

REGISTERED NUMBER: 03071324 (England and Wales)

**EDEN RESEARCH PLC**  
**REPORT OF THE DIRECTORS AND**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

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For The Year Ended 31 December 2012**

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**EDEN RESEARCH PLC**  
**COMPANY INFORMATION**  
**For The Year Ended 31 December 2012**

|                            |                                                                                                                            |
|----------------------------|----------------------------------------------------------------------------------------------------------------------------|
| <b>DIRECTORS:</b>          | K W Brooks<br>A J Abrey<br>C Newitt<br>A B N Gill<br>T G Lupton                                                            |
| <b>SECRETARIES:</b>        | R E Sims<br>Oxford Corporate Services Limited                                                                              |
| <b>REGISTERED OFFICE:</b>  | The Hawk Creative Business Park<br>The Hawkhill Estate<br>Easingwold<br>York<br>North Yorkshire<br>YO61 3FE                |
| <b>REGISTERED NUMBER:</b>  | 03071324 (England and Wales)                                                                                               |
| <b>AUDITORS:</b>           | Grant Thornton UK LLP<br>3140 Rowan Place<br>John Smith Drive<br>Oxford Business Park<br>Oxford<br>OX4 2WB                 |
| <b>BANKERS:</b>            | The Royal Bank of Scotland Plc<br>Southern Corporate Office<br>P O Box 391<br>40 Islington High Street<br>London<br>N1 8JX |
| <b>SOLICITORS:</b>         | BrookStreet Des Roches<br>1 Des Roches Square<br>Witan Way<br>Witney<br>Oxfordshire<br>OX8 6BE                             |
| <b>CORPORATE ADVISORS:</b> | WH Ireland<br>24 Martin Lane<br>London<br>EC4R 0DR                                                                         |

**CHAIRMAN'S REPORT  
For The Year Ended 31 December 2012**

**Introduction**

In my last Chairman's Report, I informed shareholders of the Board's intention to move the Company from the PLUS market, to the more senior AIM market in 2012. I am pleased to report that in April 2012, the Company did indeed make the move to AIM. The Board believes that the AIM market will provide the Company with a more transparent market in its shares, access to institutional investors and also help to validate Eden as a prominent and well established public company to potential licensees worldwide.

During 2012, Eden continued to exploit its terpene and encapsulation technologies through licensing and research and development agreements, details of which are set out below. The European registration process also continued during the year according to the timetable that we gave you at the last annual meeting with a further key milestone having been passed. Again, further details can be found below.

In December 2012, Eden appointed a new Non-Executive director, Tom Lupton, who has significant experience both with public companies, and with the agricultural sector. I would like to welcome Tom on board and wish him all the best in helping us to see Eden become a successful business and key player in the agricultural sector and also as a platform technology provider in other areas.

**Products and licensees**

**3AEY**

3AEY, Eden's lead product, a terpene based fungicide, has been out-licensed to a number of parties for a variety of applications throughout the world.

Ecostyle is continuing with trials for registration of products within the amateur gardening market.

Redestos is currently undertaking field trials to gain label extensions for 3AEY in Greece and the Balkans.

Cheminova is awaiting EU approval before progressing product registrations.

Lachlan has received approval for 3AEY subject to the EU approval of the three activities in 3AEY. With this approval now granted, Lachlan will be able to start selling 3AEY in Kenya, which will be a significant milestone for both Lachlan and Eden.

**Nematodes**

Eden continues to develop the nematocide product with various partners throughout the world and validation testing is still underway in order to progress to licensing arrangements.

We expect to see movement on this in 2013 and will update shareholders accordingly.

**Spider Mites and Whitefly**

Eden is continuing discussions with various parties to license the rights for Spider Mites and Whitefly, the rights for which are currently available worldwide, excluding a small number of territories already covered in existing licences.

Trial work already done by Eden has shown good efficacy for these products and the intention is for prospective partners to take on the responsibility of further trials and registration.

**Animal Health - Bayer**

In January 2013, it was announced that Teva Animal Health ("Teva"), to whom Eden has licensed its encapsulation technology rights for the animal health sector in North America, had been bought by Bayer HealthCare ("Bayer"). This is clearly a significant event for Eden and paves the way for the products that Teva has been developing over the past few years to not only be potentially rolled-out on a global basis, but to also increase the sales opportunities in North America, given Bayer's significantly larger sales team.

**CHAIRMAN'S REPORT  
For The Year Ended 31 December 2012**

The products being developed now by Bayer are a key part of the Company's sales strategy moving forward, with their intention to bring new, patented, environmentally and user-friendly solutions to the consumer pet market

We look forward to the launch of product sales in the not too distant future and to working closely with Bayer to extend the sales opportunities for those products and to explore other areas of interest to Bayer, outside of animal health

**Biocides**

Our licensee, TerpeneTech, is making good progress in the USA for a number of biocide products and has agreements in place which should see products being launched in 2014. In Europe, TerpeneTech continues through the regulatory process to bring products to market in that region

**Encapsulation**

Trials continued during 2012 with a number of partners using Eden's platform encapsulation technology in conjunction with existing, third-party active substances. The Board feels that this area of technology could be significant to the future success of Eden and, as such, will be allocating resources during 2013 to expedite development in this sector

**EU approval of active substances**

In November 2011, The European Food Safety Authority ("EFSA") completed and made public its review which it presented to the European Commission, alongside comments made by both Eden and the UK regulators, the Chemicals Regulatory Directorate ("CRD")

I am very pleased to report that in May 2013, the three active substances used in the Company's lead product, 3AEY, were approved for use in plant protection products by the European Commission ("EC") under Regulation (EC) No 1107/2009 within the European Union ("EU")

These approvals are the successful outcome of a process which has taken over seven years to complete and into which the Company has invested considerable time and resources. This is the key regulatory milestone for the business and allows the actives to be used with Eden's encapsulation technology in any combination to create a range of agrochemical products for a variety of applications. These approvals will also trigger decisions by other regulators outside the EU, particularly in Africa, who monitor European regulatory approvals and where sales are expected in a much shorter timeframe

Now that we have passed this key milestone, we will be able to concentrate our efforts on taking products to market and maximising returns on the investment that we have made to date. I believe that this will not only be possible through the sale of agrochemicals using our actives, for which will receive royalties, but also through sharing with third parties the wealth of data that we have generated for the approvals

In addition using our encapsulation technologies and know-how, we will now be able to expedite development and commercialisation in non-agrochemical sectors, such as human and animal health, where we know there is demand for effective, environmentally friendly products backed up by sound intellectual property protection, such as ours

**Intellectual Property ("IP")**

2012 saw the granting of the Eden's master encapsulation patent in Australia, which is a key region for the use of agrochemicals, particularly with their established wine making industry

During the year, one of Eden's insecticide formulation patents was granted in both the African Regional Intellectual Property Organization (ARIPO) and Australia

Every time a patent is granted to Eden, the inherent value of the business increases while at the same time it validates the technologies and, therefore, products that Eden has to offer, which is why events such as these are important to the success of the company and also to shareholders

**CHAIRMAN'S REPORT**  
**For The Year Ended 31 December 2012**

**The Senior Management**

The management committee comprises

|              |                           |
|--------------|---------------------------|
| Sir Ben Gill | Non-Executive Chairman    |
| Ken Brooks   | Executive Deputy Chairman |
| Clive Newitt | Managing Director         |
| Alex Abrey   | Chief Financial Officer   |
| Tom Lupton   | Non-Executive Director    |

**Outlook**

After a number of years in process, I am delighted to report on the positive outcome of the EU registration of the three active substances some, or all, of which are used not only in 3AEY, our lead agrochemical product, but also in a number of other follow-on and related products. I believe that in achieving this milestone it has un-locked the door to a number of opportunities both within and outside of the agrochemical sector.

The barriers to entry for any company, large or small, trying to gain registration of new active substances are now very high, not only in terms of cost, but, also the time, expertise and effort required to go through this ever-evolving process. And so, by going through this process, Eden has created a significant inherent base value in itself, on which we can then build further and which should provide shareholders with a maximum return on the investment.

The potential for the encapsulation system is vast and we look forward as a Board to exploiting it in exciting new areas.

Finally, the clearest validation of a technology is that of product sales. We shall all be pleased to see products using Eden's technologies being used by end consumers in fields, in glasshouses and in the home in a short timeframe.

Sir A B N Gill  
Chairman  
30 May 2013

*Be. n. C. H.*

**REPORT OF THE DIRECTORS  
For The Year Ended 31 December 2012**

The directors present their report with the financial statements of the company for the year ended 31 December 2012

**PRINCIPAL ACTIVITY**

The principal activity of the Company in the year under review was that of the development and marketing of intellectual property, particularly in the area of terpenes and other health-related projects

**REVIEW OF BUSINESS**

The review of this year's business activities is as set out in the Chairman's Review

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

The registration of the Company's first product, 3AEY, for use as a pesticide in Europe is not only a key milestone in terms of its commercialisation but also of future products as the three active substances that have been registered are the basis of Eden's future product portfolio

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

Successful trial results are also significant in the showing the commerciality of the intellectual property

The Company has capitalised £0.1m (2011: £0.2m) of development expenditure in the year which is a reflection of the continued development of the Company's products

Cash is managed by tightly controlling the Company's creditor position and through the provision of convertible shareholder loans

The decrease in the shareholder loans as disclosed in note 14 during the year reflects the on-going management of the Company's cash position

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

**Results**

Revenue in 2012 consisted of charges made for samples and consultancy to other existing and potential licensees. Revenue in 2012 was £0.05 million in comparison to £0.1 million in 2011. The operating loss for the year was £1.7 million compared to £1.8 million for the previous year. The loss before tax for 2012 was £2.3 million, a significant reduction from £3.3 million in the previous year due to a reduction in finance costs to £0.7m (2011: £1.5m).

The loss per share for 2012 was 2.16 pence compared to 3.66 pence in 2011.

Administrative expenses for the year (excluding the amortisation of intangible assets and share based payments charge) were £0.9 million (2011: £0.8 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 fourteen years in line with the remaining life of the Company's master patent.

**Financing**

During the year, the Company received net loans from shareholders of £1.7million (2011: £2.3 million). Debt totalling £2.3million (2011: £4.6 million) was converted into equity.

**DIVIDENDS**

The loss for the year after taxation amounted to £2,317,134 (2011: £3,283,741). The directors are unable to recommend any dividend (2011: £nil).

**REPORT OF THE DIRECTORS**  
**For The Year Ended 31 December 2012**

**RESEARCH AND DEVELOPMENT**

An indication of research and development activities is included within the Chairman's Review

**FUTURE DEVELOPMENTS**

An indication of future developments is included within the Chairman's Review

**EVENTS SINCE THE END OF THE YEAR**

Information relating to events since the end of the year is given in note 18 to the financial statements

**DIRECTORS**

The directors during the year under review were

K W Brooks

A J Abrey

C Newitt

A B N Gill

T G Lupton (appointed 04/12/2012)

At 31 December 2012 the directors had the following interests in share option schemes

| Date of grant     | Expiry Date | Exercise price<br>£ | Number at 1 January 2012 | Granted in year | Exercised in year | Lapsed in year | Number at 31 December 2012 |
|-------------------|-------------|---------------------|--------------------------|-----------------|-------------------|----------------|----------------------------|
| <b>K W Brooks</b> |             |                     |                          |                 |                   |                |                            |
| 19/05/2009        | 19/05/2014  | 0 26                | 900,000                  | -               | -                 | -              | 900,000                    |
| 17/01/2011        | 16/01/2016  | 0 13                | 1,100,000                | -               | -                 | -              | 1,100,000                  |
|                   |             |                     | 2,000,000                | -               | -                 | -              | 2,000,000                  |
| <b>A J Abrey</b>  |             |                     |                          |                 |                   |                |                            |
| 19/05/2009        | 19/05/2014  | 0 26                | 450,000                  | -               | -                 | -              | 450,000                    |
| 17/01/2011        | 16/01/2016  | 0 13                | 1,050,000                | -               | -                 | -              | 1,050,000                  |
|                   |             |                     | 1,500,000                | -               | -                 | -              | 1,500,000                  |
| <b>C Newitt</b>   |             |                     |                          |                 |                   |                |                            |
| 19/05/2009        | 19/05/2014  | 0 26                | 150,000                  | -               | -                 | -              | 150,000                    |
| 17/01/2011        | 16/01/2016  | 0 13                | 450,000                  | -               | -                 | -              | 450,000                    |
|                   |             |                     | 600,000                  | -               | -                 | -              | 600,000                    |
| <b>A B N Gill</b> |             |                     |                          |                 |                   |                |                            |
| 19/05/2009        | 19/05/2014  | 0 26                | 100,000                  | -               | -                 | -              | 100,000                    |
| 17/01/2011        | 16/01/2016  | 0 13                | 500,000                  | -               | -                 | -              | 500,000                    |
|                   |             |                     | 600,000                  | -               | -                 | -              | 600,000                    |

**COMPANY'S POLICY ON PAYMENT OF CREDITORS**

It is the Company's policy to endeavour to pay suppliers within an acceptable period of allowed creditor days in accordance with the agreed terms. The Company acted in accordance with this policy throughout the year where possible, though restricted cash flow meant that the Company made various arrangements with creditors to pay outside normal credit terms. The Company had 43 days' purchases outstanding at 31 December 2012 (2011: 198 days) based on the average daily amount invoiced by suppliers during the year ended 31 December 2012.

**REPORT OF THE DIRECTORS  
For The Year Ended 31 December 2012**

**FINANCIAL INSTRUMENTS**

Details of the use of financial instruments by the Company are contained in note 20 to the financial statements

**PRINCIPAL RISKS AND UNCERTAINTIES**

The Company's prime risk is the on-going commercialisation of the Company's 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 appropriate facilities are available to be drawn down upon as necessary.

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

**EMPLOYEE DIVERSITY AND INCLUSION**

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

**INDEMNITY COVER**

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

**ENVIRONMENT**

The Company has an environment policy and acknowledges that environmental considerations form an integral part of its corporate social responsibility. The Company wide 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 well being amongst the staff. Employees are actively encouraged to ensure conservation of energy and resource through awareness campaigns and positive action.

**REPORT OF THE DIRECTORS**  
**For The Year Ended 31 December 2012**

**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 three 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 are 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, Nomination, Remuneration and AIM Compliance Committees, the Audit Committee has Sir Ben Gill 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. Kenneth Brooks is the other member of the Audit Committee, the Nomination Committee has Sir Ben Gill as Chairman, and will identify and nominate for the approval of the Board, candidates to fill board vacancies as and when they arise. The Nomination Committee meets at least twice a year. Kenneth Brooks is the other member of the Nomination Committee.

The Remuneration Committee has Sir Ben Gill as Chairman, and will review the performance of the executive directors and determine 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. Kenneth Brooks is the other member of the Remuneration Committee. The AIM Compliance Committee has Sir Ben Gill as Chairman and meet twice a year with the NOMAD to discuss AIM compliance and related issues. The other member of the committee is Alex Abrey. The Directors comply with Rule 21 of the AIM Rules relating to Directors' dealings and there are procedures in place to ensure compliance by the Company's applicable employees. The Company has adopted a share dealing code which is appropriate for an AIM quoted company.

The shares held by the directors at the year end

|              | <b>Total Holdings</b> | <b>% of Enlarged Share Capital</b> |
|--------------|-----------------------|------------------------------------|
| Ken Brooks   | 1,985,936             | 1.61%                              |
| Ben Gill     | 952,477               | 0.77%                              |
| Clive Newitt | 323,947               | 0.26%                              |
| Alex Abrey   | 528,160               | 0.43%                              |
| Tom Lupton   | 70,000                | 0.06%                              |

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

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

**REPORT OF THE DIRECTORS**  
**For The Year Ended 31 December 2012**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued**

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

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

The directors confirm that, so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware, and the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

**AUDITORS**

The auditors, Grant Thornton UK LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

**ON BEHALF OF THE BOARD**

  
A J Abrey  
Director  
30 May 2013

## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF EDEN RESEARCH PLC

We have audited the financial statements of Eden Research Plc for the year ended 31 December 2012 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in 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.

### Respective responsibilities of directors and auditors

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

### Scope of the audit of the financial statements

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

### Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matter prescribed by the Companies Act 2006

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

### Matters on which we are required to report by exception

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

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

*Grant Thornton UK LLP*

Tracey James (Senior Statutory Auditor)  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Oxford

Date 30 MAY 2013

**EDEN RESEARCH PLC (REGISTERED NUMBER: 03071324)**

**STATEMENT OF COMPREHENSIVE INCOME**  
For The Year Ended 31 December 2012

|                                                 | Notes | 2012<br>£          | 2011<br>£          |
|-------------------------------------------------|-------|--------------------|--------------------|
| <b>CONTINUING OPERATIONS</b>                    |       |                    |                    |
| Revenue                                         | 2     | 43,590             | 91,200             |
| Administrative expenses                         |       |                    |                    |
| Amortisation of intangible assets               |       | (719,129)          | (696,593)          |
| Other administrative expenses                   |       | (890,378)          | (849,159)          |
| Share based payments                            |       | (91,816)           | (375,919)          |
| Total administrative expenses                   |       | (1,701,323)        | (1,921,671)        |
| <b>OPERATING LOSS</b>                           |       | <b>(1,657,733)</b> | <b>(1,830,471)</b> |
| Finance costs                                   | 4     | (676,337)          | (1,458,706)        |
| Finance income                                  | 4     | 393                | 306                |
| <b>LOSS BEFORE INCOME TAX</b>                   | 5     | <b>(2,333,677)</b> | <b>(3,288,871)</b> |
| Income tax                                      | 6     | 16,543             | 5,130              |
| <b>LOSS FOR THE YEAR</b>                        |       | <b>(2,317,134)</b> | <b>(3,283,741)</b> |
| <b>OTHER COMPREHENSIVE INCOME</b>               |       | <b>-</b>           | <b>-</b>           |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>  |       | <b>(2,317,134)</b> | <b>(3,283,741)</b> |
| Earnings per share expressed in pence per share | 7     |                    |                    |
| Basic                                           |       | -2.16              | -3.66              |
| Diluted                                         |       | -2.16              | -3.66              |

The notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION  
31 December 2012

|                                       | Notes | 2012<br>£           | 2011<br>£           |
|---------------------------------------|-------|---------------------|---------------------|
| <b>ASSETS</b>                         |       |                     |                     |
| <b>NON-CURRENT ASSETS</b>             |       |                     |                     |
| Intangible assets                     | 8     | <u>7,202,054</u>    | <u>7,809,951</u>    |
| <b>CURRENT ASSETS</b>                 |       |                     |                     |
| Trade and other receivables           | 9     | 60,332              | 95,014              |
| Cash and cash equivalents             | 10    | <u>340,277</u>      | <u>388,547</u>      |
|                                       |       | <u>400,609</u>      | <u>483,561</u>      |
| <b>LIABILITIES</b>                    |       |                     |                     |
| <b>CURRENT LIABILITIES</b>            |       |                     |                     |
| Trade and other payables              | 11    | 712,679             | 875,195             |
| Financial liabilities - borrowings    |       |                     |                     |
| Interest bearing loans and borrowings | 12    | -                   | <u>651,717</u>      |
|                                       |       | <u>712,679</u>      | <u>1,526,912</u>    |
| <b>NET CURRENT LIABILITIES</b>        |       | <u>(312,070)</u>    | <u>(1,043,351)</u>  |
| <b>NON-CURRENT LIABILITIES</b>        |       |                     |                     |
| Trade and other payables              | 11    | <u>1,381,962</u>    | <u>1,381,372</u>    |
| <b>NET ASSETS</b>                     |       | <u>5,508,022</u>    | <u>5,385,228</u>    |
| <b>SHAREHOLDERS' EQUITY</b>           |       |                     |                     |
| Called up share capital               | 14    | 1,110,442           | 993,037             |
| Share premium                         | 15    | 22,352,394          | 20,121,687          |
| Merger reserve                        | 15    | 10,209,673          | 10,209,673          |
| Warrant reserve                       | 15    | 1,433,506           | 1,434,476           |
| Retained earnings                     | 15    | <u>(29,597,993)</u> | <u>(27,373,645)</u> |
| <b>TOTAL EQUITY</b>                   |       | <u>5,508,022</u>    | <u>5,385,228</u>    |

The financial statements were approved by the Board of Directors and authorised for issue on 30 MAY 2013 and were signed on its behalf by



K W Brooks - Director

**EDEN RESEARCH PLC (REGISTERED NUMBER. 03071324)**

**STATEMENT OF CHANGES IN EQUITY  
For The Year Ended 31 December 2012**

|                                     | <b>Called up<br/>share<br/>capital<br/>£</b> | <b>Share<br/>premium<br/>£</b> | <b>Merger<br/>reserve<br/>£</b> | <b>Warrant<br/>reserve<br/>£</b> | <b>Retained<br/>earnings<br/>£</b> | <b>Total<br/>£</b> |
|-------------------------------------|----------------------------------------------|--------------------------------|---------------------------------|----------------------------------|------------------------------------|--------------------|
| Balance at 1 January 2011           | 670,284                                      | 14,754,788                     | 10,209,673                      | 1,253,533                        | (24,284,880)                       | 2,603,398          |
| Loss and total comprehensive income | -                                            | -                              | -                               | -                                | (3,283,741)                        | (3,283,741)        |
| Transactions with owners            |                                              |                                |                                 |                                  |                                    |                    |
| - Issue of shares                   | 322,753                                      | 5,366,899                      | -                               | -                                | -                                  | 5,689,652          |
| - Options granted                   | -                                            | -                              | -                               | 375,919                          | -                                  | 375,919            |
| - Options exercised/lapsed          | -                                            | -                              | -                               | (194,976)                        | 194,976                            | -                  |
| Transactions with owners            | 322,753                                      | 5,366,899                      | -                               | 180,943                          | 194,976                            | 6,065,571          |
| Balance at 31 December 2011         | 993,037                                      | 20,121,687                     | 10,209,673                      | 1,434,476                        | (27,373,645)                       | 5,385,228          |
| Balance at 1 January 2012           | 993,037                                      | 20,121,687                     | 10,209,673                      | 1,434,476                        | (27,373,645)                       | 5,385,228          |
| Loss and total comprehensive income | -                                            | -                              | -                               | -                                | (2,317,134)                        | (2,317,134)        |
| Transactions with owners            |                                              |                                |                                 |                                  |                                    |                    |
| - Issue of shares                   | 117,405                                      | 2,230,707                      | -                               | -                                | -                                  | 2,348,112          |
| - Options granted                   | -                                            | -                              | -                               | 91,816                           | -                                  | 91,816             |
| - Options exercised/lapsed          | -                                            | -                              | -                               | (92,786)                         | 92,786                             | -                  |
| Transactions with owners            | 117,405                                      | 2,230,707                      | -                               | (970)                            | 92,786                             | 2,439,928          |
| Balance at 31 December 2012         | 1,110,442                                    | 22,352,394                     | 10,209,673                      | 1,433,506                        | (29,597,993)                       | 5,508,022          |

The notes form part of these financial statements

**STATEMENT OF CASH FLOWS**  
**For The Year Ended 31 December 2012**

|                                                         |   | 2012<br>£             | 2011<br>£             |
|---------------------------------------------------------|---|-----------------------|-----------------------|
| <b>Cash flows from operating activities</b>             |   |                       |                       |
| Cash generated from operations                          | 1 | (974,150)             | (1,499,794)           |
| Finance costs paid                                      |   | (663,898)             | (1,133,087)           |
| Tax credit received                                     |   | <u>16,543</u>         | <u>5,130</u>          |
| Net cash from operating activities                      |   | <u>(1,621,505)</u>    | <u>(2,627,751)</u>    |
| <b>Cash flows from investing activities</b>             |   |                       |                       |
| Capitalisation of development expenditure               |   | (111,232)             | (308,225)             |
| Interest received                                       |   | <u>393</u>            | <u>306</u>            |
| Net cash from investing activities                      |   | <u>(110,839)</u>      | <u>(307,919)</u>      |
| <b>Cash flows from financing activities</b>             |   |                       |                       |
| Shareholders' loan - drawdown                           |   | 1,684,074             | 2,278,372             |
| Shareholders' loan - repayment                          |   | -                     | (20,795)              |
| Issue of equity shares                                  |   | <u>-</u>              | <u>1,060,517</u>      |
| Net cash from financing activities                      |   | <u>1,684,074</u>      | <u>3,318,094</u>      |
| <b>(Decrease)/increase in cash and cash equivalents</b> |   | <u>(48,270)</u>       | <u>382,424</u>        |
| <b>Cash and cash equivalents at beginning of year</b>   | 2 | <u>388,547</u>        | <u>6,123</u>          |
| <b>Cash and cash equivalents at end of year</b>         | 2 | <u><u>340,277</u></u> | <u><u>388,547</u></u> |

The notes form part of these financial statements

**NOTES TO THE STATEMENT OF CASH FLOWS**  
**For The Year Ended 31 December 2012**

**1 RECONCILIATION OF LOSS BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS**

|                                                      | 2012<br>£               | 2011<br>£                 |
|------------------------------------------------------|-------------------------|---------------------------|
| Loss before income tax                               | (2,333,677)             | (3,288,871)               |
| Amortisation of trademarks and intellectual property | 719,129                 | 696,593                   |
| Impairment of non-current investments                | -                       | 100                       |
| Equity share based payment charge                    | 91,816                  | 375,919                   |
| Finance costs                                        | 676,337                 | 1,458,706                 |
| Finance income                                       | (393)                   | (306)                     |
|                                                      | <u>(846,788)</u>        | <u>(757,859)</u>          |
| Decrease/(increase) in trade and other receivables   | 34,682                  | (19,690)                  |
| Decrease in trade and other payables                 | <u>(162,044)</u>        | <u>(722,245)</u>          |
| <b>Cash generated from operations</b>                | <u><b>(974,150)</b></u> | <u><b>(1,499,794)</b></u> |

**2 CASH AND CASH EQUIVALENTS**

The amounts disclosed on the statement of cash flow in respect of cash and cash equivalents are in respect of these statement of financial position amounts

**Year ended 31 December 2012**

|                           | 31.12.12<br>£         | 1.1.12<br>£           |
|---------------------------|-----------------------|-----------------------|
| Cash and cash equivalents | <u><b>340,277</b></u> | <u><b>388,547</b></u> |

**Year ended 31 December 2011**

|                           | 31 12 11<br>£         | 1 1 11<br>£         |
|---------------------------|-----------------------|---------------------|
| Cash and cash equivalents | <u><b>388,547</b></u> | <u><b>6,123</b></u> |

**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended 31 December 2012**

**1 ACCOUNTING POLICIES**

**Basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations as adopted by the EU 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.

**General information**

Eden Research plc is a company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Chairman's Review on pages two to four. The Company is quoted on the AIM Market in London.

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

The Company has adopted the following revisions and amendments to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Company's financial statements for the year beginning 1 January 2012.

IFRS 7 - Financial Instruments - Disclosures

IAS 12 - Income Taxes - Deferred tax - Recovery of Underlying Assets

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

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

IFRS 9 Financial Instruments (effective 1 January 2015)

IFRS 10 Consolidated Financial Statements (effective 1 January 2013)

IFRS 11 Joint Arrangements (effective 1 January 2013)

IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013)

IFRS 13 Fair Value Measurement (effective 1 January 2013)

IAS 19 Employee Benefits (Revised June 2011) (effective 1 January 2013)

IAS 27 (Revised), Separate Financial Statements (effective 1 January 2013)

IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2013)

Presentation of Items of Other Comprehensive Income - Amendments to IAS 1 (effective 1 July 2012)

Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7 (effective 1 January 2013)

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (effective 1 January 2014)

Mandatory Effective Date and Transition Disclosures - Amendments to IFRS 9 and IFRS 7 (effective 1 January 2015)

Government Loans - Amendments to IFRS 1 (effective 1 January 2013)

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (effective 1 January 2013)

Annual Improvements 2009-2011 Cycle (effective 1 January 2013)

Transition Guidance - Amendments to IFRS 10, IFRS 11 and IFRS 12 (effective 1 January 2013)

Investment Entities - Amendments to IFRS 10, IFRS 12 and IAS 27 (effective 1 January 2014)

All the above Standards and Interpretations are effective for periods commencing on or after 1 January 2013.

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

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For The Year Ended 31 December 2012**

**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 £2,317,134 (2011 £3,283,741) Net current liabilities as at that date amounted to £312,070 (2011 £1,043,351)

The directors have prepared budgets and projected cash flow forecasts for a period of two years from 31 December 2012 and they consider that the Company will be able to operate within the cash facilities that are available to it for this period. The ability of the Company to continue as a going concern is ultimately dependent upon the amounts and timing of cash flows from the exploitation of the Company's intellectual property and the availability of additional funding to meet the short term needs of the business until the commercialisation of the company's portfolio is reached

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

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

The directors are closely monitoring performance against cash flow projections that have been prepared for the period to 31 December 2013 and beyond and are confident that the Company will be able to generate the necessary cash resources over and above those referred to above

In February 2013, the Company raised £1.1m, before expenses, by way of a placing which has reinforced the opinion of the Directors that the Company is a going concern

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

**Revenue recognition**

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

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

Royalty income and upfront payments are recognised as the royalties accrue in accordance with the terms of the underlying contract

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

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

**Intangible assets**

Intellectual property, including development costs, is capitalised and amortised on a straight line basis over its estimated useful economic life of 14 years in line with the remaining life of the Company's master patent, which was originally 20 years. The useful economic life of intangible assets is reviewed on an annual basis

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For The Year Ended 31 December 2012**

**1 ACCOUNTING POLICIES - continued**

**Impairment of non-financial assets**

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

**Research and development**

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

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

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

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

**Financial instruments**

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For The Year Ended 31 December 2012**

**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 recognised in the Statement of Comprehensive Income. Trade receivables are assessed for collectability and where appropriate the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account and changes in the carrying amount of the allowance account are recognised in the profit or loss in the Statement of Comprehensive Income.

**Debt and equity instruments issued by the Company**

**Loan notes**

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

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

**Convertible loans**

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

**Equity instruments**

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

NOTES TO THE FINANCIAL STATEMENTS - continued  
For The Year Ended 31 December 2012

1 ACCOUNTING POLICIES - continued

**Financial liabilities**

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

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

**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**

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

**Share-based payments**

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

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

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of 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 Comprehensive Income over the remaining vesting period.

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

**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 20 to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For The Year Ended 31 December 2012**

**1 ACCOUNTING POLICIES - continued**

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - continued  
For The Year Ended 31 December 2012

1 ACCOUNTING POLICIES - continued

**Critical accounting estimates and areas of judgement**

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below -

**Capitalised development costs**

The directors have considered the recoverability of the internally generated intangible asset which has a carrying value of £1.6m. The projects 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 on whether it remains appropriate to continue to capitalise intangible assets or on the impairment considerations include:

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

**Impairment of assets**

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

**Fair value of royalty liabilities**

The royalty liability is calculated using the royalty rate inherent in the original agreement the Company signed with the licensor when they acquired the Company's main patent. This agreement requires the Company to pay a royalty of 2.5% on all future sales that incorporate the main patent to the licensor. The liability has been calculated based on the projected sales forecasts for all products incorporating the main patent over the license period, discounted to their present value. Management have made significant estimates in determining the fair value of this liability. The most significant of these estimates management have made relate to the Company's forecast market share and the weighted average cost of capital. Further details of these are given in note 20.

**Going concern**

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

The ability of the Company to continue as a going concern is ultimately dependent upon the amount and timing of cash flows arising from the capitalisation of the Company's intellectual property. The directors consider it is appropriate for the financial statements to be prepared on a going concern basis based on the estimates they have made, which are summarised on page 17.

**Convertible loans**

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

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For The Year Ended 31 December 2012**

**2 SEGMENTAL REPORTING**

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

The Executive Board of 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.

There have been no changes to the classification of operating segments during the year.

The segmental information for the year ended 31 December 2012 is as follows:

|                                 | 3AEY        |                  | Biocides    | Data-sharing |             |
|---------------------------------|-------------|------------------|-------------|--------------|-------------|
|                                 | Africa<br>£ | Unallocated<br>£ | Europe<br>£ | Europe<br>£  | Total<br>£  |
| Total segment revenue           | 1,451       | 1,516            | 13,123      | 27,500       | 43,590      |
| Inter segment revenue           | -           | -                | -           | -            | -           |
| Revenue from external customers | 1,451       | 1,516            | 13,123      | 27,500       | 43,590      |
| Adjusted EBITDA                 | -           | (846,738)        | -           | -            | (846,738)   |
| Amortisation                    | -           | (719,129)        | -           | -            | (719,129)   |
| Depreciation                    | -           | -                | -           | -            | -           |
| Share based payments            | -           | (91,816)         | -           | -            | (91,816)    |
| Other operating income          | -           | -                | -           | -            | -           |
| Net Finance costs               | -           | (675,994)        | -           | -            | (675,994)   |
| Income tax                      | -           | 16,543           | -           | -            | 16,543      |
| Loss for the year               | -           | (2,317,134)      | -           | -            | (2,317,134) |
| Total assets                    | -           | 7,602,663        | -           | -            | 7,602,663   |
| Total assets includes           |             |                  |             |              |             |
| Additions to non-current assets | -           | 111,232          | -           | -            | 111,232     |
| Total liabilities               | -           | 2,094,641        | -           | -            | 2,094,641   |

**EDEN RESEARCH PLC (REGISTERED NUMBER: 03071324)**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For The Year Ended 31 December 2012**

The segmental information for the year ended 31 December 2011 is as follows

|                                 | 3AEY        |                  | Animal Health | Co-Encapsulation |       |             |
|---------------------------------|-------------|------------------|---------------|------------------|-------|-------------|
|                                 | Africa<br>£ | Unallocated<br>£ | USA<br>£      | Europe<br>£      | India | Total<br>£  |
| Total segment revenue           | 5,594       | 2,145            | 68,387        | 12,912           | 2,162 | 91,200      |
| Inter segment revenue           | -           | -                | -             | -                | -     | -           |
| Revenue from external customers | 5,594       | 2,145            | 68,387        | 12,912           | 2,162 | 91,200      |
| Adjusted EBITDA                 | -           | (757,959)        | -             | -                | -     | (757,959)   |
| Amortisation                    | -           | (696,593)        | -             | -                | -     | (696,593)   |
| Depreciation                    | -           | -                | -             | -                | -     | -           |
| Share based payments            | -           | (375,919)        | -             | -                | -     | (375,919)   |
| Other operating income          | -           | -                | -             | -                | -     | -           |
| Net Finance costs               | -           | (1,458,706)      | -             | -                | -     | (1,458,706) |
| Income tax                      | -           | 5,130            | -             | -                | -     | 5,130       |
| Loss for the year               | -           | (3,283,741)      | -             | -                | -     | (3,283,741) |
| Total assets                    | -           | 8,293,512        | -             | -                | -     | 8,293,152   |
| Total assets includes           |             |                  |               |                  |       |             |
| Additions to non-current assets | -           | 308,225          | -             | -                | -     | 308,225     |
| Total liabilities               | -           | 2,908,284        | -             | -                | -     | 2,908,284   |

During 2012 there were no significant revenues derived from within the 3AEY segment

Revenues of £13,123 (2011 £nil) are derived from a single external customer, TerpenTech, from within the Biocides segment

Revenues of £20,000 (2011 £nil) are derived from a single external customer, Neo-Pharma, from within the Data Sharing segment

There were no revenues derived from the Co-encapsulation or Animal Health segments in 2012

The Company's platform technology, yeast glucan encapsulation, is another business segment for which the Company is currently negotiating with a number of potential licensing partners

**3 EMPLOYEES AND DIRECTORS**

|                       | 2012<br>£      | 2011<br>£      |
|-----------------------|----------------|----------------|
| Wages and salaries    | 263,923        | 377,000        |
| Social security costs | 14,601         | 16,119         |
|                       | <u>278,524</u> | <u>393,119</u> |

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

|            | 2012     | 2011     |
|------------|----------|----------|
| Management | <u>5</u> | <u>5</u> |

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

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For The Year Ended 31 December 2012**

**3 EMPLOYEES AND DIRECTORS - continued**

|                                                      | 2012<br>£      | 2011<br>£      |
|------------------------------------------------------|----------------|----------------|
| Directors' remuneration                              | <u>202,000</u> | <u>327,000</u> |
|                                                      | 202,000        | 327,000        |
| Non-executive directors' fees                        | <u>61,923</u>  | <u>50,000</u>  |
|                                                      | 263,923        | 377,000        |
| Total directors' emoluments                          | <u>263,923</u> | <u>377,000</u> |
| Share based payment charge relating to all directors | <u>-</u>       | <u>245,910</u> |

None of the directors are accruing benefits under company pension schemes (2011 none)

During the year the remuneration of the highest paid director was £90,000 (2011 £135,000)

| 2012     | Salary<br>£    | Bonus<br>£    | Fees<br>£     | Share based<br>payments<br>£ | Total          |
|----------|----------------|---------------|---------------|------------------------------|----------------|
| A Abrey  | 75,000         | 15,000        | -             | -                            | 90,000         |
| K Brooks | 60,000         | 12,000        | -             | -                            | 72,000         |
| C Newitt | 33,333         | 6,667         | -             | -                            | 40,000         |
| B Gill   | -              | -             | 60,000        | -                            | 60,000         |
| T Lupton | -              | -             | 1,923         | -                            | 1,923          |
|          | <u>168,333</u> | <u>33,667</u> | <u>61,923</u> | <u>-</u>                     | <u>263,923</u> |

| 2011     | Salary<br>£    | Bonus<br>£     | Fees<br>£     | Share based<br>payments<br>£ | Total          |
|----------|----------------|----------------|---------------|------------------------------|----------------|
| A Abrey  | 75,000         | 60,000         | -             | 83,292                       | 218,292        |
| K Brooks | 60,000         | 48,000         | -             | 87,258                       | 195,258        |
| C Newitt | 24,445         | 19,555         | -             | 35,697                       | 79,697         |
| B Gill   | -              | 40,000         | 50,000        | 39,663                       | 129,663        |
|          | <u>159,445</u> | <u>167,555</u> | <u>50,000</u> | <u>245,910</u>               | <u>622,910</u> |

**4 NET FINANCE COSTS**

|                          | 2012<br>£  | 2011<br>£  |
|--------------------------|------------|------------|
| Finance income           |            |            |
| Deposit account interest | <u>393</u> | <u>306</u> |

**EDEN RESEARCH PLC (REGISTERED NUMBER: 03071324)**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For The Year Ended 31 December 2012**

**4 NET FINANCE COSTS - continued**

|                                        | <b>2012</b>           | <b>2011</b>             |
|----------------------------------------|-----------------------|-------------------------|
|                                        | <b>£</b>              | <b>£</b>                |
| Finance costs                          |                       |                         |
| Exchange variances                     | <b>(56,446)</b>       | 1,013                   |
| Finance fees                           | <b>670,771</b>        | 1,179,956               |
| Interest on shareholders' loan         | <b>12,322</b>         | 75,016                  |
| Other payables - unwinding on discount | <b>49,690</b>         | 202,721                 |
|                                        | <b><u>676,337</u></b> | <b><u>1,458,706</u></b> |
| Net finance costs                      | <b><u>675,944</u></b> | <b><u>1,458,400</u></b> |

**5 LOSS BEFORE INCOME TAX**

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

|                                      | <b>2012</b>           | <b>2011</b>         |
|--------------------------------------|-----------------------|---------------------|
|                                      | <b>£</b>              | <b>£</b>            |
| Licences and trademarks amortisation | <b>30,273</b>         | 29,012              |
| Development costs amortisation       | <b>193,544</b>        | 172,269             |
| Intellectual property amortisation   | <b>495,312</b>        | 495,312             |
| Auditors remuneration                | <b>21,000</b>         | 20,000              |
| Directors emoluments                 | <b>263,923</b>        | 377,000             |
| Equity share based payment charge    | <b>91,816</b>         | 375,919             |
| Foreign exchange differences         | <b><u>(7,346)</u></b> | <b><u>1,013</u></b> |

**6 INCOME TAX**

**Analysis of tax income**

|                                                       | <b>2012</b>            | <b>2011</b>           |
|-------------------------------------------------------|------------------------|-----------------------|
|                                                       | <b>£</b>               | <b>£</b>              |
| Current tax                                           |                        |                       |
| Research and development tax credit                   | <b><u>(16,543)</u></b> | <b><u>(5,130)</u></b> |
| Total tax income in statement of comprehensive income | <b><u>(16,543)</u></b> | <b><u>(5,130)</u></b> |

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For The Year Ended 31 December 2012**

**6 INCOME TAX - continued****Corporation tax**

No tax charge arises on the results for the year (2011: £nil). Tax losses carried forward amount to approximately £18,260,000 (2011: £17,000,000). The tax credit represents the research and development tax credit receivable for the year ended 31 December 2012.

**Factors affecting the tax charge**

The UK standard rate of corporation tax is 24.50% (2011: 26.50%). Current tax assessed for the financial year as a percentage of the loss before taxation is nil (2011: nil).

The differences are explained below:

|                                                | <b>2012</b>             | <b>2012</b>         | <b>2011</b>             | <b>2011</b>         |
|------------------------------------------------|-------------------------|---------------------|-------------------------|---------------------|
|                                                | <b>£</b>                | <b>%</b>            | <b>£</b>                | <b>%</b>            |
| Standard rate of corporation tax in the UK     |                         | <b>(24.5)</b>       |                         | <b>(26.5)</b>       |
| Loss before tax at standard rate of tax        | <b>(571,779)</b>        |                     | <b>(871,551)</b>        |                     |
| Effects of:                                    |                         |                     |                         |                     |
| Losses carried forward                         | <b>327,956</b>          | <b>14.0</b>         | <b>642,491</b>          | <b>20.0</b>         |
| Other expenses not deductible for tax purposes | <b>243,823</b>          | <b>11.0</b>         | <b>229,060</b>          | <b>7.0</b>          |
| Research and development tax relief            | <u><b>(16,543)</b></u>  | <u><b>(7.0)</b></u> | <u><b>(5,130)</b></u>   | <u><b>(1.0)</b></u> |
| Total current tax credit and tax rate %        | <u><b>(16,543)</b></u>  | <u><b>(1.0)</b></u> | <u><b>(5,130)</b></u>   | <u><b>(1.0)</b></u> |
| Deferred tax:                                  |                         |                     |                         |                     |
| Unprovided deferred tax asset                  | <u><b>4,219,033</b></u> |                     | <u><b>4,257,721</b></u> |                     |

The unprovided deferred tax asset arises principally in respect of trading losses, together with other minor timing differences at 23% (2011: 25%) and has not been recognised due to the uncertainty of timing of future profits against which it may be realised.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For The Year Ended 31 December 2012**

**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

|                                                | <b>Earnings<br/>£</b>     | <b>2012<br/>Weighted<br/>average<br/>number<br/>of<br/>shares</b> | <b>Per-share<br/>amount<br/>pence</b> |
|------------------------------------------------|---------------------------|-------------------------------------------------------------------|---------------------------------------|
| <b>Basic EPS</b>                               |                           |                                                                   |                                       |
| Earnings attributable to ordinary shareholders | <b>(2,317,134)</b>        | <b>107,312,913</b>                                                | <b>-2.16</b>                          |
| Effect of dilutive securities                  | -                         | -                                                                 | -                                     |
| <b>Diluted EPS</b>                             |                           |                                                                   |                                       |
| Adjusted earnings                              | <u><b>(2,317,134)</b></u> | <u><b>107,312,913</b></u>                                         | <u><b>-2.16</b></u>                   |
|                                                |                           |                                                                   |                                       |
|                                                | <b>Earnings<br/>£</b>     | <b>2011<br/>Weighted<br/>average<br/>number<br/>of<br/>shares</b> | <b>Per-share<br/>amount<br/>pence</b> |
| <b>Basic EPS</b>                               |                           |                                                                   |                                       |
| Earnings attributable to ordinary shareholders | <b>(3,283,741)</b>        | <b>89,641,547</b>                                                 | <b>-3.66</b>                          |
| Effect of dilutive securities                  | -                         | -                                                                 | -                                     |
| <b>Diluted EPS</b>                             |                           |                                                                   |                                       |
| Adjusted earnings                              | <u><b>(3,283,741)</b></u> | <u><b>89,641,547</b></u>                                          | <u><b>-3.66</b></u>                   |

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 2012**

**8 INTANGIBLE ASSETS**

|                       | Licences<br>and<br>trademarks<br>£ | Development<br>costs<br>£ | Intellectual<br>property<br>£ | Totals<br>£       |
|-----------------------|------------------------------------|---------------------------|-------------------------------|-------------------|
| <b>COST</b>           |                                    |                           |                               |                   |
| At 1 January 2012     | 419,150                            | 2,239,501                 | 9,652,479                     | 12,311,130        |
| Additions             | <u>28,201</u>                      | <u>83,031</u>             | <u>-</u>                      | <u>111,232</u>    |
| At 31 December 2012   | <u>447,351</u>                     | <u>2,322,532</u>          | <u>9,652,479</u>              | <u>12,422,362</u> |
| <b>AMORTISATION</b>   |                                    |                           |                               |                   |
| At 1 January 2012     | 270,598                            | 521,847                   | 3,708,734                     | 4,501,179         |
| Amortisation for year | <u>30,273</u>                      | <u>193,544</u>            | <u>495,312</u>                | <u>719,129</u>    |
| At 31 December 2012   | <u>300,871</u>                     | <u>715,391</u>            | <u>4,204,046</u>              | <u>5,220,308</u>  |
| <b>NET BOOK VALUE</b> |                                    |                           |                               |                   |
| At 31 December 2012   | <u>146,480</u>                     | <u>1,607,141</u>          | <u>5,448,433</u>              | <u>7,202,054</u>  |

|                       | Licences<br>and<br>trademarks<br>£ | Development<br>costs<br>£ | Intellectual<br>property<br>£ | Totals<br>£       |
|-----------------------|------------------------------------|---------------------------|-------------------------------|-------------------|
| <b>COST</b>           |                                    |                           |                               |                   |
| At 1 January 2011     | 290,118                            | 2,060,308                 | 9,652,479                     | 12,002,905        |
| Additions             | <u>129,032</u>                     | <u>179,193</u>            | <u>-</u>                      | <u>308,225</u>    |
| At 31 December 2011   | <u>419,150</u>                     | <u>2,239,501</u>          | <u>9,652,479</u>              | <u>12,311,130</u> |
| <b>AMORTISATION</b>   |                                    |                           |                               |                   |
| At 1 January 2011     | 241,586                            | 349,578                   | 3,213,422                     | 3,804,586         |
| Amortisation for year | <u>29,012</u>                      | <u>172,269</u>            | <u>495,312</u>                | <u>696,593</u>    |
| At 31 December 2011   | <u>270,598</u>                     | <u>521,847</u>            | <u>3,708,734</u>              | <u>4,501,179</u>  |
| <b>NET BOOK VALUE</b> |                                    |                           |                               |                   |
| At 31 December 2011   | <u>148,552</u>                     | <u>1,717,654</u>          | <u>5,943,745</u>              | <u>7,809,951</u>  |

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For The Year Ended 31 December 2012**

**8 INTANGIBLE ASSETS - continued**

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 twelve years.

An annual impairment review is undertaken by the Board of Directors only where there are indicators that an impairment may exist. 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.

A full impairment review was carried out using discounted cashflow forecasts. The result of this review was that the conclusion that the Intellectual Property is not impaired in respect of its carrying value.

An independent valuation was undertaken by PharmaVentures Limited in 2010 on a number of the Company's product programmes and the estimated future value exceeded the current carrying value.

The valuers used an industry-standard methodology that combines discounted cash flow projections with decision tree analysis to allow explicitly for development risk. For each programme an expected net present value was derived, which provides a measure of the programme's current economic value.

The valuation was carried out on Eden's botrytis, powdery mildew and nematode products using third party information on the market sizes and based on assumptions with regard to the potential market share achievable.

The Estimated Net Present Value of 3AEY, Eden's lead botryticide product, alone exceeded the current carrying value of the Company's intellectual property.

The key assumptions used in completion of the valuation included:

- The projected market sizes for the key products which the Company is developing. These include a projected market of \$214m for 3AEY, \$100m for Powdery Mildew, and \$296m for nematodes.
- The projected market share attainable by the Company. In preparing the valuation, a base projected market share growing to 5% of the relevant markets has been assumed.
- As the nature of the Company's revenue streams are a mixture of milestone payments, licence income and royalties, there are no specific projected growth rates used.
- the timing of the attainment of the milestones which are attainable on project by project basis is a key assumption in the forecasts.
- The discounted cash flows have assumed a discount factor of 9%.

The directors have considered the above valuation and, in the opinion of the directors, the above valuation is still relevant.

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

During 2011 the Company entered into an agreement to acquire an updated version of the Company's core underlying technology under similar terms to the existing agreement. Whilst the technology and liability are legally distinct from the superseded versions, management are of the opinion that in substance they are the same.

**EDEN RESEARCH PLC (REGISTERED NUMBER. 03071324)**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For The Year Ended 31 December 2012**

**9 TRADE AND OTHER RECEIVABLES**

|                             | <b>2012</b>          | <b>2011</b>   |
|-----------------------------|----------------------|---------------|
|                             | <b>£</b>             | <b>£</b>      |
| Current                     |                      |               |
| Trade and other receivables | <b>54,445</b>        | 63,965        |
| VAT recoverable             | <b><u>5,887</u></b>  | <u>31,049</u> |
|                             | <b><u>60,332</u></b> | <u>95,014</u> |

The directors consider that the carrying value of trade and other receivables approximates to the fair value. There are no debts impaired at 31 December 2012 or 2011. Details of debts past due but not impaired are given in note 20.

**10 CASH AND CASH EQUIVALENTS**

|                          | <b>2012</b>           | <b>2011</b>    |
|--------------------------|-----------------------|----------------|
|                          | <b>£</b>              | <b>£</b>       |
| Short term bank deposits | <b><u>340,277</u></b> | <u>388,547</u> |

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

**11 TRADE AND OTHER PAYABLES**

|                              | <b>2012</b>             | <b>2011</b>      |
|------------------------------|-------------------------|------------------|
|                              | <b>£</b>                | <b>£</b>         |
| Current                      |                         |                  |
| Trade payables               | <b>125,143</b>          | 472,557          |
| Other payables               | <b>292,236</b>          | 66,951           |
| Accruals and deferred income | <b><u>295,300</u></b>   | <u>335,687</u>   |
|                              | <b><u>712,679</u></b>   | <u>875,195</u>   |
| Non-current                  |                         |                  |
| Other payables               | <b><u>1,381,962</u></b> | <u>1,381,372</u> |
| Aggregate amounts            | <b><u>2,094,641</u></b> | <u>2,256,567</u> |

The directors consider that the carrying value of trade and other payables approximates to their fair value.

See note 20 for disclosure of the amount of trade payables denominated in foreign currency. See Directors' Report for disclosure of the average credit period taken.

Non-current payables relate to a non-executory contract which commits the Company to make royalty payments of 2.5% on all future sales that incorporate the main patent to the licensor. The liability has been calculated based on the projected sales forecasts for all products incorporating the main patent discounted to their present value.

**12 FINANCIAL LIABILITIES - BORROWINGS**

|            | <b>2012</b>     | <b>2011</b>    |
|------------|-----------------|----------------|
|            | <b>£</b>        | <b>£</b>       |
| Current    |                 |                |
| Loan notes | <b><u>-</u></b> | <u>651,717</u> |

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For The Year Ended 31 December 2012**

**13 FINANCIAL ASSETS AND LIABILITIES**

|                                           | Note | 2012<br>£             | 2011<br>£             |
|-------------------------------------------|------|-----------------------|-----------------------|
| <b>Financial assets at amortised cost</b> |      |                       |                       |
| Other receivables                         | 9    | 60,332                | 95,014                |
| Cash and cash equivalents                 | 10   | <u>340,277</u>        | <u>388,547</u>        |
|                                           |      | <u><b>400,609</b></u> | <u><b>483,561</b></u> |

**Financial liabilities**

All financial liabilities are considered to be level 3 in accordance with IFRS7

Financial liabilities measured at fair value through the profit and loss account

Non current

|                |    |                         |                         |
|----------------|----|-------------------------|-------------------------|
| Other payables | 11 | <u><b>1,381,962</b></u> | <u><b>1,381,372</b></u> |
|----------------|----|-------------------------|-------------------------|

Financial liabilities measured at amortised cost

Current

|                          |    |                       |                         |
|--------------------------|----|-----------------------|-------------------------|
| Loan notes               | 12 | -                     | 651,717                 |
| Trade and other payables | 11 | <u><b>712,679</b></u> | <u><b>875,195</b></u>   |
|                          |    | <u><b>712,679</b></u> | <u><b>1,526,912</b></u> |

The loan notes carried an interest rate of 7.5% and there are no fixed terms for repayment

The loan balances were secured by a fixed and floating charge over the Company's assets. More details in relation to this charge are included within note 20

|                                     |                           |
|-------------------------------------|---------------------------|
| <b>Loan notes</b>                   | <b>£</b>                  |
| Loan balance as at 1 January 2011   | <b>2,947,502</b>          |
| New loans issued in the year        | <b>2,278,372</b>          |
| Interest charged in the year        | <b>75,773</b>             |
| Loan notes repaid in the year       | <b>(20,795)</b>           |
| Loan notes converted in the year    | <u><b>(4,629,135)</b></u> |
| Loan balance as at 31 December 2011 | <b>651,717</b>            |
| New loans issued in the year        | <b>1,684,074</b>          |
| Interest charged in the year        | <b>12,321</b>             |
| Loan notes repaid in the year       | <b>-</b>                  |
| Loan notes converted in the year    | <u><b>(2,348,112)</b></u> |
| Loan balance as at 31 December 2012 | <u><b>-</b></u>           |

The loans converted during 2012 and 2011 were converted into ordinary shares. In accordance with the Company's accounting policy these were converted at nil gain/ nil loss

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For The Year Ended 31 December 2012**

**14 CALLED UP SHARE CAPITAL**

| Authorised<br>Number              | Class    | Nominal<br>value | 2012<br>£        | 2011<br>£        |
|-----------------------------------|----------|------------------|------------------|------------------|
| 111,044,161<br>(2011 100,000,000) | Ordinary | 0 01             | <u>1,110,442</u> | <u>1,000,000</u> |

| Alloted, issued and fully<br>paid<br>Number | Class    | Nominal<br>value | 2012<br>£        | 2011<br>£      |
|---------------------------------------------|----------|------------------|------------------|----------------|
| 111,044,161<br>(2011 99,303,596)            | Ordinary | 0 01             | <u>1,110,442</u> | <u>993,037</u> |

During the year the Company converted £2,219,081 of long term debt and £129,031 of short term debt into 11,740,565 ordinary shares of 1 pence each in the Company at an average price of 20p

| Date     | Number of ordinary<br>shares | Aggregate<br>nominal value<br>£ | Issue Price<br>£ | Premium on<br>issue<br>£ | Total share<br>premium<br>£ |
|----------|------------------------------|---------------------------------|------------------|--------------------------|-----------------------------|
| 25 04 12 | 11,740,565                   | <u>117,405</u>                  | 0 20             | 0 19                     | <u>2,230,707</u>            |
|          |                              | <u>117,405</u>                  |                  |                          | <u>2,230,707</u>            |

During 2011 the Company converted £4,722,131 of long term debt into 25,122,591 ordinary shares of 1 pence each in the Company at an average price of 18 8p

The number of £0 01 ordinary shares issued in the year totalled 11,740,565 (2011 32,275,245)

During 2011 the following ordinary shares were issued by Eden Research plc

| Date     | Number of ordinary<br>shares | Aggregate nominal<br>value<br>£ | Issue Price<br>£ | Premium on<br>issue<br>£ | Total share<br>premium<br>£ |
|----------|------------------------------|---------------------------------|------------------|--------------------------|-----------------------------|
| 19 01 11 | 4,400,000                    | 44,000                          | 0 125            | 0 115                    | 506,000                     |
| 19 01 11 | 1,557,849                    | 15,579                          | 0 13             | 0 12                     | 186,942                     |
| 15 02 11 | 10,000,000                   | 100,000                         | 0 20             | 0 19                     | 1,900,000                   |
| 30 06 11 | 16,317,396                   | <u>163,174</u>                  | 0 18             | 0 17                     | <u>2,773,957</u>            |
|          |                              | <u>322,753</u>                  |                  |                          | <u>5,366,899</u>            |

**EDEN RESEARCH PLC (REGISTERED NUMBER: 03071324)**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For The Year Ended 31 December 2012**

**15 RESERVES**

|                          | Retained<br>earnings<br>£ | Share<br>premium<br>£ | Merger<br>reserve<br>£ | Warrant<br>reserve<br>£ | Totals<br>£      |
|--------------------------|---------------------------|-----------------------|------------------------|-------------------------|------------------|
| At 1 January 2012        | (27,373,645)              | 20,121,687            | 10,209,673             | 1,434,476               | 4,392,191        |
| Deficit for the year     | (2,317,134)               |                       |                        |                         | (2,317,134)      |
| Cash share issue         | -                         | 2,230,707             | -                      | -                       | 2,230,707        |
| Options granted          | -                         | -                     | -                      | 91,816                  | 91,816           |
| Options exercised/lapsed | <u>92,786</u>             | <u>-</u>              | <u>-</u>               | <u>(92,786)</u>         | <u>-</u>         |
| At 31 December 2012      | <u>(29,597,993)</u>       | <u>22,352,394</u>     | <u>10,209,673</u>      | <u>1,433,506</u>        | <u>4,397,580</u> |

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

**16 CAPITAL COMMITMENTS**

The Company had no capital commitments at 31 December 2012 (2011: £nil).

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For The Year Ended 31 December 2012**

**17 RELATED PARTY DISCLOSURES**

## Related party transactions

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, the Company traded with A H Brooks, of which K W Brooks, a director, is a partner. The transactions in aggregate were as follows -

|                                    | <b>2012</b>   | <b>2011</b> |
|------------------------------------|---------------|-------------|
|                                    | <b>£</b>      | <b>£</b>    |
| Rent                               | <b>30,000</b> | 30,000      |
| Provision of consulting services   | -             | 61,662      |
| Trade payables due at the year end | -             | 19,449      |

During the prior year, the Company traded with Battlebridge Group Limited, a shareholder, in respect of management consultancy, as follows -

|                                    | <b>2012</b> | <b>2011</b> |
|------------------------------------|-------------|-------------|
|                                    | <b>£</b>    | <b>£</b>    |
| Provision of management services   | -           | 25,000      |
| Trade payables due at the year end | -           | 7,500       |

During the year, the Company traded with Ricewood Limited, of which A Abrey, a director, is a director and shareholder, in respect of consultancy services, as follows -

|                                    | <b>2012</b>   | <b>2011</b> |
|------------------------------------|---------------|-------------|
|                                    | <b>£</b>      | <b>£</b>    |
| Provision of consultancy services  | <b>18,333</b> | 15,000      |
| Trade payables due at the year end | -             | 16,708      |

During the year, the Company traded with Hawkhill Consultancy Limited, of which B Gill, a director, is a director and shareholder, in respect of director's fees, as follows -

|                                    | <b>2012</b>   | <b>2011</b> |
|------------------------------------|---------------|-------------|
|                                    | <b>£</b>      | <b>£</b>    |
| Director's fees                    | <b>50,000</b> | 50,000      |
| Trade payables due at the year end | <b>30,000</b> | 15,138      |

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

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For The Year Ended 31 December 2012**

Liabilities include the following loans advanced by the shareholders of the Company -

|                        | <b>2012</b> | <b>2011</b> |
|------------------------|-------------|-------------|
|                        | <b>£</b>    | <b>£</b>    |
| Oxford Capital Limited | -           | 651,717     |
|                        | -           | 651,717     |

During the year £2,348,112 was converted into equity. Full details of the conversion are included within note 13.

The 2011 figure is stated after the effect of new advances, loan repayments, interest charges and conversion of debt.

The loans carried an interest rate of 7.5% (2011: 7.5%) per annum and there were no fixed terms for repayment.

The Company was party to a guarantee and debenture entered into on 29 December 2008 whereby all sums due to Oxford Capital Limited were secured by a first fixed and floating charge over the assets of the Company.

**18 EVENTS AFTER THE REPORTING PERIOD**

In February 2013, the Company raised £1.1m, before expenses, by way of a placing of 12,233,337 ordinary shares of 1 pence each were issued at a price of 9p per share.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For The Year Ended 31 December 2012**

**19 SHARE-BASED PAYMENT TRANSACTIONS****Share Options**

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

|                                          | <b>2012</b>                                    |                  | <b>2011</b>                                    |                  |
|------------------------------------------|------------------------------------------------|------------------|------------------------------------------------|------------------|
|                                          | <b>Weighted average exercise price (pence)</b> | <b>Number</b>    | <b>Weighted average exercise price (pence)</b> | <b>Number</b>    |
| Outstanding at the beginning of the year | 20                                             | 6,845,000        | 26                                             | 3,370,000        |
| Granted during the year                  | -                                              | -                | 14                                             | 4,200,000        |
| Exercised during the year                | -                                              | -                | -                                              | -                |
| Lapsed during the year                   | 43                                             | (75,000)         | 18                                             | (725,000)        |
|                                          | <u>19</u>                                      | <u>6,770,000</u> | <u>20</u>                                      | <u>6,845,000</u> |

The exercise price of options outstanding at the end of the year ranged between 10p and 60p (2011 9p and 60p) and their weighted average contractual life was 2.1 years (2011 3.1 years). None of the options have vesting conditions.

No share options were granted during the year. The weighted average fair value of each option granted during 2011 was 14p.

The share based payment charge for the year was £91,816 (2011 £375,919).

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

**Equity-settled**

|                                                    |               |
|----------------------------------------------------|---------------|
| Option price model used                            | Black Scholes |
| Weighted average share price at grant date (pence) | 14            |
| Exercise price (pence)                             | 20            |
| Weighted average contractual life (days)           | 1,147         |
| Expected volatility                                | 64.4%         |
| Expected dividend growth rate                      | -             |
| Risk-free interest rate                            | 4.43%         |

Expected volatility is calculated based on historic share price movements.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For The Year Ended 31 December 2012**

**Warrants**

|                                          | <b>2012<br/>Weighted<br/>average<br/>exercise<br/>price<br/>(pence)</b> | <b>Number</b>    | <b>2011<br/>Weighted<br/>average<br/>exercise<br/>price<br/>(pence)</b> | <b>Number</b>    |
|------------------------------------------|-------------------------------------------------------------------------|------------------|-------------------------------------------------------------------------|------------------|
| Outstanding at the beginning of the year | 15                                                                      | 6,096,875        | 15                                                                      | 7,757,849        |
| Granted during the year                  | 9                                                                       | 985,000          | 17                                                                      | 802,431          |
| Exercised during the year                | -                                                                       | -                | 14                                                                      | (2,113,405)      |
| Lapsed during the year                   | <u>20</u>                                                               | <u>(400,000)</u> | <u>25</u>                                                               | <u>(350,000)</u> |
|                                          | <u>14</u>                                                               | <u>6,681,875</u> | <u>15</u>                                                               | <u>6,096,875</u> |

The exercise price of warrants outstanding at the end of the year ranged between 13p and 21p (2011 13p and 21p) and their weighted average contractual life was 0.5 years (2011 1.5 years). None of the warrants have vesting conditions.

The weighted average share price (at the date of exercise) of warrants exercised during the year was nil p (2011 14p).

The weighted average fair value of each warrant granted during the year was 9p (2011 17p).

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For The Year Ended 31 December 2012**

**20 FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES****Credit risk**

|                           | <b>2012</b>           | <b>2011</b>           |
|---------------------------|-----------------------|-----------------------|
|                           | <b>£</b>              | <b>£</b>              |
| Cash and cash equivalents | <b>340,277</b>        | 388,547               |
| Trade receivables         | <b>47,275</b>         | 59,335                |
|                           | <b><u>387,552</u></b> | <b><u>447,882</u></b> |

The average credit period for sales of goods and services is 30 days. No interest is charged on overdue trade receivables. At 31 December 2012 trade receivables of £47,275 (31 December 2011 £59,335) were past due but are considered by the directors to be recoverable in full.

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**

|                                    | <b>2012</b>             | <b>2011</b>             |
|------------------------------------|-------------------------|-------------------------|
|                                    | <b>£</b>                | <b>£</b>                |
| Trade payables                     | <b>125,143</b>          | 472,557                 |
| Other payables                     | <b>292,236</b>          | 66,951                  |
| Accruals and deferred income       | <b>295,300</b>          | 335,687                 |
| Interest bearing convertible loans | -                       | 651,717                 |
| Other payables                     | <b>1,381,962</b>        | 1,381,372               |
|                                    | <b><u>2,094,641</u></b> | <b><u>2,908,284</u></b> |

The carrying amount of trade payables approximates to fair value.

The average credit period on purchases of goods is 30 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.

The carrying amount of other payables relating to future royalty payments approximate total value. Further details are disclosed in note 11.

Details of the interest bearing loans are disclosed in note 13 to the financial statements. The Company currently finances their operations partly through these borrowings. The Company borrow in pounds sterling generally at fixed interest rates.

**Credit risk**

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

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For The Year Ended 31 December 2012**

**Currency risk**

The Company publishes its financial statements in pounds sterling and conducts some of its business in US dollars, Norwegian Krone 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 Comprehensive Income as incurred. At the year end, the Company had the following net foreign currency balances in liabilities:

|                  | <b>2012</b>             | <b>2011</b>             |
|------------------|-------------------------|-------------------------|
|                  | <b>£</b>                | <b>£</b>                |
| US dollars       | <b>1,383,528</b>        | 1,403,574               |
| Euro             | <b>29,003</b>           | 151,588                 |
| Norwegian Kroner | <u>-</u>                | <u>83,372</u>           |
|                  | <b><u>1,412,531</u></b> | <b><u>1,638,534</u></b> |

**Liquidity risk**

Short-term flexibility is achieved by shareholder loans. The interest rate profile and maturity profile of financial liabilities is set out below -

The interest rate profile of the Company's financial liabilities at 31 December 2012 was -

|                         | <b>Total</b> | <b>Fixed rate financial</b> | <b>Financial liabilities on</b> |
|-------------------------|--------------|-----------------------------|---------------------------------|
|                         | <b>£</b>     | <b>liabilities</b>          | <b>which no interest is</b>     |
|                         |              | <b>£</b>                    | <b>paid</b>                     |
|                         |              |                             | <b>£</b>                        |
| <b>Sterling</b>         |              |                             |                                 |
| 2012                    | 682,110      | -                           | 682,110                         |
| 2011                    | 1,269,750    | 651,719                     | 618,031                         |
| <b>Euro</b>             |              |                             |                                 |
| 2012                    | 29,003       | -                           | 29,003                          |
| 2011                    | 151,588      | -                           | 151,588                         |
| <b>US Dollars</b>       |              |                             |                                 |
| 2012                    | 1,383,528    | -                           | 1,383,528                       |
| 2011                    | 1,403,574    | -                           | 1,403,574                       |
| <b>Norwegian Kroner</b> |              |                             |                                 |
| 2012                    | -            | -                           | -                               |
| 2011                    | 83,372       | -                           | 83,372                          |

|                 | <b>Weighted average interest</b> | <b>Weighted</b>          | <b>Weighted average</b> |
|-----------------|----------------------------------|--------------------------|-------------------------|
|                 | <b>rate</b>                      | <b>average period</b>    | <b>period until</b>     |
|                 |                                  | <b>for which rate is</b> | <b>maturity</b>         |
|                 | <b>%</b>                         | <b>fixed</b>             | <b>Years</b>            |
|                 |                                  | <b>Years</b>             |                         |
| <b>Sterling</b> |                                  |                          |                         |
| 2012            | 7.5                              | 1.0                      | 1.0                     |
| 2011            | 7.5                              | 1.0                      | 1.0                     |

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

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For The Year Ended 31 December 2012**

**Maturity of financial liabilities**

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

|                                                     | 2012             | 2011             |
|-----------------------------------------------------|------------------|------------------|
|                                                     | £                | £                |
| In one year or less, or on demand                   | 712,679          | 1,526,912        |
| In more than one year but not more than two years   | 183,983          | 4,000            |
| In more than two years but not more than five years | 415,976          | 595,959          |
| In more than five years                             | 782,003          | 781,413          |
|                                                     | <u>2,094,641</u> | <u>2,908,284</u> |

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

**Market price risk**

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

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

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

**Capital risk management**

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

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

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

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

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2012 and 31 December 2011.

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% (2011 between 20% and 35%). 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.

**EDEN RESEARCH PLC (REGISTERED NUMBER: 03071324)**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**For The Year Ended 31 December 2012**

|                                | <b>2012</b>             | <b>2011</b>      |
|--------------------------------|-------------------------|------------------|
|                                | <b>£</b>                | <b>£</b>         |
| Borrowings                     | -                       | 651,717          |
| Less Cash and cash equivalents | <u>(340,277)</u>        | <u>(388,547)</u> |
| Net debt                       | <b>(340,277)</b>        | 263,170          |
| Total equity                   | <u><b>5,508,022</b></u> | <u>5,385,228</u> |
| Total capital                  | <b>5,167,745</b>        | 5,648,228        |
| Gearing ratio                  | <b>0%</b>               | 5%               |

Post year end the Company raised £1 1m, before expenses, by way of a placing Full details are given in note 18 to the financial statements

The decrease in gearing ratio at 31 December 2012 resulted from the decreased borrowings and increase in cash