F. Salling Invest A/S

Rosbjergvej 33 - 35
DK-8220 Brabrand

Annual report

2019

CVR no. 24 57 46 28

The Annual report has been presented and approved on the company's annual general meeting at 29/ 4 2020

Chair

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Financial highlights for the company

DKK million

	2019	2018 [1]	2017 [1]	2016 [1]	2015 [1,2]
Rental revenue	29	29	29	28	27
Operating profit (EBIT)	18	20	16	16	10
Share of profit/loss of associates, net of tax	866	525	404	390	540
of which related to discontinued operations [*]	348	-24	-	-	-
Net financial items	-7	-7	-8	-15	-35
Total profit for the year	879	538	414	393	616
Total assets	10,204	9,299	8,901	8,458	9,328
Total equity	8,908	8,069	7,695	7,255	7,019
Profit margin	62.1 %	69.0 %	55.2 %	57.1 %	37.0 %
Return on equity	10.4 %	6.8 %	5.5 %	5.5 %	9.2 %

Definitions:

Profit margin is operating profit divided by rental revenue.

Return on equity is total profit for the year divided by the average equity (average of equity at the beginning of the year and at the end of the year).

[1] The main and key figures for the financial years 2015 - 2018 have not been adjusted to reflect the changed accounting principles regarding leases in the associate, Salling Group A/S, as the changes have been implemented retrospectively but with the cumulative effect of initially applying the new standard recognised on 1 January 2019. The comparative figures have not been restated as permitted by the specific transition provisions in the standard.

[2] The main and key figures for the financial year 2015 have not been adjusted to reflect the changed accounting principles regarding the allowance for impairment losses on trade receivables in the associate, Salling Group A/S.

[*] Share of profit/loss of associates, net of tax related to discontinued operations has not been calculated for the financial years 2015 - 2017.

Management's review

Primary business area

The company's primary business activity is the owning of shares in the associate, Salling Group A/S, and investment property.

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) as adopted by the EU.

During June 2019 the associate, Salling Group A/S, sold the Swedish subsidiaries, Netto Marknad AB and Netto Fastigheter AB, to the Swedish company COOP Butiker och Stormarknader AB, and during December 2019 the Swedish subsidiary, Fastighetsbolaget den 10. Maj 2019 AB, which was founded in 2019, was sold to Visionsbolaget 18748 AB (Swedish Logistic Property Förvaltning AB). The sales resulted in a gain in F. Salling Invest A/S of DKK 358 million.

In 2019 the company has realised a result for the year after tax of DKK 879 million against a result after tax of DKK 538 million in 2018. In 2019 the result is positively impacted by DKK 358 million related to the sales of the Swedish subsidiaries and negatively by DKK 62 million related to the implementation of IFRS 16: Leases in the associate Salling Group A/S.

The result for 2019 is satisfactory.

Social responsibility and diversity in management

The company does not have policies regarding social responsibility, as the primary activity of the company is the owning of shares in Salling Group A/S. Salling Group A/S has policies regarding social responsibility and prepares a report on social responsibility in connection with the annual report.

The Board of Directors in the company consists of one female board member and three male board members. According to the Danish Business Authority (Erhvervsstyrelsen) a Board of Directors consisting of four people has an equitable gender distribution if the individual distribution is one person of one gender and three persons of the other gender. Thus, the company has an equitable gender distribution and no further target figures or policies are reported.

Particular risks

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

Expected development

The company expects that the result before tax for 2020 in Salling Group A/S will be in line with the result before tax for continuing operations for 2019 in Salling Group A/S despite a slight negative impact from COVID-19 in 2020. Total profit for the year in F. Salling Invest A/S for 2020 is expected to be in line with total profit for the year for 2019, when excluding the result for discontinued operations that has a positive effect on the 2019 total profit for the year (DKK 348 million).

Subsequent events

No subsequent events have occurred that affect the annual report for 2019.

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 2019.

The annual report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements in 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 2019 and of the company's operations and cash flows for the financial year 1 January – 31 December 2019.

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 2020

Executive Board

Jakob Røddik Thøgersen
CEO

Board of Directors

Jens Bjerg Sørensen
Chairman

Karin Salling

Nils S. Andersen

Carsten Lorentzen

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Independent auditor's report

To the shareholder of F. Salling Invest A/S

Opinion

We have audited the financial statements of F. Salling Invest A/S for the financial year 1 January – 31 December 2019, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the company at 31 December 2019 and of the results of the company's operations and cash flows for the financial year 1 January – 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements, or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Management's responsibilities 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 requirements of the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Aarhus C, 29 April 2020

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

Henrik Kronborg Iversen	Jes Lauritzen
State Authorised Public Accountant	State Authorised Public Accountant
MNE no. mne24687	MNE no. mne10121

Income statement

DKK million

Notes		2019	2018
7	Rental revenue	29	29
	External expenses	-3	-4
	Depreciation	-8	-8
	Net gain on disposal of investment property	-	3
	Operating profit (EBIT)	18	20
8	Share of profit/loss of associates, net of tax	866	525
4	Financial income	1	2
5	Financial expenses	-8	-9
	Profit before tax	877	538
6	Income tax	2	-
	Total profit for the year	879	538
	Proposal for distribution of profit for the year:		
	Proposed dividends	97	97
	Reserve for net revaluation under the equity method	558	-
	Retained earnings	224	441
	Total profit for the year	879	538

Statement of other comprehensive income

DKK million

Notes		2019	2018
	Profit for the year	879	538
	Other comprehensive income, net of income tax:		
	Items that will not be reclassified to the income statement:		
8	Other comprehensive income not to be reclassified in associates	-4	-2
		-4	-2
	Items that are or may be reclassified subsequently to the income statement:		
8	Exchange differences on translating foreign operations in associates	91	-54
8	Other comprehensive income to be reclassified in associates	-30	-11
		61	-65
	Other comprehensive income for the year, net of income tax	57	-67
	Total comprehensive income for the year	936	471

Statement of financial position

DKK million

Notes	Assets	2019	2018
	Non-current assets		
7	**Investment property**	485	489
	Financial assets		
8	Investments in associates	9,267	8,441
	Total financial assets	9,267	8,441
9	**Deferred tax assets**	3	1
	Total non-current assets	**9,755**	**8,931**
	Current assets		
	Receivables		
10	Other current financial assets	449	368
	Total receivables	449	368
	Total current assets	**449**	**368**
	Total assets	**10,204**	**9,299**

Statement of financial position

DKK million

Notes	Equity and liabilities	2019	2018
11	**Equity**		
	Share capital	3	3
	Reserve for net revaluation under the equity method	558	-
	Foreign currency translation reserve	-22	-101
	Retained earnings	8,272	8,070
	Proposed dividends	97	97
	Total equity	**8,908**	**8,069**
	Liabilities		
	Non-current liabilities		
10	Mortgage loans	244	259
	Total non-current liabilities	244	259
	Current liabilities		
10	Mortgage loans	1	-
10	Other current financial liabilities	1,050	970
10	Other payables	1	1
	Total current liabilities	1,052	971
	Total liabilities	**1,296**	**1,230**
	Total equity and liabilities	**10,204**	**9,299**

Cash flow statement

DKK million

Notes		2019	2018
	Profit before tax	877	538
12	Adjustments	-851	-513
	Net cash flows from operating activities before financial items and tax	26	25
	Financial income received	1	2
	Financial expenses paid	-8	-10
	Net cash flows from operating activities	19	17
7	Purchase of investment property	-4	-1
	Proceeds from sale of investment property	-	5
8	Dividends received	97	97
	Net cash flows from investment activities	93	101
10	Proceeds from borrowings	80	60
10	Repayment of borrowings	-107	-95
	Dividends paid	-97	-97
	Net cash flows from financing activities	-124	-132
	Net change in cash and cash equivalents	-12	-14
	Cash and cash equivalents at 1 January	61	75
13	Cash and cash equivalents at 31 December	49	61

Statement of changes in equity

DKK million

2018:

	Share capital	Reserve for net revaluation under the equity method	Foreign currency translation reserve	Retained earnings	Proposed dividends	Total equity
Equity at 1 January 2018	3	-	-47	7,642	97	7,695
Profit for the year	-	-	-	441	97	538
Other comprehensive income not to be reclassified in associates	-	-	-	-2	-	-2
Exchange differences on translating foreign operations in associates	-	-	-54	-	-	-54
Other comprehensive income to be reclassified in associates	-	-	-	-11	-	-11
Other comprehensive income	-	-	-54	-13	-	-67
Total comprehensive income for the year	-	-	-54	428	97	471
Payment of dividends	-	-	-	-	-97	-97
Total transactions with owners	-	-	-	-	-97	-97
Equity at 31 December 2018	3	-	-101	8,070	97	8,069

2019:

	Share capital	Reserve for net revaluation under the equity method	Foreign currency translation reserve	Retained earnings	Proposed dividends	Total equity
Equity at 1 January 2019	3	-	-101	8,070	97	8,069
Profit for the year	-	558	-	224	97	879
Other comprehensive income not to be reclassified in associates	-	-	-	-4	-	-4
Exchange differences on translating foreign operations in associates	-	-	79	12	-	91
Other comprehensive income to be reclassified in associates	-	-	-	-30	-	-30
Other comprehensive income	-	-	79	-22	-	57
Total comprehensive income for the year	-	558	79	202	97	936
Payment of dividends	-	-	-	-	-97	-97
Total transactions with owners	-	-	-	-	-97	-97
Equity at 31 December 2019	3	558	-22	8,272	97	8,908

Summary of notes to the financial statements

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5 Financial expenses
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Notes to the financial statements

DKK million

1 General information

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

F. Salling Invest A/S is a public limited company with its registered office located at Rosbjergvej 33-35, 8220 Brabrand in Denmark.

The following shareholder owns more than 5 % of the share capital and the voting rights in F. Salling 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 2019 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 additional disclosure requirements for class C large enterprises in the Danish Financial Statements Act. Except from the below mentioned, the accounting policies are unchanged compared to last year.

Changes to accounting policies

In 2019 F. Salling Invest A/S has applied IFRS 16: Leases for the first time. The Standard has had no significant impact on the financial statements, as the lessor accounting under IFRS 16 is substantially unchanged from todays accounting under IAS 17. Lessors continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: Operating and finance leases. The company has elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the company has relied on its assessment made under the previous accounting principles regarding leases.

Several other amendments and interpretations issued by the International Accounting Standards Board and endorsed by the European Union have become effective on or after 1 January 2019. The company has assessed the changes, and it has been concluded that the application of the changes has not had a material impact on the financial statements in 2019, and no significant impact on future periods from the changes is expected. The company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Basis of preparation

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.

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 property is recognised on a straight-line basis over the lease terms.

Notes to the financial statements

DKK million

2 Summary of significant accounting policies - continued

External expenses

External expenses primarily include operating expenses regarding investment property as well as consultants fees etc.

Depreciation

Depreciation comprises depreciation of 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 and exchange gains and losses on transactions denominated in foreign currencies. 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.

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 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.

Notes to the financial statements

DKK million

2 Summary of significant accounting policies - continued

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 utilisation 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 and other financial assets
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss, based on two criteria: the business model for managing the assets, and whether the instruments' contractual cash flows represent solely payments of principal and interest on the principal amount outstanding. Purchases or sales of financial assets are recognised on the trade date. The company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or impaired. This category is the most relevant to the company, and generally it applies to all the receivables.

A financial asset or a part of a financial asset is derecognised from the statement of financial position, when the rights to receive cash flows from the asset have expired, or the company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either the company has transferred substantially all the risks and rewards of the asset, or the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment is recognised as an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss. The expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows includes any cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events that are possible within the next 12-months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Notes to the financial statements

DKK million

2 Summary of significant accounting policies - continued

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 using the effective interest method. Accordingly, any difference between the proceeds and the nominal value is recognised in the income statement as financial expenses over the term of the loan or at derecognition. This category is most relevant to the company. This category generally applies to interest-bearing loans, borrowings and payables.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

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.

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.

Notes to the financial statements
DKK million

2 Summary of significant accounting policies - continued

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, dividends received and other non-current assets.

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. Enterprises disposed of are recognised until the date of disposal.

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 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 financial income or financial expenses.

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 financial income or financial expenses.

Fair value measurement
The company uses the fair value concept in connection with certain disclosure requirements and in connection with business combinations. 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.

Notes to the financial statements

DKK million

2 Summary of significant accounting policies - continued

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).

The company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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:

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 Salling Group 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.

Notes to the financial statements

DKK million

	2019	2018
4 Financial income		
Interest income on loans to related parties	1	2
Total financial income	1	2
5 Financial expenses		
Interest expense on mortgage loans	1	1
Interest expense on loans from related parties	7	8
Total financial expenses	8	9
6 Income tax		
Change in deferred tax	2	-
Total income tax	2	-
Income tax recognised in the income statement	2	-
Total income tax	2	-

Reconciliation of income tax recognised in the income statement

	2019		2018	
	DKK	%	DKK	%
Tax on result for the year at the Danish income tax rate	-193	22.0 %	-118	22.0 %
Non-deductible costs and non-taxable income	195	-22.2 %	118	-22.0 %
Income tax recognised in the income statement	2	-0.2 %	-	0.0 %

Notes to the financial statements

DKK million

	2019	2018
7 Investment property		
Cost		
Balance at 1 January	530	538
Additions	4	1
Disposals	-	-9
Balance at 31 December	534	530
Accumulated depreciation and impairment losses		
Balance at 1 January	-41	-40
Depreciation	-8	-8
Disposals	-	7
Balance at 31 December	-49	-41
Carrying amount at 31 December	485	489

Investment property primarily comprises stores that are leased as operating leases by Salling Group A/S. The remaining investment property is leased to external parties as operating leases. The estimated fair value of investment property amounts to DKK 462 million at 31 December 2019 (DKK 462 million at 31 December 2018). 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. 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.

	2019	2018
Rental income from investment property	29	29
Direct operating expenses from investment that generates rental income	-3	-3
Profit arising from investment property	26	26

No part of the rental income stems from variable lease payments in 2019 or 2018.

Notes to the financial statements

DKK million

8 Investments in associates

	2019	2018
Cost		
Balance at 1 January	8,731	8,731
Balance at 31 December	8,731	8,731
Value adjustments		
Balance at 1 January	-290	-651
Dividends	-97	-97
Foreign currency translation	91	-54
Other comprehensive income	-34	-13
Result from continuing operations	518	549
Result from discontinued operations	348	-24
Balance at 31 December	536	-290
Carrying amount at 31 December	9,267	8,441

Specification of investments in associates:

	Share of issued share capital and voting rights	Principal place of business and country of incorporation
Salling Group A/S	48.29 %	Brabrand, Denmark

9 Deferred tax assets

Specification of deferred tax

	Income statement		Statement of financial position	
	2019	2018	2019	2018
Investment property	2	-	3	1
Deferred tax expense/income / Net deferred tax	2	-	3	1

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

	2019	2018
Deferred tax assets	3	1
Net deferred tax	3	1
Reconciliation of net deferred tax		
Opening balance at 1 January	1	1
Adjustment of deferred tax recognised in the income statement	2	-
Closing balance at 31 December	3	1

The company has a deferred tax asset of DKK 6 million at 31 December 2019, which is not recognised in the statement of financial position (DKK 6 million in 2018). The deferred tax asset has not been recognised due to uncertainties regarding the future taxable profits against which the unused tax losses can be utilised.

Notes to the financial statements

DKK million

10 Financial assets and financial liabilities

Financial assets comprise the following:

	Carrying amount		Fair value	
	2019	2018	2019	2018
Receivables from associates	449	368	449	368
Other current financial assets	449	368	449	368

Financial liabilities comprise the following:

	Carrying amount		Fair value	
	2019	2018	2019	2018
Mortgage loans - non-current	244	259	248	264
Mortgage loans - current	1	-	1	-
Mortgage loans	245	259	249	264
Payables to entities with controlling influence	345	265	345	265
Payables to other related parties	705	705	705	705
Other current financial liabilities	1,050	970	1,050	970
Other payables	1	1	1	1

Financial instruments by category

	2019	2018
Financial assets at amortised cost:		
Other financial assets	449	368
Financial liabilities measured at amortised cost:		
Mortgage loans	245	259
Other financial liabilities	1,050	970
Other payables	1	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 risks compared to 2018.

Notes to the financial statements

DKK million

10 Financial assets and financial liabilities - continued

The overall framework for financial risk management is set out in Salling Group A/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 Salling Group.

A general increase of 1 %-point in interest rates is estimated, all other things being equal, to affect profit before tax by DKK -5 million (DKK -5 million in 2018), and pre-tax equity by DKK -5 million (DKK -5 million in 2018).

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

31 December 2019	Carrying amount	Sensitivity	Profit before tax	Pre-tax equity
Financial assets	449	1 %	3	3
Financial liabilities	1,296	1 %	-8	-8
Impact			-5	-5

31 December 2018	Carrying amount	Sensitivity	Profit before tax	Pre-tax equity
Financial assets	368	1 %	3	3
Financial liabilities	1,230	1 %	-8	-8
Impact			-5	-5

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

For receivables from and payables to related parties 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 2019	Carrying amount	Within 1 year	1 to 5 years	After 5 years
0 - 2 %	1,295	1,284	-	11
Total	1,295	1,284	-	11
Of which:				
Bearing fixed interests	1 %			
Bearing floating interests	99 %			

Notes to the financial statements

DKK million

10 Financial assets and financial liabilities - continued

31 December 2018	Carrying amount	Next interest rate fixing Within 1 year	1 to 5 years	After 5 years
0 - 2 %	1,229	1,218	-	11
Total	1,229	1,218	-	11

Of which:	
Bearing fixed interests	1 %
Bearing floating interests	99 %

Liquidity risks

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

The associate, Salling Group A/S, acts as a financial coordinator for the company to ensure the funding of the operating and investing activities at all time. The company considers the liquidity risk to be low.

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

31 December 2019	On demand	Within 1 year	1 to 5 years	After 5 years
Mortgage loans	-	2	15	249
Trade and other payables	345	706	-	-
Total	345	708	15	249

31 December 2018	On demand	Within 1 year	1 to 5 years	After 5 years
Mortgage loans	-	2	8	276
Trade and other payables	265	706	-	-
Total	265	708	8	276

Changes in assets and liabilities arising from financing activities

2019	1 January 2019	Cash flows	Other	31 December 2019
Mortgage loans	259	-14	-	245
Other current financial liabilities	970	80	-	1,050
Other current financial assets	-368	-93	12	-449
Total assets and liabilities from financing activities	861	-27	12	846

Notes to the financial statements

DKK million

10 Financial assets and financial liabilities - continued

2018	1 January 2018	Cash flows	Other	31 December 2018
Mortgage loans	259	-	-	259
Other current financial liabilities	946	25	-1	970
Other current financial assets	-322	-60	14	-368
Total assets and liabilities from financing activities	883	-35	13	861

	2019	2018

11 Equity

Share capital

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

	2019	2018
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 2015 - 2019. All shares have been fully paid.

Retained earnings

During the 2019 financial year a dividend of DKK 97 million has been paid (DKK 97 million in 2018). A dividend for the 2019 financial year of DKK 97 million is proposed. Payment of dividends to the shareholder does not trigger taxes for the company.

12 Adjustments

	2019	2018
Financial income	-1	-2
Financial expenses	8	9
Share of profit/loss of associates, net of tax	-866	-525
Depreciation, investment property	8	8
Net gain on disposal of investment property	-	-3
Adjustments	-851	-513

13 Cash and cash equivalents

	2019	2018
Receivables from associates, excluding loans	49	61
Cash and cash equivalents available to the company	49	61

Notes to the financial statements
DKK million

14 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 and external parties. The leases have terms of between 1 year and 16 years.

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

	2019	2018
Within 1 year	30	30
1 to 5 years	116	116
After 5 years	236	263
Total	382	409

Other contingent liabilities and financial commitments

No contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements exist (DKK 0 million in 2018).

As security for mortgage loans investment property with a carrying amount of DKK 399 million has been provided as collateral (DKK 378 million in 2018).

The company is part of the joint registration with companies in the Salling Group regarding payment of VAT, PAYE taxes etc. and is thus jointly liable for the total liability of DKK 564 million at 31 December 2019 (DKK 545 million in 2018).

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.

Notes to the financial statements

DKK million

15 Related party disclosures

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

	2019	2018
Entities with controlling influence over the company:		
Interests paid	-	-1
Dividend paid	97	97
Associates:		
Leasing income	27	27
Interests received	1	2
Dividend received	97	97
Other related parties:		
Interests paid	-7	-7

All outstanding balances with related parties as at 31 December are presented in note 10. All outstanding balances carry interest and are to be settled in cash within 1 year unless otherwise specified in note 10.

None of the outstanding balances are secured, and no provisions are held against the balances as at 31 December (DKK 0 in 2018). No expense has been recognised in 2019 or 2018 for bad or doubtful debts.

Key management personnel

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

16 Capital management

The company manages its capital to ensure that the company will be able to continue as a going concern 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 2019 and 2018.

17 Events after the reporting period

No subsequent events have occurred that affect the annual report for 2019. The current Covid-19 crisis has no effect on the annual report for 2019 and is also not expected to have any material impact on the result for 2020.

Notes to the financial statements

DKK million

18 Standards issued but not yet effective

The new and amended standards IFRS 17 Insurance Contracts, Amendments to IFRS 3: Definition of a Business, Amendments to IAS 1 and IAS 8: Definition of Material, Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and the Revised Conceptual Framework for Financial Reporting have been issued, but are not yet effective. The company plans to adopt the new standards on the required effective dates. Overall the company expects no significant impact on its statement of financial position and equity of the standards.