*This announcement contains information which, prior to its disclosure, was considered inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 (MAR).*

**Eden Research Plc**
**("Eden" or "Company")**

**Financial Results for Year Ended 31 December 2018**

Eden Research plc (AIM: EDEN), the AIM listed company that provides breakthrough natural microencapsulation technologies to the global agrochemicals, animal health and consumer products industries, announces its preliminary results for the year ended 31 December 2018.

**Financial highlights:**

- Revenue of £2.8m (2017: £1.9m)
- Operating loss of £0.5m (2017: £0.8m)
- Loss before tax of £0.5m (2017: £0.8m)
- Loss per share of 0.16p (2017: 0.33p)
- Net cash of £2.5m (2017: £3.7m)
- Operating profit, before non-cash items (share-based payment charge and amortisation), and one-time items (licence renewal fee and royalties refund) of £0.02m (2017: loss £0.4m)
- Product sales increased 112% to £1.6m (2017: £0.8m)
- Upfront and milestone payments of £1.2m (2017: £1.1m)

**Commercial highlights:**

- Multiple distribution agreements signed with Sipcam SpA (“Sipcam”) for Mevalone in ten new territories, for which a fee of €0.9m (£0.8m) was paid to Eden
- Exclusive distribution agreement signed with Sipcam for its fungicide product Novellus to be sold in Australia and New Zealand
- Successful positioning of Mevalone as an early-season treatment contributing to product sales growth of 112%
- A healthy pipeline of collaborations progressing with majors in Eden’s distributor network

**Operational highlights:**

- Lykele van der Broek, former COO of Bayer Crop Science and former Head of the Animal Health division of Bayer Health Care, appointed as Chairman with effect from 1 January 2018
- Regulatory applications submitted in new countries for Mevalone and Cedroz, including the US which is currently undergoing scientific review by the United States Environmental Protection Agency (“EPA”)
- Regulatory clearance received for head lice treatment product by TerpeneTech to be sold in the European Economic Area

**Lykele van der Broek, Chairman** commented: “We have undergone a year of significant growth at Eden in 2018, with a boost to revenue from product sales and the contribution of Sipcam SpA exercising it’s option for new distribution agreements in ten additional territories.

“Behind the scenes, significant regulatory activity has been progressing with promising potential to unlock future product sales expansion for the business. The Board is currently prioritising the long-term viability and growth potential of the Company and is looking forward to making further commercial progress in 2019.”

For further information contact:

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**Notes:**

**Eden Research** is a technology development and commercialisation company with intellectual property and expertise in encapsulation, terpenes and environmentally friendly technologies to provide naturally occurring solutions for the global agrochemicals, animal health, and consumer product industries.

Eden's encapsulation technology harnesses the biocidal efficacy of naturally occurring chemicals produced by plants (terpenes) and can also be used with both natural and synthetic compounds to enhance their performance and ease-of-use. The technology uses yeast cells that are a by-product of numerous commercial production processes to deliver a slow release of natural compounds for agricultural and non-agricultural uses. Terpenes are already widely used in the food flavouring, cosmetics and pharmaceutical industries.

Historically, terpenes have had limited commercial use in the agrochemical sector due to their volatility, phytotoxicity and poor solubility. Eden's platform encapsulation technology provides a unique, environmentally friendly solution to these problems and enables terpenes to be used as effective, low-risk agrochemicals.

Eden is developing these technologies through innovative research and a series of commercial production, marketing and distribution partnerships.

The Company has a number of patents and a pipeline of products at differing stages of development targeting specific areas of the global agrochemicals industry. To date, the Company has invested in the region of £13m in developing and protecting its intellectual property and seeking regulatory approval for products that rely upon the Company's technologies. Revenues earned by the Company to date have been modest whilst the Company has concentrated on securing patent protection for its intellectual property, gaining regulatory approvals, identifying suitable industrial partners, and entering into commercial agreements.

In May 2013, the three actives that comprise Eden's first commercial product, 3AEY, were approved as new ingredients for use in plant protection products. This represented a major milestone in the commercialisation of Eden's technology and is a significant accomplishment for any company. To illustrate this point, it should be noted that in all of 2013 Eden's approvals represented 3 of only 10 new active ingredients approved by the EC.

3AEY has been authorised for sale in Kenya, Malta, Greece, Bulgaria, Spain, Italy, France, Cyprus, Albania, Portugal and the Republic of Macedonia.

Eden was admitted to trading on AIM on 11 May 2012 and trades under the symbol EDEN.

For more information about Eden, please visit: www.edenresearch.com.

## CHAIRMAN'S REPORT

### Introduction

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

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

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

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

### Commercial

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

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

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

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

### Board Composition

During the year, the Board of Directors comprised:

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

### Outlook

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

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

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

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

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

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

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

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

**1 April 2019**

## CHIEF EXECUTIVE OFFICER'S REPORT

### Financial Results

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

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

### Overview

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

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

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

### Sales and Market Development

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

The early part of the growing season is important in establishing the potential for botrytis to develop during the peak risk period (typically in September) when cooler and wetter weather is prevalent. However, until this year, and since the first launch of Mevalone in late 2016, Mevalone has been positioned mainly as a late season botryticide based upon its favourable risk profile, performance, exemption from maximum residue levels and low pre-harvest intervals. This means that, unless there is an outbreak of this disease late in the season, sales are likely to be modest as growers are reluctant to apply products that they perceive as unnecessary (as would be the case in the absence of disease). However, in conjunction with our partners, we are pleased with our first efforts to position Mevalone in the early part of the season this year as a treatment that is effective in reducing the potential for the later stage development of botrytis.

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

Mevalone is also approved for use in Kenya, where it is marketed as "Hawk" for the treatment of botrytis on flowers and a number of additional crops. Market conditions in Kenya remain challenging, but there is an opportunity to improve our market share in the country and to explore how we might grow our business in the region. Furthermore, we believe that there is the opportunity to commercialise Eden's nematicide in Kenya, and efforts are underway to realise this potential.

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

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

**Commercial Partnerships**

**Eastman**

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

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

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

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

**Sipcam-Oxon**

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

**TerpeneTech**

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

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

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

**Bayer Animal Health**

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

**Investing in Regulatory Approvals**

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

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

**Brexit**

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

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

**Dividend**

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

**Outlook**

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

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

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

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

**S M Smith**
**Chief Executive Officer**

**1 April 2019**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
**For The Year Ended 31 December 2018**

| | Notes | **2018** **£** | 2017 £ |
|---|---|---|---|
| Revenue | 2 | **2,774,272** | 1,877,187 |
| Cost of sales | | **(1,237,151)** | (831,499) |
| **GROSS PROFIT** | | **1,537,121** | 1,045,688 |
| Amortisation of intangible assets | | **(429,871)** | (750,210) |
| Other administrative expenses | | **(1,518,914)** | (1,428,028) |
| Exceptional Royalties Refund | 12 | **-** | 566,703 |
| Licence renewal fee | 12 | **-** | (187,781) |
| Share based payments | | **(85,372)** | (27,210) |
| **OPERATING LOSS** | | **(497,036)** | (780,838) |
| Finance costs | 4 | **(23,581)** | (1,239) |
| Finance income | 4 | **1,684** | 25,437 |
| Share of profit/(loss) of equity accounted investee, net of tax | | **(14,137)** | (6,289) |
| **LOSS BEFORE INCOME TAX** | 5 | **(533,070)** | (762,929) |
| Income tax | 6 | **198,119** | 123,836 |
| **LOSS FOR THE YEAR** | | **(334,951)** | (639,093) |
| **OTHER COMPREHENSIVE INCOME** | | **-** | - |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **(334,951)** | (639,093) |
| Earnings per share expressed in pence per share: | 7 | | |
| Basic | | **(0.16)** | (0.33) |
| Diluted | | **(0.16)** | (0.34) |

**STATEMENT OF FINANCIAL POSITION**
**31 December 2018**

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

**STATEMENT OF CHANGES IN EQUITY**
**For The Year Ended 31 December 2018**

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

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

**STATEMENT OF CASH FLOWS**
**For The Year Ended 31 December 2018**

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

## 1. ACCOUNTING POLICIES

**General information**
Eden Research Plc is a public company limited by shares registered, incorporated and domiciled in England in the United Kingdom under the Companies Act 2006. The address of the registered office is 6 Priory Court, Priory Court Business Park, Poulton, Cirencester, GL7 5JB, UK. The nature of the Company's operations and its principal activities are set out in the Chairman's Report. The Company is quoted on the AIM Market in London.

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

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

The Company does not have any subsidiary undertakings.

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

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

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

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

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

| | | |
|---|---|---|
| IFRIC 22 *Foreign Currency Transactions and Advance Consideration* | 1 January 2018 | 1 January 2018 |

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

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

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

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

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

† Pending endorsement

* Expected to be endorsed by the IASB effective date.

** Not expected to be endorsed by the IASB effective date.

^ Scope of endorsement limited to related references in IFRS Standards.

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

**Going Concern**

The financial statements have been prepared on a going concern basis which contemplates the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Company has reported a loss for the year after taxation of £334,951 (2017: £639,093). Net current assets at that date amounted to £2,537,518 (2017: £2,842,740).

The directors have prepared budgets and projected cash flow forecasts, based in part on forecasts provided by Eden’s commercial partners, for a period of two years from 31 December 2018 and they consider that the Company will be able to operate with the cash resources that are available to it for this period. The ability of the Company to continue as a going concern is ultimately dependent upon the amounts and timing of cash flows from the exploitation of the Company's intellectual property and the availability of existing and/or additional funding to meet the short-term needs of the business until the commercialisation of the Company's portfolio is reached.

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

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

The directors have also considered a scenario whereby the Company receives no revenue from the date of this Report. On this basis, the directors believe that the Company has sufficient cash to cover a period of at least 12 months from the date of this Report.

The directors are closely monitoring performance against cash flow projections that have been prepared for the period to 31 December 2019 and beyond, and reasonably believe that the Company will deliver cash flows at least in line with these.

Taking all these factors into consideration, the directors consider it appropriate to prepare the financial statements on the going concern basis. The financial statements do not include any adjustments that would result from a failure by the Company to meet these forecasts.

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

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

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

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

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

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

**Intangible assets**
Intellectual property, including development costs, is capitalised and amortised on a straight-line basis over its remaining estimated useful economic life of 12 years in line with the remaining life of the Company's master patent, which was originally 20 years, with additional Supplementary Protection Certificates having been granted in the majority of the countries in the EU in which Eden is selling Mevalone. The useful economic life of intangible assets is reviewed on an annual basis.

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

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

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

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

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

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

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

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

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

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

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

Financial assets are assessed for impairment at each reporting date by considering the recoverable amount of the asset in comparison to its carrying value and any impairment recognised in the Statement of Profit or Loss and Other Comprehensive Income. Trade receivables are assessed for collectability and where appropriate the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account and changes in the carrying amount of the allowance account are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

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

costs.

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

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

**Stock**
Stock is stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition.

**Leasing**
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Company. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

**Foreign currencies**
Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange prevailing at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange prevailing at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

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

**Share-based payments**
The Company has applied the requirements of IFRS2 Share-Based Payments.

*Unapproved share option scheme*

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

*Long-Term Incentive Plan (“LTIP”)*

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

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

The LTIP was adopted by the board of directors of Eden on 28 September 2017.

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

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

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

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

**Financial risk management**
The Company's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risks), credit risk and liquidity risk. Risk management focuses on minimising any potential adverse effect on the Company's financial performance and is carried out under policies approved by the Board of Directors. Further detail is given in note 22 to the financial statements.

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

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

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

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

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

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

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

**Critical accounting estimates and areas of judgement**
The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions

that have a significant risk to the carrying amounts of assets and liabilities within the next financial year are discussed below:

<u>Capitalised development costs and intellectual property</u>
The directors have considered the recoverability of an internally generated intangible asset, being development costs, which has a carrying value of £2.3m (2017: £2.0m) and intellectual property which has a carrying value of £2.7m (2017: £2.9m). The projects relating to these items continue to progress in a satisfactory manner and the directors are confident that the carrying amount of the asset will be recovered in full. This situation will be closely monitored and adjustments made in future periods if future market activity indicates that such adjustments are appropriate.

The key factors which could impact upon whether it remains appropriate to continue to capitalise intangible assets or on the impairment considerations include:

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

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

Further details on impairment review can be found in note 8 and 9 to the accounts.

<u>Going concern</u>
The directors have considered the ability of the Company to continue as a going concern and this is considered to be the most significant judgement made by the directors in preparing the financial statements.

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

## 2. SEGMENTAL REPORTING AND REVENUE

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

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

The segmental information for the year ended 31 December 2018 is as follows:

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

The segmental information for the year ended 31 December 2017 is as follows:

| | Licensing Fees | Milestone Payments | Evaluation Fees | Royalties | Grant Funding | Product Sales | Un-allocated | Total |
|---|---|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ | £ | £ |
| Human health and biocides | 14,750 | - | - | 13,274 | - | - | - | 28,024 |
| Animal health | - | - | - | - | - | - | - | - |
| Agrochemicals | - | 967,686 | - | 116,405 | - | 765,072 | - | 1,849,163 |
| TOTAL | 14,750 | 967,686 | - | 129,679 | - | 765,072 | - | 1,877,187 |
| Adjusted EBITDA | - | - | - | - | - | - | (3,418) | (3,418) |
| Amortisation | - | - | - | - | - | - | (750,210) | (750,210) |
| Depreciation | - | - | - | - | - | - | - | - |
| Share Based Payments | - | - | - | - | - | - | (27,210) | (27,210) |
| Net Finance Costs | - | - | - | - | - | - | 24,198 | 24,198 |
| Income Tax | - | - | - | - | - | - | 123,836 | 123,836 |
| Share of Associate's loss | - | - | - | - | - | - | (6,289) | (6,289) |
| Loss for the Year | - | - | - | - | - | - | (639,093) | (639,093) |
| Total Assets | - | - | - | - | - | - | 10,585,878 | 10,585,878 |
| Total assets includes: | | | | | | | | |
| Additions to Non-Current Assets | - | - | - | - | - | - | 472,079 | 472,079 |
| Total Liabilities | - | - | - | - | - | - | (2,071,963) | (2,071,963) |

**GEOGRAPHICAL REPORTING**

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

The revenue derived from Milestone Payments and Licensing Fees relates to agreements which cover a number of countries both in the EU and throughout the rest of the world.

All of the non-current assets are in the UK.

**REVENUE**

***Accounting policy***

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

***Nature of goods and services***

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

*1. Licensing fees*

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

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

*2. Milestone payments*

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

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

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

*3. R&D charges*

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

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

*4. Royalties*

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

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

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

*5. Product sales*

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

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

***Contract balances***

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

## 3. EMPLOYEES AND DIRECTORS

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

The average monthly number of employees, including directors, during the year was as follows:

| | 2018 | 2017 |
|---|---|---|
| Management | **5** | 5 |

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

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

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

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

| 2017 | Salary | Bonus | Fees | Pension | Share based payments | Total |
|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ |
| A Abrey | 123,000 | 75,854 | - | 4,920 | 12,479 | 216,253 |
| S Smith | 147,088 | 90,705 | - | 5,884 | 14,731 | 258,408 |
| T Lupton | - | - | 35,000 | - | - | 35,000 |
| R Cridland | - | - | 30,000 | - | - | 30,000 |
| L van der Broek | - | - | 10,000 | - | - | 10,000 |
| | 270,088 | 166,559 | 75,000 | 10,804 | 27,210 | 549,661 |

## 4. NET FINANCE COSTS

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

## 5. LOSS BEFORE INCOME TAX

The loss before income tax is stated after charging:

| | **2018** | 2017 |
|---|---|---|
| | **£** | £ |
| Licences and trademarks amortisation | **7,099** | 20,446 |
| Development costs amortisation | **177,349** | 290,276 |
| Intellectual property amortisation | **239,754** | 439,488 |
| Auditors' remuneration: | | |
| - Audit of these financial statements | **27,000** | 22,500 |
| - All other services | **-** | 20,779 |
| Equity share based payment charge | **85,372** | 27,210 |
| Foreign exchange differences | **23,030** | (22,911) |

6. **INCOME TAX**

**Analysis of tax income**

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

**Corporation tax**

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

**Factors affecting the tax charge**

The UK standard rate of corporation tax is 19% (2017: 19.25%). Current tax assessed for the financial year as a percentage of the loss before taxation is (51.8)% (2017: (16.2)%)

The differences are explained below:

| | **2018** | **2018** | 2017 | 2017 |
|---|---|---|---|---|
| | **£** | **%** | £ | % |
| Standard rate of corporation tax in the UK | | **(19.0)** | | (19.25) |
| Loss before tax at standard rate of tax | **(101,283)** | | (146,863) | |
| Effects of | | | | |
| Fixed asset differences | **71,071** | **13.3** | 55,981 | 7.4 |
| Losses carried forward/surrendered | **48,682** | **9.1** | - | - |
| Difference in effective tax rate of equity accounted associate | **-** | | 642 | 0.1 |
| Other expenses not deductible for tax purposes | **19,836** | **3.7** | 9,413 | 1.2 |
| Research and development tax relief | **(116,179)** | **(21.8)** | (86,322) | (6.0) |
| Adjustment to prior year tax charge | **(41,254)** | **(7.7)** | (45,577) | (7.5) |
| Temporary differences not recognised in the computation | **69,431** | **13.0** | - | - |
| Adjust closing deferred tax to average rate of 19.00% | **(148,423)** | **(27.8)** | - | - |
| Deferred tax not recognised To be analysed | **-** | | 88,890 | 11.7 |
| Total current tax credit and tax rate % | **(198,119)** | **(51.8)** | (123,836) | (16.3) |

| | **2018** | 2017 |
|---|---|---|
| Deferred tax | | |
| Un-provided deferred tax liability | **(513,138)** | (237,330) |
| Un-provided deferred tax asset | **3,789,518** | 3,782,077 |
| Net un-provided deferred tax asset | **3,276,380** | 3,544,747 |

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

The un-provided for deferred tax asset arises principally in respect of trading losses, together with other minor timing differences at 17% (2017: 17%) and has not been recognised due to the uncertainty of timing of future profits against which it may be realised.

Reductions in the UK corporation tax rate to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

## 7. EARNINGS PER SHARE

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

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

Reconciliations are set out below:

| | **Earnings £** | **2018 Weighted average number of shares** | **Per-share amount pence** |
|---|---|---|---|
| **Basic EPS** | | | |
| Earnings attributable to ordinary shareholders | **(334,951)** | **207,115,707** | **(0.16)** |
| Effect of dilutive securities | **-** | **160,422** | **-** |
| **Diluted EPS** | | | |
| Adjusted earnings | **(334,951)** | **207,276,129** | **(0.16)** |

| | Earnings £ | 2017 Weighted average number of shares | Per-share amount pence |
|---|---|---|---|
| **Basic EPS** | | | |
| Earnings attributable to ordinary shareholders | (639,093) | 195,705,733 | (0.33) |
| Effect of dilutive securities | - | (5,019,101) | - |
| **Diluted EPS** | | | |
| Adjusted earnings | (639,093) | 190,686,632 | (0.34) |

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

8. **INTANGIBLE ASSETS**

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

| | Licences and trademarks £ | Development costs £ | Intellectual property £ | Totals £ |
|---|---|---|---|---|
| **COST** | | | | |
| At 1 January 2017 | 447,351 | 3,455,276 | 8,739,743 | 12,642,370 |
| Additions | - | 324,077 | 148,002 | 472,079 |
| At 31 December 2017 | 447,351 | 3,779,353 | 8,887,745 | 13,114,449 |
| **AMORTISATION** | | | | |
| At 1 January 2017 | 384,310 | 1,474,960 | 5,571,208 | 7,430,478 |
| Amortisation for year | 20,446 | 290,276 | 439,488 | 750,210 |
| At 31 December 2017 | 404,756 | 1,765,236 | 6,010,696 | 8,180,688 |
| **NET BOOK VALUE** | | | | |
| At 31 December 2017 | 42,595 | 2,014,117 | 2,877,049 | 4,933,761 |

The amortisation charge is included within administration expenses. Intellectual property represents intellectual property in relation to use of encapsulated terpenes in agrochemicals. The remaining useful economic life of that asset is twelve years.

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

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

The discount rate and the forecast cashflows are two key assumptions used. The discount rate is estimated using pre-tax rates that reflect current market assessments of the time value of money and the risk specific to the asset. The rate used was 10% (2017: 10%).

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

Based on the review management has carried out, it is satisfied that the Intangible Assets are not impaired in respect of their carrying value.

As set out in the Strategic Report the business is in a critical phase of its development as the research and development of products is transitioned to revenue generation. The value of the intangible assets is supported by management's forecasts of continued revenue growth of existing products and the successful growth of future product sales. Management has used cash-flow forecasts for the next seven years which include average annual growth of 29% over this period, followed by a further three year period in which no growth is assumed. This is considered to be reasonably prudent based on information from and discussion with strategic partners. However there is a risk that if those forecasts are not achieved then the associated intangible assets could be impaired. Average annual growth in cash-flows would need to fall below 9% for this to be the case. In the event that there were no further growth over and above the revenue achieved in the year to December 2018, there would be an impairment of intangible assets of approximately £2.9m.

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

## 9. INVESTMENTS IN ASSOCIATES

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

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

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

The directors have used discounted cash-flow forecasts, based on product sales forecasts provided by TerpeneTech, and have taken into account the market potential for those products.

The discount rate and the expected growth rate are two key assumptions used. The discount rate is estimated using pre-tax rates that reflect current market assessments of the time value of money and the risk specific to the asset. The rate used was 20% (2017: 20%). The growth rates are derived from discussions with the Company's commercial partner, TerpeneTech, as described above.

Based on the review management has carried out, it is satisfied that the Investment is not impaired in respect of its carrying value.

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

## 10. TRADE AND OTHER RECEIVABLES

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

The directors consider that the carrying value of trade and other receivables approximates to the fair value. Trade debtors are included net of a provision of £nil (2017: £nil). Details of debts past due but not impaired are given in note 22.

## 11. CASH AND CASH EQUIVALENTS

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

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

## 12. TRADE AND OTHER PAYABLES

| | **2018** | 2017 |
|---|---|---|
| | **£** | £ |
| Current: | | |
| Trade payables | **499,186** | 1,558,279 |
| Other payables | **47,706** | 66,389 |
| Other taxes and social security | **15,085** | 11,836 |
| Accruals and deferred income | **313,427** | 367,997 |
| | **875,404** | 2,004,501 |

| | 2018 | 2017 |
|---|---|---|
| | **£** | £ |
| Non-current: | | |
| Other creditors | **67,462** | 67,462 |
| Aggregate amounts | **942,866** | 2,071,963 |

The directors consider that the carrying value of trade and other payables approximates to their fair value. See note 22 for disclosure of the amount of trade payables denominated in foreign currency. See Directors' Report for disclosure of the average credit period taken.

## 13. LEASING AGREEMENTS

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

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

## 14. FINANCIAL ASSETS AND LIABILITIES

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | **£** | £ |
| **Financial assets at amortised cost** | | | |
| Other receivables | 10 | **919,526** | **962,044** |
| Cash and cash equivalents | 11 | **2,478,740** | **3,678,383** |
| | | **3,398,266** | **4,640,427** |

**Financial liabilities measured at amortised cost**

Current:

| | | | |
|---|---|---|---|
| Trade and other payables | 12 | **499,186** | 1,558,279 |
| | | **499,186** | 1,558,279 |

## 15. CALLED UP SHARE CAPITAL

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

Alloted,issued and fully paid

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

On 4 May 2018, the Company issued 125,000 ordinary shares at 10.375p each for a total consideration of £12,969. Share issue costs of £nil were incurred and have been charged to the share premium account as detailed in note 16.

| Date | Number of ordinary shares | Aggregate nominal value | Issue Price | Premium on issue | Total share premium |
|---|---|---|---|---|---|
| | | £ | £ | £ | £ |
| **4/5/2018** | **125,000** | **1,250** | **0.104** | **0.094** | **11,719** |
| | | **1,250** | | | **11,719** |

16. **RESERVES**

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

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

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

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

18. **CAPITAL COMMITMENTS**

The Company had no capital commitments at 31 December 2018 (2017: £nil).

19. **CONTINGENT LIABILITY**

In September 2015, the Company entered into a Collaboration and Licence agreement with Invention Development Management Company LLC (part of Intellectual Ventures, now called Xinova LLC). As part of this agreement, upon successful completion of a number of different tasks, Xinova will be entitled to a payment which is calculated using a percentage of the value of the Company at a future date. This has been accounted for as a cash-settled share-based payment under IFRS 2.

An amount of £67,462, being the estimated fair value of the liability due to Xinova, was recognised during 2016 and included as a non-current liability, as disclosed in note 12 to the accounts. It is not believed that the value of the services provided by Xinova can be reliably measured, and so this amount was calculated based on the Company's market capitalisation at 31 December 2016, adjusted to reflect the percentage of work completed by Xinova at that date based on a pre-determined schedule of tasks.

No further charge was made during the year as no services were rendered by Xinova which would give rise to a further payment becoming due.

The fair value of the liability has been reviewed at the balance sheet date, given the change in the Company's market capitalisation, and it is deemed that no adjustment is required. Therefore, the liability of £67,462 continues to be recognised.

## 20. RELATED PARTY DISCLOSURES

Disclosures required in respect of IAS 24 regarding remuneration of key management personnel are covered by the disclosure of directors' remuneration included within note 3.

Transactions with other related parties are set out below:

During the year, Eden invoiced its associate, TerpeneTech, £nil for licence fees (2017: £14,750), £112,540 for R & D charges (2017: £nil) and £48,113 for royalties due (2017: £nil).

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

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

## 21. SHARE-BASED PAYMENT TRANSACTIONS

**Share Options**

Unapproved option scheme

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

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

The exercise price of options outstanding at the end of the year ranged between 10p and 16p (2017: 8p and 16p) and their weighted average contractual life was 0.9 years (2017: 1.5 years). None of the options have vesting conditions.

The share-based payment charge in respect of the unapproved option scheme for the year was £nil (2017: £nil). The weighted average fair value of each option granted during 2018 was £nil (2017: £nil).

Long-Term Incentive Plan ("LTIP")

Eden Research Plc operates an unapproved option scheme for executive directors, senior management and certain employees under a LTIP which it adopted in 2017.

During the prior year, the following options were granted under the LTIP:

| Description | Date of grant | Number of awards granted | Fair value per award £ | Total fair value £ |
|---|---|---|---|---|
| 2015 awards | 28/09/2017 | 1,908,680 | 0.0601 | 114,712 |
| 2016 awards | 28/09/2017 | 2,108,000 | 0.0461 | 97,179 |
| | | 4,016,680 | | 211,891 |

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

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

| Financial year ended 31 December | Share based payment charge £ |
|---|---|
| 2017 | 27,210 |
| 2018 | 85,372 |
| 2019 | 75,108 |
| 2020 | 24,201 |
| | 211,891 |

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

| | 2015 Award | 2016 Award |
|---|---|---|
| Grant date | 28/09/17 | 28/09/17 |
| Number of awards | 1,908,680 | 2,108,000 |
| Share price | £0.125 | £0.125 |
| Exercise price | £nil | £nil |
| Expected dividend yield | -% | -% |
| Expected volatility | 73.20% | 73.20% |
| Risk free rate | 0.80% | 0.80% |
| Vesting period | 2 years | 3 years |
| Expected Life (from date of grant) | 10 years | 10 years |

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

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

**Warrants**

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

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

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

## 22. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

**Credit risk**

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

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

Trade receivables of £398,447 (2017: £683,984) at the reporting date are held in Euros and £112,656 (2017: £47,984) were held in USD.

The Company's policy is to provide for doubtful debts based on estimated irrecoverable amounts determined by reference to specific circumstances and past default experience. At the balance sheet date the directors consider that no provision for doubtful debts is required and that there is no further credit risk.

**Financial liabilities**

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

The carrying amount of trade payables approximates to fair value.

The average credit period on purchases of goods is 59 days. No interest is charged on trade payables. The Company has policies in place to ensure that trade payables are paid within the credit timeframe or as otherwise agreed.

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

**Currency risk**
The Company publishes its financial statements in pounds sterling and conducts some of its business in US dollars, Swiss Francs and Euros. As a result, it is subject to foreign currency exchange risk due to exchange movements, which will affect the Company's transaction costs and translation of the results. No financial instruments are utilised to manage risk and currency gains, and losses are charged to the Statement of Profit or Loss and Other Comprehensive Income as incurred. At the year end, the Company had the following net foreign currency balances in liabilities.

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

**Liquidity risk**

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

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

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

**Maturity of financial liabilities**

The maturity profile of the Company's financial liabilities at 31 December 2018 was as follows:-

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

Liquidity risk is managed by regular monitoring of the Company's levels of cash and cash equivalents, debtor and creditor management and expected future cash flows. See note 1 for further details on the going concern position of the Company.

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

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

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

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

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

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

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

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 31 December 2017.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company's policy is to keep the gearing ratio below 10% (2017: below 10%).The Company includes within net debt, interest bearing loans and borrowings, a loan from a venture partner, trade and other payables, less cash and cash equivalents.

## 23. DEFINED CONTRIBUTION PLANS

The Company operates a defined contribution pension plan.

The total expense relating to these plans in the current year was £15,618 (2017: £10,804).