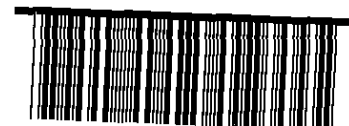


Fife Energy Limited

Director's report and financial statements
for the year ended 31 December 2000

Registered Number 137656



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COMPANIES HOUSE 02/04/02

Fife Energy Limited

Director's report and financial statements

for the year ended 31 December 2000

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Fife Energy Limited

Director and Advisors for the year ended 31 December 2000

Director

H H Graves (USA)

Secretary

Burness

50 Lothian Road

Festival Square

EDINBURGH

EH3 9WJ

Auditors

PricewaterhouseCoopers

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 2000

The director presents his report and the audited financial statements of the company for the year ended 31 December 2000.

Trading result

The result for the year is set out in the profit and loss account. The loss for the year of £966,182 (1999 £859,934) has been transferred from reserves. The director does not recommend payment of a dividend (1999 £nil).

Principal activities and review of the business

The principal activity of the company is the development of an Integrated Gasification Combined Cycle power station in Fife, Scotland. The development of the site will be undertaken in several projects.

During 2001, Fife Power completed the second phase of a project to increase the capacity of the plant to 120MW on a combined cycle basis.

It is the current intention to continue the development of the rest of the site.

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 accounts 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 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 2000 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.

Fife Energy Limited

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board

A handwritten signature in black ink, appearing to be a stylized 'J' followed by a wavy line.

~~Director~~ *Secretary*

7 March 2002

Fife Energy Limited

Auditors' report to the members of Fife Energy Limited

We have audited the financial statements on pages 6 to 17.

Respective responsibilities of directors and auditors

The director is responsible for preparing the director's report. As described on page 2 this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. We also report to you if, in our opinion, the director's report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or information specified by law regarding director's remuneration and transactions is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 director 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 and performed 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. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Fundamental uncertainty and going concern

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the ongoing funding of the company. Should the company be unable to secure adequate funding or receive distributions from the subsidiary companies, the company may be unable to continue trading. Details relating to these fundamental uncertainties are described in Note 1. In particular your attention is drawn to the need for other group companies to achieve further development targets and financial closure of other phases prior to being able to make any distributions to shareholders.

In view of the significance of these uncertainties, we consider that they should be drawn to your attention but our opinion is not qualified in these respects.

Fife Energy Limited

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Aberdeen

7 March 2002

Fife Energy Limited

Profit and loss account for the year ended 31 December 2000

	Note	2000 £	1999 £
Turnover		-	-
Cost of sales		-	-
Gross profit		-	-
Administrative expenses		(217,048)	(349,624)
Other operating income		223,116	325,482
Operating profit/(loss)		6,068	(24,142)
Interest receivable		953	1,398
Interest payable	6	(792,538)	(765,113)
Exchange losses		(180,665)	(72,077)
Loss on ordinary activities before taxation	3	(966,182)	(859,934)
Taxation	7	-	-
Loss for the financial year	14	(966,182)	(859,934)
Retained (loss)/profit brought forward		(646,302)	213,632
Retained loss carried forward		(1,612,484)	(646,302)

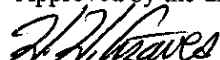
There were no recognised gains or losses other than the loss for the financial year (1999 : £Nil). All results arose from continuing operations.

Fife Energy Limited

Balance sheet as at 31 December 2000

	Note	2000 £	2000 £	1999 £	1999 £
Fixed assets					
Intangible assets	8		1,062,949		1,062,949
Tangible assets	9		8,392,028		8,392,028
Investments	10		2		2
			9,454,979		9,454,979
Current assets					
Debtors	11	2,345,171		2,327,300	
Cash at bank and in hand		33,021		27,022	
		2,378,192		2,354,322	
Creditors: amounts falling due within one year	12	(13,223,579)		(12,233,527)	
Net current liabilities			(10,845,387)		(9,879,205)
Net liabilities			(1,390,408)		(424,226)
Capital and reserves					
Called up share capital	13		56,588		56,588
Share premium account			165,488		165,488
Profit and loss account			(1,612,484)		(646,302)
Total shareholders' funds	14		(1,390,408)		(424,226)

Approved by the director on 7 March 2002.


Director

Fife Energy Limited

Notes to the financial statements for the year ended 31 December 2000

1 Fundamental Uncertainty and Going Concern

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 in 2002 subject to the receipt of the anticipated Section 36 approval to construct. 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.

Should Fife Electric Limited not achieve financial closure, Fife Energy Limited will not have available reserves to complete a distribution to its parent company in the near future. In addition, the timing and extent of any revenue streams from Fife Power to Fife Energy Limited are not certain. The company continues to depend on the parent undertaking to provide working capital to enable the company to meet its liabilities and expenses. 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

Provision for deferred taxation is only made in respect of timing differences if a liability or asset is likely to crystallise in the foreseeable future. Provision is made at the corporation tax rates at which such timing differences are expected to reverse.

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.

Fife Energy Limited

3 Loss on ordinary activities before taxation

	2000	1999
	£	£
The loss on ordinary activities before taxation is stated after charging:		
Auditors' remuneration		
- for audit services	5,000	5,000

4 Employee costs

	2000	1999
	£	£
Wages and salaries	55,181	55,527
Social security costs	5,867	5,700
Staff costs	61,048	61,227
Average number of employees during the year	2	2

In addition, the company has incurred costs of £39,865 (1999: £31,838) in respect of an employee of group companies.

5 Director's emoluments

During 2000, the director received emoluments of £nil in respect of services to the company (1999 : £nil).

6 Interest payable

	2000	1999
	£	£
Interest on fixed asset creditor	421,454	421,128
Interest on promissory note	371,084	343,985
	792,538	765,113

Fife Energy Limited

7 Taxation

	2000	1999
	£	£
UK corporation tax	-	-

There are no timing differences which would result in a deferred tax liability or asset at the year end. In 2000, no provision for deferred taxation was considered necessary due to the availability of tax losses (1999 : £nil); the potential deferred tax asset which would have been provided in 2000 is estimated at £280,000 (1999 : £130,000).

8 Intangible fixed assets

During 1992 the company entered into an agreement with a third party whereby it was entitled to make use of certain licensed processes on payment of £1 million. At 31 December 2000, £200,000 has been paid and the remaining balance of £800,000 is contingent on financial closure of the gasification project and test runs being completed satisfactorily.

Also included within intangible fixed assets is £62,949 relating to a payment made to Global Energy Inc, the ultimate parent company, in respect of a technology licence agreement between the company and Global Energy Europe Limited, and a similar licence agreement between Global Energy Europe Limited and Global Energy Inc. This payment is a non refundable advance payment. An agreement, which will require the company to pay 2% of the future revenue stream, has been renegotiated to a payment of £1 million for the licence payable on financial closure of the gasification project. The payment is wholly contingent on the commencement of commercial operations following the achievement of financial closure of the gasification project and therefore this additional liability has not, been recorded in these financial statements.

Fife Energy Limited

9 Tangible fixed assets

	Assets under development	Office equipment	Total
	£	£	£
Cost			
At 1 January 2000 and 31 December 2000	8,392,028	7,000	8,399,028
Depreciation			
At 1 January 2000 and 31 December 2000	-	7,000	7,000
Net book amount			
At 31 December 2000	8,392,028	-	8,392,028
At 31 December 1999	8,392,028	-	8,392,028

Assets under development represent costs incurred in relation to the Fife Development Project to develop the integrated gasification combined cycle power station in Fife, Scotland. The principal element of the costs incurred to date relates to the Westfield Development Centre.

During 1992, the company entered into an agreement to acquire a 125 year leasehold interest in the Westfield Development Centre from a third party. The cost of the leasehold interest in the Westfield Development Centre and certain licences (included in intangible fixed assets) was £10 million. Under the terms of the agreement, £2.3 million has been paid as at 31 December 2000. The remaining £7.7 million, including £800,000 relating to the licences referred to in Note 8, is payable when certain other aspects of the development project are satisfactorily completed.

The principal components of tangible and intangible assets at 31 December 2000 comprise:

	2000 £million	1999 £million
Westfield site	0.79	0.79
Addition for gasification capability	0.85	0.85
Intangible asset payments	0.26	0.26
Liability on Financial Closure		
- intangible asset	0.80	0.80
- assets under development	6.75	6.75
	9.45	9.45

Fife Energy Limited

10 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.

11 Debtors

	2000 £	1999 £
Amounts due from group undertakings	2,327,300	2,327,300
Trade debtors	2,880	-
Prepayments and accrued income	14,991	-
	2,345,171	2,327,300

12 Creditors – Amounts falling due within one year

	2000 £	1999 £
Fixed asset creditor	8,429,088	8,429,088
Amounts owed to group undertakings	560,888	367,582
Trade creditors	333,812	507,764
Promissory note and interest	3,278,737	2,726,988
Other creditors	50,002	52,710
Other taxes	3,293	2,992
Accruals	567,759	146,403
	13,223,579	12,233,527

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

Fife Energy Limited

13 Called up share capital

	2000	1999
	£	£
Authorised:		
Equity		
Ordinary shares of £1 each	53,192	53,192
Non equity		
Special shares of £0.0001	3,398	3,398
	56,590	56,590
Allotted and fully paid:		
Equity		
Ordinary shares of £1 each	53,192	53,192
Non equity		
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
- 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;

Fife Energy Limited

- 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

14 Reconciliation of movements in shareholders' funds

	2000	1999
	£	£
Loss for the financial year	(966,182)	(859,934)
Net reduction to shareholders' funds	(966,182)	(859,934)
Opening shareholders' funds	(424,226)	435,708
Closing shareholders' funds	(1,390,408)	(424,226)
Equity shareholders' funds	(1,393,804)	(427,622)
Non equity shareholders' funds	3,396	3,396
	(1,390,408)	(424,226)

15 Related party transactions

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

16 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.

17 Contingent liabilities and claims

The company has negotiated an agreement for a technology licence. As highlighted in Note 8, a £62,949 non refundable payment has been made in respect of this licence. The existing agreement is wholly contingent on the commencement of operations following the achievement of financial closure of the gasification project. This additional liability as detailed in Note 8 has not been recorded in these financial statements.

The company has granted an option to a fellow group company, Fife Electric Limited, in respect of the transfer of land on the payment of the option price.

The company has entered a participation fee agreement with El Paso, investors in Fife Power. This entitles El Paso in respect of certain proceeds from the sale of land at the Westfield site which is not required for the projects currently under development and/or contemplation by Fife Power, to 28% of the relevant sale proceeds.

Fife Energy Limited

18 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.