

Company Registration No. 03071324 (England and Wales)

**Eden Research plc**

**Annual report and consolidated financial statements  
for the year ended 31 December 2020**



**Eden Research plc**

**Company information**

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<b>Secretary</b>	A Abrey
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## **Eden Research plc**

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EDEN RESEARCH PLC IS AN AIM-QUOTED COMPANY FOCUSED ON SUSTAINABLE BIOPESTICIDES AND PLASTIC-FREE ENCAPSULATION TECHNOLOGY FOR USE IN GLOBAL CROP PROTECTION, ANIMAL HEALTH AND CONSUMER PRODUCTS INDUSTRIES.

#### 2020 HIGHLIGHTS

- Completion of a successful fundraise of £10.4million (gross) in March 2020.
- Relocation of offices and the opening of Eden's formulation, analytical and biology laboratories at Milton Park, Oxfordshire.
- Expansion of the team and in-house technical expertise with the appointment of a Regulatory Director and Global Head of Biology.

#### REVENUE

£1.4m

-25%

#### OPERATING LOSS

£2.2m

+65%

#### PRODUCT SALES

£1.1m

-22%

- A one-year exclusive evaluation agreement was signed with Corteva Agriscience - the world's largest "pure-play" agricultural company – to evaluate seed treatment applications of Eden's Sustaine® technology treatments.
  - First sales of bio-nematicide, Cedroz™, in Mexico during 2020 and new regulatory approvals for both Mevalone® (bio-fungicide) and Cedroz™. The approval of Mevalone® in Australia representing the first approval for Eden's products in the Southern Hemisphere.
  - Organic approval in the EU for all three of Eden's terpene active ingredients thymol, eugenol and geraniol.
  - Organic product certification of Mevalone® and Cedroz™ in a number of EU territories, including key countries France and Spain.
-

## At a Glance

### Our vision

To be the leader in sustainable bioactive products enabled or enhanced by our novel encapsulation and delivery technologies.

- Eden is the only UK quoted company focused on biopesticides for sustainable agriculture. We have two proven products with multiple regulatory clearances and strategic partnerships, Mevalone® and Cedroz™, now commercially available.
- Eden's focus is on protecting high-value crops, improving crop yields and marketability.
- Our products are based upon natural chemistries and deliver performance, ease of use, and cost on par with conventional alternatives. Additionally, they have the added benefit of being approved for use as organic inputs.
- Eden has commercialised its first bio-fungicide product, Mevalone®, on three continents and its first bio-nematicide product, Cedroz™, on two continents.
- Eden has partnered with Eastman Chemical for the commercialisation of Cedroz™ in 29 countries.

16

Countries have granted product authorisation

44

Crop use approvals for Eden's biopesticides

£14m

Invested in IP and registration

110

Granted and pending patents

6

Pests and disease targets addressed with Eden's registered products

### OUR GEOGRAPHIC AND REGULATORY FOOTPRINT

We now have commercial partners in place across six continents and product registration activities in around 30 countries. We are well-positioned to leverage our commercial partnerships as and when regulatory clearance is granted by the relevant regulators around the world.

#### WHERE WE ARE NOW

Product sales have commenced in key markets where we have authorisation to market and sell our first product, Mevalone® and our second commercial product, Cedroz™.

#### COMMERCIAL PARTNERSHIPS AND REGULATORY ACTIVITY

Eden secured regulatory clearance for its second product Cedroz™ in 2019.

- Our products are sold in the top 3 wine producing countries
  - We have trials on-going in 6 continents. Both Mevalone® and Cedroz™ are approved in Spain – which produces 24% of the EU's fruit and vegetables
  - Product authorisation have been granted in 16 countries
  - We are expanding and developing our base of commercial clients and partners
-

## Investment case

### COMMERCIAL DEVELOPMENT

Eden is now resourced to support accelerated new product development and growth

### TECHNOLOGY EXPLOITATION

Eden is poised for exploitation of its core technologies beyond biopesticides and crop protection

### FOCUS ON BIOLOGICAL SOLUTIONS

Eden is the only UK quoted company with a focus on biopesticides for the crop protection market

### REGULATORY DRIVERS FOR SUSTAINABLE SOLUTIONS

Regulatory changes are creating significant growth opportunities for Eden's products and technology

The EU Green Deal has a target of 25% organic agriculture and 50% reduction in chemical pesticides

### INCREASED NUMBER OF COMMERCIAL PARTNERS

Eden is expanding existing commercial relationships and is focused on the establishment of new partnerships

### GROWING PATENT PORTFOLIO

110 patents enable strong technological defensibility. Two new patents were granted in the US during H1 and one in Australia, post-period end

### REVENUE GROWTH

Eden has the potential to generate significant additional revenue in the medium term as new authorisations are received and existing and new commercial partnerships are 'activated' following approvals

### CORTEVA AGREEMENT

This deal presents new product opportunities in the seed treatment market in a number of global territories. Overall, the seed treatment sector is worth \$6.7billion globally.

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## Our products

### INDUSTRY APPLICATIONS

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

#### CONSUMER PRODUCTS

Head-lice treatment  
Deodorants  
Odour neutralisers  
Fragrances

**\$50+bn\***

#### CROP PROTECTION

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

**\$33bn\***

#### ANIMAL HEALTH

Shampoos/Conditioners  
Skin disease control  
Otic flush  
Flea & tick control

**\$51bn\***

\*Estimated addressable market size

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

## WE HAVE DEVELOPED A NATURAL, PLASTIC-FREE FORMULATION TECHNOLOGY - SUSTAINED®

Sustained microencapsulation technology is derived from yeast. Multiple active ingredients can be loaded into the core.

When diluted in water, pores in the walls of the capsule open.

Active ingredients are released while the pores remain open in the presence of water.

If the capsules dry, the pores will close again, locking in the active ingredient until the next re-wetting event, when further release occurs.

Sustained® is a novel microencapsulation solution patented by Eden, suitable for applications in a wide range of agricultural, animal health and consumer products

1. Cost effective, useful for a wide range of active ingredients, plastic-free, high capacity, robust, sustainable
  2. Sustained® encapsulates active ingredients and provides for the sustained release of these ingredients enabling their safe, more efficient use
  3. Sustained® particles are derived from natural yeast cells originally developed for use in human health applications
-

## OUR PRODUCT FOCUS

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

## OUR PRODUCTS

Our products give growers reduced risk, increased flexibility and security.

- Exempt from pesticide residue limits
- Allowed in EU organic agriculture
- Can be used up to the point of harvest
- Equally effective vs conventional chemistry

Organic crops command a higher value and have a significant commercial advantage in the valuable export markets.

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

## SUSTAINE® APPLICATIONS

### FUNGICIDES

Botrytis, powdery mildew, downy mildew

### NEMATOCIDES

Root knot nematodes

### INSECTICIDES

Mites and whiteflies  
Under development

### SEED TREATMENT

Under development

Our products harness the biocidal activity of naturally occurring molecules produced by plants as part of their defence systems. These active ingredients are known as terpenes.

## PRODUCT CHARACTERISTICS

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

- Enabling sustained delivery, increasing residual efficacy and reducing use rates
  - Tackling resistance build-up
  - Solvent-free, stable formulations with high loadings of active ingredients
  - Protecting plants from potentially damaging chemicals
  - Polymer-free formulation technology
  - 'Residue free'
  - Low or no preharvest intervals giving growers flexibility, security and control
-

## Products in action

### MEVALONE®

#### SUSTAINABLE CONTROL

- Mevalone® is used as a preventative and curative solution for Botrytis cinerea.
- Terpene active ingredients, derived from nature, mean the product has a favourable environmental profile.
- The multi-site mode of action means risk of resistance is minimised.
- Free from residue limits and with short pre-harvest intervals, it provides growers with maximum flexibility.

**8%**

The cost of control of Botrytis and related species accounts for about 8 per cent of the fungicide market worldwide.

Botrytis cinerea is one of the most extensively studied fungal pathogens and causes "grey mold" rot in more than **500 plant species**

**\$10-100 Billion**

The annual economic losses due to B. cinerea

**28%**

Estimated post-harvest apple losses caused by B. cinerea

**50%**

Potential B. cinerea yield losses in grape vines

#### FOOD WASTE SPOTLIGHT

- Mevalone® is proven to be efficacious against a number of other crop diseases, including post-harvest storage diseases on apples.
- Used as a foliar spray in the weeks leading up to harvest, it ensures that apples enter storage free from pathogens, which extends their shelf life and reduces food waste.
- Mevalone® previously received emergency use authorisation for use on apples in France and now awaits full authorisation.

*"This emergency use is another important opportunity to promote Mevalone® to growers and to better serve a modern and evolving agriculture responding fully to the needs of society."*

Antoine Meyer – President of Sumi Agro

#### TOP 3 EU APPLE PRODUCERS

**22.9%**

France

**17.6%**

Poland

**17.0%**

Italy

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FRENCH EXPORTS

**\$433.6 Million**

Of apples each year are exported by France

EXPORT REGIONS

Normandy

Brittany

PACA Region

CURRENT GLOBAL FOOD WASTE

**1.3bn tonnes**

Food wasted around the world

**3,000 tonnes**

Food wasted every minute globally

**£19 billion**

Value of edible food wasted in the UK every year

**SUSTAINE®**

- 1 There is increasing consumer and regulatory pressure to cut out the use of plastic in supply chains. Food production has faced significant scrutiny due to its widespread use of plastics, from farming to packaging.
- 2 In farming, microplastics are used for encapsulation or as seed coatings to boost the performance of agricultural inputs, including crop protection products. The direct application of these products to the environment causes agriculture to be a major contributor to microplastics pollution.
- 3 Sustaine® is one of the only viable alternatives to microplastics used in these agricultural products.

**SUSTAINABLE CONTROL**

- Sustaine® microcapsules are naturally derived, biodegradable micro-spheres produced from yeast extract.
- The technology produces stabilised aqueous emulsions which are easy to mix and apply and have phased release patterns.
- Sustaine® is used to encapsulate active ingredients in Cedroz™ and Mevalone® and is effective with other natural and synthetic compounds.
- Eden is engaged in a number of projects around the world to test the compatibility of Sustaine® with third party active ingredients.

**CHANGING REGULATION**

Pressure is building to cut out the use of microplastics in agriculture. A landmark proposal from the European Chemicals Agency (ECHA) will restrict the use of microplastics in agricultural products as part of a wider ban on the intentional use of plastics.

**CEDROZ™**

- 1 The majority of crops in Europe are grown in open field, however, there is an increasing level of investment in greenhouse and glasshouse farming, especially for salad vegetables.
  - 2 The use of greenhouses will help to reduce emissions from the agriculture sector which is considered a "hard to treat" area of the carbon-cutting agenda. In addition, the use of greenhouses cuts down on the agricultural sector's land use.
  - 3 Being able to control conditions indoors has proven to more than double yields in some cases, reducing the consumption of resources required to grow crops.
-

SCIENCE SPOTLIGHT

- Cedroz™ is a water-based formulation which utilizes Eden's terpene technology to naturally fight nematodes, a pest known to cause severe damage to crops globally in both open fields and greenhouses.
- In line with consumer and regulatory drivers for safer products, Cedroz™ is an attractive alternative for farmers looking to fight nematodes in an environmentally friendly way.
- Cedroz™ can be used on a wide range of crops including tomatoes, strawberries, cucumbers, courgettes, peppers, aubergines and melons.

*"In Cedroz™, we have developed a biopesticide that meets the demands of modern-day farming, whether that is in an open field or greenhouse environment."*

Sean Smith – CEO of Eden

## Our markets

### Significant Market Potential

A growing global market for sustainable products.

Crop protection products formulated with Sustaine® and Eden's active ingredients can help address many of these issues:

- Consumer concerns over food safety
- EU restrictions on intentionally added microplastics
- Increasingly challenging regulatory requirements
- Farmers seeking effective alternatives

**\$11bn**

The global biopesticides market is projected to be worth more than \$11 billion by 2027

**30%**

of active ingredients in the EU are at medium to high risk of non-regulatory renewal

**15%**

The biopesticides market is growing at a Compound Annual Growth Rate (CAGR) of approximately 15% per annum

**\$300m**

Increasing time and cost of bringing a single new agrochemical product to market: 10 to 12 years and around \$300 million

### CROP PROTECTION MARKET

The growth of biopesticides is projected to outpace the demand for synthetic chemical pesticides in the coming years.

North America and the EU are the two largest biopesticide markets at this point in time. Currently, 30% of all pesticide sales in the EU are biopesticides or biologicals.

The seed treatment market is forecast to grow from USD 6.1 billion in 2016 to USD 11.3 billion by 2022, a CAGR of 10.8% during the forecast period.

### PRODUCT COMMERCIALISATION

Product sales have commenced in key markets where we have authorisation to market and sell our first two commercial products, Mevalone® and Cedroz™.

- Strong intellectual property portfolio
  - A demonstrated platform for future product development
  - Regulatory approvals in a growing list of key markets
  - Numerous commercial partnerships
  - Active engagement with new partners
  - Growing market share
  - Investment in research and development
-

Eden Research has new product registration applications in-process in multiple new countries with initial approval received for its second product, Cedroz™, in 2019.

**SIGNIFICANT MARKET OPPORTUNITIES**

There is high demand for sustainable products that can compete with conventional products on ease-of-use, efficacy, safety, cost and reliability.

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

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## Our Business model

Eden is leveraging two technology platforms to provide sustainable solutions for crop protection, animal health and consumer products.

### WHAT WE DO AND HOW WE DO IT

#### DEVELOPING OUR PRODUCT PIPELINE

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

#### GAINING REGULATORY APPROVAL

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

#### SIGNING COMMERCIAL AGREEMENTS

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

#### IDENTIFYING SUITABLE INDUSTRIAL PARTNERS

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

#### SECURING PATENT PROTECTION FOR INTELLECTUAL PROPERTY

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

#### INVESTMENT IN RESEARCH AND DEVELOPMENT

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

#### GENERATING REVENUE

Revenue is generated through:

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

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

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**THE VALUE THIS CREATES**

**FOR CUSTOMERS**

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

**FOR SHAREHOLDERS**

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

**FOR PARTNERS**

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

**FOR THE ENVIRONMENT**

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

**FOR EMPLOYEES**

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

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## OUR STRATEGY

### BUSINESS LINE DIVERSIFICATION

**WE WILL ADDRESS THIS BY:**

- Pursuit of opportunities in the seed treatments market
- Development of insecticides
- Ongoing work with Elanco Animal Health to launch four new products
- Expand crops and diseases treated
- Geographic diversification (seasonal and climate variation)

**KEY ACHIEVEMENTS IN 2020:**

- New crops and diseases added to the Mevalone® label
- Regulatory approval of Mevalone® in Australia
- Crop trials ongoing for insecticides and seed treatments

### RESEARCH, DEVELOPMENT AND OPERATIONS

**WE WILL ADDRESS THIS BY:**

- Supply chain optimisation
- Expansion of in-house screening and field trials capability
- Accelerate commercialization of Sustaine® for conventional actives

**KEY ACHIEVEMENTS IN 2020:**

- Opening of biological, analytical and formulation laboratories.
- Expansion of in-house technical expertise

### COMMERCIAL GROWTH

**WE WILL ADDRESS THIS BY:**

- Regulatory clearance in new countries, crops and diseases
- Accelerate Sustaine® business development
- Partnerships for Mevalone® in new territories
- Pursue collaboration with majors

**KEY ACHIEVEMENTS IN 2020:**

- First sales of Cedroz™ in Mexico, Spain and Greece.
- Progression of seed treatment work. Further field trials and initial regulatory steps
- Successful field trials of third-party actives, encapsulated in Sustaine® technology

### STRENGTHENING AND GROWING THE TEAM

**WE WILL ADDRESS THIS BY:**

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- Analytical & Formulation Chemistry Expertise
- Regulatory Expertise
- Biology Expertise

**KEY ACHIEVEMENTS IN 2020:**

- Regulatory Director Appointed
  - Lab team strengthened - formulation, analytical and biology expertise
-

## **Introduction**

It goes without saying that 2020 was an unusual and challenging year for everyone in different ways. Clearly, the global COVID-19 pandemic has caused complex and unforeseen issues for people and businesses across the globe. Challenges have arisen which have required us all to adapt and adopt new ways of working, enabling life and work to continue as close to normal as possible.

Eden has not been immune to the challenges from the global COVID-19 pandemic. For example, we have seen a number of limitations with our field trials and some short-term delays in the regulatory process and product approvals globally as a result of logistical issues associated with various lockdowns and other restrictions worldwide.

However, we are proud of the fact that Eden has made significant strides forward in the past year, despite the unprecedented backdrop we have all faced. Indeed, we have seen the continued commercialisation of our products, the building of our financial resilience, the development of our operations and the strengthening of our reputation as a growing and innovative company aligned with the transition to a more sustainable world.

We have also seen 2021 start as we mean to go on, by signing a landmark distribution agreement for our Sustaine® technology with Corteva Agriscience, and receiving the London Stock Exchange's Green Economy Mark in recognition of our contribution to the global green economy. This focus on Eden's sustainable credentials will continue throughout 2021 and beyond, as investors are increasingly aware of the environmental impact of their investment decisions.

## **Products and technology**

Our development work has managed to continue largely as hoped during 2020, including Eden's insecticide and seed treatment products, as well as third party active ingredients which use Eden's proprietary Sustaine® technology. We look forward to sharing the results of our work here during 2021 and beyond.

We have continued to expand our global product footprint with authorisation of Eden's bio-fungicide Mevalone® in Australia, for use on both wine and table grapes under the trade name "Novellus"™, and of Cedroz™ in Spain and France. Closer to home, we announced a partnership with M H Poskitt, a leading producer of root vegetables in the UK, to develop and trial a new bio-fungicide product. These agreements are important steps in the expansion and commercialisation of Eden's product base.

We have also been delighted to sign our first commercial agreement for seed treatment applications, which grants exclusive distribution rights of our proprietary product incorporating our Sustaine® technology to Corteva Sciences, the fourth largest agriculture company in the world. We have high hopes for the commercial potential for this product area.

## **Funding**

In March 2020, Eden concluded a fundraise of £10.4 million (before expenses), which saw several new institutional investors joining the share register. This funding provides Eden with the financial resource to invest in the development of its insecticide and seed treatment products. It also represented a significant achievement for Eden, as the successful fundraise came just as the effects of the global pandemic were starting to be felt in the financial markets. This demonstrated the strength of Eden as an investment prospect.

## Operations

Marking the beginning of a new chapter in Eden's growth story, 2020 has seen the investment in our own laboratory facilities alongside a new office. Relocating to the new site at Milton Park in Oxfordshire, one of Europe's leading science and technology communities, means that we are able to undertake development work in-house for the first time, which allows increased flexibility and efficiency.

As well as moving to new laboratory facilities, we have seen the expansion of the Eden team in 2020. Despite the unique challenges of recruiting and onboarding new members during a pandemic, our new team members are already making valuable contributions to the expansion of Eden's capabilities and providing support to its existing and potential customers.

## Market opportunity

Against a backdrop of seismic changes across the global landscape, many trends have remained consistent in 2020. Driven by changing consumer habits and growing investor awareness of environmental factors, the agricultural industry has continued to adapt and find new ways of growing food to feed larger populations more sustainably.

Eden is well positioned to capitalise on this trend as its products and technologies align closely with global demand for plastic-free and sustainable crops. As well as being first movers in the space, Eden maintains an innovative and nimble approach to its product and technological developments which helps us foresee and respond to fast changing dynamics.

From a standing start approximately twenty years ago, the biopesticides portion of the crop protection market currently has a 15% compound annual growth rate and is forecast to have a market value of over \$11 billion by 2027. Recognising this considerable and growing market, Eden has positioned itself to develop, register and market sustainable, biopesticide products based around its three Europe-registered active ingredients.

Mevalone® and Cedroz™, Eden's first two products, boast high efficacy and the added benefits of maximum residue level exemption, short pre-harvest intervals, competitive pricing, and close alignment with the direction of regulatory changes. Eden's Sustaine® microencapsulation technology offers an effective solution to consumer concerns around microplastics and consequently has received considerable interest from external parties, most recently demonstrated through our landmark agreement with Corteva, which is a significant achievement for the company.

Microplastics have been a well-publicised environmental cause for campaigners in recent years. Public pressure has led to policy changes and the European Union has announced its intention to publish new regulations which could see a ban on the use of polymers in certain industries, including crop protection, where polymers are widely used to formulate active ingredients.

With global regulatory changes highly likely, the crop protection industry will need to adapt its practices quickly, but has a history of being slow to implement new processes. Following an increase in the number of enquiries from major players in the crop protection industry in 2020, Eden has seen first-hand evidence of the industry's focus on adapting new practices swiftly.

**Eden Research plc**

**Chairman's Statement**

**For the year ended 31 December 2020**

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**Looking ahead**

Having dealt with the unique circumstances 2020 has presented us with, Eden has moved into fiscal 2021 well-funded and well positioned to achieve its mission to become a leader in biopesticide products and natural, plastic-free microencapsulation technologies to the global crop protection, animal health and consumer products industries.

We have managed to manoeuvre our way through the global pandemic relatively unscathed and the future for Eden looks promising, with exciting developments in the pipeline.

The recently announced agreement with Corteva is, of course, significant to Eden and the seed treatment product area is an exciting addition to the already valuable, diverse portfolio of products and applications that the business has generated over the years.

The London Stock Exchange Green Economy Mark demonstrates the strength of Eden's position as a sustainable company at a time when demonstrating environmental credentials is a key priority and distinction for any company.

I would like to thank our shareholders for their on-going support and convey to you my confidence in the Eden team and the success they are working towards for the business. There is still much more to come which we look forward to sharing with you in due course.

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

**29 June 2021**

### Section one: Introduction

It has been an unprecedented year for businesses across the globe and Eden has not been immune to the disruption caused by the COVID-19 pandemic. However, we are extremely proud of the resilience we have demonstrated against this exceptional backdrop and the continued progress we have made in advancing our strategy and positioning in the rapidly growing biopesticides market.

The financial year has seen us expand our footprint, both geographically and through new product development, supported by the successful fund raise delivered in March 2020. We are also delighted to have signed a key distribution agreement with Corteva Agriscience in May 2021 for our first seed treatment product which uses Eden's Sustaine® technology combined with our plant-derived active ingredients, which creates a solid commercial foundation for our future work in the new area of seed treatments. We are also actively pursuing additional opportunities in seed treatments.

We were also pleased to receive the London Stock Exchange's Green Economy Mark in January 2021, which recognises the role we are playing in supporting the transition to a sustainable world and highlights our credentials as a sustainable investment opportunity on the London market.

### Section two: Delivering on our strategy

Eden continues to be the only UK-quoted company focused on biopesticides for sustainable agriculture and we are well positioned to capitalise on this rapidly growing market, which is anticipated to be worth \$11 billion by 2027.

Our vision remains the same: To be a global leader in sustainable crop protection through the development of bioactive products enabled or enhanced by our novel encapsulation and delivery technologies, making the most of the significant market opportunity available.

In the near term, our strategic focus is on:

- Registering and commercialising our two approved products, Mevalone® and Cedroz™ in new territories and for new applications
- Developing the use of our microencapsulation technology, Sustaine®, with new active ingredients, including conventional agrochemicals
- Building on existing opportunities with Corteva Agrisciences, Sipcam and other collaborators
- Advancing the development of our first insecticide products

We continue to make significant progress on these goals, supported by our financial resources, which puts Eden in a good position to capitalise on the work we have done to date and move forward with new commercial growth opportunities.

Notable commercial and operational highlights from 2020 include:

- Inclusion of Eden's three active ingredients, geraniol, eugenol and thymol, in the EU's Organic Production Regulation, opening the door for the use of Eden's formulated product in organic agriculture in the EU
- Commencement of an evaluation agreement with Corteva Agriscience in the new area of seed treatments
- New authorisations for the use of Mevalone® in a range of new uses.

## Eden Research plc

### Chief Executive Officer's Review

#### For the year ended 31 December 2020

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- Authorisation of Eden's nematicide formulation, Cedroz™, in Greece, Spain, France, Italy and the Netherlands.
- The granting of patents for our Sustaine® encapsulation technology and compositions for insecticide products, in both the US and Australia
- The new authorisation of our bio-fungicide, marketed as Novellus, in Australia
- The announcement of a partnership with M H Poskitt, to develop and trial a new bio-fungicide product derived from a common weed and designed to protect and improve the quality of vegetables
- The opening up of Eden's new laboratory facilities in Milton Park, Oxfordshire, allowing Eden to undertake more in-house development work, including new product formulation, microbiological screening, plant and seed evaluations and analytical work.
- The expansion of our team, through the appointment of Dr. Michael Carroll as Director of Regulatory Affairs in April 2020 and Dr. Aoife Dillon to the role of Head of Biology in July 2020.

In May 2021, we were delighted to sign an exclusive commercialisation, supply and distribution agreement with Corteva Agriscience, the fourth largest agriculture inputs company in the world. This agreement provides Corteva with exclusive distribution rights for Eden's seed treatment product based on Eden's active ingredients and Sustaine® encapsulation technology in Europe, Serbia and the United Kingdom and follows an evaluation in select seed treatment applications. Over the coming two years, Corteva and Eden will work collaboratively to register, commercialise and ultimately distribute new seed treatments for at least one major crop, and it is anticipated that this may be expanded following initial success.

This agreement represents a major commercial milestone for Eden as it is intended to be the first revenue generating use of Eden's Sustaine® containing products in the treatment of seeds and provides us with the opportunity to capture a significant share of this market.

#### Section three: Financial Review

Revenue for the year decreased to £1.4m (2019 [restated]: £1.8m) primarily due to the reduction in one-off receipts to £nil (2019: £0.3m).

The focus for the business remains to grow revenue through product sales which will ultimately provide a sustainable, consistent source of income for the Company. This was not the case in 2020 with product sales decreasing to £1.1m (2019 [restated]: £1.4m) due to impact of the global pandemic on wine grape production.

The cash position at the year-end was £7.3m (2019: £0.5m), following the successful fundraise in March 2020 with gross proceeds of £10.4m.

Administrative expenses in the year increased to £2.2m (2019: £1.5m) with the introduction of new team members and additional costs in respect of the new office and laboratory facilities. Consequently, operating loss increased to £2.2m (2019: £1.4m). The increase in operating loss is due to the aforementioned reduction in one-off receipts, increased staff costs, as well as amortisation of £0.6m (2019: £0.5m) and depreciation of £0.1m (2019: £nil).

Following a review of the carrying value of the investment in TerpeneTech (UK), Eden's associate company, an impairment of £0.3m has been made (2019: £nil). For more details, please see note 15 to the financial statements.

Throughout the year, the Company remained debt free with no long-term debt or lending facilities in place or expected to be required. Following the fundraise in March 2020, the Company is well funded and placed to execute its business plan which involves investing in product trials and marketing authorisations which are required to increase product sales revenue and the geographical footprint in which Eden can operate, in addition to growing the team which should enable the Company to meet its ambitious growth targets.

#### **Section four: 2021 outlook**

The global pandemic continues to unfold with some promising developments relating to the vaccination of large numbers across the developed world, but the full impact on sales development cannot be assessed reliably at this time. We anticipate the potential for a negative impact on demand for high-value crop inputs, such as Eden's products, to persist through 2021. With the on-going restrictions on travel, there may be an impact on face to face business meetings which could also impact revenue. The COVID-19 pandemic will also continue to slow the work rate of many regulatory agencies which ultimately control the commencement of new revenues in this highly regulated industry. As in previous years, the growth of the addressable market for our products is inextricably linked to new regulatory authorisations, and therefore Covid-related impacts on regulatory approval processes will continue to adversely affect Eden's sales growth until this situation is resolved.

However, in 2021 the Company expects to build on the sales achieved in the territories where it received approvals in 2020, such as Mevalone® in Australia, Cedroz™ in Greece and Mexico as well as the acceptance of Mevalone® and Cedroz™ for organic agriculture in key countries.

The rollout of Cedroz™ in multiple new territories continues as a priority, which will increase the geographical footprint of product sales.

The Company currently anticipates that the US EPA will approve the sale of Mevalone® and Cedroz™ in the United States during 2021. However, there is little doubt that the current situation with COVID-19 and the consequential shut-down of certain government services, coupled with a fundamentally changed working dynamic, will have an adverse impact on operations at EPA and, subsequently, the pace of approvals. Although the Company might expect to see some level of channel stocking, the overall levels of sales in 2021 will depend largely upon the timing of approvals relative to the growing season.

#### **Section five: Driving positive impact**

Eden received the London Stock Exchange Green Economy Mark in January 2021, highlighting our credentials as a business that is focused on driving the transition to a sustainable world. This accolade is given to London-listed companies that derive over 50% of their total annual revenue from products and services that contribute to the global green economy. It is a significant accreditation for Eden and a formal acknowledgement of our focus on providing sustainable solutions to the global agriculture industry.

Our portfolio of products helps farmers to integrate greener practices for the benefit of both consumers and the wider agricultural ecosystem. Our goal is to expand both our product and geographical offering to support growers in more regions through the implementation of sustainable processes in their production.

In addition, our patented microencapsulation technology, Sustaine®, provides an exciting opportunity to address the rising presence of microplastics across the globe, including soil, water and plant and animal tissues.

Sustaine® microcapsules are naturally sourced, plastic-free, biodegradable micro-spheres derived from yeast extract, which enables farmers to deliver a wide range of crop protection products, without releasing microplastics into the environment.

This technology has potential application beyond agriculture and we are continuing to assess how Sustaine® can be applied to the animal and consumer product sector to help these industries reduce their use of microplastics.

### **Brexit**

The impact of Brexit is still being understood by many UK companies, including Eden.

The Company's ownership of its EU approvals of Mevalone® and its constituent active substances appears to be unaffected by Brexit, since guidance was published stating that the owner of such approvals can continue to be a UK resident company.

We know that seeking regulatory approval in the UK for Eden products has become somewhat more challenging, and the Company is weighing up market opportunities and costs post-Brexit. We are now well-placed to navigate what are likely to be dynamic and complex regulatory challenges. From an operational perspective, the Company has not seen any significant issues with the Company benefitting from having toll-manufacturing facilities in mainland Europe, though it continues to monitor this situation.

The Company also has manufacturing capabilities in the UK as well as the US which provide some flexibility. Raw materials are currently sourced from outside of the EU and there has been minimal impact on this part of the supply chain.

### **COVID-19**

This has been an exceptionally challenging time for the agriculture industry, and a united effort is required to ensure that the provision of fresh food and produce is not disrupted, whilst the COVID-19 pandemic continues.

Eden is committed to continuing to provide its products and technologies to the global crop production industry through its global partnership network.

At the onset of the pandemic in March 2020, there was no direct operational impact for Eden, and our stakeholders were reassured by our strengthened balance sheet, following our March 2020 fundraising.

Mild levels of disruption were experienced as the pandemic unfolded, including import and export activities, limitation on field trial capacity due to reduced workforces, and limited promotional activity. Some regulatory authorities were working at reduced capacity and we experienced delayed product approvals as a result. However, we continued to make progress with new authorisations from late May 2020 onwards. We have also been able to execute on some key operational plans such as opening our new facilities in Oxfordshire and making key hires.

Our position on the Covid-19 pandemic remains as follows:

***1 We Are Funded for Future Growth***

In March 2020, we raised £10.4 million (gross) from investors, a feat that the whole team is proud of given the volatility and uncertainty in the markets at the time. This "vote of confidence" from our shareholders (both existing and new) will help us capitalise on the global shift towards more environmentally friendly methods of crop protection, driving us towards becoming a leading provider of sustainable solutions for global agriculture. Though the coming months will continue to present challenges for the Company, our employees and our partners, Eden remains debt-free and has a strengthened balance sheet allowing us to execute on our exciting plans. Our outsourced manufacturing model means that we retain maximum flexibility over our choice of manufacturing locations with a low fixed cost base.

***2 Our Industry Has a Pivotal Role to Play***

As demand soared for food supply during the lockdown periods across the UK and beyond, the agriculture industry has played a vital role in feeding the world through the crisis and minimising the economic fallout. Plant protection products play a fundamental role in agricultural production - without them, we would not be able to cope adequately with global emergencies such as COVID-19. The biopesticides market outlook remains undoubtedly positive, with a clear demand from consumers for sustainably grown produce and in response, a notable shift from growers towards greener farming practices. As we step into the 'new normal', consumer demand for a chemical-free supply chain journey will only be more prevalent. Not only do people need food to survive, they remain conscious of where it comes from and care about the supply chain journey. The choices people are making to put healthy food on the table are driving what farmers grow in their fields and how they grow them with an increasing emphasis on sustainable practices and produce that is free from pesticide residues. This is the future of farming, and Eden seeks to position itself at the forefront of the movement towards sustainable farming practices.

***3 Supporting Our Employees and Partners***

As always, we are working closely with our partners as they continue their business of supplying our products to growers in an increasing number of countries. Our team is reviewing the situation every day so that we can adapt to any changes that may be experienced by our partners and ensure the health and safety of their workers is paramount. Closer to home, Eden's team are avoiding unnecessary travel and working remotely during the crisis, where practicable. I want to thank our partners and, of course, the farmers who cannot carry out their work remotely and who are working hard each day to ensure that we have enough to eat now and in the future. Their work cannot stop, and we are grateful now more than ever for all that they do to feed us.

**TerpeneTech (UK)**

TerpeneTech (UK) secured a CE mark for its head-lice treatment product in European Economic Area ("EEA") in 2018, which is the first step in the marketing and sales of such products. TerpeneTech (UK) has also established its first channel distribution partner who will target the UK market. The first product

launch in the UK is currently expected to coincide with the back-to-school schedule in the autumn of 2021, having been delayed by the global pandemic with school children having been absent from school and demand for head-lice treatment products reduced accordingly.

Sales of the head-lice treatment product are expected to commence in other countries around the world in 2021 with TerpeneTech (UK) expected to sign an agreement with a new distribution partner later this year.

Sales of geraniol into the biocide sector have continued to increase year on year and TerpeneTech (UK) is now investigating the potential to register additional active ingredients under the EU's biocide directive.

#### **TerpeneTech (Ireland)**

In 2019, TerpeneTech (Ireland) was established in order to own the registration of geraniol under the EU's Biocidal Products Registration regulation, due to changes brought about by Brexit. The intention was for TerpeneTech (Ireland) to become the principal party, with TerpeneTech (UK) acting as its agent in the geraniol product sale business. This transition has not yet occurred and, as such, TerpeneTech (Ireland) remains, for the time being, as registration owner, but agent to TerpeneTech (UK) who still acts as the principal in the business of the TerpeneTech companies.

Further details can be found in note 35.

#### **Dividends**

There is no dividend to be paid or proposed in respect of 2020. The Board continues to monitor its dividend policy.

#### **Section six: Summary**

Eden continues to deliver on its strategic objectives against an uncertain global economic backdrop. We are pleased with the progress we have made this last year and are moving ahead with a growing product portfolio and partnership network, and an expanding regulatory and commercial footprint. Through challenging times, we have built a team that I am most proud of and a set of in-house capabilities that the Company has lacked previously.

In the year ahead, we will look to build on these firm new foundations through gaining additional product approvals in key territories, increasing sales of our existing products and continuing development work apace in new areas of application, working in partnership with an expanded range of collaboration partners, including some of the world's leading agricultural input companies.

I remain extremely proud of the work Eden is doing in contributing to more sustainable agricultural practices globally and I would like to take this opportunity to say thank you to the team for the incredible things they have achieved this year, against an unprecedented backdrop. As we look to fiscal 2021 and beyond, we remain focused on building a strong and sustainable future for our business, our products, and all our stakeholders, including our shareholders.

**Sean Smith, Chief Executive Officer**

## Review of business

The review of this year's business activities is as set out in the Chairman's Report and Chief Executive Officer's Report.

An update on TerpeneTech (UK), Eden's associate company, is also included in the Chief Executive Officer's Report.

## Key financial performance indicators

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

Revenue derived from product sales, licence fees and milestone payments are all considered to be key financial performance indicators. Maintaining a low overhead base and progress towards profitability are also key indicators.

Revenue in 2020 consisted of royalties and product sales. Revenue in 2020 was £1.4 million in comparison to £1.8 million in 2019 (restated). The operating loss for the year was £2.2 million compared to £1.4 million for the previous year. The loss before tax for 2020 was £2.5 million, up from £1.5 million in the previous year. More information on the drivers behind the performance is included in the Chief Executive Officer's Report.

The loss per share for 2020 was 0.66 pence (2019 (restated): 0.55 pence).

Administrative expenses for the year were £2.2 million (2019: £1.5 million).

Intellectual property, including development expenditure, is written off over eleven years in line with the remaining life of the Company's key patents, taking into account additional protection provided by granted Supplementary Protection Certificates.

The Company has capitalised £1.6m (2019: £0.9m) of development expenditure in the year which is a reflection of the continued development of the Company's products.

An impairment review of Eden's investment in its associate company, TerpeneTech (UK), has led to an amount of £0.3m being written off in the year. Further details of this review can be found in note 15 to the financial statements.

Cash is safeguarded by close working capital management, including tightly controlling the Company's creditor position. The cash position at the year-end was £7.3m (2019: £0.5m) following the successful fundraise in March 2020 with gross proceeds of £10.4m.

## Other key non-financial performance indicators

The regulatory approval of products and milestones related to such processes are deemed to be key non-financial performance indicators.

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

The on-going registrations of the Company's first product, Mevalone®, for use as a pesticide is not only a key milestone in terms of its commercialisation, but also indicative of future products as the three active substances that are registered in the EU are the basis of Eden's future product portfolio. Thus far, Mevalone® has been approved for use in a number of key countries whilst Eden and its partners pursue regulatory clearance in new territories, thereby seeking to grow Eden's addressable market globally.

Eden's second product, Cedroz™, is a nematicide which is registered for sale on two continents and Eden's commercial collaborator, Eastman Chemical, is pursuing registration and commercialisation of this important new product in numerous countries globally.

Further commercialisation of Eden's products and Sustaine® encapsulation technology through supply, licensing, evaluation and option agreements also serve as a key indicator of the Company's performance.

Successful trial results are also significant in showing the technical and commercial viability of our intellectual property.

#### **Principal risks and uncertainties**

The Company's prime risk is the on-going commercialisation of its intellectual property, which involves testing of the Company's products, obtaining regulatory approvals and reaching a commercially beneficial arrangement for each product to be taken to market. This is measured by comparing actual results with forecasts that have been agreed by the Company's Board of Directors.

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

The Company monitors cash flow as part of its day to day control procedures. The Board considers cash flow projections at its meetings and ensures that the Company has sufficient cash resources to meet its on-going cash flow requirements.

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

There is also inherent uncertainty surrounding the regulatory approval of products in terms of both timing and outcome. This risk is managed by retaining appropriately experienced staff and contracting with expert consultants as needed.

#### **COVID-19**

The Board has seen some impact on the operations of the business with the restrictions on employees' ability to work at the Company's offices and laboratory facilities in addition to the restrictions on travel which make logistics in terms of conducting field trials and attending marketing events problematic.

Commercially, there has been some negative impact on the sales of our products due to the reduction in demand for wine grapes, a knock-on effect of the substantive closure of the hospitality industry.

The Company has not seen a significant change, thus far, on its toll manufacturing operations.

Regulatory authorities are working at reduced capacity, which is expected to impact on-going product approval applications that we have around the world, though it is difficult at this stage to assess what, if any, commercial and financial impact there may be.

The Company has been careful to manage its cost-base and cash position given the general uncertainties that currently exist due to the global COVID-19 pandemic.

#### **Employee diversity and inclusion**

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

#### **Indemnity cover**

The Company purchases insurance cover for Directors and Officers to offer protection from third party claims.

#### **Environment**

The Company has an environment policy and acknowledges that environmental considerations form an integral part of its corporate social responsibility. The Company's environment committee meets to discuss ways in which the business can contribute more to its local environment by getting involved in local initiatives and also looks at ways of promoting environmental wellbeing amongst the staff. Employees are actively encouraged to ensure conservation of energy and resource through awareness campaigns and positive action.

#### **Section 172 statement**

The directors are fully aware of their responsibilities to promote the success of the Company in accordance with s172 of the Companies Act and have acted in accordance with these responsibilities during the year. The Board has identified that its key stakeholders are:

- workforce
- shareholders
- customers
- regulators

Eden's core values, which are professionalism, integrity, effectiveness and dynamism, reflect the company's commitment to do the right thing simply because it is the right thing to do. The requirement to adhere to this principle is embedded within all job descriptions across the group.

Throughout the year, the Board considered the wider impact of strategic and operational decisions on the company's stakeholders.

#### **Our workforce**

Our workforce is fundamental to the long-term success of the company. We have various engagement mechanisms many of which have been in place for a number of years. The team at Eden generally meets every Monday morning to review the various on-going projects and plan the week ahead. Annual employee reviews are undertaken and regular communication takes place between management and staff to ensure that any concerns or issues are identified and appropriately addressed. The Company provides training to employees as well as arranging social occasions to promote the well-being and connectivity of the team.

#### **Shareholders**

The support and engagement of our shareholders is imperative to the future success of our business. In all of its decision making, the Board ensures that it acts fairly with regard to members of the company. We have productive ongoing dialogue with a number of our investors. We are also in touch with all of our shareholders at least three times per annum with information about shareholder meetings and the company's financial results. We have regular meetings with institutional and other investors, research analysts, market commentators and advisors to understand shareholder views and address any concerns.

#### **Customers**

The commercial team at Eden is in regular contact with our customers to ensure that they are satisfied with the products that Eden is selling to them or that any projects that are taking place with them are on track and without issue. Face to face meetings take place, as well as other communication such as emails or video or phone conferences, which allow for an on-going dialogue with the objective of reducing any potential issues or concerns. A project management system is operated by Eden to ensure that all customers are communicated with on a regular basis to keep customers satisfied as much as possible.

#### **Regulators**

The regulatory team at Eden, which includes both employees and expert consultants, communicates directly with regulators around the world to promote an efficient and successful relationship. Clearly, regulation is a key factor in Eden's industries and so it is important for the team at Eden to be in regular contact with regulators to promote the long-term success of the business through the approval of product marketing authorisations. The regulatory team also keeps itself up to date on regulatory matters through training and relevant publications.

#### **On behalf of the board:**



Sean Smith  
Director

29 June 2021

## Eden Research plc

### Corporate governance statement – Board of Directors

For the year ended 31 December 2020

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#### Lykele van der Broek, Non-Executive Chairman

Appointed	Independent	Full-time (FT) or part-time (PT)
October 2017 (Board)	Yes	PT – 10 days per year
January 2018 (Chairman)		

#### Background and experience

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

#### Committee membership

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

#### External appointments

Genus plc (Non-Executive Director)

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#### Sean Smith, Chief Executive Officer

Appointed	Independent	Full-time (FT) or part-time (PT)
September 2014	No	FT

#### Background and experience

Sean has a bachelor's degree in microbiology and over 25 years of experience in the speciality chemicals and industrial biotechnology industries. He has held senior commercial leadership roles ranging from sales and marketing to business management and intellectual property licensing in blue chip companies such as Ciba (now BASF) and Honeywell. In recent years, Sean has focussed on technology commercialisation through licensing and company formation working with Intellectual Ventures and several start-ups.

#### Committee membership

None

#### External appointments

None

## Eden Research plc

### Corporate governance statement – Board of Directors

For the year ended 31 December 2020

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#### Alex Abrey, Chief Financial Officer

Appointed	Independent	Full-time (FT) or part-time (PT)
September 2007	No	FT

#### Background and experience

Alex, a Chartered Certified Accountant, joined the Board in September 2007, having been Chief Accountant to Eden for the previous four years. He has acted as Financial Director to a diverse range of businesses including a financial and management consultancy business based in Oxfordshire, a medical waste management company and an intellectual property licensee involved in plastics manufacturing. Alex has nineteen years' experience in both practice and industry.

#### Committee membership

None

#### External appointments

Ricewood Ltd (Director)

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#### Robin Cridland, Non-Executive Director

Appointed	Independent	Full-time (FT) or part-time (PT)
May 2015	Yes	PT – 10 days per year

#### Background and experience

Rob served as Chief Financial Officer and Company Secretary of Itaconix plc until the end of August 2018. He joined Itaconix in September 2008 from Renovo Group plc where he spent seven years as Executive Director of Finance and Business Development. He began his career at Coopers & Lybrand Deloitte, before moving on to senior transactional roles at Enskilda Securities and senior finance and transactional roles at GlaxoWellcome and GlaxoSmithKline. He was also a Governor and a Non-Executive Director of Cheadle Hulme School, Cheshire.

#### Committee membership

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

#### External appointments

None

## Corporate governance statement – Board of Directors

For the year ended 31 December 2020

## Attendance at Board and Committee meetings

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

The scheduled Board and Committee meetings and attendance during the year ended 31 December 2020 were as follows:

Director	Role	Board (10 meetings)	AIM Compliance (1 meeting)	Remuneration & Nominations (3 meetings)	Audit (4 meetings)
A Abrey	Chief Financial Officer	●●●●●●●●	●	-	-
R Cridland	Non-Executive Director	●●●●●●●●	●	●●●	●●●●
S Smith	Chief Executive Officer	●●●●●●●●	●	-	-
L van der Broek	Non-Executive Chairman	●●●●●●●●	●	●●●	●●●●

## Professional development and training

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

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

Sean Smith has access to online tools and courses and attends industry conferences including the Association of Biocontrol Industry Manufacturers.

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

## Board skill-set

Director	Product supply chain and management	Intellectual Property	Chemicals Industry	General management	Other public Company (Board level)	Funding
A Abrey	✓	✓		✓	✓	✓
R Cridland	✓	✓	✓	✓	✓	✓
S Smith	✓	✓	✓	✓		✓
L van der Broek	✓		✓	✓	✓	

### **External advisors**

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

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

### **The Board's Role**

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

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

The Board is also responsible for other critical decisions, including approving strategy, medium term plans and corporate budgets; ensuring we have the right funding; approving material contracts and other third party arrangements; and reporting to shareholders.

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

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

### **Internal advisors**

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

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

**Corporate governance statement – Chairman's letter**

**For the year ended 31 December 2020**

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Dear shareholder,

The Directors have adopted the principles set out in the Quoted Companies Alliance Governance Code. The Directors have applied these principles, as far as practicable and appropriate for a relatively small public company, as follows:

The Board currently comprises two Executive Directors and two Non-Executive Directors.

The Board meets regularly to consider strategy, performance and the framework of internal controls.

To enable the Board to discharge its duties, all Directors receive appropriate and timely information. Briefing papers are distributed to all Directors in advance of Board meetings.

All Directors have access to the advice and services of the Company Secretary and the Chief Financial Officer, who is responsible for ensuring that the Board procedures are followed, and that applicable rules and regulations are complied with.

In addition, procedures are in place to enable the Directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.

The Directors of Eden champion openness and accountability at every level. This involves focusing on how this takes place throughout the company and on those who act on its behalf.

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

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

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

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

The Board demonstrates ethical leadership and displays the behaviours it expects from others and communicates what it considers to be acceptable business practice, and it considers appropriate behaviours when setting strategy and financial targets.

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

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

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

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

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

Values and expected behaviours include:-

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

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

#### **Monitoring of effectiveness**

Monitoring efforts are focused on existing internal capabilities and information:-

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

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

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

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

The Company's business model can be found on the Company's website [www.edenresearch.com](http://www.edenresearch.com).

### Key challenges

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

#### Key challenges

#### We will address these by:

##### Stable financial base and revenue growth

- Continuing to evolve our business model to focus primarily on product sales
- Signing further agreements with industry partners to expand commercialisation of our products
- Ensuring a well-funded balance sheet

##### Product development

Growing a diverse product development pipeline

- Further development of the encapsulation technology for new applications
- Investing in patents for new market opportunities
- Building our internal technical resources in terms of capability and capacity

##### Geographic expansion

Targeting new geographies where there is a demand for sustainable solutions

- Extending registrations for product authorisation into new territories
- Investing in patent protection for our intellectual property in new territories
- Identifying suitable industrial partners with access to new geographies and customers

Eden Research plc

**Corporate governance statement – QCA Corporate Governance Code**

**For the year ended 31 December 2020**

In accordance with Aim Rule 26 of the AIM rules for companies, the corporate governance code that the board of directors have chosen to apply and benchmark against is The QCA Corporate Governance Code.

This page contains links to the required compliance documents and published disclosures which explain how Eden Research 'complies with or explains against' the code.

This information is reviewed annually: Last review date 29 June 2021.

Published Disclosures:

Principle No.	Principle	Location of disclosure	Disclosure Detail Required	Disclosure status	Explanation	Link
1	Establish a strategy and business model which promote long-term value for shareholders	ANNUAL REPORT & ACCOUNTS See page XI.  WEBSITE	DISCLOSURE: Explain the company's business model and strategy, including key challenges in their execution (and how those will be addressed).	Compliant	The Company seeks to keep its strategy consistent with its purpose and values and its responsibilities for long-term success and to contribute to wider society.	Business model and strategy

Eden Research plc

Corporate governance statement – QCA Corporate Governance Code

For the year ended 31 December 2020

2	Seek to understand and meet shareholder needs and expectations	ANNUAL REPORT & ACCOUNTS WEBSITE	<p>DISCLOSURE: Explain the ways in which the company seeks to engage with shareholders and how successful this has been.</p> <p>This should include information on those responsible for shareholder liaison or specification of the point of contact for such matters.</p>	Compliant	The CEO + CFO communicate regularly with shareholders, investors and analysts, including at our half yearly results roadshows. The full Board is available at the Annual General Meeting (AGM) to communicate with shareholders.	Shareholder engagement
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Eden Research plc

Corporate governance statement – QCA Corporate Governance Code

For the year ended 31 December 2020

3	Take into account wider stakeholder and social responsibilities and their implications for long-term success	WEBSITE	<p>DISCLOSURE: Explain how the business model identifies the key resources and relationships on which the business relies.</p> <p>Explain how the company obtains feedback from stakeholders and the actions that have been generated as a result of this feedback (e.g. changes to inputs or improvements in products).</p>	Compliant	<p>The Board has identified the main stakeholders in the business and regularly discusses how employees, suppliers and customers and others might be affected by decisions and developments in the business.</p> <p>We constantly strive to enhance our environmental and social credentials.</p> <p>In order to obtain feedback from stakeholders, management meets regularly with them. The Company's website, email footers and business cards all provide contact details of the relevant person at the Company that they can use, should they need to get in touch.</p>	Stakeholder engagement and social responsibility
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Eden Research plc

Corporate governance statement – QCA Corporate Governance Code

For the year ended 31 December 2020

4	Embed effective risk management, considering both opportunities and threats, throughout the organisation	ANNUAL REPORT & ACCOUNTS See page 11.  WEBSITE	DISCLOSURE: Describe how the board has embedded effective risk management in order to execute and deliver strategy.  This should include a description of what the board does to identify, assess and manage risk and how it gets assurance that the risk management and related control systems in place are effective.	Compliant	Both the Board and Audit Committee regularly review risks, including new threats and the processes to mitigate and contain them.  Whilst the Board is responsible for risk, our culture seeks to encourage all colleagues to manage risk effectively.	Effective risk management
5	Maintain the board as a well-functioning, balanced team led by the chair	ANNUAL REPORT & ACCOUNTS See pages 14 - 15  WEBSITE	DISCLOSURE: Identify those directors who are considered to be independent; where there are grounds to question the independence of a director, through length of service or otherwise, this must be explained.  Describe the time commitment required from directors (including non- executive directors as well as part-time executive directors).  Include the number of meetings of the board (and any committees) during the year, together with the attendance record of each director.	Compliant	The Board works well together as a team.  Meetings are characterised by lively discussion and active idea generation and management are rigorously challenged and held to account.	Board composition, Board culture, dynamics and contribution

Eden Research plc

Corporate governance statement – QCA Corporate Governance Code

For the year ended 31 December 2020

6	Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities	ANNUAL REPORT & ACCOUNTS See pages 14 – 15  WEBSITE	DISCLOSURE: Identify each director.  Describe the relevant experience, skills and personal qualities and capabilities that each director brings to the board (a simple list of current and past roles is insufficient); the statement should demonstrate how the board as a whole contains (or will contain) the necessary mix of experience, skills, personal qualities (including gender balance) and capabilities to deliver the strategy of the company for the benefit of the shareholders over the medium to long-term.  Explain how each director keeps his/her skillset up-to-date.  Where the board or any committee has sought external advice on a significant matter, this must be described and explained.  Where external advisers to the board or any of its committees have been engaged, explain their role.  Describe any internal advisory responsibilities, such as the roles performed by the company secretary and the senior independent director, in advising and supporting the board.	Compliant	We assess adequacy of the Board's collective skills and experience and Directors' individual development needs are discussed annually with the Chairman.	Professional development and training
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Eden Research plc

Corporate governance statement – QCA Corporate Governance Code

For the year ended 31 December 2020

7	Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	WEBSITE	<p>DISCLOSURE: Include a high-level explanation of the board performance effectiveness process.</p> <p>Where a board performance evaluation has taken place in the year, provide a brief overview of it, how it was conducted and its results and recommendations. Progress against previous recommendations should also be addressed.</p> <p>DISCLOSURE: Include a more detailed description of the board performance evaluation process/cycle adopted by the company. This should include a summary of: The criteria against which board, committee, and individual effectiveness is considered;</p> <p>How evaluation procedures have evolved from previous years, the results of the evaluation process and action taken or planned as a result; and</p> <p>How often board evaluations take place.</p> <p>Explain how the company approaches succession planning and the processes by which it determines board and other senior management appointments, including any links to the board evaluation process.</p>	Compliant	The Board regularly considers the effectiveness and relevance of its contributions. Any learning and development needs are reviewed and continual improvement implemented.	Board performance
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Eden Research plc

Corporate governance statement – QCA Corporate Governance Code

For the year ended 31 December 2020

8	Promote a corporate culture that is based on ethical values and behaviours	ANNUAL REPORT & ACCOUNTS  See Chairman's Letter on pages 18 - 19  WEBSITE	DISCLOSURE: Include in the chair's corporate governance statement how the culture is consistent with the company's objectives, strategy and business model in the strategic report and with the description of principal risks and uncertainties.  The statement should explain what the board does to monitor and promote a healthy corporate culture and how the board assesses the state of the culture at present.  DISCLOSURE: Explain how the board ensures that the company has the means to determine that ethical values and behaviours are recognised and respected.	Compliant	The Board sets the framework of values within which the desired corporate culture can evolve and thrive.  Ownership of the values is strengthened by a collaborative approach by both the leadership and the workforce being involved in a two-way process to define the company's values.	Corporate culture
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Eden Research plc

Corporate governance statement – QCA Corporate Governance Code

For the year ended 31 December 2020

9	Maintain governance structures and processes that are fit for purpose and support good decision-making by the board	WEBSITE	<p>DISCLOSURE: In addition to the high level explanation of the application of the QCA Code set out in the chair's corporate governance statement:</p> <p>Describe the roles and responsibilities of the chair, chief executive and any other directors who have specific individual responsibilities or remits (e.g. for engagement with shareholders or other stakeholder groups).</p> <p>Describe the roles of any committees (e.g. audit, remuneration and nomination committees) setting out any terms of reference and matters reserved by the board for its consideration.</p> <p>Describe which matters are reserved for the board.</p> <p>Describe any plans for evolution of the governance framework in line with the company's plans for growth.</p>	Compliant	The Board is responsible for the companies overall strategic direction and management and for the establishment and maintenance of a framework of delegated authorities and controls to ensure the efficient and effective management of the companies operations.	Corporate governance structure
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For the year ended 31 December 2020

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Eden Research plc

Corporate governance statement – QCA Corporate Governance Code

For the year ended 31 December 2020

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			notices of all general meetings over the last five years.			
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## **Eden Research plc**

### **Remuneration report**

**For the year ended 31 December 2020**

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#### **Introduction**

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

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

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

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

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

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

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

#### **Salary**

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

Generally, salaries should be benchmarked and comparable to similar positions in similar sized AIM listed companies in similar industry segments.

#### **Cash Bonus**

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

The Target bonus levels are a percentage of salary.

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

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

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

## Eden Research plc

### Remuneration report

For the year ended 31 December 2020

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

#### Equity Incentive

##### Unapproved share option scheme

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

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

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

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

After the year end, as part of the conditions of the financing completed in March 2020, the Board reviewed the LTIP with a view to making adjustments to align further the interests of management with shareholders, as summarised below.

#### Application of the Policy

##### Emoluments

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

	Base salary 2020 £	Base salary 2019 £
<b>Executive Directors</b>		
S Smith	235,000	211,500
A Abrey	180,000	165,000
<b>Non-Executive Directors</b>		
L van der Broek	41,667	40,000
R Cridland	36,665	35,000

The Company also operates an annual, discretionary cash bonus scheme for the Executive Directors only.

## Eden Research plc

### Remuneration report

For the year ended 31 December 2020

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For 2020, the target bonus levels and actual bonus achieved for Executive Directors were:

Sean Smith	70% of base salary, achieved 49.0%, (2019: 70% of base salary, achieved 28.9%)
Alex Abrey	70% of base salary, achieved 49.0%, (2019: 70% of base salary, achieved 28.9%)

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

#### *Pensions*

For the Executive Directors, the Company makes contributions to a defined contribution pension scheme. The Company contributes a maximum of 7% provided that the director makes a minimum 4% contribution. Below this, the Company contributes the same percentage as the director.

#### *Share-based payments*

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

#### *Non-Executive Directors*

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

#### *Directors' contracts*

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

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

#### *Share option scheme grants*

LTIP awards are in respect of management performance for each financial year ending 31 December.

All of the following nil-priced options only become exercisable if the following share price performance conditions are met: 50% of the options become exercisable if the weighted average Ordinary Share price in the 45 day period ending on the vesting date is at the minimum price (as shown in the table) or above.

Between the weighted average ordinary share prices of the minimum and maximum prices, vesting shall be pro-rata and on a straight-line basis between 50% and 100%. Below the minimum price, the options are not exercisable and lapse in full.

Eden Research plc

Remuneration report

For the year ended 31 December 2020

**A Abrey**

Year	Number of shares under option	Vesting date	Minimum weighted average share price (p)	Maximum weighted average share price (p)
2016	960,000	30/9/2020	24	36
2017	1,093,333	30/6/2021	23	34.5
2018	1,333,333	30/6/2022	25	37.5

**S Smith**

Year	Number of shares under option	Vesting date	Minimum weighted average share price (p)	Maximum weighted average share price (p)
2016	1,148,000	30/9/2020	24	36
2017	1,775,556	30/6/2021	23	34.5
2018	1,688,889	30/6/2022	25	37.5

At 31 December 2020, the directors had the following interests in share option schemes:

Date from which exercisable	Expiry Date	Exercise price £	Number at 1 January 2020	Granted in year	Exercised in year	Lapsed in year	Number at 31 December 2020
<b>A J Abrey</b>							
17/01/2016	16/01/2021	0.13	1,050,000	-	-	-	1,050,000
30/09/2020	29/09/2027	Nil	960,000	-	-	-	960,000
30/06/2021	29/06/2029	Nil	1,093,333	-	-	-	1,093,333
30/06/2022	29/06/2029	Nil	1,333,333	-	-	-	1,333,333
			<b>4,436,666</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,436,666</b>
<b>S M Smith</b>							
30/09/2020	29/09/2027	Nil	1,148,000	-	-	-	1,148,000
30/06/2021	29/06/2029	Nil	1,775,556	-	-	-	1,775,556
30/06/2022	29/06/2029	Nil	1,688,889	-	-	-	1,688,889
			<b>4,612,445</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,612,445</b>

LTIP option awards in respect of the years ended 31 December 2019 and 31 December 2020 were made in April 2021, linked to the fundraise in March 2020. At this time, the Company implemented a new long term incentive plan to award the performance of the executive management team. The new plan has replaced the Company's previous LTIP, and is deemed a more appropriate scheme to incentivise management given the Company's stage of development.

Pursuant to the new plan, the Company has granted options over 10.5 million new Ordinary Shares, at a strike price of 6p each, in the amounts of 6 million awarded to Sean Smith and 4.5 million awarded to Alex Abrey. The options vest immediately and will lapse in three equal tranches in June 2022, June 2023 and June 2024. For the first five years following grant, no shares arising from the exercise of these options may be sold unless the Company's prevailing share price is equal to or in excess of 10p.

**Eden Research plc**

**Remuneration report**

**For the year ended 31 December 2020**

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The shares arising from exercise of options are subject to a one-year lock-in restriction, followed by a one-year orderly market restriction.

**Lykele van der Broek**

**Remuneration Committee Chairman**

## **Introduction**

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

## **Responsibilities**

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

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

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

## **Composition of Committee and meetings**

The Audit Committee comprises the two Non-Executive Directors, Robin Cridland, who is Chairman of the Committee, and Lykele van der Broek. The Chairman of the Committee has recent and relevant financial experience and collectively the members of the Committee have experience of the chemical, agricultural and animal health industries. Details of Committee members' qualifications can be found on page 14. The Audit Committee met four times during the year, and has a rolling agenda linked to the Company's financial calendar. It invites the Chief Executive Officer, the Chief Financial Officer and the external auditors to attend its meetings. The Committee met with the external auditors at the conclusion of the audit without the Executive Directors being present. The Committee has met once since the end of the financial year to consider the results and the Annual Report for the year ended 31 December 2020.

## **Main activities during the year**

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

## **Financial reporting**

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

## **Eden Research plc**

### **Audit committee report**

#### **For the year ended 31 December 2020**

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

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

Other areas reviewed in the year were as follows:

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

#### **Internal control and risk management**

During the year the Committee continued to review the effectiveness of the Company's internal control and risk management systems.

#### **External audit**

KPMG LLP has been the external auditor for the Company since 2018. The Audit Committee annually assesses the qualification, expertise and independence of the auditors and the effectiveness of the audit process. KPMG's current engagement partner is Andrew Campbell-Orde, and he has been in place since being appointed for the Company's 2017 year end.

Following approval by shareholders to re-appoint KPMG at last year's AGM, the Audit Committee reviewed and approved the terms of engagement and remuneration of the external auditors for the 2020 financial year.

#### **Auditor effectiveness**

The effectiveness of the external audit process is dependent on appropriate audit risk identification at the start of the audit cycle. KPMG present their detailed audit plan to the Audit Committee each year identifying their assessment of these key risks. The Audit Committee's assessment of the effectiveness and quality of the audit process and addressing these key risks is formed by, amongst other things, the reporting from the auditors. In addition, each year, the Audit Committee assesses its performance and the effectiveness of the external auditor in liaison with the Chief Financial Officer. The Committee was satisfied with the review process, the performance of the Committee and the effectiveness of the external audit.

#### **Auditor independence**

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

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

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

For the 2020 financial year end, there was no non-audit work undertaken by the Company's auditors.

## **Eden Research plc**

### **Audit committee report**

**For the year ended 31 December 2020**

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#### **Internal audit**

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

#### **Other activities**

In respect of 2020, and as part of a continuous process, the Committee assessed the clarity of the financial statements and the need for changes in presentation to enable and assist understanding of users of the accounts as the operations of the Group continue to evolve. Following this consideration, certain changes have been made in the current year, including changes in comparative figures, to enhance presentation, as further explained in the financial statements (see note 1.1).

During the year, the Committee also worked to its rolling agenda, reviewing areas such as Treasury policy, Directors' expenses, Disclosures Report, Review of Significant Transactions and Financial Reporting Manual and also undertook a review of the Company's insurance policies, ensuring relevant, adequate coverage of various risks was in place. It also updated its non-audit services policy with respect to the external auditor.

#### **Environmental Impact**

The Company is currently reviewing its Environmental, Sustainable and Corporate Governance ("ESG") credentials with external advisors.

In part, the aim of the review is to better understand the impact that Eden, including its supply chain partners, has on the environment.

It is expected that this review and its findings will be completed by the end of 2021.

#### **Financial Reporting Council ("FRC") review**

In March 2021, the Company received a request for information from the Corporate Reporting Review team at the Financial Reporting Council regarding a number of transactions and disclosures relating to TerpeneTech (UK) and TerpeneTech (Ireland), as reported in the 2019 Report and Accounts.

As a result of this review a prior year adjustment to revenue and cost of sales was identified (see note 35). There was no impact on the reported net loss for the prior year and no impact on the prior year Balance Sheet or Cashflow Statement. In addition, the Directors have provided enhanced disclosures in the notes to the accounts.

**Eden Research plc**

**Directors' report**

**For the year ended 31 December 2020**

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When reviewing the Company's 2019 Annual Report and Accounts, the FRC has made clear to us the limitations of its review as follows:

- its review is based on the 2019 Annual Report and Accounts only and does not benefit from a detailed knowledge of the Group's business or an understanding of the underlying transactions entered into;
- communications from the FRC provide no assurance that the Company's 2019 Annual Report and Accounts are correct in all material respects and are made on the basis that the FRC (and its officers, employees and agents) accepts no liability for reliance on them by the Company or any third party, including but not limited to investors and shareholders; and
- the FRC's role is not to verify information provided but to consider compliance with reporting requirements.

The Committee reviewed the disclosures and amendments proposed by management and concluded that they are appropriate.

**Robin Cridland**  
**Audit Committee Chairman**

## **Eden Research plc**

### **Directors' report**

**For the year ended 31 December 2020**

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The directors present their annual report and financial statements for the year ended 31 December 2020.

#### **Results and dividends**

The loss for the year after taxation amounted to £2,263,024 (2019: £1,132,337). The directors are unable to recommend any dividend.

#### **Research and development**

An indication of research and development activities is included within the Chief Executive Officer's Report.

#### **Future developments**

An indication of future developments is included within the Chief Executive Officer's Report.

#### **Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

A Abrey  
R Cridland  
S Smith  
L Van der Broek

#### **Corporate Governance**

The directors acknowledge the importance of the principles set out in the Corporate Governance Code. Although the Corporate Governance Code is not compulsory for AIM quoted companies, the directors have applied the principles as far as practicable and appropriate for a relatively small public company as follows:

The Board currently comprises two executive directors and two non-executive directors. The Board meets regularly to consider strategy, performance and the framework of internal controls. To enable the Board to discharge its duties, all directors receive appropriate and timely information. Briefing papers are distributed to all directors in advance of Board meetings. All directors have access to the advice and services of the Company Secretary and the Chief Financial Officer, who is responsible for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with. In addition, procedures are in place to enable the directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.

The directors have established Audit, Nominations, Remuneration and AIM Compliance Committees.

The Audit Committee has Robin Cridland as Chairman and has primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of the Company is properly measured and reported on and reviewing reports from the Company's auditors relating to the Company's accounting and internal controls, in all cases having due regard to the interests of shareholders. The Audit Committee meets at least twice a year. Lykele van der Broek was the other member of the Audit Committee during the year.

## Eden Research plc

### Directors' report

#### For the year ended 31 December 2020

The Nominations Committee had Lykele van der Broek as Chairman during the year and identifies and nominates for the approval of the Board, candidates to fill Board vacancies as and when they arise. The Nominations Committee meets at least twice a year. Robin Cridland was the other member of the Nominations Committee during the year.

The Remuneration Committee had Lykele van der Broek as Chairman during the year and reviews the performance of the executive directors and determines their terms and conditions of service, including their remuneration and the grant of options, having due regard to the interests of shareholders. The Remuneration Committee meets at least twice a year. Robin Cridland was the other member of the Remuneration Committee during the year.

The AIM Compliance Committee had Lykele van der Broek as Chairman during the year and meets twice a year with the NOMAD to discuss AIM compliance and related issues. The other member of the committee is Robin Cridland. The directors comply with Rule 21 of the AIM Rules relating to directors' dealings and there are procedures in place to ensure compliance by the Company's applicable employees. The Company has adopted a share dealing code which is appropriate for an AIM quoted company.

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

	<b>Total Holdings</b>	<b>% of share capital</b>
Alex Abrey	1,302,824	0.34%
Lykele van der Broek	929,500	0.24%
Sean Smith	731,039	0.19%
Robin Cridland	130,167	0.03%

The Company has been notified that the following are substantial shareholders of Eden, each holding more than 3% of the Company's issued share capital, as at 31 December 2020:

<b>Entity</b>	<b>Total Holdings</b>	<b>% of Share Capital</b>
BGF Investment Management	58,333,000	15.34%
Sipcam Oxon SpA	37,614,830	9.89%
Hargreaves Lansdown	30,276,493	7.96%
Gresham House Asset Management	27,845,445	7.32%
Cannacord Genuity Group	22,684,000	5.94%
JM Finn & Co	21,774,435	5.72%
Amati AIM VCT	16,937,750	4.45%
Rathbone Nominees	16,246,373	4.27%
HSBC Global Custody Nominee (UK)	14,007,734	3.68%
Interactive Investor Services	12,992,073	3.42%

**Suppliers**

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

**Directors' responsibility statement**

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

Company law requires the directors to prepare financial statements for each financial year. Under the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law and they have elected to prepare the parent Company financial statements on the same basis.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the Group's profit or loss for that period.

In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

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

**Eden Research plc**

**Directors' responsibilities statement**

**For the year ended 31 December 2020**

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**Statement as to disclosure information to auditors**

Each director in office at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

**Auditor**

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

On behalf of the board

**S Smith  
Director**



**29 June 2021**

## Eden Research plc

### Independent auditor's report (continued)

#### To the members of Eden Research plc

#### 1 Our opinion is unmodified

We have audited the financial statements of Eden Research plc ("the Company") for the year ended 31 December 2020 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of cash flows, company statement of cash flows, and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of, and as applied in accordance with the provisions of, the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

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

Overview	
<b>Materiality:</b> Group financial statements as a whole	£100,000 (2019: £62,500) 0.59% (2019: 0.71%) of Group total assets
Key audit matters	Vs 2019
<b>Recurring risks</b>	
Recoverability of intangible assets relating to Agrochemicals CGU (Group and company)	↔
Revenue	↔

#### 2 Key audit matters: our assessment of risks of material misstatement

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

##### Recoverability of intangible assets relating to Agrochemicals CGU

(Group £6,610,014, 2019: £5,448,262 and parent company £6,610,014, 2019: £5,448,262)

Refer to notes 1.5 and 1.7 on page 64 (accounting policy) and note 12 on pages 83 to 85 (financial disclosures)

##### The risk – Forecast-based assessment

The carrying amount of intangible assets relating to Agrochemicals CGU, including development costs, is reviewed annually for impairment given that it holds intangibles not yet available for use.

This assessment includes forecasting and discounting future cash flows (based on the key assumption of future level of sales as well as other assumptions, including discount rate) which are inherently judgmental.

In particular, due to uncertainty over the size of the potential market for the Group's and parent company's products, and the level of growth, there is a risk that the carrying amount of the CGU may not be supported by potential future sales.

## Eden Research plc

### Independent auditor's report (continued)

#### To the members of Eden Research plc

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The significance of intangible assets to the business and the subjective nature of the assessment also give rise to opportunity and incentive to manipulate the assessment.

The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the value in use of the CGU had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. In conducting our final audit work, we concluded that reasonably possible changes to the value in use of the CGU would not be expected to result in material impairment.

#### **Our response**

Our procedures included:

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

We performed the detailed tests above rather than seeking to rely on any of the group's controls because our knowledge of the design of these controls indicated that we would not be able to obtain the required evidence to support reliance on controls.

#### **Revenue**

**Group (£1,368,988, 2019 [restated]: £1,825,501)**

*Refer to page 4 (Chief Executive Officer's Report), note 1.4 on pages 62 and 63 (accounting policy) and note 4 on pages 76 and 77 (financial disclosures)*

#### **The risk – Revenue recognition**

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.

The current focus of the Group and the Company is on growth and the directors are incentivised on performance through a share option scheme and there is lack of segregation of duties over the recording of revenue.

Additionally, a large proportion of revenue arises around the year-end date which increases the risk around appropriate timing of recognition.

The element of the risk around timing of revenue recognition on bespoke contracts noted in the prior year is not considered applicable this year as there have been no such contracts entered into in the current year.

## Eden Research plc

### Independent auditor's report (continued)

#### To the members of Eden Research plc

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##### **Our response**

Our procedures included:

Test of details:

- for a sample of product sales invoices raised either side of the balance sheet date, we inspected the documentation supporting the date on which the revenue was earned to determine whether revenue was recognised in the appropriate financial year; and
- we obtained 100% of the journals posted in respect of revenue and analysed these to identify and investigate any entries which appeared unusual based upon the specific characteristics of the journal, considering in particular whether the non-revenue side of the journal entry was as expected, based on our business understanding.

We performed the tests above rather than seeking to rely on any of the group's controls because the small number of transactions meant that detailed testing is inherently the most effective means of obtaining audit evidence.

##### **Going Concern**

We continue to perform procedures over Going Concern. However, following a fund raise during the year, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

##### **The impact of uncertainties due to the UK exiting the European Union on our audit**

In the prior year we reported a key audit matter in respect of the impact of uncertainties due to the UK exiting the European Union. Following the trade agreement between the UK and the EU, and the end of the EU-exit implementation period, the nature of these uncertainties has changed. We continue to perform procedures over material assumptions in forward looking assessments such as going concern and impairment tests however we no longer consider the effect of the UK's departure from the EU to be a separate key audit matter.

### **3 Our application of materiality and an overview of the scope of our audit**

Materiality for the Group financial statements as a whole was set at £100,000 (2019: £62,500), determined with reference to a benchmark of total assets of £16,924,364 (2019: £8,864,769), of which it represents 0.59% (2019: 0.71%). We consider a benchmark of total assets to be appropriate as the Group is in the early stages of development.

Materiality for the parent Company financial statements as a whole was set at £99,000 (2019: £62,000), determined with reference to a benchmark of total parent Company assets of £16,852,895 (2019: £8,732,026), of which it represents 0.59% (2019: 0.71%). We consider a benchmark of total assets to be appropriate as the parent Company is in the early stages of development.

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 75% (2019: 75%) of materiality for the financial statements as a whole, which equates to £75,000 (2019: £46,500) for the group and £74,250 (2019: £46,000) for the parent company.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £5,000 (2019: £3,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 3 (2019: 3) reporting components, we subjected 2 (2019: 3) to full scope audits for group purposes. The components within the scope of our work accounted for the following percentages of the Group's total assets, revenue and profit before tax:

Total assets	100% (2019: 100%):
Revenue	100% (2019: 100%):
Loss before tax:	98.8% (2019: 100%)

For the residual component, we performed analysis at the group level to re-examine our assessment that there were no significant risks of material misstatement within it.

**Independent auditor's report (continued)**

**To the members of Eden Research plc**

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The Group audit team performed work on the two audited components, including the audit of the parent company. Their component materialities ranged from £45,000 to £99,000, having regard to the mix of size and risk profile of the Group across the components.

**4 Going concern**

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

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period were:

- Delays in product development and commercialisation activities; and,
- A reduction in the forecast revenue streams and uncertainty over the timing of those revenue streams.

We considered whether these risks could plausibly affect the liquidity in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources indicated by the Group's financial forecasts.

We assessed the completeness of the going concern disclosure.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 1 to be acceptable;

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

**5 Fraud and breaches of laws and regulations – ability to detect**

***Identifying and responding to risks of material misstatement due to fraud***

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Group's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, Audit committee and Remuneration committee minutes.
- Considering remuneration incentive schemes and performance targets for management and directors, including the Long-Term Incentive Plan and Bonus targets;

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account the possible pressures to meet remuneration policy targets and market expectations, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is recorded in the wrong period and the risk that Group management may be in a position to make inappropriate accounting entries.

## **Eden Research plc**

### **Independent auditor's report (continued)**

#### **To the members of Eden Research plc**

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We also identified a fraud risk related to the recoverability of intangible assets.

Further detail in respect of the above areas is set out in the key audit matter disclosures in section 2 of this report.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included revenue journals posted to unrelated accounts.
- Assessing significant accounting estimates for bias.

#### ***Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations***

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's patents. We identified the following area as those most likely to have such an effect: plant protection regulations, recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

#### ***Context of the ability of the audit to detect fraud or breaches of law or regulation***

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

#### **6 We have nothing to report on the other information in the Annual Report**

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

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

#### ***Strategic report and directors' report***

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;

## Eden Research plc

### Independent auditor's report (continued)

#### To the members of Eden Research plc

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- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

#### **7 We have nothing to report on the other matters on which we are required to report by exception**

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

- adequate accounting records have not been kept by the 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.

We have nothing to report in these respects.

#### **8 Respective responsibilities**

##### ***Directors' responsibilities***

As explained more fully in their statement set out on page 42, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

##### ***Auditor's responsibilities***

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

#### **9 The purpose of our audit work and to whom we owe our responsibilities**

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



**Andrew Campbell-Orde (Senior Statutory Auditor)**  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
66 Queen Square  
Bristol  
BS1 4BE

Date 30 June 2021

Eden Research plc

Consolidated statement of comprehensive income

For the year ended 31 December 2020

		2020	2019
			(Restated – see note 35)
	Notes	£	£
Revenue	4	1,368,988	1,825,501
Cost of sales		(736,509)	(941,640)
<b>Gross profit</b>		<b>632,479</b>	<b>883,861</b>
Other operating income		7,601	-
Amortisation of intangible assets		(552,809)	(496,732)
Administrative expenses		(2,202,581)	(1,535,450)
Share based payments		(120,380)	(209,295)
<b>Operating loss</b>	<b>5</b>	<b>(2,235,690)</b>	<b>(1,357,616)</b>
Investment revenues	8	5,725	807
Finance costs	9	(24,000)	(8,397)
Foreign exchange gains/(losses)	9	35,706	(73,166)
Impairment of investment in associate	15	(299,521)	-
Share of loss of equity accounted Investee, net of tax	15	(30,352)	(41,001)
<b>Loss before taxation</b>		<b>(2,548,132)</b>	<b>(1,479,373)</b>
<b>Income tax income</b>	<b>10</b>	<b>285,108</b>	<b>347,036</b>
<b>Loss and total comprehensive income for the year</b>		<b>(2,263,024)</b>	<b>(1,132,337)</b>
Total comprehensive income for the year is attributable to:			
- Owners of the parent company		(2,270,347)	(1,144,703)
- Non-controlling interests		7,323	12,366
		<b>(2,263,024)</b>	<b>(1,132,337)</b>
<b>Earnings per share</b>	<b>11</b>		
Basic		(0.66p)	(0.55p)
Diluted		(0.66p)	(0.55p)

The income statement has been prepared on the basis that all operations are continuing operations.

Eden Research plc

Consolidated statement of financial position

As at 31 December 2020

		2020	2019
			(restated – see note 1.1)
	Notes	£	£
<b>Non-current assets</b>			
Intangible assets	12	6,729,483	5,581,005
Property, plant and equipment	13	188,065	-
Right-of-Use assets	14	394,610	61,750
Investments	15	419,865	749,738
		<u>7,732,023</u>	<u>6,392,493</u>
<b>Current assets</b>			
Inventories	17	224,422	68,423
Trade and other receivables	18	1,396,308	1,633,092
Current tax recoverable		285,108	268,777
Cash and cash equivalents		7,286,503	501,984
		<u>9,192,341</u>	<u>2,472,276</u>
<b>Current liabilities</b>			
Trade and other payables	19	1,454,955	1,348,588
Lease liabilities	20	84,350	22,812
		<u>1,539,305</u>	<u>1,371,400</u>
<b>Net current assets</b>		<u>7,653,036</u>	<u>1,100,876</u>
<b>Non-current liabilities</b>			
Trade and other payables	19	125,212	99,008
Lease liabilities	20	330,898	46,687
		<u>456,110</u>	<u>145,695</u>
<b>Net assets</b>		<u>14,928,949</u>	<u>7,347,674</u>

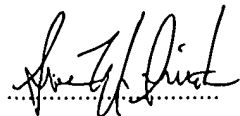
Eden Research plc

Consolidated statement of financial position (continued)

As at 31 December 2020

		2020	2019
	Notes	£	£
<b>Equity</b>			
Called up share capital	23	3,803,402	2,071,893
Share premium account	24	39,308,529	31,289,915
Warrant reserve	25	429,915	335,739
Merger reserve	26	10,209,673	10,209,673
Retained earnings		(38,842,259)	(36,571,912)
Non-controlling interest	27	19,689	12,366
<b>Total equity</b>		<u>14,928,949</u>	<u>7,347,674</u>

The financial statements were approved by the board of directors and authorised for issue on 29 June 2021 and are signed on its behalf by:



S Smith  
Director

Eden Research plc

Company statement of financial position

As at 31 December 2020

		2020	2019 (restated – see note 1.1)
	Notes	£	£
<b>Non-current assets</b>			
Intangible assets	12	6,610,014	5,448,262
Property, plant and equipment	13	188,065	-
Right-of-Use Assets	14	394,610	61,750
Investments	15	419,865	749,738
		<u>7,612,554</u>	<u>6,259,750</u>
<b>Current assets</b>			
Inventories	17	224,422	68,423
Trade and other receivables	18	1,444,308	1,633,092
Current tax recoverable		285,108	268,777
Cash and cash equivalents		7,286,503	501,984
		<u>9,240,341</u>	<u>2,472,276</u>
<b>Current liabilities</b>			
Trade and other payables	19	1,374,862	1,240,576
Lease liabilities	20	84,350	22,812
		<u>1,459,212</u>	<u>1,263,388</u>
<b>Net current assets</b>		<u>7,781,129</u>	<u>1,208,888</u>
<b>Non-current liabilities</b>			
Trade and other payables	19	125,212	99,008
Lease liabilities	20	330,898	46,687
		<u>456,110</u>	<u>145,695</u>
<b>Net assets</b>		<u>14,937,573</u>	<u>7,322,943</u>
<b>Equity</b>			
Called up share capital	23	3,803,402	2,071,893
Share premium account	24	39,308,529	31,289,915
Warrant reserve	25	429,915	335,739
Merger reserve	26	10,209,673	10,209,673
Retained earnings		(38,813,946)	(36,584,277)
<b>Total equity</b>		<u>14,937,573</u>	<u>7,322,943</u>

Eden Research plc

**Company statement of financial position (continued)**

**As at 31 December 2020**

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As permitted by s408 Companies Act 2006, the company has not presented its own income statement and related notes. The company's loss for the year was £2,229,669 (2019 - £1,157,068 loss).

The financial statements were approved by the board of directors and authorised for issue on 29 June 2021 and are signed on its behalf by:

A handwritten signature in black ink, appearing to read 'S Smith', written over a dotted line.

S Smith

Director

**Company Registration No. 03071324**

Eden Research plc

Consolidated statement of changes in equity

For the year ended 31 December 2020

	Notes	Share capital £	Share premium account £	Merger reserve £	Warrant reserve £	Retained earnings £	Total £	Non-controlling interest £	Total £
<b>Balance at 1 January 2019</b>		2,071,893	31,289,915	10,209,673	653,446	(35,954,211)	8,270,716	-	8,270,716
<b>Year ended 31 December 2019:</b>									
Loss and total comprehensive		-	-	-	-	(1,144,703)	(1,144,703)	12,366	(1,132,337)
Options granted		-	-	-	209,295	-	209,295	-	209,295
Options lapsed		-	-	-	(527,002)	527,002	-	-	-
<b>Balance at 31 December 2019</b>		2,071,893	31,289,915	10,209,673	335,739	(36,571,912)	7,335,308	12,366	7,347,674
<b>Year ended 31 December 2020:</b>									
Loss and total comprehensive		-	-	-	-	(2,270,347)	(2,270,347)	7,323	(2,263,024)
Issue of share capital	23/24	1,731,509	8,018,614	-	-	-	9,750,123	-	9,750,123
Options granted	22	-	-	-	94,176	-	94,176	-	94,176
<b>Balance at 31 December 2020</b>		3,803,402	39,308,529	10,209,673	429,915	(38,842,259)	14,909,260	19,689	14,928,949

Eden Research plc

Company statement of changes in equity

For the year ended 31 December 2020

	Notes	Share capital £	Share premium account £	Merger reserve £	Warrant reserve £	Retained earnings £	Total £
Balance at 1 January 2019		2,071,893	31,289,915	10,209,673	653,446	(35,954,211)	8,270,716
Year ended 31 December 2019:							
Loss and total comprehensive income for the year		-	-	-	-	(1,157,068)	(1,157,068)
Options granted		-	-	-	209,295	-	209,295
Options lapsed		-	-	-	(527,002)	527,002	-
Balance at 31 December 2019		2,071,893	31,289,915	10,209,673	335,739	(36,584,277)	7,322,943
Year ended 31 December 2020:							
Loss and total comprehensive income for the year		-	-	-	-	(2,229,669)	(2,229,669)
Issue of share capital	23/24	1,731,509	8,018,614	-	-	-	9,750,123
Options granted	22	-	-	-	94,176	-	94,176
Balance at 31 December 2020		3,803,402	39,308,529	10,209,673	429,915	(38,813,946)	14,937,573

Eden Research plc

Consolidated statement of cash flows

For the year ended 31 December 2020

		2020	2019
			(restated – see note 1.1)
Notes	£	£	£
<b>Cash flows from operating activities</b>			
Cash absorbed by operations 33		(1,265,812)	(1,278,429)
Interest paid		(450)	(1,344)
Interest on lease liabilities		(23,550)	(7,053)
Tax refunded		268,777	272,720
<b>Net cash outflow from operating activities</b>		<b>(1,021,035)</b>	<b>(1,014,106)</b>
<b>Investing activities</b>			
Purchase of intangible assets	(1,701,287)		(835,896)
Purchase of property, plant and equipment	(200,758)		(77,954)
Interest received	5,725		807
<b>Net cash used in investing activities</b>		<b>(1,896,320)</b>	<b>(913,043)</b>
<b>Financing activities</b>			
Gross proceeds from issue of shares	10,389,053		-
Expenses incurred from issue of shares	(638,930)		-
Payment of lease liabilities	(44,457)		(20,916)
<b>Net cash generated from/(used in) financing activities</b>		<b>9,705,666</b>	<b>(20,916)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>6,788,311</b>	<b>(1,948,065)</b>
Cash and cash equivalents at beginning of year		501,984	2,478,740
Effect of foreign exchange rates		(3,792)	(28,691)
Cash and cash equivalents at end of year		<b>7,286,503</b>	<b>501,984</b>
<b>Relating to:</b>			
Bank balances and short-term deposits		<b>7,286,503</b>	<b>501,984</b>

Eden Research plc

Company statement of cash flows

For the year ended 31 December 2020

		2020	2019
			(restated – see note 1.1)
	Notes	£	£
<b>Cash flows from operating activities</b>			
Cash absorbed by operations	33	(1,265,812)	(1,278,429)
Interest paid		(450)	(1,344)
Interest on lease liabilities		(23,550)	(7,053)
Tax refunded		268,777	272,720
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Expenses incurred from issue of shares		(638,930)	-
Payment of lease liabilities		(44,457)	(20,916)
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Cash and cash equivalents at beginning of year		501,984	2,478,740
Effect of foreign exchange rates		(3,792)	(28,691)
<b>Cash and cash equivalents at end of year</b>		<b>7,286,503</b>	<b>501,984</b>
<b>Relating to:</b>			
Bank balances and short-term deposits		7,286,503	501,984

**1 Accounting policies**

**Company information**

Eden Research plc is a public company limited by shares incorporated in England and Wales. The registered office is 67C Innovation Drive, Milton Park, Abingdon, Oxfordshire, OX14 4RQ. The company's principal activities and nature of its operations are disclosed in the directors' report.

The group consists of Eden Research plc and its subsidiary.

**1.1 Accounting convention**

Group and parent company financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, except as otherwise stated.

The financial statements are prepared in sterling, which is the functional currency of the group. Monetary amounts in these financial statements are rounded to the nearest £.

They have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

**Associates**

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity, or where the Company has a lower interest but the right to appoint a Director. The company acquired 29.9% of TerpeneTech Limited ("TerpeneTech (UK)") during 2015; TerpeneTech (UK) is an associated undertaking.

**Application of the equity method to associates**

The investment in TerpeneTech (UK) is accounted for using the equity method. The investment was initially recognised at cost. The company's investment includes goodwill identified on acquisition, net of any accumulated impairment losses and any separable intangible assets. The financial statements include the Company's share of the total comprehensive income and equity movements of TerpeneTech (UK), from the date that significant influence commenced.

**Changes in presentation of the financial statements**

Directors continue to assess the clarity of the financial statements and the need for changes in presentation to enable and assist understanding of users of the accounts as the operations of the Group continue to evolve.

**1 Accounting policies (continued)**

**1.1 Accounting convention (continued)**

Following this consideration, the following changes have been made in the current year, including changes in comparative figures, to enhance presentation:

- Right-of-use Assets have been presented on the face of the balance sheet (2019: as part of Property, plant and equipment). This reflects the increased quantum of this balance, following the move to the new office
- Finance costs have been presented separately from the foreign exchange gains/losses in the consolidated income statement, consolidated and company cash flow statements and note 33, reflecting the increase in interest payable, coming chiefly as a result of the new leases.
- Exchange differences on working capital balances have been removed as an adjustment to profit in arriving at Cash absorbed by operations in note 33 and removed as an adjustment to Cash absorbed by operations in arriving at Net cash outflow from operating activities on the face of the consolidated and company cash flow statements. There is no impact on Net cash outflow from operating activities. This is a best practice improvement, considered by the Directors to result in a more appropriate presentation.
- Change in the EPS calculation to only include profit/loss attributable to the shareholders (which represents a correction of a trivial error in the prior year).

The above changes have had the following effect on the comparative figures, which are considered to be immaterial:

- Right-of-use Assets of £61,750 have been separately presented on the face of the consolidated and company balance sheet.
- Finance costs of £8,397 have been presented separately from the foreign exchange losses of £73,166.
- Exchange differences on working capital balances of £44,475 have been removed as an equal and opposite adjusting item in arriving at Net cash outflow from operating activities.
- EPS has been restated from (0.54p) to (0.55p) for the year ended 31 December 2019.

**1.2 Basis of consolidation**

The consolidated financial statements consolidate the financial statements of the company and its subsidiary undertaking up to 31 December 2020. The profits and losses of the company and its subsidiary are consolidated from the date from which control is achieved. All members of the group have the same reporting period.

Subsidiary undertakings are entities controlled by the Company. The Company controls an entity when it is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

**1 Accounting policies (continued)**

**1.3 Going concern**

The directors have, at the time of approving the financial statements, a reasonable expectation that the group has adequate resources to continue in operational existence for at least 12 months from the approval of the financial statements. Thus, 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 £2,263,024 (2019: £1,132,337). Net current assets at that date amounted to £7,653,036 (2019: £1,100,876). Cash at that date amounted to £7,286,503 (2019: £501,984). As at 31 May 2021, the cash balance has reduced to £6,000,724, which is ahead of the current year budget. The group is reliant on its existing cash balance to fund its working capital.

The Directors have prepared budgets and projected cash flow forecasts, based on forecast sales provided by Eden's distributors where available, for a period of at least 12 months from the date of approval of the financial statements and they consider that the Company will be able to operate with the cash resources that are available to it for this period.

The forecasts adopted include only revenue derived from existing contracts. They do not include potential upside from on-going discussions and negotiations with other parties not yet contracted, as well as other 'blue sky' opportunities.

The impact of COVID has been considered in the forecasts. The Group has not been significantly impacted by the pandemic although it has led to some delays in product development process and limited promotional activity. The forecasts reflect this with the development expenditure timing based on the latest experience with regulatory authorities and sales volumes on the latest distributors' information which reflects their post-COVID demand.

In addition, the Group has relatively low fixed running costs and, while mitigating actions are not forecast to be required to support the going concern basis, the Directors have previously demonstrated its ability to delay certain other costs, such as Research and Development expenditure, in the event of unforeseen cash constraints and are willing and able to delay costs in the forecast period should the need arise.

The Directors have also considered a scenario whereby the Company receives no revenue during the forecast period. Under this scenario, a positive cash balance would be maintained over that period.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

**1 Accounting policies (continued)**

**1.4 Revenue**

Revenue is recognised only when the Company has satisfied a performance obligation by transferring control to a customer.

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

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

Upfront and annual payments made by customers at commencement and for renewal of distribution and other agreements are recognised in accordance with the terms of the agreement. Where there is no ongoing obligation on the Company under the agreement, the payment is recognised in full in the period in which it is made. Where there is an ongoing obligation on the Company, the separate performance obligations under the agreement are identified and revenue allocated to each performance obligation. Revenue is then recognised when a corresponding performance obligation has been met.

Each sale of a licence by the Company is assessed to determine whether the licence is distinct from the sale of other goods and services, and whether the licence granted provides use of the Company's intellectual property as it exists at that point in time, with no ongoing obligation on the Company, or alternatively provides access to the intellectual property as it develops over time. Where the Company has discharged all of its ongoing obligations associated with the licence granted, revenue is recognised on invoicing of the licence fee payment at which point the customer can use and benefit from the licence. Where there is an ongoing obligation on the Company, revenue is recognised in the periods to which the obligations pertain.

Product sales are recorded once the ownership and related rights and responsibilities are passed to the customer and the product is made available to the partner to collect, or, if the Company is responsible for the shipping, the product has been shipped to the customer.

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

***Licensing fees***

The Company receives licensing fees from partners who have taken a licence for the right to use Eden's intellectual property, usually defined by field of use and territory. These are identified as right to use as the Company does not have an obligation to undertake activities that significantly affect the relevant intellectual property.

***Milestone payments***

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

**1 Accounting policies (continued)**

**1.4 Revenue (continued)**

***Milestone payments (continued)***

These agreements are bespoke and any such revenue is specific to the particular agreement. Consequently, for each such agreement, the nature of the underlying performance obligations is assessed in order to determine whether revenue should be recognised at a point in time or over time.

Revenue is then recognised based on the above assessment upon satisfaction of the performance obligation.

***R&D charges***

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

Upon agreement with a partner, or if some specific milestone is met, then Eden will raise an invoice which is usually payable between 30 and 120 days. Revenue is recognised upon satisfaction of the underlying performance obligation.

***Royalties***

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

Generally, royalties relate to specific time periods, such as quarterly or annual dates, in which product sales have been made. Revenue is recognised in line with when these sales occur.

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

***Product sales***

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

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

The Group does not have any contract assets or liabilities.

**1 Accounting policies (continued)**

**1.5 Intangible assets other than goodwill**

Intellectual property, including development costs, is capitalised and amortised on a straight-line basis over its remaining estimated useful economic life of 10 years in line with the remaining life of the Company's master patent, which was originally 20 years, with additional Supplementary Protection Certificates having been granted in the majority of the countries in the EU in which Eden is selling Mevalone®. The useful economic life of intangible assets is reviewed on an annual basis.

**1.6 Property, plant and equipment**

Property, plant and equipment are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold land and buildings	Over the term of the lease
Fixtures and fittings	5 years straight line
Motor vehicles	Over the term of the lease

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

**1.7 Impairment of tangible and intangible assets**

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

**1.8 Inventories**

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in-first-out principle. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

**1 Accounting policies (continued)**

**1.9 Financial instruments**

**(i) Recognition and initial measurement**

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a part to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable with a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

**(ii) Classification and subsequent measurement**

***Financial assets***

***(a) Classification***

On initial recognition, a financial asset is classified as measured at: amortised cost or FVTPL.

Financial assets are not reclassified subsequently to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in associates accounted for using the equity method and subsidiaries are carried at cost less impairment.

**1 Accounting policies (continued)**

**1.9 Financial instruments (continued)**

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

**(b) Subsequent measurement and gains and losses**

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

***Financial liabilities and equity***

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

**1 Accounting policies (continued)**

**1.9 Financial instruments (continued)**

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy.

**(iii) Impairment**

The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

The Group measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward-looking information.

**1 Accounting policies (continued)**

**1.9 Financial instruments (continued)**

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 120 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

***Measurement of ECLs***

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

***Credit-impaired financial assets***

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

***Write-offs***

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

**1 Accounting policies (continued)**

**1.10 Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

***Current tax***

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date. The current tax charge includes any research and development tax credits claimed by the Company.

R&D tax credits are accounted for by reference to IAS 12.

***Deferred tax***

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 goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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

The carrying amount of deferred tax assets is reviewed at each reporting end 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 based on the tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

**1 Accounting policies (continued)**

**1.11 Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the group is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

**1.12 Retirement benefits**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

**1.13 Share-based payments**

The Company has applied the requirements of IFRS 2 Share-Based Payments.

**Unapproved share option scheme**

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

**1 Accounting policies (continued)**

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

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

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

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

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of Profit or Loss and Other Comprehensive Income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that ultimately the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted, as long as other vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in fair value of the options, measured immediately before and after the modification is also charged to the Statement of Profit or Loss and Other Comprehensive Income over the remaining vesting period.

In April 2021, the Company adopted a new LTIP which replaced the once described above. Details of the new LTIP can be found on pages 34 and 35.

**1.14 Leases**

At inception, the group assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the group recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are included within property, plant and equipment, apart from those that meet the definition of investment property.

**1 Accounting policies (continued)**

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs and an estimate of the cost of obligations to dismantle, remove, refurbish or restore the underlying asset and the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of other property, plant and equipment. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the group is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in: future lease payments arising from a change in an index or rate; the group's estimate of the amount expected to be payable under a residual value guarantee; or the group's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less, or for leases of low-value assets including IT equipment. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

**1.15 Grants**

Government grants are recognised when there is reasonable assurance that the grant conditions will be met and the grants will be received.

**1.16 Foreign exchange**

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the income statement for the period.

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

## 1 Accounting policies (continued)

### 1.17 Research and development

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

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

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

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

### 1.18 Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

### 1.19 Financial risk management

The Company's activities expose it to a variety of financial risks: market risks (including currency risk and interest rate risks), credit risk and liquidity risk. Risk management focuses on minimising any potential adverse effect on the Company's financial performance and is carried out under policies approved by the Board of Directors.

## 2 Adoption of new and revised standards and changes in accounting policies

### (a) New standards, amendments and interpretations

The following new standards, amendments and interpretations have been adopted by the Group for the first time for the financial year beginning on 1 January 2020:

- Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments'.
- Amendments to IAS 1 'Presentation of financial statements' and IAS 8 'Accounting policies, changes in accounting estimates and errors' which are intended to make the definition of material easier to understand.
- Amendments to references to the 'Conceptual framework' in IFRS standards.

The adoption of these standards, amendments and interpretations has not had a material impact on the financial statements of the Group or parent company.

## 2 Adoption of new and revised standards and changes in accounting policies (continued)

### (b) New standards, amendments and interpretations issued but not effective and not adopted early

A number of new standards, amendments to standards and interpretations which are set out below are effective for annual periods beginning after 1 January 2020 and have not been applied in preparing these consolidated financial statements.

- Amendment to IFRS 3 'Business combinations' to update references to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 7 'Financial Instruments: Disclosures', IFRS 4 'Insurance Contracts', IFRS 16 'Leases' related to interest rate benchmark reform (phase two) and the issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.
- Amendment to IFRS 16 'Leases' which provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification.
- IFRS 17 'Insurance contracts' which establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 'Insurance Contracts'
- Amendments to IAS 1 'Presentation of financial statements' on classification of liabilities which is intended to clarify that liabilities are classified as either current or non-current depending upon the rights that exist at the end of the reporting period.
- Amendments to IAS 16 'Property, plant and equipment' to prohibit the deduction from cost of property, plant and equipment amounts received from selling items produced while preparing the asset for its intended use with any such sales and related cost recognised in profit or loss.
- Amendments to IAS 37 'Provisions, contingent liabilities and contingent assets' to specify which costs a company includes when assessing whether a contract will be loss making.
- Annual improvements to make minor amendments to IFRS 1 'First-time adoption of IFRS', IFRS 9 'Financial Instruments', IAS 41 'Agriculture' and amendments to the illustrative examples accompanying IFRS 16 'Leases'.

The Directors anticipate that at the time of this report none of the new standards, amendments to standards and interpretations are expected to have a material effect on the financial statements of the Group or parent company.

### 3 Critical accounting estimates and judgements

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

#### *Capitalised development costs and Intellectual property*

The Directors have exercised a judgement that the development costs incurred meet the criteria in IAS 38 *Intangible Assets* for capitalisation. In making this judgement, the directors considered the following key factors:

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

#### *Going concern*

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

The ability of the Company to continue as a going concern is ultimately dependent upon the amount and timing of cash flows arising from the exploitation of the Company's intellectual property and the availability of existing and/or additional funding to meet the short term needs of the business until the commercialisation of the Company's portfolio is reached. The Directors consider it is appropriate for the financial statements to be prepared on a going concern basis based on the estimates they have made.

#### *Associate*

A judgement has been made that Eden exerts significant influence on TerpeneTech (UK) such that it is an associate company and, as such, adoption of equity accounting is appropriate.

#### *COVID-19*

The Company has made accounting judgements and estimates based on there being minimal impact of COVID-19 on the business in the long term. Clearly, this is still a degree of uncertainty as to exactly how and if the business could be impacted and the Directors will continue to monitor the situation closely.

**4 Revenue and Segmental Information**

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

The Executive Directors monitor and then assess the performance of segments based on product type and geographical area using a measure of adjusted EBITDA. This is the result of the segment after excluding the share-based payment charges, other operating income and the amortisation of intangibles. These items, together with interest income and expense are not allocated to a specific segment.

The segment information for the year ended 31 December 2020 is as follows:

	Agrochemicals	Consumer products	Animal health	Total
Revenue	£	£	£	£
Milestone payments	27,523	-	-	27,523
R & D charges	7,660	8,551	-	16,211
Royalties	180,801	27,919	-	208,720
Product sales	1,116,534	-	-	1,116,534
<b>Total revenue</b>	<b>1,332,518</b>	<b>36,470</b>	<b>-</b>	<b>1,368,988</b>
<b>EBITDA</b>	<b>(1,528,934)</b>	<b>36,470</b>	<b>-</b>	<b>(1,492,464)</b>
Share Based Payments	(120,380)	-	-	(120,380)
<b>Adjusted EBITDA</b>	<b>(1,649,314)</b>	<b>36,470</b>	<b>-</b>	<b>(1,612,844)</b>
Amortisation	(539,535)	(13,274)	-	(552,809)
Depreciation	(70,039)	-	-	(70,039)
Finance costs, foreign exchange and investment revenues	17,433	-	-	17,433
Impairment of investment in associate	(299,521)	-	-	(299,521)
Income Tax	285,108	-	-	285,108
Share of Associate's loss	(30,352)	-	-	(30,352)
<b>(Loss)/Profit for the Year</b>	<b>(2,286,220)</b>	<b>23,196</b>	<b>-</b>	<b>(2,263,024)</b>
<b>Total Assets</b>	<b>16,804,893</b>	<b>119,471</b>	<b>-</b>	<b>16,924,364</b>
Total assets includes:				
Additions to Non-Current Assets	2,319,566	-	-	2,319,566
<b>Total Liabilities</b>	<b>1,915,322</b>	<b>80,093</b>	<b>-</b>	<b>1,995,415</b>

Please note the Consumer products segment was previously referred to as Human health and biocides.

**4 Revenue and Segmental Information**

The segment information for the year ended 31 December 2019 (restated – see note 35) is as follows:

	Agrochemicals	Consumer products	Animal health	Total
Revenue	£	£	£	£
Milestone payments	348,260	-	-	348,260
R & D charges	-	6,089	-	6,089
Royalties	17,241	24,730	-	41,971
Product sales	1,429,181	-	-	1,429,181
<b>Total revenue</b>	<b>1,794,682</b>	<b>30,819</b>	<b>-</b>	<b>1,825,501</b>
<b>EBITDA</b>	<b>(660,331)</b>	<b>30,819</b>	<b>-</b>	<b>(629,512)</b>
Share Based Payments	(209,295)	-	-	(209,295)
<b>Adjusted EBITDA</b>	<b>(869,626)</b>	<b>30,819</b>	<b>-</b>	<b>(838,807)</b>
Amortisation	(496,732)	-	-	(496,732)
Depreciation	(22,077)	-	-	(22,077)
Finance costs, foreign exchange and investment revenues	(80,756)	-	-	(80,756)
Income Tax	347,036	-	-	347,036
Share of Associate's loss	(41,001)	-	-	(41,001)
<b>(Loss)/Profit for the Year</b>	<b>(1,163,156)</b>	<b>30,819</b>	<b>-</b>	<b>(1,132,337)</b>
<b>Total Assets</b>	<b>8,732,026</b>	<b>132,743</b>	<b>-</b>	<b>8,864,769</b>
Total assets includes:				
Additions to Non-Current Assets	1,122,979	-	-	1,122,979
<b>Total Liabilities</b>	<b>1,409,083</b>	<b>108,012</b>	<b>-</b>	<b>1,517,095</b>

	2020 £	2019 (restated) £
<b>Revenue analysed by geographical market</b>		
UK	16,211	6,089
Europe	1,352,777	1,819,412
	<u>1,368,988</u>	<u>1,825,501</u>

For details of the restatement of 2019 figures, please refer to note 35.

## Notes to the group financial statements (continued)

For the year ended 31 December 2020

**5 Operating loss**

	2020	2019
	£	£
Operating loss for the year is stated after charging/(crediting):		
Government grants	(7,601)	-
Fees payable to the company's auditor for the audit of the company's financial statements	40,000	28,976
Depreciation of right-of-use assets (included within administrative expenses)	57,346	22,077
Impairment of investment in associate	299,521	-
Amortisation of intangible assets	552,809	496,732
Share-based payments	120,380	209,295
	<u>1,107,462</u>	<u>757,080</u>

Government grants related to amounts received in respect of the Coronavirus Job Retention Scheme.

**6 Employees**

The average monthly number of persons (including directors) employed by the group during the year was:

	2020	2019
	Number	Number
Management	4	4
Operational	7	3
	<u>11</u>	<u>7</u>

Their aggregate remuneration comprised:

	2020	2019
	£	£
Wages and salaries	1,104,400	969,487
Social security costs	131,158	68,994
Pension costs	80,452	27,151
Share based payment charge	94,176	110,743
	<u>1,410,186</u>	<u>1,176,375</u>

**7 Directors' remuneration**

	2020	2019
	£	£
Remuneration for qualifying services	618,350	485,215
Company pension contributions to defined contribution schemes	28,990	26,355
Non-executive Directors' fees	78,333	75,000
Share based payment charge relating to all Directors	94,176	110,743
	<u>819,849</u>	<u>697,313</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2019 - 2).

The number of directors who are entitled to receive shares under long term incentive schemes during the year is 2 (2019 - 2).

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2020	2019
	£	£
Remuneration for qualifying services	<u>366,602</u>	<u>287,376</u>

The Executive Directors are considered to also be the key management personnel of the company and group. Details of directors' share options can be found on page 34 of the Remuneration report.

2020	Salary	Bonus	Fees	Pension	Share Based Payments	Total
	£	£	£	£	£	£
A Abrey	180,000	88,200	-	12,538	39,872	320,610
S Smith	235,000	115,150	-	16,452	54,304	420,906
R Cridland	-	-	36,665	-	-	36,665
L van der Broek	-	-	41,667	-	-	41,667
	<b>415,000</b>	<b>203,350</b>	<b>78,332</b>	<b>28,990</b>	<b>94,176</b>	<b>819,848</b>
2019	Salary	Bonus	Fees	Pension	Share Based Payments	Total
	£	£	£	£	£	£
A Abrey	165,000	47,644	-	11,550	48,751	272,945
S Smith	211,500	61,071	-	14,805	61,992	349,368
R Cridland	-	-	35,000	-	-	35,000
L van der Broek	-	-	40,000	-	-	40,000
	<b>376,500</b>	<b>108,715</b>	<b>75,000</b>	<b>26,355</b>	<b>110,743</b>	<b>697,313</b>

Eden Research plc

Notes to the group financial statements (continued)

For the year ended 31 December 2020

**8 Investment income**

	2020	2019
	£	£
<b>Interest income</b>		
Bank deposits	5,725	807

Total interest income for financial assets that are not held at fair value through profit or loss is £5,725 (2019: £807).

**9 Finance costs and foreign exchange (gains)/losses**

	2020	2019
	£	£
Interest on lease liabilities	23,550	7,053
Interest on bank overdrafts and loans	450	1,344
<b>Finance costs</b>	<b>24,000</b>	<b>8,397</b>
Exchange differences on working capital	(39,498)	44,475
Effect of exchange rate fluctuations on cash	3,792	28,691
<b>Exchange gains and losses</b>	<b>(35,706)</b>	<b>73,166</b>

**10 Income tax income**

	2020	2019
	£	£
<b>Current tax</b>		
UK corporation tax on profits for the current period	(285,108)	(268,777)
Adjustments in respect of prior periods	-	(78,259)
<b>Total UK current tax</b>	<b>(285,108)</b>	<b>(347,036)</b>

**10 Income tax income (continued)**

The charge for the year can be reconciled to the loss per the income statement as follows:

	2020 £	2019 £
Loss	(2,548,132)	(1,479,373)
Expected tax credit based on a corporation tax rate of 19% (2019: 19.00%)	(484,145)	(281,081)
Expenses not deductible for tax purposes	88,498	55,868
Surrender of tax losses for R&D tax credit refund	88,481	83,414
Adjustment in respect of prior years	-	(78,259)
Ineligible fixed asset differences	32,067	83,217
Additional deduction for R&D expenditure	(211,159)	(199,065)
Deferred tax not recognised	201,150	(11,130)
<b>Taxation credit for the year</b>	<b>(285,108)</b>	<b>(347,036)</b>

The March 2020 Budget announced that a corporation tax rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. The March 2021 Budget announced that a corporation tax rate of 25% would apply with effect from 1 April 2023. This was substantively enacted on 24 May 2021. As this change was not substantively enacted at the balance sheet date, it has not been reflected in the measurement of deferred tax balances at the period end.

The taxation credit for the year represents the research and development credit for the year ended 31 December 2020.

**Deferred Tax**

In the year, a deferred tax liability in respect of fixed asset temporary differences of £803,322 has been recognised. This has been offset fully by release of deferred tax asset from trading losses brought forward, resulting in a £nil deferred tax balance in the Statement of Financial Position.

The losses carried forward, after the above offset, for which no deferred tax asset has been recognised, amount to approximately £22,379,505 (2019: £23,088,756).

The unprovided deferred tax asset of £4,265,891 (2019: £3,408,686) arises principally in respect of trading losses. It has been calculated at 19% (2019: 17%) and has not been recognised due to the uncertainty of timing of future profits against which it may be realised.

Eden Research plc

Notes to the group financial statements (continued)

For the year ended 31 December 2020

11 Earnings per share

	2020	2019 (restated)
	£	£
Weighted average number of ordinary shares for diluted earnings per share	344,629,577	208,244,667
<b>Earnings (all attributable to equity shareholders of the company)</b>		
Loss for the period	(2,270,347)	(1,144,703)
Basic earnings per share	(0.66p)	(0.55p)
Diluted earnings per share	(0.66p)	(0.55p)

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares.

There were no dilutive potential ordinary shares at the year end.

For details of the restatement, please refer to note 1.1.

**12 Intangible assets****Group**

	<b>Licences and trademarks</b>	<b>Development costs</b>	<b>Intellectual property</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>				
At 1 January 2019	447,351	4,209,089	8,970,627	13,627,067
Additions	-	850,532	210,697	1,061,229
At 31 December 2019	447,351	5,059,621	9,181,324	14,688,296
Additions	1,545	1,564,785	134,957	1,701,287
At 31 December 2020	448,896	6,624,406	9,316,281	16,389,583
<b>Amortisation and impairment</b>				
At 1 January 2019	411,855	1,948,254	6,250,450	8,610,559
Charge for the year	25,896	231,077	239,759	496,732
At 31 December 2019	437,751	2,179,331	6,490,209	9,107,291
Charge for the year	11,145	315,192	226,472	552,809
At 31 December 2020	448,896	2,494,523	6,716,681	9,660,100
<b>Carrying amount</b>				
At 31 December 2020	-	4,129,883	2,599,600	6,729,483
At 31 December 2019	9,600	2,880,290	2,691,115	5,581,005

**12 Intangible assets****Company**

	<b>Licences and trademarks</b>	<b>Development costs</b>	<b>Intellectual property</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>				
At 1 January 2019	447,351	4,209,089	8,970,627	13,627,067
Additions	-	850,532	77,954	928,486
At 31 December 2019	447,351	5,059,621	9,048,581	14,555,553
Additions	1,545	1,564,785	134,957	1,701,287
At 31 December 2020	448,896	6,624,406	9,183,538	16,256,840
<b>Amortisation and impairment</b>				
At 1 January 2019	411,855	1,948,254	6,250,450	8,610,559
Charge for the year	25,896	231,077	239,759	496,732
At 31 December 2019	437,751	2,179,331	6,490,209	9,107,291
Charge for the year	11,145	315,192	213,198	539,535
At 31 December 2020	448,896	2,494,523	6,703,407	9,646,826
<b>Carrying amount</b>				
At 31 December 2020	-	4,129,883	2,480,131	6,610,014
At 31 December 2019	9,600	2,880,290	2,558,372	5,448,262

Intellectual property represents intellectual property in relation to use of encapsulated terpenes in agrochemicals. The remaining useful economic life of that asset is 10 years.

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

**12 Intangible assets (continued)**

Of £6,729,483 carrying amount of intangible assets, £6,610,014 has been allocated to the Agrochemicals CGU. The remaining intangible assets have been allocated to the Consumer products CGU for which no impairment indicators have been identified. The Agrochemicals CGU has been tested for impairment as it is the only CGU with intangible assets not yet available for use.

The Directors have prepared a discounted cash-flow forecast, based on product sales forecasts including those provided by the Company's commercial partners, and have taken into account the market potential for Eden's products and technologies using third party market data that Eden has acquired licences to.

The forecast covers a period of 10 years, with no terminal value, reflecting the useful economic life of the patent in respect of the underlying technology. Financial forecasts for 2021 are based on the approved annual budget. Financial forecasts for 2022-2028 are based on the approved long-term plan. Financial forecasts for 2029-2030 are extrapolated based on the long-term growth rate.

The estimated recoverable amount of the CGU exceeded its carrying amount by £22.1m and based on the review carried out management is satisfied that intangible assets are not impaired.

As set out in the Strategic Report, the business is in a critical phase of its development as the development of products is transitioned to revenue generation. The value of the CGU is supported by forecasts of continued revenue growth of existing products and the successful introduction and growth of sales of products currently under development.

The key assumptions of the forecast are the future cash flows, driven primarily by level of sales, and the discount rate. The discount rate is estimated using pre-tax rates that reflect current market assessments of the time value of money and the risk specific to the CGU. The rate used was 10% (2019: 10%).

The impact of increasing the discount rate by 3.5%, which is considered a reasonably possible change, would be a decrease in the recoverable amount by £6.8m. The discount rate would have to increase to 28.7% to reduce the headroom to £nil which is not considered reasonably possible.

The average annual growth rate has been assumed at 48% (2019: 64%), reflecting the latest forecasts based on information provided by customers and own market analysis. The rate stands at 84% up to 2025, reflecting commercialisation of new products in the period, reducing to 11% from 2026 onwards.

A reduction in growth from year 6 onwards to the long-term growth rate, which is considered a reasonably possible change, would reduce the recoverable amount by £10.5m.

The same level of reduction in recoverable amount would be observed if revenue generation was delayed by 1 year for each product currently under development.

Sales would have to reduce by over 42% to reduce headroom to £nil which is not considered reasonably possible.

**13 Property, plant and equipment****Consolidated and Company**

		<b>Fixtures and fittings</b>	<b>Total</b>
		<b>£</b>	<b>£</b>
<b>Cost</b>			
At 1 January 2019		-	-
At 31 December 2019 (restated – see note 1.1)		-	-
Additions - owned		200,758	200,758
At 31 December 2020		200,758	200,758
<b>Accumulated depreciation and impairment</b>			
At 1 January 2019		-	-
At 31 December 2019 (restated – see note 1.1)		-	-
Charge for the year		12,693	12,693
At 31 December 2020		12,693	12,693
<b>Carrying amount</b>			
At 31 December 2020		188,065	188,065
At 31 December 2019 (restated – see note 1.1)		-	-

**14 Right-of-Use Assets****Consolidated and Company**

	Land and buildings	Motor vehicles	Total
	£	£	£
<b>Cost</b>			
At 1 January 2019	-	-	-
Recognition of right-of-use asset on initial application of IFRS 16	78,668	35,865	114,533
At 31 December 2019 (restated – see note 1.1)	78,668	35,865	114,533
Additions	417,521	-	417,521
Disposals	(78,668)	-	(78,668)
At 31 December 2020	417,521	35,865	453,386
<b>Accumulated depreciation and impairment</b>			
At 1 January 2019	-	-	-
Recognition of right-of-use asset on initial application of IFRS 16	26,223	4,483	30,706
Charge for the year	13,111	8,966	22,077
At 31 December 2019 (restated – see note 1.1)	39,334	13,449	52,783
Charge for the year	48,380	8,966	57,346
Eliminated on disposal	(51,353)	-	(51,353)
At 31 December 2020	36,361	22,415	58,776
<b>Carrying amount</b>			
At 31 December 2020	381,160	13,450	394,610
At 31 December 2019 (restated – see note 1.1)	39,334	22,416	61,750

## 15 Investments in associates

	Current		Non-current	
	2020	2019	2020	2019
	£	£	£	£
Investments in associates	-	-	419,865	749,738

Details of the group's associates at 31 December 2020 are as follows:

Name of	Registered	Principal activities	Class of shares held	% Held Direct	Voting
TerpeneTech (UK)	United Kingdom	Research and experimental development on biotechnology	Ordinary	29.90	29.90
				2020	2019 (Restated)
				£	£
Non-current assets				502,954	565,306
Current assets				237,697	209,880
Non-current liabilities				(98,806)	(98,806)
Current liabilities				(213,670)	(195,415)
<b>Net assets (100%)</b>				<b>428,175</b>	<b>480,965</b>
Company's share of net assets				151,352	167,136
Separable intangible assets				155,385	169,953
Goodwill				412,649	412,649
Impairment of investment in associate				(299,521)	-
<b>Carrying value of interest in associate</b>				<b>419,865</b>	<b>749,738</b>
Revenue				279,185	247,304
100% of loss after tax				(52,790)	(88,404)
29.9% of loss after tax				(15,784)	(26,433)
Amortisation of separable intangible				(14,568)	(14,568)
<b>Company's share of loss including amortisation of separable intangible asset</b>				<b>(30,352)</b>	<b>(41,001)</b>

For details of the restatement of 2019 figures, please refer to note 35.

The associate is included in the Agrochemicals operating segment.

**15 Investments in associates (continued)**

TerpeneTech Limited's ("TerpeneTech (UK)") registered office is Kemp House, 152 City Road, London, EC1V 2NX and its principal place of business is 3 rue de Commandant Charcot, 22410, St Quay Portrieux, France.

The Directors have considered the progress of the business in the current year, including a review of the potential market for its products, the progress TerpeneTech (UK) has made in registering its products and other key commercial factors to determine whether any indicators of impairment exist. As a result of identification of indicators of impairment, an impairment review of the investment in TerpeneTech (UK) was undertaken by the Board of Directors.

The Directors have used discounted cash-flow forecasts, based on product sales forecasts provided by TerpeneTech (UK), and have taken into account the market potential for those products. These forecasts cover a 10-year period, with no terminal value, in line with the patent of the underlying technology.

The key assumptions of the forecast are the growth rate and the discount rate. The discount rate is estimated using pre-tax rates that reflect current market assessments of the time value of money and the risk specific to the asset. The rate used was 15% (2019: 20%). The reduction in the discount rate reflects the reduction in uncertainty as compared to the year ended 31 December 2019 as there is greater clarity over impacts of COVID-19 and one of the products has significantly progressed towards commercialisation.

Based on the review the Directors have carried out, it has been determined that the Investment is impaired and, as such, an impairment charge of £299,521 has been recognised.

The impairment is primarily due to the impact of COVID-19 which resulted in a delay in the launch of the head-lice product and which significantly impacted the head-lice product market and, consequently, the forecast level of sales. This impact is exacerbated by the limited forecast period.

An increase in the discount rate of 2.5% would result in an increase in impairment of £50,000.

The growth rates are derived from discussions with the Company's commercial partner, TerpeneTech (UK), as described above.

The average annual growth rate has been assumed at 32% (2019: 37%). The majority of this growth relates to the head-lice product and arises in the first 5 years of the forecast as the market position is built up, following the launch. The average annual growth rate of existing business stands at only 4% (2019: 4%). Only inflationary growth has been assumed across the entire forecast after year 5.

An annual reduction of 20% in head-lice product sales over the forecast period would increase impairment by £80,000.

The Directors have also considered whether any reasonable change in assumptions would lead to a material change in impairment recognised and are satisfied that this is not the case.

As investing in companies, such as TerpeneTech (UK), is not representative of Eden's normal operating activities, the impairment charge has been shown on the Consolidated Income Statement after Operating Loss.

**16 Subsidiaries**

Details of the company's subsidiaries at 31 December 2020 are as follows;

Name of	Registered office	Principal activities	Class of shares held	% Held	
				Direct	Voting
TerpeneTech (Ireland) Limited	Republic of Ireland	Sale of biocide products	Ordinary	50.00	50.00

TerpeneTech Limited ("TerpeneTech (Ireland)"), whose registered office is 108 Q House, Furze Road, Sandyford, Dublin, Ireland, was incorporated on 15 January 2019 and is jointly owned by both Eden Research Plc and TerpeneTech (UK), the company's associate.

Eden has the right to appoint a director as chairperson who will have a casting vote, enabling the Group to exercise control over the Board of Directors in the absence of an equivalent right for TerpeneTech (UK). Eden owns 500 ordinary shares in TerpeneTech (Ireland).

**Non-controlling interests**

The following table summarises the information relating to the Group's subsidiary with material non-controlling interest, before intra-group eliminations:

	2020	2019 (Restated)
	£	£
NCI percentage	50%	50%
Non-current assets	119,471	132,743
Current assets	-	-
Non-current liabilities	-	-
Current liabilities	(80,093)	(108,013)
<b>Net assets (100%)</b>	<b>39,378</b>	<b>24,730</b>
<i>Carrying amount of NCI</i>		
Revenue	27,919	24,730
Profit after tax	14,647	24,730
OCI	-	-
<b>Total comprehensive income</b>	<b>14,647</b>	<b>24,730</b>
Cash flows from operating activities	-	-
Cashflows form investing activities	-	-
Cashflows from financing activities	-	-
Net increase / (decrease) in cash and cash equivalents	-	-
<b>Dividends paid to non-controlling interests</b>	<b>-</b>	<b>-</b>

For details of the restatement of 2019 figures, please refer to note 35.

Eden Research plc

Notes to the group financial statements (continued)

For the year ended 31 December 2020

17 Inventories

	Group and company	
	2020	2019
	£	£
Finished goods	224,422	68,423

18 Trade and other receivables

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Trade receivables	909,452	1,345,648	909,452	1,345,648
VAT recoverable	242,187	127,089	242,187	127,089
Other receivables	57,619	4,694	57,619	4,694
Prepayments and accrued income	187,050	155,661	235,050	155,661
	<u>1,396,308</u>	<u>1,633,092</u>	<u>1,444,308</u>	<u>1,633,092</u>

Trade receivables disclosed above are measured at amortised cost. The directors consider that the carrying amount of trade and other receivables approximates their fair value.

Eden Research plc

Notes to the group financial statements (continued)

For the year ended 31 December 2020

19 Trade and other payables

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
<b>Current</b>				
Trade payables	794,439	870,563	794,439	870,563
Accruals	250,017	283,380	250,017	283,380
Social security and other taxation	43,186	26,399	43,186	26,399
Other payables	367,313	168,246	287,220	60,234
	<u>1,454,955</u>	<u>1,348,588</u>	<u>1,374,862</u>	<u>1,240,576</u>
<b>Non-current</b>				
Other payables (note 22, 'Xinova liability')	125,212	99,008	125,212	99,088
	<u>125,212</u>	<u>99,008</u>	<u>125,212</u>	<u>99,008</u>

20 Lease liabilities

	2020	2019
	£	£
<b>Maturity analysis</b>		
Within one year	117,204	27,097
In two to five years	385,388	51,919
<b>Total undiscounted liabilities</b>	<u>502,592</u>	<u>79,016</u>
Future finance charges and other adjustments	(87,344)	(9,517)
<b>Lease liabilities in the financial statements</b>	<u>415,248</u>	<u>69,499</u>

**20 Lease liabilities (continued)**

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2020 £	2019 £
Current liabilities	84,350	22,812
Non-current liabilities	330,898	46,687
	<u>415,248</u>	<u>69,499</u>

	2020 £	2019 £
Amounts recognised in profit or loss include the following:		
Interest on lease liabilities	<u>23,550</u>	<u>7,053</u>

Other leasing information is included in note 29.

**21 Retirement benefit schemes****Defined contribution schemes**

The group operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

The total costs charged to income in respect of defined contribution plans is £61,799 (2019 - £27,151).

**22 Share-based payment transactions****Unapproved option scheme**

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

	Number of share options		Weighted average exercise price (pence)	
	2020	2019	2020	2019
Outstanding at 1 January	1,050,000	3,400,000	13	11
Granted during the year	-	-	-	-
Exercised during the year	-	-	-	-
Lapsed during the year	-	(2,350,000)	-	13
	<u>1,050,000</u>	<u>1,050,000</u>	<u>13</u>	<u>13</u>
Exercisable at 31 December	1,050,000	1,050,000	13	13

The options outstanding at 31 December 2020 had an exercise price of 13p (2019: 13p) and their weighted average contractual life was 0.1 years (2019: 1.6 years). None of the options have vesting conditions.

The share-based payment charge in respect of the unapproved option scheme for the year was £nil (2019: £nil). The weighted average fair value of each option granted during 2020 was £nil (2019: £nil).

**22 Share-based payment transactions (continued)****Long-Term Incentive Plan ("LTIP")**

Eden Research Plc operates an option scheme for executive directors, senior management and certain employees under a LTIP which it adopted in 2017. On 28 June 2019, 5,891,111 shares under the LTIP scheme were awarded to the Chief Executive Officer and the Chief Financial Officer.

Details of the existing LTIP can be found on pages 33-34. A new LTIP scheme has been put in place in April 2021, of which further details can also be found on pages 34-35.

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

Financial year ended 31 December	Share based payment charge £
2017	27,210
2018	85,372
2019	110,743
2020	94,176
2021	51,909
2022	16,959
	<b>386,369</b>

The following information is relevant in the determination of the fair value of options granted under the LTIP operated by Eden Research Plc, representing a mix of approved and unapproved issues.

	2016 Award	2017 Award	2018 Award
Grant date	28/09/2017	28/06/2019	28/06/2019
Number of awards	2,108,000	2,868,889	3,022,222
Share price	0.125	0.115	0.115
Exercise price	£nil	£nil	£nil
Expected dividend yield	-%	-%	-%
Expected volatility	73.20%	50.82%	50.82%
Risk free rate	0.80%	0.614%	0.614%
Vesting period	3 years	2 years	3 years
Expected Life (from date of grant)	10 years	2 years	3 years

For those options and warrants which were not granted under the Company's LTIP, fair value is measured using the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural conditions.

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

**22 Share-based payment transactions (continued)****Warrants**

	Number of share options		Weighted average exercise price (pence)	
	2020	2019	2020	2019
Outstanding at 1 January	2,989,865	2,400,000	19	20
Granted during the year	-	2,589,865	-	18
Exercised during the year	-	-	-	-
Lapsed during the year	-	(2,000,000)	-	11
Exercisable at 31 December	<b>2,989,865</b>	<b>2,989,865</b>	<b>19</b>	<b>19</b>

The exercise price of warrants outstanding at the end of the year ranged between 12p and 30p (2019: 12p and 30p) and their weighted average contractual life was 1.4 years (2019: 2.5 years.) None of the warrants have vesting conditions.

The share-based payment charge for the year was £nil (2019: £98,553). The weighted average fair value of each warrant granted during the year was £nil (2019: 18p).

**Xinova liability**

In September 2015, the Company entered into a Collaboration and licence agreement with Invention Development Management Company LLC (part of Intellectual Ventures, now called Xinova LLC). As part of this agreement, upon successful completion of a number of different tasks, Xinova will be entitled to a payment which is calculated using a percentage (initially 3.17%) of the fully diluted equity value, reduced by cash and cash equivalents, of the Company on the date on which payment becomes due which is expected to be 30 September 2025. This has been accounted for as a cash-settled share-based payment under IFRS 2.

An amount of £67,462, being the estimated fair value of the liability due to Xinova, was recognised during 2016 and included as a non-current liability, as disclosed in note 19 to the accounts. It is not believed that the value of the services provided by Xinova can be reliably measured, and so this amount was calculated based on the Company's market capitalisation at 31 December 2016, adjusted to reflect the percentage of work completed by Xinova at that date based on a pre-determined schedule of tasks.

A further charge of £26,204 was made in the year (2019: £31,546), reflecting the increase in work delivered by Xinova and in the equity value, partially offset by reduction in the applicable payment % as a result of the additional equity financing raised

At the year end, an amount of £125,212 (2019: £99,008) was owed to Xinova and is shown in note 18 as non-current other liabilities.

**23 Share capital**

	2020 Number	2019 Number	2020 £	2019 £
<b>Ordinary share capital</b>				
<i>Issued and fully paid</i>				
Ordinary shares of 1p each	380,340,229	207,189,337	3,803,402	2,071,893

On 18 March 2020, the Company issued 86,182,500 ordinary shares at 6p each for a total consideration of £5,170,950 before directly attributable costs.

On 19 March 2020, the Company issued 86,968,392 ordinary shares at 6p each for a total consideration of £5,218,104 before directly attributable costs.

Share issue costs of £638,931 were incurred and have been charged to the share premium account.

**24 Share premium account**

	2020 £	2019 £
At the beginning of the year	31,289,915	31,289,915
Issue of new shares	8,018,614	-
At the end of the year	<u>39,308,529</u>	<u>31,289,915</u>

**25 Warrant reserve**

	£
Balance at 1 January 2020	335,739
Share-based payment expense in respect of options granted in prior years	<u>94,176</u>
Balance at 31 December 2020	<u>429,915</u>

The warrant reserve represents the fair value of share options and warrants grants, and not exercised or lapsed, in accordance with the requirements of IFRS 2 Share Based Payments.

**26 Merger reserve**

	2020	2019
	£	£
At the beginning and end of the year	<u>10,209,673</u>	<u>10,209,673</u>

The merger reserve arose on historical acquisitions of subsidiary undertakings for which merger relief was permitted under the Companies Act 2006.

**27 Non-controlling interest**

	2020	2019
	£	£
Non-controlling interest	<u>19,689</u>	<u>12,366</u>

The non-controlling interest arose from Eden Research Plc's 50% share in TerpeneTech (Ireland) Limited.

**28 Other interest-bearing loans and borrowings – Group and Company**

Changes in liabilities, arising from financing activities are presented below:

	2020	2019
	£	£
<b>Balance as at 1 January</b>	69,499	-
Recognised on implementation of IFRS 16	-	90,415
<b>Changes from financing cashflows</b>		
Payment of lease liabilities	(44,457)	(20,916)
<b>Total changes from financing cashflows</b>	(44,457)	(20,916)
<b>Other changes</b>		
New leases	417,521	-
Surrender of lease	(27,315)	-
<b>Total other changes</b>	390,206	-
<b>Balance as at 31 December</b>	<u>415,248</u>	<u>69,499</u>

**29 Other leasing information**

Amounts recognised in profit or loss as an expense during the period in respect of lease arrangements are as follows:

	2020 £	2019 £
Expense relating to leases of low-value assets	334	19,516

Set out below are the future cash outflows to which the lessee is exposed to that are reflected in the measurement of lease liabilities:

	2020 £	2019 £
<b>Land and buildings</b>		
Within one year	74,783	14,040
Between two and five years	325,794	32,015
	<u>400,577</u>	<u>46,055</u>

	2020 £	2019 £
<b>Leases apart from land and buildings</b>		
Within one year	9,567	8,772
Between two and five years	5,104	14,671
	<u>14,671</u>	<u>23,443</u>

The Group holds three leases, for two properties and a vehicle. All leases have fixed lease repayments and remaining terms of 4.5 years for the properties and 1.5 years for the vehicle.

The incremental borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application of IFRS 16 was 8.71%.

Information relating to lease liabilities is included in note 20.

**30 Capital risk management**

The group is not subject to any externally imposed capital requirements.

**31 Related party transactions**

**Remuneration of key management personnel**

The remuneration of key management personnel, including directors, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

**Group**

During the year, Eden invoiced its associate, TerpeneTech (UK), £8,551 for R&D charges (2019: £6,089).

Also, during the year Eden paid £6,362 to TerpeneTech (UK) (2019: received £12,731) for monies received by Eden on behalf of TerpeneTech (UK) from one of TerpeneTech (UK)'s customers.

At the year end, a net amount of £128,983 was due from TerpeneTech (UK) (2019: £122,661) to Eden. This amount is included within Trade and Other Receivables.

In 2019, TerpeneTech (UK) sold an intangible asset to TerpeneTech (Ireland) for £132,743.

At the year end, a net amount of £80,093 (2019: £108,012) was due from TerpeneTech (Ireland) to TerpeneTech (UK). It represents the amount due in respect of the intangible asset above, reduced by fees receivable in respect of sales. This amount is included within Trade and Other Payables.

**Company**

During the year, Eden invoiced its associate, TerpeneTech (UK), £8,551 for R&D charges (2019: £6,089).

Also, during the year Eden paid £6,362 to TerpeneTech (UK) (2019: received £12,731) for monies received by Eden on behalf of TerpeneTech (UK) from one of TerpeneTech (UK)'s customers.

Further, at year end, £48,000 has been accrued in respect of management recharges from Eden to TerpeneTech (Ireland) (2019: £nil). This amount is included within the Company Trade and Other Receivables.

At the year end, a net amount of £128,983 was due from TerpeneTech (UK) (2019: £122,661). This amount is included within Trade and Other Receivables.

**32 Financial risk management****Credit risk**

	2020	2019
	£	£
Cash and cash equivalents	7,286,503	501,984
Trade receivables	1,396,308	1,345,648
	<b>8,682,811</b>	<b>1,847,632</b>

The average credit period for sales of goods and services is 242 days (2019 (restated): 269). No interest is charged on overdue trade receivables. At 31 December 2020, trade receivables of £200,840 (2019: £523,967) were past due. During the year the Company wrote off bad debts in the amount of £nil (2019: £nil).

Trade receivables of £791,581 (2019: £1,002,763) at the reporting date were held in Euros and £104,265 (2019: £112,540) were held in USD.

The Company's policy is to recognise loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost. The Group measures loss allowances for trade receivables at an amount equal to lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considered reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and information credit assessment and including forward-looking information.

The largest trade debtor at the year end is a well-established, profitable business and long-term customer of the Company with whom Eden has had no issue of collecting debts due before and does not expect to have any going forward. In addition, TerpeneTech (UK), Eden's associate company, owed gross £174,952 (2019: £182,984) to Eden at the year-end.

TerpeneTech (UK), is a cash-positive business, albeit in its infancy, with good shareholder support and, again, Eden has had no issue of collecting debtors due from TerpeneTech (UK) before and does not expect to have any going forward.

Considering these factors, the directors' consider the ECL to be immaterial.

**32 Financial risk management (continued)****Credit risk**

	2020	2019
	£	£
Trade payables	794,439	870,563
Other payables	367,313	168,246
Other taxes and social security	43,186	26,399
Accruals and deferred income	250,017	283,380
	<u>1,454,955</u>	<u>1,348,588</u>

The carrying amount of trade payables approximates their fair value.

The average credit period on purchases of goods is 85 days. No interest is charged on trade payables. The Company has policies in place to ensure that trade payables are paid within the credit timeframe or as otherwise agreed.

**Maturity of financial liabilities (excluding lease liabilities)**

The maturity profile of the group's financial liabilities at 31 December 2020 was as follows:

	2020	2019
	£	£
In one year or less, or on demand	1,454,955	1,348,588
Over one year	125,212	99,008
	<u>1,580,167</u>	<u>1,447,596</u>

Liquidity risk is managed by regular monitoring of the Company's level of cash and cash equivalents, debtor and creditor management and expected future cash flows. See note 1 for further details on the going concern position of the Company. For details of lease liabilities, see notes 20 and 29.

**Market price risk**

The company's exposure to market price risk comprises currency risk exposure. It monitors this exposure 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 exchange rates. The sensitivity analysis model used for this purpose makes no assumptions about any interrelationships between such rates or about the way in which such changes may affect the economies involved. As a consequence, figures derived from the Company's sensitivity analysis model should be used in conjunction with other information about the Company's risk profile.

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

**32 Financial risk management (continued)**

**Capital risk management**

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

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

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

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

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 31 December 2019.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company's policy is to keep the gearing ratio below 10% (2019: below 10%). The Company includes within net debt, any interest bearing loans and borrowings (none in current or prior year), any loans from a venture partner (none in the current or prior year), trade and other payables, less cash and cash equivalents.

**33 Cash absorbed by operations****Consolidated**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>(restated)</b>
		<b>£</b>
Loss for the year after tax	(2,263,024)	(1,132,337)
<b>Adjustments for:</b>		
Taxation charged/(credited)	(285,108)	(347,036)
Finance costs	24,000	8,397
Investment income	(5,725)	(807)
Foreign exchange currency losses	3,792	28,691
Amortisation and impairment of intangible assets	552,809	496,732
Impairment of investment in associate	299,521	-
Depreciation and impairment of property, plant and equipment and right-of-use assets	70,039	22,078
Share of associate's loss	30,352	41,001
Share-based payment expense	120,380	209,295
<b>Movements in working capital:</b>		
Increase in inventories	(155,999)	(53,767)
Decrease/(increase) in trade and other receivables	236,784	(908,027)
(Decrease)/increase in trade and other payables	106,367	357,351
<b>Cash absorbed by operations</b>	<b>(1,265,812)</b>	<b>(1,278,429)</b>

For details of the above restatement, please refer to note 1.1.

**33 Cash absorbed by operations (continued)****Company**

	2020	2019 (restated)
	£	£
Loss for the year after tax	(2,229,669)	(1,157,068)
<b>Adjustments for:</b>		
Taxation charged/(credited)	(285,108)	(347,036)
Finance costs	24,000	8,397
Investment income	(5,725)	(807)
Foreign exchange currency losses	3,792	28,691
Amortisation of intangible assets	539,535	496,732
Impairment of investment in associate	299,521	-
Depreciation and impairment of property, plant and equipment and right-of-use assets	70,039	22,078
Share of associate's loss	30,352	41,001
Share-based payment expense	120,380	209,295
<b>Movements in working capital:</b>		
Increase in inventories	(155,999)	(53,767)
Decrease/(increase) in trade and other receivables	188,784	(908,027)
(Decrease)/increase in trade and other payables	134,286	382,082
<b>Cash absorbed by operations</b>	<b>(1,265,812)</b>	<b>(1,278,429)</b>

For details of the above restatement, please refer to note 1.1.

**34 Post balance sheet events**Long-Term Incentive Plan

In April 2021, the Company replaced its existing LTIP with a new one, details of which can be found on pages 34 – 35.

Corteva Agriscience agreement

In May 2021, the Company signed an exclusive commercialisation, supply and distribution agreement with Corteva Agriscience, the fourth largest agriculture inputs company in the world. Further details of this agreement can be found in the Chief Executive Officer's Review.

### 35 Prior Year Adjustment

Following the incorporation of TerpeneTech (Ireland) in 2019 the group is reorganising the roles of TerpeneTech (Ireland) and TerpeneTech (UK) in the sale of geraniol and certain other products.

Following communications with the FRC (refer to the Audit Committee Report on pages 38 - 39), the Directors have reconsidered the arrangements that were in place in the prior year (and which remained in place in the current year) in regard to sales made by TerpeneTech (Ireland).

The Directors have concluded that TerpeneTech (Ireland) was acting as an agent in these transactions and should have recognised sales of £24,730 being the 10% margin on the sales of geraniol rather than recognising gross sales and cost of sales. As such, they have restated the Group's revenue and cost of sales in the prior year.

As a consequence of this restatement, revenue has been reduced by £222,574 and cost of sales have been reduced by £222,574 in the Income Statement for the year ending 31 December 2019. There was no impact on loss before or after taxation or net assets and no impact on any opening balances.

As the arrangements change going forward, the Directors will reconsider the revenue recognition.