20 Derivative financial instruments

	31 March 2009 Assets £m	31 March 2009 Liabilities £m	31 March 2008 Assets £m	31 March 2008 Liabilities £m
Non-current derivative financial instruments used to manage the Group's net debt profile				
Currency swaps – fair value, net investment and cash flow hedges	**5**	**(45)**	24	(22)
Interest rate swaps – fair value hedges	**29**	**(7)**	10	(6)
	34	**(52)**	34	(28)
Current derivative financial instruments used to manage the Group's net debt profile				
Currency swaps – accrued interest	**10**	**(3)**	10	(3)
Interest rate swaps – accrued interest	**3**	**(3)**	–	–
Interest rate swaps – held for trading	**13**	**(15)**	4	(5)
	26	**(21)**	14	(8)
Total derivative financial instruments used to manage the Group's net debt profile	**60**	**(73)**	48	(36)
Other non-current derivative financial instruments				
Forward foreign exchange contracts – cash flow hedges	**–**	**(2)**	1	(2)
Commodity pricing contracts – cash flow hedges	**–**	**(3)**	1	–
	–	**(5)**	2	(2)
Other current derivative financial instruments				
Forward foreign exchange contracts – cash flow hedges	**12**	**(23)**	4	(13)
Commodity pricing contracts – cash flow hedges	**10**	**(30)**	2	–
Commodity pricing contracts – held for trading	**165**	**(209)**	255	(246)
	187	**(262)**	261	(259)
Total other derivative financial instruments	**187**	**(267)**	263	(261)
Total derivative financial instruments	**247**	**(340)**	311	(297)
Presented in the balance sheet as follows:				
Non-current derivative financial instruments	**34**	**(57)**	36	(30)
Current derivative financial instruments	**213**	**(283)**	275	(267)
	247	**(340)**	311	(297)

The ineffective portion recognised in operating profit that arises from cash flow hedges amounts to a gain of £4 million (2008 – £2 million loss).

The ineffective portion recognised in operating profit that arises from net investment hedges amounts to a loss of £1 million (2008 – £nil million).

The ineffective portion recognised in net finance expense that arises from fair value hedges amounts to a loss of £1 million (2008 – £1 million loss).

20 Derivative financial instruments (continued)

Cash flow hedges

The Group employs forward foreign exchange contracts and commodity pricing contracts to hedge cash flow risk associated with forecast transactions. The notional principal amounts of the outstanding forward foreign exchange contracts are as follows:

	31 March 2009 £m	31 March 2008 £m
Euro	**(50)**	(70)
US dollar	**2**	(23)
Sterling	**69**	77
Singapore dollar	**22**	18
Other	**(13)**	(20)

Gains and losses recognised in the hedging reserve in equity (Note 26) on forward foreign exchange and commodity pricing contracts as of 31 March 2009 will be released to the income statement at various dates up to 30 months from the balance sheet date.

In addition, the Group hedges the interest cost of certain of its borrowings through the use of interest rate swaps. Gains and losses recognised in the hedging reserve in equity on interest rate swaps as of 31 March 2009 will be released to the income statement at various dates until the maturity of the underlying borrowings. The notional principal amount of the outstanding interest rate swaps is £142 million (2008 – £122 million).

Fair value hedges

The Group employs currency and interest rate swap contracts to hedge the currency and interest rate risks associated with its borrowings. The notional principal amounts of the outstanding interest rate and currency swap contracts applied in fair value hedging relationships as of 31 March 2009 were £227 million and £200 million respectively (2008 – £164 million and £200 million respectively).

Net investment hedges

The Group employs currency swap contracts to hedge the currency risk associated with its net investments in subsidiaries located primarily in the USA and Europe. The notional principal amounts of the outstanding currency swap contracts applied in net investment hedging relationships as of 31 March 2009 were £250 million (31 March 2008 – £200 million). The fair value loss of £48 million (2008 – £17 million loss) on translation of the currency swap contracts to pounds sterling at the balance sheet date was recognised in the translation reserve in shareholders' equity (Note 26).

In addition, of the Group's borrowings, a total of £860 million (2008 – £756 million) is designated as hedges of the net investments in overseas subsidiaries.

Interest rate derivatives held for trading

Interest rate caps and some of the Group's interest rate swap contracts hedge the Group's exposure to interest rate risk, but do not qualify for hedge accounting. The notional amounts of the outstanding interest rate caps and interest rate swap contracts not designated within hedge relationships as of 31 March 2009 were £109 million and £244 million, respectively (2008 – £83 million and £191 million).

Trading contracts

Commodity pricing contracts held for trading relate to the Group's commodity trading activities which are undertaken for the purposes of supporting underlying operations.

21 Financial risk factors

Management of financial risk

The main financial risks faced by the Group are credit risk, liquidity risk, and market risks, which include interest rate risk, foreign exchange risk and certain commodity price risks. The Board regularly reviews these risks and approves written policies covering the use of financial instruments to manage these risks and set overall risk limits.

The Group Finance Director retains the overall responsibility and management of financial risk for the Group. Most of the Group's financing, interest rate and foreign exchange risk are managed through the Group treasury company, Tate & Lyle International Finance PLC, whose operations are controlled by its board. The treasury company is chaired by the Group Finance Director and has other board members who are independent of the treasury function. The board of Tate & Lyle International Finance PLC approves policies and procedures setting out permissible funding and hedging instruments, and a system of authorities for the approval of transactions and exposures within the limits approved by the Board of Tate & Lyle PLC.

Group interest rate and currency exposures are concentrated either in the treasury company or in appropriate holding companies through market-related transactions with Group subsidiaries. These positions are managed by the treasury company within its authorised limits.

Commodity price risks are managed through divisional commodity trading functions in the USA and Europe, whose operations are controlled by the divisional Executive Committee. The committee meets on a periodic basis and is responsible for ratifying general strategy and overseeing performance on a monthly basis. Commodity price contracts are categorised as being held either for trading or for hedging price exposures. Commodity contracts held for trading within the Group are limited, confined only to tightly controlled areas within the sugar and corn pricing areas.