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Dear Sandra,

RE: Invitation to Comment – Exposure Draft of Proposed Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Cash Flow Hedge Accounting of Forecast Intra-group Transactions

We welcome the IASB's invitation to comment on the above exposure draft and I am writing on behalf of BP p.l.c. in response to it.

Question 1

Do you agree with the proposals in this Exposure Draft? If not, why not? What changes do you propose and why?

We support the principle established by the amendment, i.e. that a highly probable forecast external foreign currency transaction denominated in the same functional currency as the entity entering into the transaction can be designated as a hedged item if it presents a foreign currency risk to the Group. This is consistent with the way a company like BP actually manages major foreign currency risks that arise as a result of individual entities entering into transactions on behalf of the Group.

The proposed amendment would allow entities to claim hedge accounting for hedges that currently provide them with valid economic cover, and which would currently qualify for hedge accounting under UK GAAP.

Question 2

Do the proposals in this Exposure Draft appropriately address the concerns set-out in paragraph 3 of the Background on this Exposure Draft? If not, why not, and how would you address these concerns?

We believe that the proposals do provide a solution to the concerns raised, but at the cost of possibly introducing further complexity into the documentation and administration required in respect of such hedging activities. This is the case because under the proposal the entity that requires the economic hedge for its own result (company B in the example in BC2) is not the same as the entity that has to account for the hedging activity in the consolidated result (company C). However, we are content with the clarification provided by this amendment and respectfully encourage the Board to approve it.

Question 3

Do you have any other comments on the proposals?

We believe that the proposals are acceptable and believe that it would be very helpful to new IFRS adopters to have these available for adoption on 1 January 2005 on a voluntary basis.

If you wish to pursue any of the above comments further, please do not hesitate to contact me at the address above.

Yours sincerely

G D HODGKISS