

HYDROGEN ENERGY INTERNATIONAL LIMITED

(Registered No 05972602)

ANNUAL REPORT AND ACCOUNTS 2010

Board of Directors R G Mason
J C M Adams

REPORT OF THE DIRECTORS

The directors present their report and accounts for the year ended 31 December 2010

Results and dividends

The loss for the year after taxation was £4,171,162 which, when deducted from the retained profit brought forward at 1 January 2010 of £1,266,419, gives a total retained deficit carried forward at 31 December 2010 of £2,904,743

The company has not declared any dividends during the year (2009 Nil) The directors do not propose the payment of a dividend

Principal activity and review of the business

The company is engaged in developing hydrogen-fuelled power projects that use feedstocks, such as coal or gas, but capture and store the carbon dioxide

The key financial and other performance indicators during the year were as follows

	2010	2009	Variance
	£000	£000	%
Turnover	-	18,811	(100)
Operating (loss) / profit	(4,163)	81	(5,239)
(Loss) / profit after taxation	(4,171)	37	(11,373)
Shareholders' (deficit) / funds	(530)	3,641	(115)

	2010	2009	Variance
	%	%	
Current assets as % of current liabilities (quick ratio)	156	152	4

During 2010 the turnover was nil as the company is no longer recharging the shareholders for secondees after it became a 100% BP subsidiary in December 2009

The operating loss and the loss after taxation is due to the absence of turnover and also the administration expenses related to the construction of the outside fence for the plant in Abu Dhabi

The company has a 40% share in the Hydrogen Power Abu Dhabi (HPAD) project with Carbon Captured Storage business unit alongside its partner, Masdar This project, which completed a FEED and site permitting process, is effectively on hold awaiting final endorsement by the Abu Dhabi government

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HYDROGEN ENERGY INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS

Principal risks and uncertainties

The company aims to deliver sustainable value by identifying and responding successfully to risks. Risk management is integrated into the process of planning and performance management at a group level. Monitoring and accountability for the management of these risks occur through quarterly performance reviews at a group level.

Consider carefully the risks described below, the potential impact of their occurrence on the business, financial condition and results of operations on the company.

Company level risks have been categorised against the following areas: strategic, compliance and control, safety and operational, and financial risk management. In addition, we have also set out a further category of risk for your attention – resulting from the Gulf of Mexico oil spill (the Incident).

Gulf of Mexico oil spill

The Gulf of Mexico oil spill has had and could continue to have a material adverse impact on BP as a group, and consequently may also have an adverse impact on Hydrogen Energy International Limited.

There is significant uncertainty in the extent and timing of costs and liabilities relating to the Incident, the impact of the Incident on the reputation of the BP group and the resulting possible impact on the company's ability to access new opportunities. There is also significant uncertainty regarding potential changes in applicable regulations and the operating environment that may result from the Incident. These increase the risks to which the group and therefore the company are exposed to. These uncertainties are likely to continue for a significant period. Thus, the Incident has had, and could continue to have, a material adverse impact on the group's business, competitive position, financial performance, cash flows, prospects, liquidity, shareholder returns and/or implementation of its strategic agenda, particularly in the US.

The BP group income statement for the year ended 31 December 2010 includes a pre-tax charge of \$40.9 billion in relation to the Gulf of Mexico oil spill. The total amounts that will ultimately be paid by the BP group in relation to all obligations relating to the Incident are subject to significant uncertainty and the ultimate exposure and cost to the BP group will be dependent on many factors. The risks associated with the Incident could also heighten the impact of the other risks to which the company is exposed as further described below. Further information on the Incident, is included within the BP group Annual Report and Form 20-F for the year ended 31 December 2010.

HYDROGEN ENERGY INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS

Principal risks and uncertainties (continued)

Strategic risks

Access and renewal

The Gulf of Mexico oil spill has damaged BP's reputation, which may have a long-term impact on the company's ability to access new opportunities. Adverse public, political and industry sentiment towards BP Companies, and towards oil and gas drilling activities generally, could damage or impair the company's existing commercial relationships and could impair the company's access to new investment opportunities. In addition, responding to the Incident has placed, and will continue to place, a significant burden on the BP group's cash flow over the next several years, which could also impede BP group's ability to invest in new opportunities and deliver long-term growth, which in turn may impact the company. More stringent regulation of the oil and gas industry, could increase this risk.

Socio-political

The diverse nature of the company's operations around the world exposes it to a wide range of political developments and consequent changes to the operating environment, regulatory environment and law.

The company has operations in countries where political, economic and social transition is taking place. Some countries have experienced political instability, changes to the regulatory environment, expropriation or nationalisation of property, civil strife, strikes, acts of war and insurrections. Any of these conditions could disrupt or terminate the company's operations, causing its development activities to be curtailed or terminated, or its production to decline, and could cause it to incur additional costs.

Compliance and control risks

The Gulf of Mexico oil spill is likely to result in more stringent regulation of oil and gas activities in the US and elsewhere, particularly relating to environmental, health and safety controls and oversight of drilling operations, as well as access to new drilling areas. Regulatory or legislative action may impact the industry as a whole and could be directed specifically towards the BP group. New regulations and legislation, as well as evolving practices, could increase the cost of compliance and may require changes to the company's drilling operations, exploration, development and decommissioning plans, and could impact its ability to capitalise on its assets and limit its access to new exploration properties or operatorship's. In addition, increases in taxes, royalties and other amounts payable to governments or governmental agencies, or restrictions on availability of tax relief, could also be imposed as a response to the Incident.

Liabilities and provisions

The company remains exposed to changes in the external environment, such as new laws and regulations (whether imposed by international treaty or by national or local governments in the jurisdictions in which it operates), changes in tax or royalty regimes, price controls, government actions to cancel or renegotiate contracts, market volatility or other factors. Such factors could reduce the company's profitability from operations in certain jurisdictions, limit its opportunities to access new opportunities, require it to divest or write-down certain assets or affect the adequacy of its provisions for pensions, tax, environmental and legal liabilities. Potential changes to pension or financial market regulation could also impact funding requirements of the company.

Reporting

External reporting of financial and non-financial data is reliant on the integrity of systems and people. Failure to report data accurately and in compliance with external standards could result in regulatory action, legal liability and damage to the company's reputation.

HYDROGEN ENERGY INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS

Principal risks and uncertainties (continued)

Safety and operational risks

Security

Security threats require continuous oversight and control. Acts of terrorism, piracy, sabotage and similar activities directed against the company's operations and offices, pipelines, transportation or computer systems could cause harm to people and could severely disrupt business and operations. The company's business activities could also be severely disrupted by civil strife and political unrest in areas where we operate.

Major project delivery

Successful execution of the company's plan depends critically on implementing the activities to deliver the major projects over the plan period. Poor delivery of any major project that underpins production or production growth, including maintenance turnaround programmes, and/or a major programme designed to enhance shareholder value could adversely affect the company's financial performance. Successful project delivery requires, among other things, adequate engineering and other capabilities and therefore successful recruitment and development of staff is central to the company's plans.

Digital infrastructure

The reliability and security of the company's digital infrastructure are critical to maintaining the availability of its business applications. A breach of the company's digital security could cause serious damage to business operations and, in some circumstances, could result in injury to people, damage to assets, harm to the environment and breaches of regulations.

Joint ventures and other contractual arrangements

Many of the company's major projects and operations are conducted through joint ventures or associates and through contracting and sub-contracting arrangements. These arrangements often involve complex risk allocation, decision-making process and indemnification arrangements. In certain cases, the company may have less control of such activities than it would have if the company had full operational control. Additionally, the company's joint venture partners or associates or contractual counterparties are primarily responsible for the adequacy of the human or technical competencies and capabilities which they bring to bear on the joint project, and in the event these are found to be lacking the company's joint venture partners or associates may not be able to meet their financial or other obligations to their counterparties or to the relevant project, potentially threatening the viability of such projects. Furthermore, should accidents or incidents occur in operations in which the company participates, whether as operator or otherwise, and where it is held that the company's sub-contractors or joint venture partners are legally liable to share any aspects of the cost of responding to such incidents, the financial capacity of these third parties may prove inadequate to fully indemnify the company against the costs it incurs on behalf of the joint venture or contractual arrangement. Should a key sub-contractor, such as a lessor of drilling rigs, be no longer able to make these assets available to the company, this could result in serious disruption to its operations. Where the company does not have operational control of a venture, the company may nonetheless still be pursued by regulators or claimants in the event of an incident.

HYDROGEN ENERGY INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS

Principal risks and uncertainties (continued)

Financial risk management

The main financial risks faced by the company through its normal business activities are foreign currency exchange risk and credit risk. The management of these financial risks is performed at BP group level. The company seeks to maintain a financial framework to ensure that it is able to maintain an appropriate level of liquidity and financial capacity. This framework constrains the level of assessed capital at risk for the purposes of positions taken in financial instruments. Failure to accurately forecast or maintain sufficient liquidity and credit to meet these needs could impact the company's ability to operate and result in a financial loss.

Foreign currency exchange risk

Fluctuations in foreign exchange rates can have significant effects on the company's reported results. The company's financial assets and liabilities give rise to transactional currency exposures. Such exposures arise from transactions in a currency other than the company's functional currency. The management of such risks is performed at BP group level. BP's foreign exchange management policy is to minimise economic and significant transactional exposures arising from currency movements against the US dollar. The group co-ordinates the handling of foreign exchange risks centrally, by netting off naturally occurring opposite exposures wherever possible and then dealing with any material residual foreign exchange risks. For highly probable forecast capital expenditures the group locks in the US dollar cost of non US dollar supplies by using currency forwards and futures.

Credit risk

Credit risk is the risk that a customer or counterparty to a financial instrument will fail to perform or fail to pay amounts due causing financial loss to the company. It arises from cash and cash equivalents, derivative financial instruments and principally from credit exposures to customers relating to outstanding receivables. The management of such risks is performed at BP group level. The group has a credit policy that is designed to ensure that consistent processes are in place throughout the group to measure and control credit risk. Credit risk is considered part of the risk-reward balance of doing business. On entering into any business contract, the extent to which the arrangement exposes the group to credit risk is considered. Before trading with a new counterparty, its creditworthiness is assessed and a credit rating allocated that indicates the probability of default, along with a credit exposure limit. Creditworthiness continues to be evaluated after transactions have been initiated and a watchlist of higher-risk counterparties is maintained.

Commercial credit risk is measured and controlled to determine the company's total credit risk. Inability to determine adequately the company's credit exposure could lead to financial loss. A credit crisis affecting banks and other sectors of the economy could impact the ability of counterparties to meet their financial obligations to the company. It could also affect the company's ability to raise capital to fund growth and to meet its obligations.

Going concern

The directors consider that, despite the uncertainties deriving from the current economic environment and the loss reported for the year, the company has adequate resources to continue in operational existence for the foreseeable future.

HYDROGEN ENERGY INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS

Events since the balance sheet date

After the balance sheet date, 2,000,000 ordinary shares of £1 each for a total nominal value of £2,000,000 were allotted to the immediate parent company at par value

Directors

The present directors are listed on page 1

Changes since 1 January 2010 are as follows

	<u>Appointed</u>	<u>Resigned</u>
J Briggs	-	29 03 2010
P L Bryant	-	01 10 2010
D W Jamieson	-	27 06 2011
J S Morgan	29 03.2010	28 02 2011
J C M Adams	28 02.2011	-
R G Mason	29 03.2010	-

Directors' indemnity

The company indemnifies the directors in its Articles of Association to the extent allowed under section 232 of the Companies Act 2006

Policy and practice on payment of creditors

It is the company's policy to follow the CBI's prompt payment code of practice for all suppliers to the company with payments made in accordance with the relevant contractual payment terms. A copy of the code of practice may be obtained from the CBI

The number of days' purchases represented by current creditors at the year-end was 116

Auditors

In the absence of a notice proposing that the appointment be terminated, Ernst & Young LLP will be deemed to be re-appointed as the company's auditor for the next year.

HYDROGEN ENERGY INTERNATIONAL LIMITED

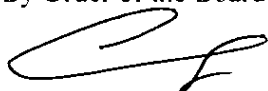
REPORT OF THE DIRECTORS

Directors' statement as to the disclosure of information to the auditor

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditor, each of these directors confirms that

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditor is unaware, and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditor is aware of that information

By Order of the Board



K C G Eng
For and on behalf of
Sunbury Secretaries Limited
Company Secretary

~~27-September-~~ 2011

Registered Office

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

HYDROGEN ENERGY INTERNATIONAL LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss for that period. In preparing these accounts, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent,
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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.

The directors confirm that they have complied with these requirements and, having a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the accounts.

HYDROGEN ENERGY INTERNATIONAL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF **HYDROGEN ENERGY INTERNATIONAL LIMITED**

We have audited the financial statements of Hydrogen Energy International Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the accounting policies and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us, or
- the company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

WILLIAM TESTA

(Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

27-September- 2011

HYDROGEN ENERGY INTERNATIONAL LIMITED

ACCOUNTING POLICIES

Accounting standards

These accounts are prepared in accordance with applicable UK accounting standards

Accounting convention

The accounts are prepared under the historical cost convention

Basis of preparation

At 31 December 2010 the company's balance sheet had total net liabilities amounting to £529,743

The directors consider it appropriate to prepare the accounts on a going concern basis because since the balance sheet date the company received a capital injection from its immediate parent of £2,000,000

Statement of cash flows

The group accounts of the ultimate parent undertaking contain a consolidated cash flow statement. The company has taken advantage of the exemption granted by the Financial Reporting Standard No 1 (Revised), whereby it is not required to publish its own cash flow statement

Group accounts

Group accounts are not submitted as the company is exempt from the obligation to prepare group accounts under Section 400 (1) of the Companies Act 2006. The results of subsidiary and associated undertakings are dealt with in the consolidated accounts of the ultimate parent undertaking, BP plc, a company registered in England and Wales. These accounts present information about the company as an individual undertaking and not about the group

Foreign currency transactions

Foreign currency transactions are initially recorded in sterling by applying the exchange rate ruling on the date of transaction. Foreign currency monetary assets and liabilities are translated into sterling at the rate of exchange ruling at the balance sheet date. Exchange differences are included in the profit and loss account

Interest

Interest is charged against income in the year in which it is incurred

Intangible assets

Intangible assets include expenditure on the exploration for and evaluation of oil and natural gas resources, computer software, patents, licences, trademarks and product development costs. Product development costs are capitalised as intangible assets when a project has obtained sanction and the future recoverability of such costs can reasonably be regarded as assured. The expected useful lives of the assets are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively

Intangible assets are stated at cost, less accumulated depreciation and accumulated impairment losses. Intangible assets with a finite life are depreciated on a straight-line basis over their expected useful lives. The expected useful lives of the assets are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively

HYDROGEN ENERGY INTERNATIONAL LIMITED

ACCOUNTING POLICIES

Investments

Fixed asset investments in subsidiaries are held at cost. The company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the company makes an estimate of its recoverable amount. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount.

The company has certain contractual arrangements with other participants to engage in joint activities that do not create an entity carrying on a trade or business of its own. The company includes its share of assets, liabilities and cash flows in such joint arrangements, measured in accordance with the terms of each arrangement, which is usually pro-rata to the company's risk interest in the joint arrangement.

Trade and other debtors

Trade and other debtors are carried at the original invoice amount, less allowances made for doubtful receivables. Provision is made when there is objective evidence that the company will be unable to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Trade and other creditors

Trade and other creditors are carried at payment or settlement amounts. If the effect of the time value of money is material, trade and other creditors are determined by discounting the expected future cash flows at a pre-tax rate.

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit and loss account net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate.

A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events or where the amount of the obligation cannot be measured with reasonable reliability. Contingent assets are not recognised, but are disclosed where an inflow of economic benefits is probable.

Use of estimates

The preparation of accounts in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the accounts and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from those estimates.

HYDROGEN ENERGY INTERNATIONAL LIMITED

ACCOUNTING POLICIES

Leases

Assets held under leases which transfer to the company substantially all risks and rewards incidental to ownership of the leased item, are capitalised at inception of the lease at the fair value of the leased property or, if significantly lower, at the estimated present value of the minimum lease payments. Lease payments are apportioned between the finance charges and the reduction of the lease liability. The total finance charge is charged over the lease terms so as to achieve a constant rate of interest on the remaining balance of the liability.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

HYDROGEN ENERGY INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	<u>2010</u> £	<u>2009</u> £
Turnover	1	-	18,811,486
Administration expenses		(4,162,751)	(18,730,067)
(Loss) / profit on ordinary activities before interest and tax	2	(4,162,751)	81,419
Interest payable and similar charges	4	(15,611)	(53,956)
Interest receivable and similar income	5	14,359	19,555
(Loss) / profit before taxation		(4,164,003)	47,018
Taxation	6	(7,159)	(9,937)
(Loss) / profit for the year		(4,171,162)	37,081

The loss of £4,171,162 for the year ended 31 December 2010 has been derived in its entirety from continuing operations

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2010

There are no recognised gains or losses attributable to the shareholders of the company other than the loss of £4,171,162 for the year ended 31 December 2010 (2009 profit of £37,081)

HYDROGEN ENERGY INTERNATIONAL LIMITED
(Registered No. 05972602)

BALANCE SHEET AT 31 DECEMBER 2010

	Note	<u>2010</u> £	<u>2009</u> £
Fixed assets			
Intangible assets	8	-	38,194
Investments	9	<u>3</u>	<u>3</u>
		3	38,197
Current assets			
Debtors	10	2,055,267	2,672,469
Cash at bank and in hand		<u>6,995</u>	<u>12,049,536</u>
		2,062,262	14,722,005
Creditors: amounts falling due within one year	11	<u>(1,320,118)</u>	<u>(9,931,283)</u>
Net current assets		<u>742,144</u>	<u>4,790,722</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		742,147	4,828,919
Creditors: amounts falling due after more than one year	11	(1,187,500)	(1,187,500)
Other provisions	13	(84,390)	-
NET (LIABILITIES) / ASSETS		<u>(529,743)</u>	<u>3,641,419</u>
Represented by			
Capital and reserves			
Called up share capital	15	2,375,000	2,375,000
Profit and loss account	15	<u>(2,904,743)</u>	<u>1,266,419</u>
SHAREHOLDERS' (DEFICIT) / FUNDS – EQUITY INTERESTS		<u>(529,743)</u>	<u>3,641,419</u>

On behalf of the Board


Justin Adams
Director

27 - September - 2011

HYDROGEN ENERGY INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

1. Turnover

An analysis of turnover by geographical market is given below

	<u>2010</u>	<u>2009</u>
	£	£
By geographical area		
UK	-	16,722,452
USA	-	2,089,034
Total	<u>-</u>	<u>18,811,486</u>

2. (Loss) / profit on ordinary activities before interest and taxation

This is stated after charging

	<u>2010</u>	<u>2009</u>
	£	£
Hire charges under operating leases		
Land & buildings	91,906	405,227
Amortisation of owned intangible assets	<u>38,194</u>	<u>83,332</u>

3. Auditor's remuneration

	<u>2010</u>	<u>2009</u>
	£	£
Fees for the audit of the company	<u>26,740</u>	<u>25,000</u>

Fees paid to the company's auditor, Ernst & Young LLP, and its associates for services other than the statutory audit of the company are not disclosed in these accounts since the consolidated accounts of Hydrogen Energy International Limited's ultimate parent, BP p l c , are required to disclose non-audit fees on a consolidated basis

4. Interest payable and similar charges

	<u>2010</u>	<u>2009</u>
	£	£
Interest expense on loans from group undertakings	<u>15,611</u>	<u>53,956</u>

5. Interest receivable and similar income

	<u>2010</u>	<u>2009</u>
	£	£
Other interest	<u>14,359</u>	<u>19,555</u>

HYDROGEN ENERGY INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

6. Taxation

The Company is a member of a group for the purposes of relief within Part 5, Corporation Tax Act 2010. No corporation tax has been provided because another group company, BP International Limited, has undertaken to procure the claim or surrender of group relief to the extent it is required and to provide for any current or deferred tax that arises without charge.

The following table provides a reconciliation of the UK statutory corporation tax rate to the effective current tax rate on profit before taxation.

	<u>2010</u>	<u>2009</u>
	£	£
(Loss) / profit before taxation	(4,164,003)	47,018
Current taxation	(7,159)	(9,937)
Effective current tax rate	0%	22%
	<u>2010</u>	<u>2009</u>
	%	%
UK statutory corporation tax rate	28	28
Increase / (decrease) resulting from:		
Non-deductible expenditure / non-taxable income	-	16
Free group relief	28	-
Adjustments to tax charge in respect of previous years	-	(22)
Effective current tax rate	<u>-</u>	<u>22</u>

7. Directors and employees

(a) Remuneration of directors

The total remuneration for all serving directors for their period of directorship to the company amounted to £163,861. A number of directors are senior executives of the BP Plc Group and received no remuneration for services to this company or its subsidiary undertakings.

One director was a member of the defined benefit section of the BP Pension Fund at 31 December 2010.

(b) The company had no employees during the year (2009 Nil)

HYDROGEN ENERGY INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

8. Intangible assets

	<u>Intellectual Property</u>
Cost	£
At 1 January 2010	249,998
At 31 December 2010	<u>249,998</u>
Amortisation	
At 1 January 2010	211,804
Charge for the year	38,194
At 31 December 2010	<u>249,998</u>
Net book value	
At 31 December 2010	<u>-</u>
At 31 December 2009	<u>38,194</u>
Principal rates of amortisation	33%

9. Investments

	<u>Subsidiary shares</u>
Cost	£
At 1 January 2010	3
At 31 December 2010	<u>3</u>
Net book amount	
At 31 December 2010	<u>3</u>
At 31 December 2009	<u>3</u>

The investments in the subsidiary undertakings are unlisted

The subsidiary undertakings of the company at 31 December 2010 and the percentage of equity capital held are set out below. The principal country of operation is generally indicated by the company's country of incorporation or by its name.

Subsidiary undertakings	Class of Share held	%	Country of incorporation	Principal activity
Hydrogen Energy Australia Pty Limited	Ordinary	100	Australia	Dormant
North Sea Carbon Management Company Limited	Ordinary	100	UK	Dormant
UKCS Carbon Management Company Limited	Ordinary	100	UK	Dormant

HYDROGEN ENERGY INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

10. Debtors

	<u>2010</u>	<u>2009</u>
	Within	Within
	1 year	1 year
	£	£
Trade debtors	1,054,509	36,946
Amounts owed by group undertakings	406,863	1,282,313
Other debtors	28,740	247,829
Prepayments and accrued income	565,155	1,105,381
	<u>2,055,267</u>	<u>2,672,469</u>

11. Creditors

	<u>2010</u>	<u>2010</u>	<u>2009</u>	<u>2009</u>
	Within	After	Within 1	After
	1 year	1 year	year	1 year
	£	£	£	£
Trade creditors	4,395	-	91,769	-
Amounts owed to group undertakings	700,740	1,187,500	5,674,216	-
Taxation	-	-	257,208	-
Loans to group undertakings	-	-	-	1,187,500
Accruals and deferred income	614,983	-	3,908,091	-
	<u>1,320,118</u>	<u>1,187,500</u>	<u>9,931,284</u>	<u>1,187,500</u>

12. Obligations under leases

Annual commitments under non-cancellable operating leases are set out below

	<u>2010</u>	<u>2009</u>
	Land &	Land &
	buildings	buildings
	£	£
Operating leases which expire		
Within 1 year	-	-
Between 2 to 5 years	-	-
Thereafter	-	331,598
	<u>-</u>	<u>331,598</u>

During 2010 the obligation under operating lease was transferred to another BP entity

HYDROGEN ENERGY INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

13. Other provisions

	<u>Total</u> £
At 1 January 2010	-
New or increased provisions	84,390
At 31 December 2010	<u>84,390</u>

The provision relates to 50% costs of projects to be paid to BASF which timing of the payment is uncertain

14. Called up share capital

	<u>2010</u> £	<u>2009</u> £
Allotted, called up and fully paid		
2,375,000 Ordinary shares of £1 each for a total nominal value of £2,375,000	2,375,000	-
1,187,500 Ordinary A shares of £1 each for a total nominal value of £1,187,500	-	1,187,500
1,187,500 Ordinary B shares of £1 each for a total nominal value of £1,187,500	-	1,187,500
	<u>2,375,000</u>	<u>2,375,000</u>

In the prior year, called up share capital was split into Ordinary A shares and Ordinary B shares due to the presence of two shareholders. After the company became a 100% BP Group subsidiary the existing share capital was converted into a unique class.

15. Capital and reserves

	<u>Called up share capital</u> £	<u>Profit and loss account</u> £	<u>Total</u> £
At 1 January 2010	2,375,000	1,266,419	3,641,419
Loss for the year	-	(4,171,162)	(4,171,162)
At 31 December 2010	<u>2,375,000</u>	<u>(2,904,743)</u>	<u>(529,743)</u>

16. Reconciliation of movements in shareholders' funds

	<u>2010</u> £	<u>2009</u> £
(Loss) / profit for the year	(4,171,162)	37,081
Net (decrease) / increase in shareholders' interests	(4,171,162)	37,081
Shareholders' funds at 1 January	3,641,419	3,604,338
Shareholders' (deficit) / funds at 31 December	<u>(529,743)</u>	<u>3,641,419</u>

HYDROGEN ENERGY INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

17. Related party transactions

The company has taken advantage of the exemption contained within Financial Reporting Standard No 8 "Related Party Disclosures", and has not disclosed transactions entered into with group companies. There were no other related party transactions in the year.

18. Post balance sheet event

After the balance sheet date, 2,000,000 ordinary shares of £1 each for a total nominal value of £2,000,000 were allotted to the immediate parent company at par value.

19. Contingent liability

A supplier has issued a Statement of Dispute in accordance with the dispute resolution provisions of a supply contract, following the company's termination of the contract. The supplier has indicated that the maximum amount of its claim against the company would be €6.4 million. Management are confident of their ability to successfully defend the claim made in respect of termination of the contract, and hence no provision has been made in the accounts.

20. Pensions

The company does not directly employ any staff and therefore does not directly bear any pension charge.

21. Immediate and ultimate parent undertaking

The immediate parent undertaking of this company is BP Alternative Energy International Limited, a company registered in England and Wales. The ultimate parent undertaking of the group of undertakings for which group accounts are drawn up, and of which the company is a member, is BP plc, a company registered in England and Wales. Copies of BP plc's accounts can be obtained from 1 St James's Square, London, SW1Y 4PD.