REGISTERED NUMBER. 03071324 (England and Wales)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

FOR

EDEN RESEARCH PLC

EDEN RESEARCH PLC

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FOR THE YEAR ENDED 31 DECEMBER 2011

EDEN RESEARCH PLC

COMPANY INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2011

DIRECTORS:	K W Brooks A J Abrey C Newitt A B N Gill
SECRETARY:	R E Sims Oxford Corporate Services Limited
REGISTERED OFFICE.	The Hawk Creative Business Park The Hawkhills Estate Easingwold York N Yorkshire YO61 3FE
REGISTERED NUMBER:	03071324 (England and Wales)
AUDITOR:	Grant Thornton UK LLP 3140 Rowan Place John Smith Drive Oxford Business Park Oxford OX4 2WB
BANKERS:	The Royal Bank of Scotland plc Southern Corporate Office P O Box 391 40 Islington High Street London N1 8JX
SOLICITORS.	BrookStreet Des Roches 1 Des Roches Square Witan Way Witney Oxfordshire OX8 6BE
CORPORATE ADVISOR:	Zeus Capital Limited 3 Ralli Courts West Riverside Manchester M3 5FT

Introduction

Eden Research has continued to exploit its terpene encapsulation technologies this year by progressing a number of opportunities alongside its focus on agrochemicals This has ensured that we have strengthened our position to be able to generate significant value and maximise this across several fronts

Following our increasing profile around the world as a result of various presentations at international events we have received a number of new and un-solicited approaches by significant parties interested in applying Eden's technologies to the cosmetics, human health and biocide markets, which the management of Eden are actively pursuing

The progression of the EU registration of the active compounds in Eden's first agrochemical product, 3AEY, while frustratingly slow, has also led to interest by significant names within the agrochemicals' industry Existing and potential Eden products, as well as the co-encapsulation of existing agrochemicals using the encapsulation system to provide a number of benefits, are currently being evaluated and it is hoped that there will be a favourable outcome to report in the coming year

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 progressing trials for registration of products within the amateur gardening market and is currently formulating Ready to Use products for garden centres

Redestos is awaiting the European approval process, as detailed below, to enable them to start the registration of 3AEY in Greece and the Balkans

Cheminova is also awaiting EU approval before progressing product registrations

Lachlan has submitted an application to register 3AEY in Kenya and is awaiting the outcome of that application to enable them to sell product in that territory This is expected to happen shortly

Nematodes

In 2011, Eden and Certis Europe undertook a number of field trials to show the efficacy of Eden's nematode product to enable Certis to decide whether to exercise the option that they have for the product to enter into an exclusive licence agreement

The trials showed that Eden's product performed in line with a leading traditional chemical product and negotiations are on-going with Certis to conclude an exclusive licensing deal

Since the year end, Eden substituted its licensing deal with Stockton Agrimor AG for nematodes in Latin America, by signing a memorandum of understanding with FMC Corporation to enter into an exclusive licensing deal

In 2012, Eden also expects to conclude licensing arrangements for North America

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

Just after the year end, Eden announced that Teva Animal Health had exercised its option to enter into an exclusive licence for Eden's products and technologies in the animal health sector This follows two years of trial and formulation work under the option agreement

Teva recently announced that it will be re-commencing manufacturing at its facilities in Missouri, USA and are keen to start producing and marketing over the counter 'Eden' products, which the Directors believe should result in sales of products later this year An over the counter product range in the USA does not have the same regulatory process as a prescription product range and, hence, should be quicker to market

In addition, the company is currently in discussions with Teva to roll-out these products on a global basis

Biocides

In September 2011, Eden entered into marketing and licensing agreements with TerpeneTech Limited for various applications in the biocide sector TerpeneTech is progressing with trial work and registration in both USA and Europe

Encapsulation

In 2010 and 2011, Eden announced that it had signed co-encapsulation development agreements with SBM Developpement SA, of France, and Tagros Chemicals India PVT Limited, of India

Eden is awaiting results of the work that has been done and will update shareholders accordingly

Another partner is investigating the possibility of encapsulating existing agrochemical active substances Eden will update shareholders on this as and when appropriate

Product Registration

In March 2011, the European Commission confirmed the completeness of the dossiers for the three active substances submitted by Eden, under Directive 91/414/EEC

The European Food Safety Authority (EFSA) is expected to complete its review shortly at which point EFSA should then recommend inclusion of the three active substances used in 3AEY to the European Commission who will then vote for its inclusion onto the list of approved active substances

Intellectual Property ("IP")

2011 has seen the conclusion of two inward licensing agreements which have seen valuable IP added to Eden's portfolio

In September 2011, Eden signed an agreement with Cornell University of USA which provides Eden with the exclusive rights to commercialise and sub-licence terpene based formulations relating to certain insecticidal applications

In October 2011, Eden acquired the exclusive, global rights to a next-generation encapsulation delivery system based on scientific research at the University of Massachusetts Medical School in Worcester, USA ("UMMS")

The next-generation encapsulation technology licensed from UMMS provides significant additional benefits to the original system as it allows release to be controlled by environmental factors rather than relying solely upon the chemistry of the substances used This means that there is more control over the timing of the release of the active compound being carried allowing for further reduction in chemicals applied whilst ensuring maximum effectiveness

The UMMS license also significantly expands the potential use of the Eden technology in non-agricultural applications such as health and beauty, cosmetics and animal health

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

Outlook

The number of enquiries made about Eden's technologies and products continues to grow at a significant rate, ranging from interest in sharing Eden's valuable registration data, as already acknowledged in 2012 with the agreement signed with Xeda International, to encapsulation of active substances in both agrochemical and non-agrochemical areas

The Board will continue to out-licence existing agrochemical products for new product areas as well as look to exploit the full potential of the next-generation UMMS technology in areas such as cosmetics, human health and biocide markets

In addition, the move to AIM should provide the Company with a more transparent market in its shares, as well as access to institutional investors

Sir A B N Gill
Chairman
13 April 2012

Ben N. Gill
April 13th 2012.

EDEN RESEARCH PLC

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2011

The directors present their report with the financial statements of the Company for the year ended 31 December 2011

PRINCIPAL ACTIVITY

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

DIVIDENDS

The loss for the year after taxation amounted to £3,283,741 (2010 £3,250,974) The directors are unable to recommend any dividend

BASIS OF PREPARATION

On 29 March 2011 the Company's dormant subsidiary, Eden Research Europe Limited, was dissolved As a result there is no requirement to prepare consolidated financial statements for the year ended 31 December 2011 The results for the year reflect the Company's affairs

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 will not only be a key milestone in terms of its commercialisation but also of future products as the three active substances that are being 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 2m of development expenditure in the year which is a reflection of the continued development of the Company's products In addition to this, £0 1m of patent fees have been incurred to protect the Company's biggest asset, its intellectual property

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 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 2011 consisted of a licence fee received from Teva Animal Health, in addition to charges made for samples and consultancy to other existing and potential licensees Revenue in 2011 was £0 1 million, in line with £0 2 million in 2010 The operating loss for the year was £1 8 million compared to £2 3 million for the previous year The loss before tax for 2011 was £3 3 million, in line with £3 3 million in the previous year

The loss per share for 2011 was 3 66 pence compared to 5 21 pence in 2010

Administrative expenses for the year (excluding the amortisation of intangible assets and share based payments charge) were £0 8 million (2010 £1 3 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 £0 1 million from the exercise of share options

Also during the year, the Company received net loans from shareholders of £2 3 million In addition, £4 6 million of debt was converted into equity

As part of its AIM listing, the Company has raised £0 5m through convertible debt finance which is to be converted in full, in addition to all of the existing convertible debt prior to AIM admission This, in addition to revenues which are expected to be derived from license fees and royalties has satisfied the working capital requirement of the AIM listing

Further details concerning the financing position of the Company are set out in Note 1 to the financial statements

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

DIRECTORS

The directors during the year under review were
K W Brooks
A J Abrey
C Newitt
A B N Gill

At 31 December 2011 the dırectors had the followıng ınterests ın share optıon schemes

Date of grant	Expıry date	Exercıse prıce £	Number at 1 January 2011	Granted ın year	Exercised ın year	Lapsed ın year	Number at 31 December 2011
KW Brooks							
19/05/2009	19/05/2014	0 26	900,000	-	-	-	900,000
08/06/2006	06/06/2011	0 20	500,000	-	-	(500,000)	-
17/01/2011	16/01/2016	0 13	-	1,100,000	-	-	1,100,000
			1,400,000	1,100,000	-	(500,000)	2,000,000
A J Abrey							
10/01/2006	19/01/2011	0 09	50,000	-	-	(50,000)	-
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
			500,000	1,050,000	-	(50,000)	1,500,000
C Newitt							
19/05/2009	19/05/2014	0 26	150,000	-	-	-	150,000
17/01/2011	16/01/2016	0 13	-	450,000	-	-	450,000
			150,000	450,000	-	-	600,000
A B N Gill							
19/05/2009	19/05/2014	0 26	100,000	-	-	-	100,000
17/01/2011	16/01/2016	0 13	-	500,000	-	-	500,000
			100,000	500,000	-	-	600,000

PAYMENT OF CREDITORS

It ıs the Company's polıcy to endeavour to pay supplıers wıthın an acceptable perıod of allowed credıtor days ın accordance wıth the agreed terms The Company acted ın accordance wıth thıs polıcy throughout the year where possıble, though restrıcted cash flow meant that the Company made varıous arrangements wıth credıtors to pay outsıde normal credıt terms The Company had 198 days purchases outstandıng at 31 December 2011 (2010 231 days) based on the average daıly amount ınvoıced by supplıers durıng the year ended 31 December 2011

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's prıme rısk ıs the on-goıng commercıalısatıon of the Company's ıntellectual property, whıch ınvolves testıng of the Company's products, obtaınıng regulatory approval and reachıng a commercıally benefıcıal agreement for each product to be taken to market

The Company's credıt rısk ıs prımarıly attrıbutable to ıts trade receıvables Credıt rısk ıs managed by runnıng credıt checks on customers and by monıtorıng payments agaınst contractual agreements

The Company monıtors cash flow as part of ıts day to day control procedures The board consıders cash flow projectıons at ıts meetıngs and ensures that approprıate facılıtıes are avaılable to be drawn down upon as necessary Interest rate rısk ıs controlled by the use of fixed rate convertıble loans

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

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

INDEMNITY COVER

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

FINANCIAL INSTRUMENTS

Details of the use of financial instruments by the Company are contained in note 22 to the financial statements

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors have to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) 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 and 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 judgments and estimates that are reasonable and prudent,
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

EDEN RESEARCH PLC

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2011

. 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

In so far as each of the Directors is aware

- there is no relevant audit information of which the Company's auditors are unaware, and
- the Directors have taken all steps that they ought to have taken 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

AUDITOR

The auditor, Grant Thornton UK LLP will be proposed for re-appointment in accordance with Section 489 of the Companies Act 2006

ON BEHALF OF THE BOARD

Sir A B N Gill
Chairman
13 April 2012

April 13th 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

EDEN RESEARCH PLC

We have audited the Company financial statements of Eden Research plc for the year ended 31 December 2011 which comprise the statement of comprehensive income, the statement of changes in equity, the statement of financial position, 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 Auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 10 and11, the directors are responsible for the preparation of the Company 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 Company 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

Opinion on financial statements

In our opinion the Company financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRS as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

EDEN RESEARCH PLC

. .continued .

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the Company 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 by the Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the Company 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
13 April 2012

Registered Number 03071324

EDEN RESEARCH PLC

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 £	2010 £
CONTINUING OPERATIONS			
Revenue		**91,200**	172,529
GROSS PROFIT		**91,200**	172,529
Administrative expenses			
- other		**(849,159)**	(1,335,117)
- amortisation of intangible assets		**(696,593)**	(664,097)
- share based payments		**(375,919)**	(436,084)
Total administrative expenses		**(1,921,671)**	(2,435,298)
OPERATING LOSS	5	**(1,830,471)**	(2,262,769)
Finance costs	4	**(1,458,706)**	(1,018,928)
Finance income	4	**306**	14
LOSS BEFORE TAX		**(3,288,871)**	(3,281,683)
Tax	6	**5,130**	30,709
LOSS FOR THE YEAR and total comprehensive income		**(3,283,741)**	(3,250,974)
LOSS PER SHARE			
- basic and diluted	7	**(3.66)p**	(5 21)p

The notes on pages 19 to 48 are an integral part of these financial statements

EDEN RESEARCH PLC

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011

	Share capital	Share premium	Merger reserve	Warrant reserve	Retained earnings	Total
	£	£	£	£	£	£
Balance at 1 January 2010	617,324	14,145,753	10,209,673	2,186,273	(22,402,730)	4,756,293
Loss and total comprehensive income	-	-	-	-	(3,250,974)	(3,250,974)
Transactions with owners						
- Issue of share	52,960	609,035	-	-	-	661,995
- Options granted	-	-	-	436,084	-	436,084
- Options exercised/lapsed	-	-	-	(1,368,824)	1,368,824	-
Transactions with owners	52,960	609,035	-	(932,740)	1,368,824	1,098,079
Balance at 31 December 2010	670,284	14,754,788	10,209,673	1,253,533	(24,284,880)	2,603,398
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**

EDEN RESEARCH PLC

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

	Note	2011 £	2010 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	8	**7,809,951**	8,198,319
Investments	9	**-**	100
		7,809,951	8,198,419
CURRENT ASSETS			
Trade and other receivables	10	**95,014**	75,324
Cash and cash equivalents	11	**388,547**	6,123
		483,561	81,447
TOTAL ASSETS		**8,293,512**	8,279,866
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	**875,195**	1,597,440
Financial liabilities - borrowings			
Loan notes	14	**651,717**	2,947,502
		1,526,912	4,544,942
NON CURRENT LIABILITIES			
Other payables	13	**1,381,372**	1,131,526
TOTAL LIABILITIES		**2,908,282**	5,676,468
EQUITY			
Called up share capital	16	**993,037**	670,284
Share premium account	17	**20,121,687**	14,754,788
Merger reserve	18	**10,209,673**	10,209,673
Warrant reserve	18	**1,434,476**	1,253,533
Retained earnings	19	**(27,373,645)**	(24,284,880)
TOTAL EQUITY attributable to owners of the parent		**5,385,228**	2,603,398
TOTAL EQUITY AND LIABILITIES		**8,293,512**	8,279,866

The notes on pages 19 to 48 are an integral part of these financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 13 April 2012 and were signed on its behalf by

K W Brooks
Director

Registered Number 03071324

EDEN RESEARCH PLC

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 £	2010 £
Cash flows from operating activities			
Cash outflow from operations	1	**(1,499,794)**	(1,017,257)
Tax credit received		**5,130**	29,320
Net finance charges paid		**(1,133,087)**	(763,068)
Net cash used in operating activities		**(2,627,751)**	(1,751,005)
Cash flows from investing activities			
Capitalisation of development expenditure		**(308,225)**	(104,674)
Finance income		**306**	14
Net cash used in investing activities		**(307,919)**	(104,660)
Cash flows from financing activities			
Shareholders' loan – repayment		**(20,795)**	(898,322)
Shareholders' loan - drawdown		**2,278,372**	2,016,388
Issue of equity shares		**1,060,517**	661,994
Net cash from financing activities		**3,318,094**	1,780,060
Increase/(decrease) in cash and cash equivalents		**382,424**	(75,605)
Cash and cash equivalents at beginning of year		**6,123**	81,728
Cash and cash equivalents at end of year		**388,547**	6,123

Cash and cash equivalents comprise bank account balances

The notes on pages 19 to 48 are an integral part of these financial statements

NOTES TO THE STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011

1 Cash outflow from operations

	2011 £	2010 £
Loss before tax	**(3,288,871)**	(3,281,683)
Equity share based payment charge	**375,919**	436,084
Amortisation of trademarks and intellectual property	**696,593**	664,097
Finance income	**(306)**	(14)
Finance costs	**1,458,706**	1,018,928
Impairment of fixed asset investment	**100**	-
Operating cash flows before movement in working capital	**(757,859)**	(1,162,588)
Increase in trade and other receivables	**(19,690)**	(39,244)
Increase/(decrease) in trade and other payables	**(722,245)**	184,575
Cash outflow from operations	**(1,499,794)**	(1,017,257)

1. ACCOUNTING POLICIES

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 3 The nature of the Company's operations and its principal activities are set out in the Chairman's Review on page four The Company is quoted on the PLUS 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 2011

IAS 24 – Related Party Disclosures (Amendment)

IAS 32 – Financial Instruments Presentation – Classification of Rights Issues

IFRIC 14 – Prepayments of a minimum funding requirement

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

Improvements to IFRSs (May 2010)

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

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

	Effective date Periods commencing on or after
IFRS 11 Joint Arrangements	1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	1 January 2013
IFRS 13 Fair Value Measurement	1 January 2013
IAS 19 Employee Benefits (Amendment)	1 January 2013
IAS 27 Separate Financial Statements	1 January 2013
IAS 28 Investments in Associate and Joint Ventures	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

1 ACCOUNTING POLICIES (continued)

Basis of preparation

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

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 £3,283,741 (2010 £3,250,974) Net current liabilities as at that date amounted to £1,043,351 (2010 £4,463,395)

The directors have prepared budgets and projected cash flow forecasts for a period of two years from 31 December 2011 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 company has raised additional funding post year end which, together with the cash balance carried over from the year end, means the company has a strong cash balance at the present moment A further £500,000 of convertible debt has been made available to the company This debt, together with all outstanding convertible loans, will be converted into equity as part of the AIM admission process

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

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

1. **ACCOUNTING POLICIES (continued)**

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

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

1. **ACCOUNTING POLICIES (continued)**

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

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

Financial instruments

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

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

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

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

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

Financial assets

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

Financial assets are assessed for impairment at each reporting date by considering the recoverable amount of the asset in comparison to its carrying value and any impairment recognised in the Statement of 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

1. **ACCOUNTING POLICIES (continued)**

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 issues 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

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

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 for the year Taxable profit differs from net profit 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

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

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

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

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

1 ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on that date Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the Statement of Comprehensive Income for the period

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 22 to the financial statements -Financial Instruments

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 -

1. ACCOUNTING POLICIES (continued)

Capitalised development costs

The directors have considered the recoverability of the internally generated intangible asset which has a carrying value of £1 7m 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
- The successful conclusion of licensing arrangements will serve as an indicator as to the likely success of the projects and, as such, any need for potential impairment
- The level of upfront, milestone and royalty receipts will also serve as a guide as to the net present value of the assets and whether any impairment is required

Impairment of assets

The directors have considered the progress of the business in the current year, including a review of the potential market for its products, the progress the Company has made in registering its products and other key commercial factors to determine whether any indicators of impairment exist Based 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 22

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 20

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

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

	3AEY		Animal Health	Co-Encapsulation		
	Africa £	Unallocated £	USA £	Europe £	India	Total £
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	-	2,802,264	-	-		**2,802,264**

2. SEGMENTAL REPORTING (continued)

The segment information for the year ended 31 December 2010 is

	3AEY			Nematodes	Data Sharing	
	Europe £	Africa £	Unallocated £	USA £	Europe £	Total £
Total segment revenue	16,667	38,000	-	80,518	37,344	**172,529**
Inter segment revenue	-	-	-	-	-	-
Revenue from external customers	16,667	38,000	-	80,518	37,344	**172,529**
Adjusted EBITDA	-	-	(1,162,588)	-	-	**(1,162,588)**
Amortisation	-	-	(664,097)	-	-	**(664,097)**
Depreciation	-	-	-	-	-	-
Share based payments	-	-	(436,084)	-	-	**(436,084)**
Other operating income	-	-	-	-	-	-
Net Finance costs	-	-	(1,018,914)	-	-	**(1,018,914)**
Income tax	-	-	30,709	-	-	**30,709**
Loss for the year	-	-	(3,250,974)	-	-	**(3,250,974)**
Total assets	-	-	8,279,766	-	-	**8,279,766**
Total assets includes						
Additions to non-current assets	-	-	104,774	-	-	**104,774**
Total liabilities	-	-	5 676,368	-	-	**5,676,368**

During 2011 there were no significant revenues derived from within the 3AEY segment

Revenues of £nil (2010 £16,667) are derived from a single external customer, LHS Institute, from within the 3AEY segment

Revenues of £nil (2010 £38,000) are derived from a single external customer, Environmental Solutions North Africa Limited, from within the 3AEY segment

Revenues of £15,109 (2010 £nil) are derived from 2 customers from within the Co-Encapsulation segment

Revenues of £68,387 (2010 £nil) are derived from a single external customer, Teva, from within the Animal Health segment

There were no revenues derived from the Nematodes or Data Sharing segments in 2011

Revenues of £nil (2010 £37,344) are derived from a single external customer, DSM Nutritional Products AG, from within the Data Sharing segment

Revenues of £nil (2010 £80,518) are derived from a single customer, from within the Nematodes segment

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

During the year staff costs, including executive directors amounted to -

	2011 £	2010 £
Directors' remuneration	**327,000**	267,640
Social security costs	**16,119**	5,193
Directors' fees	**50,000**	15,525
	393,119	288,358

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

The average monthly number of employees, including executive directors, during the year

	2011	2010
Management	**5**	5
	5	5

Details of charges incurred with related parties with respect to management services are set out in note 21

3 EMPLOYEES AND DIRECTORS (continued)

	2011 £	2010 £
Directors' remuneration	**327,000**	267,640
Directors' fees	-	15,525
	327,000	283,165
Non-executive directors' fees	**50,000**	62,500
Total directors' emoluments	**377,000**	345,665
Share based payment charge relating to all directors	**245,910**	15,386

None of the directors are accruing benefits under Company pension schemes (2010 none)
During the year the remuneration of the highest paid director was £135,000 (2010 £95,413)

4. NET FINANCE COSTS

Finance income	2011 £	2010 £
Bank interest received	**306**	14

Finance costs	2011 £	2010 £
Exchange Variance	**(1,013)**	(3,241)
Finance Fees	**(1,179,956)**	(759,829)
Interest on shareholders' loans	**(75,016)**	(185,037)
Other payables – unwinding on discount	**(202,721)**	(70,821)
	(1,458,706)	(1,018,928)
Net finance costs	**(1,458,400)**	(1,018,914)

5. OPERATING LOSS

The operating loss is stated after charging

	2011 £	2010 £
Other operating leases	-	8,877
Amortisation of trademarks, intellectual property, and development costs	**696,593**	664,097
Auditors' remuneration	**20,000**	20,000
Previous auditors' remuneration for non audit work		
– taxation and corporate finance	-	31,145
Foreign exchange differences	**1,013**	3,241
Research and development costs	-	25,171
Directors' emoluments	**377,000**	345,665
Equity share based payment charge	**375,919**	436,084

	2011 £	2010 £
Grant Thornton LLP fees in respect of the audit of the parent and consolidated accounts	**20,000**	20,000

6. TAX

Analysis of the tax credit

	2011 £	2010 £
Current tax		
Research and development credit	**5,130**	30,709
Total tax credit in income statement	**5,130**	30,709

Corporation tax

No tax charge arises on the results for the year Tax losses carried forward amount to approximately £17,000,000 (2010 £13,500,000) The tax credit represents the research and development tax credit receivable for the year ended 31 December 2011

6. TAX (continued)

Factors affecting the tax charge

The UK standard rate of corporation tax is 26 50% (2010 28%) Current tax assessed for the financial year as a percentage of the loss before taxation is nil (2010 nil)

The differences are explained below

	2011 £	2011 %	2010 £	2010 %
Standard rate of corporation tax in the UK		**(26.5)**		(28 0)
Loss before tax at standard rate of tax	**(871,551)**		(918,871)	
Effects of				
Losses carried forward	**642,491**	**20.0**	756,426	23 0
Other expenses not deductible for tax purposes	**229,060**	**7.0**	162,445	5 0
Research and development tax relief	**(5,130)**	**(1.0)**	(30,709)	(1 0)
Total current tax credit and tax rate %	**(5,130)**	**(1.0)**	(30,709)	(1 0)
Deferred tax				
Unprovided deferred tax asset	**4,257,721**		3,842,431	

The unprovided deferred tax asset arises principally in respect of trading losses, together with other minor timing differences at 25% (2010 26 5%) and has not been recognised due to the uncertainty of timing of future profits against which it may be realised

7. LOSS PER SHARE

	2011	2010
Loss per ordinary share (pence) - basic and diluted	**(3.66)**	(5 21)

Loss per share has been calculated on the net basis on the loss after tax of £3,283,741 (2010 loss £3,250,974) using the weighted average number of ordinary shares in issue of 89,641,547 (2010 62,457,872)

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

8. INTANGIBLE ASSETS

	Intellectual property £	Licences and trademarks £	Development Costs £	Total £
COST				
At 1 January 2010	9,652,479	290,118	1,955,534	11,898,131
Additions	-	-	104,774	104,774
At 1 January 2011	**9,652,479**	**290,118**	**2,060,308**	**12,002,905**
Additions	**-**	**129,032**	**179,193**	**308,225**
At 31 December 2011	**9,652,479**	**419,150**	**2,239,501**	**12,311,130**
AMORTISATION				
At 1 January 2010	2,718,110	212,574	209,805	3,140,489
Charge for the year	495,312	29,012	139,773	664,097
At 1 January 2011	**3,213,422**	**241,586**	**349,578**	**3,804,586**
Charge for the year	**495,312**	**29,012**	**172,269**	**696,593**
At 31 December 2011	**3,708,734**	**270,598**	**521,847**	**4,501,179**
CARRYING AMOUNT				
At 31 December 2011	**5,943,745**	**148,552**	**1,717,654**	**7,809,951**
At 31 December 2010	6,439,057	48,532	1,710,730	8,198,319

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 fourteen 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 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

Due to the prior year adjustment made in the prior year a full impairment review was carried out using discounted cashflow forecasts The result of this review was 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 exceeds 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%

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 the current year 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

9 INVESTMENTS

CARRYING AMOUNT	2011 £	2010 £
At 1 January 2011	**100**	100
Impairment	**(100)**	-
At 31 December 2011	**-**	100

The investment in subsidiary companies at book value comprises the following -

	2011 £	2010 £
Eden Research Europe Limited	-	100
	-	100

The Company's investment in the capital of unlisted subsidiary and associated undertakings is as follows -

Company			
Associated undertakings			
Bioclinical Services Limited	Dormant	30%	England

Bioclinical Services Limited is dormant and had no revenue or assets or liabilities at 31 December 2011 or 31 December 2010

On 29 March 2011 Eden Research Europe Limited was dissolved An impairment charge of £100 has been recognised in the financial statements

10. TRADE AND OTHER RECEIVABLES

	2011 £	2010 £
Current		
Trade and other receivables	**63,965**	58,946
VAT recoverable	**31,049**	16,378
	95,014	75,324

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 2011 or 2010 Details of debts past due but not impaired are given in note 22

11 CASH AND CASH EQUIVALENTS

	2011 £	2010 £
Short term bank deposits	**388,547**	6,123

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

12. TRADE AND OTHER PAYABLES

	2011 £	2010 £
Current		
Trade payables	**472,557**	805,814
Other payables	**66,951**	652,661
Accruals and deferred income	**335,687**	138,965
	875,195	1,597,440

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

See note 22 for disclosure of the amount of trade payables denominated in foreign currency

See Directors' Report for disclosure of the average credit period taken

13 NON CURRENT LIABILITIES

	2011 £	2010 £
Other payables	**1,381,372**	1,131,526

Other 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

14. FINANCIAL ASSETS AND LIABILITIES

	Note	2011	2010
		£	£
Financial assets at amortised cost			
Other receivables	10	95,014	75,324
Cash and cash equivalents	11	388,547	6,123
		483,561	81,447
Financial liabilities			
Financial liabilities measured at fair value through the profit and loss account			
Non current			
Other payables	13	1,381,372	1,131,526
Financial liabilities measured at amortised cost			
Current			
Loan notes	14.1	651,717	2,947,502
Trade and other payables	12	875,195	1,597,340
		1,526,912	4,544,842

14 1. Loan Notes

	2011	2010
	£	£
Current		
Loan notes (note 14)	651,717	2,947,502
	651,717	2,947,502

The debt carries an interest rate of 7 5% and there are no fixed terms for repayment

The loan balance includes £651,717 (2010 £2,947,502) which is secured by a fixed and floating charge over the Company's assets More details in relation to this charge are included within note 22

14 FINANCIAL ASSETS AND LIABILITIES (continued)

Loan Notes

	£
Loan balance as at 1 January 2010	2,049,235
New loans issued in the year	1,623,410
Interest charged in the year	173,179
Loan notes repaid in the year	(898,322)
Loan balance as at 31 December 2010	**2,947,502**
New loans issued in the year	**2,278,372**
Interest charged in the year	**75,773**
Loan notes repaid in the year	**(20,795)**
Loan notes converted in the year	**(4,629,135)**
Loan balance as at 31 December 2011	**651,717**

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

15. LEASING AGREEMENTS

Minimum lease payments under operating leases recognised as an expense in the year

	2011	2010
	£	£
Property	-	38,877

16. CALLED UP SHARE CAPITAL

	2011 £	2010 £
Authorised		
100,000,000 ordinary shares of £0 01 each	**1,000,000**	1,000,000
Allotted and called up		
99,303,596 ordinary shares of £0 01 each (2010 67,028,351)	**993,037**	670,284

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

Date	Number of ordinary shares	Aggregate nominal value	Issue Price	Premium on issue	Total share premium
		£	£	£	£
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	163,174	0 18	0 17	2,773,957
		322,753			**5,366,899**

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

The number of £0 01 ordinary shares issued in the year totalled 32,275,245 (2010 5,295,952)

During 2010 the following ordinary shares were issued by Eden Research plc

Date	Number of ordinary shares	Aggregate nominal value	Issue Price	Premium on issue	Total share premium
		£	£	£	£
11 11 10	5,295,952	52,960	0 125	0 115	609,035
		52,960			**609,035**

.. continued ..

17 SHARE PREMIUM ACCOUNT

	2011 £	2010 £
At 1 January	**14,754,788**	14,145,753
Premium on shares issued in the year	**5,366,899**	609,035
At 31 December	**20,121,687**	14,754,788

18. RESERVES

	Merger reserve £	Warrant reserve £
At 1 January 2010	10,209,673	2,186,273
Increase		
– warrants/options granted	-	436,084
Transfer to retained earnings		
– warrants exercised or lapsed	-	(1,368,824)
At 1 January 2011	**10,209,673**	**1,253,533**
Increase		
– warrants/options granted	-	**375,919**
Transfer to retained earnings		
– warrants exercised or lapsed	-	**(194,976)**
At 31 December 2011	**10,209,673**	**1,434,476**

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

19 RETAINED EARNINGS

	2011 £	2010 £
At 1 January	**(24,284,880)**	(22,402,730)
Loss for the year	**(3,283,741)**	(3,250,974)
Transfer from warrant reserve (note 18)	**194,976**	1,368,824
At 31 December	**(27,373,645)**	(24,284,880)

20 CAPITAL COMMITMENTS

The Company had no capital commitments at 31 December 2011 (2010 £nil)

21 RELATED PARTY DISCLOSURES

Related party transactions

There were no transactions between the Company and its subsidiary and associate during 2010 or 2011

Disclosures required in respect of IAS 24 regarding remuneration of key management personnel are covered by the disclosure of directors' remuneration on page 30

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 -

	2011	2010
	£	£
Rent	**30,000**	30,000
Provision of consulting services	**61,662**	60,027
Trade payables due at the year end	**19,449**	5,423

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

	2011	2010
	£	£
Provision of management services	**25,000**	27,616
Trade payables due at the year end	**7,500**	2,448

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 -

	2011	2010
	£	£
Provision of consultancy services	**15,000**	41,675
Trade payables due at the year end	**16,708**	33,766

21. RELATED PARTY DISCLOSURES (continued)

During the prior year, the Company traded with Agri-Nova Technology Limited, of which C Newitt, a director, is a director and shareholder, in respect of marketing consultancy, as follows -

	2011 **£**	2010 £
Provision of marketing consultancy	-	18,307

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

	2011 **£**	2010 £
Director's fees	**50,000**	52,305
Trade payables due at the year end	**15,138**	38,371

The directors regard all the transactions disclosed above as being in the normal course of business

At the year end, K Brooks, a director, was owed £nil (2010 £10,756) This is for a loan that was made in 2008 that accrued interest at 7 5% but had no fixed terms for repayment The loan and accrued interest was repaid in full during the year

Ricewood Limited, of which A Abrey, a director, is a director and shareholder, was owed £nil (2010 £8,100) at the year end This was also a loan which was interest bearing at 7 5% with no fixed terms for repayment The loan and accrued interest was repaid in full during the year

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

	2011 **£**	2010 £
Battlebridge Group Limited	-	515,516
Oxford Commercial Services Limited	-	1,255
Oxford Capital Limited	**651,717**	2,372,329
Oxford Business Services Limited	-	55,402
Oxford Corporate Services Limited	-	3,000
	651,717	2,947,502

The 2011 figures are stated after the effect of new advances, loan repayments, interest charges and conversion of debt

The loans carry an interest rate of 7 5% (2010 7 5%) per annum and there are no fixed terms for repayment

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

22. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

Credit risk

	2011 £	2010 £
Cash and cash equivalents	**388,547**	6,123
Trade receivables	**59,335**	53,741
	447,882	59,864

The average credit period for sales of goods and services is 30 days No interest is charged on overdue trade receivables At 31 December 2011 trade receivables of £59,335 (31 December 2010 £53,741) 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

	2011 £	2010 £
Trade payables	**472,557**	805,814
Interest bearing convertible loans	**651,717**	2,947,502
Other loans	**-**	420,879
Other payables	**1,381,372**	1,131,526
	2,505,646	5,305,721

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 14

Details of the interest bearing loans are disclosed in note 14 1 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

22 FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (continued)

Credit risk

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

Currency risk

The Company publishes its financial statements in pounds sterling and conducts some of its business in US dollars, 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

	2011	2010
	£	£
US dollars	**22,202**	18,872
Euro	**151,588**	221,752
Norwegian Kroner	**83,372**	85,093
	257,162	325,717

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 2011 was -

	Total	**Floating rate financial liabilities**	**Fixed rate financial liabilities**	**Financial liabilities on which no interest is paid**
	£	**£**	**£**	**£**
Sterling				
2011	2,104,589	-	651,719	1,452,870
2010	5,350,651	-	3,368,381	1,982,270
Euro				
2011	151,588	-	-	151,588
2010	221,752	-	-	221,752
US Dollars				
2011	22,202	-	-	22,202
2010	18,872	-	-	18,872
Norwegian Kroner				
2011	83,372	-	-	83,372
2010	85,093	-	-	85,093

22. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (continued)

	Weighted average interest rate %	Weighted average period for which rate is fixed Years	Weighted average period until maturity Years
Sterling			
2011	7 5	1 0	1 0
2010	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

Maturity of financial liabilities

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

	2011 **£**	2010 £
In one year or less, or on demand	**1,261,646**	4,181,195
In more than one year but not more than two years	**4,000**	23,000
In more than two years but not more than five years	**370,000**	461,000
In more than five years	**870,000**	640,526
	2,505,646	5,305,721

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

22. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (continued)

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

Capital risk management

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

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

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

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

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2011 and 31 December 2010

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 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

	2011	2010
	£	£
Borrowings	**651,717**	2,947,502
Less Cash and cash equivalents	**(388,547)**	(6,123)
Net debt	**263,170**	2,941,379
Total equity	**5,385,228**	2,603,398
Total capital	**5,648,398**	5,544,777
Gearing ratio	**5%**	53%

The decrease in gearing ratio at 31 December 2011 resulted from the decreased borrowings and increase in cash

23. SHARE BASED PAYMENT

Share Options

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

	2011		2010	
	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)	Number
Outstanding at the beginning of the year	26	3,370,000	28	5,725,612
Granted during the year	14	4,200,000	10	470,000
Exercised during the year	-	-	-	-
Lapsed during the year	18	(725,000)	27	(2,825,612)
	20	6,845,000	26	3,370,000

The exercise price of options outstanding at the end of the year ranged between 9p and 60p (2010 9p and 60p) and their weighted average contractual life was 3 1 years (2010 2 6 years) None of the options have vesting conditions

The weighted average share price (at the date of exercise) of options exercised during the year was nil p (2010 nil p)

The weighted average fair value of each option granted during the year was 14p (2010 10p)

The share based payment charge for the year was £375,919 (2010 £436,084)

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

	2011	2010
Equity-settled		
Option price model used	Black Scholes	Black Scholes
Weighted average share price at grant date (pence)	14	12
Exercise price (pence)	20	26
Weighted average contractual life (days)	1,147	951
Expected volatility	64 4%	64 4%
Expected dividend growth rate	-	-
Risk-free interest rate	4.43%	4 43%

Expected volatility is calculated based on historic share price movements

23 SHARE BASED PAYMENT (continued)

Warrants

	2011		2010	
	Weighted average exercise price (pence)	**Number**	Weighted average exercise price (pence)	Number
Outstanding at the beginning of the year	**15**	**7,757,849**	21	3,330,582
Granted in the year	**17**	**802,431**	14	6,582,849
Exercised during the year	**14**	**(2,113,405)**		-
Lapsed during the year	**25**	**(350,000)**	30	(2,155,582)
	15	**6,096,875**	15	7,757,849

The exercise price of warrants outstanding at the end of the year ranged between 13p and 21p (2010 13p and 25p) and their weighted average contractual life was 1 5 years (2010 2 4 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 14p (2010 nil p)

The weighted average fair value of each warrant granted during the year was 17p (2010 14p)

24 POST BALANCE SHEET EVENTS

Subsequent to the year end the Company raised an additional £950,000 of funding from existing investors in the form of convertible loans in order to fund the short to medium term working capital requirements of the business