

## Session 18 SM 2 Tesco Fair Value Hierarchy

### Note 21 Financial instruments continued

#### Fair value measurement

The following table presents the Group's financial assets and liabilities that are measured at fair value at 28 February 2015, by level of fair value hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

At 28 February 2015	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Assets</b>				
Available-for-sale financial assets	828	–	112	940
Derivative financial instruments:				
Interest rate swaps and similar instruments	–	29	–	29
Cross-currency swaps	–	812	–	812
Index-linked swaps	–	699	–	699
Forward foreign currency contracts	–	159	–	159
<b>Total assets</b>	<b>828</b>	<b>1,699</b>	<b>112</b>	<b>2,639</b>
<b>Liabilities</b>				
Derivative financial instruments:				
Interest rate swaps and similar instruments	–	(285)	–	(285)
Cross-currency swaps	–	(182)	–	(182)
Index-linked swaps	–	(474)	–	(474)
Forward foreign currency contracts	–	(94)	–	(94)
<b>Total liabilities</b>	<b>–</b>	<b>(1,035)</b>	<b>–</b>	<b>(1,035)</b>
<b>Total</b>	<b>828</b>	<b>664</b>	<b>112</b>	<b>1,604</b>
<b>At 22 February 2014</b>	<b>Level 1 £m</b>	<b>Level 2 £m</b>	<b>Level 3 £m</b>	<b>Total £m</b>
<b>Assets</b>				
Available-for-sale financial assets	850	–	96	946
Derivative financial instruments:				
Interest rate swaps and similar instruments	–	86	–	86
Cross-currency swaps	–	740	–	740
Index-linked swaps	–	704	–	704
Forward foreign currency contracts	–	46	–	46
<b>Total assets</b>	<b>850</b>	<b>1,576</b>	<b>96</b>	<b>2,522</b>
<b>Liabilities</b>				
Derivative financial instruments:				
Interest rate swaps and similar instruments	–	(152)	–	(152)
Cross-currency swaps	–	(140)	–	(140)
Index-linked swaps	–	(515)	–	(515)
Forward foreign currency contracts	–	(62)	–	(62)
<b>Total liabilities</b>	<b>–</b>	<b>(869)</b>	<b>–</b>	<b>(869)</b>
<b>Total</b>	<b>850</b>	<b>707</b>	<b>96</b>	<b>1,653</b>

The following table presents the changes in Level 3 instruments for the year ending 28 February 2015:

	2015 £m	2014 £m
At beginning of the year	96	–
Gains/(losses) recognised in finance costs in the Group Income Statement	–	–
Gains/(losses) recognised in the Group Statement of Changes in Equity	(16)	–
Purchase of non-controlling interests	32	96
<b>At end of the year</b>	<b>112</b>	<b>96</b>

During the financial year, £nil (2014: £nil) of Level 2 assets were transferred to Level 1 and there were no transfers into or out of Level 3 fair value measurements.

In the second half of the year, the Group invested an additional £32m in Lazada, an online retailer.