

EDEN

THE NATURAL SOLUTION



ANNUAL REPORT AND ACCOUNTS 2004





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## CHAIRMAN'S STATEMENT

Over the last year, the Company has made significant progress in the exploitation of its Intellectual Property (IP) bank. Our results show a loss of £2,295,203 [2003: £1,031,306] on turnover of £34,483 [2003: £643], however these figures reflect an amortisation charge of £1,104,346 despite the fact that our IP bank is becoming increasingly valuable.

The Company's terpene-based product development programme continues to make rapid progress in the treatment of both plant diseases and nematodes. The Company's bactericidal programme, which includes its Pierce's disease product, is still progressing favourably, and in particular we have made significant progress in the development of our encapsulated fungicidal foliar spray treatment. This is relevant across three of the world's economically important fungal diseases affecting glasshouse crops, which are downy mildew, powdery mildew and botrytis.

These are diseases which appear in all the major protected crops (tomatoes, cucumbers, lettuce, strawberries, grapevines, peppers, and flowers), seriously affecting plant growth and the quality and quantity of harvestable product.

Eden's joint development/licensing agreement with Ecogen and John Boutari Wineries in Greece has been aggressively progressed over the past year, and research utilizing the foliar spray has delivered two key highlights in recent months:

- Progressive negotiations with the Greek regulatory authorities, which are expected to facilitate early approval next year for the commercial use of our encapsulated foliar treatment product on grapes; and
- An ongoing and comprehensive proving programme that has raised interest in our products from Greek distributors and growers.

Further complementary trials work is currently in progress in Portugal, Spain and Italy, which should strongly support the Greek data and assist in facilitating the Company's plan to gain full EU regulatory approval. The EU data package can subsequently be used to support worldwide product marketing.

We were pleased to announce in March the appointment of agronomist Dr Richard Smart as a consultant, and with his assistance, experimental work in Australia has delivered promising results. This data has helped to develop Eden's 2005 – 2006 southern hemisphere programme, which will be conducted in co-operation together with major wine producer Southcorp and senior researchers from the University of Adelaide and the University of Tasmania.

The Company has also made further advances in the development of its patented encapsulation technology in other areas during the period, significant milestones being:

- An ongoing vigorous programme to further field test our products against nematodes under way with the University of Florida and the University of Colorado; and
- Work at Cornell University, New York to investigate foliar bacterial plant disease control. This is an area where there is little competition, prompted by lab test successes against a range of major medical bacterial pathogens in late 2004.

Eden has been continuing to progress its non agro-chemical products over the period. The encapsulation process has greatly enhanced the potential uses in the healthcare sector. Eden's development projects have been moved forward with the support of the following institutions.

- Tufts Veterinary School, Boston: Eden has an ongoing programme to determine the potential for the use of encapsulated terpenes as a microbicide on meat products during processing, which will reduce the risk of food-borne pathogens.
- Worcester Polytechnic Institute, M.A: Eden is working to evaluate the potential for our encapsulated terpenes and/or silver compounds to reduce the incidence of microbial colonization in wounds and enhance the rate of wound healing.
- The Forsyth Institute, Boston: Work is being conducted to assess Eden's encapsulated terpene activity against the pathogens that cause gum disease and dental decay, and to evaluate if it is possible to modulate the oral biofilm in humans.

The Company has been greatly encouraged by significant third party distribution interest in the USA for its agrochemical products. To avoid possible conflicts and to optimize exploitation potential, this has led the Company

to seek to restrict expansion of the Thallo licence. Any expansion may well be on a joint venture basis, however the Company remains committed to its partners in Thallo.

Over the period the Company has made considerable progress with its research programme and its commercial development. I am therefore pleased to announce that it has reached agreement in principle to acquire the entire issued share capital of all of the companies forming the Rebest-Naturol Group for £2,375,000 from Rebest Pty Limited ("Rebest") and The Sustainable Projects Development Group Limited ("SPDG"). It is intended that the bulk of the consideration will be satisfied by the issue of new ordinary 1p shares in Eden, with a convertible loan note for the balance of the consideration. Eden intends to use the acquisition to concentrate its business on 'natural' products.

The Rebest-Naturol Group's main assets are Rebest's two state of the art hydroponic growing facilities in Australia. These facilities currently produce a range of commercial crops, as well as the anti-malarial crop artemesia, and Naturol's unique environmentally-friendly extraction process (which is designed to produce a range of oils and essences for the pharmaceutical, nutraceutical and fragrance industries) and extraction facility in Thirsk, Yorkshire.

Eden plans to use the Rebest facilities to grow plants containing terpenes and would expect the Naturol process be applied to extract those terpenes. Eden would then apply its unique technology to enable the terpenes to be delivered as a slow-release powder formulation, which offers significant commercial potential for treating agricultural problems such as powdery and downy mildew.

I am also pleased to announce that Eden has agreed to enter into a management agreement with Sustainable Projects Development Group Limited (SPDG) which will give the Company access to SPDG's broad portfolio of environmentally-friendly technologies and products around the world. This includes various fibre technologies and products (designed to replace glass fibre and glass reinforced plastics in the transport, packaging, construction and manufactured goods industries) as well as water purification technologies. The transaction will help transform Eden into a 'natural products' company.

Finally, Eden announces today that it intends to dispose of its current portfolio of pharmaceutical and medical patents, to complete the Company repositioning itself as a 'natural products' group. This disposal will enable the company to concentrate on core products that can be brought to commercialisation more easily, cheaply and with reduced legislative constraints. The Company shall make a further announcement in due course on this.

The Rebest-Naturol Group has a high degree of synergy with Eden's terpene technology, and the management believe that SPDG will broaden Eden's offering by enabling the Company to exploit a whole new range of 'natural' and environmentally-friendly technologies.

Under the terms of the management agreement, SPDG will grant a sub-licence to Eden covering various technologies and products and will continue to manage the commercial development of these. The agreement provides Eden with the right to appoint two directors to the SPDG board, and SPDG the right to appoint two directors to the Eden board.

The Rebest-Naturol Group was formed earlier this year with the view to gaining an admission to AIM. The joint technologies of Eden and the Rebest-Naturol Group provide the companies a perfect opportunity to achieve this.

I would like to thank everyone involved with the Company for their help in the progress we have made over the past year, and remain confident that the business continues to make significant progress in developing our products and offering.

With this knowledge bank and our growing international partnerships and joint ventures, we remain excited about the prospects of the business going forward.

**CRAIG HERRON**  
**CHAIRMAN**

**27 MAY 2005**

## REPORT OF THE DIRECTORS

The directors present their annual report with the financial statements of the Group for the year ended 31 December 2004.

### PRINCIPAL ACTIVITY

The principal activities of the Group in the year under review were the development and marketing of intellectual property, particularly in the area of terpenes and other health-related products.

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

The company continues to conduct field trials using its terpene intellectual property for the control of Pierce's disease, and the results to date have been very encouraging.

### RESEARCH AND DEVELOPMENT

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

### RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £2,295,203 (2003: £1,031,306). The directors are unable to recommend any dividend.

### DIRECTORS

The directors in office in the year and their beneficial interests in the Company's issued ordinary share capital at the end of the year were as follows:

	2004	Ordinary shares of £0.01 each 2003 or date of appointment if later
K W Brooks	466,165	426,065
A B Baldry	–	–
C Herron	50,000	89,000
T Griffiths	12,200	12,200
D A Collins (Appointed on 3 June 2004)	–	–

W F Widger resigned as a director on 3 June 2004.

The directors have been granted options to subscribe for ordinary shares of £0.01 in the Company as set out below:

	At 1 January 2004 or date of appointment if later	Exercised in the year	Lapsed in the year	At 31 December 2004	Exercise price £	Date from which exercisable	Expiry date
K W Brooks	50,000	50,000	–	–	0.135	22.12.00	21.12.07
	10,000	–	10,000	–	1.35	19.07.02	18.07.04
	18,900	–	18,900	–	1.35	14.12.02	13.12.04
	43,100	–	43,100	–	1.60	14.12.02	13.12.04
	125,000	–	–	125,000	0.95	08.12.03	07.12.05
	990,681	–	–	990,681	0.42	27.11.03	27.11.07
	1,237,681	50,000	72,000	1,115,681			
W F Widger	100,000	–	–	100,000	1.60	04.05.00	19.04.07
	50,000	–	–	50,000	0.95	08.12.03	07.12.05
	150,000	–	–	150,000			
A B Baldry	10,000	–	10,000	–	1.35	19.07.02	18.07.04
	5,000	–	–	5,000	1.70	05.03.99	14.07.06
	33,800	–	33,800	–	1.60	14.12.02	13.12.04
	4,200	–	4,200	–	1.35	14.12.02	13.12.04
	50,000	–	–	50,000	0.95	08.12.03	07.12.05
	100,000	–	–	100,000	1.60	04.05.00	19.04.07
	330,228	–	–	330,228	0.42	27.11.03	27.11.07
	533,228	–	48,000	485,228			
C Herron	330,228	–	–	330,228	0.42	27.11.03	27.11.07
T Griffiths	990,681	–	–	990,681	0.42	27.11.03	27.11.07
	55,550	–	–	55,550	0.42	18.04.97	15.07.06
	1,046,231	–	–	1,046,231			

The directors have no interest in the shares of any other Group company, including rights to subscribe for shares.

### DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and Company at the end of the financial year and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- follow applicable accounting standards, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going-concern basis, unless it is inappropriate to presume that the Group will continue in business.

## REPORT OF THE DIRECTORS

CONTINUED

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

### PAYMENT OF CREDITORS

It is the Group's and the Company's policy to pay suppliers within an acceptable period of allowed creditor days in accordance with the agreed terms. The Group and the Company acted in accordance with this policy throughout the year. The Group and the Company had 34 days purchases outstanding at 31 December 2004 (2003: 173 days) based on the average daily amount invoiced by suppliers during the year ended 31 December 2004.

### AUDITORS

Solomon Hare LLP resigned as auditors and Moore Stephens were appointed as auditors during the year. Moore Stephens will be proposed for reappointment in accordance with Section 385 of the Companies Act 1985.

Signed on behalf of the Board of Directors:

**Oxford Corporate Services Ltd, Company Secretary**

**Approved by the Board on 27 May 2005.**

Registered Office:  
Manor Business Park  
Witney Road  
Finstock  
Oxfordshire  
OX7 3DG

## OFFICERS AND PROFESSIONAL ADVISERS

### THE BOARD OF DIRECTORS

Mr C Herron Chairman  
Mr K W Brooks  
Mr A B Baldry  
Mr T Griffiths  
Mr D A Collins (Appointed 3 June 2004)

### COMPANY SECRETARIES

Mr R E Sims  
Oxford Corporate Services Ltd

### REGISTERED OFFICE

Manor Business Park  
Witney Road  
Finstock  
Oxfordshire  
OX7 3DG

### AUDITORS

Moore Stephens  
St. Paul's House  
Warwick Lane  
London  
EC4M 7BP

### BANKERS

The Royal Bank of Scotland plc  
Southern Corporate Office  
P O Box 391  
40 Islington High Street  
London  
N1 8JX

### SOLICITORS

BrookStreet Des Roches  
1 Des Roches Square  
Witan Way  
Witney  
Oxfordshire  
OX8 6BE

### STOCKBROKERS

J M Finn and Co  
Salisbury House  
London Wall  
London  
EC2M 5TA

## **REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF EDEN RESEARCH PLC**

We have audited the financial statements for the year ended 31 December 2004 set out on pages 10 to 28. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 15 and 16.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

As described on pages 5 and 6, the Company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if the Group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Group is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This information comprises only the Chairman's Statement and the Report of the Directors. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **BASIS OF OPINION**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

**FUNDAMENTAL UNCERTAINTY**

In forming our opinion, we have considered the adequacy of the disclosures made in Note 1 to the financial statements concerning the ability of the Group to continue as a going concern. In view of the significance of this uncertainty we consider that it should be drawn to your attention, but our opinion is not qualified in this respect.

**OPINION**

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and the Group as of 31 December 2004 and of the Group's results for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

**MOORE STEPHENS**

Chartered Accountants

Registered Auditors

London

EC4M 7BP

**27 MAY 2005**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

FOR THE YEAR ENDED 31 DECEMBER 2004

	Note	2004 £	2003 £
<b>Turnover</b>	2	<b>34,483</b>	643
Cost of sales		<b>(6,733)</b>	(4,375)
<b>Gross Profit/(Loss)</b>		<b>27,750</b>	(3,732)
Administration expenses – normal		<b>(1,083,630)</b>	(568,031)
Administration expenses – amortisation and impairment of goodwill		<b>(1,281,584)</b>	(519,839)
		<b>(2,337,464)</b>	(1,091,602)
Other operating income	3	<b>40,823</b>	–
<b>Operating Loss</b>	4	<b>(2,296,641)</b>	(1,091,602)
Profit on disposal of subsidiary		–	60,000
Interest receivable and similar income		<b>1,438</b>	296
<b>Loss on ordinary activities before taxation</b>		<b>(2,295,203)</b>	(1,031,306)
Tax on loss on ordinary activities	6	–	–
<b>Loss on ordinary activities after taxation</b>		<b>(2,295,203)</b>	(1,031,306)
<b>Retained loss for the financial year</b>		<b>(2,295,203)</b>	(1,031,306)
<b>Earnings per share (pence) – loss (normal and diluted)</b>	7	<b>(5.23)</b>	(4.3)

The results shown in the profit and loss account above represent continuing operations.

The Group has no recognised gains or losses other than the profit or loss for the above two financial years.

The Company has taken advantage of Section 230 of the Companies Act 1985, allowing it not to publish its own profit and loss account.

The notes on pages 15 to 28 form part of these financial statements

**CONSOLIDATED BALANCE SHEET**

31 DECEMBER 2004

	Note	2004 £	2003 £
<b>Fixed Assets</b>			
Intangible assets	8	<b>9,603,009</b>	10,609,769
Goodwill	9	<b>328,183</b>	507,257
Tangible assets	10	<b>10,265</b>	2,317
		<b>9,941,457</b>	11,119,343
<b>Current Assets</b>			
Debtors	12	<b>106,701</b>	212,096
Cash at bank and in hand		<b>50,600</b>	289,514
		<b>157,301</b>	501,610
<b>Creditors:</b> amounts falling due within one year	13	<b>(1,123,225)</b>	(1,111,164)
<b>Net Current Liabilities</b>		<b>(965,924)</b>	(609,554)
<b>Net Assets</b>		<b>8,975,533</b>	10,509,789
<b>Capital and Reserves</b>			
Called-up share capital	14	<b>447,073</b>	433,341
Share premium account	15	<b>9,615,100</b>	8,867,885
Merger reserve	16	<b>10,209,673</b>	10,756,148
Profit and loss account	17	<b>(11,296,313)</b>	(9,547,585)
<b>Equity Shareholders' Funds</b>	18	<b>8,975,533</b>	10,509,789

These financial statements were approved by the directors on 27 May 2005 and are signed on their behalf by:

**K W BROOKS**  
**DIRECTOR**

The notes on pages 15 to 28 form part of these financial statements

**COMPANY BALANCE SHEET**

31 DECEMBER 2004

	Note	2004 £	2003 £
<b>Fixed Assets</b>			
Intangible assets	8	<b>1,339,003</b>	1,427,802
Tangible assets	10	<b>10,265</b>	2,317
Investments	11	<b>9,181,967</b>	9,181,967
		<b>10,531,235</b>	10,612,086
<b>Current Assets</b>			
Debtors	12	<b>106,601</b>	211,996
Cash at bank and in hand		<b>50,600</b>	289,514
		<b>157,201</b>	501,510
<b>Creditors:</b> amounts falling due within one year	13	<b>(1,123,225)</b>	(1,111,164)
<b>Net Current Liabilities</b>		<b>(966,024)</b>	(609,654)
<b>Net Assets</b>		<b>9,565,211</b>	10,002,432
<b>Capital and Reserves</b>			
Called-up share capital	14	<b>447,073</b>	433,341
Share premium account	15	<b>9,615,100</b>	8,867,885
Merger reserve	16	<b>10,209,673</b>	10,756,148
Profit and loss account	17	<b>(10,706,635)</b>	(10,054,942)
<b>Equity Shareholders' Funds</b>	18	<b>9,565,211</b>	10,002,432

These financial statements were approved by the directors on 27 May 2005 and are signed on their behalf by:

**K W BROOKS**  
**DIRECTOR**

The notes on pages 15 to 28 form part of these financial statements

**CONSOLIDATED CASH FLOW STATEMENT**

FOR THE YEAR ENDED 31 DECEMBER 2004

	2004 £	2004 £	2003 £	2003 £
<b>Net cash outflow from operating activities</b>		<b>(139,855)</b>		(64,593)
<b>Returns on investments and servicing of finance</b>				
Interest received	1,438		296	
		<b>1,438</b>		296
		<b>(138,417)</b>		(64,297)
<b>Capital expenditure and financial investment</b>				
Purchase of intangible fixed assets	<b>(97,586)</b>		(33,217)	
Purchase of tangible fixed assets	<b>(9,653)</b>		–	
		<b>(107,239)</b>		(33,217)
<b>Acquisitions and disposals</b>				
Disposal of subsidiary	–		60,000	
		–		60,000
<b>Cash outflow before financing</b>		<b>(245,656)</b>		(37,514)
<b>Financing</b>				
Issue of equity shares		<b>6,750</b>		329,999
<b>Increase/(Decrease) in cash during the year</b>		<b>(238,906)</b>		292,485

The notes on pages 15 to 28 form part of these financial statements

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**

FOR THE YEAR ENDED 31 DECEMBER 2004

**RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW  
FROM OPERATING ACTIVITIES**

	2004 £	2003 £
Operating loss	<b>(2,296,641)</b>	(1,091,602)
Depreciation	<b>1,705</b>	1,353
(Increase)/Decrease in debtors	<b>105,395</b>	(197,775)
(Decrease)/Increase in creditors	<b>766,266</b>	523,132
Amortisation of trademarks and intellectual property	<b>1,104,346</b>	180,460
Goodwill amortisation and impairment	<b>179,074</b>	519,839
Net cash outflow from operating activities	<b>(139,855)</b>	(64,593)

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/(DEBT)**

	2004 £	2003 £
(Decrease)/Increase in cash in the year	<b>(238,906)</b>	292,485
Change in net funds	<b>(238,906)</b>	292,485
Net (debt)/funds at 1 January 2004	<b>289,506</b>	(2,979)
Net funds/(debt) at 31 December 2004	<b>50,600</b>	289,506

**ANALYSIS OF CHANGES IN NET FUNDS/(DEBT)**

	At 1 January 2004 £	Cash flows £	At 31 December 2004 £
Cash at bank and in hand	289,514	(238,914)	<b>50,600</b>
Bank overdraft	(8)	8	-
Net (debt)/funds	289,506	(238,906)	<b>50,600</b>

**NON-CASH TRANSACTIONS**

During the year, the Company issued 1,323,153 ordinary £0.01 shares in respect of a debt for equity swap amounting to £754,197.

The notes on pages 15 to 28 form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2004

**1. ACCOUNTING POLICIES****BASIS OF ACCOUNTING**

These financial statements have been prepared in accordance with statements of standard accounting practice issued by UK accounting bodies and under the historical cost convention.

The Group financial statements combine the financial statements of Eden Research plc and its wholly owned subsidiaries Eden Research Europe Ltd and Eden Research Inc. No profit and loss account is presented for Eden Research plc, as provided by Section 230(3) of the Companies Act 1985.

**GOING CONCERN**

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

The Group has reported a loss for the year of £2,295,203 (2003: £1,031,306). Net current liabilities amounted to £965,924 (2003: £609,554). The ability of the Group to continue as a going concern is dependent upon the amounts and timing of cash inflows from the exploitation of the Group's Intellectual Property. The directors believe that the Intellectual Property can be turned into cash in a short enough period to allow the Group to continue and if there are to be significant delays in generation of cash flows from the exploitation of Intellectual Property, the directors would seek additional funding from the shareholders. In the opinion of the directors adequate funding would be forthcoming therefore it is appropriate for the financial statements to be prepared on a going concern basis and therefore no adjustments have been made for the impairment and reclassification of assets which would be necessary in the event that the Group is no longer a going concern.

**TURNOVER**

Turnover represents amounts invoiced by the Group in accordance with the provisions of the underlying contract or licence, stated net of value-added tax (VAT).

**DEPRECIATION OF TANGIBLE FIXED ASSETS**

Depreciation is provided at rates calculated to write off the cost of each asset, less its estimated residual value, over its expected useful life as follows:

Plant and equipment	– 20% per annum on a reducing-balance basis
Furniture, fixtures and fittings	– 15-25% per annum on a straight-line basis
Computer and office equipment	– 33.33% per annum on a straight-line basis

**AMORTISATION**

Amortisation is calculated so as to write off the cost of each asset, less its estimated residual value, over its useful economic life as follows:

Intellectual property,	
licences and trademarks	– 10% per annum on a straight-line basis
Goodwill on consolidation	– 10% per annum on a straight-line basis

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2004

CONTINUED

**1. ACCOUNTING POLICIES (CONTINUED)****OPERATING LEASE AGREEMENTS**

Rentals applicable to operating leases, when substantially all of the benefits and risks of ownership remain with the lessor, are charged to the profit and loss account on a straight-line basis over the period of the lease.

**INTANGIBLE FIXED ASSETS**

Goodwill arising on consolidation is capitalised and amortised over its useful economic life. Costs in relation to trademarks are capitalised when they are incurred and are then written off over their useful economic lives and the life of the trademark, which is currently deemed to be 10 years. Intellectual property is amortised over its estimated life of 10 years.

The directors regularly review the intangible assets for impairment, and provision is made if necessary.

**RESEARCH AND DEVELOPMENT**

Research and development costs in relation to all existing products are written off in the year in which they are incurred.

**INVESTMENTS IN GROUP COMPANIES**

Shares in Group companies are stated at cost less provision for any impairment in value.

**DEFERRED TAXATION**

Deferred taxation is provided in full with respect to taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred taxation balance has not been discounted.

Deferred tax assets are recognised to the extent that it is more likely than not that there will be suitable taxable profits from which the reversal of the underlying timing difference can be deducted.

**FOREIGN CURRENCIES**

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

**2. TURNOVER AND GROUP LOSS**

The turnover and loss of the Group during the year are attributable to the one principal activity of the Group.

An analysis of turnover is below:

	<b>2004</b>	2003
	<b>£</b>	£
United Kingdom	<b>34,483</b>	643

All turnover originates from and all assets are situated in the United Kingdom, with the exception of some of the intellectual property which is located in the USA.

**3. OTHER OPERATING INCOME**

	<b>2004</b>	2003
	<b>£</b>	£
Rental income	<b>40,823</b>	–

**4. OPERATING LOSS**

The operating loss is stated after charging/(crediting):

	<b>2004</b>	2003
	<b>£</b>	£
Net loss/(profit) on foreign exchange	<b>(166)</b>	1,624
Amortisation of trademarks and intellectual property	<b>1,104,346</b>	180,460
Amortisation of goodwill	<b>179,074</b>	179,074
Impairment of goodwill	–	340,765
Auditors' remuneration – as auditors	<b>18,000</b>	10,000
– other services	<b>8,284</b>	32,400
Depreciation – owned assets	<b>1,705</b>	1,353
Operating lease rentals – land and buildings	<b>33,778</b>	–
Research and development costs	<b>165,571</b>	4,375
Write off loan to Arista Biologics Inc – exceptional	<b>265,240</b>	–

Impairment of goodwill relates to a piece of intellectual property that the directors do not intend to develop.

**5. EMPLOYEES AND DIRECTORS**

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

	<b>2004</b>	2003
	<b>£</b>	£
Wages and salaries	<b>67,996</b>	7,200
Social security costs	<b>7,322</b>	–
	<b>75,318</b>	7,200

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

	<b>No.</b>	No.
Management	<b>4</b>	4
Administration	<b>1</b>	–
	<b>5</b>	4

Details of charges incurred with related parties with respect to management services are set out in note 20.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2004

CONTINUED

**5. EMPLOYEES AND DIRECTORS (CONTINUED)**

Staff costs include the following emoluments with respect to directors:

	2004 £	2003 £
Directors' remuneration	<b>51,917</b>	7,200

The number of directors who are accruing benefits under Company pension schemes were as follows:

	2004	2003
Money purchase schemes	–	–

**6. TAX ON LOSS ON ORDINARY ACTIVITIES**

	2004 £	2003 £
Corporation tax	–	–

No tax charge arises on the results for the year. Tax losses carried forward amount to approximately £5,951,000 (2003: £4,773,000).

**FACTORS AFFECTING TAX CHARGE FOR THE YEAR**

The UK standard rate of corporation tax is 30% (2003: 30%), whereas the current tax assessed for the financial year as a percentage of the loss before taxation is nil (2003: nil). The differences are explained below:

	2004 %	2003 %
Standard rate of corporation tax in the United Kingdom	<b>(30.0)</b>	(30.0)
Effects of:		
Losses carried forward	<b>15.4</b>	27.7
Other expenses not deductible for tax purposes	<b>14.6</b>	2.3
Current tax rate for the year	–	–

**UNPROVIDED DEFERRED TAX ASSET**

	2004 £	2003 £
Losses at 30%	<b>1,785,000</b>	1,431,900

The deferred tax asset has not been recognised due to the uncertainty of suitable future profits against which it may be realised.

**7. EARNINGS PER SHARE**

	<b>2004</b>	2003
Earnings per ordinary share (pence)	<b>(5.23)</b>	(4.3)

Earnings per share have been calculated on the net basis on the loss on ordinary activities after taxation of £2,295,203 (2003: £1,031,306) using the weighted average number of ordinary shares in issue of 43,886,937 (2003: 23,891,957). Due to the loss for the year, there is no dilution of earnings arising from options in existence.

**8. INTANGIBLE FIXED ASSETS**

<b>GROUP</b>	Intellectual property £	Licences and trademarks £	Total £
<b>Cost</b>			
At 1 January 2004	<b>10,828,467</b>	<b>158,104</b>	<b>10,986,571</b>
Additions	–	<b>97,586</b>	<b>97,586</b>
At 31 December 2004	<b>10,828,467</b>	<b>255,690</b>	<b>11,084,157</b>
<b>Amortisation</b>			
At 1 January 2004	<b>329,300</b>	<b>47,502</b>	<b>376,802</b>
Charge for the year	<b>1,082,611</b>	<b>21,735</b>	<b>1,104,346</b>
At 31 December 2004	<b>1,411,911</b>	<b>69,237</b>	<b>1,481,148</b>
<b>Net book value</b>			
At 31 December 2004	<b>9,416,556</b>	<b>186,453</b>	<b>9,603,009</b>
<b>Net book value</b>			
At 31 December 2003	10,499,167	110,602	10,609,769

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2004

CONTINUED

**8. INTANGIBLE FIXED ASSETS (CONTINUED)**

<b>COMPANY</b>	Intellectual property £	Licences and trademarks £	Total £
<b>Cost</b>			
At 1 January 2004	<b>1,646,500</b>	<b>158,104</b>	<b>1,804,604</b>
Additions	–	<b>97,586</b>	<b>97,586</b>
At 31 December 2004	<b>1,646,500</b>	<b>255,690</b>	<b>1,902,190</b>
<b>Amortisation</b>			
At 1 January 2004	<b>329,300</b>	<b>47,502</b>	<b>376,802</b>
Charge for the year	<b>164,650</b>	<b>21,735</b>	<b>186,385</b>
At 31 December 2004	<b>493,950</b>	<b>69,237</b>	<b>563,187</b>
<b>Net book value</b>			
At 31 December 2004	<b>1,152,550</b>	<b>186,453</b>	<b>1,339,003</b>
<b>Net book value</b>			
At 31 December 2003	1,317,200	110,602	1,427,802

**9. GOODWILL**

<b>GROUP</b>	Positive goodwill £
<b>Cost</b>	
At 1 January 2004	<b>1,790,742</b>
At 31 December 2004	<b>1,790,742</b>
<b>Amortisation</b>	
At 1 January 2004	<b>1,283,485</b>
Charge for the year	<b>179,074</b>
At 31 December 2004	<b>1,462,559</b>
<b>Net book value</b>	
At 31 December 2004	<b>328,183</b>
<b>Net book value</b>	
At 31 December 2003	507,257

**10. TANGIBLE FIXED ASSETS**

<b>GROUP</b>	Plant and machinery £	Furniture, fixtures and fittings £	Computer and office equipment £	Total £
<b>Cost</b>				
At 1 January 2004	–	12,691	21,417	34,108
Additions	2,790	2,232	4,631	9,653
At 31 December 2004	2,790	14,923	26,048	43,761
<b>Depreciation</b>				
At 1 January 2004	–	12,691	19,100	31,791
Charge for the year	86	37	1,582	1,705
At 31 December 2004	86	12,728	20,682	33,496
<b>Net book value</b>				
At 31 December 2004	2,704	2,195	5,366	10,265
<b>Net book value</b>				
At 31 December 2003	–	–	2,317	2,317
<b>COMPANY</b>				
	Plant and machinery £	Furniture, fixtures and fittings £	Computer and office equipment £	Total £
<b>Cost</b>				
At 1 January 2004	–	12,691	21,417	34,108
Additions	2,790	2,232	4,631	9,653
At 31 December 2004	2,790	14,923	26,048	43,761
<b>Depreciation</b>				
At 1 January 2004	–	12,691	19,100	31,791
Charge for the year	86	37	1,582	1,705
At 31 December 2004	86	12,728	20,682	33,496
<b>Net book value</b>				
At 31 December 2004	2,704	2,195	5,366	10,265
<b>Net book value</b>				
At 31 December 2003	–	–	2,317	2,317

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2004

CONTINUED

**11. FIXED ASSET INVESTMENTS**

<b>COMPANY</b>	<b>2004</b>	2003
	<b>£</b>	£
<b>Shares in subsidiary undertakings</b>		
Balance at 1 January 2004	<b>9,181,967</b>	20,000
Additions in the year	–	9,221,967
Disposal in the year	–	(60,000)
Balance at 31 December 2004	<b>9,181,967</b>	9,181,967

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

	<b>2004</b>	2003
	<b>£</b>	£
Eden Research Inc	<b>9,181,967</b>	9,181,967

The activities of the Company's subsidiary undertakings are as follows:

**BIOCLINICAL SERVICES LTD**

- This company was sold on 1 January 2004 for £1.

**EDEN RESEARCH EUROPE LTD**

- The company remained dormant throughout the year.

**PROFEMME LTD**

- This company was sold on 1 January 2004 for £1.

**EDEN RESEARCH INC**

- Holds a portfolio of intellectual property of antimicrobial products. This company, incorporated in Delaware, USA, was acquired on 1 December 2003 for £9,181,967 by way of issue of shares. Battlebridge Group Ltd, a shareholder, held a small minority interest in Eden Research Inc prior to the acquisition.

**ARISTA BIOLOGICS INC**

The Company holds 20% of the issued share capital of Arista Biologics Inc, a company incorporated in California, USA. The Group does not exercise any influence over this company, and it has accordingly been excluded from the consolidated financial statements. The principal activity of the Company is conducting research into the agricultural applications of terpenes. Details of the company's results for the year are set out below.

	<b>2004</b>	2003
	<b>£</b>	£
Profit/(loss) for the year	<b>17,562</b>	(22,245)
Capital and reserves	–	(22,245)

**12. DEBTORS**

<b>GROUP</b>	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Trade debtors	<b>46,455</b>	755
Other debtors	<b>37,797</b>	185,610
VAT recoverable	<b>22,449</b>	25,731
	<b>106,701</b>	212,096
<b>COMPANY</b>	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Trade debtors	<b>46,455</b>	755
Other debtors	<b>37,697</b>	185,510
VAT recoverable	–	25,731
VAT debtor	<b>22,449</b>	–
	<b>106,601</b>	211,996

**13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

<b>GROUP</b>	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Bank overdraft	–	8
Trade creditors	<b>95,090</b>	336,759
Other creditors (note 20)	<b>971,010</b>	754,197
Accruals and deferred income	<b>57,125</b>	20,200
	<b>1,123,225</b>	1,111,164
<b>COMPANY</b>	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Bank overdraft	–	8
Trade creditors	<b>95,090</b>	336,759
Other creditors (note 20)	<b>971,010</b>	754,197
Accruals and deferred income	<b>57,125</b>	20,200
	<b>1,123,225</b>	1,111,164

The bank overdraft is secured by an Intercompany Composite Guarantee dated 30 January 2001 in favour of The Royal Bank of Scotland.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2004

CONTINUED

**14. CALLED-UP SHARE CAPITAL**

	2004 £	2003 £
Authorised		
100,000,000 ordinary shares of £0.01 each (2003: 100,000,000)	<b>1,000,000</b>	1,000,000
Allotted and called up		
44,707,260 ordinary shares of £0.01 each (2003: 43,334,107)	<b>447,073</b>	433,341

**SHARE OPTIONS**

In addition to the directors' share options disclosed in the Report of the Directors, options with respect to 1,651,592 shares have been granted as follows:

At 1 January 2004	Granted in the year	At 31 December 2004	Exercise Price £	Date from which exercisable	Expiry date
<b>70,422</b>		<b>70,422</b>	£0.01	23.02.02	31.12.05
<b>71,170</b>		<b>71,170</b>	£0.20	24.06.02	31.12.05
<b>100,000</b>		<b>100,000</b>	£0.20	24.06.02	24.06.07
<b>500,000</b>		<b>500,000</b>	£0.27	24.06.02	31.12.07
	<b>60,000</b>	<b>60,000</b>	£0.27	01.11.04	01.11.09
<b>500,000</b>		<b>500,000</b>	£0.35	28.02.03	28.02.07
	<b>350,000</b>	<b>350,000</b>	£0.35	09.08.04	09.08.09
<b>1,241,592</b>	<b>410,000</b>	<b>1,651,592</b>			

During the year, the Company allotted the following ordinary shares:

24 May 2004	1,323,153 shares at £0.57 to swap debt for equity.
3 June 2004	50,000 shares at £0.135 for cash.

**15. SHARE PREMIUM ACCOUNT**

<b>GROUP AND COMPANY</b>	2004 £	2003 £
At 1 January 2004	<b>8,867,885</b>	8,546,135
Premium on shares issued in the year	<b>747,215</b>	321,750
At 31 December 2004	<b>9,615,100</b>	8,867,885

**16. MERGER RESERVE**

<b>GROUP AND COMPANY</b>	2004 £	2003 £
At 1 January 2004	<b>10,756,148</b>	1,778,225
Acquisition during the year	–	8,977,923
Transfer to profit and loss account on disposal of subsidiary	<b>(546,475)</b>	–
At 31 December 2004	<b>10,209,673</b>	10,756,148

**17. PROFIT AND LOSS ACCOUNT**

<b>GROUP</b>	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
At 1 January 2004	<b>(9,547,585)</b>	(8,516,279)
Retained loss for the year	<b>(2,295,203)</b>	(1,031,306)
Transfer from Merger Reserve on disposal of a subsidiary	<b>546,475</b>	–
At 31 December 2004	<b>(11,296,313)</b>	(9,547,585)
<b>COMPANY</b>	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
At 1 January 2004	<b>(10,054,942)</b>	(9,480,762)
Retained loss for the year	<b>(1,198,168)</b>	(574,180)
Transfer from Merger Reserve on disposal of a subsidiary	<b>546,475</b>	–
At 31 December 2004	<b>(10,706,635)</b>	(10,054,942)

**18. RECONCILIATION OF MOVEMENTS ON SHAREHOLDERS' FUNDS**

<b>GROUP</b>	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Loss for the financial year after taxation	<b>(2,295,203)</b>	(1,031,306)
New equity share capital issued (nominal value)	<b>13,732</b>	212,293
Share premium arising on new share capital subscribed	<b>747,215</b>	321,750
Merger reserve arising on acquisition	–	8,977,923
Opening equity shareholders' funds at 1 January 2004	<b>10,509,789</b>	2,029,129
Closing equity shareholders' funds at 31 December 2004	<b>8,975,533</b>	10,509,789
<b>COMPANY</b>	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Loss for the financial year after taxation	<b>(1,198,168)</b>	(574,180)
New equity share capital issued (nominal value)	<b>13,732</b>	212,293
Share premium arising on new share capital subscribed	<b>747,215</b>	321,750
Merger reserve arising on acquisition	–	8,977,923
Opening equity shareholders' funds at 1 January 2004	<b>10,002,432</b>	1,064,646
Closing equity shareholders' funds at 31 December 2004	<b>9,565,211</b>	10,002,432

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2004

CONTINUED

**19. COMMITMENTS****LEASE COMMITMENTS**

At 31 December 2004, the Group had annual commitments under non-cancellable operating leases as follows:

	<b>2004</b> <b>Land and</b> <b>buildings</b> <b>£</b>	2003 Land and buildings £
Operating leases which expire – 2-5 years	<b>30,000</b>	–

**20. RELATED PARTY DISCLOSURES**

The Company has taken advantage of the exemptions in Financial Reporting Standard 8 with regard to disclosure of transactions with other Group undertakings.

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

	<b>2004</b> <b>£</b>	2003 £
Provision of legal services	<b>21,025</b>	–
Trade creditors due at the year end	<b>4,494</b>	–

The Group has also traded with Oxford Commercial Services Ltd and Oxford Corporate Services Ltd, companies in which K W Brooks is a director. The transactions in aggregate were as follows:

	<b>2004</b> <b>£</b>	2003 £
Provision of management and statutory secretarial services	<b>11,483</b>	15,839
Trade creditors due at the year end	<b>695</b>	9,574

During the year, Oxford Commercial Services Ltd advanced further funds to the Group totalling £nil (2003: £25,000). At the year end, the amount due to this company was £nil (2003: £172,067).

During the year, the Group traded with Management (TG) Ltd, a company controlled by T Griffiths. The transactions in aggregate were as follows:

	<b>2004</b> <b>£</b>	2003 £
Provision of consultancy services and reimbursement of expenses	<b>57,820</b>	18,131
Trade creditors due at the year end	–	–

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

	<b>2004</b>	2003
	<b>£</b>	£
Medical writing fees	<b>35,000</b>	–
Trade creditors due at the year end	<b>5,875</b>	–

During the year the Group traded with 3DM Worldwide PLC, a company in which K W Brooks is a director. The transactions in aggregate were as follows:

	<b>2004</b>	2003
	<b>£</b>	£
Rent receivable	<b>40,823</b>	–
Trade debtor at the year end	<b>11,972</b>	–

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

During the year, the Group paid £121,200 (2003: £124,200) to Battlebridge Group Ltd, a shareholder, with respect to management services.

Other creditors include the following loans advanced by the shareholders of the Company

	<b>2004</b>	2003
	<b>£</b>	£
Battlebridge Group Limited	<b>764,585</b>	330,026
Battlebridge Nominees Limited	<b>103,200</b>	122,436
Oxford Corporate Services Limited	–	56,667
Oxford Commercial Services Limited	–	172,068
Oxford Equities Limited	<b>100,000</b>	–
Littlemore Nominees Ltd	–	73,000
	<b>967,785</b>	754,197

The loans are unsecured, interest free and there are no fixed terms for repayment.

## NOTES TO THE FINANCIAL STATEMENTS

### 21. POST-BALANCE SHEET EVENTS

Eden has reached an agreement in principle to acquire the entire issued share capital of all of the companies forming Rebest-Naturol Group. The companies being, The Sustainable Projects Development Group Limited and Agfresh UK Limited, incorporated in the United Kingdom, Rebest Pty Limited, Australian Technology No2 Pty Ltd and Australia Technology No3 Pty Ltd, incorporated in Australia.

The consideration payable by Eden for the entire issued share capital of the rebest-Naturol Group shall be £2,375,000. This amount will be settled by Rebest-Naturol Group subscribing for 10,666,666 Eden shares at a price of 15p, to a value of £1,600,000 and Eden issuing £775,000 in Convertible Loan Notes. The loan notes will be issued at par and carry interest at 7% p.a. Both capital and accrued interest will be repaid on 31 May 2010 or such other time as shall be agreed between the parties. The loan notes will also carry an option at 15p exercise price for Rebest-Naturol Group to convert the par value of the loan notes into Eden shares at that date or at such other time and at such a value as shall be agreed between the parties.

Rebest-Naturol group holds hydroponic growing facilities and a unique plant extraction process and is considered complementary to Eden's activities.

### 22. FINANCIAL INSTRUMENTS

Where permitted by FRS 13, short-term debtors and creditors are excluded from these disclosures.

#### DEBT INSTRUMENTS

At the present time, the Company is financed with short-term borrowings and equity. All borrowings at the year end were at floating rates, repayable on demand and denominated in pounds sterling.

#### CURRENCY RISK

The Group publishes its financial statements in pounds sterling and conducts some of its business in US dollars. As a result, it is subject to foreign currency exchange risk due to exchange movements, which will affect the Group's transaction costs and translation of the results. No financial instruments are utilised to manage risk and currency gains, and losses are charged to the profit and loss account as incurred. At the year end, the Group had the following net foreign currency debtors or creditors:

		2004	2003
		£	£
Euros	Debtor	34,483	–
US Dollars	Debtor	–	4,509
US Dollars	Creditor	37,311	–

#### INTEREST RISK

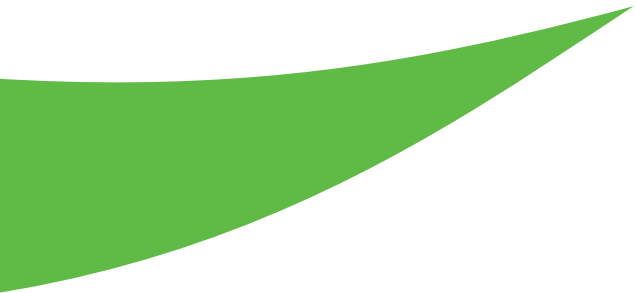
The Group has an exposure to interest rate risk. Currently, the directors utilise variable rate borrowings.

#### LIQUIDITY

An analysis of financial liabilities is set out in note 13.

#### FAIR VALUES

The directors consider that the carrying value of financial assets and liabilities is not materially different to their fair values.



 **Eden Research plc**

Keble House, South Leigh, Witney, Oxon OX29 6UR

E [info@edenresearchplc.co.uk](mailto:info@edenresearchplc.co.uk)

[www.edenresearchplc.co.uk](http://www.edenresearchplc.co.uk)

 **Head office**

T 01993 868844 F 01993 869301

 **Chairman's office**

T 01993 862761 F 01993 776480