

28. FAIR VALUES OF FINANCIAL INSTRUMENTS

Derivative Instruments

The fair value of derivative instruments is the estimated amount that the Company would receive or pay to terminate the instrument at the reporting date. The fair values have been determined by reference to prices available from the markets on which the instruments trade and prices provided by counterparties. The fair value of all derivative instruments approximated their carrying value and are recorded on the consolidated balance sheet.

Other Financial Instruments

The fair values of cash and cash equivalents, short term investments and security deposits included in other assets, accounts receivable, short term borrowings, accounts payable and accrued liabilities and short term bank loans approximate their carrying values given their short term maturities. The fair value of long term debt issues excluding the Exchangeable Debentures was estimated based on the discounted cash flows of the debt at the Company's estimated incremental borrowing rates for debt of the same remaining maturities. Prior to their redemption in 2008, the fair value of the Exchangeable Debentures was estimated based on the market price of the underlying shares.

Notes to the Consolidated Financial Statements

The following tables provide a comparison of carrying and fair values for each classification of financial instruments as at December 31, 2008 and December 31, 2007.

As at December 31, 2008

	Financial derivatives designated in a cash flow hedge	Financial instruments required to be classified as held-for-trading	Financial instruments designated as held-for-trading	Available-for-sale instruments measured at fair value	Loans and receivables	Other financial liabilities	Total carrying amount	Total fair value
Cash and cash equivalents, short term investments and security deposits included in other assets			\$ 2,427	\$ 292			\$ 2,719	\$ 2,719
Derivatives included in accounts receivable	\$ (5)	\$ (33)					(38)	(38)
Other receivables			14		\$ 982		996	996
Other financial assets included in other assets					40		40	40
Available-for-sale securities included in other assets				7			7	7
Derivatives included in other assets	98	442					540	540
Total financial assets	\$ 93	\$ 409	\$ 2,441	\$ 299	\$ 1,022		\$ 4,264	\$ 4,264
Short term borrowings						\$ 565	\$ 565	\$ 565
Derivatives included in accounts payable and accrued liabilities		\$ 136					136	136
Other accounts payable and accrued liabilities						2,985	2,985	2,985
Long term debt						5,723	5,723	5,180
Derivatives included in other liabilities		80				7	87	87
Capital securities						483	483	479
Total financial liabilities		\$ 216				\$ 9,763	\$ 9,979	\$ 9,432

The equity investment in Loblaw franchises is measured at a cost of \$72 because quoted market prices in an active market are not available. These investments are classified as available-for-sale, and Loblaw has no intention of disposing of these equity investments.

As at December 31, 2007

	Financial derivatives designated in a cash flow hedge	Financial instruments required to be classified as held-for- trading	Financial instruments designated as held-for- trading	Available- for-sale instruments measured at fair value	Loans and receivables	Other financial liabilities	Total carrying amount	Total fair value
Cash and cash equivalents, short term investments and security deposits included in other assets			\$ 1,512	\$ 444			\$ 1,956	\$ 1,956
Derivatives included in accounts receivable		\$ 14					14	14
Other receivables			8		\$ 963		971	971
Other financial assets included in other assets			157		75		232	232
Available-for-sale securities included in other assets				16			16	16
Derivatives included in other assets	\$ 184	466					650	650
Total financial assets	\$ 184	\$ 480	\$ 1,677	\$ 460	\$ 1,038		\$ 3,839	\$ 3,839
Short term borrowings						\$ 919	\$ 919	\$ 919
Derivatives included in accounts payable and accrued liabilities		\$ 140					140	140
Other accounts payable and accrued liabilities						3,044	3,044	3,044
Long term debt						5,926	5,926	5,870
Derivatives included in other liabilities		63				7	70	70
Capital securities						260	260	270
Total financial liabilities		\$ 203				\$ 10,156	\$ 10,359	\$ 10,313

The equity investment in Loblaw franchises is measured at a cost of \$75 because quoted market prices in an active market are not available. These investments are classified as available-for-sale, and Loblaw has no intention of disposing of these equity investments.

During 2008, the net unrealized and realized gain on held-for-trading financial assets designated as held-for-trading, recognized in net earnings from continuing operations before income taxes and minority interest was \$158 (2007 – loss of \$119). In addition, the net unrealized and realized loss on held-for-trading financial assets and financial liabilities, including non-financial derivatives, required to be classified as held-for-trading, recognized in net earnings from continuing operations before income taxes and minority interest was \$252 (2007 – gain of \$120).