James Halliwell
Group Financial Controller

Syngenta International AG
Finance Department
P.O. Box
CH-4002 Basel
Switzerland
www.syngenta.com

Tel: +41 61 323 70 74
Fax: +41 61 323 57 44
james.halliwell@syngenta.com

International Accounting Standards Board
30 Cannon Street
LONDON EC4M 6XH
UK

Ref: IFRIC D22

19 October 2007

IFRIC D22 – Net Investment Hedging

Dear Sirs,

In response to your invitation to comment, and as a preparer of accounts under International Financial Reporting Standards, I am pleased to attach our comments on the above mentioned IFRIC. We welcome the Board's additional guidance and clarification on the accounting for the hedge of a net investment in a foreign operation in consolidated financial statements, and broadly support the Board's conclusion, with some reservations which are detailed in the attachment below. In addition we would welcome the expansion of the IFRIC to give additional consideration and guidance to two additional areas that are of direct relevance to ourselves:-

1). In the instance of a foreign operation being held jointly by two intermediate parents, with different functional currencies, but with the group wishing to hedge its exposure to only one of these currencies, would it be a requirement only to take a proportion of the foreign operation as the hedged item ?

2). In determining the carrying amount of the net assets of the foreign operations which it is permissible to deem to be the hedged item, should receivables and payables due to or from other group companies be taken into account in the assessment in relation to consolidated financial statements?
In this instance is the currency of the receivable or payable of relevance?

For background, Syngenta operates globally in over 90 countries, and is listed on the Swiss Stock exchange and in New York. Syngenta AG, the group's ultimate parent is regarded by Syngenta group as a Swiss franc functional company, as this is the currency of its capitalisation and dividend distribution. Syngenta however presents its consolidated financial statements in US dollars, as this is the major currency in which revenues are denominated. As such we carry within equity, exchange differences relating to the translation of foreign subsidiaries into Swiss francs as well as exchange differences relating to the translation of the entire group from Swiss Francs to US dollars.

Yours Faithfully,

James Halliwell
Group Financial Controller

Detailed comments on specific points

We support the Board's conclusion as expressed in BC7 that the consolidation mechanism should not determine what risk qualifies for hedge accounting in the hedge of a net investment in a foreign investment.

We also support the Board's conclusion as expressed in BC15 that the risk from the exposure to a different functional currency arises for any parent entity (the immediate, intermediate or ultimate parent entity of the foreign operation), and as such the hedged risk may be designated as the foreign currency exposure arising as a result of a different functional currency existing between the foreign operation and any of its direct or indirect parents. We also agree with the Board that as per Paragraph 14 that such a risk can qualify for hedge accounting in the consolidated financial statements only once.

We additionally support the Board's conclusion as expressed in BC20 & BC21 by analogy to the Implementation Guidance in IAS 39 Question F.2.14, that there is no requirement that the operating unit that is exposed to the risk being hedged be a party to the hedging instrument, and that the functional currency of the entity holding the instrument is irrelevant in determining the effectiveness.

Syngenta recognises the arguments expressed in BC12 & BC 13 that only differences in functional currencies create an economic exposure for the group, and that a presentational currency is a matter of choice for the parent entity. However, the economic exposure of some groups differs from their legal structure and does not relate closely to the country of incorporation of the ultimate parent entity. Such groups may have a centralised group Treasury function which is managed by reference to a single currency which is not the functional currency of that ultimate parent. We believe that, in addition to the hedging relationships permitted by D22, there are valid arguments for permitting hedge accounting for a hedge of the functional currency of a group subsidiary against the functional currency of a group financing entity which has financed the net investment in that subsidiary, but does not own any of its equity, directly or indirectly.

We note and support the arguments made in BC11(a) that if hedge accounting is not permitted for the exposure against a presentation currency, then an amount currently included in equity, but relating entirely to currency movements, can not be offset by hedge accounting. We also note and support with additional weight, the argument made in BC11 (b) that in this circumstance upon disposal of all or part of a foreign operation, part of this equity element would be required to be recognised in the income statement without a compensating hedge impact.

We note that it could be argued that a group is a single economic entity, and as such the exposure against the functional currency of any group entity which finances the net investment would be a valid hedgeable item, irrespective of whether the subsidiary's foreign currency exposure being hedged is owned directly or indirectly by that intermediate parent or not. The requirement in D22 for direct or indirect ownership is in effect an expression that the legal structure of the group, instead of the economic substance of its foreign currency risks, is determining what risk qualifies for hedge accounting.

We would also propose the further argument that the primary purpose of financial statements is to enable investors to assess the performance of their investment. It would therefore be useful to them to be able to distinguish between the currency risk that they assume as a result of the global operations of the entity and the currency risk that arises as a result of a difference between the presentational currency and the functional currency of the parent (i.e the currency in which any return on investment will be denominated). This is not currently distinguishable within equity, and as such it would be reasonable to be allow a company to able to eliminate this currency risk by hedging prior to the presentation of the financial statements. We would ask the Board to consider whether such an approach would better support the qualitative characteristics of financial reporting information aspired to in the Discussion Paper on an improved Conceptual Framework S7 & S8 of relevance and faithful representation.