

Købmand Herman Sallings Fond

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

Annual report

2015

CVR no. 53 52 04 13

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Financial highlights for the Group

DKK million

	2015	2014	2013 *)	2012 *)	2011 *)
Net revenue	57,148	43,455	-	-	-
Total revenue	57,474	43,754	12	6	4
Operating profit/loss (EBIT)	-2,040	9,599	734	553	1,563
Total profit/loss for the year	-2,374	9,134	945	745	1,630
Total assets	54,360	55,212	17,039	16,945	14,959
Total equity	20,065	22,307	11,540	10,617	10,103
Purchase of property, plant and equipment	937	879	212	94	82
Profit margin	-3.5 %	21.9 %	NA	NA	NA
Return on equity	-11.2 %	54.0 %	8.5 %	7.2 %	17.6 %

Definitions:

Profit margin is operating profit/loss divided by total revenue.

Return on equity is total profit/loss 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 2011, 2012 and 2013 have not been adjusted to reflect the changed accounting principles applied. Thus they are unchanged from the main and key figures in the annual report for 2014. The adjustments that would be necessary to adjust the main and key figures for 2011, 2012 and 2013 to IFRS are listed in note 2 in the notes to the consolidated financial statements.

Comments to the main and key figures for the individual years:

In 2015 Købmand Herman Sallings Fond and its subsidiaries are consolidated for the entire year. The consolidated statement of financial position for 2015 comprises Købmand Herman Sallings Fond and its subsidiaries.

For 2014 the consolidated income statement comprises Købmand Herman Sallings Fond and F. Salling Invest A/S for the entire year. Until 11 April 2014 F. Salling Holding A/S and Dansk Supermarked A/S are recognised in the line item Share of profit/loss of associates, net of tax. As of 11 April 2014 F. Salling Holding A/S and Dansk Supermarked A/S are consolidated line-by-line in the consolidated income statement. The consolidated statement of financial position for 2014 comprises Købmand Herman Sallings Fond and its subsidiaries.

For 2011 - 2013 the consolidated income statement comprises Købmand Herman Sallings Fond and F. Salling Invest A/S. F. Salling Holding A/S and Dansk Supermarked A/S are recognised in the line item Share of profit/loss of associates, net of tax. The consolidated statement of financial position for 2011 - 2013 comprises Købmand Herman Sallings Fond and F. Salling Invest A/S with F. Salling Holding A/S and Dansk Supermarked A/S recognised in the line item Investments in associates.

Management's review

Købmand Herman Sallings Fond

Primary business area

Købmand Herman Sallings Fond is an independent Danish commercially operating foundation established 30 December 1964 by the founder of Dansk Supermarked A/S, Herman Christian Salling with the aim of ensuring the development of Dansk Supermarked A/S and its affiliated companies.

In 2014 the foundation and Købmand Ferdinand Sallings Mindefond increased their combined ownership of Dansk Supermarked Group to 81 %.

The purpose of the foundation is to own, protect and develop the strength and continuity of Dansk Supermarked Group. In addition to this the foundation also have charitable purposes to support:

- Groups of employees and present and former employees, initiative, ingenuity and the like in Danish business life and education of businessmen
- Ecclesiastical, sport, cultural and other worthy causes

Development during the financial year

The annual report for Købmand Herman Sallings Fond is presented in accordance with the provisions of the International Financial Reporting Standards (IFRS) as adopted by the EU, constituting a change from previous reporting in accordance with the Danish Financial Statements Act. All 2014 comparison figures in the report have been prepared in accordance with IFRS.

In 2015 the foundation has realised a loss for the year after tax of TDKK 19,107 against a profit after tax of TDKK 253,895 in 2014. In 2014 the foundation received dividends of TDKK 273,226 with a positive effect on the profit after tax. The result after tax for 2015 is in line with the expectations.

Distribution

For information about the foundations distribution policies, please refer to <http://sallingfondene.dk/ansogning/stottepolitik/>.

A total of TDKK 49,668 (2014: TDKK 227,861) has been distributed, which is allocated on main categories in accordance with the purpose of the foundation, groups of employees and present and former employees, initiative, ingenuity and the like in Danish business life and education of businessmen TDKK 21.695 and ecclesiastical, sport, cultural and other worthy causes TDKK 27.973. Distributions from previous years of TDKK 93.323 (2014: TDKK 0) have been reversed.

Description of good foundation management

The foundation complies with most of the provisions for good foundation management. For further information, please refer to <http://sallingfondene.dk/fondene/god-fondledelse/>.

The table showing information about the board members (recommendation no. 2,3,4) and the independence of the board members (recommendation no. 2,4,1) is provided in the notes.

Particular risks

The foundation has no particular risks.

Expected development

The foundation expects that the result for the year 2016 will be positive.

Management's review

Subsequent events

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

Købmand Herman Sallings Fond – the Group

Primary business area

The primary business area of the Group includes the primary business area of the foundation as described above and the primary business area of the subsidiaries in the Group, which is to operate retailing in Denmark, Germany, Poland, Sweden and the UK.

Development during the financial year

As a consequence of the change in the Group structure during 2014 the Group's result and financial position are not directly comparable between 2015, 2014 and 1 January 2014.

In 2014 EBIT was positively affected by gain of DKK 7,898 million on remeasuring to fair value the existing interest in Dansk Supermarked A/S and F. Salling A/S on acquisition of control. In 2015 EBIT is negatively affected by an impairment loss of DKK 3,567 million regarding goodwill related to a change in the fair value of investments in subsidiaries.

The result of the underlying operations for 2015 is in accordance with expectations.

Social responsibility and diversity in management

Købmand Herman Sallings Fond does not have policies regarding social responsibility, as the primary activity within the Group takes place in the Group's subsidiaries. The subsidiary in the Group, Dansk Supermarked A/S, has policies regarding social responsibility and prepares a report on social responsibility in connection with the annual report.

In Købmand Herman Sallings Fond the target regarding the gender constitution of the Board of Directors is that 40 % of the members of the Board of Directors equivalent to 2 must be women. At the end of 2015 the target is met, as 2 of the members of the Board of Directors are women.

Particular risks

The retail activities is to a certain extent sensitive to market fluctuations. The Group has no special dependence on certain customers or suppliers.

Expected development

The expectation for the result before financial items (EBIT) in 2016 is an increase compared to 2015. The result before tax is expected to increase as well.

Subsequent events

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

Management's statement

The Board of Directors have today discussed and approved the annual report of Købmand Herman Sallings Fond for the financial year 1 January – 31 December 2015.

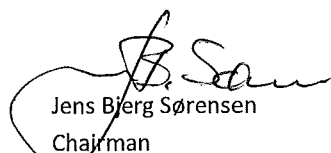
The annual report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and further Danish disclosure requirements according to the Danish Financial Statements Act.

It is our opinion that the consolidated financial statements and the financial statements of Købmand Herman Sallings Fond gives a true and fair view of the Group's and the foundation's assets, liabilities and financial position at 31 December 2015 and of the results of the Group's and the foundation's operations and cash flows for the financial year 1 January – 31 December 2015.

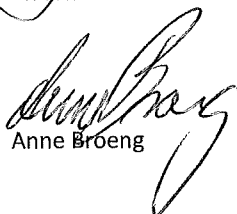
Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the foundation's operations and financial conditions, the results of the Group's and the foundation's operations, cash flows and financial position as well as a description of the most significant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

Brabrand, 25 May 2016

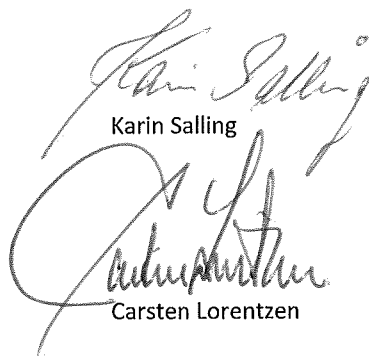
Board of Directors



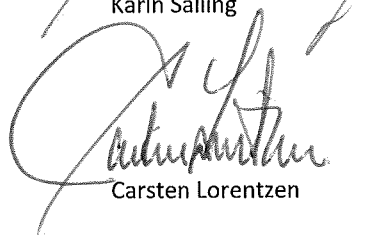
Jens Bjerg Sørensen
Chairman



Anne Broeng



Karin Salling



Carsten Lorentzen

Nils S. Andersen

Management's statement

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

It is our opinion that the consolidated financial statements and the financial statements of Købmand Herman Sallings Fond gives a true and fair view of the Group's and the foundation's assets, liabilities and financial position at 31 December 2015 and of the results of the Group's and the foundation's operations and cash flows for the financial year 1 January – 31 December 2015.

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

Brabrand, 25 May 2016

Board of Directors

Jens Bjerg Sørensen
Chairman

Karin Salling



Nils S. Andersen

Anne Broeng

Carsten Lorentzen

Independent auditors' reports

To the Board of Directors of Købmand Herman Sallings Fond

Independent auditors' report on the consolidated financial statements and the financial statements of Købmand Herman Sallings Fond

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

Management's responsibility for the consolidated financial statements and the financial statements of Købmand Herman Sallings Fond

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

Auditors' responsibility

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

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

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

Our audit has not resulted in any qualification.

Opinion

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

Independent auditors' reports

Statement on the Management's review

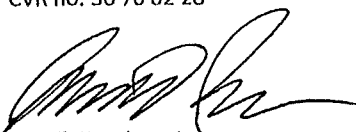
Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and the financial statements of Købmand Herman Sallings Fond. On this basis, it is our opinion that the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

Aarhus, 25 May 2016

ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28



Henrik Kronborg Iversen

State Authorised Public Accountant



Morten Friis

State Authorised Public Accountant

Købmand Herman Sallings Fond

Income statement

Amounts in TDKK

Notes	2015	2014
4 Staff expenses	-1,950	-1,200
External expenses	-778	-756
Operating profit/loss (EBIT)	-2,728	-1,956
5 Financial income	5,310	278,627
6 Financial expenses	-1,231	-772
Profit/loss before tax	1,351	275,899
7 Income tax	-20,458	-22,004
Total profit/loss for the year	-19,107	253,895
Proposal for distribution of profit/loss for the year:		
Proposed distribution	43,655	50,000
Distributions	49,668	227,861
Reversed distributions payables	-93,323	-
Transferred to available capital	-19,107	-23,966
Total profit/loss for the year	-19,107	253,895

Statement of other comprehensive income

Amounts in TDKK

Profit/loss for the year	-19,107	253,895
Other comprehensive income for the year, net of income tax	-	-
Total comprehensive income for the year	-19,107	253,895

Købmand Herman Sallings Fond

Statement of financial position

Amounts in TDKK

Assets				
Notes		2015	2014	1 January 2014
Non-current assets				
Financial assets				
8	Investments in subsidiaries	17,834	17,834	201
9	Investments in associates	-	-	17,633
	Total financial assets	17,834	17,834	17,834
	Total non-current assets	17,834	17,834	17,834
Current assets				
Receivables				
10	Other receivables	192	199	-
10	Other current financial assets	254,002	274,596	88,545
	Total receivables	254,194	274,795	88,545
10	Securities	93,159	116,223	116,438
10	Cash and short-term deposits	3,503	69,098	56,144
	Total current assets	350,856	460,116	261,127
	Total assets	368,690	477,950	278,961

Købmand Herman Sallings Fond

Statement of financial position

Amounts in TDKK

Equity and liabilities

Notes	2015	2014	1 January 2014
Equity			
Registered capital	22,219	22,219	22,219
Available capital	47,933	67,040	91,006
Proposed distribution	93,655	50,000	-
Total equity	163,807	139,259	113,225
Liabilities			
Non-current liabilities			
11 Deferred tax liabilities	42,462	22,004	-
Total non-current liabilities	42,462	22,004	-
Current liabilities			
10 Other current financial liabilities	5,370	-	-
10 Other payables	157,051	316,687	165,736
Total current liabilities	162,421	316,687	165,736
Total liabilities	204,883	338,691	165,736
Total equity and liabilities	368,690	477,950	278,961

Købmand Herman Sallings Fond

Cash flow statement

Amounts in TDKK

Notes	2015	2014
Profit/loss before tax	1,351	275,899
12 Adjustments	-4,079	-277,855
13 Change in working capital	408	1,304
Net cash flows from operating activities before financial items and tax	-2,320	-652
Financial income received	6,058	4,108
Financial expenses paid	-165	-558
Net cash flows from operating activities	3,573	2,898
Dividends received	-	273,226
Sale of securities	22,000	-
Net cash flows from investment activities	22,000	273,226
Net proceeds from borrowings - subsidiaries	5,646	88,268
Loan repayments from other related parties	19,576	-
Loans granted to other related parties	-	-273,226
Net cash flows from financing activities	25,222	-184,958
Distributions paid	-116,390	-78,212
Net change in cash and cash equivalents	-65,595	12,954
Cash and cash equivalents at 1 January	69,098	56,144
14 Cash and cash equivalents at 31 December	3,503	69,098

Købmand Herman Sallings Fond

Statement of changes in equity

Amounts in TDKK

2014:

	Registered capital	Available capital	Proposed distribution	Total equity
Equity at 1 January 2014	22,219	91,006	-	113,225
Profit for the year	-	203,895	50,000	253,895
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	203,895	50,000	253,895
Distributions		-227,861		-227,861
Other transactions	-	-227,861	-	-227,861
Equity at 31 December 2014	22,219	67,040	50,000	139,259

2015:

	Registered capital	Available capital	Proposed distribution	Total equity
Equity at 1 January 2015	22,219	67,040	50,000	139,259
Profit for the year	-	-19,107	-	-19,107
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-19,107	-	-19,107
Distributions			43,655	43,655
Other transactions	-	-	43,655	43,655
Equity at 31 December 2015	22,219	47,933	93,655	163,807

Købmand Herman Sallings Fond

Summary of notes to the financial statements

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- 3 Significant accounting judgements, estimates and assumptions

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- 5 Financial income
- 6 Financial expenses
- 7 Income tax

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- 9 Investments in associates
- 10 Financial assets and financial liabilities
- 11 Deferred tax

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- 17 Events after the reporting period
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Købmand Herman Sallings Fond

Notes to the financial statements

Amounts in TDKK

1 General information

Købmand Herman Sallings Fond is an independent Danish commercially operating foundation established 30 December 1964 by the founder of Dansk Supermarked A/S, Herman Christian Salling with the aim of ensuring the development of Dansk Supermarked A/S and its affiliated companies.

In 2014 the foundation and Købmand Ferdinand Sallings Mindefond increased their combined ownership of Dansk Supermarked Group to 81 %.

The purpose of the foundation is to own, protect and develop the strength and continuity of Dansk Supermarked Group. In addition to this the foundation also have charitable purposes to support:

- Groups of employees and present and former employees, initiative, ingenuity and the like in Danish business life and education of businessmen
- Ecclesiastical, sport, cultural and other worthy causes

Købmand Herman Sallings Fond is a commercially operating foundation with its registered office located at Rosbjergvej 33, 8220 Brabrand in Denmark.

2 Summary of significant accounting policies

For a summary of significant accounting policies, please refer to note 2 in the notes to the consolidated financial statements.

The functional currency of Købmand Herman Sallings Fond is Danish kroner. The presentation currency of the financial statements of Købmand Herman Sallings Fond is Danish kroner. All amounts have been rounded to the nearest thousand DKK, unless otherwise indicated.

Transition to IFRS

For a description of the transition to IFRS please refer to note 2 in the notes to the consolidated financial statements.

No adjustments have been made by Købmand Herman Sallings Fond in restating the amounts in its local GAAP statement of financial position as at 1 January 2014 and its previously published local GAAP financial statements as at and for the year ended 31 December 2014.

3 Significant accounting judgements, estimates and assumptions

For a summary of significant accounting judgements, estimates and assumptions please refer to note 3 in the notes to the consolidated financial statements.

Købmand Herman Sallings Fond

Notes to the financial statements

Amounts in TDKK

	2015	2014
4 Staff expenses		
Fee, Board of Directors	1,950	1,200
Total staff expenses	1,950	1,200
Average number of full-time employees	-	-
5 Financial income		
Interest income on loans to related parties	3,926	3,215
Dividends received	-	273,226
Net gain on financial instruments held for trading	1,384	2,186
Total financial income	5,310	278,627
6 Financial expenses		
Interest expense on bank loans	163	-
Interest expense on loans from related parties	1	557
Net loss on financial instruments held for trading	1,066	214
Other financial expenses	1	1
Total financial expenses	1,231	772
7 Income tax		
Change in deferred tax	-20,458	-22,004
Total income tax	-20,458	-22,004
Income tax recognised in the income statement	-20,458	-22,004
Total income tax	-20,458	-22,004

Reconciliation of income tax recognised in the income statement

	2015		2014	
	DKK	%	DKK	%
Tax on result for the year at the Danish income tax rate	-317	23.5 %	-67,595	24.5 %
Non-taxable income	-	0.0 %	66,940	-24.2 %
Deferred tax, recapture of provisions for distributions	-20,141	1490.8 %	-21,349	7.7 %
Income tax recognised in the income statement	-20,458	1514.3 %	-22,004	8.0 %

Købmand Herman Sallings Fond

Notes to the financial statements

Amounts in TDKK

	2015	2014
8 Investments in subsidiaries		
Cost		
Balance at 1 January	17,834	201
Transfer from associates to subsidiaries	-	17,633
Balance at 31 December	17,834	17,834
Carrying amount at 31 December	17,834	17,834

For a list of subsidiaries please refer to note 2 in the notes to the consolidated financial statements.

9 Investments in associates		
Cost		
Balance at 1 January	-	17,633
Transfer from associates to subsidiaries	-	-17,633
Balance at 31 December	-	-
Carrying amount at 31 December	-	-

10 Financial assets and financial liabilities

	Carrying amount		Fair value	
	2015	2014	2015	2014
<i>Financial assets comprise the following:</i>				
Other receivables	192	199	192	199
Receivables from subsidiaries	254,002	274,596	254,002	274,596
Other current financial assets	254,002	274,596	254,002	274,596
Securities	93,159	116,223	93,159	116,223
Cash and short-term deposits	3,503	69,098	3,503	69,098
<i>Financial liabilities comprise the following:</i>				
Payables to subsidiaries	5,370	-	5,370	-
Other current financial liabilities	5,370	-	5,370	-
Distributions payables	155,339	315,384	155,339	315,384
Other payables	1,712	1,303	1,712	1,303
Other payables	157,051	316,687	157,051	316,687

Købmand Herman Sallings Fond

Notes to the financial statements

Amounts in TDKK

	2015	2014
10 Financial assets and financial liabilities - continued		
<i>Financial instruments by category:</i>		
Loans and receivables:		
Other receivables	192	199
Other financial assets excluding derivatives	254,002	274,596
Cash and short-term deposits	3,503	69,098
Financial assets at fair value through profit or loss, held for trading:		
Securities	93,159	116,223
Financial liabilities measured at amortised cost:		
Other financial liabilities excluding derivatives	5,370	-
Other payables	157,051	316,687

Fair value:

For cash and short-term deposits, trade payables, other receivables and payables and other 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.

The fair values of securities are derived from quoted market prices in active markets, and fall within level 1 of the fair value hierarchy.

Risks arising from financial instruments:

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

For an in depth description of the policies for managing risks please refer to note 16 in the notes to the consolidated financial statements.

Currency risks:

There are no foreign currency risk in Købmand Herman Sallings Fond.

Interest rate risks:

The foundation's exposure to risk of changes in market interest rates relates to internal loans and intercompany balances and its bond holdings managed externally. The bond portfolio comprises DKK mortgage bonds, DKK government bonds and EUR covered bonds with a high credit rating. The overall portfolio duration is approximately 2.

A general increase of 1 %-point in interest rates is estimated, all other things being equal, to affect profit before tax and pre-tax equity by TDKK 1,802 (TDKK 2,637 in 2014).

Købmand Herman Sallings Fond

Notes to the financial statements

Amounts in TDKK

10 Financial assets and financial liabilities - continued

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

	Carrying amount	Sensitivity	Profit before tax	Pre-tax equity
31 December 2015				
Other current financial assets and securities	347,161	1 %	1,829	1,829
Other current financial liabilities	5,370	1 %	-27	-27
Impact			1,802	1,802
31 December 2014				
Other current financial assets and securities	390,819	1 %	2,673	2,673
Impact			2,673	2,673

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

For receivable from and payables to subsidiaries 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.

Liquidity risks:

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

Købmand Herman Sallings Fond ensures liquidity through flexibility and diversification of borrowing, maturity and renegotiation time points, as well as counterparts. Flexibility in cash resources ensures that the foundation can act appropriately in case of unforeseen changes in liquidity. The liquidity reserves consist of cash and securities. Købmand Herman Sallings Fond assesses the liquidity risk to be low.

The table below summarises the maturity profile of the financial liabilities based on contractual undiscounted payments. The undiscounted cash flow can differ from both the carrying value 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 2015			
Other current financial liabilities	5,370	-	-
Other payables	144,599	12,452	-
Total	149,969	12,452	-
31 December 2014			
Other payables	224,829	91,858	-
Total	224,829	91,858	-

Købmand Herman Sallings Fond

Notes to the financial statements

Amounts in TDKK

10 Financial assets and financial liabilities - continued

Credit risks:

Købmand Herman Sallings Fond is exposed to credit risk on its bond portfolio. Credit risk is reduced by only investing in bonds with high credit rating.

11 Deferred tax

Deferred tax relates to the following:

	Income statement		Statement of financial position	
	2015	2014	2015	2014
Deferred tax, recapture of provisions for distributions	20,458	22,004	42,462	22,004
Deferred tax expense/(income) / Net deferred tax	20,458	22,004	42,462	22,004

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

Deferred tax liabilities	42,462	22,004
Net deferred tax	42,462	22,004

Reconciliation of net deferred tax:

Opening balance at 1 January	22,004	-
Adjustment of deferred tax recognised in the income statement	20,458	22,004
Closing balance at 31 December	42,462	22,004

12 Adjustments

Financial income	-5,310	-278,627
Financial expenses	1,231	772
Adjustments	-4,079	-277,855

13 Change in working capital

Change in trade and other payables	408	1,304
Change in working capital	408	1,304

14 Cash and cash equivalents

Cash and bank balances	3,503	69,098
Cash and cash equivalents	3,503	69,098

Købmand Herman Sallings Fond

Notes to the financial statements

Amounts in TDKK

	2015	2014
--	------	------

15 Related party disclosures

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

Subsidiaries:

Purchase of goods and services	300	200
Interests received or paid	3,925	2,658
Dividends received	-	273,226
Distributions	-11,532	-5,436

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 2014). No expense has been recognised in 2015 or 2014 for bad or doubtful debts.

Key management personnel

Key management personnel includes the Board of Directors. The key management personnel remuneration is shown below:

Short-term employee benefits	1,950	1,200
Total remuneration	1,950	1,200

Købmand Herman Sallings Fond

Notes to the financial statements

Amounts in TDKK

15 Related party disclosures - continued

	Jens Bjerg Sørensen	Karin Salling	Nils S. Andersen
Position	Chairman	Vice chairman	Board member
Gender	Male	Female	Male
Year of birth	1957	1943	1958
Original appointment	2009	2006	2014
End of appointment period	2017	Appointed by the founder of the foundation and has a lifelong position according to the charter of the foundation	2018
Other managerial positions:			
Chairman	Alba Ejendomme A/S, BioMar Group A/S, Dovista A/S, F. Salling Holding A/S, F. Salling Invest A/S, Hydra-Grene A/S, Xergi A/S		Dansk Supermarked A/S, Maersk Drilling Holding A/S, Mærsk Olie og Gas A/S, Maersk Drilling A/S, Maersk Tankers A/S, Maersk Line A/S
Vice chairman	Dansk Supermarked A/S, Fibertex Nonwovens A/S, Fibertex Personal Care A/S, Per Aarsleff A/S	Købmand Ferdinand Salling Mindefond	European Round Table of Industrialists
Board member	Aida A/S, Ejendomsselskabet FMJ A/S, F.M.J. A/S, Fonden bag udstilling af skulpturer ved Aarhusbugten, Fonden Aarhus 2017, Incuba Invest A/S, Kramp Groep B.V., Niels Bohrs Vej A/S, Schouw & Co. Finans A/S, Specma AB	F. Salling Holding A/S, F. Salling Invest A/S, F. Salling A/S, Tivoli Friheden A/S, Dansk Laksefond	F. Salling Invest A/S, F. Salling Holding A/S, Unilever PLC
Positions on executive boards	CEO at Schouw & Co. Finans A/S, Jens Bjerg Sørensen Datterholding 1 ApS, Jens Bjerg Sørensen Holding ApS, Saltebakken 29 ApS		CEO at A.P. Møller-Mærsk A/S
Other managerial positions			Member of Erhvervspolitisk Udvalg within Dansk Industri
Independence	Not considered independent	Not considered independent	Not considered independent
Special competences	Appointed to handle the foundation's business purpose	Appointed to handle the foundation's distribution purpose	Appointed to handle the foundation's business purpose

Købmand Herman Sallings Fond

Notes to the financial statements

Amounts in TDKK

15 Related party disclosures - continued

	Anne Broeng	Carsten Lorentzen
Position	Board member	Board member
Gender	Female	Male
Year of birth	1961	1956
Original appointment	2014	2015
End of appointment period	2018	2019
Other managerial positions:		
Chairman		Ørnstrand Holding A/S, Jacob Lee Ørnstrand Holding A/S, Aktieselskabet Århus af 1. Oktober 1992, Niels Mølgaard A/S, Benjamin Capital ApS, Poul-Jørn Holding ApS, JACO supermarkeder A/S, PHIRIK Invest ApS, ROOV ApS, Christina Ørnstrand Holding A/S, Malene Ørnstrand Holding A/S, Emiliehøj ApS, JACO Gruppen Holding A/S, Ejendomsselskabet Aarhus 2012 ApS, Ejendomsselskabet af den 4. Januar 1999 A/S, Lægårdsvej ApS, Pantus Invest Aps, IPJ Invest A/S
Vice chairman		
Board member	Købmand Ferdinand Salling Mindefond, F. Salling Holding A/S, F. Salling Invest A/S, Bruhn Holding ApS, Pensiondanmark Pensionsforsikringsaktieselskab, Pensiondanmark Holding A/S, VKR Holding A/S, NNIT A/S, Danske Commodities A/S, Bikubenfonden, ATP, Lønmodtagernes Garantifond, NASDAQ OMX Nordic oy.	Give Sværgods Administration A/S, Give Sværgods Transport A/S, Benjamin Holding A/S, Formula Automobile A/S, Pam Holding A/S, Medital A/S, Kleppenhus Holding A/S, Pantus Holding ApS, PHIRIK ApS, Søholt Hovedgård A/S, AZ af 29. September 1990 A/S, Lindberg A/S, Soft Xpress A/S, Bell Xpress A/S, Per N. Ørnstrand A/S, Give Sværgods NH3 A/S, Give Goodwind Holding ApS, Formula Leasing A/S, Monsenso ApS, LETT Komplementar ApS, LETT Advokatpartnerselskab, PNO Holding A/S
Positions on executive boards		Partner, Lawyer, LETT, Monsenso Holding III ApS, Medital A/S
Other managerial positions	Non Executive Director	Positions as liquidator are not included.
Independence	Considered independent	Considered independent
Special competences	Appointed to handle the foundation's business purpose	Appointed to handle the foundation's distribution purpose

Købmand Herman Sallings Fond

Notes to the financial statements

Amounts in TDKK

16 Capital management

For a description of the capital management please refer to note 29 in the notes to the consolidated financial statements.

17 Events after the reporting period

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

18 Standards issued but not yet effective

For a description of standards issued but not yet effective please refer to note 31 in the notes to the consolidated financial statements.

Købmand Herman Sallings Fond - the Group
Consolidated financial statements

Consolidated income statement

DKK million

Notes	2015	2014
Net revenue	57,148	43,455
Other revenue	326	299
4 Total revenue	57,474	43,754
Cost of sales	-42,242	-31,979
Gross profit	15,232	11,775
5 Staff expenses	-6,786	-5,088
6 External expenses	-5,298	-4,007
Depreciation, amortisation and impairment losses	-5,174	-1,076
Net gain/loss on disposal of investment property and property, plant and equipment	-2	97
7 Other operating income and expenses	-12	7,898
Operating profit/loss (EBIT)	-2,040	9,599
14 Share of profit/loss of associates, net of tax	-	60
15 Share of profit/loss of joint ventures, net of tax	-82	-29
8 Financial income	400	50
9 Financial expenses	-354	-172
Profit/loss before tax	-2,076	9,508
10 Income tax	-298	-374
Total profit/loss for the year	-2,374	9,134
Attributable to:		
Proposed distribution	44	50
Distributions	49	228
Reversed distributions payables	-93	-
Købmand Herman Sallings Fond	-1,984	7,437
Non-controlling interests	-390	1,419
Total profit/loss for the year	-2,374	9,134

Consolidated statement of other comprehensive income

DKK million

Notes	2015	2014
Profit/loss for the year	-2,374	9,134
Other comprehensive income, net of income tax:		
Items that will not be reclassified to the income statement:		
10 Remeasurement of defined benefit plans	6	-37
	<u>6</u>	<u>-37</u>
Items that are or may be reclassified subsequently to the income statement:		
10 Exchange differences on translating foreign operations	51	-120
10 Cash flow hedges, value adjustment for the year	-11	-182
10 Cash flow hedges, reclassified to financial expenses	42	16
	<u>82</u>	<u>-286</u>
Other comprehensive income for the year, net of income tax	<u>88</u>	<u>-323</u>
Total comprehensive income for the year	<u>-2,286</u>	<u>8,811</u>
Attributable to:		
Proposed distribution	44	50
Distributions	49	228
Reversed distributions payables	-93	-
Købmand Herman Sallings Fond	-1,908	7,161
Non-controlling interests	-378	1,372
Total comprehensive income for the year	<u>-2,286</u>	<u>8,811</u>

Consolidated statement of financial position

DKK million

Assets				
Notes		2015	2014	1 January 2014
Non-current assets				
11	Intangible assets			
	Goodwill	8,429	11,780	-
	Software	1,029	1,089	-
	Software development in progress	158	28	-
	Brands	1,603	1,614	-
	Other intangible assets	8	8	-
	Total intangible assets	11,227	14,519	-
12	Property, plant and equipment			
	Land and buildings	27,334	27,768	409
	Fixtures and fittings, tools and equipment	1,517	1,385	-
	Leasehold improvements	309	306	-
	Assets under construction and prepayments	103	147	15
	Total property, plant and equipment	29,263	29,606	424
13	Investment property	1,483	1,820	35
Financial assets				
14	Investments in associates	-	-	9,032
15	Investments in joint ventures	113	44	-
16	Other non-current financial assets	12	-	-
	Total financial assets	125	44	9,032
17	Deferred tax assets	251	296	-
	Total non-current assets	42,349	46,285	9,491
Current assets				
18	Inventories	4,969	4,940	-
Receivables				
16	Trade receivables	111	129	-
	Income tax receivables	84	169	62
16	Other receivables	493	288	49
	Prepayments	141	80	2
16	Other current financial assets	16	50	90
	Total receivables	845	716	203
16	Securities	4,397	1,345	6,938
16	Cash and short-term deposits	1,693	1,804	400
19	Assets classified as held for sale	107	122	-
	Total current assets	12,011	8,927	7,541
	Total assets	54,360	55,212	17,032

Consolidated statement of financial position

DKK million

Equity and liabilities

Notes	2015	2014	1 January 2014
Equity			
Registered capital	22	22	22
Retained earnings	16,957	18,935	6,277
Reserve for net revaluation under the equity method	-	-	5,234
Cash flow hedge reserve	-116	-142	-
Foreign currency translation reserve	-59	-103	-
Proposed distribution	94	50	-
Equity attributable to Købmand Herman Sallings Fond	16,898	18,762	11,533
Non-controlling interests	3,167	3,545	-
Total equity	20,065	22,307	11,533
Liabilities			
Non-current liabilities			
20 Pensions	321	342	-
17 Deferred tax liabilities	3,292	3,384	2
21 Provisions	151	139	-
16 Mortgage loans	13,259	11,632	-
16 Other non-current financial liabilities	7,417	7,743	-
Total non-current liabilities	24,440	23,240	2
Current liabilities			
21 Provisions	40	61	-
16 Mortgage loans	95	27	-
16 Bank loans	104	872	1,126
16 Other current financial liabilities	94	57	4,187
16 Trade payables	7,220	6,158	9
Income tax payable	11	16	-
16 Other payables	2,267	2,462	175
Deferred income	24	12	-
Total current liabilities	9,855	9,665	5,497
Total liabilities	34,295	32,905	5,499
Total equity and liabilities	54,360	55,212	17,032

Consolidated cash flow statement

DKK million

Notes	2015	2014
Profit/loss before tax	-2,076	9,508
22 Adjustments	5,201	-7,051
23 Change in working capital	866	1,284
Net cash flows from operating activities before financial items and tax	3,991	3,741
Financial income received	92	58
Financial expenses paid	-317	-160
Income tax paid	-288	-792
Net cash flows from operating activities	3,478	2,847
Purchase of intangible assets	-186	-118
Purchase of property, plant and equipment	-937	-879
Purchase of investment property	-21	-3
Proceeds from sale of property, plant and equipment and investment property	263	24
24 Acquisition of subsidiaries, net of cash received	-324	-5,696
Capital contribution, joint ventures	-147	-74
Purchase of securities	-6,792	-141
Sale of securities	2,967	5,893
Net cash flows from investment activities	-5,177	-994
Loan repayments to related parties	-5	-3,678
Proceeds from loans from related parties	3	91
Proceeds from borrowings	2,959	1,935
Repayment of borrowings	-1,264	-1,700
Dividends paid	-	2,951
Net cash flows from financing activities	1,693	-401
Distributions paid	-116	-78
Net change in cash and cash equivalents	-122	1,374
Cash and cash equivalents at 1 January	1,708	339
Net foreign exchange difference	3	-5
25 Cash and cash equivalents at 31 December	1,589	1,708

Consolidated statement of changes in equity

DKK million

Equity attributable to Købmand Herman Sallings Fond									
	Registered capital	Retained earnings	Reserve for net revaluation under the equity method	Cash flow hedge reserve	Foreign currency translation reserve	Proposed distribution	Total	Non-controlling interests	Total equity
2014:									
Equity at 1 January 2014	22	6,277	5,234	-	-	-	11,533	-	11,533
Profit for the year		7,665				50	7,715	1,419	9,134
Remeasurement of defined benefit plans		-31					-31	-6	-37
Exchange differences on translating foreign operations					-103		-103	-17	-120
Cash flow hedges, value adjustment for the year				-156			-156	-26	-182
Cash flow hedges, reclassified to financial expenses				14			14	2	16
Other comprehensive income		-31	-	-142	-103	-	-276	-47	-323
Total comprehensive income for the year		7,634	-	-142	-103	50	7,439	1,372	8,811
Transfer		5,234	-5,234				-		-
Addition resulting from annulment of the shareholder agreement regarding F. Salling Holding A/S							-	2,173	2,173
Distributions		-228					-228		-228
Other adjustments		18					18		18
Other transactions	-	5,024	-5,234	-	-	-	-210	2,173	1,963
Equity at 31 December 2014	22	18,935	-	-142	-103	50	18,762	3,545	22,307

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

Consolidated statement of changes in equity

DKK million

Equity attributable to Købmand Herman Sallings Fond									
	Registered capital	Retained earnings	Reserve for net revaluation under the equity method	Cash flow hedge reserve	Foreign currency translation reserve	Proposed distribution	Total	Non-controlling interests	Total equity
Equity at 1 January 2015	22	18,935	-	-142	-103	50	18,762	3,545	22,307
Profit for the year		-1,984					-1,984	-390	-2,374
Remeasurement of defined benefit plans		6					6	-	6
Exchange differences on translating foreign operations					44		44	7	51
Cash flow hedges, value adjustment for the year				-10			-10	-1	-11
Cash flow hedges, reclassified to financial expenses				36			36	6	42
Other comprehensive income		6	-	26	44	-	76	12	88
Total comprehensive income for the year		-1,978	-	26	44	-	-1,908	-378	-2,286
Distributions						44	44		44
Other transactions	-	-	-	-	-	44	44	-	44
Equity at 31 December 2015	22	16,957	-	-116	-59	94	16,898	3,167	20,065

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- 2 Summary of significant accounting policies
- 3 Significant accounting judgements, estimates and assumptions

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Notes to the consolidated financial statements

DKK million

1 General information

The primary business area of the Group includes the primary business area of the foundation as described note 1 in the notes to the financial statements of Købmand Herman Sallings Fond and the primary business area of the subsidiaries in the Group, which is to operate retailing in Denmark via the concepts Bilka, føtex and Netto and in Germany, Poland and Sweden via the concept Netto. The Group is also involved in e-commerce both via Bilka.dk and føtex.dk, but also via wupti.dk and iPosen.dk. In 2014 the Netto concept was reintroduced in the UK through a joint venture, which Dansk Supermarked A/S formed together with J Sainsbury plc.

Købmand Herman Sallings Fond is a commercially operating foundation with its registered office located at Rosbjergvej 33, 8220 Brabrand in Denmark.

2 Summary of significant accounting policies

The financial statements section of the annual report comprises the consolidated financial statements of Købmand Herman Sallings Fond and its subsidiaries (the Group) and the separate financial statements of Købmand Herman Sallings Fond. In 2015 Købmand Herman Sallings Fond and its subsidiaries are consolidated for the entire year. For 2014 the consolidated income statement and the consolidated statement of other comprehensive income comprise Købmand Herman Sallings Fond and F. Salling Invest A/S for the entire year. Until 11 April 2014 F. Salling Holding A/S and Dansk Supermarked A/S were recognised in the line item Share of profit/loss of associates, net of tax, as the companies were associates in the Group until 11 April 2014. As of 11 April 2014 F. Salling Holding A/S and Dansk Supermarked A/S were consolidated line-by-line in the consolidated income statement and the consolidated statement of other comprehensive income. The consolidated statement of financial position for 2014 and 2015 comprises Købmand Herman Sallings Fond and all its subsidiaries. The consolidated statement of financial position as at 1 January 2014 comprises Købmand Herman Sallings Fond and F. Salling Invest A/S with F. Salling Holding A/S and Dansk Supermarked A/S recognised in the line item Investments in associates.

The consolidated financial statements of Købmand Herman Sallings Fond and the separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and further Danish disclosure requirements for class C large enterprises.

Basis of preparation

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

The functional currency of Købmand Herman Sallings Fond Group is Danish kroner. The presentation currency of the consolidated financial statements is Danish kroner. All amounts have been rounded to the nearest million, unless otherwise indicated.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

Transition to IFRS

In accordance with IFRS 1, the opening statement of financial position at 1 January 2014 and comparative figures for 2014 have been prepared in accordance with the IFRSs, IASs, IFRICs and SICs, which were in force at 31 December 2015. The opening statement of financial position at 1 January 2014 has been prepared as if these standards and interpretations had always been applied apart from the exceptions, which are described below.

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

Cumulative currency translation differences for all foreign operations are deemed to be zero as at 1 January 2014.

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

IFRS 3 Business Combinations has not been applied to business combinations that occurred before 1 January 2014. Use of this exemption means that the local GAAP carrying amounts of assets and liabilities, which are required to be recognised under IFRS, are their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS statement of financial position. The Group did not recognise or exclude any previously recognised amounts as a result of IFRS recognition requirements. IFRS 1 also requires that the local GAAP carrying amount of goodwill must be used in the opening IFRS statement of financial position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets). In accordance with IFRS 1, the Group has tested goodwill for impairment at the date of transition to IFRS. No goodwill impairment was deemed necessary at 1 January 2014.

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

Consolidated amounts				
	1 January 2014	2014		31 December 2014
Comments	Equity	Total profit for the year	Other com- prehensive income	Equity
Købmand Herman Sallings Fond Group determined in accordance with the Danish Financial Statements Act	11,540	880	-	15,188
Non-controlling interests determined according to the Danish Financial Statements Act	1			2,923
Revaluation of previously owned share in Dansk Supermarked A/S and F. Salling A/S	2	7,898		3,884
Amortisation of goodwill included in share of profit/loss of subsidiaries and associates, net of tax	3	319		319
Provision for jubilee benefits net of tax included in investments in associates	4	-7		-7
Exchange differences on translation of foreign operations	5		-120	
Cash flow hedges	6		-166	
Remeasurement of defined benefit plans	7	37	-37	
Tax effect of adjustments	8			
Købmand Herman Sallings Fond Group determined in accordance with IFRS	11,533	9,134	-323	22,307

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

Comments to the reconciliations of the Group equity as at 1 January 2014 and 31 December 2014, and total comprehensive income for the year ended 31 December 2014:

1) According to local GAAP non-controlling interests were recognised outside equity, whereas non-controlling interests are recognised as part of equity according to IFRS.

2) According to local GAAP revaluation to acquisition-date fair value of previously owned shares in connection with a step acquisition was recognised directly in equity. According to IFRS it is recognised in the income statement. Also, according to local GAAP no goodwill regarding previously owned shares was recognised, whereas goodwill is recognised regarding previously owned shares according to IFRS.

3) According to local GAAP goodwill recognised in business combinations is amortised. According to IFRS no amortisation of goodwill takes place instead an annually impairment test is performed to ensure that the goodwill is written down if the carrying amount exceeds the recoverable amount. The amortisation recognised during 2014 according to local GAAP is reversed.

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

5) Previously exchange rate differences on the translation of the income statement and the opening net assets of foreign operations were recognised directly in equity. According to IAS 21 the exchange rate differences have to be recognised in other comprehensive income. According to local GAAP the exchange rate differences were recognised in retained earnings, whereas they, according to IFRS, have to be recognised in a separate component of equity, a special translation reserve for exchange rate differences.

6) According to local GAAP the effective part of cash flow hedges was recognised directly in equity, whereas it, according to IFRS, has to be recognised in other comprehensive income. The cash flow hedges in the Group consist of interest rate swaps.

7) According to local GAAP the remeasurement of defined benefit plans was recognised in the income statement, whereas the remeasurement, according to IAS 19, has to be recognised in other comprehensive income.

8) The effect on deferred tax of the adjustments.

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

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

10) Deferred tax is classified as non-current assets or non-current liabilities. Previously, deferred tax assets were classified as current assets.

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

Minor reclassifications have been made between line items in the income statement compared to the previous reporting according to local GAAP.

Non of the reclassifications have affected the result or equity.

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

There are no differences between the cash flow statement presented in accordance with IFRS and the presentation under local GAAP, except for a few reclassifications between line items within operating activities and investment activities respectively, and a change to financing and operating activities as a consequence of some outstanding balances with related parties being part of cash and cash equivalents according to local GAAP but not according to IFRS.

Basis of consolidation

The subsidiaries, which are consolidated in the Group, are:

	Share of issued share capital and voting rights	Principal place of business and country of incorporation
F. Salling Invest A/S	100.00 %	Brabrand, Denmark
F. Salling Holding A/S	70.80 %	Brabrand, Denmark
Associate of F. Salling Invest A/S: Dansk Supermarked A/S	39.11 %	Brabrand, Denmark
Associate of F. Salling Holding A/S: Dansk Supermarked A/S	41.89 %	Brabrand, Denmark
Subsidiaries of Dansk Supermarked A/S:		
F. Salling A/S	100.00 %	Brabrand, Denmark
Dansk Supermarked Ejendomme A/S	100.00 %	Brabrand, Denmark
D. S. Forsikring A/S	100.00 %	Brabrand, Denmark
wupti.com A/S	100.00 %	Brabrand, Denmark
Thomberg ApS	100.00 %	Brabrand, Denmark
Dansk Netto Deutschland ApS	100.00 %	Brabrand, Denmark
Netto Supermarkt GmbH	100.00 %	Stavenhagen, Germany
NETTO ApS & Co. KG	100.00 %	Stavenhagen, Germany
Netto Sp. Z o.o	100.00 %	Szczecin, Poland
Netto Marknad AB	100.00 %	Halmstad, Sweden
Netto Fastigheter AB	100.00 %	Halmstad, Sweden
Future Express Ltd.	100.00 %	Leeds, the UK
NETTO Ukraine LLC	99.00 %	Lviv, Ukraine
Orbita Propeerty LLC.	100.00 %	Lviv, Ukraine

As at 21 July 2015 Dansk Supermarked A/S acquired 100 % of the issued share capital and voting rights of wupti.com A/S, and as at 31 August 2015 Dansk Supermarked A/S acquired 100 % of the issued share capital and voting rights of Thomberg ApS.

Accounting policies, income statement

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts, and excluding amounts collected on behalf of third parties such as sales taxes and value added taxes.

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, the revenue can be measured reliably, the consideration has been received or it is probable it will be received. Thus, revenue from the sale of goods is recognised at the point of sale in the store and for online purchases at collection in a store or a warehouse or delivery of goods.

In situations where the companies in the Group are acting as agents the recognised revenue equals the amount of commission plus any other amounts received from the principal or other parties.

Revenue is allocated between any customer loyalty programmes and the other components of the sale. The amount allocated to the customer loyalty programmes is deferred, and is recognised as revenue when the obligations to supply the discounted products are fulfilled or no longer probable.

Other revenue comprises rental revenue and revenue from other income sources e.g. sale of cardboard. Rental revenue arising from operating leases on buildings, investment properties and operating leases regarding in store rental is recognised on a straight-line basis over the lease terms, and is recognised in other revenue in the consolidated income statement.

Cost of sales

Cost of sales comprises the costs incurred in generating revenue. Supplier discounts attributable to the purchase price of the sold articles are part of cost of sales.

Staff expenses

Staff expenses comprise wages and salaries, post-employment benefits as well as related expenses.

External expenses

External expenses include direct and indirect costs related to rental and lease, franchise fees, operating expenses regarding investment properties, sales and distribution costs as well as office supplies, etc. Supplier discounts related to cost reimbursements is recognised as part of external expenses.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses comprise depreciation on property, plant and equipment and investment property and amortisation of intangible assets, unless it is included in the carrying amount of another asset, as well as impairment losses.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as a deduction of the related expense. When the grant relates to an asset, it is recognised as a deduction of the carrying amount of the asset, and is recognised in the income statement as a deduction of the related depreciation.

Share of profit/loss of joint ventures, net of tax

Joint arrangements, which are classified as joint ventures, are recognised using the equity method. The share of profit/loss of joint ventures after elimination of unrealised gains and losses resulting from transactions between the Group and the joint ventures to the extent of the interest in the joint ventures are 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 impairment of available-for-sale securities and fair value adjustments of financial assets held for trading. Moreover, financial income and expenses comprise amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax.

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

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.

In the financial statements of Købmand Herman Sallings Fond dividends from investments in subsidiaries are recognised as financial income, when the final right to receive the dividends is established.

Income tax

The Danish companies in the Group are included in the joint taxation in 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.

Distributions

Distributions following the charter of the foundation made during the year are included as part of proposal for distribution of profit for the year. Distributions where payment has not been made are included as part of other financial non-current liabilities.

Accounting policies, statement of financial position

Intangible assets

Goodwill

Goodwill is measured initially at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held, over the net identifiable assets acquired and liabilities assumed.

Subsequent to initial recognition goodwill is measured at cost net of accumulated impairment losses if any. Goodwill is not amortised. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the combination.

Software and software development in progress

Acquired software and software licenses are measured on initial recognition at cost. Subsequent to initial recognition acquired software and software licenses are measured at cost net of accumulated amortisation and accumulated impairment losses if any.

Development costs that are directly attributable to the design and testing of identifiable and unique software controlled by the Group are recognised as software development in progress, if it is the intention to complete the software, if sufficient resources to complete the software are available, if the costs can be measure reliably, and if the software is expected to generate probable future economic benefits.

The cost of the internally developed software comprises employee related costs, external costs as well as interest expenses during the period of production.

When internally developed software is available for use, it is reclassified from the line item software development in progress to the line item software. Internally developed software, which is available for use, is measured at cost net of accumulated amortisation and accumulated impairment losses if any.

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

Brands and other separately acquired intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost net of accumulated amortisation and accumulated impairment losses if any.

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

Goodwill	No amortisation
Acquired software	3 - 10 years
Internally developed software	3 - 10 years
Software development in progress	No amortisation
Brands	10 - 20 years
Other separately acquired intangible assets	3 - 10 years

Property, plant and equipment

Property, plant and equipment comprises land and buildings, fixtures and fittings, tools and equipment, leasehold improvements and assets under construction and prepayments. Property, plant and equipment is measured initially at cost comprising purchase price and any costs directly attributable to the acquisition until the date, when the asset is available for use. Government grants related to assets are deducted in arriving at the carrying amount of the asset. Subsequent to initial recognition property, plant and equipment 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
Buildings, including investment property:	
Technical installations within the property	10 - 30 years
Foundation and bearing structure	80 years
Remaining property	40 years
Fixtures and fittings, tools and equipment	3 - 10 years

Leasehold improvements are depreciated over the shorter of the lease term of the related lease and the estimated useful lives of 12 years.

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

Investment property

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

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.

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

Investments in subsidiaries

Investments in subsidiaries are measured at cost in Købmand Herman Sallings Fond's statement of financial position. If the cost exceeds the investment's recoverable amount, the carrying amount is reduced to this lower amount. Dividends from investments in subsidiaries are recognised, when the final right to receive the dividends is established.

Investments in joint ventures

Investments in joint ventures are measured in the statement of financial position using the equity method. The share of profit/loss of joint ventures, 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. Goodwill, software development in progress and brands with indefinite useful lives are tested annually.

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.

Non-current assets held for sale

The Group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Such non-current assets are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded as met only when the sale is highly probable, the asset is available for immediate sale in its present condition and the sale is expected to occur within one year from the date of the classification. Non-current assets are not depreciated or amortised once classified as held for sale.

Inventories

Inventories are valued at the lower of calculated cost (weighted averages) and net realisable value.

Calculated cost comprises the purchase cost and other costs incurred in bringing the inventories to their present location and condition. Supplier discounts attributable to the articles in inventory reduce the calculated cost. Borrowing costs are not included in calculated cost.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Trade receivables, securities and other financial assets

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

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

Subsequently financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the income statement. Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequently 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. This category is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. This category generally applies to trade and other receivables.

Prepayments

Prepayments are measured at cost price.

Cash and short-term deposits

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

Pensions

The Group has entered into pension schemes and similar arrangements with the majority of the Group's employees. Contributions to defined contribution plans where the Group pays fixed pension payments to independent pension funds are recognised in the income statement in the period to which they relate, and any contributions outstanding are recognised in the statement of financial position as other payables. 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.

Provisions

Provisions are recognised when, as a result of past events, the Group has a legal or a constructive obligation and it is probable that there will be an outflow of resources embodying economic benefits to settle the obligation. The amount recognised as a provision is Management's best estimate of the expenses required to settle the obligation. On measurement of provisions, the costs required to settle the obligation are discounted if the effect is material to the measurement of the obligation.

A provision for onerous lease contracts is recognised when the expected benefits to be obtained by the Group from a contract are lower than the unavoidable costs of meeting its obligations under the contract.

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

Insurance provisions include the actuarial estimated costs expected to be paid by the Group for insured events existing at the reporting date. The estimate includes amounts expected to be incurred for the settlement of the obligations. Discounting is performed based on an estimate of the expected payment period.

Other provisions include among other things warranties, restructuring costs and jubilee benefits. Provisions for warranty-related costs are recognised upon a sale of a product for which the Group is liable for future warranty costs. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually. Restructuring costs are recognised under liabilities when a detailed, formal restructuring plan has been announced to the parties affected no later than at the end of the reporting period.

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. The Group's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

Subsequently financial liabilities at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance items in the income statement. Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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. This category is most relevant to the Group. This category generally applies to interest-bearing loans, borrowings, payables and the capitalised residual lease obligation under finance leases.

Deferred income

Deferred income is measured at the consideration received or receivable.

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 consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

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

Accounting policies, cash flow statement

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

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

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

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

Cash flows from financing activities comprise the raising of loans, repayment of interest-bearing debt, and payment of dividends to minority 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

Consolidated financial statements

The consolidated financial statements comprise Købmand Herman Sallings Fond and the subsidiaries in which Købmand Herman Sallings Fond directly or indirectly exercises control. Købmand Herman Sallings Fond exercises control if Købmand Herman Sallings Fond is exposed to or has rights to variable returns arising from its involvement in a company and may affect these returns through its power over the company.

The consolidated financial statements are prepared based on the accounts for Købmand Herman Sallings Fond and the subsidiaries and are a pooling of the accounting items of similar nature. On consolidation intra-group transactions are eliminated.

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

Joint arrangements are activities or enterprises in which the Group exercises control through cooperation agreements with one or more parties. Joint control implies that decisions on relevant activities require unanimous consent of the parties sharing control over the arrangement. Joint arrangements are classified as joint ventures or joint operations. Joint operations are activities where the participants have direct rights over assets and are subject to direct liability, whereas joint ventures are activities where the participants solely have rights over the net assets.

Business combinations of entities under common control are accounted for using the pooling of interests method, and the comparative figures are restated.

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 achieved in stages, any previously held equity interest is remeasured at its 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.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Put options regarding non-controlling interests in subsidiaries, which are written in connection with business combinations, are treated according to the anticipated acquisition method, according to which the non-controlling interest that is comprised by the put option is considered to be purchased at the point in time where the put option is written. An amount equal to the financial obligation is recognised as part of the cost price of the investments in subsidiaries. As a consequence no non-controlling interests are recognised in the income statement, the statement of other comprehensive income or the equity regarding the comprised non-controlling interests, as the non-controlling interests are regarded as purchased. The obligation regarding the put option is recognised as part of Other non-current financial liabilities and is measured at fair value. Jointly F. Salling Holding A/S and F. Salling Invest A/S have written a put option regarding 19 % of Dansk Supermarked A/S, which is owned by A.P. Møller Mærsk A/S at present.

Foreign currency translation

For each of the enterprises in the Group, a functional currency is determined. The functional currency is the currency used in the primary financial environment in which the enterprise operates. Transactions denominated in other currencies than the functional currency are foreign currency transactions.

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.

Foreign consolidated enterprises' statements of financial position are translated to Danish kroner at the exchange rates at the reporting date, while the enterprises' income statements and the statement of other comprehensive income are translated to the average exchange rates.

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

Foreign exchange differences arising on translation of the opening equity of such foreign enterprises at the exchange rates at the reporting date and on translation of the income statements and the statement of other comprehensive income from the exchange rates at the transaction date to the exchange rates at the reporting date are recognised in other comprehensive income in a separate translation reserve under equity.

Derivative financial instruments

Derivative financial instruments are initially recognised in the statement of financial position on the trading date at cost and are subsequently measured at fair value. Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a cash flow hedge are recognised in other comprehensive income, and are reclassified to the income statement in the periods when the hedged item affects the income statement. Changes in the fair value of other derivative financial instruments are recognised in the income statement. The positive and negative fair values of derivative financial instruments are included in other financial assets or other financial liabilities, respectively.

Fair value measurement

The Group uses the fair value concept in connection with certain disclosure requirements and for recognition of some financial instruments. 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 Group 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 Group'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 Group 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 consolidated financial statements

DKK million

3 Significant accounting judgements, estimates and assumptions - continued

Valuation of intangible assets, property, plant and equipment and investment property

Intangible assets, property, plant and equipment and investment property are tested for impairment if there is an indication of impairment. For goodwill and intangible asset that are not yet in use annual impairment tests are carried out. 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. For most intangible assets no fair value less costs of disposal exists. The key assumptions used to determine the recoverable amount are disclosed and further explained in the relevant notes.

Depreciation and amortisation

The useful lives and residual values of intangible assets, property, plant and equipment and 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 amortisation and thereby the results for the year significantly.

Inventories

Inventories are valued at the lower of calculated cost (weighted averages) and net realisable value. The calculated cost comprises supplier discounts. Supplier discounts are recognised when it is probable that the economic benefits associated with the transaction will flow to the Group. A specific assessment of the need for write-down for obsolescence of inventories is made based on the future sales potential.

Provisions

Provisions have been made for onerous contracts, insurance, warranties, jubilee benefits and pending lawsuits. These provisions are Management's best estimates and the actual costs and timing of future cash flows are dependent on future events. Any difference between expectations and the actual future liability will be recognised in the period when information about the actual liability becomes available.

Put option regarding non-controlling interests

The put option regarding the non-controlling interests consisting of the remaining 19 % of the shares in Dansk Supermarked A/S, which is owned by A. P. Møller - Mærsk A/S, is recognised at fair value. The fair value 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.

Notes to the consolidated financial statements

DKK million

	2015	2014
4 Total revenue		
Revenue from the sale of goods	57,148	43,455
Total net revenue	57,148	43,455
Rental revenue, investment property	105	88
Other rental	150	130
Other revenue	71	81
Total other revenue	326	299
Total revenue	57,474	43,754
Geographical split		
Denmark	39,079	29,814
Abroad	18,395	13,940
Total revenue	57,474	43,754
5 Staff expenses		
Wages and salaries incl. termination benefits	6,037	4,549
Post-employment benefits – defined contribution plans	354	243
Post-employment benefits – defined benefit plans	3	8
Social security costs	392	288
Total staff expenses	6,786	5,088
Average number of full-time employees	26,119	26,303
6 External expenses		
Fees paid to the auditors appointed at the annual general meeting:		
Fee regarding statutory audit	3.1	2.8
Tax assistance	0.8	0.9
Assurance engagements	0.3	0.2
Other assistance	1.6	4.1
Total fee paid to the auditors appointed at the annual general meeting	5.8	8.0
7 Other operating income and expenses		
Gain on remeasuring to fair value the existing interest in Dansk Supermarked A/S and F. Salling A/S on acquisition of control	-	7,898
Adjustment gain on remeasuring to fair value the existing interest in Dansk Supermarked A/S and F. Salling A/S on acquisition of control	-12	-
Total other operating income and expenses	-12	7,898

Notes to the consolidated financial statements

DKK million

	2015	2014
8 Financial income		
Interest income on other loans and receivables	5	5
Net gain on derivatives not designated as hedges	-	28
Net gain on financial instruments held for trading	20	2
Net foreign exchange gain	60	5
Net gain on financial instruments recognised at fair value through profit or loss	310	-
Other financial income, related parties	-	7
Other financial income	5	3
Total financial income	400	50
9 Financial expenses		
Interest expense on mortgage loans	149	94
Interest expense paid to banks	2	8
Interest expense on other loans	46	38
Cash flow hedges reclassified from other comprehensive income	54	22
Net loss on derivatives not designated as hedges	88	-
Other financial expenses	15	10
Total financial expenses	354	172
10 Income tax		
Current income tax	-367	-279
Adjustment regarding prior years, current income tax	-4	16
Change in deferred tax	56	-35
Adjustment regarding prior years, deferred tax	2	1
Adjustment of deferred tax at the beginning of the year due to a change in the corporation tax rate from 25% to 22% (during 2014 - 2016)	4	5
Total income tax	-309	-292
Income tax recognised in the income statement	-298	-374
Income tax recognised in other comprehensive income	-11	64
Income tax recognised in equity	-	18
Total income tax	-309	-292

Notes to the consolidated financial statements

DKK million

10 Income tax - continued

Reconciliation of income tax recognised in the income statement

	2015		2014	
	DKK	%	DKK	%
Tax on result for the year at the Danish income tax rate	488	23.5 %	-2,329	24.5 %
Non-deductible costs	-880	-42.4 %	-15	0.2 %
Non-taxable income	85	4.1 %	1,951	-20.6 %
Deviating tax rates in foreign operations	1	0.0 %	10	-0.1 %
Change in tax rates	2	0.1 %	4	0.0 %
Adjustment to prior periods	-	0.0 %	-1	0.0 %
Not capitalised tax loss carry forwards	24	1.2 %	28	-0.3 %
Other	-18	-0.9 %	-22	0.2 %
Income tax recognised in the income statement	-298	-14.4 %	-374	3.9 %

Tax on other comprehensive income

	2015			2014		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Remeasurement of defined benefit plans	7	-1	6	-47	10	-37
Exchange differences on translating foreign operations	51	-	51	-120	-	-120
Cash flow hedges, value adjustment for the year	-13	2	-11	-241	59	-182
Cash flow hedges, reclassified to financial expenses	54	-12	42	21	-5	16
	99	-11	88	-387	64	-323

Notes to the consolidated financial statements

DKK million

11 Intangible assets

2014:

	Goodwill	Software	Software develop- ment in progress	Brands	Other in- tangible assets	Total
Cost						
Balance at 1 January 2014	-	-	-	-	-	-
Acquisitions through business combinations	11,780	1,083	273	1,679	8	14,823
Additions	-	-	118	-	-	118
Reclassifications	-	363	-363	-	-	-
Balance at 31 December 2014	11,780	1,446	28	1,679	8	14,941
Accumulated amortisation and impairment losses						
Balance at 1 January 2014	-	-	-	-	-	-
Additions through business combinations	-	-276	-	-	-	-276
Amortisation	-	-81	-	-65	-	-146
Balance at 31 December 2014	-	-357	-	-65	-	-422
Carrying amount at 31 December 2014	11,780	1,089	28	1,614	8	14,519

2015:

	Goodwill	Software	Software develop- ment in progress	Brands	Other in- tangible assets	Total
Cost						
Balance at 1 January 2015	11,780	1,446	28	1,679	8	14,941
Additions	-	-	184	-	2	186
Acquisitions through business combinations	252	24	-	76	-	352
Adjustment, acquisitions through business combinations	-36	-	-	-	-	-36
Reclassifications	-	58	-54	-	-	4
Balance at 31 December 2015	11,996	1,528	158	1,755	10	15,447
Accumulated amortisation and impairment losses						
Balance at 1 January 2015	-	-357	-	-65	-	-422
Amortisation	-	-142	-	-87	-2	-231
Impairment losses recognised in the income statement	-3,567	-	-	-	-	-3,567
Balance at 31 December 2015	-3,567	-499	-	-152	-2	-4,220
Carrying amount at 31 December 2015	8,429	1,029	158	1,603	8	11,227

Notes to the consolidated financial statements

DKK million

11 Intangible assets - continued

Impairment losses during the year

For impairment testing goodwill acquired through business combinations are allocated to the cash generating units that benefit from the synergies resulting from the acquisitions.

Carrying amount of goodwill within the Group:

	Dansk Supermarked A/S		F. Salling A/S		Other	
	2015	2014	2015	2014	2015	2014
Goodwill	8,119	11,407	-	315	310	58

The goodwill amounts in the Group relate to the retail activities and the e-commerce activities within Dansk Supermarked Group A/S.

Goodwill

The Group considers the realised results for the current and past years and the expectations to the future expressed in the financial five-year Long Term Plan, when reviewing for indicators of impairment.

The recoverable amount of the goodwill related to the retail activities and the e-commerce activities has been determined based on a value in use calculation using cash flow projections from the financial five-year Long Term Plan approved by management. Additionally, the DCF valuations have been sanity-checked against trading multiples of comparable publicly traded companies. The pre-tax discount rate applied to cash flow projections is 9.0 %, and cash flows beyond the five-year period are extrapolated using a 2 % growth rate which is the expected long-term inflation rate. As a result of the analysis, management identified an impairment loss of 3,567 MDKK regarding goodwill (DKK 0 in 2014). The impairment loss is recognised in the income statement as part of Depreciation, amortisation and impairment losses.

The calculation of value in use is most sensitive to the following key assumptions: Development in turnover and Gross margins during the forecast period and Growth rates used to extrapolate cash flows beyond the forecast period. Development in turnover and Gross margins are based on expectations to growth within the different formats for 2016 -2020 and within e-commerce a growth of 5% per anno is expected.

Discount rates represent the current market assessment of the risks, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

Notes to the consolidated financial statements

DKK million

12 Property, plant and equipment

2014:

	Land and buildings	Fixtures and fittings, tools and equipment	Leasehold improve- ments	Assets under construction	Total
Cost					
Balance at 1 January 2014	413	-	-	15	428
Foreign currency translation	-187	-28	-11	-2	-228
Acquisitions through business combinations	34,714	4,511	1,110	260	40,595
Additions	138	339	27	375	879
Reclassifications	501	-	-	-501	-
Disposals	-52	-138	-4	-	-194
Balance at 31 December 2014	35,527	4,684	1,122	147	41,480
Accumulated depreciation and impairment losses					
Balance at 1 January 2014	-4	-	-	-	-4
Foreign currency translation	28	20	8	-	56
Additions through business combinations	-7,255	-3,172	-798	-	-11,225
Depreciation	-573	-296	-23	-	-892
Impairment losses recognised in the income statement	-5	-	-6	-	-11
Reversals of impairment losses recognised in the income statement	21	-	-	-	21
Disposals	29	149	3	-	181
Balance at 31 December 2014	-7,759	-3,299	-816	-	-11,874
Carrying amount at 31 December 2014	27,768	1,385	306	147	29,606
Hereof finance leases		1			1

Notes to the consolidated financial statements

DKK million

12 Property, plant and equipment - continued

2015:

	Land and buildings	Fixtures and fittings, tools and equipment	Leasehold improve- ments	Assets under construction	Total
Cost					
Balance at 1 January 2015	35,527	4,684	1,122	147	41,480
Foreign currency translation	67	14	6	-	87
Additions	56	445	45	391	937
Reclassifications	421	5	4	-435	-5
Disposals	-58	-136	-32	-	-226
Balance at 31 December 2015	36,013	5,012	1,145	103	42,273
Accumulated depreciation and impairment losses					
Balance at 1 January 2015	-7,759	-3,299	-816	-	-11,874
Foreign currency translation	-10	-10	-4	-	-24
Depreciation	-761	-321	-37	-	-1,119
Impairment losses recognised in the income statement	-182	-1	-3	-	-186
Disposals	33	136	24	-	193
Balance at 31 December 2015	-8,679	-3,495	-836	-	-13,010
Carrying amount at 31 December 2015	27,334	1,517	309	103	29,263
Hereof finance leases		5			5

Impairment losses during the year

Land and buildings and Leasehold improvements

During 2015 impairment losses of DKK 169 million have been recognised regarding land and buildings in F. Salling A/S. The impairment losses have been recognised as a result of the fair value of the land and buildings in F. Salling A/S as at 31/12 2015 having decreased compared to the fair value, which was used in connection with the purchase of shares as at 11 April 2014. Other minor impairment losses have been recognised in Dansk Supermarked Group primarily regarding vacated property. The impairment losses and reversal of impairment losses are recognised in the income statement as part of Depreciation, amortisation and impairment losses.

Notes to the consolidated financial statements

DKK million

	2015	2014
13 Investment property		
Cost		
Balance at 1 January	2,847	35
Foreign currency translation	1	-1
Acquisitions through business combinations	-	2,981
Additions	21	3
Reclassified as held for sale	-153	-137
Disposals	-240	-34
Balance at 31 December	2,476	2,847
Accumulated depreciation and impairment losses		
Balance at 1 January	-1,027	-
Additions through business combinations	-	-1,013
Depreciation	-65	-48
Impairment losses recognised in the income statement	-7	-
Reclassified as held for sale	46	15
Disposals	60	19
Balance at 31 December	-993	-1,027
Carrying amount at 31 December	1,483	1,820
Investment property comprises shopping centres and flats located adjacent to Dansk Supermarked's stores.		
The estimated fair value of investment property amounted to DKK 1,571 million at 31 December 2015 (DKK 1,875 million at 31 December 2014). The fair value is not based on a valuation by an independent valuer.		
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.		
Rental income from investment property	105	88
Direct operating expenses from investment that generated rental income	-17	-17
Direct operating expenses from investment that did not generate rental income	-4	-2
Profit arising from investment property	84	69

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

Notes to the consolidated financial statements

DKK million

	2015	2014
14 Investments in associates		
Cost		
Balance at 1 January	-	69
Transfer from associates to subsidiaries	-	-69
Balance at 31 December	-	-
Value adjustments		
Balance at 1 January	-	8,963
Foreign currency translation etc.	-	-2
Dividends	-	-2,951
Result	-	60
Transfer from associates to subsidiaries	-	-6,070
Balance at 31 December	-	-
Carrying amount at 31 December	-	-

As at 1 January 2014 investments in associates consisted of F. Salling Holding A/S in which the Group owned 70.8 % and Dansk Supermarked A/S in which the Group owned 16.8 %. Due to agreements entered into the Group was considered to have significant influence in both companies before 11 April 2014. As at 11 April 2014 both companies became subsidiaries. Please refer to note 28 for further information.

15 Investments in joint ventures

In 2014 Dansk Supermarked A/S and J Sainsbury plc formed a joint venture with the purpose of bringing the Netto brand back to the UK.

Cost		
Balance at 1 January	74	-
Additions	147	74
Balance at 31 December	221	74
Value adjustments		
Balance at 1 January	-30	-
Foreign currency translation etc.	4	-1
Result	-82	-29
Balance at 31 December	-108	-30
Carrying amount at 31 December	113	44

Specification of investments in joint ventures:

	Share of issued share capital and voting rights	Principal place of business and country of incorporation
Netto UK Ltd.	50 %	Wakefield, the UK

Notes to the consolidated financial statements

DKK million

16 Financial assets and financial liabilities

Financial assets comprise the following:

	Carrying amount		Fair value	
	2015	2014	2015	2014
Cash flow hedges	12	-	12	-
Other non-current financial assets	12	-	12	-
Trade receivables	111	129	111	129
Other receivables	493	288	493	288
Receivables from joint ventures	15	10	15	10
Derivatives not designated as hedges	1	40	1	40
Other current financial assets	16	50	16	50
Securities	4,397	1,345	4,397	1,345
Cash and short-term deposits	1,693	1,804	1,693	1,804

Financial liabilities comprise the following:

	Carrying amount		Fair value	
	2015	2014	2015	2014
Mortgage loans - non-current	13,259	11,632	13,440	11,735
Mortgage loans - current	95	27	95	27
Mortgage loans	13,354	11,659	13,535	11,762
Bank loans - current	104	872	104	872
Bank loans	104	872	104	872
Obligations under finance leases	3	1	3	1
Cash flow hedges	131	175	131	175
Other non-current financial liabilities	7,283	7,567	7,283	7,567
Other non-current financial liabilities	7,417	7,743	7,417	7,743
Obligations under finance leases	1	-	1	-
Derivatives not designated as hedges	33	12	33	12
Cash flow hedges	59	45	59	45
Other current financial liabilities	1	-	1	-
Other current financial liabilities	94	57	94	57
Trade payables	7,220	6,158	7,220	6,158
Other payables	2,267	2,462	2,267	2,462

Notes to the consolidated financial statements

DKK million

	2015	2014
16 Financial assets and financial liabilities - continued		
<i>Financial instruments by category:</i>		
Loans and receivables:		
Trade receivables	111	129
Other receivables	493	288
Other financial assets excluding derivatives	15	10
Cash and short-term deposits	1,693	1,804
Financial assets at fair value through profit or loss:		
Derivatives not designated as hedges	1	40
Financial assets at fair value through profit or loss, held for trading:		
Securities	4,397	1,345
Financial assets at fair value through other comprehensive income:		
Cash flow hedges	12	-
Financial liabilities measured at amortised cost:		
Mortgage loans	13,354	11,659
Bank loans	104	872
Other financial liabilities excluding derivatives	2,177	2,140
Trade payables	7,220	6,158
Other payables	2,267	2,462
Financial liabilities at fair value through profit or loss:		
Derivatives not designated as hedges	33	12
Other financial liabilities excluding derivatives	5,111	5,428
Financial liabilities at fair value through other comprehensive income:		
Cash flow hedges	190	220

Hedge accounting:

Cash flow hedging is used to ensure that part of Groups interest rate risk exposure is at a fixed rate. This is achieved by using interest rate swaps to hedge some of the floating-rate mortgage loans.

The hedged cash flows are expected to occur and affect the income statement during the coming 30 years. During the coming year DKK -59 million is expected to affect profit or loss (DKK -45 million in 2014), during 1 - 5 years DKK -161 million is expected to affect profit or loss (DKK -137 million in 2014), and after 5 years DKK 41 million is expected to affect profit or loss (DKK -22 million in 2014).

It is assessed and documented on a continuous basis, whether the interest rate swaps are effective.

The effective portion of the change in the fair value of the interest rate swaps is recognised in other comprehensive income, while any ineffective portion is recognised immediately in the income statement.

Notes to the consolidated financial statements

DKK million

2015 2014

16 Financial assets and financial liabilities - continued

Fair value:

For cash and short-term deposits, trade receivables and payables, other receivables and payables and other 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.

Cash flow hedges and other derivatives not defined as hedges are valued using valuation techniques, which are based on market observable inputs, and thereby fall within level 2 of the fair value hierarchy. The most frequent applied valuation technique for interest rate swaps, i.e. a fixed rate swapped for a floating rate, is determining the present value of the fixed leg and the floating leg using a relevant swap curve.

The fair values of securities are derived from quoted market prices in active markets, and fall within level 1 of the fair value hierarchy.

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. The fair value of the obligation related to the put option regarding the non-controlling interests fall within level 3 of the fair value hierarchy due to the use of significant unobservable inputs. The fair value is based on a DCF calculation using cash flow projections from the financial five-year Long Term Plan approved by management, a pre-tax discount rate of 9.0 % and cash flows beyond the five-year period that are extrapolated using a 2 % growth rate. All other things being equal, a 0.25 % change in the discount rate would affect total comprehensive income and equity by DKK 275 - 325 million. Fair value of the remaining financial liabilities falls within level 2 of the fair value hierarchy and are calculated on the basis of discounted interests and instalments.

Specification of movements in level 3 of the fair value hierarchy:

Balance at 1 January	5,428	-
Additions	-	5,428
Adjustment	-7	-
Unrealised gains/losses recognised as part of financial income in the income statement	-310	-
Balance at 31 December	5,111	5,428

In 2015 a dividend of DKK 2.700 million has been proposed in Dansk Supermarked A/S. Approximately DKK 500 million of this amount will be paid to the non-controlling interest in 2016 and will thus affect the recognised obligation related to the put option in 2016.

Risks arising from financial instruments:

The Group's main risks are market risks relating to fluctuations in foreign exchange rates and interest rates, liquidity risk relating to the availability of funds to support business needs and credit risk relating to the undesirable event of a default among the Group's financial counterparties. There has been no structural changes in the Group's risk exposure or risk compared to 2014. The policies for managing risk are explained below.

The overall framework for financial risk management is set out in Dansk Supermarked A/S' financial policy, which also comprises the holding companies and Købmand Herman Sallings Fond. The objective of the financial policy and the independent controls, that are established, is to minimize the potential adverse impact on the Group's financial performance. The financial policy is reviewed and updated on a regular basis. Dansk Supermarked A/S has a centralized management of financial risks undertaken by Group Treasury.

Notes to the consolidated financial statements

DKK million

16 Financial assets and financial liabilities - continued

In accordance with policies, Group Treasury uses derivative financial instruments with the purpose of hedging exposures related to the Group's operations and its source of financing. It is the Group's policy to minimize the potential adverse impact on the Group's financial performance and protect the Group against negative impact of market risks. Group Treasury has primarily used forward contracts to hedge foreign exchange exposures and interest rate swaps to hedge interest rate exposures.

Treasury transactions and hedging activities are recognised in a Treasury management system with a high degree of system integration, control and automation of processes on treasury transactions. Operational risk on trading and settlement methods is minimizing financial counterparty risks.

Currency risks:

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The exposure to the risk of changes in foreign exchange rate relates primarily to the Group's operating activities and the net investments in foreign subsidiaries. The framework for hedging guidelines and risk mandate is covered by the FX risk management policy.

The majority of purchases of goods for resale made by the Group are denominated in the Group's functional currency DKK. However, some trade purchases are made in other currencies, primarily EUR and USD. It is the Group's policy to hedge known purchase orders in specific material currencies. Presently, USD is assessed to be a material currency, and purchase orders in USD are hedged. Purchase orders in other currencies are considered immaterial, and are therefore not hedged.

Hedge accounting has not been used regarding the hedging of purchase orders. In other words, changes in the fair value of the hedging instruments are recognised in the income statement on a continuous basis, which can result in timing discrepancies.

Material committed and uncommitted investments in foreign currency can be hedged. Hedge accounting is not used regarding such hedges.

According to the FX risk management policy, cash positions (internal and external) are hedged. According to the policy exposures in EUR need not be hedged.

The Group's net currency exposure is the basis for determining the Group's risk. The hedging principles determine the risk neutral position (fully hedged) in regards of foreign exchange exposures. Deviations from the risk neutral position are summarized in an absolute VaR-based risk figure covering the various currency exposures. The foreign exchange exposures and the VaR-based risk figure are monitored and controlled on a daily basis, thereby securing compliance with thresholds and policies.

The following overview illustrates the effect on the consolidated income statement and the consolidated equity that would result, at the balance sheet date, from changes in currency exchange rates that are reasonable possible for material currencies:

Notes to the consolidated financial statements

DKK million

16 Financial assets and financial liabilities - continued

31 December 2015	EUR/DKK	GBP/DKK	PLN/DKK	SEK/DKK	USD/DKK
Financial assets	121	3	137	67	28
Financial liabilities	-	-	-	-	-
Derivatives	-336	318	-889	-487	683
Net external exposures	-215	321	-752	-420	711
Net external exposure from financial activities	-186	-143	894	419	-
Known USD purchase orders	-	-	-	-	-528
Netto UK Ltd. capital injection	-	-174	-	-	-
Net exposures	-401	4	142	-1	183
The net exposures relate to:					
Hedging of expected commercial cash flows where hedge accounting is not used	-401	4	142	-1	183
Applied sensitivity	1 %	5 %	5 %	5 %	5 %
Impact on the consolidated income statement	-4	-	7	-	9
31 December 2014	EUR/DKK	GBP/DKK	PLN/DKK	SEK/DKK	USD/DKK
Financial assets	-	-	-	25	11
Financial liabilities	-3	-	-	-	-
Derivatives	-199	134	-767	-599	392
Net external exposures	-202	134	-767	-574	403
Net external exposure from financial activities	145	-134	878	576	-
Known USD purchase orders	-	-	-	-	-422
Net exposures	-57	-	111	2	-19
The net exposures relate to:					
Hedging of expected commercial cash flows where hedge accounting is not used	-57	-	111	2	-19
Applied sensitivity	1 %	5 %	5 %	5 %	5 %
Impact on the consolidated income statement	-1	-	6	-	-1

The sensitivity analysis only includes currency exposures arising from financial instruments. The applied change in the exchange rates is based on historical currency fluctuations. A decrease in the foreign currencies would have the opposite effect as the impact shown in the above overview.

Interest rate risks:

The Group's exposure to risk of changes in market interest rates relates primarily to Group's mortgage loan financing, other non-current financial liabilities and its bond holdings. It is the Group's policy to limit fluctuations in interest rate expenses, and maintain a relative high degree of certainty for future interest payments. This is obtained through a diversified loan portfolio, consisting of both fixed and floating rate mortgage loans, in combination with interest rate hedges. The hedged loan portfolio is actively managed by Group Treasury reflecting ongoing risk assessment and expectations for the future development in interest rates.

Notes to the consolidated financial statements

DKK million

16 Financial assets and financial liabilities - continued

Having a longer-term perspective for the mortgage loan portfolio, it is the Group's policy to keep an overall duration target for the mortgage loan portfolio in the range of 4 to 8. The potential impact on the equity ratio will be considered and controlled by balancing the maturity of the hedging instruments.

As at 31 December 2015, after taking into account the effect of interest rate swaps, approximately 74 % of the Group's mortgage loan portfolio are at a fixed rate, compared to 69 % as at 31 December 2014.

A general increase of 1 %-point in interest rates is estimated, all other things being equal, to affect profit before tax by DKK -72 million (DKK -46 million in 2014), and pre-tax equity by DKK 272 million (DKK 366 million in 2014). The direct impact on pre-tax equity is due to changes in the fair value of the interest rate swaps.

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

	Carrying amount	Sensitivity	Profit before tax	Pre-tax equity
31 December 2015				
Securities	4,397	1 %	-20	-20
Mortgage loans and other non-current financial liabilities	20,637	1 %	-92	-92
Cash flow hedges	178	1 %	40	384
Impact			-72	272
31 December 2014				
Securities	1,345	1 %	3	3
Mortgage loans and other non-current financial liabilities	19,226	1 %	-74	-74
Cash flow hedges	220	1 %	25	437
Impact			-46	366

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

For receivable from joint ventures 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 (including the effect of related interest rate swaps):

	Carrying amount	Next interest rate fixing		
		Within 1 year	1 to 5 years	After 5 years
31 December 2015				
0 - 2 %	18,843	10,086	4,107	4,650
2 - 4 %	1,794	-	-	1,794
Total	20,637	10,086	4,107	6,444

Of which:

Bearing fixed interests

50 %

Bearing floating interests

50 %

Notes to the consolidated financial statements

DKK million

16 Financial assets and financial liabilities - continued

31 December 2014	Carrying amount	Next interest rate fixing		
		Within 1 year	1 to 5 years	After 5 years
0 - 2 %	19,226	9,453	5,373	4,400
2 - 4 %	-	-	-	-
Total	19,226	9,453	5,373	4,400

Of which:

Bearing fixed interests	51 %
Bearing floating interests	49 %

Liquidity risks:

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

The Group ensures liquidity through flexibility and diversification of borrowing, maturity and renegotiation time points, as well as counterparts. Flexibility in cash resources ensures that the Group can act appropriately in case of unforeseen changes in liquidity. The liquidity reserves consist of cash, securities and undrawn credit facilities. In both 2015 and 2014 the Group has had no breach of covenants or otherwise been close to breaking the agreed borrowing conditions during the year. The Group assesses the liquidity risk to be low.

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

31 December 2015	Within 1 year	1 to 5 years	After 5 years
	year		
Mortgage loans	283	871	15,860
Bank loans	104	-	-
Obligations under finance leases	2	4	-
Trade and other payables	9,476	7,301	-
Derivatives	63	323	218
Total	9,928	8,499	16,078

31 December 2014	Within 1 year	1 to 5 years	After 5 years
	year		
Mortgage loans	139	542	13,129
Bank loans	872	-	-
Obligations under finance leases	-	1	-
Trade and other payables	8,528	7,670	-
Derivatives	40	211	262
Total	9,579	8,424	13,391

Credit risks:

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Notes to the consolidated financial statements

DKK million

2015 2014

16 Financial assets and financial liabilities - continued

The Group prepares credit ratings of customers and counterparties on a regular basis. Credit risks are managed on the basis of internal credit ratings and credit lines for customers and financial counterparties. The credit lines are determined on the basis of the customers' and counterparties' creditworthiness and local market risks.

The Group is exposed to credit risks from trade receivables, balances with banks in the form of deposits and other financial instruments. The majority of the Group's sales are made in cash, and therefore, the credit risks are very low. The Group reduces its credit risks with banks by only doing business with banks with high credit ratings. Moreover, excess liquidity is deposited with banks or placed in liquid and secure bonds. The bond portfolio consists of a combination of DKK mortgage bonds, DKK governments bond and EUR covered bonds with very high credit rating. The overall portfolio duration is low, approximately 2.

The table below summarises the ageing analysis of trade receivables, which are not impaired:

Not due	63	97
< 30 days past due	20	23
30 to 90 days past due	15	6
90 to 180 days past due	1	2
> 180 days past due	12	1
Total	111	129

17 Deferred tax

Deferred tax relates to the following:

	Consolidated income statement		Consolidated statement of financial position	
	2015	2014	2015	2014
Intangible assets	-18	-30	-519	-484
Property, plant and equipment	38	-9	-2,457	-2,495
Investment property	60	5	-229	-290
Provisions	-10	-14	81	93
Other liabilities	13	1	48	40
Tax loss carryforward	8	26	77	66
Other	-24	-22	-42	-18
Deferred tax expense/income / Net deferred tax	67	-43	-3,041	-3,088

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

Deferred tax assets	251	296
Deferred tax liabilities	-3,292	-3,384
Net deferred tax	-3,041	-3,088

Notes to the consolidated financial statements

DKK million

	2015	2014
17 Deferred tax - continued		
<i>Reconciliation of net deferred tax:</i>		
Opening balance at 1 January	-3,088	-2
Foreign currency translation adjustments	3	-5
Adjustment of deferred tax recognised in the income statement	67	-43
Adjustment of deferred tax recognised in other comprehensive income	-5	14
Deferred tax acquired in business combinations	-18	-3,052
Closing balance at 31 December	-3,041	-3,088

The Group has a deferred tax asset of DKK 52 million at 31 December 2015, which is not recognised in the consolidated statement of financial position (DKK 71 million in 2014). 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.

18 Inventories

Goods held for resale	4,939	4,911
Consumables	30	29
Total inventories	4,969	4,940

In the income statement as part cost of sales DKK 8 million have been recognised regarding write-downs of inventories to net realisable value (DKK 0 million in 2014).

19 Assets classified as held for sale

The major classes of assets classified as held for sale as at 31 December are as follows:

Investment property	107	122
Assets classified as held for sale	107	122

The investment property classified as held for sale is recognised at carrying amount because the fair value less costs to sell of the investment property is higher than the carrying amount.

Notes to the consolidated financial statements

DKK million

	2015	2014
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20 Pensions

The Group has entered into pension schemes and similar arrangements with most of the Group's employees. The majority of the Group's pension schemes are defined contribution plans. For a few former employees and some members of the founders family defined benefit plans exist. Some of the defined benefit plans are time limited, whereas others 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	342	-
Additions through business combinations	-	299
Interest expenses recognised as part of staff expenses	3	8
Actuarial gains / losses, demographic assumptions	4	3
Actuarial gains / losses, financial assumptions	-12	42
Actuarial gains / losses, experience adjustments	1	3
Payments from the plan	-17	-13
Defined benefit obligation at 31 December	321	342

The following significant actuarial assumptions are applied:

Discount rate (%)	1.1 %	1.1 %
Price inflation (%)	1.9 %	2.2 %

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	-17	-19
Decrease of 0.5 % point	19	21

Price inflation:

Increase of 0.5 % point	18	21
Decrease of 0.5 % point	-17	-19

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 2015 is 35 years (36 years in 2014). DKK 17 million is expected to be paid from the plans in 2016.

Notes to the consolidated financial statements

DKK million

21 Provisions

2014:

	Onerous contracts	Insurance	Other	Total
Balance at 1 January 2014	-	-	-	-
Additions through business combinations	96	113	51	260
Provisions made during the year	16	42	21	79
Provisions utilised during the year	-	-22	-5	-27
Reversals during the year	-96	-5	-11	-112
Balance at 31 December 2014	16	128	56	200
Current	6	33	22	61
Non-current	10	95	34	139
Balance at 31 December 2014	16	128	56	200

2015:

	Onerous contracts	Insurance	Other	Total
Balance at 1 January 2015	16	128	56	200
Provisions made during the year	6	26	11	43
Provisions utilised during the year	-6	-25	-11	-42
Reversals during the year	-	-4	-6	-10
Balance at 31 December 2015	16	125	50	191
Current	7	21	12	40
Non-current	9	104	38	151
Balance at 31 December 2015	16	125	50	191

The provision for onerous contracts comprises provision for leasing contracts, in which the unavoidable costs of meeting the obligations under the contracts exceed the economic benefits expected to be received under them. The provision is calculated as the least net cost of exiting from the contracts, which is the lower of the cost of fulfilling the contracts and any compensation or penalties arising from failure to fulfil them. The provision is discounted based on periods covered by the contracts, and DKK 0 million is expected to fall due after more than 5 years (DKK 0 million in 2014).

The insurance provision comprises the estimated expenditure based on actuarial calculations that the Group expects to incur. The insurance provision is based on insured events that have taken place before year end. The estimate includes the direct and indirect amounts that the Group expects to pay to settle the outstanding claims. The provision is discounted based on estimates of the payment period, and DKK 50 million is expected to fall due after more than 5 years (DKK 50 million in 2014).

Other provisions comprise a provision for warranties, a provision for jubilee benefits and a provision for pending lawsuits. The warranty provision is recognised upon a sale of a product for which the Group is liable for future warranty costs. Initial recognition is based on historical experience. The existing provision will expire in 2032. The provision for jubilee benefits concerns the Danish employees, and is estimated based on the expected jubilees for current employees. Of the provision DKK 18 million is expected to fall due after more than 5 years (DKK 18 million in 2014). No further information is provided regarding the provision for pending lawsuits as the information might harm the Group's position.

Notes to the consolidated financial statements

DKK million

	2015	2014
22 Adjustments		
Financial income	-400	-50
Financial expenses	354	172
Amortisation and impairment of intangible assets	3,798	146
Depreciation and impairment of property, plant and equipment	1,305	882
Depreciation and impairment of investment property	72	48
Gain on sale of non-current assets, etc., net	2	-97
Share of profit/loss of associates, net of tax	-	-60
Share of profit of joint ventures, net of tax	82	29
Other operating income and expenses	12	-7,898
Other adjustments	-24	-223
Adjustments	<u>5,201</u>	<u>-7,051</u>
23 Change in working capital		
Change in trade and other receivables and prepayments	-163	-331
Change in inventories	16	13
Change in trade and other payables	<u>1,013</u>	<u>1,602</u>
Change in working capital	<u>866</u>	<u>1,284</u>

Notes to the consolidated financial statements

DKK million

	2015	2014
24 Acquisition of subsidiaries, net of cash received		
For a description of the acquisition of subsidiaries please refer to note 28.		
Intangible assets	100	2,825
Property, plant and equipment	-	29,370
Investment property	-	1,968
Deferred tax assets	-	292
Inventory	33	4,627
Receivables	11	1,782
Securities	-	443
Cash and bank balances	6	1,366
Total assets	150	42,673
Deferred tax liability	18	3,344
Pensions	-	299
Provisions	-	260
Mortgage loans	-	13,182
Bank loans	10	536
Payables	48	8,609
Total liabilities	76	26,230
Total identifiable net assets at fair value	74	16,443
Non-controlling interests measured at fair value	-	-5,428
Fair value of the existing interests on acquisition of control	-	-9,326
Fair value of the interests acquired by F. Salling Holding A/S before being part of the consolidated amounts	-	-6,885
Goodwill arising on acquisition	252	11,722
Purchase consideration transferred	326	6,526
Cash	320	6,526
Contingent consideration arrangement	6	-
Total	326	6,526
Net cash acquired with the subsidiary	-4	830
Cash paid	-320	-6,526
Net cash flow on acquisition	-324	-5,696
25 Cash and cash equivalents		
Securities	-	776
Cash and bank balances	1,693	1,804
Current liabilities - bank loans	-104	-872
Cash and cash equivalents available to the Group	1,589	1,708

Notes to the consolidated financial statements

DKK million

	2015	2014
26 Contingent liabilities and other financial commitments		
<i>Operating leases, the Group is lessee:</i>		
The Group has entered into operating leases with external parties regarding a number of stores, warehouses and some operational equipment. The leases have terms of between 1 month and 63 years. Under some of the leases the Group has the option to continue the lease of the assets beyond the agreed upon lease terms. The lease arrangements impose no restrictions on the Group.		
Future minimum rentals payable under non-cancellable operating leases are as follows:		
Within 1 year	509	453
1 to 5 years	890	659
After 5 years	530	397
Total	1,929	1,509
Future minimum sublease payments expected to be received under non-cancellable subleases	180	166
Minimum lease payments recognised as operating lease expenses	523	372
Sublease payments recognised as a reduction of operating lease expenses	69	47

Finance leases, the Group is lessee:

The Group's finance leases consist of leasing of a number of cars in the Polish subsidiary. The Group's obligations under finance leases are secured by the lessor's title to the leased assets. Future minimum lease payments under finance leases, together with the present value of the net minimum lease payments are as follows:

	2015		2014	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within 1 year	2	1	-	-
1 to 5 years	4	3	1	1
Total	6	4	1	1

The difference between the minimum payments and the present value of payments (DKK 2 million in 2015 and DKK 0 million in 2014) represents the finance charges.

Notes to the consolidated financial statements

DKK million

2015 2014

26 Contingent liabilities and other financial commitments - continued

Operating leases, the Group is lessor:

The Group leases a number of properties, shops and flats as operating leases to external parties. The leases have terms of between 2 months and 24 years. Under some of the leases the external parties have the option to continue the lease of the assets beyond the agreed upon lease terms.

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

Within 1 year	219	227
1 to 5 years	303	303
After 5 years	122	83
Total	644	613

Other contingent liabilities and financial commitments:

The Group has entered into contractual commitments regarding acquisition and construction of property, plant and equipment of a total of DKK 305 million (DKK 972 million in 2014).

The Group has entered into contractual commitments regarding acquisition of intangible assets of a total of DKK 1 million (DKK 34 million in 2014).

As security for mortgage loans land and buildings with a carrying amount of DKK 19,693 million have been provided as collateral (DKK 15,280 million in 2014).

The Danish companies in the Group excl. F. Salling Holding A/S are part of the joint registration regarding payment of VAT, PAYE taxes etc. and are thus jointly liable for the total liability of DKK 418 million at 31 December 2015 (DKK 405 million in 2014).

The Danish companies in Købmand Herman Sallings Fond Group are jointly taxed. As jointly taxed companies, which are not wholly owned, the companies in the Dansk Supermarked A/S subgroup have limited and subsidiary liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties within the joint taxation group. However, Dansk Supermarked A/S' subsidiaries have joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties within the Dansk Supermarked A/S subgroup. 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 companies' liability will increase.

As at 31 December 2015 no REPO-transactions exist. In connection with REPO-transactions, bonds at an amount of DKK 776 million was provided as collateral for credit institutions as at 31 December 2014.

Guarantees of DKK 97 million have been provided to external parties regarding subsidiaries' leasing obligations (DKK 97 million in 2014).

Notes to the consolidated financial statements

DKK million

	2015	2014
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27 Related party disclosures

Transactions between Købmand Herman Sallings Fond and its subsidiaries have been eliminated in the consolidated financial statements and are not disclosed in this note.

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

Associates:

Dividends received	-	2,951
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Other related parties:

Interests received	-	7
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Joint ventures:

Sales of goods and services to joint ventures	15	6
Leasing income or expense	-2	-

All outstanding balances with related parties as at 31 December are presented in note 16. All outstanding balances carry interest and are to be settled in cash within 1 year unless otherwise specified in note 16.

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

Key management personnel

For a description of the key management personnel and an overview of the key management personnel remuneration please refer to note 15 in the notes to Købmand Herman Sallings Fond's financial statements.

28 Business combinations

During 2015 Dansk Supermarked A/S has acquired controlling interests in 2 companies: wupti.com A/S and Thomberg ApS. Dansk Supermarked A/S acquired 100 % of the issued share capital and voting rights in the 2 companies. wupti.com A/S was acquired 21 July 2015, and Thomberg ApS was acquired 31 August 2015.

wupti.com A/S is one of Denmark's largest online-shops for home electronics, and Dansk Supermarked Group intends to continue running wupti.com along side the Group's other online-activities. Thomberg ApS is the entrepreneurial company behind the home page lposen.dk. The company is in the market for service providers of groceries. The Group has acquired the company in order to gain access to the fragmented municipal market, and in the future possibly also day-care facilities and schools. The goodwill recognised comprise the synergies from the business combinations. The goodwill is not expected to be deductible for income tax purposes.

Notes to the consolidated financial statements

DKK million

28 Business combinations - continued

The purchase consideration transferred consists partly of cash and partly of a contingent consideration (fair value at the acquisition date DKK 6 million). The contingent consideration is dependent on the revenue of the acquiree during 2016 - 2019 and on the continued employment of the founders of the acquiree in the same period. The payment, if any, of the contingent consideration will take place during 2017 - 2020.

As at 11 April 2014 F. Salling Holding A/S purchased 24.43 % and F. Salling Invest A/S purchased 24.25 % of the shares in Dansk Supermarked A/S, after which the companies owned 81 % of the shares. Due to agreements entered into F. Salling Holding A/S and F. Salling Invest A/S were both considered to have significant influence in Dansk Supermarked A/S before 11 April 2014, despite owning 15.57 % and 16.75 % of the shares respectively.

As at 11 April 2014 F. Salling Holding A/S purchased 19 % of the shares in F. Salling A/S, after which the company owned 81 % of the shares. At the same time, the agreement that transferred the controlling interest in F. Salling A/S to A. P. Møller - Mærsk A/S was annulled, after which F. Salling A/S became a subsidiary of F. Salling Holding A/S. Due to agreements entered into F. Salling Holding A/S was considered to have significant influence in F. Salling A/S before 11 April 2014, despite owning 62 % of the shares.

The acquisitions resulted in the gaining controlling interest in Dansk Supermarked A/S and F. Salling A/S within the Group.

Both business combinations were step acquisitions, and the previously held shares in Dansk Supermarked A/S and F. Salling A/S were remeasured at the acquisition-date fair value and the resulting gain recognised in the income statement as part of other operating income.

The put option regarding the non-controlling interest of 19 %, which is owned by A.P. Møller Mærsk A/S, is treated in accordance with the anticipated acquisition method according to which no non-controlling interests are recognised.

As at 21 December 2015 the shares in F. Salling A/S was transferred to Dansk Supermarked A/S as part of an exchange of shares, in which the share capital in Dansk Supermarked A/S was increased and transferred to the previous owners of F. Salling A/S.

29 Capital management

Købmand Herman Sallings Fond Group ensures the continuity within Dansk Supermarked A/S and affiliated companies. Distributions are based on the financial strength of Købmand Herman Sallings Fond Group taking the liquidity situation into account.

Købmand Herman Sallings Fond Group manages its capital to ensure that the entities in Købmand Herman Sallings Fond Group will be able to continue as going concerns while maximising the return to the shareholders through the optimisation of the debt and equity balance. For the purpose of Købmand Herman Sallings Fond Group's capital management, capital includes total equity.

Købmand Herman Sallings Fond Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants.

Notes to the consolidated financial statements

DKK million

29 Capital management - continued

In order to achieve this overall objective, Købmand Herman Sallings Fond Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to bank facilities. Breaches in meeting the financial covenants could permit the bank to call the bank facilities. There have been no breaches of the financial covenants in the current or previous periods.

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

30 Events after the reporting period

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

31 Standards issued but not yet effective

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

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