

BP ALTERNATIVE ENERGY HOLDINGS LIMITED

(formerly BP Solar Holdings Limited)

(Registered No.2515099)

ANNUAL REPORT AND ACCOUNTS 2005

Board of Directors: C B Hunt
C W Coburn
G L Edwards
S Westwell
D W J Grant

REPORT OF THE DIRECTORS

The directors present their report and accounts for the year ended 31 December 2005.

Principal activity

The company acts as a holding company for investments and business development activities.

Review of activities and future developments

The company has made a loss of £7.3m during the year primarily due to the recharging of business development costs incurred in the early stages of activities relating to Alternative Energy projects from BP International Limited.

However, with the additional capital injection of £30m in 2006 it is in a good position to take advantage of any opportunities which may arise in the future.

Results and dividends

The loss for the year after taxation was £7,303,952, when added to the retained deficit brought forward at 1 January 2005 of £10,266,299 gives a total retained deficit carried forward at 31 December 2005 of £17,570,251. The directors do not propose the payment of a dividend.

Directors

The present directors are listed above. D W J Grant and S Westwell served as directors throughout the financial year. Changes since 1 January 2005 are as follows:

	<u>Appointed</u>	<u>Resigned</u>
G L Edwards	1 March 2005	
J.W. Downer		1 March 2005
D M C Verstappen	1 September 2005	1 March 2006
C B Hunt	1 March 2006	
C W Coburn	1 March 2006	
D Campbell		1 March 2006



BP ALTERNATIVE ENERGY HOLDINGS LIMITED

REPORT OF THE DIRECTORS

Directors' interests

The interests of the directors holding office at 31 December 2005, and their families, in the US \$0.25 ordinary shares of BP p.l.c., were as set out below:

	<u>31 December 2005</u>	<u>1 January 2005</u> <u>(or date of appointment)</u>
G L Edwards	11,874	35,988
D Campbell	21,298	18,065
D M C Verstappen	2,998	2,952
S Westwell	50,178	37,915
D W J Grant	31,387	27,853

In addition, rights to subscribe for US \$0.25 ordinary shares in BP p.l.c. were granted to, or exercised by, those directors between 1 January 2005 or date of appointment and 31 December 2005 as follows:

	<u>Granted</u>	<u>Exercised</u>
D Campbell	12,000	Nil
D M C Verstappen	Nil	Nil
S Westwell	Nil	Nil
D W J Grant	Nil	1,876
G L Edwards	Nil	Nil

No director had any interest in the shares or debentures of subsidiary undertakings of BP p.l.c. at 31 December 2005.

Policy and practice with respect to payment of suppliers

It is the company's policy to follow the CBI's prompt payment code of practice for all suppliers to the company. A copy of the code of practice may be obtained from the CBI.

The number of days' purchases represented by trade creditors at the year-end was nil.

Post balance sheet events

On 8th of March 2006 30,000,000 ordinary shares of £1 each were issued to the immediate parent company at par value. On 7th July 12,711,164 ordinary shares of £1 each were issued to the immediate parent company at par. This equity injection funded the purchase off 2,295,000 9% redeemable preference shares in Tata BP Solar India Limited.

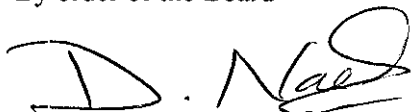
BP ALTERNATIVE ENERGY HOLDINGS LIMITED

REPORT OF THE DIRECTORS

Auditors

Ernst & Young LLP will continue in office as the company's auditor in accordance with the elective resolution passed by the company under Section 386 of the Companies Act 1985.

By order of the Board

A handwritten signature in black ink, appearing to read 'D. Nae', is written over the printed name 'D. Nae'.

Secretary

26 October 2006

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP

BP ALTERNATIVE ENERGY HOLDINGS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts 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. In preparing those 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 accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for taking reasonable steps to safeguard the assets of the company and to prevent and detect 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.

BP ALTERNATIVE ENERGY HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
BP ALTERNATIVE ENERGY HOLDINGS LIMITED

We have audited the company's accounts for the year ended 31 December 2005 which comprise Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses, accounting policies and the related notes 1 to 14. These accounts have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, 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 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 described in the Statement of Directors' Responsibilities, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the accounts 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 accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' 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 if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

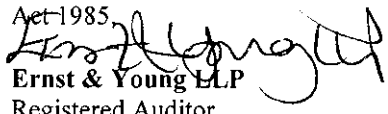
Basis of audit opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company as at 31 December 2005 and of the loss of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young LLP
Registered Auditor
London.

26 October 2006

BP ALTERNATIVE ENERGY HOLDINGS LIMITED

ACCOUNTING POLICIES

Accounting Standards

These accounts are prepared in accordance with applicable UK accounting standards. In preparing the financial statements for the current year, the company has adopted Financial Reporting Standards No. 21 'Events after the Balance Sheet Date' (FRS 21) and No. 28 'Corresponding Amounts' (FRS 28). The adoption of FRS 21 has resulted in changes in accounting policy for dividends. Dividends proposed or declared on equity instruments after the balance sheet date are now not recognised as a liability at the balance sheet date.

Accounting convention

The accounts are prepared under the historical cost convention.

Basis of Preparation

At 31 December 2005 the company's balance sheet had net liabilities amounting to £(7,170,251). The directors consider it appropriate to prepare the accounts on a going concern basis because since the balance sheet date the company received an injection of cash from its immediate parent of £30,000,000.

Statement of cash flows

The Group financial statements 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 228(1) of the Companies Act 1985. The results of subsidiary and associated undertakings are dealt with in the consolidated accounts of the ultimate parent undertaking, BP p.l.c., a company registered in England and Wales. The accounts present information about the company as an individual undertaking and not about the group.

Foreign currency transactions

Foreign currency transactions in currencies other than sterling are recorded at the exchange rate ruling on the date of transaction. Foreign currency monetary assets and liabilities in currencies other than sterling are translated into sterling at rates of exchange ruling at the balance sheet date. All exchange gains and losses on settlement or translation at closing rates of exchange of monetary assets and liabilities are included in the determination of loss for the year.

Research

Expenditure on research is written off in the year in which it is incurred.

BP ALTERNATIVE ENERGY HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2005

		<u>2005</u>	<u>2004</u>
	Note	£	£
Administration expenses	1	(9,170,717)	(6,732)
Provision for impairment of investments (net of reversals)	6	-	(450,911)
Provision for bad debt		-	(103,341)
Other income	2	2,099,197	691,051
		<hr/>	<hr/>
(Loss) / profit on ordinary activities before interest and tax	1	(7,071,520)	130,067
Interest payable and similar charges	3	(153,326)	(124,373)
		<hr/>	<hr/>
(Loss) / profit before taxation		(7,224,846)	5,694
Taxation	4	(79,106)	(94,911)
		<hr/>	<hr/>
Loss for the year	10	(7,303,952)	(89,217)
		<hr/>	<hr/>

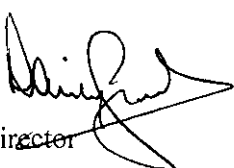
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2005

There are no recognised gains or losses attributable to the shareholders of the company other than the loss of £7,303,952 for the year ended 31 December 2005 (2004 loss of £89,217).

BP ALTERNATIVE ENERGY HOLDINGS LIMITED

BALANCE SHEET AT 31 DECEMBER 2005

	Note	<u>2005</u> £	<u>2004</u> £
Fixed assets			
Investments	6	<u>7,016,176</u>	<u>3,389,634</u>
Current assets			
Debtors: amounts falling due within one year	7	<u>199,289</u>	<u>249,568</u>
Creditors: amounts falling due within one year	8	<u>(14,385,716)</u>	<u>(3,505,501)</u>
Net current liabilities		<u>(14,186,427)</u>	<u>(3,255,933)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(7,170,251)</u>	<u>133,701</u>
NET (LIABILITIES) / ASSETS		<u>(7,170,251)</u>	<u>133,701</u>
Represented by			
Capital and reserves			
Called up share capital	9	10,400,000	10,400,000
Reserves	10	<u>(17,570,251)</u>	<u>(10,266,299)</u>
SHAREHOLDERS' FUNDS – EQUITY INTERESTS		<u>(7,170,251)</u>	<u>133,701</u>


Director

26 October 2006

BP ALTERNATIVE ENERGY HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

1. (Loss) / profit on ordinary activities before interest and tax

This is stated after charging / (crediting):

	<u>2005</u>	<u>2004</u>
	£	£
Business development costs	(9,131,795)	-
Exchange loss/ (gain) on foreign currency borrowings less deposits	37,133	(6,732)
Auditors' remuneration:		
Audit fees – current year		
UK	1,800	-
Non-audit fees – current year	<u>-</u>	<u>-</u>

Business development costs relate to the invoice from BP International Ltd where these costs were originally resided in 2005. With formation of the new Strategic Performance Unit for Alternative Energy at the end of 2005 and BP Solar Holdings Ltd being renamed BP Alternative Energy Holdings Ltd thus embracing a greater scope of activities than only Solar business, all the expenditures relating to Hydrogen and Global Power businesses, which were initially captured within BP International Ltd throughout 2005, were transferred to the new business.

Audit fees in the prior year were paid by the Parent company.

2. Other income

	<u>2005</u>	<u>2004</u>
	£	£
Dividend income from shares in subsidiary undertakings	489,420	412,165
Dividend income from shares in associated undertakings	209,777	249,568
Royalty income from fellow subsidiary undertakings	1,400,000	29,318
	<u>2,099,197</u>	<u>691,051</u>

3. Interest payable and similar charges

	<u>2005</u>	<u>2004</u>
	£	£
Interest expense on:		
Amounts due to fellow group undertakings	<u>153,326</u>	<u>124,373</u>

BP ALTERNATIVE ENERGY HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

4. Taxation

The Company is a member of a group for the purposes of relief under Section 402 of the Income & Corporation Taxes Act 1988. 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>2005</u>	<u>2004</u>
	£	£
(Loss) / profit before taxation	(7,224,846)	5,694
Current taxation	79,106	94,911
Effective current tax rate	(1)%	1,667%
	<u>2005</u>	<u>2004</u>
	%	%
UK statutory corporation tax rate:	30	30
Increase / (decrease) resulting from:		
Timing differences	1	(1,314)
Non deductible expenditure / non taxed income	-	2,920
Group relief	(31)	31
Overseas withholding tax	(1)	1,667
Double tax relief	-	(1,667)
Effective current tax rate	<u>-</u>	<u>1,667</u>

5. Directors and employees

(a) Remuneration of directors

None of the directors received any fees or remuneration for services as a director of the company during the financial year (2004 £Nil).

(b) Employee costs

The company had no employees in the year (2004 Nil).

BP ALTERNATIVE ENERGY HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

6. Fixed assets - Investments

	Subsidiary Undertakings Shares	Associated Undertakings shares	Total
Cost	£	£	£
At 1 January 2005	3,840,545	1,068,897	4,909,442
Additions	3,578,811	47,731	3,626,542
Transfers	47,731	(47,731)	-
At 31 December 2005	7,467,087	1,068,897	8,535,984
Amounts provided			
At 1 January 2005	850,341	669,467	1,519,808
At 31 December 2005	850,341	669,467	1,519,808
Net book amount			
At 31 December 2005	6,616,746	399,430	7,016,176
At 31 December 2004	2,990,204	399,430	3,389,634

The investments in the subsidiary and associated undertakings are unlisted.

During 2005 the Company made additional investments in subsidiary and associated undertakings. The amount of £3,578,811 relates to investment in a Chinese Solar Joint Venture to enable BP to gain market penetration into the growing market in China as well as to increase manufacturing capacity.

The amount of £47,731 relates to a further investment in BP Solar Malaysia to purchase its remaining shares on 1st June 2005. The sale and purchase was completed on 6 July 2005 as the result of which BP Alternative Energy Holdings Limited's shareholding in BP Solar Malaysia has increased from 49% to 100%.

The subsidiary and associated undertakings of the company at 31 December 2005 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.

The amount of £450,911 relating to the provision for impairment of investments (net of reversals) in prior year was made up of:

- the previously written off investment of £399,430 in BP Solar Arabia Limited which was written back in full in 2004;
- £850,341 relating to the provision made in respect to investment in BP Solar do Brasil Limitada.

BP ALTERNATIVE ENERGY HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

6. Fixed assets - Investments (continued)

Subsidiary Undertakings	%	Country of incorporation	Principal Activity
BP Solar Malaysia Sdn Bhd	100%	Malaysia	Manufacture and marketing of solar equipment
Tata BP Solar India Limited	51%	India	Manufacture and marketing of solar equipment
BP Solar Brasil do Limitada	99%	Brazil	Not Trading

Associated Undertakings	%	Country of incorporation	Issued Share Capital	Principal Activity
BP Solar Arabia Limited	40%	Saudi Arabia	4,644 Ordinary shares of Rials 500 each	Manufacture and marketing of solar equipment
BP SunOasis (Prime) Company Limited	49%	China	RMB41,176,471	Manufacture and marketing of solar equipment
BP SunOasis Company Limited	49%	China	RMB42,230,000	Manufacture and marketing of solar equipment
BP Thai Solar Corporation Ltd	49%	Thailand	18,398 Ordinary Shares of Baht 1,000 Each	Not Trading

All investments are held directly by the Company.

BP ALTERNATIVE ENERGY HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

7. Debtors

	<u>2005</u>	<u>2004</u>
	Within 1 year	Within 1 year
	£	£
Associated undertakings	199,289	249,568
	<u>199,289</u>	<u>249,568</u>

8. Creditors

	<u>2005</u>	<u>2004</u>
	Within 1 year	Within 1 year
	£	£
Parent and fellow subsidiary undertakings	14,385,716	3,493,023
Overseas withholding tax	-	12,478
	<u>14,385,716</u>	<u>3,505,501</u>

9. Called up share capital

	<u>2005</u>	<u>2004</u>
	£	£
Authorised share capital:		
100,000,000 Ordinary shares of £1 each	100,000,000	100,000,000
Alloted, called up and fully paid:		
10,400,000 Ordinary shares of £1 each	10,400,000	10,400,000

10. Reconciliation of shareholders' funds and movements on reserves

	Equity share capital	Profit and Loss account	Total
	£	£	£
At 1 January 2005	10,400,000	(10,266,299)	133,701
Loss for the year	-	(7,303,952)	(7,303,952)
At 31 December 2005	<u>10,400,000</u>	<u>(17,570,251)</u>	<u>(7,170,251)</u>

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BP ALTERNATIVE ENERGY HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

11. Reconciliation of movements in shareholders' interest

	<u>2005</u>	<u>2004</u>
	£	£
Loss for the year	(7,303,952)	(89,217)
Issue of ordinary share capital	-	400,000
Net (decrease) / increase in shareholders' interests	(7,303,952)	310,783
Shareholders' interest at 1 January	133,701	(177,082)
Shareholders' interest at 31 December	<u>(7,170,251)</u>	<u>133,701</u>

12. 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 with group companies. There were no other related party transactions in the year.

13. Post Balance Sheet Events

On 8th March 2006 30,000,000 ordinary shares of £1 each were issued to the immediate parent company at par value. On 7th July 12,711,164 ordinary shares of £1 each were issued to the immediate parent company at par. This equity injection funded the purchase off 2,295,000 9% redeemable preference shares in Tata BP Solar India Limited.

14. Ultimate parent undertaking

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 p.l.c, a company registered in England and Wales. Copies of BP p.l.c.'s accounts can be obtained from 1 St James's Square, London, SW1Y 4PD