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Dear Sir or Madam,

Re: Invitation to Comment – Exposure Draft ED/2009/11 Improvements to IFRSs

We welcome the opportunity to comment on the exposure draft on further annual improvements to IFRSs (the ED), to which I am responding on behalf of BP p.l.c. Our comments are limited to matters where we disagree with the proposed amendments or have other concerns.

If you have any questions on these comments, please do not hesitate to contact me or Gregory Hodgkiss for clarification.

Yours sincerely

Roger Harrington

APPENDIX

Responses to the Invitation to Comment

General questions (applicable to all proposed amendments)

Question 1
Do you agree with the Board's proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?

1. We have no concerns about the proposals apart from the specific matters dealt with below.

Question 2
Do you agree with the proposed transition provisions and effective date for the issue as described in the exposure draft? If not, why and what alternative do you propose?

2. We have no concerns about the proposals apart from the specific matters dealt with below.

Specific questions

Question 3
The Board proposes changes to IAS 34 Interim Financial Reporting to emphasise its disclosure principles. It also adds to the guidance to illustrate better how to apply these principles. The Board published an exposure draft Fair Value Measurement in May 2009. In that exposure draft, the Board proposes that all of the fair value measurement disclosures required in IFRS 7 Financial Instruments: Disclosures for annual financial statements should also be required for interim financial statements.
Do you agree that this proposed amendment is likely to lead to more useful information being made available to investors and other users of interim financial reports? If not, why? What would you propose instead and why?

3. We think that the principle for the inclusion of information in an interim report is that information should be provided in order to provide an understanding of all the changes in the financial position and performance of the entity <u>which are significant</u>. Accordingly we agree with the statement in paragraph 15A that the notes to an interim financial statement should not provide relatively insignificant updates to annual disclosures. This leads us to two suggestions:
    a. Paragraph 15B should contain a reference to the principle for disclosure, which is the significance of the events to an understanding of the changes in the financial position and performance of the entity since the end of the last reporting period. The word "significant" could then be removed from the individual clauses in which it has been used in the proposed text where examples are provided. The inclusion of the word in the proposed text appears to be on an inconsistent basis and could lead to diverse application in practice; and

b. In our view, as the result of the combination of the amendments proposed in this ED to paragraph 16 of IAS 34 and the proposal included in paragraph D22 of the Fair Value Measurement ED to include a new paragraph 16(k) in IAS 34, there will be a requirement to provide full disclosure about fair value as a minimum in each interim report. We recognise that the recent economic crisis has motivated these proposals, but we believe that an element of judgement should be left to management to decide what needs to be disclosed, in order not to overburden preparers and users with insignificant information. We therefore think that paragraph 16A should be amended to make it clear that such disclosures, which can be extensive and onerous to prepare, should be made only if significant and necessary to an understanding of the financial statements.

Question 4

The Board proposes changes to IAS 34 Interim Financial Reporting. Do you agree that amending IAS 34 to require particular disclosures to be made in interim financial statements is a more effective way of ensuring that users of interim financial statements are provided with useful information? If not, why? What approach would you propose instead and why?

4. Other than the concerns we raise in paragraph 3 above, we agree with the proposals in respect of IAS 34.

Question 5

The Board proposes to amend IAS 40 Investment Property to remove the requirement to transfer investment property carried at fair value to inventory when it will be developed for sale, to add a requirement for investment property held for sale to be displayed as a separate category in the statement of financial position and to require disclosures consistent with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Do you agree that the proposed amendment should be included within Improvements to IFRSs or should a separate project be undertaken to address this issue? If you believe a separate project should be undertaken, please explain why.

5. While we agree with the proposals as stated in the question above, we find the wording of amended paragraph 58 still potentially confusing. The first sentence of this paragraph states that an entity treats a property that it has decided to dispose of as an investment property <u>until it is derecognised</u>, whereas paragraphs 56 and 58A require IFRS 5 to be applied, i.e. reclassification, when IFRS 5's criteria are met.

Other Comments

IFRS 5

6. The final sentence of paragraph BC2 is very unclear. Assuming we have understood the Board's intention, we suggest the following wording: "The Board also concluded that when it is highly probable that the nature of an investment in an associate or a jointly controlled entity will change because

an increased level of control will be obtained, the entity shall not classify such an investment as held for sale in accordance with IFRS 5."

IFRS 7

7. The proposed amendment to paragraph 36(a) specifies that disclosure of maximum exposure to credit risk is not required for financial instruments whose carrying value represents the maximum exposure. We think that the disclosure in respect of those financial instruments which do need to be disclosed (because the maximum exposure is not equal to the carrying amount) would be more useful if both the carrying amount and the related maximum exposure to credit risk were required to be disclosed. In the absence of such comparison, the user cannot understand the full exposure that exists.
8. We think that understanding of the requirements of paragraphs 36(a) and 36(b) would be facilitated by the use of some quantified examples and a definition or discussion of the terms "financial effect" and "other credit enhancements", along with examples of the latter arrangements.

IAS 27

9. We believe that paragraph IAS 27.38(b) of the ED proposes a significant change to the accounting for the investment in a subsidiary in the separate financial statements of the parent. This change could potentially have a material impact on the financial statements of entities and is a significant departure from both existing IAS 39 and IFRS 9 part 1. In our view, this proposal goes beyond the sort of "tidying-up" that can be dealt with in the annual improvements process.
10. Existing IAS 27 allows investments in subsidiaries to be accounted for at cost or in accordance with IAS 39. Paragraph IAS 27.BC65 mentions that the 2000 revision of IAS 27 permitted them to be measured using one of three methods: "cost, the equity method, or as available-for-sale financial assets in accordance with IAS 39". It then goes on to state that the Board decided to require the use of cost or IAS 39 for all investments included in separate financial statements. In the absence of any further guidance, paragraph 38(b) of existing IAS 27 must be interpreted as requiring the use of fair value and allowing the resulting gains or losses to be taken either through profit or loss or in other comprehensive income.
11. IFRS 9 part 1 requires such investments to be measured at fair value. Paragraph 5.4.1 of IFRS 9 requires the resulting gains or losses to be taken to profit or loss "unless the financial asset is an investment in an equity instrument and the entity has elected to present gains and losses on that investment in other comprehensive income in accordance with paragraph 5.4.4." The proposal in the ED would, in our view, preclude this election from being made, and we see no justification for this.
12. We think, therefore, that this proposal should be withdrawn from the annual improvements process and treated as a separate specific issue with the appropriate due diligence process.

IAS 28

13. Given that consolidated financial statements are intended to present the group as a single economic entity, we do not think that it is appropriate for the purpose of consolidated financial statements to measure the investment in a single associate as though it were two different investments. We think that the scope exception should apply only to the treatment of an investment in the separate financial statements of an entity, unless the exception can be claimed for the whole group.