

Notes to the consolidated financial statements

10 Finance income and finance expense

Continuing	Notes	Year to 31 March	
		2009 £m	2008 £m
Finance income			
Interest receivable		27	34
Net finance income arising on defined benefit retirement schemes:			
– interest cost	31	–	(67)
– expected return on plan assets	31	–	71
Total finance income		27	38
Finance expense			
Interest payable on bank borrowings		(15)	(6)
Interest payable on other borrowings		(55)	(69)
Net finance expense arising on defined benefit retirement schemes:			
– interest cost	31	(79)	–
– expected return on plan assets	31	76	–
Unwinding of discounts in provisions		(1)	(1)
Finance lease charges		(3)	(3)
Fair value gains on interest-related derivative financial instruments:			
– Interest rate swaps – fair value hedges		30	16
– Derivatives not designated as hedges		1	1
Fair value adjustment of borrowings attributable to interest rate risk		(32)	(18)
Total finance expense		(78)	(80)
Net finance expense		(51)	(42)

Finance expense is shown net of borrowing costs capitalised into the cost of assets of £11 million (2008 – £8 million) at a capitalisation rate of 5.0% (2008 – 5.4%).

Interest payable on other borrowings includes £0.2 million (2008 – £0.2 million) of dividends in respect of the Group's 6.5% cumulative preference shares.

Discontinued

Included within the loss for the year in relation to discontinued operations (Note 12) is net finance expense of £2 million (2008 – net finance income of £1 million).

11 Income tax expense

Analysis of charge for the year

Continuing	Year to 31 March	
	2009 £m	2008 £m
Current tax:		
– In respect of the current year		
– UK	–	–
– Overseas	70	87
– Adjustments in respect of previous years	(14)	(4)
	56	83
Deferred tax	(37)	(7)
Income tax expense	19	76

The income tax expense on continuing operations in the year to 31 March 2009 of £19 million (2008 – £76 million) includes a credit of £44 million in respect of exceptional items (2008 – £5 million credit).

Discontinued

The income tax expense in respect of discontinued operations (Note 12) in the year to 31 March 2009 is £1 million (2008 – £16 million).

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11 Income tax expense (continued)

Tax on items recognised directly in equity

	Year to 31 March	
	2009 £m	2008 £m
Deferred tax charge on share-based payments	4	3
Deferred tax (credit)/charge on retirement benefits	(31)	10
Deferred tax credit on financial instruments	(9)	-
Deferred tax credit on foreign exchange	-	(1)
Current tax credit on foreign exchange	-	(21)
Total	(36)	(9)

The effective tax rate for the year, calculated on the basis of the total income tax expense relating to continuing operations as a proportion of profit before tax, is 16.8% (2008 – 41.8%). This compares with the standard rate of corporation tax in the United Kingdom of 28% (2008 – 30%) as follows:

	Year to 31 March	
	2009 £m	2008 £m
Profit before tax	113	182
Corporation tax charge thereon at 28% (2008 – 30%)	32	55
Adjusted for the effects of:		
– exceptional items	3	13
– expenses not deductible for tax purposes	2	(1)
– losses not recognised	29	18
– adjustments to tax in respect of previous periods	(7)	(7)
– different tax rates applied on overseas earnings	(40)	(2)
Total	19	76

The effective tax rate relating to continuing operations on profit before exceptional items and amortisation is 27.3% (2008 – 33.2%).

12 Discontinued operations

On 2 July 2008, the Group reached an agreement for the sale of its International Sugar Trading operations to Bunge Limited. Accordingly, the results of the International Sugar Trading operations are presented as discontinued operations for the years ended 31 March 2009 and 31 March 2008.

Following an extensive review of the impact of the new EU Sugar Regime, the Group's Eastern Sugar joint venture ceased processing beets by March 2007 and renounced its sugar quotas in Hungary, Czech Republic and Slovakia in return for Restructuring Aid. Accordingly, the results of Eastern Sugar are presented as discontinued operations for the years ended 31 March 2009 and 31 March 2008.

Discontinued operations in the year ended 31 March 2008 also include the results of the starch facilities in the UK, Belgium, France, Spain and Italy (disposed of on 1 October 2007), Redpath (sold on 22 April 2007) and Occidente (sold on 28 December 2007).