

Notes to the financial statements

30 Financial instruments

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Derivative assets				
Current				
Foreign exchange forward contract – cash flow hedge	22	4	–	–
Interest rate swaps – fair value through profit or loss	37	–	37	–
	59	4	37	–
Non-current				
Contract for difference – fair value through profit or loss	12	–	12	–
Interest rate swaps – fair value hedge	19	–	19	–
	31	–	31	–
Derivative liabilities				
Current				
Commodity forward contract – cash flow hedge	(7)	–	–	–
Interest rate swaps – fair value through profit or loss	(49)	(6)	(49)	(6)
	(56)	(6)	(49)	(6)
Non-current				
Interest rate swaps – fair value through profit or loss	(8)	–	–	–
Interest rate swaps – fair value hedge	–	(18)	–	(18)
	(8)	(18)	–	(18)

Foreign exchange forward contracts – cash flow hedges

At 21 March 2009, the Group held a portfolio of foreign exchange forward contracts with a fair value of £22 million (2008: £4 million) to hedge its future foreign currency denominated trade purchases. The Group had purchased €55 million (2008: €144 million) and sold sterling at rates ranging from 0.78 to 0.94 (2008: 0.68 to 0.97) with maturities from March 2009 to March 2010 (2008: April 2008 to November 2008) and purchased US\$161 million (2008: US\$237 million) and sold sterling at rates ranging from 1.40 to 2.00 (2008: 1.93 to 2.05) with maturities from March 2009 to September 2010 (2008: April 2008 to May 2009).

At 21 March 2009, an unrealised gain of £17 million (2008: gain of £2 million) is included in equity in respect of the forward contracts. This gain will be transferred to the income statement over the next 18 months. During the year a credit to the profit or loss of £31 million was transferred from the cash flow equity reserve and included in cost of sales.

Commodity contracts – cash flow hedges

At 21 March 2009, the Group held a portfolio of commodity forward contracts with a fair value of £(7) million (2008: £nil) to hedge its future own use fuel consumption over the next 12 months.

At 21 March 2009, an unrealised loss of £5 million (2008: £nil) is included in equity in respect of these contracts. This loss will be transferred to the income statement over the next 12 months.

Interest rate swaps – fair value hedge

The Group holds a portfolio of £211 million of interest rate swaps (2008: £602 million) to hedge a portion of the fixed rate secured loan due in 2018. Under the terms of the swaps, the Group receives fixed interest and pays floating rate interest at a fixed spread above three-month LIBOR. The notional principal amount of the interest rate swaps amortises from £211 million to £111 million from April 2016 to April 2018.

Derivative financial instruments – fair value through profit and loss

At 21 March 2009, the Group held a portfolio of interest rate swaps at fair value through profit or loss which convert £256 million of the Group's floating rate obligations into fixed rates (2008: £75 million). Under the terms of these swaps the Group pays fixed rates of interest and receives three-month LIBOR for periods ranging from 19 April 2018 to 19 April 2031. Included in this portfolio is a £75 million swap under which the counterparty has a once only option to cancel the swap or double the notional principal value of the swap on 19 July 2010 and thereafter a recurring option to cancel the swap on quarterly dates through to August 2030.

The Group holds a portfolio of non-designated interest rate swaps which convert £391 million of fixed rate borrowings into floating rates (2008: £nil). Under the terms of the swap the Group receives fixed rates of interest and pays interest at various spreads above three-month LIBOR until 19 April 2018.

The Group maintains a contract for difference with a fair value of £12 million (2008: £nil) and a non-current interest rate swap with a fair value of £(8) million (2008: £nil) which are related to the £150 million term loan due 2015.

Interest rate risk

Financial instruments where interest is repriced at intervals of less than one year or less are classified as floating rate. Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument.

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Foreign currency risk

The Group has net euro denominated trade creditors of £9 million (2008: £12 million) and US dollar denominated trade creditors of £15 million (2008: £4 million).

Fair value

Set out below is a comparison by category of carrying amounts and fair values of all financial instruments that are carried in the financial statements at amounts other than fair values. The fair value of financial assets and liabilities are based on prices available from the market on which the instruments are traded where available. The fair value of all other financial assets and liabilities have been calculated by discounting expected future cash flows at prevailing interest rates. The fair values of short-term deposits, receivables, overdrafts, payables and loans of a maturity of less than one year are assumed to approximate to their book values, and are excluded from the analysis below.

	Group Carrying amount £m	Group Fair value £m	Company Carrying amount £m	Company Fair value £m
2009				
Financial assets				
Amounts due from Group entities	-	-	1,005	1,110
Other receivables	55	55	55	55
Financial liabilities				
Amounts due to Group entities	-	-	(2,037)	(2,087)
Secured loans ¹	(2,047)	(2,224)	-	-
Term loan due 2015	(162)	(191)	-	-
Loan notes	(10)	(10)	-	-
Obligations under finance leases	(48)	(48)	-	-
2008				
Financial assets				
Amounts due from Group entities	-	-	921	860
Other receivables	55	55	55	55
Financial liabilities				
Amounts due to Group entities	-	-	(1,803)	(1,701)
Secured loans ¹	(2,035)	(1,782)	-	-
Obligations under finance leases	(49)	(49)	-	-

¹ Includes £211 million accounted for as a fair value hedge (2008: £782 million).

Financial assets and liabilities by category

Set out below are the accounting classification of each class of financial assets and liabilities as at 21 March 2009 and 22 March 2008.

	Loans and receivables £m	Available- for-sale £m	Fair value through profit or loss £m	Derivatives used for hedging £m	Other financial liabilities £m	Total £m
Group						
2009						
Cash and cash equivalents	627	-	-	-	-	627
Trade and other receivables	187	-	-	-	-	187
Available-for-sale financial assets	-	97	-	-	-	97
Trade and other payables	-	-	-	-	(2,490)	(2,490)
Current borrowings	-	-	-	-	(154)	(154)
Non-current borrowings	-	-	-	-	(2,177)	(2,177)
Derivative financial instruments						
Cash flow hedges ¹	-	-	-	15	-	15
Interest rate swaps ²	-	-	(20)	19	-	(1)
Contract for difference	-	-	12	-	-	12
	814	97	(8)	34	(4,821)	(3,884)

¹ Cash flow hedges are deferred through equity.

² Interest rate swaps used for hedging are at fair value through profit or loss.

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	Loans and receivables £m	Available- for-sale £m	Fair value through profit or loss £m	Derivatives used for hedging £m	Other financial liabilities £m	Total £m
2008						
Cash and cash equivalents	719	-	-	-	-	719
Trade and other receivables	171	-	-	-	-	171
Available-for-sale financial assets	-	106	-	-	-	106
Trade and other payables	-	-	-	-	(2,274)	(2,274)
Current borrowings ¹	-	-	-	-	(165)	(165)
Non-current borrowings ¹	-	-	-	-	(2,037)	(2,037)
Derivative financial instruments						
Cash flow hedges ²	-	-	-	4	-	4
Interest rate swaps ³	-	-	(6)	(18)	-	(24)
	890	106	(6)	(14)	(4,476)	(3,500)

1 The financial statements for the 52 weeks to 21 March 2008 included all long-term borrowings within non-current liabilities. £47 million of the long-term borrowings (included in non-current borrowings) at 22 March 2008 were due within one year and have been reclassified within the comparative amounts.

2 Cash flow hedges are deferred through equity.

3 Interest rate swaps used for hedging are at fair value through profit or loss.

	Loans and receivables £m	Available- for-sale £m	Fair value through profit or loss £m	Derivatives used for hedging £m	Other financial liabilities £m	Total £m
Company						
2009						
Cash and cash equivalents	460	-	-	-	-	460
Trade and other receivables	1,430	-	-	-	-	1,430
Trade and other payables	-	-	-	-	(5,526)	(5,526)
Current borrowings	-	-	-	-	(43)	(43)
Derivative financial instruments						
Interest rate swaps ¹	-	-	(12)	19	-	7
Contract for difference	-	-	12	-	-	12
	1,890	-	-	19	(5,569)	(3,660)

2008 restated²

Cash and cash equivalents	324	-	-	-	-	324
Trade and other receivables	1,335	-	-	-	-	1,335
Trade and other payables	-	-	-	-	(5,137)	(5,137)
Current borrowings	-	-	-	-	(88)	(88)
Derivative financial instruments						
Interest rate swaps ¹	-	-	(6)	(18)	-	(24)
	1,659	-	(6)	(18)	(5,225)	(3,590)

1 Interest rate swaps used for hedging are at fair value through profit or loss.

2 The restatement of certain comparative amounts is explained in note 2 on page 52.