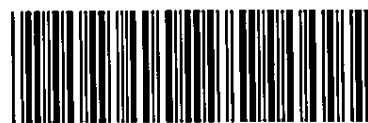


Fife Energy Limited
Director's Report and Financial Statements
for the year ended 31 December 2010

Registered Number 137656

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Fife Energy Limited

Director's Report and Financial Statements

for the year ended 31 December 2010

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Fife Energy Limited

Director and Advisors for the year ended 31 December 2010

Director
H H Graves (USA)

Company 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 2010

The director presents his report and the financial statements of the company for the year ended 31 December 2010.

Principal activities and review of the business

The principal activity of the company is the development of synthetic fuel and power production facilities to build out the Fife Environmental Energy Park at the Westfield Development Centre in Fife.

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 £2,202,805 (2009: £1,064,357) and has been transferred from reserves. The director does not recommend payment of a dividend (2009 £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 2010 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 2006. 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



H H Graves
Director

Fife Energy Limited

Profit and loss account for the year ended 31 December 2010

	Note	2010 £	2009 £
Turnover		-	-
Administrative expenses		(273,702)	(829,966)
Other operating income		10,385	(500)
Operating Profit/(Loss)	3	(263,317)	830,466
Attributable to:			
Operating loss		(263,317)	(298,041)
Exceptional items / Creditor adjustment	3	(1,939,488)	1,128,507
		(2,202,805)	830,466
Interest receivable and similar income		-	-
Interest payable and similar charges		-	(1,894,823)
Loss on Ordinary Activities before Taxation		(2,202,805)	(1,064,357)
Tax on loss on ordinary activities		-	-
Loss for the financial year		(2,202,805)	(1,064,357)

Fife Energy Limited

Balance sheet as at 31 December 2010

	Note	2010	2009
		£	£
Fixed assets			
Tangible assets	4	779,114	779,137
Current assets			
Debtors	5	9,898	13,261
Cash at bank and in hand		2,809	1,311
		<u>12,707</u>	<u>14,572</u>
Creditors: amounts falling due within one year	6	4,413,533	15,032,450
Net current liabilities		<u>(4,400,826)</u>	<u>(15,017,878)</u>
Total Assets Less Current Liabilities		<u>(3,621,712)</u>	<u>(14,238,741)</u>
Capital and reserves			
Called up equity share capital	8	56,588	56,588
Share premium account	9	165,488	165,488
Profit and loss account	10	(3,843,788)	(14,460,817)
Deficit		<u>(3,621,712)</u>	<u>(14,238,741)</u>

Audit Exemption Statement

For the year ending 31 December 2010 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

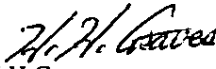
Director's responsibilities:

the members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476;

the directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts;

these accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements on pages 3 to 11 were approved by the board of directors on 28th November 2011 and were signed on its behalf by:


H H Graves
Director

Fife Energy Limited

Notes to the financial statements for the year ended 31 December 2010

1 Fundamental Uncertainty and Going Concern

At the year end, the company had a deficit on its profit and loss account of £3,843,788 and net liabilities of £3,621,712.

The Director has confirmed that sufficient funds will be provided to enable the company to discharge its short term liabilities and enable the company to continue over the next 12 months.

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.

As the world is moving into an era where low cost clean energy is much sought after, the director believes that funding for the expansion projects at Westfield will be forthcoming, enabling the build out of the Fife Environmental Energy Park with full commissioning and trading profitably in future years.

The company has negotiated with its major creditor to clear the Westfield site security for a one time payment of £1,939,488 (@ \$1.50 exchange rate) on or before 30 June 2013. This amount may vary dependant on the exchange rate. The site security payment will likely occur in conjunction with current acquisition and new build financings in the works, and therefore the amount included in the 2009 accounts has been updated to reflect this revised figure.

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

- The Director will provide working capital to meet the liabilities and ongoing expenses of the company.
- Fife Energy Ltd will construct, own and operate Synthetic Fuel and Power facilities at the Westfield Development Centre.

In the absence of ongoing support by the Director and obtaining additional funding, 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.

Fife Energy Limited

2 Accounting policies

Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

Tangible fixed assets and depreciation

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

Depreciation

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

Plant & Machinery	-	25% straight line
Fixtures & Fittings	-	25% straight line
Equipment	-	25% straight line

No depreciation is provided on assets under development. These assets comprise of a high element of land which is not subject to depreciation. Depreciation is provided on property when, in the opinion of the director, the estimated residual value becomes less than the carrying value of the asset. The director considers this accounting policy is necessary to show a true and fair view.

Foreign Currencies

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

Financial Instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Fife Energy Limited

3 Operating Profit/(Loss)

Operating profit/(loss) is stated after charging /(crediting):

	2010	2009
	£	£
Director's remuneration	-	-
Depreciation of owned fixed assets	23	1,016
Auditor's Fees	-	1,800
Exceptional item – foreign currency loss	-	(1,128,507)
Creditor adjustment	10,880,346	-

The revised creditor adjustment above is the result of negotiations of a one time payment as detailed within Note 1.

4. Tangible Fixed Assets

	Assets Under Development	Plant & Machinery	Fixtures & Fittings	Equipment	Total
	£	£	£	£	£
Cost					
At 1 January 2010					
and					
31 December 2010	779,114	5,401	110	5,579	790,204
Depreciation					
At 1 January 2010	-	5,401	87	5,579	11,067
Charge for the year	-	-	23	-	23
At 31 December 2010	-	5,401	110	5,579	11,090
Net book Value					
At 31 December 2010	779,114	-	-	-	779,114
At 31 December 2009	779,114	-	23	-	779,137

Assets under development comprise of land and property at Westfield, Fife, Scotland, which is held under a lease which extends to the year 2117. The cost of the land has not been separately identified from the cost of the buildings, which have not been depreciated, in accordance with the company's accounting policy.

Fife Energy Limited

5. Debtors

	2010	2009
	£	£
VAT Recoverable	-	666
Other debtors	6,048	6,048
Prepayments and accrued income	3,850	6,547
	<u>9,898</u>	<u>13,261</u>

6. Creditors: Amounts Falling due Within One Year

	2010	2009
	£	£
Trade creditors	208,611	206,028
Amounts owed to group undertakings	1,671,317	1,671,317
Other creditors including taxation and social security:		
PAYE and social security	32,806	19,076
Other creditors	(10,880,346)	12,819,834
Accruals and deferred income	561,311	316,195
	<u>4,413,533</u>	<u>15,032,450</u>

The company has negotiated to clear the Westfield site security for a one time payment of £1,939,488 (@ \$1.50 exchange rate) on or before 30 June 2013. This amount may vary dependant on the exchange rate. The site security payment will likely occur in conjunction with current acquisition and new build financings in the works, and therefore the amount above included as other creditors has been adjusted to reflect this revised amount.

7. Related party transactions

The controlling party of Fife Energy Limited is its parent company Global Energy Europe Ltd.

The company has therefore taken advantage of the exemptions available under Financial Reporting Standard No 8 with regard to the non-disclosure of transactions between group companies.

Fife Energy Limited

8. Share capital

Authorised share capital:

	2010	2009
	£	£
53,192 Ordinary shares of £1 each	53,192	53,192
33,980,000 Special shares of £0.0001 each	3,398	3,398
	<u>56,590</u>	<u>56,590</u>

Allotted, called up and fully paid:

	2010		2009	
	No	£	No	£
53,192 Ordinary shares of £1 each	53,192	53,192	53,192	53,192
33,964,997 Special shares of £0.0001 each	33,964,997	3,396	33,964,997	3,396
	<u>34,018,189</u>	<u>56,588</u>	<u>34,018,189</u>	<u>56,588</u>

Fife Energy Limited

Share Capital (continued)

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

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 deduction 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, 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;

Fife Energy Limited

Share Capital (continued)

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.

9. Share Premium Account

There was no movement on the share premium account during the financial year.

10. Profit and loss account

	2010 £	2009 £
Balance brought forward	(14,460,817)	(13,396,460)
Loss for the financial year	(263,317)	(1,064,357)
Creditor adjustment	10,880,346	
Balance carried forward	<u>(3,843,788)</u>	<u>(14,460,817)</u>

11. 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 382 of the Companies Act 2006.