

Report of the Directors and
Financial Statements
for the Year Ended 31 August 2007
for
Biomass Industrial Crops Limited

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Biomass Industrial Crops Limited

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for the Year Ended 31 August 2007

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Biomass Industrial Crops Limited

Company Information
for the Year Ended 31 August 2007

DIRECTORS:

D R Croxton
Dr P A Carver
S P Croxton
A L J Jeyes

SECRETARY:

Mrs M P Bramall

REGISTERED OFFICE:

Curdon Mill
Lower Vellow
WILLITON
Somerset
TA4 4LS

REGISTERED NUMBER:

3563497 (England and Wales)

AUDITOR:

Baker Tilly UK Audit LLP
Hartwell House
55 – 61 Victoria Street
Bristol
BS1 6AD

Biomass Industrial Crops Limited

Report of the Directors **for the Year Ended 31 August 2007**

The directors present their report with the financial statements of the company for the year ended 31 August 2007.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the development, processing, growing and sale of biomass crops.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

The Directors are satisfied with the progress of the Company during the year and look forward to the future with confidence.

The Company continues to develop Rhizome stock for establishment of Miscanthus hectareage. End user contracts for the use of Miscanthus Cane Biomass in co-firing by Power Generators within the UK and other substantial projects elsewhere in Europe are in place and further such contracts are being negotiated.

FUTURE DEVELOPMENTS

The Company has accumulated a considerable stock of Miscanthus Rhizomes and while continuing to protect and expand that stock is now able to plant substantial hectareage for customers either directly or in certain European Countries via Distributors.

Through a network of UK "Producer Group" subsidiaries in the UK regional activities of customer/growers are co-ordinated to rationalise supply of Miscanthus Cane to major power generators for use in co-firing.

Post year end the Company has established a Joint Venture in the USA with a substantial North American Plant Propagation Specialist. The new venture, Bi US Renewable Energy LLC, will combine the stock development capability of the Company's North American partner with the knowledge and expertise of Bical in establishing Miscanthus plantations and creating a market leading Biomass supply chain.

RESEARCH & DEVELOPMENT

Refinement of the Company's custom designed equipment in "Lifting" and "Planting" of Miscanthus is an ongoing programme. In addition the Company sponsors a research programme at the University of Wolverhampton. Total R&D for the year amounted to £55,722 and this has been expensed in the Profit and Loss Account.

KEY PERFORMANCE INDICATORS

Targets for the key performance indicators of hectareage Planted, Turnover, Gross Margin, Overheads and Cash Flow are shared by the Directors with the Management Team. Actual results are compared with Budget on a regular, monthly basis so that variances can be addressed at the earliest opportunity.

Other Key Performance factors that are monitored on a regular basis include Quality Control, Yield, Health & Safety and Staff Development.

RISKS AND UNCERTAINTIES

The Company's operations expose it to a variety of financial risks that include the effects of changes in Government Policy, changes in Market Prices, Credit Risk and Liquidity Risk.

Government Policy Risk

Demand for Biomass in co-firing is to a considerable extent stimulated by Government Policy to encourage the use of renewable fuel and reduce carbon emissions. Changes to the current policy could have a significant impact on the Company's activities. The Company do not at this time anticipate any such changes that would have a negative effect.

Price Risk

The price risk is to a large extent a consequential risk that could arise as a result of a major change in Government Policy. Alternative markets are however available for the Company's products and thus the price risk can be mitigated.

Biomass Industrial Crops Limited

Report of the Directors **for the Year Ended 31 August 2007 (continued)**

Credit Risk

Many of the Company's customers are AAA rated with very limited credit risk. All customers however are subject to approved limits that are reassessed regularly.

Liquidity Risk

The Company actively maintains debt finance that is intended to ensure that the Company has sufficient finance available for current operations. Continuation of support from the Company's bankers is essential to this process. Negotiations are ongoing with the bankers and with investors in respect of appropriate financing for the planned expansion of the Company.

Other key external risks to the Company include climatic conditions that could impact yields, significant increases in operating overheads, and increased competitive pressures.

The key internal risks, over which the Company has a degree of control, include the risks of quality control, margins, overheads, and non compliance with health and safety regulations. The Board and Management Team have controls in place, with regular reviews to update their effectiveness, to manage the possible impact of these internal risks.

DIVIDENDS

No dividends will be distributed for the year ended 31 August 2007.

DIRECTORS

The directors shown below have held office during the period from 1 September 2006 to the date of this report.

D R Croxton

Dr P A Carver

S P Croxton (appointed 7 September 2007)

A E Hunt (appointed 7 September 2007, resigned 30 June 2008)

A L J Jeyes (appointed 17 March 2008)

R H C Nourse (appointed 7 September 2007, resigned 28 December 2007)

B N Woodman (appointed 7 September 2007, resigned 28 December 2007)

J M Ward (resigned 16 July 2008)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which 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 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company'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 company's auditor is aware of that information.

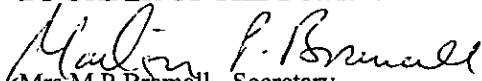
Biomass Industrial Crops Limited

Report of the Directors
for the Year Ended 31 August 2007 (continued)

AUDITOR

The auditor, Baker Tilly UK Audit LLP, have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the annual general meeting.

BY ORDER OF THE BOARD:


Mrs M P Bramall - Secretary
3 December 2008

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BIOMASS INDUSTRIAL CROPS LIMITED

We have audited the financial statements on pages 7 to 24.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out on page two.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. However, the evidence available to us was limited because the company has been unable to provide us with sufficient evidence to support the availability of the necessary funding required for the company to meet its operating liabilities as they fall due for a period of at least one year from the date of approval of the financial statements.

We consider that the Directors have not taken adequate steps to satisfy themselves that it is appropriate for them to adopt the going concern basis because the circumstances of the company and the nature of the business require that information be prepared, and reviewed by the directors and ourselves, confirming that the company has the necessary funding available for a period of at least twelve months from the date of approval of the financial statements. Had this information been available to us we might have formed a different opinion.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BIOMASS INDUSTRIAL CROPS LIMITED (continued)

Qualified opinion arising from limitation in audit scope

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the appropriateness of the going concern basis of preparation of the financial statements, in our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 August 2007 and of its loss for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

In respect solely of the limitation on our work relating to the assessment of the appropriateness of the going concern basis of preparation of the financial statements we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

In our opinion the information given in the Directors' Report is consistent with the financial statements.

Baker Tilly UK Audit LLP

BAKER TILLY UK AUDIT LLP
Registered Auditor
Chartered Accountants
Hartwell House
55 – 61 Victoria Street
Bristol
BS1 6AD

Date: *5 December 2008*

Biomass Industrial Crops Limited**Profit and Loss Account
for the Year Ended 31 August 2007**

	Notes	2007 £	2006 £
TURNOVER	2	8,572,111	5,362,306
Cost of sales		<u>(8,531,503)</u>	<u>(3,275,299)</u>
GROSS PROFIT		40,608	2,087,007
Administrative expenses		(1,738,862)	(1,410,019)
Other operating income		<u>24,536</u>	<u>55,275</u>
OPERATING (LOSS)/PROFIT	4	(1,673,718)	732,263
Interest receivable and similar income		6,597	1,026
Interest payable and similar charges	5	<u>(54,159)</u>	<u>(99,018)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,721,280)	634,271
Tax on (loss)/profit on ordinary activities	6	<u>119,837</u>	<u>(209,701)</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION	21	<u>(1,601,443)</u>	<u>424,570</u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous year.

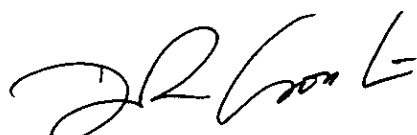
TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the loss for the current year and the profit for the previous year.

Biomass Industrial Crops Limited**Balance Sheet****As at 31 August 2007**

	Notes	2007 £	2006 £
FIXED ASSETS			
Tangible assets	7	856,773	326,269
Investments	8	<u>706,731</u>	<u>697,029</u>
		1,563,504	1,023,298
CURRENT ASSETS			
Stocks	9	1,632,286	2,687,279
Debtors	10	3,392,329	2,404,300
Cash at bank		<u>11,741</u>	<u>28,501</u>
		5,036,356	5,120,080
CREDITORS			
Amounts falling due within one year	11	<u>(4,822,343)</u>	<u>(3,771,432)</u>
NET CURRENT ASSETS		<u>214,013</u>	<u>1,348,648</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,777,517	2,371,946
CREDITORS			
Amounts falling due after more than one year	12	(718,096)	(116,487)
PROVISIONS FOR LIABILITIES	16	<u>(98,575)</u>	<u>(3,253)</u>
NET ASSETS		<u>960,846</u>	<u>2,252,206</u>
CAPITAL AND RESERVES			
Called up share capital	17	1,183,072	793,599
Share premium	18	86,254	68,950
Other reserves	18	-	96,694
Profit and loss account	18	<u>(308,480)</u>	<u>1,292,963</u>
SHAREHOLDERS' FUNDS	21	<u>960,846</u>	<u>2,252,206</u>

The financial statements were approved and authorised for issue by the Board of Directors on 3 December 2008 and were signed on its behalf by:



D R Croxton - Director

The notes form part of these financial statements

Biomass Industrial Crops Limited**Cash Flow Statement
for the Year Ended 31 August 2007**

	Notes	2007 £	2006 £
Net cash inflow/(outflow) from operating activities	1	699,679	(13,553)
Returns on investments and servicing of finance	2	(47,562)	(97,992)
Taxation		(271,249)	(33,056)
Capital expenditure and financial investment	2	<u>(143,751)</u>	<u>(159,620)</u>
		237,117	(304,221)
Financing	2	<u>189,489</u>	<u>223,431</u>
Increase/(decrease) in cash in the year		<u>426,606</u>	<u>(80,790)</u>
<hr/>			
Reconciliation of net cash flow to movement in net debt	3		
Increase/(decrease) in cash in the year		426,606	(80,790)
Cash outflow from decrease in debt and lease financing		<u>99,490</u>	<u>68,952</u>
Change in net debt resulting from cash flows		526,096	(11,838)
New hire purchase contracts		<u>(685,601)</u>	<u>-</u>
Movement in net debt in the year		(159,505)	(11,838)
Net debt at 1 September		<u>(699,486)</u>	<u>(687,648)</u>
Net debt at 31 August		<u>(858,991)</u>	<u>(699,486)</u>

The notes form part of these financial statements

Biomass Industrial Crops Limited

Notes to the Cash Flow Statement
for the Year Ended 31 August 2007

1. RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2007	2006
	£	£
Operating (loss)/profit	(1,673,718)	732,263
Depreciation charges	270,848	153,356
Decrease/(increase) in stocks	1,054,993	(424,334)
Increase in debtors	(844,029)	(1,759,004)
Increase in creditors	1,873,287	1,284,166
Investment impairment	18,298	-
Net cash inflow/(outflow) from operating activities	<u>699,679</u>	<u>(13,553)</u>

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2007	2006
	£	£
Returns on investments and servicing of finance		
Interest received	6,597	1,026
Interest paid	(25,985)	(44,117)
Interest element of hire purchase payments	(28,174)	(54,901)
Net cash outflow for returns on investments and servicing of finance	<u>(47,562)</u>	<u>(97,992)</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(115,751)	(159,619)
Purchase of fixed asset investments	(28,000)	(1)
Net cash outflow for capital expenditure and financial investment	<u>(143,751)</u>	<u>(159,620)</u>
Financing		
Loan repayments in year	(8,809)	(118,922)
Capital repayments in year	(90,671)	49,970
Amount introduced by directors	-	102,207
Amount withdrawn by directors	(21,114)	-
Share issue	310,083	93,482
Funds introduced for share purchase	-	96,694
Net cash inflow from financing	<u>189,489</u>	<u>223,431</u>

Biomass Industrial Crops Limited

Notes to the Cash Flow Statement
for the Year Ended 31 August 2007

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1.9.06 £	Cash flow £	Other non-cash changes £	At 31.8.07 £
Net cash:				
Cash at bank	28,501	(16,760)	-	11,741
Bank overdraft	<u>(526,334)</u>	<u>443,366</u>	<u>-</u>	<u>(82,968)</u>
	<u>(497,833)</u>	<u>426,606</u>	<u>-</u>	<u>(71,227)</u>
Debt:				
Hire purchase	(190,553)	90,671	(685,601)	(785,483)
Debts falling due within one year	(8,400)	8,400	-	-
Debts falling due after one year	<u>(2,700)</u>	<u>419</u>	<u>-</u>	<u>(2,281)</u>
	<u>(201,653)</u>	<u>99,490</u>	<u>(685,601)</u>	<u>(787,764)</u>
Total	<u>(699,486)</u>	<u>526,096</u>	<u>(685,601)</u>	<u>(858,991)</u>

Biomass Industrial Crops Limited

Notes to the Financial Statements **for the Year Ended 31 August 2007**

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention.

Going concern

The company meets its day to day working capital requirements through the support of its bankers and in particular an overdraft facility which is repayable on demand. As detailed in note 19 to the accounts, the company has future financial commitments with some of its customers to buy back rhizomes at a fixed price in the future. Whilst the directors consider that they will be able to fund such future commitments out of ongoing operations and with the continued support of the company's bankers, there can be no certainty in relation to these matters. On this basis, the directors consider it appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from a withdrawal of support by the company's bankers.

Turnover

Turnover includes the sale of rhizomes for either multiplication or cane production as well as the sale of rhizome and cane by-products such as bedding and mulch. This turnover is recognised either on receipt of a signed contract or at the point that an invoice is raised. All other turnover is recognised as and when it falls due.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Freehold land	- nil %
Plant and machinery	- 33% on cost
Motor vehicles	- 33% on cost

Stocks

Stock is valued on a field by field basis, or a line by line basis at the lower of cost and net realisable value.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

Foreign currencies

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

Biomass Industrial Crops Limited

Notes to the Financial Statements - continued **for the Year Ended 31 August 2007**

1. ACCOUNTING POLICIES - continued

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Basis of consolidation

The company is exempt from preparing consolidated financial statements on the grounds that the group meets the criteria to be classified as a medium sized group. These financial statements therefore refer only to the parent undertaking, Biomass Industrial Crops Limited.

Fixed asset investments

Fixed asset investments represent investments in subsidiaries included at cost. Provision is made for any impairment in the value of fixed asset investments.

2. TURNOVER

An analysis of turnover is given below:

	2007	2006
	£	£
United Kingdom	7,035,188	3,837,340
Ireland	637,555	646,274
France	739,860	754,674
Rest of Europe	<u>159,508</u>	<u>124,018</u>
	<u>8,572,111</u>	<u>5,362,306</u>

3. STAFF COSTS

	2007	2006
	£	£
Wages and salaries	586,820	327,930
Social security costs	<u>94,213</u>	<u>298,380</u>
	<u>681,033</u>	<u>626,310</u>

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

	2007	2006
	No.	No.
Administration	11	11
Sales and Marketing	6	3
Production and Operations	<u>11</u>	<u>5</u>
	<u>28</u>	<u>19</u>

Biomass Industrial Crops Limited

Notes to the Financial Statements - continued
for the Year Ended 31 August 2007

4. OPERATING (LOSS)/PROFIT

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

	2007	2006
	£	£
Hire of plant and machinery	61,674	29,820
Operating lease rentals – land and buildings	148,619	-
Depreciation - owned assets	63,534	39,683
Depreciation - assets on hire purchase contracts	207,314	113,672
Auditor's remuneration – Baker Tilly UK Audit LLP	20,000	18,000
Foreign exchange loss	14,977	-
Impairment of investments	<u>18,298</u>	<u>-</u>
Directors' emoluments	<u>178,591</u>	<u>86,865</u>

Included in the above are emoluments for the highest paid director of £83,407, (2007: £22,917).
No directors were accruing benefits under company pension schemes.

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2007	2006
	£	£
Bank interest	25,541	39,426
Loan interest	444	4,691
Hire purchase interest	17,813	14,391
Other interest	<u>10,361</u>	<u>40,510</u>
	<u>54,159</u>	<u>99,018</u>

Biomass Industrial Crops Limited**Notes to the Financial Statements - continued**
for the Year Ended 31 August 2007**6. TAXATION****Analysis of the tax (credit)/charge**

The tax (credit)/charge on the loss on ordinary activities for the year was as follows:

	2007 £	2006 £
Current tax:		
UK corporation tax – current year	-	215,159
– adjustments in respect of prior years	(215,159)	(1,871)
Deferred tax	<u>95,322</u>	<u>(3,587)</u>
Tax on (loss)/profit on ordinary activities	<u>(119,837)</u>	<u>209,701</u>

UK corporation tax has been charged at 30%

Factors affecting the tax (credit)/charge

The tax assessed for the year differs from the standard rate of corporation tax in the UK. The difference is explained below:

	2007 £	2006 £
(Loss)/profit on ordinary activities before tax	<u>(1,721,280)</u>	<u>634,271</u>
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 : 30%)	(516,384)	190,281
Effects of:		
Over provision for tax charge	-	6,505
Expenses not deductible for tax purposes	9,662	16,532
Depreciation for the period in excess of Capital allowances	-	10,093
Capital allowances for the period in excess of Depreciation	(32,826)	-
Effect of losses carried forward	539,548	-
Adjustment to tax charge in respect of previous periods	(215,159)	(1,871)
Research & development enhanced expenditure	<u>-</u>	<u>(8,252)</u>
Current tax (credit) /charge	<u>(215,159)</u>	<u>213,288</u>

Biomass Industrial Crops Limited**Notes to the Financial Statements - continued
for the Year Ended 31 August 2007****7. TANGIBLE FIXED ASSETS**

	Freehold land £	Plant and machinery £	Motor vehicles £	Totals £
COST				
At 1 September 2006	92,358	524,329	54,617	671,304
Additions	-	751,804	49,548	801,352
At 31 August 2007	92,358	1,276,133	104,165	1,472,656
DEPRECIATION				
At 1 September 2006	-	305,944	39,091	345,035
Charge for year	-	255,590	15,258	270,848
At 31 August 2007	-	561,534	54,349	615,883
NET BOOK VALUE				
At 31 August 2007	92,358	714,599	49,816	856,773
At 31 August 2006	92,358	218,385	15,526	326,269

Freehold land of £92,358 (2006: £92,358) is not depreciated.

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Plant and machinery £	Motor vehicles £	Totals £
COST			
At 1 September 2006	358,128	50,817	408,945
Additions	563,645	39,948	603,593
Transfer to ownership	(171,540)	(36,372)	(207,912)
At 31 August 2007	750,233	54,393	804,626
DEPRECIATION			
At 1 September 2006	186,863	36,559	223,422
Charge for year	194,657	12,657	207,314
Transfer to ownership	(171,538)	(36,372)	(207,910)
At 31 August 2007	209,982	12,844	222,826
NET BOOK VALUE			
At 31 August 2007	540,251	41,549	581,800
At 31 August 2006	171,265	14,258	185,523

Biomass Industrial Crops Limited

Notes to the Financial Statements - continued
for the Year Ended 31 August 2007

8. FIXED ASSET INVESTMENTS

	Unlisted investments £
COST	
At 1 September 2006	697,029
Additions	28,000
Impairments	<u>(18,298)</u>
At 31 August 2007	<u>706,731</u>
NET BOOK VALUE	
At 31 August 2007	<u>706,731</u>
At 31 August 2006	<u>697,029</u>

The company's investments at the balance sheet date in the share capital of companies include the following:

Bical France EURL

Country of incorporation: France

Nature of business: Farming

	% holding	2007	2006
Class of shares:		£	£
Ordinary	100.00	136,394	137,822
Aggregate capital and reserves		<u>(1,990)</u>	<u>(427)</u>
Loss for the year			

Biomass Industrial Crops Limited**Notes to the Financial Statements - continued**
for the Year Ended 31 August 2007**8. FIXED ASSET INVESTMENTS - continued****BiEcc Ltd**

Nature of business: Growing energy crops

	% holding	2007	2006
Class of shares:		£	£
'A' Ordinary	92.00		
Aggregate capital and reserves		13,735	24,072
Loss for the year		<u>(10,337)</u>	<u>(1,350)</u>

BiSel Ltd

Nature of business: Growing energy crops

	% holding	30.06.07	30.6.06
Class of shares:		£	£
Ordinary	81/100.00		
Aggregate capital and reserves		9,703	(18,655)
Loss for the year/period		<u>(6,143)</u>	<u>(18,656)</u>

During the year the company acquired 22,600 'A' ordinary shares of £1 each and 5400 'B' ordinary shares of £1 each at par as part of a share issue which reduced the company's interest to 81%.

Bical Biomass Power Ltd

Nature of business: Dormant

	% holding
Class of shares:	
Ordinary	100.00

BiCep Ltd

Nature of business: Growing energy crops

	% holding	2007	2006
Class of shares:		£	£
Ordinary	100.00		
Aggregate capital and reserves		(11,152)	(2,507)
Loss for the year		<u>(8,645)</u>	<u>(2,508)</u>

BiEd

Nature of business: Growing energy crops

	% holding	2007	2006
Class of shares:		£	£
Ordinary	100.00		
Aggregate capital and reserves		(7,556)	(1,775)
Loss for the year		<u>(5,780)</u>	<u>(1,776)</u>

Biomass Industrial Crops Limited**Notes to the Financial Statements - continued**
for the Year Ended 31 August 2007**8. FIXED ASSET INVESTMENTS - continued****De L'Aven**

Country of incorporation: France

Nature of business: Farming

Class of shares:

Ordinary

%
holding
100.00

Aggregate capital and reserves

Profit for the year

2007

£

122,555

1,370

The holding in De L'Aven is held indirectly.

9. STOCKS

Stocks

2007

£

1,632,286

2006

£

2,687,279**10. DEBTORS**

Amounts falling due within one year:

Trade debtors

Other debtors

Amounts due from group undertakings

Corporation tax

VAT

Prepayments

2007

£

2,508,789

299,692

179,116

144,000

57,492

33,4063,222,495

2006

£

1,952,022

117,998

176,137

-

-

68,1432,314,300

Amounts falling due after more than one year:

RPA Guarantee

169,83490,000

Aggregate amounts

3,392,3292,404,300

The company entered into a block guarantee amounting to £169,834 to Rural Payments Agency during the year in respect of submission of factual information to DEFRA in connection with claiming of energy aid grants. The guarantee is for an unlimited period but may be revoked at any time by the guarantor by written notice to Rural Payments Agency.

Biomass Industrial Crops Limited**Notes to the Financial Statements - continued**
for the Year Ended 31 August 2007**11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2007	2006
	£	£
Bank loans and overdrafts (see note 13)	82,968	526,334
Other loans (see note 13)	-	8,400
Hire purchase contracts (see note 14)	69,668	76,766
Trade creditors	3,923,778	1,738,306
Corporation Tax	-	342,408
Social security and other taxes	22,486	11,035
VAT	-	205,009
Other creditors	486,749	341,002
Factoring Account	14,242	351,356
Directors' current accounts	81,094	102,208
Deferred income	18,675	68,608
Deferred government grants	122,683	-
	<u>4,822,343</u>	<u>3,771,432</u>

The company meets its day to day working capital requirements through an overdraft facility, which is repayable on demand. The company expects to operate within the facility currently agreed and also within that expected to be agreed when the facility is next due for renewal. These views are based on the company's plans and on the successful outcome of discussions with the company's bankers.

The company entered into a factoring agreement with Clydesdale Bank during the year. Under the agreement Clydesdale Bank pay the company 85% of approved debts upon production of an invoice. The remaining 15% is forwarded to the company upon receipt of the full debt by Clydesdale Bank. The company is required to repay any amounts not recovered by Clydesdale Bank.

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2007	2006
	£	£
Other loans (see note 13)	2,281	2,700
Hire purchase contracts (see note 14)	<u>715,815</u>	<u>113,787</u>
	<u>718,096</u>	<u>116,487</u>

13. LOANS

An analysis of the maturity of loans is given below:

	2007	2006
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	82,968	526,334
Other loans	-	8,400
	<u>82,968</u>	<u>534,734</u>
Amounts falling due between two and five years:		
Other loans	<u>2,281</u>	<u>2,700</u>

Biomass Industrial Crops Limited

Notes to the Financial Statements - continued
for the Year Ended 31 August 2007

14. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

	2007 £	2006 £
Net obligations repayable:		
Within one year	69,668	76,766
Between one and two years	54,453	113,787
Between two and five years	<u>661,362</u>	<u>-</u>
	<u>785,483</u>	<u>190,553</u>

15. SECURED DEBTS

The following secured debts are included within creditors:

	2007 £	2006 £
Bank overdrafts	82,968	526,334
Other loans	2,281	11,100
Hire purchase contracts	<u>785,483</u>	<u>190,553</u>
	<u>870,732</u>	<u>727,987</u>

The bank overdraft is secured by a fixed and floating charge over the company's assets.
Other loans represent a loan secured on the company's land.

16. PROVISIONS FOR LIABILITIES

	2007 £	2006 £
Deferred tax	<u>98,575</u>	<u>3,253</u>

	Deferred tax £
Balance at 1 September 2006	3,253
Accelerated capital allowances	<u>95,322</u>
Balance at 31 August 2007	<u>98,575</u>

Biomass Industrial Crops Limited**Notes to the Financial Statements - continued
for the Year Ended 31 August 2007****17. CALLED UP SHARE CAPITAL**

Authorised: Number:	Class:	Nominal value:	2007 £	2006 £
10,000	A Ordinary	£1	10,000	10,000
9,990,000	B Ordinary	£1	9,990,000	9,990,000
			<u>10,000,000</u>	<u>10,000,000</u>

Allotted, issued and fully paid: Number:	Class:	Nominal value:	2007 £	2006 £
5,000	A Ordinary	£1	5,000	5,000
1,178,072 (2006: 788,599)	B Ordinary	£1	1,178,072	788,599
			<u>1,183,072</u>	<u>793,599</u>

389,473 B Ordinary shares of £1 each were allotted as fully paid at a premium of 4.44p per share during the year.

18. RESERVES

	Profit and loss account £	Share premium £	Other reserves £	Total £
At 1 September 2006	1,292,963	68,950	96,694	1,458,607
Deficit for the year	(1,601,443)	-	-	(1,601,443)
Cash share issue	-	17,304	-	17,304
Transfer capital re share purchase	-	-	(96,694)	(96,694)
At 31 August 2007	<u>(308,480)</u>	<u>86,254</u>	<u>-</u>	<u>(222,226)</u>

19. CONTINGENT LIABILITIES

The company has entered into contracts with some of its customers to buy back rhizome at a fixed price in future years. The viability of these contracts depends on the company being able to resell the crops at a price more than or equal to the price to be paid. If this price is not sufficient then a loss could result. The directors estimate that the total amount payable in respect of such contracts which were outstanding at the year end to be approximately £12 million.

Biomass Industrial Crops Limited

Notes to the Financial Statements - continued **for the Year Ended 31 August 2007**

20. RELATED PARTY DISCLOSURES

During the period the company made sales to and purchases from related parties as follows:

	Net sales in year £	Year end debtor £	Net purchases in year £	Year end creditor £
David Croxton Ltd	119,659	125,233	1,076,966	351,982
Carver Associates	41,125	-	57,637	6,240

All transactions are on normal commercial terms.

Mr D Croxton has an interest in David Croxton Ltd. Mr D Croxton and Mr J Ward also have an interest in Miss Canthus Growers Ltd. Dr P Carver has an interest in Carver Associates.

Some directors and former directors have given personal guarantees in respect of the bank borrowing and have provided personal assets as security against the company's mortgage. The amounts guaranteed at 31 August 2007 were as follows:

DR Croxton	- £140,000
David Croxton Limited	- £80,000
M Carver	- £60,000
M Cooper	- £80,000
W Loxton	- £100,000

Additionally the company provided management services to its subsidiary companies during the year as follows:

	Services provided/ costs recharged 2007 £	2006 £	Amount outstanding 2007 £	2006 £
Bied Limited	18,095	17,730	13,370	16,508
Biecc Limited	18,418	29,890	20,708	31,594
BiCep Limited	18,833	21,514	17,648	25,283
BiSel Limited	26,521	15,409	34,933	-

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007 £	2006 £
(Loss)/Profit for the financial year	(1,601,443)	424,570
Share capital issued	389,473	93,482
Share premium	17,304	-
Other reserve	(96,694)	96,694
Net (reduction)/addition to shareholders' funds	(1,291,360)	614,746
Opening shareholders' funds	<u>2,252,206</u>	<u>1,637,460</u>
Closing shareholders' funds	<u>960,846</u>	<u>2,252,206</u>

22. ULTIMATE CONTROLLING PARTY

The company has no ultimate controlling party.

Biomass Industrial Crops Limited

Notes to the Financial Statements - continued
for the Year Ended 31 August 2007

23. OPERATING LEASES

At 31 August 2007, the company had annual commitments under non-cancellable operating leases as follows:

	2007 Plant & Machinery £	2006 Plant & Machinery £
Expiring within one year	12,312	-
Expiring between one and two years	-	12,312
two and five years inclusive	62,405	11,638
	<hr/>	<hr/>
	74,717	23,950
	<hr/>	<hr/>

At 31 August 2007, the company was also party to a rental agreement in respect of land and buildings expiring on 1 October 2015 with an annual rental of £295,000.

24. POST BALANCE SHEET EVENTS

Following the year end the directors have been in negotiations to secure an investment of £2.5m by way of a convertible loan note and subscription for "A" ordinary shares. A "bridging" loan of £600,000 has been received as part of this investment and the balance will be received on completion, expected to be prior to the end of 2008.