

Fife Energy Limited

Director's report and financial statements  
for the year ended 31 December 2003

Registered Number 137656



# Fife Energy Limited

## Director's report and financial statements for the year ended 31 December 2003

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# **Fife Energy Limited**

## **Director and Advisors for the year ended 31 December 2003**

### **Director**

H H Graves (USA)

### **Secretary**

Burness  
50 Lothian Road  
Festival Square  
EDINBURGH  
EH3 9WJ

### **Accountants**

PricewaterhouseCoopers LLP  
32 Albyn Place  
ABERDEEN  
AB10 1YL

### **Bankers**

Bank of Scotland  
9 Falkland Gate  
GLENROTHES  
KY7 5LW

### **Registered Office**

Westfield Development Centre  
Cardenden  
FIFE  
KY5 0HP

# **Fife Energy Limited**

## **Director's report for the year ended 31 December 2003**

The director presents his report and the audited financial statements of the company for the year ended 31 December 2003.

### **Principal activities and review of the business**

The principal activity of the company is the development of synthetic gas and power production facilities at its Westfield site in Fife, Scotland.

### **Results and dividends**

The profit and loss account for the year is set out on page 5. The loss for the financial year amounted to £32,403 (2002: £76,929) and has been transferred from reserves. The director does not recommend payment of a dividend (2002 £nil).

### **Directors and his interests**

The director who held office during the year is detailed on page 1.

H H Graves has no interests in the shares of the company. Details of his interests in the company's parent company, Global Energy Europe Limited, are set out in the financial statements of that company.

### **Statement of director's responsibilities**

Company law requires the director to prepare financial statements for each financial year that 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. The director is also required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business for the foreseeable future.

The director confirms that suitable accounting policies have been used and applied consistently. He also confirms that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2003 and that applicable accounting standards have been followed.

The director is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enables him to ensure that the financial statements comply with the Companies Act 1985. He is 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.

### **By order of the Board**



Director

# Fife Energy Limited

## Profit and loss account for the year ended 31 December 2003

	Note	2003 £	2002 £
Turnover			-
Cost of sales			-
<b>Gross profit</b>			-
Administrative expenses		(178,853)	(191,989)
Other operating income		231,635	214,257
<b>Operating profit</b>		<b>52,782</b>	22,268
Interest receivable and similar income	6	225,542	245,258
Interest payable and similar charges	7	(310,727)	(344,455)
<b>Loss on ordinary activities before taxation</b>	3	<b>(32,403)</b>	(76,929)
Taxation	8	-	-
<b>Loss for the financial year</b>	16	<b>(32,403)</b>	(76,929)
Retained loss brought forward		(1,965,097)	(1,888,168)
<b>Retained loss carried forward</b>		<b>(1,997,500)</b>	(1,965,097)

All items dealt with in arriving at the loss for the financial year relate to continuing operations.

The company has no recognised gains and losses in the year other than the loss above and therefore no separate statement of total recognised gains and losses has been presented.

# Fife Energy Limited

## Balance sheet as at 31 December 2003

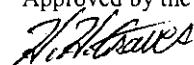
	Note	2003 £	2003 £	2002 £	2002 £
<b>Fixed assets</b>					
Intangible assets	9		-		-
Tangible assets	10		792,028		792,028
Investments	11		2		2
			<b>792,030</b>		<b>792,030</b>
<b>Current assets</b>					
Debtors	12	2,278,717		2,278,757	
Cash at bank and in hand		6,853		3,603	
		<b>2,285,570</b>		<b>2,282,360</b>	
<b>Creditors: amounts falling due within one year</b>	13	<b>(4,853,024)</b>		<b>(4,817,411)</b>	
<b>Net current liabilities</b>			<b>(2,567,454)</b>		<b>(2,535,051)</b>
<b>Net liabilities</b>			<b>(1,775,424)</b>		<b>(1,743,021)</b>
<b>Capital and reserves</b>					
Called up share capital	15		56,588		56,588
Share premium account			165,488		165,488
Profit and loss account – deficit			<b>(1,997,500)</b>		<b>(1,965,097)</b>
<b>Total shareholders' deficit</b>	16		<b>(1,775,424)</b>		<b>(1,743,021)</b>

The directors have taken advantage of the exemption conferred by Section 249A (I) not to have these financial statements audited and confirm that no notice has been deposited under Section 249B (2) of the Companies Act 1985. The directors acknowledge their responsibilities for ensuring that:

- (i) The company keeps accounting records which comply with section 221 of the Companies Act 1985.
- (ii) The financial statements give a true and fair view of the state of affairs of the company as at 31 March 2003 and of its profit or loss for the year then ended in accordance with the requirements of Section 226, and which otherwise comply with the requirements of the Companies Act 1985 relating to financial statements, so far as applicable to the company.

The financial statements have been prepared in accordance with the special provision of Part VII of the Companies Act 1985 relating to small companies.

Approved by the director on 18<sup>th</sup> January 2006

  
Director

# **Fife Energy Limited**

## **Notes to the financial statements for the year ended 31 December 2003**

### **1 Fundamental Uncertainty and Going Concern**

At 31 December 2003, the company had a deficit on its profit and loss account of £1,997,500 and net liabilities of £1,775,424.

The ultimate parent company has confirmed that it intends to provide sufficient funds to enable the company to discharge its liabilities over the next 12 months.

A 400MW project is being developed by Fife Electric Limited, a related company. The director believes that financial closure of that project by Fife Electric Limited will occur now that the Section 36 approval to construct has been received. The closure of that project would enable Fife Electric Limited to exercise an option to purchase the land and relevant generating licence from Fife Energy Limited. This will provide additional funds for the company to meet its liabilities.

The financial statements for this company have been prepared on the going concern basis on the assumption that:

- The parent undertaking will provide working capital to meet the liabilities and ongoing expenses of the company.
- Fife Electric Limited will achieve financial closure of the 400 MW project, exercise the option and provide a revenue stream to the company. After discharging Fife Energy Limited's liabilities, any surplus funds would enable a distribution to be made to shareholders.

In the absence of future revenues from the subsidiaries and ongoing support by the parent undertaking, the company may be unable to continue trading and adjustments to the value of assets to their recoverable amount and provision of further liabilities would have to be made. The financial statements do not include any adjustments that would result from the company's inability to meet its liabilities.

### **2 Accounting policies**

#### **Basis of accounting**

The financial statements are prepared under the historical cost convention and in accordance with applicable Accounting Standards.

#### **Intangible fixed assets**

Intangible fixed assets relating to licence agreements are stated at cost less amortisation. Intangible fixed assets are amortised over the period of the licence agreement to which they relate from the commencement of operations.

# Fife Energy Limited

## **Tangible fixed assets and depreciation**

Development costs which the director believes can be matched by future related revenues are capitalised within assets under development.

Tangible fixed assets including capitalised development costs are stated at cost less depreciation. No depreciation is provided on assets under development. Depreciation of other fixed assets is provided by equal annual instalments to write off their book value over their estimated useful lives.

## **Deferred taxation**

Deferred taxation 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 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.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable profits from which the future reversal of the underlying timing difference can be deducted. Deferred tax is measured on a non-discounted basis.

## **Foreign exchange**

Transactions undertaken in foreign currencies are translated using the exchange rate ruling at the date of the transaction. Monetary assets and liabilities at the balance sheet date are translated at the closing rate.

Exchange differences arising are reported as part of the results for the year.

## **3 Loss on ordinary activities before taxation**

	2003	2002
	£	£
<hr/>		
The loss on ordinary activities before taxation is stated after charging:		
Auditors' remuneration		
- for audit services	6,000	6,000
<hr/>		



# Fife Energy Limited

## 4 Employee costs

	2003	2002
	£	£
Wages and salaries	63,208	43,876
Social security costs	3,971	4,607
<b>Staff costs</b>	<b>67,179</b>	<b>48,483</b>
Average number of employees during the year	2	2

In addition, the company has incurred costs of £NIL (2002: £26,500) in respect of an employee of a fellow group company.

## 5 Director's emoluments

During 2003, the director received emoluments of £nil in respect of services to the company (2002: £nil).

## 6 Interest receivable and similar income

	2003	2002
	£	£
Bank interest	133	194
Exchange gain	225,409	245,064
	<b>225,542</b>	<b>245,258</b>

## 7 Interest payable and similar charges

	2003	2002
	£	£
Interest on promissory note	310,727	344,455

# Fife Energy Limited

## 8 Taxation

	2003	2002
	£	£
UK corporation tax	-	-

The tax assessed for the period differs from the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2003	2002
	£	£
Loss on ordinary activities before tax	32,403	76,929
Loss on ordinary activities multiplied by the standard rate in the UK 30% (2002: 30%)	9,721	23,079
Effects of:		
Losses not utilised	(9,721)	(23,079)
<b>Current tax charge/credit for the year</b>		-

## 9 Intangible fixed assets

	£
<b>Cost</b>	
At 1 January and 31 December	1,062,949
<b>Aggregate amortisation</b>	
At 1 January and 31 December	1,062,949
<b>Net book amount</b>	
At 1 January and 31 December	-

# Fife Energy Limited

## 10 Tangible fixed assets

	Assets under development	Office equipment	Total
	£	£	£
<b>Cost</b>			
At 1 January 2003 and 31 December 2003	8,392,028	7,000	8,399,028
<b>Depreciation</b>			
At 1 January 2003 and 31 December 2003	7,600,000	7,000	7,607,000
<b>Net book amount</b>			
At 31 December 2003	792,028	-	792,028
At 31 December 2002	792,028	-	792,028

The principal components of tangible and intangible assets at 31 December 2003 comprise:

	2003 £million	2002 £million
Westfield site		0.79
		0.79

# Fife Energy Limited

## 11 Investment

The company's wholly owned subsidiary undertaking is as follows:

Name	Country of registration	Class of share held
Fife Limited	Scotland	Ordinary

Fife Limited is a holding company with a 50% interest in Fife Power, a company registered in Scotland.

## 12 Debtors

	2003 £	2002 £
Amounts due from group undertakings	2,270,487	2,264,265
Trade debtors		-
Prepayments and accrued income	8,230	14,492
	2,278,717	2,278,757

## 13 Creditors – Amounts falling due within one year

	2003 £	2002 £
Amounts owed to subsidiary undertakings	448,247	448,247
Amounts owed to parent undertaking	112,641	112,641
Trade creditors	283,129	358,759
<i>Promissory note and interest</i>	3,912,193	3,826,875
Other creditors	50,002	50,002
Other taxes	3,568	3,931
Accruals	43,244	16,956
	4,853,024	4,817,411

El Paso Energy International Company holds security over the whole site.

# Fife Energy Limited

## 14 Deferred tax

The potential deferred tax asset at 30% (2000: 30%) which has not been recognised in the financial statements is as follows:

	2003	2002
	£	£
Losses	395,505	385,784

No deferred tax asset has been recognised in respect of the losses as there is uncertainty over the level of future taxable profits.

## 15 Called up share capital

	2003	2002
	£	£
<b>Authorised:</b>		
<b>Equity</b>		
Ordinary shares of £1 each	53,192	53,192
<b>Non equity</b>		
Special shares of £0.0001	3,398	3,398
	56,590	56,590
<b>Allotted and fully paid:</b>		
<b>Equity</b>		
Ordinary shares of £1 each	53,192	53,192
<b>Non equity</b>		
Special shares of £0.0001	3,396	3,396
	56,588	56,588

### Rights

The holders of the special shares are not entitled to participate in the distribution of any profits other than the profits arising from the options with Fife Electric Limited and Global Environmental Limited.

On a return of assets on liquidation or otherwise, the surplus assets of the company remaining after payment of its liabilities shall be distributed as follows:

- in paying or assigning the relevant sum to the holders of the special shares

## **Fife Energy Limited**

- and thereafter, any such surplus assets shall be distributed among the holders of the ordinary shares

The relevant sum shall mean:

- if at the date on which the said return on assets is made by the company (or, if the said return is made in more than one payment, the last date) (the “return date”) the holders of the special shares shall have received both the Fife Electric payment and the Global Environmental payment, the sum of £1,000;
- if at the return date the Fife Electric payment but not the Global Environmental payment shall have been received by the holders of the special shares, a distribution in specie of a right to participate in 28% of the Global Environmental payment;
- if at the return date the Global Environmental payment but not the Fife Electric payment shall have been received by the holders of the special shares, a distribution in specie of a right to participate in 28% of the Fife Electric payment;
- if at the return date neither the Fife Electric payment nor the Global Environmental payment shall have been received by the holders of the special shares, a distribution in specie of a right to participate in 28% of both such payments.

On receipt by the company of the payment from Fife Electric under the option, 28% of this receipt, after deduction of reasonable expenses and taxation, shall, without the need for any declaration by the directors or any resolution of the company, be distributed by way of dividend among the holders of the special shares.

On receipt by the company of the payment from Global Environmental under the option, 28% of this receipt, after deductions of reasonable expenses and tax, shall, without the need for any declaration by the directors or any resolution of the company, be distributed by way of dividend among the holders of the special shares.

In the event that, at the date the Fife Electric payment and/or the Global Environmental payment is to be distributed, the company is prohibited from making such a distribution by virtue of the Companies Act 1985, the following provisions shall apply:

- a) on the date the company shall pay to the holders of the special shares on account of the relevant payment the maximum sum (if any) which can then properly be paid by the company;
- b) the company shall pay to the holders of the special shares on account of the balance of the relevant payment for the time being remaining outstanding, and until the relevant payment shall have been paid in full, the maximum sum (if any) which can properly be paid by the company as soon as such sum can lawfully be paid by the company.

Following the receipt of either the Fife Electric payment and/or the Global Environmental payment, the company shall pay no dividends to its ordinary shareholders, until such time as the dividends to the special shares have been paid in full.

### **Voting**

Holders of special shares are entitled to receive notice of and to attend and address all general meetings and to receive copies of all circulars sent to holders of shares or debentures in the company and of all resolutions of the company in general meeting but shall not be entitled to vote at any general meeting.

# Fife Energy Limited

## 16 Reconciliation of movements in shareholders' deficit

	2003 £	2002 £
Loss for the financial year	(32,403)	(76,929)
Net reduction to shareholders' deficit	(32,403)	(76,929)
Opening shareholders' deficit	(1,743,021)	(1,666,092)
Closing shareholders' deficit	(1,775,424)	(1,743,021)
<b>Analysed as follows:</b>		
Equity shareholders' deficit	(1,778,820)	(1,746,417)
Non equity shareholders' funds	3,396	3,396
	(1,775,424)	(1,743,021)

## 17 Related party transactions

The company has taken advantage of the exemptions permitted by FRS8 not to disclose transactions with group companies.

## 18 Cash flow statement

The company has taken advantage of the exemption conferred by FRS1 from the need to prepare a cash flow statement on the grounds that the company is small as defined in Section 246 to Section 249 of the Companies Act 1985.

## 19 Parent company

The company's immediate parent company is Global Energy Europe Limited, a company registered in England. The company's ultimate parent company is Global Energy Inc, a company incorporated in the USA.