

**REGISTERED NUMBER: 3071324 (England and Wales)**

**ANNUAL REPORT AND  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010  
FOR  
EDEN RESEARCH PLC**

**EDEN RESEARCH PLC**

**CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2010**

	<b>Page</b>
<b>Company Information</b>	<b>3</b>
<b>Chairman's Review</b>	<b>4</b>
<b>Report of the Directors</b>	<b>6</b>
<b>Independent Auditor's Report</b>	<b>11</b>
<b>Consolidated Statement of Comprehensive Income</b>	<b>13</b>
<b>Consolidated and Company Statement of Changes in Equity</b>	<b>14</b>
<b>Consolidated Statement of Financial Position</b>	<b>15</b>
<b>Company Statement of Financial Position</b>	<b>16</b>
<b>Consolidated and Company Statement of Cash Flows</b>	<b>17</b>
<b>Notes to the Consolidated and Company Statement of Cash Flows</b>	<b>18</b>
<b>Notes to the Financial Statements</b>	<b>19</b>

**EDEN RESEARCH PLC**  
**COMPANY INFORMATION**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**DIRECTORS:** K W Brooks  
A J Abrey  
C Newitt  
A B N Gill

**SECRETARY:** R E Sims  
Oxford Corporate Services Limited

**REGISTERED OFFICE:** 14 The Old Forge  
The Audley End Business Centre  
London Road  
Wendens Ambo  
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CB11 4JL

**REGISTERED NUMBER:** 3071324 (England and Wales)

**AUDITOR:** Grant Thornton UK LLP  
3140 Rowan Place  
John Smith Drive  
Oxford Business Park  
Oxford  
OX4 2WB

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

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

**CORPORATE ADVISOR:** St Helens Capital Partners LLP  
223a Kensington High Street  
London  
W8 6SG

**EDEN RESEARCH PLC**  
**CHAIRMAN'S REVIEW**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**Introduction**

Eden Research has seen significant activity in 2010 with a number of new licensees on board, product approval milestones having been met and rapidly increasing interest in the encapsulation technologies.

The year started strongly, with the licensing of our encapsulation technologies and products to TEVA Animal Health, a subsidiary of the largest generic pharmaceutical company in the World, TEVA Pharmaceutical. This has helped to create the setting for Eden to push itself as a leading platform encapsulation technology company with applications and benefits not only in the agrochemical sector, where Eden has already proved itself commercially, but, in other unrelated sectors, such as animal health.

Adding together these new, exciting prospects to the agrochemical products that Eden has already developed to date, it is possible to understand the vast potential that Eden has.

**Products**

**3AEY**

3AEY, Eden's lead product; a terpene based fungicide, has now been out-licensed to a number of parties for a variety of applications throughout the World.

Cheminova have the majority of the worldwide rights for professional crop applications and progress is being made in line with the European registration of the three active substances which make up 3AEY.

Redestos, who have rights in Greece and the Balkans, are currently preparing their national provisional authorisations for 3AEY.

In March 2010, Ecostyle BV, a Dutch company licensed rights to 3AEY for use in the amateur gardening sector. As well as conducting a number of studies, Ecostyle have also been preparing for national provisional authorisations.

**Nematodes**

In 2010, Certis Europe entered into an exclusive option agreement for Eden's nematode product. Since then, both Certis and Eden have undertaken field trials on a variety of nematode species in order to evaluate the potential for the products and to determine the markets for which Certis would like to enter into a full licensing agreement.

Later on in the year, Eden entered into a full licence agreement with Stockton Agrimor for rights to the nematode product in South America.

This leaves Eden with NAFTA to out-licence for its nematode applications. Discussions are progressing in that respect.

**Spider Mites and Whitefly**

Following on from the encouraging results seen in the trial work by ANADIAG, Eden is in discussion with a number of interested parties who are seeking to licence the product, take on registration and further trial work responsibilities.

## EDEN RESEARCH PLC

### CHAIRMAN'S REVIEW (continued)

#### FOR THE YEAR ENDED 31 DECEMBER 2010

#### Encapsulation

As previously mentioned, Eden entered into an option and licence agreement with TEVA Animal Health at the beginning of the year to grant the rights to Eden's products and technologies in the animal health sector thus broadening the scope of potential revenue streams to be derived from the platform encapsulation technologies.

At the very end of 2010, SBM Developpement SA, based in Lyon, signed two agreements with Eden which granted SBM the rights to use Eden's terpene encapsulation system. SBM are co-encapsulating two of their important crop protection molecules with blends of synergistic terpenes to create new products that will exhibit a wider spectrum of activity and be less prone to resistance development.

During the year and since the year end, Eden has received a number of interesting enquiries regarding the potential use of the encapsulation system in a wide range of applications and markets which are being actively pursued.

#### Product registration

In April 2010, the UK regulatory body, the Chemicals Regulation Directorate (CRD), submitted the Draft Assessment Report ("DAR") for 3AEY to the European Food Safety Authority (EFSA).

Eden has completed all of the work required including the additional study as recommended by CRD and EFSA are currently reviewing the DAR. After this process has completed, EFSA should then recommend inclusion of the three active substances used in 3AEY to the EU Commission who will then vote for its inclusion onto the list of approved active substances.

#### The Senior Management

In May 2010, Stephen O'Brien MP stepped down from his role as Non-executive director at Eden following his appointment to the Government as Minister for International Development.

The management committee comprises:

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

#### AIM market

Eden continues to progress its proposed admission to the Alternative Investment Market ("AIM"), following the completion of a small number of significant events.

#### Outlook

On a wider basis, the on-going issues of food security, the need for increased food production, together with the increased regulatory pressures on traditional chemical products and problems with resistance affecting their efficacy all serve to highlight the need for novel, environmentally friendly and effective technologies, such as Eden's.

The platform encapsulation technology provides a simple and yet effective solution, not only to the agrochemical sector, but, given its diversity in application, to a number of other sectors. The potential financial benefits from the encapsulation technology appear to be ever greater and of more significance to your company.

**EDEN RESEARCH PLC**  
**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

The directors present their report with the financial statements of the Company and the Group for the year ended 31 December 2010.

**PRINCIPAL ACTIVITY**

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

**DIVIDENDS**

The loss for the year after taxation amounted to £3,250,974 (2009: £1,727,208). The directors are unable to recommend any dividend.

**REVIEW OF BUSINESS**

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

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

The registration of the Group's first product, 3AEY, for use as a pesticide in Europe will not only be a key milestone in terms its commercialisation but also of future products as the three active substances that are being registered are the basis of Eden's future product portfolio.

Further commercialisation of Eden's products and encapsulation technologies through licensing and option agreements also serve as a key indicator of the Group's performance.

Successful trial results are also significant in showing the commerciality of the intellectual property.

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

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

The progress of the development of the Group's products is measured against internally set timescales as well as against the regulatory process which will result in the registration of products.

The Chairman's Review contains an update regarding this progress.

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

**Results**

Revenue in 2010 was £0.2 million, in line with £0.2 million in 2009. Operating loss for the year was £2.2 million compared to £1.6 million for the previous year. Loss before tax was £3.3 million, up from £1.8 million in 2009.

The loss per share was 5.21 pence compared to 3.03 pence in 2009.

**Trading**

Revenue in 2010 consisted of a milestone payments received from Eden's licensees; Ecostyle, Environmental Solutions North Africa, Certis Europe and Stockton Agrmior.

**EDEN RESEARCH PLC**  
**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

...continued ...

Administrative expenses, (excluding the amortisation of intangible assets and share based payments charge) were £1.3 million (2009: £0.8 million). Aside from additional costs relating to external consultants, the company maintains a policy of keeping a low head count in order to maintain a low level of overheads.

Intellectual property, including development expenditure, is written off over fourteen years in line with the remaining life of the Group's master patent.

### **Financing**

During the year, the Group received £0.7 million from the issue of equity shares.

Also during the year, the Group received net loans from shareholders of £1.8 million. In addition, £0.7 million of debt was converted into equity. The holders of the loans have confirmed their on-going commitment and support to the Group for the foreseeable future, a period of at least one year from the date of approval of these financial statements.

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

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

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

### **RESEARCH AND DEVELOPMENT**

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

### **FUTURE DEVELOPMENTS**

An indication of future developments is included within the Chairman's Review.

### **DIRECTORS**

The directors during the year under review were:

K W Brooks

A J Abrey

C Newitt

A B N Gill

S R O'Brien (Resigned 14 May 2010)

**EDEN RESEARCH PLC**  
**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

...continued ...

At 31 December 2010 the directors had the following interests in share option schemes:

Date of grant	Expiry date	Exercise price	Number at 1 January 2010	Granted in year	Exercised in year	Lapsed in year	Number at 31 December 2010
£							
<b>K W Brooks</b>							
11/10/2006	11/10/2010	0.20	212,806	-	-	(212,806)	-
19/10/2006	19/10/2010	0.34	275,000	-	-	(275,000)	-
19/05/2009	19/05/2014	0.26	900,000	-	-	-	900,000
08/06/2006	08/06/2011	0.20	500,000	-	-	-	500,000
			1,887,806	-	-	-487,806	1,400,000
<b>A J Abrey</b>							
19/10/2006	19/10/2010	0.34	50,000	-	-	(50,000)	-
10/01/2006	10/01/2011	0.09	50,000	-	-	-	50,000
19/05/2009	19/05/2014	0.26	450,000	-	-	-	450,000
			550,000	-	-	- 50,000	500,000
<b>C Newitt</b>							
19/10/2006	19/10/2010	0.34	50,000	-	-	(50,000)	-
19/05/2009	19/05/2014	0.26	150,000	-	-	-	150,000
			200,000	-	-	- 50,000	150,000
<b>A B N Gill</b>							
19/05/2009	19/05/2014	0.26	100,000	-	-	-	100,000

**PAYMENT OF CREDITORS**

It is the Group's and the Company's policy to endeavour to pay suppliers within an acceptable period of allowed creditor days in accordance with the agreed terms. The Group and the Company acted in accordance with this policy throughout the year where possible, though restricted cash flow meant that the Company made various arrangements with creditors to pay outside normal credit terms. The Group and the Company had 231 days purchases outstanding at 31 December 2010 (2009: 396 days) based on the average daily amount invoiced by suppliers during the year ended 31 December 2010.

**PRINCIPAL RISKS AND UNCERTAINTIES**

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

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

The Group monitors cash flow as part of its day to day control procedures. The board considers cash flow projections at its meetings and ensures that appropriate facilities are available to be drawn down upon as necessary. Interest rate risk is controlled by the use of fixed rate convertible loans.

**EDEN RESEARCH PLC**  
**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

...continued ...

**INDEMNITY COVER**

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

**FINANCIAL INSTRUMENTS**

Details of the use of financial instruments by the Group are contained in note 24 to the financial statements.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

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

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

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

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

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

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

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

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

**EDEN RESEARCH PLC**  
**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

...continued ...

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR**

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

**AUDITOR**

The previous auditor, Baker Tilly UK Audit LLP resigned on 10 January 2010. Grant Thornton UK LLP were appointed during the year and will be proposed for re-appointment in accordance with Section 489(4) of the Companies Act 2006.

**ON BEHALF OF THE BOARD:**

**A J Abrey**  
**Director**  
**18 May 2011**

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

### EDEN RESEARCH PLC

We have audited the financial statements of Eden Research plc for the year ended 31 December 2010 which comprise the consolidated statement of comprehensive income, the consolidated and parent company statements of changes in equity, the consolidated and parent company statements of financial position, the consolidated and parent company statements of cash flow, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

#### **Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2010 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Emphasis of matter - Going concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Group's ability to continue as a going concern. The Group incurred a net loss of £3,250,974 during the year ended 31 December 2010 and, at that date, the Group had net current liabilities of £4,463,395. The Group is dependent on continued support of shareholders and the ability to raise additional finance and the successful commercialization of its intellectual property. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**

**EDEN RESEARCH PLC**

**...continued...**

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Tracey James**  
**Senior Statutory Auditor**  
**for and on behalf of Grant Thornton UK LLP**  
**Statutory Auditor, Chartered Accountants**  
**Oxford**

EDEN RESEARCH PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 £	2009 (restated) £
<b>CONTINUING OPERATIONS</b>			
Revenue		172,529	192,815
Cost of sales		-	-
		<hr/>	<hr/>
<b>GROSS PROFIT</b>		<b>172,529</b>	<b>192,815</b>
Administrative expenses			
- normal		(1,335,117)	(835,744)
- amortisation of intangible assets		(664,097)	(649,019)
- share based payments		(436,084)	(369,269)
		<hr/>	<hr/>
Total administrative expenses		(2,435,298)	(1,854,032)
Other operating income		-	25,350
		<hr/>	<hr/>
<b>OPERATING LOSS</b>	5	<b>(2,262,769)</b>	<b>(1,635,867)</b>
Finance costs	4	(1,018,928)	(157,452)
Finance income	4	14	17
		<hr/>	<hr/>
<b>LOSS BEFORE TAX</b>		<b>(3,281,683)</b>	<b>(1,793,302)</b>
Tax	6	30,709	66,094
		<hr/>	<hr/>
<b>LOSS FOR THE YEAR and total comprehensive income attributable to owners of the parent</b>		<b>(3,250,974)</b>	<b>(1,727,208)</b>
		<hr/>	<hr/>
<b>LOSS PER SHARE</b>			
- basic and diluted	8	(5.21)p	(3.03)p
		<hr/>	<hr/>

The notes on pages 18 to 55 are an integral part of these consolidated financial statements.

EDEN RESEARCH PLC

CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

	Share capital	Share premium	Merger reserve	Warrant reserve	Retained earnings (restated)	Total (restated)
	£	£	£	£	£	£
Balance at 1 January 2008	559,736	12,387,217	10,209,673	2,441,708	(19,407,478)	6,190,856
Prior period adjustments	-	-	-	-	(167,479)	(167,479)
	<u>559,736</u>	<u>12,387,217</u>	<u>10,209,673</u>	<u>2,441,708</u>	<u>(19,574,957)</u>	<u>6,023,377</u>
Loss and total comprehensive income	-	-	-	-	(2,157,064)	(2,157,064)
Transactions with owners						
- Issue of shares	3,397	728,902	-	-	-	732,299
- Options granted	-	-	-	431,795	-	431,795
- Options exercised/lapsed	-	-	-	(752,866)	752,866	-
	<u>3,397</u>	<u>728,902</u>	<u>-</u>	<u>(321,071)</u>	<u>752,866</u>	<u>1,164,094</u>
Transactions with owners	3,397	728,902	-	(321,071)	752,866	1,164,094
Balance at 1 January 2009	563,133	13,116,119	10,209,673	2,120,637	(20,979,155)	5,030,407
Loss and total comprehensive income	-	-	-	-	(1,727,208)	(1,727,208)
Transactions with owners						
- Issue of shares	54,191	1,029,634	-	-	-	1,083,825
- Options granted	-	-	-	369,269	-	369,269
- Options exercised/lapsed	-	-	-	(303,633)	303,633	-
	<u>54,191</u>	<u>1,029,634</u>	<u>-</u>	<u>65,636</u>	<u>303,633</u>	<u>1,453,094</u>
Transactions with owners	54,191	1,029,634	-	65,636	303,633	1,453,094
<b>Balance at 1 January 2010</b>	<b>617,324</b>	<b>14,145,753</b>	<b>10,209,673</b>	<b>2,186,273</b>	<b>(22,402,730)</b>	<b>4,756,293</b>
Loss and total comprehensive income	-	-	-	-	(3,250,974)	(3,250,974)
Transactions with owners						
- Issue of share	52,960	609,035	-	-	-	661,995
- Options granted	-	-	-	436,084	-	436,084
- Options exercised/lapsed	-	-	-	(1,368,824)	1,368,824	-
	<u>52,960</u>	<u>609,035</u>	<u>-</u>	<u>(932,740)</u>	<u>1,368,824</u>	<u>1,098,079</u>
Transactions with owners	52,960	609,035	-	(932,740)	1,368,824	1,098,079
<b>Balance at 31 December 2010</b>	<b>670,284</b>	<b>14,754,788</b>	<b>10,209,673</b>	<b>1,253,533</b>	<b>(24,284,880)</b>	<b>2,603,398</b>

**EDEN RESEARCH PLC**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**AS AT 31 DECEMBER 2010**

	Note	2010 £	2009 (restated) £	2008 (restated) £
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Intangible assets	9	8,198,319	8,757,642	9,203,269
Property, plant and equipment	10	-	-	6,926
		<u>8,198,319</u>	<u>8,757,642</u>	<u>9,210,195</u>
<b>CURRENT ASSETS</b>				
Trade and other receivables	12	75,324	36,079	177,791
Cash and cash equivalents	13	6,123	81,728	13,065
		<u>81,447</u>	<u>117,807</u>	<u>190,856</u>
<b>TOTAL ASSETS</b>		<u><b>8,279,766</b></u>	<u><b>8,875,449</b></u>	<u><b>9,401,051</b></u>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Trade and other payables	14	1,597,340	1,009,216	1,038,253
Financial liabilities - borrowings				
Loan notes	16	2,947,502	2,049,235	2,271,686
		<u>4,544,842</u>	<u>3,038,451</u>	<u>3,309,939</u>
<b>NON CURRENT LIABILITIES</b>				
Other payables	15	1,131,526	1,060,705	1,060,705
<b>TOTAL LIABILITIES</b>		<u><b>5,676,368</b></u>	<u><b>4,119,156</b></u>	<u><b>4,370,644</b></u>
<b>EQUITY</b>				
Called up share capital	18	670,284	617,324	563,133
Share premium account	19	14,754,788	14,145,753	13,116,119
Merger reserve	20	10,209,673	10,209,673	10,209,673
Warrant reserve	20	1,253,533	2,186,273	2,120,637
Retained earnings	21	(24,284,880)	(22,402,730)	(20,979,155)
<b>TOTAL EQUITY attributable to owners of the parent</b>		<u><b>2,603,398</b></u>	<u><b>4,756,293</b></u>	<u><b>5,030,407</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>8,279,766</b></u>	<u><b>8,875,449</b></u>	<u><b>9,401,051</b></u>

The notes on pages 19 to 55 are an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 18 May 2011 and were signed on its behalf by:

**K W Brooks**  
Director

**EDEN RESEARCH PLC**

**COMPANY STATEMENT OF FINANCIAL POSITION**

**AS AT 31 DECEMBER 2010**

	2010	2009	2008
Note	£	(restated) £	(restated) £
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets	9 <b>8,198,319</b>	8,757,642	9,203,269
Property, plant and equipment	10      -	-	6,926
Investments	11 <b>100</b>	100	100
	<hr/> <b>8,198,419</b>	<hr/> 8,757,742	<hr/> 9,210,295
<b>CURRENT ASSETS</b>			
Trade and other receivables	12 <b>75,324</b>	36,079	177,791
Cash and cash equivalents	13 <b>6,123</b>	81,728	13,065
	<hr/> <b>81,447</b>	<hr/> 117,807	<hr/> 190,856
<b>TOTAL ASSETS</b>	<hr/> <b>8,279,866</b>	<hr/> 8,875,549	<hr/> 9,401,151
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14 <b>1,597,440</b>	1,009,316	1,038,353
Financial liabilities - borrowings			
Loan notes	16 <b>2,947,502</b>	2,049,235	2,271,686
	<hr/> <b>4,544,942</b>	<hr/> 3,058,551	<hr/> 3,310,039
<b>NON CURRENT LIABILITIES</b>			
Other payables	15 <b>1,131,526</b>	1,060,705	1,060,705
<b>TOTAL LIABILITIES</b>	<hr/> <b>5,676,468</b>	<hr/> 4,119,256	<hr/> 4,370,744
<b>EQUITY</b>			
Called up share capital	18 <b>670,284</b>	617,324	563,133
Share premium account	19 <b>14,754,788</b>	14,145,753	13,116,119
Merger reserve	20 <b>10,209,673</b>	10,209,673	10,209,673
Warrant reserve	20 <b>1,253,533</b>	2,186,273	2,120,637
Retained earnings	21 <b>(24,284,880)</b>	(22,402,730)	(20,979,155)
<b>TOTAL EQUITY attributable to owners of the parent</b>	<hr/> <b>2,603,398</b>	<hr/> 4,756,293	<hr/> 5,030,407
<b>TOTAL EQUITY AND LIABILITIES</b>	<hr/> <b>8,279,866</b>	<hr/> 8,875,549	<hr/> 9,401,151

The notes on pages 19 to 55 are an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 18 May 2011 and were signed on its behalf by:

**K W Brooks**  
Director

**EDEN RESEARCH PLC**

**CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	2010 £	2009 £
<b>Cash flows from operating activities</b>			
Cash outflow from operations	1	(1,017,257)	(497,978)
Tax credit received		29,320	66,094
Finance charges paid		(763,068)	-
		<hr/>	<hr/>
<b>Net cash used in operating activities</b>		<b>(1,751,005)</b>	<b>(431,884)</b>
		<hr/>	<hr/>
<b>Cash flows from investing activities</b>			
Capitalisation of development expenditure		(104,674)	(203,392)
Finance income		14	17
		<hr/>	<hr/>
Net cash used in investing activities		(104,660)	(203,375)
		<hr/>	<hr/>
<b>Cash flows from financing activities</b>			
Shareholders' loan – repayment		(898,322)	-
Shareholders' loan - drawdown		2,016,388	120,097
Issue of equity shares		661,994	583,825
		<hr/>	<hr/>
Net cash from financing activities		1,780,060	703,922
		<hr/>	<hr/>
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>(75,605)</b>	<b>68,663</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>81,728</b>	<b>13,065</b>
		<hr/>	<hr/>
<b>Cash and cash equivalents at end of year</b>		<b>6,123</b>	<b>81,728</b>
		<hr/>	<hr/>

Cash and cash equivalents comprise bank account balances.

The notes on pages 19 to 55 are an integral part of these consolidated financial statements.

EDEN RESEARCH PLC

NOTES TO THE CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010

1. Cash outflow from operations

GROUP AND COMPANY

	2010	2009 (restated)
	£	£
Loss before tax	(3,281,683)	(1,793,302)
Depreciation of property, plant and equipment	-	6,926
Equity share based payment charge	436,084	369,269
Amortisation of trademarks and intellectual property	664,097	649,019
Finance income	(14)	(17)
Finance costs	1,018,928	157,452
	<hr/>	<hr/>
<b>Operating cash flows before movement in working capital</b>	<b>(1,162,588)</b>	<b>(610,653)</b>
Decrease/(increase) in trade and other receivables	(39,244)	141,712
Increase/(decrease) in trade and other payables	184,575	(29,037)
	<hr/>	<hr/>
<b>Cash outflow from operations</b>	<b>(1,017,257)</b>	<b>(497,978)</b>
	<hr/>	<hr/>

**EDEN RESEARCH PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**1. ACCOUNTING POLICIES**

**General information**

Eden Research plc is a company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page three. The nature of the Group's operations and its principal activities are set out in the Chairman's Review on page four. The Company is quoted on the PLUS Market in London.

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

The Group has adopted the following revisions and amendments to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Group's financial statements for the year beginning 1 January 2010.

IFRS 3 – Business Combinations – Comprehensive revision on applying the acquisition method

IAS27 – Consolidated and Separate Financial Statements – Amendments arising from IFRS 3

IAS 39 – Financial Instruments: Recognition and Measurement – Amendment; Eligible hedged items

IFRIC 9 – Reassessment of Embedded Derivatives – Amendment; Embedded Derivatives

IFRIC 17 – Distributions of Non-cash Assets to Owners

IFRIC 18 – Transfers of Assets from Customers

Improvements to IFRSs (May 2008)

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

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

	Effective date: Periods commencing on or after
IAS 24 – Related Party Disclosures (Amendment)	1 Jan 11
IAS 32 – Financial Instruments: Presentation – Classification of Rights Issues	1 Feb 10
IFRIC 14 – Prepayments of a minimum funding requirement	1 Jan 11
IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments	1 Jul 10
Improvements to IFRSs (May 2010)	1 Jul 10 & 1 Jan 11

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

**EDEN RESEARCH PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

... continued ...

**1. ACCOUNTING POLICIES (continued)**

**Basis of preparation**

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

**Basis of consolidation**

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

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

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

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

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

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

**Going concern**

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

The Group has reported a loss for the year after taxation of £3,250,974 (2009: £1,727,208). Net current liabilities as at that date amounted to £4,463,395 (2009: £2,920,644).

**EDEN RESEARCH PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

... continued ...

**1. ACCOUNTING POLICIES (continued)**

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

The directors have prepared budgets and projected cash flow forecasts for a period of two years from 31 December 2010 and they consider that the Group will be able to operate within the available cash facilities that are available to it for this period. The holders of existing shareholder debt have confirmed their on-going commitment and support to the Group.

The directors are closely monitoring performance against cash flow projections that have been prepared for the period to 31 December 2012 and beyond and are confident that the Group will be able to generate the necessary cash resources over and above those referred to above and to maintain relationships with suppliers such that they do not seek repayment in advance of the time when these items are included within the forecasts. On this basis the directors consider it appropriate to prepare the financial statements on the going concern basis.

The financial statements do not include any adjustments that would result from a failure by the Group to obtain adequate future funding.

**Revenue recognition**

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

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

Royalty income and upfront payments are recognised on an accruals basis over the period in which the benefit passes to the customer. Amounts receivable under Milestone agreements are recognised when the terms of the milestone are expected to be met and the relevant work has been completed as the Group has no contractual rights to the revenue until this point.

**Intangible assets**

Intellectual property, including development costs, is capitalised and amortised on a straight line basis over its estimated useful economic life of 14 years in line with the remaining life of the Group's master patent, which was originally 20 years. The useful economic life of intangible assets is reviewed on an annual basis.

**EDEN RESEARCH PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

... continued ...

**1. ACCOUNTING POLICIES (continued)**

**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 Group's development activities is recognised only if all the following conditions are met:-

- the project is technically and commercial feasible;
- an asset is created that can be identified;
- the Group intends to complete the asset and use or sell it 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.

**Property, plant and equipment**

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

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

Plant and equipment	- 20% straight line
Furniture, fixtures and fittings	- 25% straight line
Computer and office equipment	- 33.3% straight line

**EDEN RESEARCH PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

... continued ...

**1. ACCOUNTING POLICIES (continued)**

**Financial instruments**

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

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

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

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

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

**Financial assets**

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

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

**Debt and equity instruments issued by the Group**

**Loan notes**

Where loans that were not previously convertible have been converted to equity as a result of an agreement between the note holder and the Group, the value of the loan and any associated accrued interest is transferred to equity.

**EDEN RESEARCH PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

... continued ...

**1. ACCOUNTING POLICIES (continued)**

**Equity instruments**

Equity instruments issued by the Group 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 Group under the terms of the contract have been met, but the company retains a financial liability. This financial liability is measured in accordance with the company's accounting policy for the measurement of financial liabilities.

**Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. 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.

**Current and deferred income tax**

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

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

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

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

**EDEN RESEARCH PLC**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2010**

... continued ...

**1. ACCOUNTING POLICIES (continued)**

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited 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 group intends to settle its current tax assets and liabilities on a net basis.

**Foreign currencies**

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

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

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

**Share based payments**

The Group has applied the requirements of IFRS2 Share-Based Payment.

The Group operates an unapproved share option scheme for executive directors, senior management and certain employees.

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

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

**EDEN RESEARCH PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

... continued ...

**1. ACCOUNTING POLICIES (continued)**

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.

**Critical accounting estimates and areas of judgement**

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

**Capitalised development costs**

The directors have considered the recoverability of the internally generated intangible asset which has a carrying value of £1.7m. The projects continue to progress in a satisfactory manner and the directors are confident that the carrying amount of the asset will be recovered in full. This situation will be closely monitored and adjustments made in future periods if future market activity indicates that such adjustments are appropriate.

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

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

**Impairment of assets**

The directors have considered the carrying value of the Group's Intellectual Property and are satisfied that its recoverable value exceeds the current carrying value. Furthermore, an independent valuation was undertaken during the year in respect of three of the company's products which are closest to market which confirmed the Board's view.

**Fair value of financial instruments**

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from future markets, it is determined using the valuation technique including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required to establish fair value. The judgments include considerations of inputs such as credit risk, liquidity risk and volatility. Changes in assumptions concerning these factors could affect the reported fair value of financial instruments.

**EDEN RESEARCH PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

... continued ...

**1. ACCOUNTING POLICIES (continued)**

**Fair value of royalty liabilities**

The royalty liability is calculated based using the royalty rate inherent in the original agreement the Group signed with the licensor when they acquired the Group's main patent. This agreement requires the Group to pay a royalty of 2.5% on all future sales that incorporate the main patent to the licensor. The liability has been calculated based on the projected sales forecasts for all products incorporating the main patent over the license period, discounted to their present value. Management have made significant estimates in determining the fair value of this liability. The most significant of these estimates management have made relate to the Group's forecast market share and the weighted average cost of capital. Further details of these are given in note 9.

**Going concern**

The directors have considered the ability of the Group to continue as a going concern and this is considered to be the most significant estimate made by the directors in preparing the financial statements.

The ability of the Group to continue as a going concern is ultimately dependent upon the amount and timing of cash flows arising from the capitalisation of the Group's intellectual property. The directors consider it is appropriate for the financial statements to be prepared on a going concern basis based on the estimates they have made, which are summarised on pages 20 to 21.

**Financial risk management**

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risks), credit risk and liquidity risk. Risk management focuses on minimising any potential adverse effect on the Group's financial performance and is carried out under policies approved by the Board of Directors. Further detail is given in note 24 to the financial statements - Financial Instruments.

**2. SEGMENTAL REPORTING**

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

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

**EDEN RESEARCH PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

... continued ...

**2. SEGMENTAL REPORTING (continued)**

The segmental information for the year ended 31 December 2010 is as follows:

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

The segment information for the year ended 31 December 2009 is:

	3AEY			Encapsulation	Total (restated) £
	UK £	Africa £	Unallocated £	USA £	
Total segment revenue	30,000	69,065	-	93,750	192,815
Inter segment revenue	-	-	-	-	-
<b>Revenue from external customers</b>	30,000	69,065	-	93,750	192,815
<b>Adjusted EBITDA</b>	-	-	(636,003)	-	(636,003)
Amortisation	-	-	(649,019)	-	(649,019)
Depreciation	-	-	(6,926)	-	(6,926)
Share based payments	-	-	(369,269)	-	(369,269)
Other operating income	-	-	25,350	-	25,350
Net Finance costs	-	-	(157,435)	-	(157,435)
Income tax	-	-	66,094	-	66,094
<b>Loss for the year</b>	-	-	(1,727,208)	-	(1,727,208)
<b>Total assets</b>	-	-	8,875,449	-	8,875,449
Total assets includes:					
Additions to non-current assets	-	-	203,392	-	203,392
<b>Total liabilities</b>	-	-	4,119,156	-	4,119,156

**EDEN RESEARCH PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

... continued ...

**2. SEGMENTAL REPORTING (continued)**

Revenues of £16,667 (2009: £nil) are derived from a single external customer, LHS Institute, from within the 3AEY segment.

Revenues of £38,000 (2009: £nil) are derived from a single external customer, Environmental Solutions North Africa Limited, from within the 3AEY segment. In 2009, revenues of £69,065 in this segment were derived from a single external customer, Lachlan (Kenya) Limited.

Revenues of £37,344 (2009: £nil) are derived from a single external customer, DSM Nutritional Products AG, from within the Data Sharing segment.

Revenues of £37,344 (2009: £nil) are derived from a single customer, DSM Nutritional Products AG, from within the Data Sharing segment.

In 2009 revenues of £30,000 were derived from a single customer, Environmental Solutions North Africa Limited, from within the 3AEY segment.

In 2009 revenues of £93,750 were derived from a single external customer, TEVA Animal Health Inc, from within the Encapsulation segment.

The Company's platform technology, yeast glucan encapsulation, is another business segment for which the company is currently negotiating with a number of potential licensing partners.

**3. EMPLOYEES AND DIRECTORS**

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

	<b>2010</b>	2009
	<b>£</b>	£
Directors' remuneration	<b>267,640</b>	74,500
Social security costs	<b>5,193</b>	6,915
Directors' fees	<b>15,525</b>	85,483
Compensation for loss of office	-	30,000
	<hr/>	<hr/>
	<b>288,358</b>	196,898
	<hr/>	<hr/>
Share based payment charge relating to executive directors	-	338,497
	<hr/>	<hr/>

Staff costs, including executive directors' remuneration are included within administrative expenditure in the Statement of Comprehensive Income. The executive directors are considered to also be the key management personnel of the Group

**EDEN RESEARCH PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

... continued ...

**3. EMPLOYEES AND DIRECTORS (continued)**

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

	<b>2010</b>	2009
Management	<b>5</b>	6
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
	<b>5</b>	6
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>

Details of charges incurred with related parties with respect to management services are set out in note 23.

	<b>2010</b>	2009
	<b>£</b>	<b>£</b>
Directors' remuneration	<b>267,640</b>	74,500
Directors' fees	<b>15,525</b>	85,483
Compensation for loss of office	-	30,000
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
Non-executive directors' fees	<b>283,165</b>	189,983
	<b>62,500</b>	62,500
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
Total directors' emoluments	<b>345,665</b>	252,483
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
Share based payment charge relating to all directors	<b>15,386</b>	369,269
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>

None of the directors are accruing benefits under Company pension schemes (2009: none).  
During the year the remuneration of the highest paid director was £95,413 (2009: £95,417).

**EDEN RESEARCH PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

... continued ...

**4. NET FINANCE COSTS**

	2010 £	2009 £
Finance income:		
Bank interest received	14	17
	<u>          </u>	<u>          </u>
	<b>2010</b>	<b>2009</b>
Finance costs:	<b>£</b>	<b>£</b>
Exchange Variance	(3,241)	-
Bank interest and Finance Fees	(759,829)	-
Interest on shareholders' loans	(185,037)	(157,452)
Other payables – unwinding on discount	(70,821)	-
	<u>          </u>	<u>          </u>
	<b>(1,018,928)</b>	<b>(157,452)</b>
	<u>          </u>	<u>          </u>
Net finance costs	<b>(1,018,914)</b>	<b>(157,435)</b>

**5. OPERATING LOSS**

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

	2010 £	2009 (restated) £
Other operating leases	8,877	8,403
Depreciation – owned assets	-	6,926
Profit on disposal of property, plant and equipment	-	(4,444)
Amortisation of trademarks, intellectual property, and development costs	664,097	649,019
Auditor's remuneration	20,000	21,000
Previous auditor's remuneration for non audit work – taxation and corporate finance	31,145	10,500
Foreign exchange differences	3,241	9,328
Research and development costs	25,171	34,654
Directors' emoluments	345,665	252,483
Equity share based payment charge	436,084	369,269
	<u>          </u>	<u>          </u>
	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Grant Thornton LLP fees in respect of the audit of the parent and consolidated accounts	20,000	-
Baker Tilly UK Audit LLP fees in respect of the audit of the parent and consolidated accounts	-	21,000
	<u>          </u>	<u>          </u>
Total audit fees	<b>20,000</b>	<b>21,000</b>
Baker Tilly UK Audit LLP provided the following services:		
Other services - tax services	4,250	5,500
- corporate finance services	26,895	5,000
	<u>          </u>	<u>          </u>
Total non-audit fees	<b>31,145</b>	<b>10,500</b>

**EDEN RESEARCH PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

... continued ...

**6. TAX**

**Analysis of the tax credit**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Current tax:		
Current taxation	-	-
Research and development credit	<b>30,709</b>	66,094
	<hr/>	<hr/>
Total tax credit in income statement	<b>30,709</b>	66,094
	<hr/> <hr/>	<hr/> <hr/>

**Corporation tax**

No tax charge arises on the results for the year. Tax losses carried forward amount to approximately £13,500,000 (2009: £10,800,000). The tax credit represents the research and development tax credit received for the year ended 31 December 2009.

**Factors affecting the tax charge**

The UK standard rate of corporation tax is 28% (2009: 28%). Current tax assessed for the financial year as a percentage of the loss before taxation is nil (2009: nil)

The differences are explained below:

	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
	<b>£</b>	<b>%</b>	<b>£</b>	<b>%</b>
Standard rate of corporation tax in the UK		<b>(28.0)</b>		(28.0)
Loss before tax at standard rate of tax	<b>(918,871)</b>		(502,124)	
Effects of:				
Losses carried forward	<b>756,426</b>	<b>23.0</b>	286,760	16.0
Other expenses not deductible for tax purposes	<b>162,445</b>	<b>5.0</b>	215,364	12.0
Research and development tax relief	<b>(30,709)</b>	<b>(1.0)</b>	(66,094)	(3.7)
	<hr/>	<hr/>	<hr/>	<hr/>
Total current tax charge/ (credit) and tax rate %	<b>(30,709)</b>	<b>(1.0)</b>	(66,094)	(3.7)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Deferred tax				
Unprovided deferred tax asset	<b>3,319,000</b>		3,024,000	
	<hr/> <hr/>		<hr/> <hr/>	

The unprovided deferred tax asset arises principally in respect of trading losses, together with other minor timing differences at 26.5% (2009: 28%) and has not been recognised due to the uncertainty of timing of future profits against which it may be realised.

**7. LOSS OF PARENT COMPANY**

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £3,250,974 (2009: £1,727,208).

**EDEN RESEARCH PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

... continued ...

<b>8. LOSS PER SHARE</b>	<b>2010</b>	2009 (restated)
Loss per ordinary share (pence) - basic and diluted	<b>(5.21)</b>	(3.03)

Loss per share has been calculated on the net basis on the loss after tax of £3,250,974 (2009: loss £1,727,208) using the weighted average number of ordinary shares in issue of 62,457,872 (2009: 57,055,620).

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

**EDEN RESEARCH PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

... continued ...

**9. INTANGIBLE ASSETS - GROUP AND COMPANY**

	Intellectual property (restated) £	Licences and trademarks £	Development Costs £	Total (restated) £
<b>COST</b>				
At 1 January 2008	8,433,708	290,118	1,189,401	9,813,227
Prior period adjustment (see note 28)	1,060,705	-	-	1,060,705
As restated	9,394,413	290,118	1,189,401	10,873,932
Additions	258,066	-	562,741	820,807
At 1 January 2009	9,652,479	290,118	1,752,142	11,694,739
Additions	-	-	203,392	203,392
At 1 January 2010	<b>9,652,479</b>	<b>290,118</b>	<b>1,955,534</b>	<b>11,898,131</b>
Additions	-	-	<b>104,774</b>	<b>104,774</b>
At 31 December 2010	<b>9,652,479</b>	<b>290,118</b>	<b>2,060,308</b>	<b>12,002,905</b>
<b>AMORTISATION</b>				
At 1 January 2008	1,509,274	154,550	-	1,663,824
Prior period adjustment (see note 28)	167,479	-	-	167,479
As restated	1,676,753	154,550	-	1,831,303
Charge for the year	546,045	29,012	85,110	660,167
At 1 January 2009	2,222,798	183,562	85,110	2,491,470
Charge for the year	495,312	29,012	124,695	649,019
At 1 January 2010	<b>2,718,110</b>	<b>212,574</b>	<b>209,805</b>	<b>3,140,489</b>
Charge for the year	<b>495,312</b>	<b>29,012</b>	<b>139,773</b>	<b>664,097</b>
At 31 December 2010	<b>3,213,422</b>	<b>241,586</b>	<b>349,578</b>	<b>3,804,586</b>

**EDEN RESEARCH PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

... continued ...

**9. INTANGIBLE ASSETS - GROUP AND COMPANY (continued)**

<b>CARRYING AMOUNT</b>				
At 31 December 2010	<b>6,439,057</b>	<b>48,532</b>	<b>1,710,730</b>	<b>8,198,319</b>
At 31 December 2009	6,934,369	77,544	1,745,729	8,757,642
At 31 December 2008	7,429,681	106,556	1,667,032	9,203,269

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 thirteen years.

An annual impairment review is undertaken by the Board of Directors using discounted cashflow forecasts. The result of this review was that the Intellectual Property is not impaired in respect of its carrying value.

An independent valuation was undertaken by PharmaVentures Limited on a number of the Company's product programmes and the estimated future value exceeds the current carrying value.

The valuers used an industry-standard methodology that combines discounted cash flow projections with decision tree analysis to allow explicitly for development risk. For each programme an expected net present value was derived, which provides a measure of the programme's current economic value.

The valuation was carried out on Eden's botrytis, powdery mildew and nematode products using third party information on the market sizes and based on assumptions with regard to the potential market share achievable.

The Estimated Net Present Value of 3AEY, Eden's lead botryticide product, alone exceeded the current carrying value of the Company's intellectual property.

The key assumptions used in completion of the valuation included:

- The projected market sizes for the key products which the Group is developing. These include a projected market of \$214m for 3AEY, \$100m for Powdery Mildew, and \$296m for nematodes.
- The projected market share attainable by the Group. In preparing the valuation, a base projected market share growing to 5% of the relevant markets has been assumed.
- As the nature of the Group's revenue streams are a mixture of milestone payments, licence income and royalties, there are no specific projected growth rates used – the timing of the attainment of the milestones which are attainable on project by project basis is a key assumption in the forecasts.
- The discounted cash flows have assumed a discount factor of 9%.
- All revenues have been projected to come from the cash generating units identified in the segmental reporting and Chairman's review, namely the key product lines of the Group.

**EDEN RESEARCH PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

... continued ...

**10. PROPERTY, PLANT AND EQUIPMENT**

**GROUP AND COMPANY**

	Plant and equipment	Furniture fixtures and fittings	Computer and office equipment	Total
	£	£	£	£
<b>COST</b>				
At 1 January 2008	2,790	15,123	32,746	50,659
Additions	-	-	8,089	8,089
	-----	-----	-----	-----
At 1 January 2009	2,790	15,123	40,835	58,748
Disposals	-	(15,123)	(40,835)	(55,958)
	-----	-----	-----	-----
At 1 January 2010	<b>2,790</b>	-	-	<b>2,790</b>
Disposals	<b>(2,790)</b>	-	-	<b>(2,790)</b>
	-----	-----	-----	-----
At 31 December 2010	-	-	-	-
	-----	-----	-----	-----
<b>DEPRECIATION</b>				
At 1 January 2008	1,778	14,428	30,897	47,103
Charge for year	564	612	3,543	4,719
	-----	-----	-----	-----
At 1 January 2009	2,342	15,040	34,440	51,822
Charge for year	448	83	6,395	6,926
Eliminated on disposals	-	(15,123)	(40,835)	(55,958)
	-----	-----	-----	-----
At 1 January 2010	<b>2,790</b>	-	-	<b>2,790</b>
Charge for year	-	-	-	-
Eliminated on disposals	<b>(2,790)</b>	-	-	<b>(2,790)</b>
	-----	-----	-----	-----
At 31 December 2010	-	-	-	-
	-----	-----	-----	-----
<b>CARRYING AMOUNT</b>				
At 31 December 2010	-	-	-	-
	-----	-----	-----	-----
At 31 December 2009	-	-	-	-
	-----	-----	-----	-----
At 31 December 2008	448	83	6,395	6,926
	=====	=====	=====	=====

The net carrying value of assets pledged on security for borrowings was £nil (2009: £nil, 2008: nil).

The depreciation charge for the prior year was included within administration expenses.

**EDEN RESEARCH PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

... continued ...

**11. INVESTMENTS**

**COMPANY**

	2010 £	2009 £	2008 £
<b>CARRYING AMOUNT</b>			
At 1 January	100	100	100
	<hr/>	<hr/>	<hr/>
At 31 December	100	100	100
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

	2010 £	2009 £	2008 £
Eden Research Europe Limited	100	100	100
	<hr/>	<hr/>	<hr/>
	100	100	100
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

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

Bioclinical Services Limited and Eden Research Europe are dormant and had no revenue or assets or liabilities at 31 December 2010, 31 December 2009 or 31 December 2008.

**EDEN RESEARCH PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

... continued ...

**12. TRADE AND OTHER RECEIVABLES**

	<b>Group</b>			<b>Company</b>		
	<b>2010</b> £	2009 £	2008 £	<b>2010</b> £	2009 £	2008 £
Current:						
Trade and other receivables	<b>58,946</b>	33,268	135,904	<b>58,946</b>	33,268	135,904
VAT recoverable	<b>16,378</b>	2,811	41,887	<b>16,378</b>	2,811	41,887
	<b>75,324</b>	36,079	177,791	<b>75,324</b>	36,079	177,791

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

There are no debts impaired at 31 December 2010, 2009 or 2008. Details of debts past due but not impaired are given in note 24.

**13. CASH AND CASH EQUIVALENTS**

	<b>Group and Company</b>		
	<b>2010</b> £	2009 £	2008 £
Short term bank deposits	<b>6,123</b>	81,728	13,065

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

**14. TRADE AND OTHER PAYABLES**

	<b>Group</b>			<b>Company</b>		
	<b>2010</b> £	2009 £	2008 £	<b>2010</b> £	2009 £	2008 £
Current:						
Trade payables	<b>805,814</b>	905,008	748,436	<b>805,814</b>	905,008	748,436
Other payables	<b>652,561</b>	31,708	46,285	<b>652,661</b>	31,808	46,385
Accruals and deferred income	<b>138,965</b>	72,500	243,532	<b>138,965</b>	72,500	243,532
	<b>1,597,340</b>	1,009,216	1,038,253	<b>1,597,440</b>	1,009,316	1,038,353

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

See note 24 for disclosure of the amount of trade payables denominated in foreign currency

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

**EDEN RESEARCH PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

... continued ...

**15. NON CURRENT LIABILITIES**

	<b>Group and Company</b>		
	<b>2010</b>	2009	2008
	£	(restated) £	(restated) £
Other payables	<b>1,131,526</b>	1,060,705	1,060,705
	<u>1,131,526</u>	<u>1,060,705</u>	<u>1,060,705</u>

Other payables relate to a non-executory contract which commits the company to make royalty payments of 2.5% on all future sales that incorporate the main patent to the licensor. The liability has been calculated based on the projected sales forecasts for all products incorporating the main patent discounted to their present value.

**16. FINANCIAL ASSETS AND LIABILITIES**

	<b>Note</b>	<b>2010</b>	2009	2008
		£	(restated) £	(restated) £
<b>Financial assets</b>				
Other receivables	<b>12</b>	75,324	36,079	177,791
Cash and cash equivalents	<b>13</b>	6,123	81,728	13,065
		<u>81,447</u>	<u>117,807</u>	<u>190,856</u>
<b>Financial liabilities</b>				
Financial liabilities measured at amortised cost				
Non current:				
Other payables	<b>15</b>	<u>1,131,526</u>	<u>1,060,705</u>	<u>1,060,705</u>
Current:				
Loan notes	<b>16.1</b>	2,947,502	2,049,235	2,271,686
Trade and other payables	<b>14</b>	1,597,340	1,009,216	1,038,253
		<u>4,544,842</u>	<u>3,058,451</u>	<u>3,309,939</u>

**EDEN RESEARCH PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

... continued ...

**16. FINANCIAL ASSETS AND LIABILITIES (continued)**

**16.1. Loan Notes**

	<b>Group and Company</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Current:			
Loan notes (note 24)	<b>2,947,502</b>	2,049,235	2,271,686
	<hr/>	<hr/>	<hr/>
	<b>2,947,502</b>	2,049,235	2,271,686
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

The loan balance includes £2,372,329 (2009: £1,153,452) which is secured by a fixed and floating charge over the company's assets. More details in relation to this charge are included within note 23.

<b>Loan Notes</b>	<b>£</b>	<b>£</b>
Loan balance as at 1 January 2008 (including £167,895 of interest)		1,829,081
New loans issued in the year		691,117
Interest charged in the year		123,438
Loan notes repaid in the year		<u>(371,950)</u>
Loan balance as at 1 January 2009		2,271,686
New loans issued in the year		120,097
Interest charged in the year		157,452
Loan notes converted in the year		(500,000)
Loan balance as at 31 December 2009		<b>2,049,235</b>
New loans issued in the year		<b>1,623,410</b>
Interest charged in the year		<b>173,179</b>
Loan notes repaid in the year		<b>(898,322)</b>
Loan notes converted in the year		<u>-</u>
Loan balance as at 31 December 2010		<b><u>2,947,502</u></b>

The loans converted during 2009 were converted into ordinary shares. In accordance with the Groups accounting policy these were converted at nil gain/ nil loss.

**EDEN RESEARCH PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

... continued ...

**17. LEASING AGREEMENTS**

**GROUP AND COMPANY**

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

	<b>2010</b>	2009	2008
	<b>£</b>	£	£
Property	<b>38,877</b>	8,403	31,500

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

	<b>2010</b>	2009	2008
	<b>£</b>	£	£
Within one year	-	2,175	31,500
Between one and five years	-	-	118,125
	-	2,175	149,625

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

**EDEN RESEARCH PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

... continued ...

**18. CALLED UP SHARE CAPITAL – GROUP AND COMPANY**

	2010 £	2009 £	2008 £
Authorised 100,000,000 ordinary shares of £0.01 each	<b>1,000,000</b>	1,000,000	1,000,000
Allotted and called up 67,028,351 ordinary shares of £0.01 each (2009: 61,732,399, 2008: 56,313,274)	<b>670,284</b>	617,324	563,133

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

Date	Number of ordinary shares	Aggregate nominal value £	Issue Price £	Premium on issue £	Total share premium £
11.11.10	5,295,952	52,960	0.125	0.115	609,035
		<b>52,960</b>			<b>609,035</b>

During 2009, the following ordinary shares were issued by Eden Research plc:

Date	Aggregate Number of ordinary shares	nominal value £	Issue Price £	Total Premium on issue £	share premium £
11.11.09	5,419,125	54,191	0.20	0.19	1,029,634
		54,191			1,029,634

The number of £0.01 ordinary shares issued in the year totalled 5,295,952 (2009: 5,419,125).

Details of shares issued post year end can be found in note 27.

**EDEN RESEARCH PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

... continued ...

**19. SHARE PREMIUM ACCOUNT**

<b>GROUP AND COMPANY</b>	<b>2010</b>	2009	2008
	£	£	£
At 1 January	<b>14,145,753</b>	13,107,119	12,387,217
Premium on shares issued in the year	<b>609,035</b>	1,029,634	728,902
	<hr/>	<hr/>	<hr/>
At 31 December	<b>14,754,788</b>	14,145,753	13,107,119
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**20. RESERVES**

<b>GROUP AND COMPANY</b>	<b>Merger reserve</b>	<b>Warrant reserve</b>
	£	£
At 1 January 2008	10,209,673	2,441,708
Increase		
– warrants/options granted	-	431,795
Transfer to retained earnings		
– warrants exercised or lapsed	-	(752,866)
	<hr/>	<hr/>
At 1 January 2009	10,209,673	2,120,637
Increase		
– warrants/options granted	-	369,269
Transfer to retained earnings		
– warrants exercised or lapsed	-	(303,633)
	<hr/>	<hr/>
At 1 January 2010	<b>10,209,673</b>	<b>2,186,273</b>
Increase		
– warrants/options granted	-	<b>436,084</b>
Transfer to retained earnings		
– warrants exercised or lapsed	-	<b>(1,368,824)</b>
	<hr/>	<hr/>
At 31 December 2010	<b>10,209,673</b>	<b>1,253,533</b>
	<hr/> <hr/>	<hr/> <hr/>

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

**EDEN RESEARCH PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

... continued ...

**21. RETAINED EARNINGS**

**GROUP AND COMPANY**

	<b>2010</b>	2009	2008
	£	(restated) £	(restated) £
At 1 January	<b>(22,402,730)</b>	(20,979,155)	(19,407,478)
Prior period adjustment (note 28)	-	-	(167,479)
	<u><b>(22,402,730)</b></u>	<u>(20,979,155)</u>	<u>(19,574,957)</u>
Loss for the year	<b>(3,250,974)</b>	(1,727,208)	(2,157,064)
Transfer from warrant reserve (note 20)	<b>1,368,824</b>	303,633	752,866
At 31 December	<u><b>(24,284,880)</b></u>	<u>(22,402,730)</u>	<u>(20,979,155)</u>

**22. CAPITAL COMMITMENTS**

The Group and Company had no capital commitments at 31 December 2010 (2009: £nil, 2008: £nil).

**23. RELATED PARTY DISCLOSURES**

Related party transactions

There were no transactions between the Company and its subsidiary and associate during 2009 or 2010.

Disclosures required in respect of IAS24 regarding remuneration of key management personnel is covered by the disclosure of directors' remuneration on page 30.

Transactions with other related parties are set out below.

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

	<b>2010</b>	2009	2008
	£	£	£
Provision of consulting services	<b>60,027</b>	38,329	42,518
Trade payables due at the year end	<b>5,423</b>	14,782	21,478

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

	<b>2010</b>	2009	2008
	£	£	£
Provision of management services	<b>27,616</b>	65,833	100,690
Trade payables due at the year end	<b>2,448</b>	76,344	17,083

**EDEN RESEARCH PLC**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2010**

... continued ...

**23. RELATED PARTY DISCLOSURES (continued)**

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

	2010 £	2009 £	2008 £
Provision of consultancy services	41,675	15,000	15,000
Trade payables due at the year end	33,766	4,312	10,250

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

	2010 £	2009 £	2008 £
Provision of marketing consultancy	18,307	68,884	68,884
Trade payables due at the year end	-	11,867	7,383

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

	2010 £	2009 £	2008 £
Director's fees	52,305	35,102	32,786
Trade payables due at the year end	38,371	-	7,619

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

At the year end, K Brooks, a director, was owed £10,756 (2009: £10,000). This is for a loan that was made in 2008 that accrues interest at 7.5% but has no fixed terms for repayment.

Ricewood Limited, of which A Abrey, a director, is a director and shareholder, was owed £8,100 (2009 : £6,042) at the year end. This was also a loan which is interest bearing at 7.5% with no fixed terms for repayment

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

	2010 £	2009 £	2008 £
Battlebridge Group Limited	515,516	354,569	404,802
Chukka Nominees Limited	-	21,880	145,860
Oxford Commercial Services Limited	1,255	1,255	1,254
Oxford Equities Limited	-	44,827	43,387
Oxford Capital Limited	2,372,329	1,153,452	1,080,634
Oxford Business Services Limited	55,402	51,550	49,510
Oxford Corporate Services Limited	3,000	3,000	-
Efford Nominees Limited	-	168,398	208,296
	2,947,502	1,798,931	1,933,743

**EDEN RESEARCH PLC**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2010**

... continued ...

**23. RELATED PARTY DISCLOSURES (continued)**

The 2010 figures are stated after the effect of new advances, loan repayments, interest charges and conversion of debt.

The loans carry an interest rate of 7.5% (2009: 7.5%) per annum and there are no fixed terms for repayment.

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

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

**24. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES**

**Financial assets**

**Group and Company**

	2010	2009	2008
	£	£	£
Loans and receivables			
Trade receivables	<b>53,741</b>	9,091	68,966
Allowance for doubtful debts	-	-	-
	<hr/>	<hr/>	<hr/>
	<b>53,741</b>	9,091	68,966
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

The average credit period for sales of goods and services is 30 days. No interest is charged on overdue trade receivables. At 31 December 2010 trade receivables of £53,741 (31 December 2009: £9,091) were past due but are considered by the directors to be recoverable in full.

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

**Financial liabilities**

**Group and Company**

	2010	2009	2008
	£	£	£
Trade payables	<b>805,814</b>	905,008	748,436
Interest bearing convertible loans	<b>2,947,502</b>	2,049,235	2,271,686
Other loans	<b>420,879</b>	16,042	-
Other payables	<b>1,131,526</b>	1,060,705	1,060,205
	<hr/>	<hr/>	<hr/>
	<b>5,305,721</b>	4,030,990	4,080,327
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**EDEN RESEARCH PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

... continued ...

**24. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (continued)**

The carrying amount of trade payables approximates to fair value.

The average credit period on purchases of goods is 30 days. No interest is charged on trade payables. The Company and Group have policies in place to ensure that trade payables are paid within the credit timeframe or as otherwise agreed.

The carrying amount of other payables relating to future royalty payments approximate total value. Further details are disclosed in note 15.

Details of the interest bearing loans are disclosed in note 16 to the financial statements. The Company and Group currently finances their operations partly through these borrowings. The Company and Group borrow in pounds sterling generally at fixed interest rates.

**Credit risk**

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

**Currency risk**

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

	<b>2010</b>	2009	2008
	<b>£</b>	£	£
US dollars	<b>18,872</b>	36,589	36,091
Euro	<b>221,752</b>	406,975	441,387
Norwegian Kroner	<b>85,093</b>	82,748	65,279
	<hr/>	<hr/>	<hr/>
	<b>325,717</b>	526,312	542,757
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**EDEN RESEARCH PLC**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2010**

... continued ...

**24. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (continued)**

**Liquidity risk**

Short-term flexibility is achieved by shareholder loans. The interest rate profile and maturity profile of financial liabilities is set out below:-

The interest rate profile of the Group's financial liabilities at 31 December 2010 was:-

	<b>Total</b>	<b>Floating rate</b>	<b>Fixed rate</b>	<b>Financial</b>
	<b>£</b>	<b>financial</b>	<b>financial</b>	<b>liabilities on</b>
		<b>liabilities</b>	<b>liabilities</b>	<b>which no</b>
		<b>£</b>	<b>£</b>	<b>interest is paid</b>
				<b>£</b>
<b>Sterling</b>				
2010	5,350,651	-	3,368,381	1,982,270
2009	3,592,844	-	1,814,973	1,777,871
2008	3,827,887	-	1,937,417	1,890,470
<b>Euro</b>				
2010	221,752	-	-	221,752
2009	406,975	-	250,304	156,671
2008	441,387	-	334,269	107,118
<b>US Dollars</b>				
2010	18,872	-	-	18,872
2009	36,589	-	-	36,589
2008	36,091	-	-	36,091
<b>Norwegian Kroner</b>				
2010	85,093	-	-	85,093
2009	82,748	-	-	82,748
2008	65,279	-	-	65,279
	<b>Weighted average</b>	<b>Weighted average</b>	<b>Weighted average</b>	
	<b>interest rate</b>	<b>period for which</b>	<b>period until</b>	
	<b>%</b>	<b>rate is fixed</b>	<b>period until</b>	
		<b>Years</b>	<b>maturity</b>	
		<b>Years</b>	<b>Years</b>	
<b>Sterling</b>				
2010	7.5	1.0	1.0	
2009	7.5	1.0	1.0	
2008	7.5	1.0	1.0	
<b>Euro</b>				
2010	0.0	0.0	0.0	
2009	8.0	0.0	0.0	
2008	8.0	1.0	1.0	

All the US Dollars and Norwegian Kroner liabilities are held with in trade creditors and are not interest bearing.

**EDEN RESEARCH PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

... continued ...

**24. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (continued)**

**Maturity of financial liabilities**

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

	2010 £	2009 £	2008 £
In one year or less, or on demand	4,181,195	2,970,285	3,020,122
In more than one year but not more than two years	23,000	7,000	-
In more than two years but not more than five years	461,000	228,000	91,000
In more than five years	640,526	825,705	969,205
	<hr/>	<hr/>	<hr/>
	<b>5,305,721</b>	<b>4,030,990</b>	<b>4,080,327</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

**Market price risk**

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

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

On the other hand, the Group's policy is to accept a degree of interest rate risk as long as the effects of various changes in rates remain within certain prescribed ranges. On the basis of the Group's analysis, the only financial liabilities held by the Group 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 Groups loss before tax for the year.

**EDEN RESEARCH PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

... continued ...

**24. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (continued)**

**Capital risk management**

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

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

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

The Group 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 2010 and 31 December 2009.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio between 20% and 35%. The Group includes within net debt, interest bearing loans and borrowings, a loan from a venture partner, trade and other payables, less cash and cash equivalents.

	<b>2010</b>	2009	2008
	<b>£</b>	(restated)	(restated)
		£	£
Borrowings	<b>2,947,502</b>	2,049,235	2,271,686
Less : Cash and cash equivalents	<b>(6,123)</b>	(81,728)	(13,065)
	<hr/>	<hr/>	<hr/>
Net debt	<b>2,941,379</b>	1,967,507	2,258,621
Total equity	<b>2,603,398</b>	4,756,293	5,030,407
	<hr/>	<hr/>	<hr/>
Total capital	<b>5,544,777</b>	6,723,800	7,289,028
Gearing ratio	<b>53%</b>	29%	31%

The increase in gearing ratio at 31 December 2010 resulted from the increased borrowings and a reduction in equity due to the loss incurred in the year.

**EDEN RESEARCH PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

... continued ...

**25. SHARE BASED PAYMENT**

**Share Options**

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

	2010		2009		2008	
	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)	Number
Outstanding at the beginning of the year	28	5,725,612	34	6,141,974	32	5,318,974
Granted during the year	10	470,000	26	2,600,000	46	950,000
Exercised during the year	-	-	-	-	23	(127,000)
Lapsed during the year	27	(2,825,612)	38	(3,016,362)	-	-
	<b>26</b>	<b>3,370,000</b>	<b>28</b>	<b>5,725,612</b>	<b>34</b>	<b>6,141,974</b>

The exercise price of options outstanding at the end of the year ranged between 9p and 60p (2009: 9p and 60p, 2008: 9p and 60p) and their weighted average contractual life was 2.6 years (2009: 2.7 years, 2008: 1.6 years). None of the options have vesting conditions.

The weighted average share price (at the date of exercise) of options exercised during the year was nil p (2009: nil p, 2008: 23p).

The weighted average fair value of each option granted during the year was 10p (2009: 26p, 2008: 46p).

The share based payment charge for the year was £436,084 (2009: £369,269, 2008: 173,729).

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

	2010	2009	2008
<b>Equity-settled</b>			
Option price model used	<b>Black Scholes</b>	Black Scholes	Black Scholes
Weighted average share price at grant date (pence)	<b>12</b>	28	68
Exercise price (pence)	<b>26</b>	26	46
Weighted average contractual life (days)	<b>951</b>	1,825	756
Expected volatility	<b>64.4%</b>	73.6%	73.6%
Expected dividend growth rate	-	-	-
Risk-free interest rate	<b>4.43%</b>	4.43%	4.43%

Expected volatility is calculated based on historic share price movements

**EDEN RESEARCH PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

... continued ...

**25. SHARE BASED PAYMENT (continued)**

**Warrants**

	2010		2009		2008	
	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)	Number
Outstanding at the beginning of the year	21	3,330,582	26	5,680,582	21	8,839,565
Granted in the year	14	6,582,849	-	-	21	(3,158,983)
Lapsed during the year	30	(2,155,582)	20	(2,350,000)	-	-
	<b>15</b>	<b>7,757,849</b>	<b>21</b>	<b>3,330,582</b>	<b>26</b>	<b>5,680,582</b>

The exercise price of warrants outstanding at the end of the year ranged between 13p and 25p (2009: 18p and 37p, 2008: 10p and 34p) and their weighted average contractual life was 2.4 years (2009: 0.6 years, 2008: 1.1 years). None of the warrants have vesting conditions.

The weighted average share price (at the date of exercise) of warrants exercised during the year was nil p (2009: nil p, 2008: 21p).

The weighted average fair value of each warrant granted during the year was nil p (2009: nil p, 2008: nil p).

No warrants were granted during 2009 or 2008.

**26. RECONCILIATION OF MOVEMENTS IN EQUITY**

**GROUP AND COMPANY**

	2010	2009	2008
	£	(restated) £	(restated) £
Loss for the financial year	<b>(3,250,974)</b>	(1,727,208)	(2,157,064)
Issued share capital	<b>52,960</b>	54,191	33,975
Share premium arising on new share capital subscribed	<b>609,035</b>	1,029,634	728,902
Increase in Warrant reserve on grants in the year	<b>436,084</b>	369,269	431,795
<b>Net deductions from equity</b>	<b>(2,152,895)</b>	(274,114)	(962,392)
Opening equity	<b>4,756,293</b>	5,030,407	6,160,278
Prior period adjustment (note 28)	-	-	(167,479)
<b>Closing equity</b>	<b>2,603,398</b>	4,756,293	5,030,407
<b>Equity interests</b>	<b>2,603,398</b>	4,756,293	5,030,407

**EDEN RESEARCH PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

... continued ...

**27. EVENTS AFTER BALANCE SHEET DATE**

After the year end the Company converted £550,000 of long term debt into 4,400,000 ordinary shares in the Company at a price of 12.5p.

Also, 1,557,849 warrants have been exercised at a price of 13p.

Following this debt conversion and exercise of warrants, Eden has 72,986,200 ordinary shares in issue, of which the directors are interested in a total of 1,651,893 ordinary shares, representing 2.27 per cent of the Company's enlarged issued share capital, as follows:

Director	No of shares held	% of enlarged share capital
A Abrey	155,940	0.21
K Brooks	931,010	1.27
B Gill	385,848	0.53
C Newitt	179,095	0.25

In addition to this, on 17 January 2011, the Company granted options to the following directors under the terms of its Share Option Scheme:

Director	Share options granted	Total options held
A Abrey	1,050,000	1,050,000
K Brooks	1,100,000	2,500,000
B Gill	500,000	600,000
C Newitt	450,000	600,000

The new options can be exercised at a price of 13 pence per share at any time up to 16 January 2016.

**EDEN RESEARCH PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

... continued ...

**28. RESTATEMENT OF PRIOR ACCOUNTING PERIODS**

During the year the company identified that the accounting applied to a contract to make royalty payments to a third party was incorrect. As all obligations on the third party have been fulfilled, the contract should have been accounted for as a non-executory contract.

The contract is considered non-executory as the licensor under the contract has provided exclusive perpetual worldwide rights to the group to use the Intellectual property and has no further obligations to the Group. As such the Group has accrued for all future payments based on the Directors' best estimate of the amounts payable, discounted to their net present value.

The contract had not previously been accounted for in the Group's financial statements.

The effect of the correction of the accounting treatment on the financial statements for the year ended 31 December 2009 and 31 December 2008 is summarised below. Opening retained earnings at 1 January 2008 have been reduced by £167,479, which is the amount of the adjustment for the three years ended 31 December 2007.

**Year ended 31 December 2009**

<b>Group</b>	<b>As previously stated 2009</b>	<b>As Restated 2009</b>	<b>Restatement 2009</b>
<b>Effect on statement of financial position</b>	<b>£</b>	<b>£</b>	<b>£</b>
Intangible assets	7,976,070	8,757,642	781,572
Non current liabilities	-	(1,060,705)	(1,060,705)
	<hr/>	<hr/>	<hr/>
Retained earnings	(22,123,597)	(22,402,730)	(279,133)
<b>Net decrease in equity</b>			<hr/> <b>(279,133)</b> <hr/>

<b>Effect on income statement</b>	<b>As previously stated 2009</b>	<b>As Restated 2009</b>	<b>Restatement 2009</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Amortisation of intangible assets	(593,192)	(649,019)	(55,827)
Total administrative expenses	(1,798,205)	(1,854,032)	(55,827)
<b>Operating loss</b>	<hr/> <b>(1,580,040)</b> <hr/>	<hr/> <b>(1,635,867)</b> <hr/>	<hr/> <b>(55,827)</b> <hr/>
<b>Decrease in result for the year from continuing activities</b>			<hr/> <b>(55,827)</b> <hr/>

<b>Effect on earnings per share</b>	<b>As previously stated 2009</b>	<b>As Restated 2009</b>	<b>Restatement 2009</b>
	<b>pence</b>	<b>pence</b>	<b>pence</b>
Loss per share – basic and diluted	2.93	3.03	0.10

**EDEN RESEARCH PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

... continued ...

**28. RESTATEMENT OF PRIOR ACCOUNTING PERIODS (continued)**

There was no cash flow impact as a result of the misstatement other than the consequential adjustments arising as a result of the changes to the balance sheet at 31 December 2009 and 31 December 2008.

**Year ended 31 December 2008**

<b>Group</b>	<b>As previously stated 2008</b>	<b>As Restated 2008</b>	<b>Restatement 2008</b>
<b>Effect on statement of financial position</b>	<b>£</b>	<b>£</b>	<b>£</b>
Intangible assets	8,365,870	9,203,269	837,399
Non current liabilities	-	(1,060,705)	(1,060,705)
			(223,306)
Retained earnings	(20,755,849)	(20,979,155)	(233,306)
<b>Net decrease in equity</b>			(223,306)

<b>Effect on income statement</b>	<b>As previously stated 2008</b>	<b>As Restated 2008</b>	<b>Restatement 2008</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Amortisation of intangible assets	(604,340)	(660,167)	(55,827)
Total administrative expenses	(2,112,185)	(2,168,012)	(55,827)
<b>Operating loss</b>	(2,028,182)	(2,084,009)	(55,827)
<b>Decrease in result for the year from continuing activities</b>			(55,827)

<b>Effect on earnings per share</b>	<b>As previously stated 2008</b>	<b>As Restated 2008</b>	<b>Restatement 2008</b>
	<b>pence</b>	<b>pence</b>	<b>pence</b>
Loss per share – basic and diluted	3.86	3.96	0.10

There was no cash flow impact as a result of the misstatement other than the consequential adjustments arising as a result of the changes to the balance sheet at 31 December 2008 and 31 December 2007.