

# **F. Salling Holding A/S**

**Rosbjergvej 33 - 35  
DK-8220 Brabrand**

**Annual report**

**2016**

**CVR no. 41 94 01 15**

The Annual Report has been presented and  
approved on the company's annual general  
meeting at <sup>25/</sup>4/2017



Chair

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## Financial highlights for the company

*DKK million*

	2016	2015	2014	2013 *)	2012 *)
Operating profit (EBIT)	-1	-2	-4	3	-7
Share of profit/loss of subsidiaries and associates, net of tax	411	533	566	370	257
Net financial items	4	-7	870	336	295
Total profit for the year	413	164	1,435	623	472
Total assets	9,200	9,358	9,151	7,544	7,032
Total equity	9,163	8,920	8,720	7,427	6,921
Return on equity	4.6 %	1.9 %	17.8 %	8.7 %	6.9 %

### *Definitions:*

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).

\*) The main and key figures for the financial years 2012 and 2013 have not been adjusted to reflect the changed accounting principles applied resulting from the transition to IFRS in 2015 or the changed accounting principles applied in associates.

## **Management's review**

### **Primary business area**

The company's primary business activity is the owning of shares in Dansk Supermarked A/S.

### **Development during the financial year**

The annual report for F. Salling Holding A/S is presented in accordance with the provisions of the International Financial Reporting Standards (IFRS).

In 2016 the company has realised a result for the year after tax of DKK 413 million against a result after tax of DKK 164 million in 2015. In 2015 the result was negatively impacted by DKK 362 million related to the net result of the restructuring in Dansk Supermarked Group including the effect from change in ownership.

The result for 2016 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 Dansk Supermarked A/S. Dansk Supermarked A/S has policies regarding social responsibility and prepares a report on social responsibility in connection with the annual report.

In the company the target regarding the gender constitution of the Board of Directors is that 50 % of the members of the Board of Directors equivalent to 2 must be women. At the end of 2016 the target is met, as 2 of the members of the Board of Directors are women.

### **Particular risks**

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

### **Expected development**

The company expects that Dansk Supermarked A/S will show a positive result in 2017.

### **Subsequent events**

No subsequent events have occurred that would affect the annual report for 2016.

## Management's statement

The Board of Directors and the Executive Board have today discussed and approved the annual report of F. Salling Holding A/S for the financial year 1 January – 31 December 2016.

The annual report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional disclosure 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 2016 and of the results of the company's operations and cash flows for the financial year 1 January – 31 December 2016.

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, 28 April 2017

### Executive Board



Per Bank

CEO

### Board of Directors

Jens Bjerg Sørensen  
Chairman

Anne Broeng



Karin Salling

Nils S. Andersen

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Brabrand, 28 April 2017

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Nils S. Andersen



## Independent auditors' reports

### To the Shareholders of F. Salling Holding A/S

We have audited the financial statements of F. Salling Holding A/S for the financial year 1 January – 31 December 2016, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flow 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.

In our opinion, the financial statements give a true and fair view of the financial position of the company at 31 December 2016 and of the results of the company's operations and cash flows for the financial year 1 January – 31 December 2016 in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

#### ***Basis for opinion***

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***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 concluded 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 misstatements 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 disclosure requirements in 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 auditors' report

### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about 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 the 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 these financial statements.

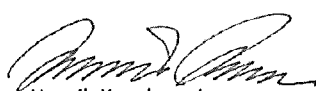
As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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 in-adequate, to modify our opinion. Our conclusion is 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 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, 28 April 2017

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

<u>Notes</u>	<u>2016</u>	<u>2015</u>
4 Staff expenses	-1	-
External expenses	-	-2
Operating profit (EBIT)	-1	-2
8 Share of profit/loss of subsidiaries, net of tax	-	11
9 Share of profit/loss of associates, net of tax	411	522
Net result of restructuring in Dansk Supermarked Group including effect from change in ownership	-	-362
5 Financial income	6	1
6 Financial expenses	-2	-8
Profit before tax	414	162
7 Income tax	-1	2
<b>Total profit for the year</b>	<b>413</b>	<b>164</b>
Proposal for distribution of profit for the year:		
Proposed dividends	63	-
Reserve for net revaluation under the equity method	411	533
Retained earnings	-61	-369
<b>Total profit for the year</b>	<b>413</b>	<b>164</b>

## Statement of other comprehensive income

DKK million

<u>Notes</u>	<u>2016</u>	<u>2015</u>
<b>Profit for the year</b>	413	164
<b>Other comprehensive income, net of income tax:</b>		
<b>Items that will not be reclassified to the income statement:</b>		
7 Remeasurement of defined benefit plans	-2	1
9 Other comprehensive income not to be reclassified in associates and subsidiaries	-5	2
	<u>-7</u>	<u>3</u>
<b>Items that are or may be reclassified subsequently to the income statement:</b>		
9 Exchange differences on translating foreign operations in associates	-96	20
9 Other comprehensive income to be reclassified in associates and subsidiaries	-67	13
	<u>-163</u>	<u>33</u>
<b>Other comprehensive income for the year, net of income tax</b>	<u>-170</u>	<u>36</u>
<b>Total comprehensive income for the year</b>	<u>243</u>	<u>200</u>

## Statement of financial position

DKK million

<b>Assets</b>			
<u>Notes</u>		<u>2016</u>	<u>2015</u>
<b>Non-current assets</b>			
<b>Financial assets</b>			
8	Investments in subsidiaries	-	-
9	Investments in associates	8,449	9,337
	Total financial assets	8,449	9,337
10	Deferred tax assets	8	8
	<b>Total non-current assets</b>	<b>8,457</b>	<b>9,345</b>
<b>Current assets</b>			
<b>Receivables</b>			
	Income tax receivables	-	13
11	Other current financial assets	743	-
	Total receivables	743	13
	<b>Total current assets</b>	<b>743</b>	<b>13</b>
	<b>Total assets</b>	<b>9,200</b>	<b>9,358</b>

## Statement of financial position

DKK million

<b>Equity and liabilities</b>		<u>2016</u>	<u>2015</u>
<u>Notes</u>			
12	<b>Equity</b>		
	Share capital	200	200
	Reserve for net revaluation under the equity method	989	1,781
	Foreign currency translation reserve	-124	-28
	Retained earnings	8,035	6,967
	Proposed dividends	63	-
	<b>Total equity</b>	<u>9,163</u>	<u>8,920</u>
	<b>Liabilities</b>		
	<b>Non-current liabilities</b>		
13	Pensions	36	35
11	Other non-current financial liabilities	-	387
	<b>Total non-current liabilities</b>	<u>36</u>	<u>422</u>
	<b>Current liabilities</b>		
11	Other current financial liabilities	-	14
11	Other payables	1	2
	<b>Total current liabilities</b>	<u>1</u>	<u>16</u>
	<b>Total liabilities</b>	<u>37</u>	<u>438</u>
	<b>Total equity and liabilities</b>	<u>9,200</u>	<u>9,358</u>

## Cash flow statement

DKK million

<u>Notes</u>	<u>2016</u>	<u>2015</u>
Profit before tax	414	162
14 Adjustments	-416	-166
15 Change in working capital	-1	2
Net cash flows from operating activities before financial items and tax	-3	-2
Financial income received	6	1
Financial expenses paid	-1	-
Income tax	12	-8
Net cash flows from operating activities	14	-9
Loan granted to other related parties	-737	-
Dividends received	1,131	-
Net cash flows from investment activities	394	-
Repayment of borrowings	-387	-
Net cash flows from financing activities	-387	-
Net change in cash and cash equivalents	21	-9
Cash and cash equivalents at 1 January	-14	-5
16 Cash and cash equivalents at 31 December	7	-14

## Statement of changes in equity

DKK million

2015:

	Share capital	Reserve for net revaluation under the equity method	Foreign currency translation reserve	Retained earnings	Proposed dividends	Total equity
Equity at 1 January 2015	200	1,388	-48	7,186	-	8,726
Effect of changes to accounting policies in associates		-6				-6
Adjusted equity at 1 January 2015	200	1,382	-48	7,186	-	8,720
Profit for the year		533		-369		164
Remeasurement of defined benefit plans				1		1
Other comprehensive income not to be reclassified in associates and subsidiaries		2				2
Exchange differences on translating foreign operations in associates			20			20
Other comprehensive income to be reclassified in associates and subsidiaries		13				13
Other comprehensive income	-	15	20	1	-	36
Total comprehensive income for the year	-	548	20	-368	-	200
Reclassification due to disposals		-149		149		-
Equity at 31 December 2015	200	1,781	-28	6,967	-	8,920

2016:

	Share capital	Reserve for net revaluation under the equity method	Foreign currency translation reserve	Retained earnings	Proposed dividends	Total equity
Equity at 1 January 2016	200	1,781	-28	6,967	-	8,920
Profit for the year		411		-61	63	413
Remeasurement of defined benefit plans				-2		-2
Other comprehensive income not to be reclassified in associates and subsidiaries		-5				-5
Exchange differences on translating foreign operations in associates			-96			-96
Other comprehensive income to be reclassified in associates and subsidiaries		-67				-67
Other comprehensive income	-	-72	-96	-2	-	-170
Total comprehensive income for the year	-	339	-96	-63	63	243
Dividends received from associates		-1,131		1,131		-
Total transactions with owners	-	-1,131	-	1,131	-	-
Equity at 31 December 2016	200	989	-124	8,035	63	9,163



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# Notes to the financial statements

DKK million

## 1 General information

F. Salling Holding A/S' primary business area is investment in the associate, Dansk Supermarked A/S.

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

The following shareholders own more than 5 % of the share capital and the voting rights in F. Salling Holding A/S:

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

Købmand Ferdinand Sallings Mindefond, Rosbjergvej 33-35, Brabrand, Denmark

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

## 2 Summary of significant accounting policies

The financial statements section of the annual report for the period 1 January – 31 December 2016 comprises the financial statements of F. Salling Holding A/S. Consolidated financial statements are not presented for 2015 in accordance with section 112, paragraph 1 of the Danish Financial Statements Act and IFRS 10: Consolidated Financial Statements section 4, since the company's financial statements and the financial statements of F. Salling A/S are included by full consolidation in the consolidated financial statements of Købmand Herman Sallings Fond, Aarhus (CVR no. 53 52 04 13).

The financial statements of F. Salling Holding 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 increased disclosure requirements resulting from the company being a class C large enterprise in 2016 instead of a class B enterprise in 2015 and the below mentioned, the accounting policies are unchanged compared to last year.

A number of new, amended or revised International Financial Reporting Standards (including interpretations) issued by the International Accounting Standards Board and endorsed by the European Union have become effective on or after 1 January 2016. 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 2016, and no significant impact on future periods from the changes is expected.

Minor changes have been made to the comparison figures due to changes in accounting policies regarding insurance provisions in the associate, Dansk Supermarked A/S. Equity at 1 January 2015 and investments in associates have been decreased by DKK 6 million, whereas share of profit/loss of associates, net of tax for 2015 have been increased by DKK 2 million. Due to the immateriality of the changes no statement of financial position as at the beginning of the preceding period is presented.

### ***Basis of preparation***

The functional currency of F. Salling Holding 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.

## Notes to the financial statements

DKK million

### 2 Summary of significant accounting policies - continued

#### *Accounting policies, income statement*

##### *Staff expenses*

Staff expenses comprise post-employment benefits.

##### *External expenses*

External expenses primarily include consultants fees.

##### *Share of profit/loss of subsidiaries, net of tax*

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

##### *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 as well as surcharges and refunds under the on-account tax.

##### *Income tax*

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 is recognised in the income statement, other comprehensive income or directly in equity.

#### *Accounting policies, statement of financial position*

##### *Investments in subsidiaries*

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

##### *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.

## Notes to the financial statements

DKK million

### 2 Summary of significant accounting policies - continued

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 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 relevant for the company.

After initial 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.

#### *Pensions*

The company has entered into defined benefit plans with a few members of the founders family. For defined benefit plans an annual actuarial calculation (Projected Unit Credit method) is made of the present value of future benefits under the defined benefit plan. The present value is determined on the basis of assumptions about the future development in variables such as salary levels, interest rates, inflation, retirement age and mortality. The actuarial present value is recognised in the statement of financial position under pension obligations. Pension costs for the year are recognised in the income statement based on actuarial estimates at the beginning of the year. Any difference between the calculated development in plan liabilities and realised amounts determined at year end constitutes actuarial gains or losses and is recognised in other comprehensive income.

#### *Loans 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, 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. 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.

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.

## Notes to the financial statements

DKK million

### 2 Summary of significant accounting policies - continued

#### *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 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.

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:

## Notes to the financial statements

DKK million

### 3 Significant accounting judgements, estimates and assumptions - continued

#### *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 Group. 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.

	<u>2016</u>	<u>2015</u>
<b>4 Staff expenses</b>		
Post-employment benefits – defined benefit plans	<u>1</u>	<u>-</u>
Total staff expenses	<u>1</u>	<u>-</u>
<b>5 Financial income</b>		
Interest income on loans to related parties	6	-
Other financial income, related parties	<u>-</u>	<u>1</u>
Total financial income	<u>6</u>	<u>1</u>
<b>6 Financial expenses</b>		
Interest expense on other loans	<u>2</u>	<u>8</u>
Total financial expenses	<u>2</u>	<u>8</u>
<b>7 Income tax</b>		
Current income tax	<u>-1</u>	<u>2</u>
Total income tax	<u>-1</u>	<u>2</u>
Income tax recognised in the income statement	<u>-1</u>	<u>2</u>
Total income tax	<u>-1</u>	<u>2</u>

## Notes to the financial statements

DKK million

### 7 Income tax - continued

#### Reconciliation of income tax recognised in the income statement

	2016		2015	
	DKK	%	DKK	%
Tax on result for the year at the Danish income tax rate	-91	22.0 %	-38	23.5 %
Non-deductible costs and non-taxable income	90	-21.7 %	40	-24.7 %
Income tax recognised in the income statement	-1	0.3 %	2	-1.2 %

#### Tax on other comprehensive income

	2016			2015		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Remeasurement of defined benefit plans	-2	-	-2	1	-	1
	-2	-	-2	1	-	1

2016 2015

### 8 Investments in subsidiaries

Cost:		
Balance at 1 January	-	1,216
Disposals	-	-1,216
Balance at 31 December	-	-
Value adjustments:		
Balance at 1 January	-	138
Result	-	11
Disposals	-	-149
Balance at 31 December	-	-
Carrying amount at 31 December	-	-

As at 21 December 2015 F. Salling Holding A/S' 81 % shares in F. Salling A/S was transferred to Dansk Supermarked A/S as part 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.



## Notes to the financial statements

DKK million

	<u>2016</u>	<u>2015</u>
<b>9 Investments in associates</b>		
F. Salling Holding A/S has a 41.89 % ownership in Dansk Supermarked A/S, and F. Salling Holding A/S' sister company F. Salling Invest A/S has a 39.11 % ownership in Dansk Supermarked A/S. Thus, controlling interest in Dansk Supermarked A/S exists in Købmand Herman Sallings Fond.		
Cost:		
Balance at 1 January	7,584	6,590
Net impact from restructuring in Dansk Supermarked Group including effect from change in ownership	-	1,003
Purchase price reduction	-	-9
Balance at 31 December	<u>7,584</u>	<u>7,584</u>
Value adjustments:		
Balance at 1 January	1,753	1,202
Effect of changes to accounting policies in associates	-	-6
Adjusted balance at 1 January	1,753	1,196
Dividends	-1,131	-
Foreign currency translation	-96	20
Other comprehensive income	-72	15
Result	<u>411</u>	<u>522</u>
Balance at 31 December	<u>865</u>	<u>1,753</u>
Carrying amount at 31 December	<u>8,449</u>	<u>9,337</u>

Specification of investments in associates:

	<u>Share of issued share capital and voting rights</u>	<u>Principal place of business and country of incorporation</u>
Dansk Supermarked A/S	41.89 %	Brabrand, Denmark

As at 31 December 2013 the company owned 15.57 % of the shares in Dansk Supermarked A/S, which was increased to 40 % as at 11 April 2014 when the company purchased 24.43 % 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 increased to 41.89 % as a consequence of an exchange of shares, in which the company received a larger ownership in Dansk Supermarked A/S in return for its shares in F. Salling A/S.

## Notes to the financial statements

DKK million

### 10 Deferred tax assets

*Deferred tax relates to the following:*

	Income statement		Statement of financial position	
	2016	2015	2016	2015
Provisions	-	-	8	8
Deferred tax expense/income / Net deferred tax	-	-	8	8

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

Deferred tax assets	8	8
Net deferred tax	8	8

*Reconciliation of net deferred tax:*

Opening balance at 1 January	8	8
Closing balance at 31 December	8	8

### 11 Financial assets and financial liabilities

*Financial assets comprise the following:*

	Carrying amount		Fair value	
	2016	2015	2016	2015
Receivables from associates	7	-	7	-
Receivables from other related parties	736	-	736	-
Other current financial assets	743	-	743	-

*Financial liabilities comprise the following:*

	Carrying amount		Fair value	
	2016	2015	2016	2015
Non-current payables	-	387	-	387
Other non-current financial liabilities	-	387	-	387
Payables to other related parties	-	14	-	14
Other current financial liabilities	-	14	-	14
Other payables	1	2	1	2

## Notes to the financial statements

DKK million

	<u>2016</u>	<u>2015</u>
<b>11 Financial assets and financial liabilities - continued</b>		
<i>Financial instruments by category:</i>		
Loans and receivables:		
Other financial assets excluding derivatives	743	-
Financial liabilities measured at amortised cost:		
Other financial liabilities excluding derivatives	-	401
Other payables	1	2

### *Fair value:*

For short-term receivables and payables the carrying amount is a reasonable approximation of fair value, largely due to the short-term maturities of the financial instruments.

Fair value of the remaining borrowing items falls within level 2 of the fair value hierarchy and is 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 2015.

The overall framework for financial risk management is set out in Dansk Supermarked A/S's financial policy, which also comprises F. Salling Holding 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.

## Notes to the financial statements

DKK million

### 11 Financial assets and financial liabilities - continued

Interest rate risks:

The company's exposure to risk of changes in market interest rates relates to current and non-current receivables and payables.

A general increase of 1 %-point in interest rates is estimated, all other things being equal, to affect profit before tax by DKK 4 million (DKK -2 million in 2015), and pre-tax equity by DKK 4 million (DKK -2 million in 2015).

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

31 December 2016	Carrying amount	Sensitivity	Profit before tax	Pre-tax equity
Financial assets	743	1 %	4	4
Financial liabilities	1	1 %	-	-
Impact			4	4

31 December 2015	Carrying amount	Sensitivity	Profit before tax	Pre-tax equity
Financial liabilities	403	1 %	-2	-2
Impact			-2	-2

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

For receivable from and payables to subsidiaries 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:

31 December 2016	Carrying amount	Next interest rate fixing		
		Within 1 year	1 to 5 years	After 5 years
0 - 2 %	-	-	-	-
Total	-	-	-	-
Of which:				
Bearing floating interests	100 %			

31 December 2015	Carrying amount	Next interest rate fixing		
		Within 1 year	1 to 5 years	After 5 years
0 - 2 %	387	387	-	-
Total	387	387	-	-
Of which:				
Bearing floating interests	100 %			

## Notes to the financial statements

DKK million

### 11 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 associate, Dansk Supermarked 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 differ from both the carrying amount and the fair value. Floating rate interest is estimated using the prevailing rate at the balance sheet date.

	Within 1 year	1 to 5 years	After 5 years
31 December 2016			
Trade and other payables	1	-	-
Total	1	-	-
	Within 1 year	1 to 5 years	After 5 years
31 December 2015			
Trade and other payables	16	415	-
Total	16	415	-
		2016	2015

### 12 Equity

*Share capital:*

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

50 shares of TDKK 1	0	0
1 share of TDKK 7	0	0
445 shares of TDKK 10	5	5
1 share of TDKK 1,000	1	1
1 share of TDKK 6,272	6	6
2 shares of TDKK 6,507	13	13
1 share of TDKK 15,208	15	15
1 share of TDKK 29,088	29	29
2 shares of TDKK 30,174	60	60
1 share of TDKK 70,564	71	71
Total share capital	200	200

There has been no changes to the share capital during 2012 - 2016. All shares have been fully paid.

*Retained earnings:*

During the 2016 financial year no dividend has been paid (DKK 0 million in 2015). A dividend for the 2016 financial year of DKK 63 million is proposed. Payment of dividends to shareholders does not trigger taxes for the company.

## Notes to the financial statements

DKK million

2016      2015

### 13 Pensions

The company has entered into defined benefit plans with a few members of the founders family. The defined benefit plans are lifelong. The defined benefit plans guarantee fixed amounts per year adjusted for price inflation, and the plans are fully unfunded.

Changes in the present value of the defined benefit obligation:

Defined benefit obligation at 1 January	35	38
Interest expenses recognised as part of staff expenses	1	-
Actuarial gains / losses, financial assumptions	2	-1
Payments from the plan	-2	-2
Defined benefit obligation at 31 December	<u>36</u>	<u>35</u>

The following significant actuarial assumptions are applied:

Discount rate (%)	<u>0.5 %</u>	<u>1.1 %</u>
Price inflation (%)	<u>1.8 %</u>	<u>1.9 %</u>

Life expectations are based on the Danish FSA's longevity benchmarks for the individual financial years.

A quantitative sensitivity analysis for the significant actuarial assumptions is shown below:

Discount rate:		
Increase of 0.5 % point	<u>-2</u>	<u>-2</u>
Decrease of 0.5 % point	<u>2</u>	<u>2</u>
Price inflation:		
Increase of 0.5 % point	<u>2</u>	<u>2</u>
Decrease of 0.5 % point	<u>-2</u>	<u>-2</u>

The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

No contributions will be made to the plans in the future. The average duration of the defined benefit obligation as at 31 December 2016 is 35 years (36 years in 2015). DKK 2 million is expected to be paid from the plan in 2017.

### 14 Adjustments

Financial income	-6	-1
Financial expenses	2	8
Share of profit/loss of subsidiaries, net of tax	-	-11
Share of profit/loss of associates, net of tax	-411	-522
Net result of restructuring in Dansk Supermarked Group including effect from change in ownership	-	362
Other adjustments	<u>-1</u>	<u>-2</u>
Adjustments	<u>-416</u>	<u>-166</u>

## Notes to the financial statements

DKK million

	2016	2015
<b>15 Change in working capital</b>		
Change in trade and other payables	-1	2
Change in working capital	-1	2
<b>16 Cash and cash equivalents</b>		
Receivables from associates	7	-
Payables to other related parties	-	-14
Cash and cash equivalents available to the company	7	-14

### 17 Contingent liabilities and other financial commitments

The Danish companies in the Købmand Herman Sallings Fond Group are jointly taxed. As administration 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 was as at 31 December 2016 a receivable due to taxes paid on account. The receivable amounted to DKK 11 million (DKK 50 million in 2015). Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends etc. may entail that the company's receivable will decrease or a liability will arise.

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

### 18 Related party disclosures

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

Associates:

Dividend received	1,131	-
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Other related parties:

Interests received or paid	6	1
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All outstanding balances with related parties as at 31 December are presented in note 11. All outstanding balances carry interest and are to be settled in cash within 1 year unless otherwise specified in note 11.

None of the outstanding balances are secured, and no provisions are held against the balances as at 31 December (DKK 0 in 2015). No expense has been recognised in 2016 or 2015 for bad or doubtful debts.

#### Key management personnel

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

## Notes to the financial statements

*DKK million*

### **19 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 shareholders 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 shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 2015.

### **20 Events after the reporting period**

No subsequent events have occurred that affect the annual report for 2016.

### **21 Standards issued but not yet effective**

The standards IFRS 9 Financial Instruments, IFRS 16 Leases, IFRS 15 Revenue from Contracts with Customers including clarifications, Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses, Amendments to IAS 7: Disclosure Initiative, Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions, Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts, IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration, Amendments to IAS 40: Transfers of Investment Property and Annual Improvements 2014-2016 Cycle 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.