F. Salling Invest A/S

Rosbjergvej 33 - 35
DK-8220 Brabrand

Annual report

2015

CVR no. 24 57 46 28

The Annual Report has been presented and approved on the company's annual general meeting at 29/4 2016

Chair

Table of contents

Management's review

Primary business area

The company's primary business activity is the owning of shares in associated enterprises and investment in properties.

Development during the financial year

The annual report for F. Salling Invest A/S is presented in accordance with the provisions of the International Financial Reporting Standards (IFRS), constituting a change from previous reporting in accordance with the Danish Financial Statements Act. All 2014 comparison figures in the report have been prepared in accordance with IFRS.

In 2015 the company has realised a result for the year after tax of DKK 614 million against a result after tax of DKK 578 million in 2014. The result for 2015 was positively impacted by DKK 95 million related to the net result of the restructuring in Dansk Supermarked Group including effect from change in ownership.

As at 11 April 2014 the company purchased 24 % of the shares in the associate Dansk Supermarked A/S. In order to finance this deal the company's securities were sold in January 2014.

The result in the associated company Dansk Supermarked A/S is on par with last year.

The result for 2015 is satisfactory.

Particular risks

The company's financial risks are primarily related to investments in Dansk Supermarked A/S.

Expected development

The company expects that Dansk Supermarked A/S will show a positive result in 2016.

Subsequent events

No subsequent events have occurred that would affect the annual report for 2015.

Management's statement

The Board of Directors and the Executive Board have today discussed and approved the annual report of F. Salling Invest A/S for the financial year 1 January – 31 December 2015.

The annual report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and further Danish disclosure requirements according to the Danish Financial Statements Act.

It is our opinion that the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31 December 2015 and of the company's operations and cash flows for the financial year 1 January – 31 December 2015.

Further, in our opinion, the Management's review gives a fair review of the development in the company's operations and financial conditions, the results of the company's operations, cash flows and financial position as well as a description of the most significant risks and uncertainty factors that the company faces.

We recommend that the annual report be approved at the annual general meeting.

Brabrand, 29 April 2016

Executive Board

Jakob Røddik Thøgersen
CEO

Board of Directors

Jens Bjerg Sørensen
Chairman

Karin Salling

Nils S. Andersen

Anne Broeng

Management's statement

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Brabrand, 29 April 2016

Executive Board

Jakob Røddik Thøgersen
CEO

Board of Directors

Jens Bjerg Sørensen Chairman	Karin Salling	Nils S. Andersen
Anne Broeng		

Independent auditors' report

To the Shareholder of F. Salling Invest A/S

Independent auditors' report on the financial statements

We have audited the financial statements of F. Salling Invest A/S for the financial year 1 January – 31 December 2015, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2015 and of the results of the company's operations and cash flows for the financial year 1 January – 31 December 2015 in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

Independent auditors' report

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Aarhus, 29 April 2016

ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Henrik Kronborg Iversen
State Authorised Public Accountant

Morten Friis
State Authorised Public Accountant

Income statement

DKK million

Notes		2015	2014
7	Rental revenue	27	25
	External expenses	-3	-8
	Depreciation and impairment losses	-14	-6
	Operating profit (EBIT)	10	11
8	Share of profit/loss of associates, net of tax	538	598
	Net result of restructuring in Dansk Supermarked Group including effect from change in ownership	95	-
4	Financial income	9	11
5	Financial expenses	-44	-47
	Profit before tax	608	573
6	Income tax	6	5
	Total profit for the year	614	578
	Proposal for distribution of profit for the year:		
	Reserve for net revaluation under the equity method	633	598
	Retained earnings	-19	-20
	Total profit for the year	614	578

Statement of other comprehensive income

DKK million

Notes		2015	2014
	Profit for the year	614	578
	Other comprehensive income, net of income tax:		
	Items that will not be reclassified to the income statement:		
	Other comprehensive income not to be reclassified in associates	2	-14
		2	-14
	Items that are or may be reclassified subsequently to the income statement:		
	Exchange differences on translating foreign operations in associates	21	-49
	Other comprehensive income to be reclassified in associates	12	-68
		33	-117
	Other comprehensive income for the year, net of income tax	35	-131
	Total comprehensive income for the year	649	447

Statement of financial position

DKK million

Assets

Notes		2015	2014	1 January 2014
	Non-current assets			
7	**Investment property**	513	502	460
	Financial assets			
8	Investments in associates	8,477	7,818	3,776
9	Other non-current financial assets	256	251	-
	Total financial assets	8,733	8,069	3,776
	Total non-current assets	**9,246**	**8,571**	**4,236**
	Current assets			
	Receivables			
	Income tax receivables	6	29	62
9	Other receivables	3	-	48
	Prepayments	-	-	2
9	Other current financial assets	77	64	1
	Total receivables	86	93	113
	Securities	-	-	6,822
	Cash and short-term deposits	-	-	344
	Total current assets	**86**	**93**	**7,279**
	Total assets	**9,332**	**8,664**	**11,515**

Statement of financial position

DKK million

Equity and liabilities

Notes		2015	2014	1 January 2014
11	**Equity**			
	Share capital	3	3	3
	Reserve for net revaluation under the equity	1,937	1,290	3,725
	Foreign currency translation reserve	-28	-49	-
	Retained earnings	5,111	5,130	2,454
	Total equity	**7,023**	**6,374**	**6,182**
	Liabilities			
	Non-current liabilities			
10	Deferred tax liabilities	3	5	2
9	Mortgage loans	260	260	-
9	Other non-current financial liabilities	1,780	1,751	-
	Total non-current liabilities	**2,043**	**2,016**	**2**
	Current liabilities			
	Bank loans	-	-	1,126
9	Other current financial liabilities	254	274	4,187
9	Trade payables	11	-	9
9	Other payables	1	-	9
	Total current liabilities	266	274	5,331
	Total liabilities	**2,309**	**2,290**	**5,333**
	Total equity and liabilities	**9,332**	**8,664**	**11,515**

Cash flow statement

DKK million

Notes		2015	2014
	Profit before tax	608	573
12	Adjustments	-584	-556
13	Change in working capital	9	32
	Net cash flows from operating activities before financial items and tax	33	49
	Financial income received	4	7
	Financial expenses paid	-6	-16
	Income tax paid	27	59
	Net cash flows from operating activities	58	99
	Purchase of investment property	-25	-48
	Sale of securities	-	6,822
	Acquisition of associates	-	-6,526
	Dividends received	-	2,951
	Net cash flows from investment activities	-25	3,199
	Proceeds from borrowings	-	2,255
	Repayment of borrowings	-20	-5,313
	Granting of loans	-	-247
	Dividends paid to equity holders	-	-273
	Net cash flows from financing activities	-20	-3,578
	Net change in cash and cash equivalents	13	-280
	Cash and cash equivalents at 1 January	64	344
14	Cash and cash equivalents at 31 December	77	64

Statement of changes in equity

DKK million

	Share capital	Reserve for net revaluation under the equity method	Foreign currency translation reserve	Retained earnings	Total equity
Equity at 1 January 2014	3	3,725	-	2,454	6,182
Profit for the year		598		-20	578
Other comprehensive income not to be reclassified in associates		-14			-14
Exchange differences on translating foreign operations in associates			-49		-49
Other comprehensive income to be reclassified in associates		-68			-68
Other comprehensive income	-	-82	-49	-	-131
Total comprehensive income for the year	-	516	-49	-20	447
Payment of dividends				-273	-273
Dividends received from associates		-2,951		2,951	-
Other adjustments				18	18
Total transactions with owners	-	-2,951	-	2,696	-255
Equity at 31 December 2014	3	1,290	-49	5,130	6,374

For an overview of the principal adjustments made by the company in restating the previously published local GAAP financial statements to financial statements prepared in accordance with IFRS, please refer to note 2.

	Share capital	Reserve for net revaluation under the equity method	Foreign currency translation reserve	Retained earnings	Total equity
Equity at 1 January 2015	3	1,290	-49	5,130	6,374
Profit for the year		633		-19	614
Other comprehensive income not to be reclassified in associates		2			2
Exchange differences on translating foreign operations in associates			21		21
Other comprehensive income to be reclassified in associates		12			12
Other comprehensive income	-	14	21	-	35
Total comprehensive income for the year	-	647	21	-19	649
Equity at 31 December 2015	3	1,937	-28	5,111	7,023

Summary of notes to the financial statements

Notes to the financial statements

DKK million

1 General information

F. Salling Invest A/S' primary business areas are investment in the associate company, Dansk Supermarked A/S and owning property.

During 2015 F. Salling Invest A/S' share of Dansk Supermarked A/S has decreased from 41 % to 39.11 %. This is a consequence of the share capital in F. Salling A/S being transferred from the previous owners, F. Salling Holding A/S and A.P. Møller - Mærsk A/S, to Dansk Supermarked A/S as part of an exchange of shares. The consequence of the exchange of shares was a change of the ownership percentages in Dansk Supermarked A/S.

F. Salling Invest A/S is a public limited company with its registered office located at Rosbjergvej 33, 8220 Brabrand in Denmark.

The following shareholder owns more than 5 % of the share capital and the voting rights in F. Sallling Invest A/S:

Købmand Herman Sallings Fond, Rosbjergvej 33-35, Brabrand, Denmark

F. Salling Invest A/S is included in the consolidated financial statements of Købmand Herman Sallings Fond, which is the ultimate controlling party of F. Salling Invest A/S.

2 Summary of significant accounting policies

The financial statements section of the annual report for the period 1 January –.31 December 2015 comprises the financial statements of F. Salling Invest A/S.

The financial statements of F. Salling Invest A/S have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and further Danish disclosure requirements for class B enterprises.

Basis of preparation

This annual report is the first annual report the company has presented in accordance with IFRS. For periods up to and including the year ended 31 December 2014, the company prepared its annual report in accordance with the Danish Financial Statements Act (local GAAP). In connection with the transition, IFRS 1 "First time adoption of International Financial Reporting Standards" is applied. The accounting effect of the transition to IFRS is explained below, including a description of changes to accounting policies compared to previous years.

The functional currency of F. Salling Invest A/S is Danish kroner. The presentation currency of the financial statements is Danish kroner. All amounts have been rounded to the nearest million, unless otherwise indicated.

The financial statements have been prepared on the historical cost basis.

Transition to IFRS

In accordance with IFRS 1, the opening statement of financial position at 1 January 2014 and comparative figures for 2014 have been prepared in accordance with the IFRSs, IASs, IFRICs and SICs, which were in force at 31 December 2015. An amendment to IAS 27: Equity Method in Separate Financial Statements has been applied before effective date, which is 1 January 2016. The opening statement of financial position at 1 January 2014 has been prepared as if these standards and interpretations had always been applied apart from the special exceptions, which are described below.

Notes to the financial statements

DKK million

2 Summary of significant accounting policies - continued

The company has applied the transitional provisions in IAS 23 Borrowing Costs and capitalises borrowing costs in the cost of qualifying assets as from 1 January 2014. Previously borrowing costs were recognised in the income statement.

The reconciliation below explains the principal adjustments made by the company in restating its local GAAP statement of financial position as at 1 January 2014 and its previously published local GAAP financial statements as at and for the year ended 31 December 2014.

		1 January 2014	2014		31 December 2014
	Notes	Equity	Total profit for the year	Other comprehensive income	Equity
Determined in accordance with the Danish Financial Statements Act		6,186	449	-	6,263
Amortisation of goodwill included in share of profit/loss of associates, net of tax	1		115		115
Provision for jubilee benefits net of tax included in investments in associates	2	-4			-4
Other comprehensive income to be reclassified in associates, net of tax	3			-68	
Exchange differences on translating foreign operations in associates, net of tax	3			-49	
Other comprehensive income not to be reclassified in associates, net of tax	3		14	-14	
Determined in accordance with IFRS		6,182	578	-131	6,374

Notes to the reconciliation of the company's equity as at 1 January 2014 and 31 December 2014, and total comprehensive income for the year ended 31 December 2014:

1) According to local GAAP goodwill recognised in business combinations is amortised. According to IFRS no amortisation of goodwill takes place instead an annually impairment test is performed to ensure that the goodwill is written down if the carrying amount exceeds the recoverable amount. The amortisation recognised as part of share of profit/loss of associates, net of tax during 2014 according to local GAAP is reversed.

2) According to IAS 19 a provision for jubilee benefits is recognised as part of investments in associates. Previously no provision was recognised and the amounts were recognised in the income statement at the time of payment.

3) A number of items are recognised in other comprehensive income in associates, including exchange differences on translation of foreign operations, cash flow hedges and remeasurement of defined benefit plans. F. Salling Invest A/S' share of these items is recognised in other comprehensive income in F. Salling Invest A/S.

Apart from the changes mentioned above the following reclassifications and changes in format, including restatement of the opening statement of financial position at 1 January 2014 and comparative figures for 2014, have been made:

4) Investment property is recognised as a separate line item in the statement of financial position, whereas it previously was recognised as part of land and buildings.

Notes to the financial statements

DKK million

2 Summary of significant accounting policies - continued

5) Provisions are no longer presented as a separate main group in the statement of financial position but are included in non-current and current liabilities.

The reclassifications have not affected the result or equity.

Accounting policies, income statement

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable, and excluding amounts collected on behalf of third parties such as sales taxes and value added taxes.

Rental revenue arising from operating leases on investment properties is recognised on a straight-line basis over the lease terms, and is recognised in other revenue in the income statement.

External expenses
External expenses primarily include direct and indirect costs related to rental and lease, operating expenses regarding investment properties as well as consultants fees etc.

Depreciation and impairment losses
Depreciation and impairment losses comprise depreciation and impairment losses on investment property.

Share of profit/loss of associates, net of tax
Investments in associates are measured in the statement of financial position using the equity method. The share of profit/loss of associates after elimination of unrealised gains and losses resulting from transactions between the parent company and the associates and including the effect of depreciation of fair value adjustments recognised as part of business combinations is recognised in the income statement.

Financial income and expenses
Financial income and expenses comprise interest income and expense, exchange gains and losses on transactions denominated in foreign currencies and fair value adjustments of financial assets held for trading. Moreover, financial income and expenses comprise amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax.

Borrowing costs from general borrowing or loans directly related to acquisition, construction or development of qualifying assets are allocated to the cost of such assets.

Income tax expense
The company is included in the joint taxation in the Købmand Herman Sallings Fond Group. Tax for the year is allocated between the jointly taxed companies in proportion to their taxable income (full allocation). The jointly taxed companies are taxed under the on-account tax scheme.

Tax for the year comprises current tax and changes in deferred tax for the year. The tax expense is recognised in the income statement, other comprehensive income or directly in equity.

Notes to the financial statements

DKK million

2 Summary of significant accounting policies - continued

Accounting policies, statement of financial position

Investment property

Investment property is property held to earn rentals or for capital appreciation or both, not for use in the supply of goods or services or for administrative purposes. Investment property is measured initially at cost comprising purchase price and any directly attributable expenditure including transaction costs. Subsequent to initial recognition investment property is measured at cost net of accumulated depreciation and accumulated impairment losses if any. Depreciation is calculated on a straight-line basis over the estimated useful lives of the investment property. The useful lives are similar to those of other buildings.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Land	No depreciation
Investment property:	
Technical installations within the property	10 - 30 years
Foundation and bearing structure	80 years
Remaining property	40 years

The residual values, useful lives and methods of depreciation of investment property are reviewed at each financial year end and adjusted prospectively, if necessary.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that are incurred in connection with the borrowing of funds.

Investments in associates

Investments in associates are measured in the statement of financial position using the equity method. The share of profit/loss of associates, net of tax is recognised in the income statement.

Impairment testing of non-current assets

The carrying amount of non-current assets is evaluated annually for indications of impairment.

If indications of impairment exist, tests are performed to determine whether recognition of impairment losses is necessary for individual assets as well as groups of assets. If the recoverable amount is lower than an asset's carrying amount, an impairment loss is recognised so that the carrying amount is reduced to the recoverable amount.

The recoverable amount is the higher value of an assets net sales price and its value in use. The value in use is assessed as the present value of the expected net cash flow from utilization of the asset or the group of assets and expected net cash flow from disposal of the asset or the group of assets after the end of the useful life.

Receivables, securities and other financial assets

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially on the trading date at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Loans and receivables are most relevant for the company.

Notes to the financial statements

DKK million

2 Summary of significant accounting policies - continued

Subsequently financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the income statement. Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

After initail recognition, loans and receivables are measured at amortised cost less impairment. First it is assessed whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment. The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The losses arising from impairment are recognised in an allowance account and in the income statement in finance costs for loans and in external expenses for receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Cash and short-term deposits
Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits.

Loans, trade payables and other financial liabilities
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans, borrowings and payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans, borrowings and payables, net of directly attributable transaction costs. Loans, borrowings and payables are relevant for the company.

After initial recognition, interest-bearing loans, borrowings and payables are measured at amortised cost. Accordingly, any difference between the proceeds and the nominal value is recognised in the income statement as finance costs over the term of the loan.

Taxes
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement or the statement of other comprehensive income.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Notes to the financial statements

DKK million

2 Summary of significant accounting policies - continued

Deferred tax liabilities are recognised for all taxable temporary differences, and deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside the income statement is recognised outside the income statement. Deferred tax items are recognised in correlation to the underlying transaction either in the statement of other comprehensive income or directly in equity.

Accounting policies, cash flow statement

The cash flow statement shows the cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as cash and cash equivalents at the beginning and end of the year.

The cash flow effect of acquisitions and disposals of enterprises is shown separately in cash flows from investing activities. Cash flows from acquired businesses are recognised in the cash flow statement from the date of acquisition. Cash flows from disposals of businesses are recognised up until the date of disposal.

Cash flows from operating activities are calculated according to the indirect method as the profit before tax adjusted for non-cash operating items, changes in working capital, interest payments and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of businesses and of investment property and other non-current assets as well as acquisition and disposal of securities not classified as cash and cash equivalents.

Cash flows from financing activities comprise changes in the size or composition of share capital and related costs as well as the raising of loans, repayment of interest-bearing debt, and payment of dividends to shareholders.

Cash flows in other currencies than the functional currency are translated using average exchange rates unless these deviate significantly from the rate at the transaction date.

Accounting policies, other

Business combinations
Business combinations are accounted for using the acquisition method, according to which the identifiable assets and liabilities acquired are measured at their fair values at the date of acquisition. If the business combination is a step acquisition, any previously held shares are remeasured at the acquisition-date fair value and any resulting gain or loss is recognised in the income statement. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Provisions are made for costs related to adopted and announced plans to restructure the acquired enterprise in connection with the acquisition. Enterprises disposed of are recognised until the date of disposal.

Notes to the financial statements

DKK million

2 Summary of significant accounting policies - continued

According to the equity method, goodwill is recognised as a part of the carrying amount of the investment. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. Goodwill is also recognised regarding previously owned shares in step acquisitions. Goodwill is not amortised, but is included in impairment tests of the investments.

Foreign currency translation

On initial recognition, foreign currency transactions are translated to the functional currency at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as finance income or finance costs.

Receivables and payables and other monetary items denominated in foreign currencies are translated to the functional currency at the exchange rates at the reporting date. The difference between the exchange rates at the reporting date and at the date at which the receivable or payable arose or the rates in the latest annual report is recognised in profit or loss as finance income or finance costs.

Fair value measurement

The company uses the fair value concept in connection with certain disclosure requirements and in connection with business combination. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants ("exit price").

The fair value is a market-based and not an entity-specific valuation. The company uses the assumptions that the market participants would use for the pricing of the asset or liability based on existing market conditions, including assumptions relating to risks. The company's intention to own the asset or settle the liability is thus not taken into consideration when the fair value is determined.

The fair value measurement is based on the primary market. If a primary market does not exist, the measurement is based on the most favourable market, which is the market that maximises the price of the asset or liability less transaction and transportation costs.

To the widest possible extent, the fair value measurement is based on market values in active markets (level 1) or alternatively on values derived from observable market information (level 2). If such observable information is not available or cannot be used without significant modifications, fair values are based on generally accepted valuation methods and reasonable estimates (level 3).

3 Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the accounting policies, management has made the following judgements estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Notes to the financial statements

DKK million

3 Significant accounting judgements, estimates and assumptions - continued

Valuation of investment property

Investment property is tested for impairment if there is an indication of impairment. An impairment loss is recognised if the recoverable amount of an asset is lower than the asset's carrying amount. The recoverable amount is the higher of fair value less costs of disposal and value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the long-term plans. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Depreciation

The useful lives and residual values of investment property are reviewed annually based on available information. If necessary they are adjusted prospectively. Changes to estimates of useful lives and residual values may affect the annual depreciation and thereby the results for the year significantly.

Valuation of financial assets

Investments in associates are recognised according to the equity method. The carrying amount includes goodwill and other fair value adjustments arising as part of business combinations. Investments in associates are tested for impairment annually. An impairment loss is recognised if the recoverable amount of an asset is lower than the asset's carrying amount. The recoverable amount is the higher of fair value less costs of disposal and value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the long-term plans for Dansk Supermarked A/S. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

4 Financial income

	2015	2014
Interest income on loans to related parties	5	4
Other financial income, related parties	1	7
Other financial income	3	-
Total financial income	9	11

5 Financial expenses

	2015	2014
Interest expense on mortgage loans	2	2
Interest expense on loans from related parties	4	3
Interest expense on other loans	38	31
Net expense from financial instruments held for trading	-	11
Total financial expenses	44	47

Notes to the financial statements

DKK million

	2015	2014
6 Income tax		
Current income tax	6	8
Adjustment regarding prior years, current income tax	-2	18
Change in deferred tax	-	-3
Adjustment of deferred tax at the beginning of the year due to a change in the corporation tax rate from 25% to 22% (during 2014 - 2016)	2	-
Total income tax	6	23
Income tax recognised in the income statement	6	5
Income tax recognised in equity	-	18
Total income tax	6	23

Reconciliation of income tax recognised in the income statement

	2015		2014	
	DKK	%	DKK	%
Tax on result for the year at the Danish income tax rate	-143	23.5 %	-140	24.5 %
Non-deductible costs and non-taxable income	149	-24.5 %	145	-25.3 %
Income tax recognised in the income statement	6	-1.0 %	5	-0.8 %

	2015	2014
7 Investment property		
Cost		
Balance at 1 January	512	464
Additions	25	48
Balance at 31 December	537	512
Accumulated depreciation and impairment losses		
Balance at 1 January	-10	-4
Depreciation	-7	-6
Impairment losses recognised in the income statement	-7	-
Balance at 31 December	-24	-10
Carrying amount at 31 December	513	502

Investment property primarily comprises stores that are leased by Dansk Supermarked A/S.

Notes to the financial statements

DKK million

	2015	2014

7 Investment property - continued

The estimated fair value of investment property amounts to DKK 463 million at 31 December 2015 (DKK 442 million at 31 December 2014). The estimated fair value equals the estimated price that would be received if selling the investment property in an orderly transaction between market participants. The estimated fair value is not based on a valuation by an independent valuer. Most of the investment property is held to earn rentals not with the purpose of being sold in the near future. For these investment property no impairment losses have been recognised since the value in use is higher than the carrying amount for any investment property for which there is an indication that the property may be impaired.

The fair value of the investment property falls within level 3 of the fair value hierarchy. The fair value is based on a rate of return compared with a price per square metre. The rate of return is based on experience with real estate deals.

	2015	2014
Rental income from investment property	27	25
Direct operating expenses from investment that generated rental income	-3	-2
Profit arising from investment property	24	23

During 2015 an impairment loss has been recognised regarding a piece of land for which the expected sales price that might be obtained in a possible future sale is assessed to be lower than the carrying amounts of the piece of land. The impairment loss is recognised in the income statement as part of Depreciation and impairment losses.

8 Investments in associates

F. Salling Invest A/S has a 39.11 % ownership in Dansk Supermarked A/S, and F. Salling Invest A/S' sister company F. Salling Holding A/S has a 41.89 % ownership in Dansk Supermarked A/S. Thus, controlling interest in Dansk Supermarked A/S exists in Købmand Herman Sallings Fond.

	2015	2014
Cost		
Balance at 1 January	6,577	51
Additions	-	6,526
Purchase price reduction	-9	-
Balance at 31 December	6,568	6,577
Value adjustments		
Balance at 1 January	1,241	3,725
Dividends	-	-2,951
Foreign currency translation	21	-49
Other comprehensive income	14	-82
Result	538	598
Net impact from restructuring in Dansk Supermarked Group including effect from change in ownership	95	-
Balance at 31 December	1,909	1,241
Carrying amount at 31 December	8,477	7,818

Notes to the financial statements

DKK million

8 Investments in associates - continued

Specification of investments in associates:

	Share of issued share capital and voting rights	Principal place of business and country of incorporation
Dansk Supermarked A/S	39.11 %	Brabrand, Denmark

As at 31 December 2013 the company owned 16.75 % of the shares in Dansk Supermarked A/S, which was increased to 41 % as at 11 April 2014 when the company purchased 24.25 % of the shares in Dansk Supermarked A/S. Due to agreements entered into the company was considered to have significant influence in Dansk Supermarked A/S before 11 April 2014. As at 21 December 2015 the company's ownership in Dansk Supermarked A/S was reduced to 39.11 % as a consequence of an exchange of shares, in which F. Salling Holding A/S received a larger ownership in Dansk Supermarked A/S in return for its shares in F. Salling A/S.

9 Financial assets and financial liabilities

Financial assets comprise the following:

	Carrying amount		Fair value	
	2015	2014	2015	2014
Receivables from associates	256	251	256	251
Other non-current financial assets	256	251	256	251
Other receivables	3	-	3	-
Receivables from other related companies	77	64	77	64
Other current financial assets	77	64	77	64
Financial liabilities comprise the following:				
Mortgage loans - non-current	260	260	265	264
Mortgage loans	260	260	265	264
Non-current payables	1,780	1,751	1,780	1,751
Other non-current financial liabilities	1,780	1,751	1,780	1,751
Payables to entities with controlling influence	254	274	254	274
Other current financial liabilities	254	274	254	274
Trade payables	11	-	11	-
Other payables	1	-	1	-

Notes to the financial statements

DKK million

9 Financial assets and financial liabilities - continued

Financial instruments by category:

	2015	2014
Loans and receivables:		
Other receivables	3	-
Other financial assets excluding derivatives	333	315
Financial liabilities measured at amortised cost:		
Mortgage loans	260	260
Other financial liabilities excluding derivatives	2,034	2,025
Trade payables	11	-
Other payables	1	-

Fair value:

For cash and short-term deposits, trade receivables and payables, other receivables and payables, other short-term receivables and payables and non-current financial assets the carrying amount is a reasonable approximation of fair value, largely due to the short-term maturities of the financial instruments.

The fair value of mortgage loans are derived from quoted market prices in active markets, and fall within level 1 of the fair value hierarchy. Fair value of the remaining borrowing items fall within level 2 of the fair value hierarchy and are calculated on the basis of discounted interests and instalments.

Risks arising from financial instruments:

The company's main risks are market risks relating to fluctuations in interest rates. There has been no structural changes in the risk exposure or risk compared to 2014.

The overall framework for financial risk management is set out in Dansk Supermarked A/S's financial policy, which also comprises F. Salling Invest A/S. The companies have a centralised management of financial risks undertaken by a Treasury Department. The financial policy is reviewed and updated on a regular basis. The companies do not engage in speculation in financial risks. The companies' financial strategy is directed solely towards the management and mitigation of financial risks that are a direct result of the operating, investing and financing activities.

Interest rate risks:
The company's exposure to risk of changes in market interest rates relates to loans to and from related parties, non-current payables and mortgage loans. The mortgage loan portfolio is actively managed by Group Treasury in Dansk Supermarked Group.

A general increase of 1 %-points in interest rates is estimated, all other things being equal, to affect profit before tax by DKK -2 million (DKK -2 million in 2014), and pre-tax equity by DKK -2 million (DKK -2 million in 2014).

Notes to the financial statements

DKK million

9 Financial assets and financial liabilities - continued

Sensitivity analysis based on a 1 %-point increase in interest rates:

31 December 2015	Carrying amount	Sensitivity	Profit before tax	Pre-tax equity
Financial assets	336	1 %	5	5
Financial liabilities	2,306	1 %	-12	-12
Impact			-7	-7

31 December 2014	Carrying amount	Sensitivity	Profit before tax	Pre-tax equity
Financial assets	315	1 %	2	2
Financial liabilities	2,285	1 %	-12	-12
Impact			-10	-10

The sensitivity analysis has been prepared on the basis of the amount of net debt, the ratio of fixed to floating intetest rate of the debt in place as at 31 December.

For receivable from and payables to entities with significant influence and associates interest rates are fixed based on the relevant interbank rate with a debit or credit margin. Other receivables or payables are not interest-bearing if they are paid when due.

Overview of borrowings by interest rate levels:

		Next interest rate fixing		
31 December 2015	Carrying amount	Within 1 year	1 to 5 years	After 5 years
0 - 2 %	2,294	2,260	34	-
Total	2,294	2,260	34	-
Of which:				
Bearing fixed interests	1 %			
Bearing floating interests	99 %			

		Next interest rate fixing		
31 December 2014	Carrying amount	Within 1 year	1 to 5 years	After 5 years
0 - 2 %	2,285	2,251	34	-
Total	2,285	2,251	34	-
Of which:				
Bearing fixed interests	1 %			
Bearing floating interests	99 %			

Notes to the financial statements

DKK million

9 Financial assets and financial liabilities - continued

Liquidity risks:
Liquidity risk is the risk that the company will not be able to settle its financial liabilities when they fall due.

The overview below summarises the maturity profile of the company's financial liabilities based on contractual undiscounted payments. The undiscounted cash flows differ from both the carrying value and the fair value. Floating rate interest is estimated using the prevailing rate at the balance sheet date.

31 December 2015	Within 1 year	1 to 5 years	After 5 years
Mortgage loans	2	10	297
Trade and other payables	266	1,910	-
Total	268	1,920	297

31 December 2014	Within 1 year	1 to 5 years	After 5 years
Mortgage loans	2	10	299
Trade and other payables	274	1,919	-
Total	276	1,929	299

10 Deferred tax

Deferred tax relates to the following:

	Income statement		Statement of financial position	
	2015	2014	2015	2014
Investment property	-2	3	3	5
Deferred tax expense/income / Net deferred tax	-2	3	3	5

Deferred tax is recognised in the statement of financial position as follows:

	2015	2014
Deferred tax liabilities	3	5
Net deferred tax	3	5

Reconciliation of net deferred tax:

	2015	2014
Opening balance at 1 January	5	2
Adjustment of deferred tax recognised in the income statement	-2	3
Closing balance at 31 December	3	5

Notes to the financial statements

DKK million

11 Equity

Share capital:

As at 31 December, the share capital, which consists of one share class, comprises:

	2015	2014
10 shares of TDKK 1	0	0
29 shares of TDKK 10	0	0
1 share of TDKK 445	0	0
1 share of TDKK 446	1	1
1 share of TDKK 1,809	2	2
Total share capital	3	3

There has been no changes to the share capital during 2011 - 2015. All shares have been fully paid.

Retained earnings:

During the 2015 financial year no dividend has been paid (DKK 273 million in 2014). No dividend will be proposed for the 2015 financial year.

12 Adjustments

	2015	2014
Financial income	-9	-11
Financial expenses	44	47
Share of profit/loss of associates, net of tax	-538	-598
Net result of restructuring in Dansk Supermarked Group including effect from change in ownership	-95	-
Depreciation and impairment of investment property	14	6
Adjustments	-584	-556

13 Change in working capital

	2015	2014
Change in trade and other receivables and prepayments	-3	50
Change in trade and other payables	12	-18
Change in working capital	9	32

14 Cash and cash equivalents

	2015	2014
Receivables from other related parties	77	64
Cash and cash equivalents available to the company	77	64

Notes to the financial statements

DKK million

	2015	2014

15 Contingent liabilities and other financial commitments

Operating leases, the company is lessor:

The company leases a number of properties, shops and flats as operating leases to related parties. The leases have terms of between 15 and 20 years.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	2015	2014
Within 1 year	25	24
1 to 5 years	101	98
After 5 years	311	316
Total	437	438

Other contingent liabilities and financial commitments:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements of DKK 14 million exist (DKK 58 million in 2014).

As security for mortgage loans investment property with a carrying amount of DKK 422 million has been provided as collateral (DKK 419 million in 2014).

The company is part of the joint registration with companies in the Dansk Supermarked Group regarding payment of VAT, PAYE taxes etc. and is thus jointly liable for the total liability of DKK 418 million at 31 December 2015 (DKK 405 million in 2014).

The company is jointly taxed with the Danish companies in the Købmand Herman Sallings Fond Group. As a group company, the company has joint and several unlimited liability together with the other group companies for Danish corporation taxes and withholding taxes on dividends, interest and royalties within the joint taxation group. The total net taxes payable to the Danish Central Tax Administration by the companies included in the joint taxation is disclosed in the annual report of the administration company (F. Salling Holding A/S, CVR no. 41 94 01 15). Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends etc. may entail that the company's liability will increase.

In connection with the purchase of shares from A. P. Møller - Mærsk A/S in April 2014 the company has, together with F. Salling Holding A/S, entered into a contractual commitment to purchase the remaining 19 % of the shares in Dansk Supermarked A/S and F. Salling A/S from A. P. Møller - Mærsk A/S. A. P. Møller - Mærsk A/S holds a put option that allows them to sell the remaining share at market value. The put option can be exercised in April 2019.

Notes to the financial statements

DKK million

	2015	2014

16 Related party disclosures

All related party transactions take place at an arm's length basis. The following related party transactions were carried out with related parties:

	2015	2014
Entities with controlling influence over the company:		
Interests paid	-4	-3
Dividend paid	-	273
Associates:		
Leasing income	25	24
Interests received	5	4
Dividend received	-	2,951
Other related parties:		
Interests received	1	7

All outstanding balances with related parties as at 31 December are presented in note 9. All outstanding balances carry interest and are to be settled in cash within 1 year unless otherwise specified in note 9.

None of the outstanding balances are secured, and no provisions are held against the balances as at 31 December (DKK 0 in 2014). No expense has been recognised in 2015 or 2014 for bad or doubtful debts.

Key management personnel

F. Salling Invest A/S does not incur costs releated to remuneration of key management personnel.

17 Capital management

The company manages its capital to ensure that the company will be able to continue as going concerns while maximising the return to the shareholder through the optimisation of the debt and equity balance. For the purpose of the company's capital management, capital includes total equity.

The company manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the company may adjust the dividend payment to shareholder or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 2014.

18 Events after the reporting period

No subsequent events have occurred that affect the annual report for 2015.

Notes to the financial statements

DKK million

19 Standards issued but not yet effective

The standards IFRS 9 Financial Instruments, IFRS 14 Regulatory Deferral Accounts, IFRS 15 Revenue from Contracts with Customers, Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests, Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation, Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants, Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, Annual Improvements 2012-2014 Cycle, Amendments to IAS 1 Disclosure Initiative and Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception have been issued, but are not yet effective. The company plans to adopt the new standards on the required effective date. Overall the company expects no significant impact on its statement of financial position and equity of the standards.

In January 2016 IFRS 16 Leases was issued. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard requires a lessee to recognise assets and liabilities for the rights and obligations created by all leases (with limited exceptions for short-term leases and leasing of assets with low value). IFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted. The standard will affect the total assets and liabilities and operating profit and financial items. The company is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date.