

Fife Energy Limited  
Director's Report and Financial Statements  
for the year ended 31 December 2007

Registered Number 137656

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# Fife Energy Limited

## Director's Report and Financial Statements for the year ended 31 December 2007

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# **Fife Energy Limited**

## **Director and Advisors for the year ended 31 December 2007**

### **Director**

H H Graves (USA)

### **Secretary**

Burness

50 Lothian Road

Festival Square

EDINBURGH

EH3 9WJ

### **Solicitors**

Burness

50 Lothian Road

Festival Square

EDINBURGH

EH3 9WJ

### **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 2007**

The director presents his report and the financial statements of the company for the year ended 31 December 2007

### **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 3. The loss for the financial year amounted to £1,314,903 (2006 £2,817,423) and has been transferred from reserves. The director does not recommend payment of a dividend (2006 £NIL)

### **Director 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 2007 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 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 2007

	Note	2007	2006
		£	£
Administrative expenses		(395,515)	(423,229)
Other operating income		41,701	63,458
Exceptional item	5	0	(2,273,585)
		(353,814)	(2,633,356)
Interest receivable and similar income	7	122,793	822,950
Interest payable and similar charges	8	(1,083,882)	(1,007,017)
Loss for the financial year		(1,314,903)	(2,817,423)

# Fife Energy Limited

## Balance sheet as at 31 December 2007

	Note	2007 £	2007 £	2006 £	2006 £
<b>Fixed assets</b>					
Tangible assets	10		782,923		785,694
Investments			0		0
			782,923		785,694
<b>Current assets</b>					
Debtors	11	15,629		11,980	
Cash at bank and in hand		2,894		9,630	
		18,523		21,610	
<b>Creditors: amounts falling due within one year</b>	12	8,967,989		7,658,944	
<b>Net current liabilities</b>			(8,949,466)		(7,637,335)
<b>Net liabilities</b>			(8,166,543)		(6,851,640)
<b>Capital and reserves</b>					
Called up share capital	14		56,588		56,588
Share premium account			165,488		165,488
Profit and loss account – deficit	15		(8,388,619)		(7,073,716)
<b>Total shareholders' deficit</b>	16		(8,166,543)		(6,851,640)

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

The director has taken advantage of the exemption conferred by Section 249A (1) 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 director acknowledges responsibility 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 December 2007 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 on pages 3 to 13 were approved by the board of directors on 20<sup>th</sup> August 2008 and were signed on its behalf by



Director

# **Fife Energy Limited**

## **Notes to the financial statements for the year ended 31 December 2007**

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

At 31 December 2007, the company had a deficit on its profit and loss account of £8,388,619 and net liabilities of £8,166,543

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

Following the increase in natural gas prices in the UK it is planned to refurbish existing gasification assets at Westfield, and build additional capacity to produce synthesis gas, and synthetic natural gas from refuse derived fuel and coal. The use of proprietary advanced fuel technology will create an environmentally friendly, integrated gasification combined cycle (AFT IGCC) power plant at Westfield. The expansion programme will encompass current consents for a 400MW combined cycle gas turbine which will be configured to run on synthesis gas produced on site

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 Energy Ltd will construct, own and operate AFT IGCC facilities at Westfield

In the absence of 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

#### **Group Accounts**

The financial statements present information about the company as an individual undertaking and not about its group. The company is included in the consolidated accounts of Global Energy Inc, its ultimate parent company, a company registered in the United States of America. The company has therefore taken advantage of the exemptions provided by section 228 of the Companies Act 1985 not to prepare group accounts

# 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 as follows

Office Equipment 4 years

## **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**

	2007	2006
	£	£
<hr/>		
The loss on ordinary activities before taxation is stated after		
Exchange rate gain/(loss)	122,507	822,433
<hr/>		



# Fife Energy Limited

## 4 Employee costs

	2007	2006
	£	£
Wages and salaries	303,068	243,573
Social security costs	33,425	27,018
<b>Staff costs</b>	<b>336,493</b>	<b>270,591</b>
Average number of employees during the year	6	5

## 5. Exceptional Item

Amounts due by immediate parent company forgiven £2,273,585

## 6. Director's emoluments

During 2007, the director received emoluments of £nil in respect of services to the company (2006 £nil)

## 7. Interest receivable and similar income

	2007	2006
	£	£
Bank interest	286	517
Exchange gain	122,507	822,433
	<b>122,793</b>	<b>822,950</b>

## 8. Interest payable and similar charges

	2007	2006
	£	£
Interest on promissory note	1,083,196	1,006,560
Exchange Loss	0	0
Bank Charges	686	457
	<b>1,083,882</b>	<b>1,007,017</b>

# Fife Energy Limited

## 9. Taxation

	2007	2006
	£	£
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

	2007	2006
	£	£
Loss on ordinary activities before tax	1,314,902	2,817,423
Loss on ordinary activities multiplied by the standard rate in the UK 30% (2006 30%)	394,471	845,227
Effects of		
Losses not utilised	394,471	845,227
<b>Current tax charge/credit for the year</b>		

# Fife Energy Limited

## 10. Tangible fixed assets

	Assets under development	Office equipment	Total
	£	£	£
<b>Cost</b>			
At 31 December 2007	779,114	11,089	790,203
<b>Depreciation</b>			
At 31 December 2007	0	7,280	7,280
<b>Net book amount</b>			
At 31 December 2007	779,114	3,809	782,923
At 31 December 2006	779,114	6,580	785,694

The principal components of tangible and intangible assets at 31 December 2007 comprise

	2007 £million	2006 £million
Westfield site	0.78	0.78

## 11. Debtors

	2007 £	2006 £
Amounts due from group undertakings	0	0
Other Debtors	6,047	0
Prepayments and accrued income	9,582	11,980
	<b>15,629</b>	<b>11,980</b>

## **Fife Energy Limited**

### **12. Creditors – Amounts falling due within one year**

	2007	2006
	£	£
Amounts Due to Group Undertakings	1,371,159	1,022,915
Trade creditors	0	0
Promissory note and interest	7,468,418	6,507,729
Other creditors	117,308	114,324
Other taxes	10,453	13,549
Accruals	651	427
	8,967,989	7,658,944

El Paso Energy International Company holds security over the whole site

### **13. Deferred tax**

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

# Fife Energy Limited

## 14. Called up share capital

	2007	2006
	£	£
<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
	<b>56,590</b>	<b>56,590</b>
<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
	<b>56,588</b>	<b>56,588</b>

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

# Fife Energy Limited

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

## 15. Profit and loss account

	£
At 31 <sup>st</sup> December 2006	(7,073,716)
Loss for the year	(1,314,903)
At 31 <sup>st</sup> December 2007	(8,388,619)

## 16. Reconciliation of movements in shareholders' deficit

	2007 £	2006 £
Loss for the financial year	(1,314,903)	(2,817,423)
Opening shareholders' deficit	(6,851,640)	(4,034,217)
Closing shareholders' deficit	(8,166,543)	(6,851,640)
Analysed as follows:		
Equity shareholders' deficit	(8,169,939)	(6,855,036)
Non equity shareholders' funds	3,396	3,396
	(8,166,543)	(6,851,640)

## 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