27. FINANCIAL INSTRUMENTS

A summary of the Company's outstanding derivative instruments is as follows:

	Notional Amounts Maturing in							
	2009	2010	2011	2012	2013	Thereafter	**2008 Total**	2007 Total
Cross currency swap receivable	$ 31	$ 199	$ 56	$ 166	$ 75	$ 654	**$ 1,181**	$ 1,100
Cross currency swap payable					$ 148	$ 148	**$ 296**	
Interest rate swaps receivable	$ 140	$ 50	$ 200				**$ 390**	$ 630
Interest rate swaps payable					$ 150		**$ 150**	$ 150
Equity swaps and forwards	$ 261	$ 82				$ 92	**$ 435**	$ 428
Equity forward associated with the forward sale of Loblaw common shares						$ 735	**$ 735**	$ 692
Electricity forward contract	$ 8	$ 9	$ 8				**$ 25**	$ 33

Notional amounts do not represent assets or liabilities and are therefore not recorded on the consolidated balance sheet. The notional amounts are used in order to calculate the payments to be exchanged under the contracts.

Cross Currency Swaps

Loblaw entered into cross currency swaps to exchange United States dollars for $1,181 (2007 – $1,100) Canadian dollars, which mature by 2017. Cross currency swaps totaling $320 (2007 – $560) are designated in a cash flow hedge and the remaining undesignated $861 (2007 – $540) are classified as held-for-trading financial assets. Currency adjustments receivable or payable arising from these swaps are settled in cash on maturity. As at year end 2008, a cumulative unrealized foreign currency exchange rate receivable of $36 (2007 – $270) was recorded in other assets.

In 2008, Loblaw entered into fixed cross currency swaps to exchange $296 Canadian dollars for USD $300, which mature by 2015. A portion of these cross currency swaps is designated in a cash flow hedge to manage the foreign exchange risk related to a part of Loblaw's fixed rate USD private placement notes (see note 19).

Interest Rate Swaps

Loblaw's interest rate swaps convert a notional $390 (2007 – $630) of its floating rate available-for-sale cash and cash equivalents, short term investments and security deposits included in other assets to average fixed rate investments at 5.39% (2007 – 5.60%), which mature by 2011. As at year end 2008, the fair value of these interest rate swaps of $21 (2007 – $9) was recorded in other assets (see note 16) and the unrealized fair value gain of $13 (2007 – $6), net of income taxes and minority interest, related to these interest rate swaps was deferred in accumulated other comprehensive loss. When realized, these unrealized gains are reclassified to net earnings.

During 2007, Loblaw terminated hedge accounting for its interest rate swaps previously designated as a cash flow hedge of the variable interest rate exposure on commercial paper. These interest rate swaps converted a notional $150 of floating rate commercial paper debt to an average fixed rate debt of 8.37% which matures by 2013. As a result of this termination, the cumulative loss of $1, net of income taxes and minority interest, in accumulated other comprehensive loss was reclassified to net earnings in 2007. As at year end 2008, the fair value of these interest rate swaps of $43 (2007 – $28) was recorded in other liabilities (see note 20).

Equity Swaps and Forwards ($, except where otherwise indicated)
In 2008, GWL had cumulative outstanding equity swaps in its common shares of 1.7 million (2007 – 1.7 million) at an average forward price of $103.17 (2007 – $103.17). In 2008, Loblaw had cumulative outstanding equity forwards in its common shares of 4.8 million (2007 – 4.8 million) at a cumulative average forward price of $54.46 (2007 – $53.14) including $9.59 (2007 – $8.27) per common share of interest expense, net of dividends, that has been recognized in net earnings from continuing operations and will be paid at termination. These swaps and forwards provide for settlement of net amounts owing between the Company and its counterparty in cash or common shares. As at year end 2008, the fair value of GWL's swaps of $44 (2007 – $49) and $29 (2007 – $34) was recorded in accounts payable and accrued liabilities and in other liabilities, respectively (see note 20). Cumulative interest net of dividends and unrealized market loss of these Loblaw forwards of $92 (2007 – $91) was recorded in accounts payable and accrued liabilities. During 2008, a fair value gain of $22 (2007 – loss of $100) was recorded in operating income related to these equity swaps and forwards (see note 25). Loblaw is in discussions with the counterparty which may lead to the extinguishment of all or a portion of the liability.

In 2001, GWL entered into an equity forward sale agreement based on 9.6 million Loblaw common shares at an original forward price of $48.50 per Loblaw common share which, under the terms of the agreement, had increased to a forward price of $76.52 (2007 – $72.06) per Loblaw common share as at December 31, 2008. The forward matures in 2031 and will be settled in cash as follows: GWL will receive the forward price and will pay the market value of the underlying Loblaw common shares at maturity. As at year end 2008, the fair value of this equity forward sale agreement based on 9.6 million Loblaw common shares of $397 (2007 – $365) was recorded in other assets (see note 16). During 2008, a fair value loss of $11 (2007 – gain of $141) was recorded in interest expense and other financing charges related to this forward (see note 5).

Commodity Derivatives
The Company uses commodity futures and options to manage its anticipated exposure to fluctuations in commodity prices.

As at year end 2008, the fair value of Weston Foods' commodity futures of negative $33 (2007 – positive $13) was recorded in accounts receivable. During 2008, a fair value loss of $40 (2007 – gain of $11) was recorded in operating income relating to futures which were not designated in a cash flow hedge while a fair value loss of $8 (2007 – gain of $1) was deferred in accumulated other comprehensive loss relating to futures which were designated in a cash flow hedge. As at year end 2008, the fair value of the commodity options of negative $5 (2007 – positive $2) was recorded in accounts receivable and a fair value loss of $7 (2007 – gain of $2) was recorded in operating income.

Loblaw futures contracts establish a fixed cost on a portion of Loblaw's fuel exposure and option contracts typically provide protection against a range of cost outcomes. As at December 31, 2008, Loblaw had $4 (2007 – nil) recorded in accounts payable and accrued liabilities related to the above contracts.

Loblaw entered into an electricity forward contract to minimize price volatility and to maintain a portion of its electricity costs in Alberta, Canada at approximately 2006 rates. This electricity forward contract has an initial term of five years and expires in December 2011. As at year end 2008, the fair value of this Loblaw forward contract of $7 (2007 – $5) was recorded in other assets (see note 16). During 2008, a gain in value of $2 (2007 – loss of $2) was recorded in operating income.