Certified Accountant. As part of his professional development, he attends relevant courses and maintains his qualification through Continuing Professional Development under the Association of Certified Chartered Accountants.

Robin Cridland is a Chartered Accountant. As part of his professional development, he attends relevant courses and maintains his qualification through Continuing Professional Development under the Association of Chartered Accountants.

Sean Smith is a member of the institute of Directors with access to online tools and courses and attends industry conferences including the Association of Biocontrol Industry Manufacturers.

Lykele van der Broek keeps up-to-date by regularly reading economic and management literature, by being briefed by external advisors on matters such as remuneration, corporate governance, and liaising with consultants who inform the Board of changes in legislation, best practice or public perception.

### Board skill-set

Director	Product supply chain and management	Intellectual Property	Chemicals Industry	General Management	Other public company (Board Level)	Funding
<b>A Abrey</b>	✓	✓		✓	✓	✓
<b>R Cridland</b>	✓	✓	✓	✓	✓	✓
<b>S Smith</b>	✓	✓	✓	✓		✓
<b>L van der Broek</b>	✓		✓	✓	✓	

### External advisors

The Company uses external advisors, where necessary, as follows:

Advisor	Role
<b>Nominated Advisor</b>	Provides advice on AIM Compliance
<b>Commercial lawyer</b>	Provides advice on legal issues such as commercial agreements
<b>Auditor</b>	Audits the Report and Accounts of the Company
<b>Regulatory lawyer</b>	Provides advice on regulatory aspects of the business

### The Board's Role

The Board, under the Chairman's leadership, is responsible for ensuring our long-term success.

It informs and approves our strategy and corporate goals and monitors our performance against them. It determines that we have the necessary resources, systems and controls to achieve our objectives, and assesses the culture and standards of behaviour throughout Eden.

The Board is also responsible for other critical decisions, including approving the corporate budget; ensuring we have the right funding; approving material contracts; and reporting to shareholders.

The Directors believe that the Board, taken as a whole, has sufficient expertise and a variety of complementary skills for the Company to operate and develop its business satisfactorily for the benefit of the shareholders over the medium to long-term.

As the Company grows, the Board will inevitably grow, which will provide an opportunity for the gender imbalance that the Company currently has, to be addressed.

### Internal advisors

The Company Secretary is the only internal advisor that the Company currently has.

The Company Secretary is responsible for the efficient administration of Eden, particularly with regard to ensuring compliance with statutory and regulatory requirements and for ensuring that decisions of the Board of Directors are implemented.



## CORPORATE GOVERNANCE REPORT CONTINUED

For the year ended 31 December 2018

### QCA PRINCIPLE 7

#### BOARD PERFORMANCE

##### Effectiveness

The Nominations Committee understands that the effectiveness of Eden's Board depends on the appointment of Directors who are able to make a positive contribution and therefore it strives to secure the right skillsets and breadth of perspectives within the Boardroom to ensure that good decisions are made and opportunities are maximised for the Company's success.

The Nominations Committee ensures that Eden attracts non-executive Directors that possess a range of critical skills of value to the Board and relevant to the challenges and opportunities facing Eden. These values and attributes include:

- Critical assessment and judgement
- Courage
- Openness
- Honesty
- Tact
- Ability to listen
- Ability to forge relationships
- Ability to develop trust
- Strength of character

Diversity in the Boardroom is an important aspect of the Nomination Committee's discussions. Developing a more diverse executive pipeline together with Improving diversity at each level of the Company is important to Eden, particularly as the company grows.

When recruiting members to the Board, the nominations committee considers the skillset that is required for the Board and its committees, it continually reviews the make-up of the Board as a result of emerging trends and it takes into account the technical skills and knowledge required by the committees.

The Nominations Committee ensures that Board appointments are made on merit against objective criteria by evaluating the skills, experience and knowledge on the Board, and the future challenges affecting the business. A description of the role and capabilities required for a particular appointment is then drawn up. Values and expected behaviour play a large part in the recruitment process.

When evaluating roles and succession planning Eden considers the existing skillset against those required to execute strategy and meet future challenges.

The Nominations Committee ensures that Directors undertake that they will have sufficient time to meet what is expected of them particularly regarding other appointments outside of the Company.

The Nominations Committee succession plans cover:

- **contingency planning** – for sudden and unforeseen departures;
- **medium-term planning** – the orderly replacement of current Board members and senior executives (e.g. retirement); and
- **long-term planning** – the relationship between the delivery of the company strategy and objectives to the skills needed on the Board now and in the future.

##### Board performance evaluation

This year, Eden intends to adopt a formal process of Board evaluation which will include sending to each Director a standardised questionnaire.

This questionnaire will cover aspects of Board performance and help the Nominations Committee and the Board to understand and evaluate the effectiveness of the Board.

In addition, the Board will consider the feasibility of using external advisors to assist with evaluating Board effectiveness. Given the size of the Company, this will clearly depend on its viability.

In any event, the Board will look to adopt an evaluation cycle which will provide a framework for the on-going evaluation process.

##### Succession Planning

The role of the Nominations Committee is fundamental to succession planning at Eden and is responsible for Board recruitment.

This Committee conducts a continuous and proactive process of planning and assessment, taking into account Eden's strategic priorities and the main trends and factors affecting the long-term success and future viability of the company.

The Chair's vision for achieving the optimal Board composition helps the Nominations Committee review the skills required, identify the gaps, develop transparent appointment criteria and inform succession planning.

The Nominations Committee assesses periodically whether the desired outcome has been achieved, and proposes changes to the process, as necessary.

## QCA PRINCIPLE 8

### HEALTHY CORPORATE CULTURE

Please see the Chairman's Letter on page 12.

## QCA PRINCIPLE 9

### GOVERNANCE STRUCTURE

#### Board roles and responsibilities

The Directors of Eden hold the following roles and responsibilities:

Director	Role	Responsibilities
<b>A Abrey</b>	Chief Financial Officer	Alex is responsible for supporting the Chief Executive in devising and implementing the strategy and managing the Company's financial and operational performance.
<b>A Abrey</b>	Company Secretary	In his role as Company Secretary, Alex is responsible for the efficient administration of Eden, particularly with regard to ensuring compliance with statutory and regulatory requirements and for ensuring that decisions of the Board of Directors are implemented.
<b>R Cridland</b>	Non-Executive Director	Rob's role is to constructively challenge and provide oversight and assistance in the progression of our execution of strategy, management of the Company and management of our governance structures, within the risk and control framework set by the Board.
<b>S Smith</b>	Chief Executive Officer	Sean is responsible for devising and implementing our strategy and managing our day-to-day operations. He is accountable to the Board for the Company's development, in line with its strategy, and taking into account the risks, objectives and policies set out by the Board and its Committees. Sean is also responsible for engagement with shareholders or other stakeholder groups.
<b>L van der Broek</b>	Chairman	Lykele's primary responsibility is to lead the Board and ensure it operates effectively. He achieves this in part through promoting an open culture, which gives people the courage to challenge the status quo, and holding meetings with the NED without the Executives present.

#### ROLES OF THE COMMITTEES

##### AIM Compliance Committee

Responsible for ensuring that the Company has in place sufficient procedures, resources and controls to enable its compliance with the AIM Rules for Companies and the AIM Rules for Nominated Advisors.

##### Audit Committee

Ensures the integrity of our financial reporting, evaluates our risk management and internal control system, and oversees the internal and external auditor.

##### Nominations Committee

Reviews the Board's structure, size and composition and proposes candidates for appointment to the Board.

##### Remuneration Committee

Determines remuneration for our Executive Directors, to support our growth strategy and deliver value for stakeholders.

The Terms of Reference for each of the above Committees can be found on the Company's website [www.edenresearch.com](http://www.edenresearch.com).

**CORPORATE GOVERNANCE REPORT CONTINUED**

For the year ended 31 December 2018

**QCA PRINCIPLE 10****SHAREHOLDER DIALOGUE****Work undertaken by the Company's Committees during 2018****Audit Committee**

- Reviewed the Company's 2017 Report and Accounts and recommended their approval by the Board
- Recommending to the Board the re-appointment of KPMG as auditor
- Reviewed the Company's 2018 Interims and recommended their approval by the Board
- Liaised with the Company's auditors throughout the year for audit planning and finalisation
- Review of rolling Audit Committee agenda

**AIM Compliance Committee**

- Liaised with the Company's Nominated Advisor over any AIM issues
- Reviewed updates on AIM Compliance and made recommendations to the Board, as necessary
- Reviewed AIM Rule 26 disclosures

**Nominations Committee**

- Managed the recruitment process throughout the year
- Reviewed the structure, size and composition of the Board and made recommendations to the Board with regard to any changes
- Gave consideration to succession planning for Directors

**Remuneration Committee**

- Managed the bonus scheme for Directors
- Set remuneration for all Directors
- Managed the Long-Term Incentive Plan for executive Directors

**Voting**

At the Company's last Annual General Meeting which was held on 21 June 2018, all resolutions were passed with the following outcomes, based on proxy votes received:

Resolution	% in favour
1	99.6
2	99.6
3	99.6
4	99.3
5	99.6
6	99.6

**For details of each of the above resolutions, please see the 2018 Notice of AGM.**



## REMUNERATION REPORT

For the year ended 31 December 2018

### INTRODUCTION

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

The Policy is based on market facing structures, preceded 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, 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 share price, 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 comparable to similar positions in similar sized AIM listed companies in similar industry segments.

### 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 a percentage of salary.

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

- new commercial partnership deals and other commercial milestones (e.g. regulatory approvals)
- the return received on such agreements
- contribution and profit earned

As the business matures, the balance between deal value, other commercial milestones and contribution / profit is expected to transition in weighting (i.e. from deals through other milestones towards profit).

Bonus payments are calculated prior to completion of (and included in) the Annual Report and paid out after the Annual Report has been approved by the auditors and the Board.

### EQUITY INCENTIVE

#### UNAPPROVED SHARE OPTION SCHEME

The Company 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 September 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 will be made annually and will be subject to continued service and challenging performance conditions 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 structured as nil cost options with a seven year life after vesting.

Other than in exceptional circumstances, an award 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.

## REMUNERATION REPORT

For the year ended 31 December 2018

### APPLICATION OF THE POLICY

#### EMOLUMENTS

Details of the remuneration of those who served as Directors during the year are set out below.

	Base salary 2018 £	Base salary 2017 £
<b>Executive Directors</b>		
S M Smith	190,000	143,500
A J Abrey	150,000	123,000
<b>Non-Executive Directors</b>		
T Lupton (retired 31 December 2017)	-	35,000
L van der Broek (appointed 1 October 2017)	40,000	10,000
R Cridland	35,000	30,000

The Company also operates an annual, discretionary cash bonus scheme.

For 2018, the target bonus levels and actual bonus achieved for Executive Directors on meeting all of these objectives were:

<b>Sean Smith</b>	70% of base salary, achieved 56.7%, (2017: 70% of base salary, achieved 61.67%)
<b>Alex Abrey</b>	70% of base salary, achieved 56.7%, (2017: 70% of base salary, achieved 61.67%)

The Committee considers that the performance metrics underpinning the annual, discretionary cash bonus scheme 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.

#### SHARE-BASED PAYMENTS

The share options granted to individual Directors to date are shown below and include grants made in prior years.

#### 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 2017, the Remuneration Committee approved the award of options over 4,016,680 ordinary shares of 1 pence each in the Company ('Ordinary Shares') under a Long-Term Incentive Plan ('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.

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 2018, the Directors had the following interests in share option schemes:

Date from which exercisable	Expiry Date	Exercise price £	Number at 1 January 2018	Granted in year	Exercised in year	Lapsed in year	Number at 31 December 2018
<b>A J Abrey</b>							
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
				<b>3,395,000</b>	<b>-</b>	<b>(125,000)</b>	<b>- 3,270,000</b>
<b>S M Smith</b>							
01/03/2015	28/02/2018	0.08	1,000,000	-	-	(1,000,000)	-
01/09/2015	31/08/2018	0.08	500,000	-	-	(500,000)	-
01/09/2016	31/08/2019	0.16	1,000,000	-	-	-	1,000,000
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
				<b>4,746,680</b>	<b>-</b>	<b>- (1,500,000)</b>	<b>3,246,680</b>

Option awards in respect of the years ended 31 December 2017 and 31 December 2018 will be made during 2019.

### L J van der Broek

#### Remuneration Committee Chairman

1 April 2019



## AUDIT COMMITTEE REPORT

For the year ended 31 December 2018

### INTRODUCTION

On behalf of the Audit Committee, I am pleased to present this report to shareholders. The purpose of the report is to highlight the areas that the Committee has reviewed and how we have discharged our responsibilities effectively during the year.

### RESPONSIBILITIES

The key responsibility of the Committee is to provide effective governance over the Company's financial reporting to ensure its appropriateness. Under its terms of reference, the Committee is required, amongst other things, to:

- monitor the integrity of the financial statements of the Company including the appropriateness of the accounting policies adopted and whether the Annual Report is fair, balanced and understandable;
- review, understand and evaluate the effectiveness of the Company's internal controls and risk management systems, particularly but not exclusively as they pertain to financial matters;
- appraise the Board on how the Company's prospects are assessed;
- oversee the relationship with the external auditors, making recommendations to the Board in relation to their appointment, remuneration and terms of engagement;
- monitor and review the effectiveness of the external audit including the external auditors' independence, objectivity and effectiveness and to approve the policy on the engagement of the external auditors to supply non-audit services; and
- monitor and review the internal audit activities in the Company.

The Committee's terms of reference can be found on the Company's website [www.edenresearch.com](http://www.edenresearch.com).

### COMPOSITION OF COMMITTEE AND MEETINGS

The Audit Committee comprises the two Non-Executive Directors, Robin Cridland, who is Chairman of the Committee, and Lykele van der Broek. The Chairman of the Committee has recent and relevant financial experience and collectively the members of the Committee have experience of the chemical, agricultural and animal health industries. Details of Committee members' qualifications can be found on pages 18 and 19. The Audit Committee met five times during the year, and has a rolling agenda linked to the Company's financial calendar. It invites the Chief Executive Officer, the Chief Financial Officer and the

external auditors to attend its meetings. The Committee met with the external auditors at the conclusion of the audit without the Executive Directors being present. The Committee has met once since the end of the financial year to consider the results and the Annual Report for the year ended 31 December 2018.

### MAIN ACTIVITIES DURING THE YEAR

Set out below is a summary of the key areas considered by the Committee during the year and up to the date of this report.

#### FINANCIAL REPORTING

During the year, the Audit Committee reviewed reports and information provided by both the Chief Financial Officer and the external auditors in respect of the half year and annual financial report. An important responsibility of the Audit Committee is to review and agree significant estimates and judgements made by management. To satisfy this responsibility, the Committee reviewed a written formal update from the Chief Financial Officer on such issues at the two meetings that reviewed the half year and year end results, as well as reports from the external auditors. The Committee carefully considered the content of these reports in evaluating the significant issues and areas of judgement across the Company.

The key areas of review, including those requiring significant judgements to be made, in the year were as follows:

- Revenue recognition
- Potential impairment of intangible assets including intellectual property and investments
- Management override of controls

Other areas reviewed in the year were as follows:

- Going concern
- Consolidation
- Share based payments
- Accruals and provisions
- Related party transactions

#### INTERNAL CONTROL AND RISK MANAGEMENT

During the year the Committee continued to review the effectiveness of the Company's internal control and risk management systems. The Committee reported to the Board that it had reviewed, and was satisfied with, the effectiveness of these systems.

## EXTERNAL AUDIT

KPMG LLP has been the external auditor for the Company since 2017. The Audit Committee annually assesses the qualification, expertise and independence of the auditors and the effectiveness of the audit process. KPMG's current engagement partner is Andrew Campbell-Orde, and he has been in place since being appointed for the Company's 2017 year end.

Following approval by shareholders to re-appoint KPMG at last year's AGM, the Audit Committee reviewed and approved the terms of engagement and remuneration of the external auditors for the 2018 financial year.

## AUDIT EFFECTIVENESS

The effectiveness of the external audit process is dependent on appropriate audit risk identification at the start of the audit cycle. KPMG present their detailed audit plan to the Audit Committee each year identifying their assessment of these key risks. Its assessment of the effectiveness and quality of the audit process and addressing these key risks is formed by, amongst other things, the reporting from the auditors. In addition, each year, the Audit Committee assesses its performance and the effectiveness of the external auditor through a questionnaire completed by Audit Committee members and members of the Company's senior finance team. The output of that review was considered in detail, discussed by the Audit Committee and discussed with the external auditors. The Committee was satisfied with the review process, the performance of the Committee and the effectiveness of the external audit.

## AUDITOR INDEPENDENCE

The Company meets its obligations for maintaining an appropriate relationship with the external auditors through the Audit Committee, whose terms of reference include an obligation to consider and keep under review the degree of work undertaken by the external auditor other than the statutory audit, to ensure the auditor's objectivity and independence is safeguarded.

In accordance with the Auditing Practices Board Ethical Standards, the Company's external auditor must implement rules and requirements which include that none of their employees working on our audit can hold any shares in Eden.

The external auditor is also required to tell the Company about any significant facts and matters that may reasonably be thought to bear on their independence or on the objectivity of the lead partner and the audit team. The lead partner in the audit team must change every five years.

The Audit Committee reviewed and approved the non-audit services policy, the objective of which is to ensure that the provision of such services does not impair, or is not perceived to impair, the external auditors' independence or objectivity. The policy imposes guidance on the areas of work that the external auditors may be asked to undertake and those assignments where the external auditors should not be involved. There is a further category of services for which a case-by-case decision is necessary. The policy can be viewed on the Company's website [www.edenresearch.com](http://www.edenresearch.com). In order to ensure that the policy is effective and the level of non-audit fees is kept under review, major work to be awarded to the audit firm must be agreed in advance by the Audit Committee Chairman. For the 2018 financial year end, there was no non-audit work undertaken by the Company's auditors.

## INTERNAL AUDIT

Due to the size of the business, the Company does not have a separate internal audit function. The Company's Risk Management Team takes this into account when deciding how to mitigate risks associated with not having an internal audit function and manages the situation accordingly. Every year the Audit Committee reviews the appropriateness of this arrangement and specifically whether an internal audit function is necessary.

## OTHER ACTIVITIES

The Committee also reviewed its terms of reference, its effectiveness, the Company's policies on whistleblowing, business ethics and on the prevention of bribery and modern slavery. As Chairman of the Committee, I will be available at the Annual General Meeting to respond to any shareholder questions that might be raised on the Committee's activities.

**R J Cridland**  
**Audit Committee Chairman**

1 April 2019

## REPORT OF THE DIRECTORS

For the year ended 31 December 2018

The Directors present their report with the financial statements of the Company for the year ended 31 December 2018.

### DIVIDENDS

The loss for the year after taxation amounted to £334,951 (2017: £639,093). The Directors are unable to recommend any dividend (2017: £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

S M Smith

L J van der Broek

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. Lykele van der Broek was the other member of the Audit Committee during the year.

The Nominations Committee had Lykele van der Broek 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.

The Remuneration Committee had Lykele van der Broek 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.

The AIM Compliance Committee had Lykele van der Broek 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.

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

	Total Holdings	% of Share Capital
Alex Abrey	1,102,824	0.53%
Sean Smith	306,769	0.15%
Robin Cridland	47,000	0.02%

The Company has been notified that the following are substantial shareholders of Eden, each holding more than 3% of the Company's issued share capital, as at 31 December 2018:



Entity	Total Holdings	% of Share Capital
Sipcam SpA	20,494,330	9.89%
Livingbridge VC LLP	19,512,195	9.42%
HSBC Nominees	14,007,734	6.76%
JM Finn & Co	12,332,961	5.95%
Artemis Investment Management	9,645,000	4.66%
Hargreaves Lansdown Asset Management	7,816,905	3.77%
Barclays Personal Investment Management	7,485,329	3.61%
Bank of New York (Nominees)	6,972,500	3.37%
Interactive Investor Services	6,824,382	3.29%

## 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, they 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) and applicable law.

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 its profit or loss 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 estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- 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

1 April 2019

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 2018 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 2018 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.

Overview	
Materiality: company financial statements as a whole	0.8% (2017: 0.65%) of total assets
Key audit matters Vs 2017	
Recurring risks for the Company	
Intangible assets	◄◄
Revenue	◄◄
New risks for the Company	
The impact of uncertainties due to the UK exiting the European Union on our audit	▲
Going concern	▲

### 2. KEY AUDIT MATTERS: INCLUDING 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, were as follows:

#### THE IMPACT OF UNCERTAINTIES DUE TO THE UK EXITING THE EUROPEAN UNION ON OUR AUDIT

Refer to page 9 (Chief Executive Officer's report)

##### The risk – Unprecedented levels of uncertainty

All audits assess and challenge the reasonableness of estimates, in particular as described in 'Intangible assets' below, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements (see below).

All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.

##### Our response

We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included:

- **Our Brexit knowledge:** We considered the Directors' assessment of Brexit-related sources of risk for the company's business and financial resources compared with our own understanding of the risks. We considered the Directors' plans to take action to mitigate the risks.
- **Sensitivity analysis:** When addressing intangible assets and other areas that depend on forecasts, we compared the Directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty.
- **Assessing transparency:** As well as assessing individual disclosures as part of our procedures on intangible assets we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks.

However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

## GOING CONCERN

Refer to page 26 (Audit Committee report) and page 40 (accounting policy)

### The risk – Disclosure quality

The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Company.

That judgement is based on an evaluation of the inherent risks to the Company's business model and how those risks might affect the Group's and Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements.

The risks most likely to adversely affect the Company's available financial resources over this period is the impact of Brexit on the Company's supply chain.

There are also less predictable but realistic second order impacts, such as the impact of Brexit on the industry specific regulations underlying the Company's and its suppliers' operations which could result in a rapid reduction of available financial resources.

The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.

### Our procedures included:

- **Historical comparisons:** We compared previously forecasted cash flows against actual cash flows to assess the historical accuracy of forecasting.
- **Sensitivity analysis:** Considering sensitivities over the level of available financial resources indicated by the Company's financial forecasts, taking account of reasonably possible (but not unrealistic) adverse effects that could arise if the Company's forecast future sales do not materialise.
- **Evaluating Directors' intent:** Evaluating the achievability of the proposed actions the Directors consider they would take to improve the position should the identified risks associated with Brexit materialise.
- **Assessing transparency:** Assessing the completeness and accuracy of the matters covered in the going concern disclosure by comparing it to our knowledge and understanding of the business and the industry in which it operates.

## INTANGIBLE ASSETS (£5,016,508; 2017: £4,933,761)

Refer to page 41 (accounting policy) and page 52 (financial disclosures)

### The risk – 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. The effect of these matters is that, as part of our risk assessment, we determined that valuation of the Company's intangible assets has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 8) disclose the sensitivity estimated by the Company.

### 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.



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EDEN RESEARCH PLC CONTINUED

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

#### REVENUE (£2,774,272; 2017: £1,877,187)

Refer to page 4 (Chief Executive Officer's Report), page 47 (accounting policy) and page 60 (financial disclosures)

#### The risk – 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:

- 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;
- reviewing a sample of contracts with customers entered into in previous years to determine the appropriateness of the Directors' assertion that adoption of IFRS 15 Revenue from Contracts with Customers does not give rise to adjustments to revenue recognised since the transition date;
- 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 £73,000 (2017: £70,000), determined with reference to a benchmark of total assets, of which it represents 0.8% (2017: 0.65%). We consider a benchmark of total assets to be appropriate as the company is in the early stages of development.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £3,650, 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

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ('the going concern period').

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

We identified going concern as a key audit matter (see section 2 of this report). Based on the work described in our response to that key audit matter, 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 a year 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.

## 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 29, 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](http://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

2 April 2019

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 £	2017 £
Revenue	2	2,774,272	1,877,187
Cost of sales		(1,237,151)	(831,499)
<b>Gross profit</b>		1,537,121	1,045,688
Amortisation of intangible assets		(429,871)	(750,210)
Other administrative expenses		(1,518,914)	(1,431,787)
Exceptional Royalties Refund	12	-	570,462
Licence Amendment Fee	12	-	(187,781)
Share based payments	21	(85,372)	(27,210)
<b>Operating loss</b>		(497,036)	(780,838)
Finance costs	4	(23,581)	(1,239)
Finance income	4	1,684	25,437
Share of profit/(loss) of equity accounted investee, net of tax		(14,137)	(6,289)
<b>Loss before income tax</b>	5	(533,070)	(762,929)
Income tax	6	198,119	123,836
<b>Loss for the year</b>		(334,951)	(639,093)
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income for the year</b>		(334,951)	(639,093)
Earnings per share expressed in pence per share:	7		
Basic		(0.16)	(0.33)
Diluted		(0.16)	(0.34)



## STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 £	2017 £
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	8	5,016,508	4,933,761
Investments in equity-accounted investee	9	790,739	804,876
		5,807,247	5,738,637
<b>Current assets</b>			
Stock		14,656	206,814
Trade and other receivables	10	919,526	962,044
Cash and cash equivalents	11	2,478,740	3,678,383
		3,412,922	4,847,241
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	12	875,404	2,004,501
<b>Net current assets</b>		2,537,518	2,842,740
<b>Non-current liabilities</b>			
Trade and other payables	12	67,462	67,462
<b>Net assets</b>		8,277,303	8,513,915
<b>Shareholders' equity</b>			
Called up share capital	15	2,071,893	2,070,643
Share premium	16	31,289,915	31,278,196
Merger reserve	16	10,209,673	10,209,673
Warrant reserve	16	653,446	592,495
Retained loss	16	(35,947,624)	(35,637,092)
<b>Total equity</b>		8,277,303	8,513,915

The financial statements were approved by the Board of Directors on 1 April 2019 and were signed on its behalf by:

**S M Smith**

**Director**

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Called up share capital £	Retained loss £	Share premium £
<b>Balance at 1 January 2017</b>	1,846,542	(35,047,427)	29,139,654
<b>Changes in equity</b>			
Issue of share capital	224,101	-	2,138,542
Total comprehensive income	-	(639,093)	-
Options exercised/lapsed	-	49,428	-
<b>Balance at 31 December 2017</b>	2,070,643	(35,637,092)	31,278,196
<b>Changes in equity</b>			
Issue of share capital	1,250	-	11,719
Total comprehensive income	-	(334,951)	-
Options exercised/lapsed	-	24,419	-
<b>Balance at 31 December 2018</b>	2,071,893	(35,947,624)	31,289,915

	Merger reserve £	Warrant reserve £	Total equity £
<b>Balance at 1 January 2017</b>	10,209,673	614,713	6,763,155
<b>Changes in equity</b>			
Issue of share capital	-	-	2,362,643
Total comprehensive income	-	-	(639,093)
Options granted	-	27,210	27,210
Options exercised/lapsed	-	(49,428)	-
<b>Balance at 31 December 2017</b>	10,209,673	592,495	8,513,915
<b>Changes in equity</b>			
Issue of share capital	-	-	12,969
Total comprehensive income	-	-	(334,951)
Options granted	-	60,951	60,951
Options exercised/lapsed	-	-	24,419
<b>Balance at 31 December 2018</b>	10,209,673	653,446	8,277,303

## STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 £	2017 £
<b>Cash flows from operating activities</b>			
Cash (used by)/from operations	17	(797,608)	222,950
Finance costs paid		(551)	(1,239)
Foreign exchange losses		(23,030)	-
Tax credit received		119,511	8,330
Net cash (used by)/from operating activities		(701,678)	230,041
<b>Cash flows from investing activities</b>			
Capitalisation of licensing and trademarks		-	-
Capitalisation of development expenditure and intellectual property costs		(429,736)	(324,077)
Capitalisation of patents		(82,882)	(148,002)
Finance income		1,684	2,526
Foreign exchange gains		-	22,911
Net cash used by investing activities		(510,934)	(446,642)
<b>Cash flows from financing activities</b>			
Issue of equity shares		12,969	2,397,893
Share issue costs		-	(35,250)
Net cash from financing activities		12,969	2,362,643
<b>(Decrease)/Increase in cash and cash equivalents</b>		(1,199,643)	2,146,042
<b>Cash and cash equivalents at beginning of year</b>		3,678,383	1,532,341
<b>Cash and cash equivalents at end of year</b>		2,478,740	3,678,383



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 1. ACCOUNTING POLICIES

#### GENERAL INFORMATION

Eden Research plc is a public company limited by shares registered, incorporated and domiciled in England in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 63. The nature of the Company's operations and its principal activities are set out in the Chairman's Report on page 2. 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.

#### Standards, amendments and interpretations adopted in the current financial year ended 31 December 2018

The adoption of the following mentioned standards, amendments and interpretations in the current year have not had a material impact on the Company's financial statements.

	EU effective date: Periods beginning on or after	IASB effective date: Periods beginning on or after
IAS 40 <b>Investment Property</b> : Amendment in relation to transfers of investment property	1 January 2018	1 January 2018
IFRS 2 <b>Share-based Payment</b> : Amendment in relation to classification and measurement of share-based payment transactions	1 January 2018	1 January 2018
IFRS 4 <b>Insurance Contracts</b> : Amendment in relation to applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018	1 January 2018
IFRS 9 <b>Financial Instruments</b>	1 January 2018	1 January 2018
IFRS 15 <b>Revenue from Contracts with Customers</b>	1 January 2018	1 January 2018
Annual Improvements to IFRSs (2014 - 2016)	1 January 2018	1 January 2018
IFRIC 22 <b>Foreign Currency Transactions and Advance Consideration</b>	1 January 2018	1 January 2018

### Standards, amendments and interpretations in issue but not yet effective

The adoption of the following mentioned standards, amendments and interpretations in future years are not expected to have a material impact on the Company's financial statements.

The Company is however continuing to assess the full impact that adopting will have on future financial statements, and therefore the full effect is yet to be determined.

	EU effective date: Periods beginning on or after	IASB effective date: Periods beginning on or after
Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020 <sup>†*</sup>	1 January 2020
Amendment to IFRS 3 Business Combinations: Definition of a Business	1 January 2020 <sup>†*</sup>	1 January 2020
IAS 19 <b>Employee Benefits</b> : Amendment in relation to plan amendment, curtailment or settlement	1 January 2019 <sup>†*</sup>	1 January 2019
IAS 28 <b>Investments in Associates and Joint Ventures</b> : Amendment in relation to Long-term interests in Associates and Joint Ventures	1 January 2019 <sup>†*</sup>	1 January 2019
IFRS 9 <b>Financial Instruments</b> : Amendment in relation to Prepayment features with negative compensation	1 January 2019	1 January 2019
IFRS 16 <b>Leases</b>	1 January 2019	1 January 2019
IFRS 17 <b>Insurance Contracts</b>	<sup>†**</sup>	1 January 2021
Annual Improvements to IFRSs (2015 - 2017)	1 January 2019 <sup>†*</sup>	1 January 2019
Conceptual Framework (Revised) and amendments to related references in IFRS Standards	1 January 2020 <sup>†**^</sup>	1 January 2020
IFRIC 23 <b>Uncertainty over Income Tax Treatments</b>	1 January 2019	1 January 2019

Standards, amendments and interpretations cannot be adopted in the EU until they have been EU-endorsed.

<sup>†</sup> Pending endorsement.

<sup>\*</sup> Expected to be endorsed by the IASB effective date.

<sup>\*\*</sup> Not expected to be endorsed by the IASB effective date.

<sup>^</sup> Scope of endorsement limited to related references in IFRS Standards.

IFRS 16, the new standard on leases, removes the distinction between operating and finance leases, meaning that the company will have higher lease liabilities, and correspondingly higher assets, on the statement of financial position. The expense relating to arrangements previously classified as operating leases will be a combination of finance costs on the newly recognised asset. The Directors have assessed the impact and noted no material changes to be made.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2018

### 1. ACCOUNTING POLICIES CONTINUED

#### 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 £334,951 (2017: £639,093). Net current assets at that date amounted to £2,537,518 (2017: £2,842,740).

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 2018 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 existing and/or additional funding to meet the short term needs of the business until the commercialisation of the Company's portfolio is reached.

The forecasts adopted include only revenue derived from existing contracts and, while there is a risk these payments might be delayed if milestones are not reached, there is potential upside from on-going discussions and negotiations with other parties not yet contracted, 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 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 2019 and beyond, and reasonably believe that the Company will deliver cash flows at least in line with these.

Taking all these factors into consideration, 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.

Sales-based royalty income arising from licences of the Company's intellectual property is recognised in accordance with the terms of the underlying contract and is based on net sales value of product sold by Eden's licensees. It is recognised when the subsequent sales occurs.

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 full in the period in which it is made. Where there is an ongoing obligation on the Company, the separate performance obligations under the agreement are identified and revenue allocated to each performance obligation. Revenue is then recognised when a corresponding performance obligation has been met.

Each sale of a licence by the Company is assessed to determine whether the licence is distinct from the sale of other goods and services, and whether the licence granted provides use of the Company's intellectual property as it exists at that point in time, with no ongoing obligation on the Company, or alternatively provides access to the intellectual property as it develops over time. Where the Company has discharged all of its on-going obligations associated with the licence granted, revenue is recognised on receipt of the licence fee payment. 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 is made available to the partner to collect, or, if the Company is responsible for the shipping, the 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 12 years in line with the remaining life of the Company's master patent, which was originally 20 years, with additional Supplementary Protection Certificates having been granted in the majority of the countries in the EU in which Eden is selling Mevalone. 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 in the Statement of Financial Position when the Company has become a party to the contractual provisions of the instrument.

Financial instruments recognised in 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.

**NOTES TO THE FINANCIAL STATEMENTS** CONTINUED

For the year ended 31 December 2018

**1. ACCOUNTING POLICIES** CONTINUED**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 is 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 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.

**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 prevailing at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange prevailing 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 IFRS 2 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 as at 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.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2018

### 1. ACCOUNTING POLICIES CONTINUED

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized based on the tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

### CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk 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 £2.3m (2017: £2.0m) and intellectual property which has a carrying value of £2.7m (2017: £2.9m). 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 financial resources 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, which serves as an indicator as to the likely success of the projects and, as such, any need for potential impairment.
- The level of upfront, milestone and royalty receipts, which also serves 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 existing and/or 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 AND REVENUE

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 2018 is as follows:

	Licensing Fees £	Milestone Payments £	R&D charges £	Royalties £	Grant Funding £	Product Sales £	Un-allocated £	Total £
Human health and biocides	-	-	-	48,113	-	-	-	48,113
Animal health	-	-	-	-	-	-	-	-
Agrochemicals	-	956,123	112,540	36,193	-	1,621,303	-	2,726,159
<b>TOTAL</b>	-	956,123	112,540	84,306	-	1,621,303	-	2,774,272
<b>Adjusted EBITDA</b>	-	-	-	-	-	-	18,207	18,207
Amortisation	-	-	-	-	-	-	(429,871)	(429,871)
Depreciation	-	-	-	-	-	-	-	-
Share Based Payments	-	-	-	-	-	-	(85,372)	(85,372)
Net Finance Costs	-	-	-	-	-	-	(21,897)	(21,897)
Income Tax	-	-	-	-	-	-	198,119	198,119
Share of Associate's loss	-	-	-	-	-	-	(14,137)	(14,137)
<b>Loss for the Year</b>	-	-	-	-	-	-	(334,951)	(334,951)
<b>Total Assets</b>	-	-	-	-	-	-	9,220,169	9,220,169
Total assets includes:	-	-	-	-	-	-	-	-
Additions to Non-Current Assets	-	-	-	-	-	-	512,618	512,618
Total Liabilities	-	-	-	-	-	-	(942,866)	(942,866)

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2018

### 2. SEGMENTAL REPORTING AND REVENUE CONTINUED

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
<b>Total</b>	14,750	967,686	-	129,679	-	765,072	-	1,877,187
<b>Adjusted EBITDA</b>	-	-	-	-	-	-	(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)
<b>Loss for the Year</b>	-	-	-	-	-	-	(639,093)	(639,093)
<b>Total Assets</b>	-	-	-	-	-	-	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)

### GEOGRAPHICAL REPORTING

	2018 £	2017 £
UK	160,653	28,024
Europe	2,613,619	1,849,163
	2,774,272	1,877,187

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.

## REVENUE

### Accounting policy

The Company's accounting policy for revenue is detailed in note 1.

### Nature of goods and services

The following is a description of the principal activities from which the Company generates its revenue.

#### 1. Licensing fees

The Company receives licensing fees from partners who have taken a licence to use Eden's intellectual property, usually defined by field of use and territory.

When a licence agreement is signed with a partner, the rights conferred are immediately passed on from Eden and an invoice is raised, which is generally payable immediately.

#### 2. Milestone payments

The Company receives milestone payments from other commercial arrangements, including any fees it has charged to partners for rights granted in respect of distribution agreements.

When such an agreement is signed with a partner, the rights conferred are immediately passed on from Eden and an invoice is raised, which is generally payable immediately.

Also, in some cases, there are certain commercial or other milestones which are to be met by a commercial partner which, once met, give rise to a responsibility by that partner to pay a fee to Eden, which is generally payable immediately.

#### 3. R&D charges

The Company sometimes charges its partners for R&D costs that it has incurred which usually relate to specific projects and which it has incurred through a third party.

Upon agreement with a partner, or if some specific milestone is met, then Eden will raise an invoice which is usually payable between 30 and 120 days.

#### 4. Royalties

The Company receives royalties from partners who have entered into a licence arrangement with Eden to use its intellectual property and who have sold products, which then gives rise to an obligation to pay Eden a royalty on those sales.

Generally, royalties relate to specific time periods, such as quarterly or annual dates, in which product sales have been made.

Once an invoice is raised by Eden, following the period to which the royalties relate, payment is due to the Company in 30 to 60 days.

#### 5. Product sales

Generally, where the Company has entered into a distribution agreement with a partner, Eden is responsible for supplying product to that partner once a sales order has been signed.

At that point, Eden has the product manufactured through a third-party, toll manufacturer. At the point at which the product is finished and is made available to the partner to collect, or, if the Company is responsible for the shipping, the product has been shipped, the partner is liable for the product and obliged to pay Eden. Normal terms for product sales are 90 to 120 days. Returns are not accepted and refunds are only made when product supplied is notified as defective within 60 days.

### Contract balances

Included within prepayments and accrued income (see note 10) is accrued income of £36,193 (2017: £22,242) arising from contracts with customers.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2018

### 3. EMPLOYEES AND DIRECTORS

	2018 £	2017 £
Wages and salaries	631,183	511,647
Pension costs	15,618	10,804
Social security costs	89,595	71,572
	736,396	594,023

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

	2018	2017
Management	5	5

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

	2018 £	2017 £
Directors' remuneration	532,784	436,647
Company contributions to defined contribution pension schemes	13,600	10,804
	546,384	447,451
Non-executive Directors' fees	75,000	75,000
Total Directors' emoluments	621,384	522,451
Share based payment charge relating to all Directors	85,372	27,210

During the year the remuneration of the highest paid Director was £353,086 (2017: £258,408).

2018	Salary £	Bonus £	Fees £	Pension £	Share based payments £	Total £
A Abrey	150,000	85,050	-	6,000	37,620	278,670
S Smith	190,000	107,734	-	7,600	47,752	353,086
R Cridland	-	-	35,000	-	-	35,000
L Van Der Broek	-	-	40,000	-	-	40,000
	340,000	192,784	75,000	13,600	85,372	706,756

2017	Salary £	Bonus £	Fees £	Pension £	Share based payments £	Total £
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



#### 4. NET FINANCE COSTS

	2018 £	2017 £
Finance income:		
Foreign exchange gains	-	22,911
Deposit account interest	1,684	2,526
	1,684	25,437
Finance costs:		
Foreign exchange losses	23,030	-
Finance fees	551	1,239
	23,581	1,239
Net finance costs	(21,897)	(24,198)

#### 5. LOSS BEFORE INCOME TAX

The loss before income tax is stated after charging/(crediting):

	2018 £	2017 £
Licences and trademarks amortisation	7,099	20,446
Development costs amortisation	183,018	290,276
Intellectual property amortisation	239,754	439,488
Auditor's remuneration:		
- Audit of these financial statements	27,000	22,500
- All other services	-	20,779
Equity share based payment charge	85,372	27,210
Foreign exchange differences	23,030	(22,911)

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2018

### 6. INCOME TAX

#### ANALYSIS OF TAX INCOME

	2018 £	2017 £
Current tax credit:		
Current year	156,865	78,259
Adjustments in respect of prior periods	41,254	45,577
Total tax income in statement of profit or loss and other comprehensive income	198,119	123,836

#### CORPORATION TAX

No tax charge arises on the results for the year (2017: £nil). Tax losses carried forward, for which no deferred tax asset has been recognised, amount to approximately £22,291,281 (2017: £22,247,515). The tax credit represents the research and development tax credit receivable for the year ended 31 December 2018.

#### FACTORS AFFECTING THE TAX CHARGE

The UK standard rate of corporation tax is 19% (2017: 19.25%). Current tax assessed for the financial year as a percentage of the loss before taxation is (37.2)% (2017: (16.2)%).

The differences are explained below:

	2018		2017	
	£	%	£	%
Standard rate of corporation tax in the UK		(19.0)		(19.25)
Loss before tax at standard rate of tax	(101,283)		(146,863)	
Effects of				
Fixed asset differences	71,071	13.3	55,981	7.4
Losses carried forward/surrendered	48,682	9.1	-	-
Difference in effective tax rate of equity accounted associate	-	-	642	0.1
Other expenses not deductible for tax purposes	19,836	3.7	9,413	1.2
Research and development tax relief	(116,179)	(21.8)	(86,322)	(11.3)
Adjustment to prior year tax charge	(41,254)	(7.7)	(45,577)	(6.0)
Temporary differences not recognised in the computation	69,431	13.0	-	-
Adjust closing deferred tax to average rate of 19.00%	(148,423)	(27.8)	-	-
Deferred tax not recognised to be analysed	-	-	88,890	11.7
Total current tax credit and tax rate %	(198,119)	(37.2)	(123,836)	(16.2)
Deferred tax				
Un-provided deferred tax liability	(513,138)		(237,330)	
Un-provided deferred tax asset	3,789,518		3,782,077	
Net un-provided deferred tax asset	3,276,380		3,544,747	

The adjustment to the prior year tax charge of £41,254 relates to increased submitted R&D tax credit claims compared to that provided for in the 2017 financial statements.

The un-provided for deferred tax asset arises principally in respect of trading losses, together with other minor timing differences at 17% (2017: 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.

## 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:

	2018		
	Earnings £	Weighted average number of shares	Per-share amount pence
<b>Basic EPS</b>			
Earnings attributable to ordinary shareholders	(334,951)	207,115,707	(0.16)
Effect of dilutive securities	-	160,422	-
<b>Diluted EPS</b>			
Adjusted earnings	(334,951)	207,276,129	(0.16)
	2017		
	Earnings £	Weighted average number of shares	Per-share amount pence
<b>Basic EPS</b>			
Earnings attributable to ordinary shareholders	(639,093)	195,705,733	(0.33)
Effect of dilutive securities	-	(5,019,101)	-
<b>Diluted EPS</b>			
Adjusted earnings	(639,093)	190,686,632	(0.34)

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

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2018

### 8. INTANGIBLE ASSETS

	Licences and trademarks £	Development costs £	Intellectual property £	Totals £
<b>COST</b>				
At 1 January 2018	447,351	3,779,353	8,887,745	13,114,449
Additions	-	429,736	82,882	512,618
At 31 December 2018	447,351	4,209,089	8,970,627	13,627,067
<b>AMORTISATION</b>				
At 1 January 2018	404,756	1,765,236	6,010,696	8,180,688
Amortisation for year	7,099	183,018	239,754	429,871
At 31 December 2018	411,855	1,948,254	6,250,450	8,610,559
<b>NET BOOK VALUE</b>				
At 31 December 2018	35,496	2,260,835	2,720,177	5,016,508

	Licences and trademarks £	Development costs £	Intellectual property £	Totals £
<b>COST</b>				
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
<b>AMORTISATION</b>				
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
<b>NET BOOK VALUE</b>				
At 31 December 2017	42,595	2,014,117	2,877,049	4,933,761

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 12 years.

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

The Directors have used discounted cash-flow forecasts, based on product sales forecasts including those 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 forecast cash-flows 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% (2017: 10%).

The forecast cash-flows are derived from discussions with the Company's commercial partners, as described below.



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. Management has used cash-flow forecasts for the next seven years which include average annual growth of 29% over this period, followed by a further three year period in which no growth is assumed. This is considered to be reasonably prudent based on information from and discussion with strategic partners. However there is a risk that if those forecasts are not achieved then the associated intangible assets could be impaired. Average annual growth in cash-flows would need to fall below 9% for this to be the case. In the event that there were no further growth over and above the revenue achieved in the year to December 2018, there would be an impairment of intangible assets of approximately £2.9m.

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

	2018	2017
<b>Percentage ownership interest and proportion of voting rights</b>	29.9%	29.9%
	£	£
Non-current assets	647,137	584,338
Current assets	222,572	134,034
Non-current liabilities	(44,493)	(44,493)
Current liabilities	(177,829)	(27,932)
<b>Net assets (100%)</b>	647,387	645,947
Company's share of net assets	193,569	193,138
Separable intangible assets	184,521	199,089
Goodwill	412,649	412,649
<b>Carrying amount of interest in associate</b>	790,739	804,876
Revenue	308,864	225,187
Profit from continuing operations	1,441	27,687
100% of total post-tax profits	1,441	27,687
29.9% of total post-tax profits	431	8,278
Amortisation of separable intangible assets	(14,568)	(14,568)
<b>Company's share of profit/(loss) including amortisation of separable intangible assets</b>	(14,137)	(6,289)
Other comprehensive income	-	-
100%	-	-
29.9%	-	-
<b>Company's share of other comprehensive income</b>	-	-
Total comprehensive income (100%)	1,441	27,687
<b>Company's share of total comprehensive income including amortisation of separable intangible asset</b>	(14,137)	(6,289)
<b>Dividends received by the Company</b>	-	-

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2018

### 9. INVESTMENTS IN ASSOCIATES CONTINUED

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% (2017: 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.

### 10. TRADE AND OTHER RECEIVABLES

	2018 £	2017 £
Current:		
Trade and other receivables	515,279	731,968
Prepayments and accrued income	76,064	42,949
Other debtors	-	16,992
Other taxes and social security	194,461	115,506
VAT recoverable	133,722	54,629
	919,526	962,044

The Directors consider that the carrying value of trade and other receivables approximates to the fair value. Details of debts past due but not impaired are given in note 22.

### 11. CASH AND CASH EQUIVALENTS

	2018 £	2017 £
Short term bank deposits	2,478,740	3,678,383

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

## 12. TRADE AND OTHER PAYABLES

	2018 £	2017 £
<b>Current:</b>		
Trade payables	499,186	1,558,279
Other payables	47,706	66,389
Other taxes and social security	15,085	11,836
Accruals and deferred income	313,427	367,997
	875,404	2,004,501
<b>Non-current:</b>		
Other creditors	67,462	67,462
Aggregate amounts	942,866	2,071,963

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.

Included in accruals is an amount of £nil (2017: £nil), 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 in 2017 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 in 2017 of £570,462.

## 13. LEASING AGREEMENTS

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

	2018 £	2017 £
Between one and five years	53,268	35,000
	53,268	35,000

## 14. FINANCIAL ASSETS AND LIABILITIES

	Note	2018 £	2017 £
<b>Financial assets at amortised cost</b>			
Other receivables	10	919,526	962,044
Cash and cash equivalents	11	2,478,740	3,678,383
		3,398,266	4,640,427
<b>Financial liabilities measured at amortised cost</b>			
<b>Current:</b>			
Trade and other payables	12	499,186	1,558,279
		499,186	1,558,279

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2018

## 15. CALLED UP SHARE CAPITAL

Number:	Class:	Nominal value:	2018 £	2017 £
207,189,337 (2017: 207,064,337)	Ordinary	0.01	2,071,893	2,070,643

## Allotted, issued and fully paid

Number:	Class:	Nominal value:	2018 £	2017 £
207,189,337 (2017: 207,064,337)	Ordinary	0.01	2,071,893	2,070,643

On 4 May 2018, the Company issued 125,000 ordinary shares at 10.375p each for a total consideration of £12,969. Share issue costs of £nil 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 125,000 (2017: 22,410,218).

Date	Number of ordinary shares	Aggregate nominal value £	Issue Price £	Premium on issue £	Total share premium £
04/05/2018	125,000	1,250	0.10375	0.09375	11,719
		1,250			11,719

## 16. RESERVES

	Retained losses £	Share premium £	Merger reserve £	Warrant reserve £	Totals £
At 1 January 2018	(35,637,092)	31,278,196	10,209,673	592,495	6,443,272
Deficit for the year	(334,951)	-	-	-	(334,951)
Cash share issue	-	11,719	-	-	11,719
Share issue costs	-	-	-	-	-
Transfer to other reserves	-	-	-	-	-
Options granted	-	-	-	60,951	60,951
Options exercised/lapsed	24,419	-	-	-	24,419
At 31 December 2018	(35,947,624)	31,289,915	10,209,673	653,446	6,205,410

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 Payments.



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

	2018 £	2017 £
Loss for the year	(334,951)	(639,093)
Share of associate's losses	14,137	6,289
Depreciation charges	429,871	750,210
Share based payment charge	85,372	27,210
Finance costs	23,581	1,239
Finance income	(1,684)	(25,437)
Tax credit	(198,119)	(123,836)
	18,207	(3,418)
Increase in trade and other receivables	149,114	(606,033)
(Decrease)/increase in trade and other payables	(1,157,087)	1,039,215
Decrease/(increase) in stock	192,158	(206,814)
<b>Cash from/(used by) operations</b>	<b>(797,608)</b>	<b>222,950</b>

## 18. CAPITAL COMMITMENTS

The Company had no capital commitments at 31 December 2018 (2017: £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, £nil for licence fees (2017: £14,750), £112,540 for R & D charges (2017: £nil) and £48,113 for royalties due (2017: £nil).

Also, during the year Eden made net payments to TerpeneTech totalling £11,440 (2017: net receipts of £71,302).

At the year end, a net amount of £135,392 was due from TerpeneTech (2017: £36,597 owed to TerpeneTech). This amount is included within Trade Receivables and Other Payables.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2018

### 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.

	2018		2017	
	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)	Number
Outstanding at the beginning of the year	11	5,025,000	11	5,025,000
Granted during the year	-	-	-	-
Exercised during the year	10	(125,000)	-	-
Lapsed during the year	8	(1,500,000)	-	-
	11	3,400,000	11	5,025,000

The exercise price of options outstanding at the end of the year ranged between 10p and 16p (2017: 8p and 16p) and their weighted average contractual life was 0.9 years (2017: 1.5 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 (2017: £nil). The weighted average fair value of each option granted during 2018 was £nil (2017: £nil).

##### 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 prior 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

No additional options were granted in the year ended 31 December 2018.

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

	2018		2017	
	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)	Number
Outstanding at the beginning of the year	14	3,350,000	14	5,497,867
Granted during the year	-	-	-	-
Exercised during the year	-	-	-	-
Lapsed during the year	16	(950,000)	-	(2,147,867)
	20	2,400,000	14	3,350,000

The exercise price of warrants outstanding at the end of the year ranged between 11p and 30p (2017: 11p and 30p) and their weighted average contractual life was 2.6 years (2017: 1.9 years). None of the warrants have vesting conditions.

The share based payment charge for the year was £nil (2017: £nil). The weighted average fair value of each warrant granted during the year was £nil (2017: £nil).

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2018

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

#### CREDIT RISK

	2018 £	2017 £
Cash and cash equivalents	2,478,740	3,678,383
Trade receivables	515,279	731,968
	2,994,019	4,410,351

The average credit period for sales of goods and services is 36 days. No interest is charged on overdue trade receivables. At 31 December 2018 trade receivables of £56,706 (2017: £195,404) were past due. During the year the Company wrote off bad debts in the amount of £47,984 (2017: £nil).

Trade receivables of £398,447 (2017: £683,984) at the reporting date are held in Euros and £112,656 (2017: £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

	2018 £	2017 £
Trade payables	499,186	1,558,279
Other payables	115,168	66,389
Other taxes and social security	15,085	11,836
Accruals and deferred income	313,427	367,997
	942,866	2,004,501

The carrying amount of trade payables approximates to fair value.

The average credit period on purchases of goods is 59 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, Australian Dollars 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.

	2018 £	2017 £
US Dollars	85,111	448,609
Euros	115,807	916,887
Australian Dollars	73,591	-
	274,509	1,365,496



## LIQUIDITY RISK

The interest rate profile of the Company's financial liabilities at 31 December 2018 was:

	Total £	Fixed rate financial liabilities £	Financial liabilities on which no interest is paid £
<b>Sterling</b>			
2018	668,357	-	668,357
2017	706,467	-	706,467
<b>Euro</b>			
2018	115,807	-	115,807
2017	916,887	-	916,887
<b>US Dollar</b>			
2018	85,111	-	85,111
2017	448,609	-	448,609
<b>Australian Dollar</b>			
2018	73,591	-	73,591
2017	-	-	-

All the Euro, Australian Dollar 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 2018 was as follows:

	2018 £	2017 £
In one year or less, or on demand	875,404	2,004,501
Over one year	67,462	67,462
	942,866	2,071,963

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.

## 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.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2018

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

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 2018 and 31 December 2017.

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% (2017: 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 £15,618 (2017: £10,804).

## COMPANY INFORMATION

For the year ended 31 December 2018

### DIRECTORS

A J Abrey  
R J S Cridland  
S M Smith  
L J van der Broek

### 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 AUDITOR

#### KPMG LLP

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





**Eden Research plc**

6 Priory Court  
Priory Court Business Park  
Poulton  
Cirencester  
Gloucestershire  
GL7 5JB  
[www.edenresearch.com](http://www.edenresearch.com)

