

Fife Energy Limited
Abbreviated Accounts
For
31st December 2008

Company Registration Number 137656

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28/01/2010

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COMPANIES HOUSE

CARTERS ACCOUNTANTS LLP
Chartered Accountants & Registered Auditor
Pentland House
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Fife Energy Limited

Abbreviated Accounts

Year Ended 31st December 2008

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Fife Energy Limited

Independent Auditor's Report to Fife Energy Limited

UNDER SECTION 247B OF THE COMPANIES ACT 1985

We have examined the abbreviated accounts, together with the financial statements of Fife Energy Limited for the year ended 31st December 2008 prepared under Section 226 of the Companies Act 1985.

This report is made solely to the company, in accordance with Section 247B of the Companies Act 1985. Our work has been undertaken so that we might state to the company those matters we are required to state to it in a special auditor's 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 for our work, for this report, or for the opinions we have formed.

Respective Responsibilities of Director and Auditor

The director is responsible for preparing the abbreviated accounts in accordance with Section 246 of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with Sections 246(5) and (6) of the Act to the Registrar of Companies and whether the abbreviated accounts have been properly prepared in accordance with those provisions and to report our opinion to you.

Basis of Opinion

We conducted our work in accordance with Bulletin 2006/3 "The special auditor's report on abbreviated accounts in the United Kingdom" issued by the Auditing Practices Board. In accordance with that Bulletin we have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with Sections 246(5) and (6) of the Companies Act 1985, and the abbreviated accounts have been properly prepared in accordance with those provisions.

Other Information

On 27/01/10... we reported, as auditor of the company, to the shareholders on the financial statements prepared under Section 226 of the Companies Act 1985 for the year ended 31st December 2008, and the full text of the company audit report is reproduced on pages 2 to 3 of these financial statements.

Carters Accountants LLP

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Pentland House

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27/01/10...

Fife Energy Limited

Independent Auditor's Report to the Shareholders of Fife Energy Limited

Year Ended 31st December 2008

We have audited the financial statements of Fife Energy Limited for the year ended 31st December 2008 which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2007) and on the basis of the accounting policies set out on pages 8 to 9.

This report is made solely to the company's shareholders, 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 shareholders those matters we are required to state to them in an auditor's 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Director and Auditor

The director's 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 in the Statement of Director's Responsibilities.

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 Director's Report 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 director's remuneration and other transactions is not disclosed.

We read the Director's Report 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 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.

Fife Energy Limited

Independent Auditor's Report to the Shareholders of Fife Energy Limited

(continued)

Year Ended 31st December 2008

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the company's affairs as at 31st December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Director's Report is consistent with the financial statements.

Emphasis of matter - Going concern

In forming our opinion on the financial statements which is not qualified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the company's ability to continue as a going concern. As at 31 December 2008 the company had net liabilities of £13,174,384 and is currently relying on financial support from its ultimate parent company. Additional funding will be required to allow the company's operating plant to be fully commissioned and enable the company to commence the production of synthetic gas and synthetic natural gas. This situation together with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

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Our audit was completed on 22/01/09 and our opinion was expressed at that date.

Fife Energy Limited

Abbreviated Balance Sheet

31st December 2008

	Note	2008 £	2007 £
Fixed Assets	3		
Tangible assets		780,153	782,924
Current Assets			
Debtors		28,119	17,016
Cash at bank and in hand		4,055	2,894
		32,174	19,910
Creditors: Amounts Falling due Within One Year	4	13,986,711	8,969,377
Net Current Liabilities		(13,954,537)	(8,949,467)
Total Assets Less Current Liabilities		(13,174,384)	(8,166,543)
Capital and Reserves			
Called-up equity share capital	5	56,588	56,588
Share premium account		165,488	165,488
Profit and loss account		(13,396,460)	(8,388,619)
Deficit		(13,174,384)	(8,166,543)

These abbreviated accounts have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

These abbreviated accounts were approved and signed by the director and authorised for issue on

25/1/10



H H Graves
Director

Company Registration Number: 137656

The notes on pages 5 to 10 form part of these abbreviated accounts.

Fife Energy Limited

Notes to the Abbreviated Accounts

Year Ended 31st December 2008

1. Fundamental Uncertainty and Going Concern

At the year end, the company had a deficit on its profit and loss account of £13,396,460 and net liabilities of £13,174,384.

The ultimate parent company has confirmed that it intends to provide sufficient funds 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 synthetic 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 cleaner, environmentally friendly fuel is much sought after, the director believes that funding for the power plant at Westfield will be forthcoming, enabling the plant to be fully commissioned and to trade profitably in future years.

The company has entered into an option agreement with its major creditor, whereby payment of \$3,000,000 before the earlier of 30 June 2013 or 120 days following the provision of financing for the refurbishment of the company's existing gasification assets and the construction of an integrated combined cycle synthetic gas-fired power plant on its Westfield site, would release the company from its obligation to pay the full liability included in the accounts at a value of £12,053,668 as at 31 December 2008.

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

- The parent company undertaking will provide working capital to meet the liabilities and ongoing expenses of the company.
- Fife Energy Ltd will contract, own and operate AFT-IGCC facilities at Westfield.

In the absence of ongoing support by the parent undertaking 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 be result from the company's inability to meet its liabilities.

Fife Energy Limited

Notes to the Abbreviated Accounts

Year Ended 31st December 2008

2. Accounting Policies

Basis of Accounting

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2007).

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.

Tangible Fixed Assets

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

Notes to the Abbreviated Accounts

Year Ended 31st December 2008

3. Fixed Assets

	Tangible Assets £
Cost	
At 1st January 2008 and 31st December 2008	<u>790,204</u>
Depreciation	
At 1st January 2008	7,280
Charge for year	<u>2,771</u>
At 31st December 2008	<u>10,051</u>
Net Book Value	
At 31st December 2008	<u>780,153</u>
At 31st December 2007	<u>782,924</u>

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.

4. Creditors: Amounts Falling due Within One Year

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	2008 £	2007 £
Promissory note and interest	<u>12,053,668</u>	<u>7,468,418</u>

Fife Energy Limited

Notes to the Abbreviated Accounts

Year Ended 31st December 2008

5. Share Capital

Authorised share capital:

	2008	2007
	£	£
53,192 Ordinary shares of £1 each	53,192.00	53,192.00
33,980,000 Special shares of £0.0001 each	3,398.00	3,398.00
	<u>56,590.00</u>	<u>56,590.00</u>

Allotted, called up and fully paid:

	2008		2007	
	No	£	No	£
53,192 Ordinary shares of £1 each	53,192	53,192.00	53,192	53,192.00
33,964,997 Special shares of £0.0001 each	33,964,997	3,396.50	33,964,997	3,396.50
	<u>34,018,189</u>	<u>56,588.50</u>	<u>34,018,189</u>	<u>56,588.50</u>

Fife Energy Limited

Notes to the Abbreviated Accounts

Year Ended 31st December 2008

5. 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 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.

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 be paid by the company

Fife Energy Limited

Notes to the Abbreviated Accounts

Year Ended 31st December 2008

5. 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 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.

6. Ultimate Parent Company

The company's ultimate holding company is Global Energy Inc, a company incorporated in the United States of America.

Consolidated financial statements are prepared for Global Energy Inc and its subsidiaries.