

REGISTERED NUMBER: 3071324 (England and Wales)

ANNUAL REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009
FOR
EDEN RESEARCH PLC

THURSDAY



AX5YCM3B

A11

29/07/2010

330

COMPANIES HOUSE

EDEN RESEARCH PLC

CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

	Page
Company Information	3
Chairman's Review	4
Report of the Directors	7
Report of the Independent Auditor	11
Consolidated Statement of Comprehensive Income	13
Consolidated and Company Statement of Changes in Equity	14
Consolidated Statement of Financial Position	15
Company Statement of Financial Position	16
Consolidated and Company Statement of Cash Flows	17
Notes to the Consolidated and Company Statement of Cash Flows	18
Notes to the Financial Statements	19

EDEN RESEARCH PLC

COMPANY INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2009

DIRECTORS	K W Brooks A J Abrey C Newitt A B N Gill
SECRETARY:	R E Sims Oxford Corporate Services Limited
REGISTERED OFFICE	14 The Old Forge The Audley End Business Centre London Road Wendens Ambo Essex CB11 4JL
REGISTERED NUMBER:	3071324 (England and Wales)
AUDITOR:	Baker Tilly UK Audit LLP Hartwell House 55-61 Victoria Street Bristol BS1 6AD
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.	St Helens Capital Partners LLP 223a Kensington High Street London W8 6SG

EDEN RESEARCH PLC

CHAIRMAN'S REVIEW

FOR THE YEAR ENDED 31 DECEMBER 2009

Eden Research was no exception to the rest of the UK economy in experiencing problems arising from the general economic and financial problems that continue to exist. To this was added the consequences of the radical changes in the European Union procedures for the control of pesticide which have introduced new procedures for product registration. In spite of this we have continued to make considerable progress with reaching our strategic goals.

Overview

The year continued with the strategic aim of the board remaining that of moving towards the commercialisation of our product range.

- Continued progress with the registration of our lead product (3AEY),
- Further development work to confirm the enhanced efficacy and superior environmental qualities of our other products,
- Continued development of new formulation technology to utilise the properties of terpenes to improve ease of use to the grower through granule formulation and increased product loading which will allow the same amount of actives to be applied at a lower field use rate,
- Identifying potential to control post harvest soft rot diseases for high value and highly perishable fruit and vegetables,
- Identifying further insect pest applications for our terpene products in a range of uses both in agriculture/horticulture and household and personal care markets,
- Strengthening our relationships with our existing commercial partners to ensure the opportunities for our products in the major agricultural chemical markets are fully exploited, and
- Identifying further relationships with potential commercial partners, especially for new fungicidal uses of our products.

Bringing 3AEY to Market

Our efforts here continued in 2009 to focus on addressing the small number of regulatory questions that had been raised in 2008 as described in the 2008 annual report. The additional studies required were commissioned and executed with the results fully exonerating the claims that we have made for the product and removing the suggestions of any side effects. However, in answering these questions there has been an inevitable delay in the approval of the initial application and additional costs have been incurred.

The outstanding data was submitted to the UK authority (CRD) in September 2009 and in March 2010, CRD submitted the DAR to EFSA with the recommendation that Eden undertake an additional assay in order to prevent any potential problems at EFSA or national approval stage. The submission of the DAR alone facilitates further progress with the commercial development of the product. As stated last year by achieving EFSA approval for the individual active ingredients of 3AEY we will achieve significant future regulatory cost savings time in approving new products based around these ingredients.

In other geographic areas we have made positive progress with 3AEY. Our licensee in East Africa, Lachlan Kenya Ltd, successfully completed a number of pre-registration trials for the control of Powdery Mildew and Botrytis on Roses, a major export crop for Kenya.

Performance under high disease pressure has exceeded expectations with performance and crop safety being at least as good as their industry standards. The formal registration process began in spring 2010 and our partner is excited at the prospects for rapid commercialisation within the Kenyan Flower industry.

We also concluded a new licensing deal for the North African region (Morocco, Algeria, Tunisia, Libya, Egypt, Oman and Lebanon) with Environmental Solutions (North Africa) Limited ("ESNA"). The focus in these markets is to capitalise on the data investments already made by Eden for the EU to expedite registrations at the earliest opportunity.

EDEN RESEARCH PLC

CHAIRMAN'S REVIEW (continued)

FOR THE YEAR ENDED 31 DECEMBER 2009

Trials undertaken by independent researchers in Egypt on table grapes have again confirmed the excellent performance of our lead product compared to producers' standard disease control programmes

Meetings by ESNA with the key experts in the regions Regulatory Ministries have been very positive due to the inherent low-risk nature of our products and technology

Nematodes

In 2009 Eden concentrated on testing its most promising products in development field trials in Europe

The development work, which will form part of the registration dossier, examined efficacy against a number of nematode species attacking crops including tomato, peppers, cucurbits, beans and carrots. Results have shown that two formulations based upon two of the active substances contained within our Botrytis product (3AEY) show the best overall levels of efficacy and these will be the focus of our future short term efforts in 2010 field trials

As the active substance dossiers are already complete, the future investment to develop these formulations is significantly reduced with a shorter overall timeline for introduction

Conventional nematode products based on highly toxic insecticides continue to be under close scrutiny by all Regulatory Agencies and there is significant interest in bringing low risk terpene products into this well established commercial market

Discussions with a number of suitable commercial partners are at an advanced stage

Spider Mites and Whitefly

Following the successful screening trials of several Eden terpene products in 2008 on common horticultural glasshouse pests e.g. spider mite and whitefly, a number of lead candidate Eden terpene products were sent for field testing in key glasshouse crops such as tomato, pepper and beans in Southern Europe. As well as showing excellent pest control in the screening, these products also showed no or very little activity on a number of key beneficial insects used in glasshouse crops as part of IPM (Integrated Pest Management) strategies. Conventional insecticides tend to be very broad-spectrum and will kill the beneficials as well as the target pests

Results from trials reported in 2009 have not resulted in a clear definition of a leading candidate to proceed to Registration trials due to varying population levels across the trials in different countries. Some additional screening trials will be required before final decisions can be made

Other activities

In addition to our main emphasis on fungicides, acaricide and nematode control products we have continued to identify the potential of encapsulated terpenes by

- Developing new granule formulations to further expand product usage once commercialised,
- Identifying further insect pest applications for our terpene products in a range of uses both in agriculture/horticulture and household and personal care markets, and
- Identifying potential use of Eden's terpene products for controlling diseases in fruit and vegetables post harvest. Loss of potentially valuable crops from soft rot diseases after harvest is a major issue to growers worldwide

At the end of 2009 Eden concluded a deal with Teva Animal Health Inc, St Joseph, Missouri, USA to licence out our proprietary encapsulated terpene technology for use in the veterinary area. Further development will be undertaken by TEVA under the guidance of a Joint Steering group in which Eden will be involved. Licence and milestone fees of \$1.05m have been agreed together with future royalties on any products commercialised

EDEN RESEARCH PLC

CHAIRMAN'S REVIEW

FOR THE YEAR ENDED 31 DECEMBER 2009

Commercial Prospects

Interest in and support for our technology from distributors, growers and regulators continues to grow as the pressure to find new ways to control damaging pests and diseases increases, whilst at the same time producing sufficient quality affordable food to feed a rapidly expanding world population

We have concluded our new licensing arrangements with ESNA for North Africa as already outlined which will bring to Eden £150,000 in up-front and milestone payments plus future royalties on sales

We are also receiving enquiries from potential partners interested in licensing our platform encapsulation technology with their own compounds – a potential revenue stream where Eden's investment risk is much reduced

The Senior Management

With the submission of the final data on 3AEY to the CRD in the summer of 2009, our Managing Director, Tim Griffiths decided that as this objective of the company had been met that he wished to relinquish the role of Managing Director although he will remain as a consultant on certain key issues to the Company. The Board reviewed the current management structure and announced that with effect the Company would be run by a strong management committee comprising

Sir Ben Gill	Chairman
Ken Brooks	Executive Deputy Chairman
Clive Newitt	Managing Director
Alex Abrey	Chief Financial Officer

As a result of being appointed to the Government as Minister for International Development, Stephen O'Brien was required to resign on 17 May 2010 as a non-executive Director of Eden

Outlook

Eden's team has, as highlighted, new project areas for initial testing of both existing and new combination terpene products in 2010 leading to continued development and registration of the terpene products in global agriculture and horticulture

As mentioned at the start of this report, the future of a wide range of traditional chemicals is under threat from the regulators especially in the EU with a large number coming up for review between 2012 and 2020 and many expected to be banned. This opens up a huge potential for a wide range of uses for Eden's low risk products and the continued success of Eden Research plc in developing and registering a wide range of products into the global market

Sir Ben Gill
Chairman
26 July 2010

EDEN RESEARCH PLC

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2009

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2009

PRINCIPAL ACTIVITY

The principal activity of the Group 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 £1,671,381 (2008 £2,101,237) The directors are unable to recommend any dividend

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 Group'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 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 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 Group has capitalised £0.2m of development expenditure in the year which is a reflection of the continued development of the Group's products. In addition to this, £0.1m of patent fees have been incurred to protect the Group's biggest asset, its intellectual property

The decrease in the shareholder loans during the year reflects the on-going management of the Group's cash position

The progress of the development of the Group'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

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

Results

Revenue in 2009 was £0.2 million, up from £0.1 million in 2008. Operating loss for the year was £1.6 million compared to £2.0 million for the previous year. Loss before tax was £1.7 million, down from £2.1 million in 2008.

The loss per share was 2.93 pence compared to 3.86 pence in 2008.

Trading

Revenue in 2009 consisted of a milestone payments received from Eden's licensees, Lachlan, Environmental Solutions North Africa and Teva Animal Health.

EDEN RESEARCH PLC

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2009

...continued .

Administrative expenses, (excluding the amortisation of intangible assets and share based payments charge) were £0.8 million (2008 £1.3 million). This reflects IAS 38 which has resulted in the capitalisation of £0.2 million of development expenditure in the year (2008 £0.6m), but, also shows the consistent 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 fifteen years in line with the remaining life of the Group's master patent.

Financing

During the year, the Group received £0.6 million from the issue of equity shares.

Also during the year, the Group received loans from shareholders of £0.1 million. In addition, £0.5 million of debt was converted into equity. The holders of the convertible loans have confirmed their on-going commitment and support to the Group for the foreseeable future, a period of at least one year from the date of approval of these financial statements.

With this on-going support and the receipt of milestone payments and royalty revenues in the near future, the Group has sufficient funds to be a going concern, reach commercialisation and be cash generative.

The on-going financial support by shareholders has, up until now, been the main source of finance to the Group. This has primarily been by way of convertible loans which, the Directors believe, provide fair, cost effective financing. With this continued support, along with milestone payments that are due from existing licensing agreements as well as expected further licensing agreements, it is expected that the requirement for this type of financing will gradually diminish in the foreseeable future.

Further details concerning the financing position of the Group 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

T Griffiths (Resigned 9 November 2009)

A J Abrey

C Newitt

A B N Gill

S R O'Brien (Resigned 14 May 2010)

EDEN RESEARCH PLC

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2009

. continued ...

PAYMENT OF CREDITORS

It is the Group's and the Company's policy to endeavour to pay suppliers within an acceptable period of allowed creditor days in accordance with the agreed terms. The Group and the Company acted in accordance with this policy throughout the year where possible, though restricted cashflow meant that the Company made various arrangements with creditors to pay outside of normal credit terms. The Group and the Company had 396 days purchases outstanding at 31 December 2009 (2008: 158 days) based on the average daily amount invoiced by suppliers during the year ended 31 December 2009.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group'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 Group 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.

Interest rate risk is controlled by the use of fixed rate convertible loans.

The Group's prime risk is the on-going commercialisation of the Group's intellectual property, which involves testing of the Group's products, obtaining regulatory approval and reaching a commercially beneficial agreement for each product to be taken to market.

INDEMNITY COVER

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

FINANCIAL INSTRUMENTS

Details of the use of financial instruments by the Group are contained in note 23 to the financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

UK Company law requires the directors to prepare Group and Company Financial Statements for each financial year. Under that law the directors have elected to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected to prepare the company financial statements in accordance with IFRS as adopted by the EU.

The group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the group, the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view.

EDEN RESEARCH PLC
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2009

...continued ...

In preparing each of the group and company financial statements, the directors are required to

- a select suitable accounting policies and then apply them consistently,
- b make judgements and estimates that are reasonable and prudent,
- c state whether they have been prepared in accordance with IFRSs adopted by the EU,
- d prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business,

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Eden Research plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 (2) of the Companies Act 2006) of which the group's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditor is aware of that information.

AUDITOR

The auditor, Baker Tilly UK Audit LLP, will be proposed for re-appointment in accordance with Section 489(1) of the Companies Act 2006.

ON BEHALF OF THE BOARD:



A J Abrey
Director
26 July 2010

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

EDEN RESEARCH PLC

We have audited the group and parent company financial statements ("the financial statements") on pages 13 to 53. 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 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 more fully explained in the Directors' Responsibilities Statement, 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 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/UKNP.

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent's affairs as at 31 December 2009 and of the group's loss for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union
- the parent financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in Note 1 to the financial statements concerning the Group's ability to continue as a going concern. The Group incurred a loss of £1,671,381 during the year ended 31 December 2009 and, at that date, had net current liabilities of £2,940,644. These conditions along with the other matters explained in Note 1 to the financial statements indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

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 financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

EDEN RESEARCH PLC

..continued...

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 parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent 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

Baker tilly UK Audit LLP

Andrew Allchin (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
Hartwell House
55 – 61 Victoria Street
Bristol
BS1 6AD

Date *27 - 07 - 2010*

EDEN RESEARCH PLC**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME****FOR THE YEAR ENDED 31 DECEMBER 2009**

	Notes	2009 £	2008 £
CONTINUING OPERATIONS			
Revenue		192,815	84,003
Cost of sales		-	-
		<hr/>	<hr/>
GROSS PROFIT		192,815	84,003
Administrative expenses			
- normal		(835,744)	(1,334,116)
- amortisation of intangible assets		(593,192)	(604,340)
- share based payments		(369,269)	(173,729)
		<hr/>	<hr/>
Total administrative expenses		(1,798,205)	(2,112,185)
Other operating income		25,350	-
		<hr/>	<hr/>
OPERATING LOSS	5	(1,580,040)	(2,028,182)
Finance costs	4	(157,452)	(123,438)
Finance income	4	17	3,148
		<hr/>	<hr/>
LOSS BEFORE TAX		(1,737,475)	(2,148,472)
Tax	6	66,094	47,235
		<hr/>	<hr/>
LOSS FOR THE YEAR attributable to owners of the parent		(1,671,381)	(2,101,237)
OTHER COMPREHENSIVE income for the year net of tax		-	-
		<hr/>	<hr/>
Total comprehensive income for the year		(1,671,381)	(2,101,237)
		<hr/>	<hr/>
LOSS PER SHARE			
- basic and diluted	8	(2 93)p	(3 86)p
		<hr/>	<hr/>

EDEN RESEARCH PLC**CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 31 DECEMBER 2009**

	Share capital £	Share premium £	Merger reserve £	Warrant reserve £	Retained earnings £	Total £
Balance at 1 January 2008	559,736	12,387,217	10,209,673	2,441,708	(19,407,478)	190,856
Total comprehensive income	-	-	-	-	(2,101,237)	(2,101,237)
Transactions with owners						
- Issue of shares	3,397	728,902	-	-	-	732,299
- Options granted	-	-	-	431,795	-	431,795
- Options exercised/lapsed	-	-	-	(752,866)	752,866	-
Transactions with owners	3,397	12,116,119	10,209,673	(321,071)	(20,755,849)	1,164,094
Balance at 1 January 2009	563,133	13,116,119	10,209,673	2,120,637	(20,755,849)	5,253,713
Total comprehensive income	-	-	-	-	(1,671,381)	(1,671,381)
Transactions with owners						
- Issue of share	54,191	1,029,634	-	-	-	1,083,825
- Options granted	-	-	-	369,269	-	369,269
- Options exercised/lapsed	-	-	-	(303,633)	303,633	-
Transactions with owners	54,191	1,029,634	-	65,636	303,633	1,453,094
Balance at 31 December 2009	617,324	14,145,753	10,209,673	2,186,273	(22,123,597)	5,035,426

EDEN RESEARCH PLC**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2009**

	<u>Note</u>	2009 £	2008 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	9	7,976,070	8,365,870
Property, plant and equipment	10	-	6,926
		<hr/>	<hr/>
		7,976,070	8,372,796
CURRENT ASSETS			
Trade and other receivables	12	36,079	177,791
Cash and cash equivalents	13	81,728	13,065
		<hr/>	<hr/>
		117,807	190,856
TOTAL ASSETS			
		<hr/>	<hr/>
		8,093,877	8,563,652
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	1,009,216	1,038,253
Financial liabilities - borrowings			
- Convertible loan notes	15	2,049,235	2,271,686
		<hr/>	<hr/>
TOTAL CURRENT LIABILITIES AND TOTAL LIABILITIES			
		<hr/>	<hr/>
		3,058,451	3,309,939
EQUITY			
Called up share capital	17	617,324	563,133
Share premium account	18	14,145,753	13,116,119
Merger reserve	19	10,209,673	10,209,673
Warrant reserve	19	2,186,273	2,120,637
Retained earnings	20	(22,123,597)	(20,755,849)
		<hr/>	<hr/>
TOTAL EQUITY attributable to owners of the parent			
		<hr/>	<hr/>
		5,035,426	5,253,713
TOTAL EQUITY AND LIABILITIES			
		<hr/>	<hr/>
		8,093,877	8,563,652

The financial statements were approved by the Board of Directors and authorised for issue
on 26 July 2010 and were signed on its behalf by



K W Brooks
Director

EDEN RESEARCH PLC
COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

	<u>Note</u>	2009 £	2008 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	9	7,976,070	8,365,870
Property, plant and equipment	10	-	6,926
Investments	11	100	100
		<hr/>	<hr/>
		7,976,170	8,372,896
CURRENT ASSETS			
Trade and other receivables	12	36,079	177,791
Cash and cash equivalents	13	81,728	13,065
		<hr/>	<hr/>
		117,807	190,856
TOTAL ASSETS			
		<hr/>	<hr/>
		8,093,977	8,563,752
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	1,009,316	1,038,353
Financial liabilities - borrowings			
- Convertible loan notes	15	2,049,235	2,271,686
		<hr/>	<hr/>
TOTAL CURRENT LIABILITIES AND TOTAL LIABILITIES			
		<hr/>	<hr/>
		3,058,551	3,310,039
EQUITY			
Called up share capital	17	617,324	563,133
Share premium account	18	14,145,753	13,116,119
Merger reserve	19	10,209,673	10,209,673
Warrant reserve	19	2,186,273	2,120,637
Retained earnings	20	(22,123,597)	(20,755,849)
		<hr/>	<hr/>
TOTAL EQUITY attributable to owners of the parent			
		<hr/>	<hr/>
		5,035,426	5,253,713
TOTAL EQUITY AND LIABILITIES			
		<hr/>	<hr/>
		8,093,977	8,563,752

The financial statements were approved by the Board of Directors and authorised for issue
on 26 July 2010 and were signed on its behalf by



K W Brooks
Director

EDEN RESEARCH PLC**CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED 31 DECEMBER 2009**

	<u>Note</u>	2009 £	2008 £
Cash flows from operating activities			
Cash outflow from operations	1	(497,978)	(1,331,249)
Tax credit received		66,094	47,235
		<hr/>	<hr/>
Net cash used in operating activities		(431,884)	(1,284,014)
		<hr/>	<hr/>
Cash flows from investing activities			
Purchase of property, plant & equipment		-	(8,089)
Capitalisation of development expenditure		(203,392)	(562,741)
Finance income		17	3,148
		<hr/>	<hr/>
Net cash used in investing activities		(203,375)	(567,682)
		<hr/>	<hr/>
Cash flows from financing activities			
Shareholders' loan – repayment		-	(418,617)
Shareholders' loan - drawdown		120,097	857,479
Issue of equity shares		583,825	762,877
		<hr/>	<hr/>
Net cash from financing activities		703,922	1,201,739
		<hr/>	<hr/>
Increase/(decrease) in cash and cash equivalents		68,663	(649,957)
Cash and cash equivalents at beginning of year		13,065	663,022
		<hr/>	<hr/>
Cash and cash equivalents at end of year		81,728	13,065
		<hr/>	<hr/>

Cash and cash equivalents comprises bank account balances

EDEN RESEARCH PLC

NOTES TO THE CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2009

1 Cash outflow from operations

GROUP AND COMPANY

	2009 £	2008 £
Loss before tax	(1,737,475)	(2,148,472)
Depreciation of property, plant and equipment	6,926	4,719
Equity share based payment charge	369,269	173,729
Amortisation of trademarks and intellectual property	593,192	604,340
Finance income	(17)	(3,148)
Finance costs	157,452	123,438
	<hr/>	<hr/>
Operating cash flows before movement in working capital	(610,653)	(1,245,394)
Decrease/(increase) in trade and other receivables	141,712	(71,222)
Decrease in trade and other payables	(29,037)	(14,633)
	<hr/>	<hr/>
Cash outflow from operations	(497,978)	(1,331,249)

EDEN RESEARCH PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

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 three. The nature of the group'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 group operates.

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 1 – Revised IFRS 1 First-time Adoption of IFRS	1 Jul 09
IFRS 3 – Business Combinations – Comprehensive revision on applying the acquisition method	1 Jul 09
IAS27 – Consolidated and Separate Financial Statements – Amendments arising from IFRS 3	1 Jul 09
IAS 28 – Investments in Associates – Consequential amendments arising from IFRS 3	1 Jul 09
IAS 31 – Investments in Joint Ventures – Consequential amendments arising from IFRS 3	1 Jul 09
IAS 32 – Financial Instruments Presentation – Amendment, Classification of Rights Issues	1 Feb 10
IAS 39 – Financial Instruments Recognition and Measurement – Amendment, Eligible hedged items	1 Jul 09
IAS 39 – Financial Instruments Recognition and Measurement – Amendment, Embedded Derivatives	Periods ending 30 Jun 09
IFRIC 9 – Reassessment of Embedded Derivatives – Amendment, Embedded Derivatives	Periods ending on or after 30 Jun 09
IFRIC 17 – Distributions of Non-cash Assets to Owners	1 Jul 09
IFRIC 18 – Transfers of Assets from Customers	1 Jul 09

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 Group.

EDEN RESEARCH PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

. . . continued

1 ACCOUNTING POLICIES (continued)

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards 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.

Basis of consolidation

The group financial statements combine the financial statements of Eden Research plc and its wholly owned subsidiary Eden Research Europe Limited. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date irrespective of the extent of any minority interest.

The excess of cost of acquisition over the fair values of the Group's share of identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair value of identifiable net assets acquired (i.e. discount on acquisition) is recognised directly in the income statement.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

Inter-company transactions, balances and unrealised gain on transactions between group companies are eliminated. The accounting policies of the subsidiaries are consistent with those adopted by the Group.

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% - 50% of voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The group's share of its associate's post acquisition profits or losses are recognised in the Statement of Comprehensive Income and its shares of the post acquisition movements in reserves is recognised in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment.

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 Group has reported a loss for the year after taxation of £1,671,381 (2008: £2,101,237). Net current liabilities as at that date amounted to £2,940,644 (2008: £3,119,083).

EDEN RESEARCH PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

. continued ...

The ability of the Group to continue as a going concern is ultimately dependent upon the amounts and timing of cash flows from the exploitation of the Group's intellectual property. The Directors consider that it is appropriate that the financial statements be prepared on a going concern basis based on the ongoing support of the shareholders, by way of convertible loans as well as expected further licensing agreements, the availability of the committed equity facility (see Note 15 for further details) and the on-going management and support of creditors which provide the Board with confidence that the Group is a going concern for the foreseeable future and for a period of at least 12 months from the date of approval of the financial statements.

The directors have prepared budgets and projected cash flow forecasts for a period of two years from 31 December 2009 and they consider that the group will be able to operate within the available cash facilities that are available to it for this period. The directors have prepared a range of forecasts which recognises the uncertainty in timing in some of the items and, at a base case assumes revenue will only be received from those contracts and agreements that are already in place, no further funding will be available either from existing shareholders, new shareholders, loan note holders or from the placing of further shares on the market, the continued support of creditors in not seeking payment of the balances due to them before the group is in a position to make these repayments and no significant costs being incurred over and above those required for the Group to be able to continue to meet its contractual and regulatory obligations with regard to the commercialisation of the products.

However, the margin of potential facilities over requirements is not large and inherently there can be no certainty as to these matters. In the event that the contractual revenues or further funding is delayed or reduced or expectations included in the directors' projections are not otherwise met, the Group may need to reconsider its funding position including needing to obtain additional funding over and above those facilities currently being sought.

Failure by the Group to meet its contractual obligations under existing sales agreements and / or the committed equity funding facility not generating the maximum expected funding under the terms of the agreement in a timely manner will result in the Group being unable to continue in operational existence for the foreseeable future and material adjustments would have to be made to reduce the balance sheet values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify fixed assets and long term liabilities as current assets and liabilities. In particular, the areas most likely to be effected are intangible assets, specifically including the capitalised development costs, intellectual property and licences and trademarks. The Group's continued ability to capitalise these items within the Statement of Financial Position in accordance with its relevant accounting policy is linked directly with the continued availability of adequate financial resources to successfully develop, complete and exploit the relevant opportunities.

The directors are closely monitoring performance against cash flow projections that have been prepared for the period to 31 December 2011 and beyond and are confident that the Group will be able to generate the necessary cash resources over and above those referred to above and to maintain relationships with suppliers such that they do not seek repayment in advance of the time when these items are included within the forecasts. 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 Group to obtain adequate future funding.

Additionally, the Group expects to enter into new licensing arrangements with commercial partners in the coming year which will provide upfront and milestone payments, in line with Eden's standard business model and provide additional cash resources to the business.

In the short term, the Group continues to look to its existing shareholders to fund the business through to being cash positive by way of convertible debt as well as equity issues, as has been the case in previous years.

EDEN RESEARCH PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

. . continued ...

The holders of existing shareholder convertible debt have confirmed their on-going commitment and support to the Group

No adjustments have been made for impairment and reclassification of assets, and reclassification of liabilities, which would be necessary if the Group were no longer a going concern

EDEN RESEARCH PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

. . continued .

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 Group in respect of goods sold and services rendered during the year in accordance with the underlying contract or licence, stated net of value added tax

Royalty income, milestone and upfront payments are recognised on a receivable basis

Segment reporting

Given the small number of key individuals associated with the Group, management and the Board (collectively the same group) represent the chief operating decision makers within the business and, accordingly, the information prepared by management represents the segmental information used in the decision making process

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments

Currently, the Company's main segment is Eden's lead product, 3AEY, and the commercialisation of that product through licensing agreements for various territories throughout the World for various applications. Management measure the performance of a segment based on a measure of adjusted EBITDA, which is the result for the segment after excluding the one off effects of 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

EDEN RESEARCH PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

. . continued . .

1. ACCOUNTING POLICIES (continued)

The segmental information for the year ended 31 December 2009 is as follows

	3AEY			Encapsulation	
	UK	Africa	Other	USA	Total
Total segment revenue	30,000	69,065	0	93,750	192,815
Inter segment revenue	0	0	0	0	0
Revenue from external customers	30,000	69,065	0	93,750	192,815
Adjusted EBITDA	0	0	(636,003)	0	(636,003)
Amortisation	0	0	(593,192)	0	(593,192)
Depreciation	0	0	(6,926)	0	(6,926)
Share based payments	0	0	(369,269)	0	(369,269)
Other operating income	0	0	25,350	0	25,350
Net Finance costs	0	0	(157,435)	0	(157,435)
Income tax	0	0	66,094	0	66,094
Loss for the year	0	0	(1,671,381)	0	(1,671,381)
Total assets	0	0	8,093,877	0	8,093,877
Total assets includes					
Additions to non-current assets	0	0	203,392	0	203,392
Total liabilities	0	0	3,058,451	0	3,058,451

The segment information for the year ended 31 December 2008 is

	3AEY			
	UK	Europe	Other	Total
Total segment revenue	0	84,003	0	84,003
Inter segment revenue	0	0	0	0
Revenue from external customers	0	84,003	0	84,003
Adjusted EBITDA	0	0	(1,245,394)	(1,245,394)
Amortisation	0	0	(604,340)	(604,340)
Depreciation	0	0	(4,719)	(4,719)
Share based payments	0	0	(173,729)	(173,729)
Other operating income	0	0	0	0
Net Finance costs	0	0	(120,290)	(120,290)
Income tax	0	0	47,235	47,235
Loss for the year	0	0	(2,101,237)	(2,101,237)
Total assets	0	0	8,563,652	8,563,652
Total assets includes				
Additions to non-current assets	0	0	562,741	562,741
Total liabilities	0	0	3,309,939	3,309,939

EDEN RESEARCH PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

. continued

1 ACCOUNTING POLICIES (continued)

Revenues of £93,750 (2008 £nil) are derived from a single external customer, TEVA Animal Health Inc, from within the Encapsulation segment

Revenues of £30,000 (2008 £nil) are derived from a single external customer, Environmental Solutions North Africa Limited, from within the 3AEY segment

Revenues of £69,065 (2008 £nil) are derived from a single external customer, Lachlan (Kenya) Limited, from within the 3AEY segment

In 2008 revenues of £80,357 were derived from a single external customer, Cheminova AS, from within the 3AEY segment

Eden's next product to be commercialised is a nematicide which has, since the year end, been licensed under an option agreement entered into with Certis Europe BV

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

Intangible assets

Trademarks, reflected at cost, are capitalised when the costs are incurred and amortised on a straight line basis over their useful economic lives and the life of the trademark which is currently deemed to be 10 years

Intellectual property, including development costs, is capitalised and amortised on a straight line basis over its estimated useful economic life of 15 years in line with the remaining life of the Group's master patent, which was originally 20 years

Impairment of non financial assets

The directors regularly review the intangible assets for impairment and provision is made if necessary. Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. 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.

EDEN RESEARCH PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

. continued ...

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 Group'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 Group intends to complete the asset and use or sell it,
- 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

Property, plant and equipment

Property, plant and equipment is reflected at cost less accumulated depreciation and any recognised impairment loss

Depreciation is provided at the following annual rates in order to write off the depreciable amount of each asset over its estimated useful life

Plant and equipment	- 20% straight line
Furniture, fixtures and fittings	- 25% straight line
Computer and office equipment	- 33 3% straight line

Financial instruments

The Group 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 Group and Company statement of Financial Position when the Group 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 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 proceeds received less any direct issue costs. Finance charges are accounted for on an accruals basis and are added to the instrument to the extent that they are not settled in the period in which they arise

EDEN RESEARCH PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

. continued .

1. ACCOUNTING POLICIES (continued)

Financial assets

In accordance with IFRS 7, trade receivables, loans and other receivables that have fixed or determinable payments are classified as "Loans and receivables" and are measured 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 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 Group

Convertible loan notes

Instruments where the holder has the option to redeem for cash or convert into a pre-determined quantity of equity instruments are classified as compound instruments in the Statement of Financial Position and presented partly as a liability and partly within equity.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instrument. The difference between the proceeds of issue and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Group, is included in equity.

Transaction costs are apportioned between the liability and equity components of the convertible loan notes based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity.

Interest is calculated at the rates as defined in the loan agreements and is added to the balances due on a compound basis.

Equity instruments

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

Financial liabilities

In accordance with IFRS 7 financial liabilities such as trade payables and loans are classified as "Other financial liabilities" and are measured initially at fair value. 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.

EDEN RESEARCH PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

... continued ..

1. ACCOUNTING POLICIES (continued)

Leasing

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

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 group'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 group 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 realised. Deferred tax is charged or credited in the Statement of Comprehensive Income, 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 group intends to settle its current tax assets and liabilities on a net basis

EDEN RESEARCH PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

... continued ...

1. ACCOUNTING POLICIES (continued)

Foreign currencies

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in pounds sterling, which is the functional currency of the Group and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, 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 Group has applied the requirements of IFRS2 Share-Based Payment.

The Group 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.

EDEN RESEARCH PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

. . continued ...

1. ACCOUNTING POLICIES (continued)

Critical accounting estimates and areas of judgement

The Group 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 £1.7m. 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 sensitivities 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 Group to continue as a going concern
- The assumptions surrounding the perceived market sizes for the products and the achievable market share for the Group
- 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 carrying value of the Group's Intellectual Property and are satisfied that its net present value exceeds the current carrying value. Furthermore, an independent valuation was undertaken in respect of three of the company's products which are closest to market which confirmed the Board's view.

Financial risk management

The Group'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 Group's financial performance and is carried out under policies approved by the Board of Directors. Further detail is given in note 23 to the financial statements: Financial Instruments.

2. SEGMENT REPORTING

The Directors are of the opinion that the Group's activities at the current time relate to one business segment.

Revenue is made up of royalty income and license fees attributable to the principal activity of the Company. Revenue in 2009 originated in Africa and United States of America (2008 originated in Europe) and all the assets of the Group are situated in the United Kingdom.

EDEN RESEARCH PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

... continued ...

3. EMPLOYEES AND DIRECTORS

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

	2009 £	2008 £
Wages and salaries	-	48,282
Directors' remuneration	74,500	117,000
Social security costs	6,915	18,324
Directors' fees	85,483	68,884
Compensation for loss of office	30,000	-
	<hr/>	<hr/>
	196,898	252,490
	<hr/>	<hr/>
Share based payment charge relating to executive directors	338,497	-
	<hr/>	<hr/>

Staff costs, including executive directors' remuneration are included within administrative expenditure in the Statement of Comprehensive Income

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

	2009	2008
Management	6	6
Administration	-	1
	<hr/>	<hr/>
	6	7
	<hr/>	<hr/>

Details of charges incurred with related parties with respect to management services are set out in note 22

	2009 £	2008 £
Directors' remuneration	74,500	117,000
Social security costs	6,915	18,324
Directors' fees	85,483	68,884
Compensation for loss of office	30,000	-
	<hr/>	<hr/>
Non-executive directors' fees	196,898	204,208
	62,500	71,250
	<hr/>	<hr/>
Total directors' emoluments	259,398	275,458
	<hr/>	<hr/>
Share based payment charge relating to all directors	369,269	-
	<hr/>	<hr/>

None of the directors are accruing benefits under Company pension schemes

EDEN RESEARCH PLC**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2009**

. . continued ...

4. NET FINANCE COSTS

	2009 £	2008 £
Finance income		
Bank interest received	17	3,148
	<hr/>	<hr/>
Finance costs		
Bank interest	-	-
Interest on shareholders' loans	(157,452)	(123,438)
	<hr/>	<hr/>
	(157,452)	(123,438)
	<hr/>	<hr/>
Net finance costs	(157,435)	(120,290)
	<hr/>	<hr/>

5 OPERATING LOSS

The operating loss is stated after charging/(crediting)

	2009 £	2008 £
Other operating leases	8,403	31,500
Depreciation – owned assets	6,926	4,719
Profit on disposal of property, plant and equipment	(4,444)	-
Amortisation of trademarks, intellectual property, and development costs	593,192	604,340
Auditor's remuneration	21,000	21,000
Auditor's remuneration for non audit work		
– taxation and corporate finance	10,500	10,500
Foreign exchange differences	9,328	2,226
Research and development costs	34,654	12,291
Directors' emoluments	259,398	275,458
Wages and salaries	-	48,282
Equity share based payment charge	369,269	173,729
	<hr/>	<hr/>
	2009 £	2008 £
<i>Baker Tilly UK Audit LLP and Associates</i>		
Fees in respect of the audit of the parent and consolidated accounts	21,000	21,000
	<hr/>	<hr/>
Total audit fees	21,000	21,000
	<hr/>	<hr/>
Other services - tax services	5,500	5,500
- corporate finance services	5,000	5,000
	<hr/>	<hr/>
Total non-audit fees	10,500	10,500
	<hr/>	<hr/>

EDEN RESEARCH PLC**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2009**

. continued . .

6 TAX**Analysis of the tax credit**

	2009 £	2008 £
Current tax		
Current taxation	-	-
Research and development credit	66,094	47,235
	<hr/>	<hr/>
Total tax credit in income statement	66,094	47,235
	<hr/>	<hr/>

Corporation tax

No tax charge arises on the results for the year. Tax losses carried forward amount to approximately £10,800,000 (2008 £10,000,000). The tax credit represents the research and development tax credit received for the year ended 31 December 2008.

Factors affecting the tax charge

The UK standard rate of corporation tax is 28% (2008 28%). Current tax assessed for the financial year as a percentage of the loss before taxation is nil (2008 nil).

The differences are explained below

	2009 £	2009 %	2008 £	2008 %
Standard rate of corporation tax in the UK		(28.0)		(28.0)
Loss before tax at standard rate of tax	(486,493)		(601,572)	
Effects of				
Losses carried forward	286,760	16.5	389,216	18.1
Other expenses not deductible for tax purposes	265,827	15.3	212,356	9.9
Research and development tax relief	(66,094)	(3.8)	(47,235)	(2.2)
	<hr/>	<hr/>	<hr/>	<hr/>
Total current tax charge/(credit) and tax rate %	(66,094)	(3.8)	(47,235)	(2.2)
	<hr/>	<hr/>	<hr/>	<hr/>
Deferred tax				
Unprovided deferred tax asset	2,885,000		2,800,000	
	<hr/>		<hr/>	

The company had unutilised tax losses carried forward at 31 December of approximately £10,300,000 (2008 £10,000,000) which are available to offset against future taxable profits.

The unprovided deferred tax asset arises principally in respect of trading losses, together with other minor timing differences at 28% (2008 28%) and has not been recognised due to the uncertainty of timing of future profits against which it may be realised.

7. LOSS OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £1,671,381 (2008 £2,101,237).

EDEN RESEARCH PLC**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2009**

... continued ...

8. LOSS PER SHARE

	2009	2008
Loss per ordinary share (pence) - basic and diluted	(2 93)	(3 86)

Loss per share has been calculated on the net basis on the loss after tax of £1,671,381 (2008 loss £2,101,237) using the weighted average number of ordinary shares in issue of 57,055,620 (2008 54,438,431)

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

At 31 December 2009, there were 5,725,612 options and 3,330,582 warrants that were potentially dilutive Further details can be found in note 24

9. INTANGIBLE ASSETS - GROUP AND COMPANY

	Intellectual property	Licences and trademarks	Development Costs	Total
	£	£	£	£
COST				
At 1 January 2008	8,333,708	290,118	1,189,401	9,813,227
Additions	258,066	-	562,741	820,807
At 1 January 2009	8,591,774	290,118	1,752,142	10,634,034
Additions	-	-	203,392	203,392
At 31 December 2009	8,591,774	290,118	1,955,534	10,837,426
AMORTISATION				
At 1 January 2008	1,509,274	154,550	-	1,663,824
Charge for the year	490,218	29,012	85,110	604,340
At 1 January 2009	1,999,492	183,562	85,110	2,268,164
Charge for the year	439,485	29,012	124,695	593,192
At 31 December 2009	2,438,977	212,574	209,805	2,861,356
CARRYING AMOUNT				
At 31 December 2009	6,152,797	77,544	1,745,729	7,976,070
At 31 December 2008	6,592,282	106,556	1,667,032	8,365,870
At 31 December 2007	6,824,434	135,568	1,189,401	8,149,403

EDEN RESEARCH PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

.. continued ..

9. INTANGIBLE ASSETS - GROUP AND COMPANY (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 amortisation period of that asset is fifteen years.

An annual impairment review is undertaken by the Board of Directors 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 Pharma Ventures Limited on a number of Eden'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 include:

- The projected market sizes for the key products which the Group 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 Group. In preparing the valuation, a base projected market share of 5% of the relevant markets has been assumed.
- As the nature of the Group's revenue streams are a mixture of milestone payments, licence income and royalties, there is 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 group.

EDEN RESEARCH PLC**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2009****. continued .****10 PROPERTY, PLANT AND EQUIPMENT****GROUP AND COMPANY**

	<u>Plant and equipment</u>	<u>Furniture fixtures and fittings</u>	<u>Computer and office equipment</u>	<u>Total</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
COST				
At 1 January 2008	2,790	15,123	32,746	50,659
Additions	-	-	8,089	8,089
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 January 2009	2,790	15,123	40,835	58,748
Disposals	-	(15,123)	(40,835)	(55,958)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2009	2,790	-	-	2,790
	<hr/>	<hr/>	<hr/>	<hr/>
DEPRECIATION				
At 1 January 2008	1,778	14,428	30,897	47,103
Charge for year	564	612	3,543	4,719
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 January 2009	2,342	15,040	34,440	51,822
Charge for year	448	83	6,395	6,926
Eliminated on disposals	-	(15,123)	(40,835)	(55,958)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2009	2,790	-	-	2,790
	<hr/>	<hr/>	<hr/>	<hr/>
CARRYING AMOUNT				
At 31 December 2009	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2008	448	83	6,395	6,926
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2007	1,012	695	1,849	3,556
	<hr/>	<hr/>	<hr/>	<hr/>

The net carrying value of assets pledged on security for borrowings was £nil (2008 £nil)

The depreciation charge is included within administration expenses

EDEN RESEARCH PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

continued . .

11 INVESTMENTS

COMPANY

	2009 £	2008 £
CARRYING AMOUNT		
At 1 January	100	100
	<hr/>	<hr/>
At 31 December	100	100
	<hr/>	<hr/>

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

	2009 £	2008 £
Eden Research Europe Limited	100	100
	<hr/>	<hr/>
	100	100
	<hr/>	<hr/>

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

<u>Company</u>	<u>Nature of business</u>	<u>Shareholding</u>	<u>Incorporated</u>
Subsidiary undertakings			
Eden Research Europe Limited	Dormant	100%	England
Associated undertakings			
Bioclinical Services Limited	Dormant	30%	England

Bioclinical Services Limited is dormant and had no revenue or assets or liabilities at 31 December 2008 or 31 December 2009

EDEN RESEARCH PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

continued .

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Current				
Other receivables	33,268	135,904	33,268	135,904
VAT recoverable	2,811	41,887	2,811	41,887
	<hr/>	<hr/>	<hr/>	<hr/>
	36,079	177,791	36,079	177,791
	<hr/>	<hr/>	<hr/>	<hr/>

The Directors consider that the carrying value of trade and other receivables approximates to the fair value

There are no debts impaired, collateral held or debts that were past due at year end but not impaired

13 CASH AND CASH EQUIVALENTS

	Group and Company	
	2009	2008
	£	£
Short term bank deposits	81,728	13,065
	<hr/>	<hr/>

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

14. TRADE AND OTHER PAYABLES

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Current				
Trade payables	905,008	748,436	905,008	748,436
Other payables	31,708	46,285	31,808	46,385
Accruals and deferred income	72,500	243,532	72,500	243,532
	<hr/>	<hr/>	<hr/>	<hr/>
	1,009,216	1,038,253	1,009,316	1,038,353
	<hr/>	<hr/>	<hr/>	<hr/>

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

See note 23 for disclosure of amount of trade payables denominated in foreign currency

See Directors' Report for disclosure of average credit period taken

EDEN RESEARCH PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

.. continued ..

15 FINANCIAL LIABILITIES - BORROWINGS

	Group and Company	
	2009 £	2008 £
Current		
Convertible debt (note 23)	2,049,235	2,271,686
	<hr/>	<hr/>
	2,049,235	2,271,686
	<hr/>	<hr/>

GROUP AND COMPANY

	<u>1 year or less £</u>	<u>1-2 years £</u>	<u>2-5 years £</u>	<u>Totals £</u>
Convertible debt	2,049,235	-	-	2,049,235
	<hr/>	<hr/>	<hr/>	<hr/>
	2,049,235	-	-	2,049,235
	<hr/>	<hr/>	<hr/>	<hr/>

£1,798,931 of the convertible loan notes were issued on 1 January 2006. The notes are convertible into ordinary shares of the Company at any time from the date of issue of the notes but must be by way of mutual agreement by both parties.

This convertible debt carries an interest rate of 7.5% and there are no fixed terms for repayment.

Conversion is at a discount of 10% on the closing bid price on the date of conversion or (if less) the lowest price per share paid in any fundraising, debt conversion or warrant exercise or any other form of share allotment in the course of the year.

Any new loans made in the year are on the same terms as those identified above.

The net proceeds received from the issue of the convertible loan notes are split between the liability element and an equity component, representing the fair value of the embedded option to convert the liability into equity of the Group. The convertible loans did not have an equity component in 2008 or 2009.

The convertible loan balance includes £1,153,452 (2008: £1,080,634) 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.

£250,304 of the convertible debt balance relates to a Convertible Loan Agreement with Trafalgar Capitalized Specialised Investment Funds entered into on 31 December 2007.

This convertible debt carries an interest rate of 8% and was due on 31 December 2009.

Conversion is at a discount of 15% on the average closing mid price of the previous five trading days before the date of conversion.

EDEN RESEARCH PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

continued ...

15 FINANCIAL LIABILITIES – BORROWINGS (continued)

Convertible Loan Notes	£	£
Convertible loan balance as at 1 January 2008 (including £167,895 of interest)		1,829,081
New convertible loans issued in the year		
- Nominal value of convertible loan notes issued	691,117	
- Equity component of convertible loan notes	-	691,117
Interest charged in the year		123,438
Loan notes repaid in the year		(371,950)
Convertible loan balance as at 31 December 2008		2,271,686
New convertible loans issued in the year		120,097
Interest charged in the year		157,452
Loan notes repaid in the year		-
Loan notes converted in the year		(500,000)
Convertible loan balance as at 31 December 2009		<u>2,049,235</u>

16 LEASING AGREEMENTS

GROUP AND COMPANY

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

	2009 £	2008 £
Property	8,403	31,500

At the balance sheet date the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows -

	2009 £	2008 £
Within one year	2,175	31,500
Between one and five years	-	118,125
	<u>2,175</u>	<u>149,625</u>

Operating lease payments represent rentals payable by the Group for office properties

EDEN RESEARCH PLC**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2009**

.. continued ...

17. CALLED UP SHARE CAPITAL – GROUP AND COMPANY

	2009 £	2008 £
Authorised		
100,000,000 ordinary shares of £0 01 each	1,000,000	1,000,000
Allotted and called up		
61,732,399 ordinary shares of £0 01 each (2008 56,313,274)	617,324	563,133

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

<u>Date</u>	<u>Number of ordinary shares</u>	<u>Aggregate nominal value</u>	<u>Issue Price</u>	<u>Premium on issue</u>	<u>Total share premium</u>
		£	£	£	£
11 11 09	5,419,125	54,191	0 20	0 19	1,029,634
		54,191			1,029,634

During 2008, the following ordinary shares were issued by Eden Research plc

<u>Date</u>	<u>Number of ordinary shares</u>	<u>Aggregate nominal value</u>	<u>Issue Price</u>	<u>Premium on issue</u>	<u>Total share premium</u>
		£	£	£	£
03 01 08	24,800	248	0 60	0 59	14,752
01 05 08	25,000	250	0 19	0 18	4,500
01 05 08	25,000	250	0 20	0 19	4,750
01 05 08	83,333	833	0 30	0 29	24,167
01 05 08	750,000	7,500	0 30	0 29	217,500
04 06 08	27,000	270	0 34	0 33	8,910
09 07 08	2,239,565	22,396	0 18	0 17	380,726
09 07 08	86,085	861	0 30	0 29	24,965
09 07 08	50,000	500	0 20	0 19	9,500
09 07 08	47,059	471	0 43	0 42	19,529
10 07 08	39,603	396	0 51	0 50	19,603
		33,975			728,902

No shares have been issued since the year end

The number of £0 01 ordinary shares issued in the year totalled 5,419,125 (2008 3,397,445)

EDEN RESEARCH PLC**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2009**

continued ...

18 SHARE PREMIUM ACCOUNT

GROUP AND COMPANY	2009 £	2008 £
At 1 January	13,116,119	12,387,217
Premium on shares issued in the year	1,029,634	728,902
	<hr/>	<hr/>
At 31 December	14,145,753	13,116,119
	<hr/>	<hr/>

19. RESERVES

GROUP AND COMPANY	Merger reserve £	Warrant reserve £
At 1 January 2008	10,209,673	2,441,708
Increase		
– warrants/options granted	-	431,795
Transfer to retained earnings		
– warrants exercised or lapsed	-	(752,866)
	<hr/>	<hr/>
At 1 January 2009	10,209,673	2,120,637
Increase		
– warrants/options granted	-	369,269
Transfer to retained earnings		
– warrants exercised or lapsed	-	(303,633)
	<hr/>	<hr/>
At 31 December 2009	10,209,673	2,186,273
	<hr/>	<hr/>

The merger reserve arose on the acquisition of a subsidiary undertaking in a prior year for which merger accounting 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

20 RETAINED EARNINGS

GROUP AND COMPANY	2009 £	2008 £
At 1 January	(20,755,849)	(19,407,478)
Loss for the year	(1,671,381)	(2,101,237)
Transfer from warrant reserve (note 19)	303,633	752,866
	<hr/>	<hr/>
At 31 December	(22,123,597)	(20,755,849)
	<hr/>	<hr/>

EDEN RESEARCH PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

... continued ..

21 CAPITAL COMMITMENTS

The Group and Company had no capital commitments at 31 December 2009 (2008 £nil)

22 RELATED PARTY DISCLOSURES

Related party transactions

There were no transactions between the Company and its subsidiary and associate during 2008 or 2009

Disclosures required in respect of IAS24 regarding remuneration of key management personnel is covered by the disclosure of directors' remuneration on page 31

Transactions with other related parties are set out below

During 2008, the Group traded with BrookStreet Des Roches, a firm of solicitors for which K W Brooks acts as a consultant, as follows -

	2009 £	2008 £
Provision of legal services	-	475
Trade payables due at the year end	-	530

Also during the year, the Group traded with A H Brooks, of which K W Brooks is a partner. The transactions in aggregate were as follows -

	2009 £	2008 £
Provision of consulting services	38,329	42,518
Trade payables due at the year end	14,782	21,478

During the year the Group traded with Insight Medical Writing Limited, a company controlled by T Griffiths and his spouse K Walker. The transactions in aggregate were as follows -

	2009 £	2008 £
Data writing fees	6,000	64,290
Trade payables due at the year end	38,390	69,479

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

	2009 £	2008 £
Provision of management services	65,833	100,690
Trade payables due at the year end	76,344	17,083

EDEN RESEARCH PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

continued ..

22. RELATED PARTY DISCLOSURES (continued)

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

	2009 £	2008 £
Provision of consultancy services	15,000	15,000
Trade payables due at the year end	4,312	10,250

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

	2009 £	2008 £
Provision of marketing consultancy	68,884	68,884
Trade payables due at the year end	11,867	7,383

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

	2009 £	2008 £
Director's fees	35,102	32,786
Trade payables due at the year end	-	7,619

The directors regard all the transactions disclosed above as being on an arm's length basis and in the normal course of business

During the year, K Brooks, director, loaned £nil (2008 £10,000) to the Group £10,000 was outstanding at the year end (2008 £10,000) The loan is interest free and there are no fixed terms for repayment

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

	2009 £	2008 £
Battlebridge Group Limited	354,569	404,802
Chukka Nominees Limited	21,880	145,860
Oxford Commercial Services Limited	1,255	1,254
Oxford Equities Limited	44,827	43,387
Oxford Capital Limited	1,153,452	1,080,634
Oxford Business Services Limited	51,550	49,510
Oxford Corporate Services Limited	3,000	-
Ricewood Limited	6,042	3,673
Efford Nominees Limited	168,398	208,296
	<hr/>	<hr/>
	1,804,973	1,937,416
	<hr/>	<hr/>

The 2009 is stated after the effect of new advances, loan repayments, interest charges and conversion of debt

EDEN RESEARCH PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

... continued ...

22. RELATED PARTY DISCLOSURES (continued)

The loans carry an interest rate of 7.5% (2008 7.5%) per annum and there are no fixed terms for repayment

All loans with the exception of the loan received from Oxford Capital Limited are unsecured

The Group 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 Group

23. FINANCIAL INSTRUMENTS

Financial assets

Group and Company

	2009 £	2008 £
Loans and receivables		
Trade receivables	9,091	68,966
Allowance for doubtful debts	-	-
	<hr/>	<hr/>
	9,091	68,966
	<hr/>	<hr/>

Other financial assets comprise bank deposits and an immaterial amount of cash in bank current accounts

The average credit period for sales of goods and services is 30 days. No interest is charged on overdue trade receivables. At 31 December 2009 there were no trade receivables and no receivables past due (31 December 2008: no receivables past due).

The Company's and Group'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

Group and Company

	2009 £	2008 £
Trade payables	905,008	748,436
Interest bearing convertible loans	2,049,235	2,271,686
	<hr/>	<hr/>
	2,954,243	3,020,122
	<hr/>	<hr/>

EDEN RESEARCH PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

.. continued ...

23 FINANCIAL INSTRUMENTS (continued)

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 and Group have policies in place to ensure that trade payables are paid within the credit timeframe or as otherwise agreed.

Details of the interest bearing loans are disclosed in note 15 to the financial statements. The Company and Group currently finances its operations partly through these borrowings. The Company and Group borrows in pounds sterling generally at fixed interest rates.

Holders of the convertible loans have a right to convert the loans and any outstanding interest into shares. The conversion would be at a discount of 10% on the closing bid price at the date of conversion or, if less, the lowest price per share paid on any fund raising, debt conversion or warrant exercise or other share allotment in the course of the year.

Certain of the convertible loans also have share warrants attached.

In accordance with the substance of the arrangements the convertible loans are included in liabilities and it is considered that there is no material equity component.

Credit risk

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

Currency risk

The Group 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 Group'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. The Trafalgar convertible debt of £250,304 is repayable in Euros and is included in the numbers below. At the year end, the Group had the following net foreign currency balances in liabilities:

	2009 £	2008 £
US dollars	36,589	36,091
Euro	406,975	441,387
Norwegian Kroner	82,748	65,279

EDEN RESEARCH PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

continued ...

23. FINANCIAL INSTRUMENTS (continued)

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 Group's financial liabilities at 31 December 2009 was -

	<u>Total</u> £	<u>Floating rate</u> <u>financial</u> <u>liabilities</u> £	<u>Fixed rate</u> <u>financial</u> <u>liabilities</u> £	<u>Financial</u> <u>liabilities on</u> <u>which no</u> <u>interest is paid</u> £
Sterling				
2009	2,427,931	-	1,798,931	629,000
2008	2,477,365	-	1,937,417	539,948
Euro				
2009	406,975	-	250,304	156,671
2008	441,387	-	334,269	107,118
US Dollars				
2009	36,589	-	-	36,589
2008	36,091	-	-	36,091
Norwegian Kroner				
2009	82,748	-	-	82,748
2008	65,279	-	-	65,279

	<u>Weighted average</u> <u>interest rate</u> %	<u>Weighted average</u> <u>period for which</u> <u>rate is fixed</u> Years	<u>Weighted average</u> <u>period until</u> <u>maturity</u> Years
Sterling			
2009	7.5	1.0	1.0
2008	7.5	1.0	1.0
Euro			
2009	8.0	0.0	0.0
2008	8.0	1.0	1.0

EDEN RESEARCH PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

. continued .

Maturity of financial liabilities

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

	2009 £	2008 £
In one year or less, or on demand	2,049,235	2,271,686
In more than one year but not more than two years	-	-
In more than two years but not more than five years	-	-
In more than five years	-	-
	<hr/> 2,049,235	<hr/> 2,271,686
	<hr/>	<hr/>

The Company has a Committed Equity Facility of £2 million with Trafalgar Capital Specialised Investment Fund which is available upon repayment in full of the existing convertible loan of £250,304

The Facility is available until 19 November 2010 and can be drawn-down in tranches of £20,000 to a maximum of £2m

No draw-down has been made in 2009 or after the year end,

Liquidity risk is managed by regular monitoring of the Group's undrawn borrowing facilities, levels of cash and cash equivalents, and expected future cash flows, and availability of loans from shareholders

Market price risk

The Group'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 Group's sensitivity analysis model should be used in conjunction with other information about the Group's risk profile.

The Group'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 Group'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 Group's analysis, it is estimated that a rise of one percentage point in all interest rates would have increased 2009 loss before tax by approximately 0.5 per cent and that a three percentage point increase would have increased such losses by 1.2 per cent. This is well within the ranges that the Group regards as acceptable.

EDEN RESEARCH PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

... continued ...

23 FINANCIAL INSTRUMENTS (continued)

Capital risk management

The group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order, in due course, to provide returns to shareholders, and to maintain an optimal capital structure

The Group monitors capital on the basis of the gearing ratio calculated as net debt divided by total capital (equity plus net debt)

	2009 £	2008 £
Borrowings	2,049,235	2,271,686
Less Cash and cash equivalents	(81,728)	(13,065)
Net debt	1,967,507	2,258,621
Total equity	5,035,426	5,253,713
Total capital	7,002,933	7,512,334
Gearing ratio	28%	30%

The decrease in gearing ratio at 31 December 2009 resulted from the reduced borrowings in the year

EDEN RESEARCH PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

continued .

24 SHARE BASED PAYMENT

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

	<u>2009</u>		<u>2008</u>	
	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)	Number
Outstanding at the beginning of the year	34	6,141,974	32	5,318,974
Granted during the year	26	2,600,000	46	950,000
Exercised during the year	-	-	23	(127,000)
Lapsed during the year	38	(3,016,362)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	28	5,725,612	34	6,141,974
	<hr/>	<hr/>	<hr/>	<hr/>

The exercise price of options outstanding at the end of the year ranged between 9p and 60p (2008 9p and 60p) and their weighted average contractual life was 2.7 years (2008 1.6 years)

The weighted average share price (at the date of exercise) of options exercised during the year was nilp (2008 23p)

The weighted average fair value of each option granted during the year was 26p (2008 46p)

The share based payment charge for the year was £369,269 (2008 £173,729)

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

	<u>2009</u>	<u>2008</u>
Equity-settled		
Option price model used	Black Scholes	Black Scholes
Weighted average share price at grant date (pence)	28	68
Exercise price (pence)	26	46
Weighted average contractual life (days)	1,825	756
Expected volatility	73.6%	73.6%
Expected dividend growth rate	-	-
Risk-free interest rate	4.43%	4.43%

Expected volatility is calculated based on historic share price movements

EDEN RESEARCH PLC**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2009**

... continued ..

24 SHARE BASED PAYMENT

	<u>2009</u>		<u>2008</u>	
	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)	Number
Outstanding at the beginning of the year	26	5,680,582	21	8,839,565
Exercised in the year	-	-	21	(3,158,983)
Lapsed in the year	20	(2,350,000)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Outstanding at the end of the year	21	3,330,582	26	5,680,582
	<hr/>	<hr/>	<hr/>	<hr/>

The exercise price of warrants outstanding at the end of the year ranged between 18p and 37p (2008 10p and 34p) and their weighted average contractual life was 0.6 years (2008 1.1 years)

The weighted average share price (at the date of exercise) of warrants exercised during the year was nilp (2008 21p)

The weighted average fair value of each warrant granted during the year was nil p (2008 nil p)

No warrants were granted during 2008 or 2009

25 RECONCILIATION OF MOVEMENTS IN EQUITY**GROUP**

	<u>2009</u> £	<u>2008</u> £
Loss for the financial year	(1,671,381)	(2,101,237)
Issued share capital	54,191	33,975
Share premium arising on new share capital subscribed	1,029,634	728,902
Increase in Warrant reserve on grants in the year	369,269	431,795
	<hr/>	<hr/>
Net deductions from equity	(218,287)	(906,565)
Opening equity	5,253,713	6,160,278
	<hr/>	<hr/>
Closing equity	5,035,426	5,253,713
	<hr/>	<hr/>
Equity interests	5,035,426	5,253,713
	<hr/>	<hr/>

EDEN RESEARCH PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

... continued ..

25. RECONCILIATION OF MOVEMENTS IN EQUITY (continued)

COMPANY

	2009 £	2008 £
Loss for the financial year	(1,671,381)	(2,101,237)
Issued share capital	54,191	33,975
Share premium arising on new share capital subscribed	1,029,634	728,902
Increase in Warrant reserve on grants in the year	369,269	431,795
	<hr/>	<hr/>
Net deductions from equity	(218,287)	(906,565)
Opening equity	5,253,713	6,160,278
	<hr/>	<hr/>
Closing equity	5,035,426	5,253,713
	<hr/>	<hr/>
Equity interests	5,035,426	5,253,713
	<hr/>	<hr/>

26 EVENTS AFTER BALANCE SHEET DATE

At the end of 2009, Eden entered into a Development Option and Licensing Agreement with TEVA Animal Health Inc ("TEVA") for all veterinary health applications using Eden's encapsulation technology and terpene formulations. Under the agreement, TEVA is to pay \$1.05m in milestone payments plus royalties, once sales of the products begin.

In March 2010, Eden entered into a Licensing Agreement with Ecostyle BV ("Ecostyle") for the use of 3AEY in Amateur Gardening, which provides that Ecostyle pay \$240,000 in milestone payments plus royalties, once sales of the products begin.

In April 2010, the company was informed by the Chemicals Regulation Directorate ("CRD") that the review of the Draft Assessment Report for the Company's lead product, 3AEY, and its three active components, has been completed and submitted to the European Food Safety Authority. The CRD has recommended that Eden undertakes an additional assay study as some EU member states may require it for national approval and, in order to expedite sales of Eden's product, this will be done in the next few months.

In May 2010, the Company agreed a funding facility from its existing shareholder and loan provider, Oxford Capital Limited for £1m.

In June 2010, Eden signed an exclusive Option Agreement with Certis Europe BV for its nematocide product. The agreement gives Certis a period of twelve months exclusivity within which it will conduct various investigations on the performance and economics of the product and technology following which it can exercise its option and enter into an exclusive licence agreement for the use of Eden's nematocide product in major markets in Europe, Asia, Africa, the Middle East and Oceania. The agreement provides for Certis to pay an upfront fee of \$100,000 followed by a license fee on exercise of the option of \$900,000, plus an annual royalty payment once sales have begun.

EDEN RESEARCH PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

.. continued ...

26 EVENTS AFTER BALANCE SHEET DATE (continued)

Also in June, Eden agreed an extension to the Trafalgar Capital convertible loan for repayment to be made by the middle of August 2010. Repayment of the loan then facilitates the potential draw-down against the committed equity facility of £2m.