

Notes forming part of the financial statements

for the 52 weeks ended 16 September 2023

26. Financial instruments

Financial instruments include £nil (2022 – £3m) of trade and other receivables and £nil (2022 – £14m) of trade and other payables which are classified as held for sale (see note 15). All disclosures in this note are given gross, before the held-for-sale reclassification is made.

a) Carrying amount and fair values of financial assets and liabilities

	2023 £m	2022 £m
<b>Financial assets</b>		
<b>Financial assets at amortised cost</b>		
Cash and cash equivalents	1,457	2,121
Current asset investments	–	4
Trade and other receivables	1,568	1,567
Other non-current receivables	31	29
<b>At fair value through other comprehensive income</b>		
Investments	32	29
<b>At fair value through profit or loss</b>		
Derivative assets not designated in a cash flow hedging relationship:		
• currency derivatives (excluding cross-currency swaps)	11	50
• commodity derivatives	–	3
<b>Designated cash flow hedging relationships</b>		
Derivative assets designated and effective as cash flow hedging instruments:		
• currency derivatives (excluding cross-currency swaps)	40	70
• cross-currency swaps	24	29
• interest rate derivatives	4	–
• commodity derivatives	17	323
<b>Total financial assets</b>	<b>3,184</b>	4,225
<b>Financial liabilities</b>		
<b>Financial liabilities at amortised cost</b>		
Trade and other payables	(2,448)	(2,651)
Secured loans	–	(1)
Unsecured loans and overdrafts (fair value 2023 – £470m; 2022 – £571m)	(562)	(636)
Lease liabilities (fair value 2023 – £3,178m; 2022 – £3,471m)	(3,160)	(3,252)
Deferred consideration	(6)	(20)
<b>At fair value through profit or loss</b>		
Derivative liabilities not designated in a cash flow hedging relationship:		
• currency derivatives (excluding cross-currency swaps)	(6)	(5)
• commodity derivatives	–	(3)
<b>Designated net investment hedging relationships</b>		
Derivative liabilities designated as net investment hedging instruments:		
• cross-currency swaps	(7)	(7)
<b>Designated cash flow hedging relationships</b>		
Derivative liabilities designated and effective as cash flow hedging instruments:		
• currency derivatives (excluding cross-currency swaps)	(4)	(17)
• interest rate derivatives	–	(3)
• commodity derivatives	(52)	(170)
<b>Total financial liabilities</b>	<b>(6,245)</b>	(6,765)
<b>Net financial liabilities</b>	<b>(3,061)</b>	(2,540)

Except where stated, carrying amount is equal to fair value.

Valuation of financial instruments carried at fair value

Financial instruments carried at fair value on the balance sheet comprise derivatives and investments. The Group classifies these financial instruments using a fair value hierarchy that reflects the relative significance of both objective evidence and subjective judgements on the inputs used in making the fair value measurements:

- Level 1: financial instruments are valued using observable inputs that reflect unadjusted quoted market prices in an active market for identical instruments. An example of an item in this category is a widely traded equity instrument with a normal quoted market price.
- Level 2: financial instruments are valued using techniques based on observable inputs, either directly (i.e. market prices and rates) or indirectly (i.e. derived from market prices and rates). An example of an item in this category is a currency derivative, where forward exchange rates and yield curve data, which are observable in the market, are used to derive fair value.
- Level 3: financial instruments are valued using techniques involving significant unobservable inputs.

b) Derivatives

All derivatives are classified as current on the face of the balance sheet. The table below analyses the carrying amount of derivatives and their contractual/notional amounts, together with an analysis of derivatives by the level in the fair value hierarchy into which their fair value measurement method is categorised.

	2023				2022			
	Contractual/ notional amounts £m	Level 1 £m	Level 2 £m	Total £m	Contractual/ notional amounts £m	Level 1 £m	Level 2 £m	Total £m
<b>Financial assets</b>								
Currency derivatives								
(excluding cross-currency swaps)	2,402	–	51	51	2,193	–	120	120
Cross-currency swaps	84	–	24	24	94	–	29	29
Interest rate derivatives	400	–	4	4				
Commodity derivatives	163	5	12	17	439	3	323	326
	3,049	5	91	96	2,726	3	472	475
<b>Financial liabilities</b>								
Currency derivatives								
(excluding cross-currency swaps)	626	–	(10)	(10)	921	–	(22)	(22)
Cross-currency swaps	65	–	(7)	(7)	68	–	(7)	(7)
Interest rate derivatives	–	–	–	–	400	–	(3)	(3)
Commodity derivatives	275	(2)	(50)	(52)	366	–	(173)	(173)
	966	(2)	(67)	(69)	1,755	–	(205)	(205)