

Købmand Herman Sallings Fond

Annual Report 2021

Rosbjergvej 33-35
DK-8220 Brabrand
CVR no. 53520413

The annual report
has been presented and
approved at the board meeting
of the foundation at 24/5 2022

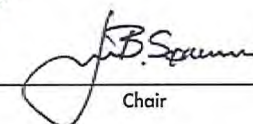

Chair



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Management's review

Financial highlights for the Group

DKK million

	2021	2020	2019	2018 ²⁾	2017 ^{1,2)}
Total revenue	66,200	60,854	56,688	55,850	58,688
Operating profit (EBIT)	2,462	2,333	1,800	1,568	1,045
Financial items, net	-454	-466	-544	-248	-1,221
Profit for the year from continuing operations	1,570	1,487	971	1,025	-
Profit/loss for the year from discontinued operations	-	-	714	-50	-
Total profit/loss for the year	1,570	1,487	1,685	975	-375
Total assets	57,469	54,768	53,265	49,577	49,738
Total equity	24,351	22,943	21,828	20,205	19,556
Purchase of property, plant and equipment	2,081	1,911	1,489	1,233	1,276
Operating margin	3.7 %	3.8 %	3.2 %	2.8 %	1.8 %
Return on equity	6.6 %	6.6 %	8.0 %	4.9 %	-1.9 %

Definitions:

Operating margin is operating profit (EBIT) divided by total revenue.

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

¹⁾ Discontinued operations are included in all the main and key figures for the financial year 2017 presented above. Thus, the main and key figures for the financial year 2017 are not comparable to the main and key figures for the financial years 2018 - 2021.

²⁾ The main and key figures for the financial years 2017 - 2018 have not been adjusted to reflect the changed accounting principles resulting from the implementation of IFRS 16 regarding leases in the Group, as the changes have been implemented retrospectively but with the cumulative effect of initially applying the new standard recognised on 1 January 2019. The comparative figures have not been restated as permitted by the specific transition provisions in the standard.

Købmand Herman Sallings Fond – the foundation

Primary business area

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

The purpose of the foundation is to own, protect and develop the strength and continuity of Salling Group. In addition to this the foundation also has 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 and additional requirements in the Danish Financial Statements Act.

In 2021 the foundation has realised a profit for the year of TDKK 363,596 against a profit for the year of TDKK 164,802 in 2020. The profit for the year in 2021 is higher than the profit for the year in 2020 due to the fact that the foundation has received a higher dividend from the subsidiary F. Salling Invest A/S in 2021 than in 2020. The profit for the year for 2021 is in line with the expectations.

Distributions

For information about the foundations distribution policies, please refer to <https://sallingfondene.dk/om-fondene/rapporter/kobmand-herman-sallings-fond-uddelingspolitik-2022/>

A total of TDKK 192,289 (2020: TDKK 114,021) 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 13,069 and ecclesiastical, sport, cultural and other worthy causes TDKK 179,220. Distributions from previous years of TDKK 12,048 (2020: TDKK 4,141) have been reversed.

Management's review

Købmand Herman Sallings Fond – the foundation

Description of good foundation management

The foundation complies with most of the provisions for good foundation management. For further information, please refer to <https://sallingfondene.dk/om-fondene/rapporter/2022-lovligtig-redegoerelse-for-god-fondsledelse-for-regnskabsperioden-01012021-31122021/>

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 and subsequent events

The foundation expects that the profit for the year 2022 will be at the same level as in 2020, as no extra dividend payment is expected in 2022.

No subsequent events have occurred that affect the annual report for 2021.

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 and Poland.

Development during the financial year

The annual report for Købmand Herman Sallings Fond – the Group is presented in accordance with the provisions of the International Financial Reporting Standards (IFRS) as adopted by the EU.

In June 2020 the subsidiary, Salling Group A/S, announced the largest acquisition in the history of the Group, when the acquisition of the UK retail business Tesco's Polish activities was announced. The deal was completed on 16 March 2021.

Operating profit (EBIT) for 2021 amounts to DKK 2,462 million compared to DKK 2,333 million in 2020. Profit before tax is DKK 2,008 million compared to DKK 1,867 million in 2020. Total profit for the year for 2021 is DKK 1,570 million compared to DKK 1,487 million in 2020.

The result of the underlying operations for 2021 is in accordance with expectations.

Købmand Herman Sallings Fond – the Group

Social responsibility, data ethics and diversity in management

Købmand Herman Sallings Fond does not have policies regarding social responsibility or data ethics, as the foundation has not identified any material risks within the areas of human rights, environment, social and employee conditions and anti-corruption. Furthermore, there has been no non-financial material risks related to the COVID-19 pandemic. Also, the foundation does not have a data ethics policy, as the foundation has not identified any material risks related to the foundation's processing and storage of data.

The primary activity of the foundation is the owning of shares in Salling Group and the charitable purposes. The Group as a whole does not have policies regarding social responsibility or data ethics either, as the primary activity within the Group takes place in the Group's subsidiaries. The subsidiary in the Group, Salling Group A/S, has policies regarding social responsibility and prepares a report on social responsibility in connection with the annual report. Salling Group A/S also has a data ethics policy, which is available on the company's home page.

In Købmand Herman Sallings Fond the target figure for the share of the underrepresented gender in the Board of Directors is 40 % meaning that two of the members of the Board of Directors must be of one gender and three of the members must be of the other gender. At the end of 2021 the target is not met, as only 1 of the members of the Board of Directors is a woman. Købmand Herman Sallings Fond will work towards achieving the target figure and recognises the benefits of a diverse board, but the Board of Directors believes that the board members should always be chosen based on their overall competences.

Particular risks

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

Expected development and subsequent events

The Group expects, that the result before tax for 2022 in Salling Group A/S will be below the result before tax for 2021. As a consequence total profit for the year in the Group for 2022 is expected to be below total profit for the year for 2021.

No subsequent events have occurred that affect the annual report for 2021.

Statements

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 2021.

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

It is our opinion that the 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 assets, liabilities and financial position at 31 December 2021 and of the results of the Group's and the foundation's operations and cash flows for the financial year 1 January – 31 December 2021.

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, 24 May 2022

Board of Directors



Jens Bjerg Sørensen
Chairman



Karin Salling



Nils S. Andersen



Michael Holm



Carsten Lorentzen

Independent auditor's report

To the Board of Directors of Købmand Herman Sallings Fond

Opinion

We have audited the consolidated financial statements and the financial statements of Købmand Herman Sallings Fond for the financial year 1 January – 31 December 2021, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group and 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 requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the financial statements of Købmand Herman Sallings Fond give a true and fair view of the financial position of the Group and the foundation at 31 December 2021 and of the results of the Group's and the foundation's operations and cash flows for the financial year 1 January – 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for opinion

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

Independence

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

Statements

Independent auditor's report

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Management's responsibilities for the financial statements

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

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

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the foundation to cease to continue as a going concern.

Statements

Independent auditor's report

- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Aarhus C, 24 May 2022

EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28


JBS Lauritzen
State Authorised Public Accountant
mhe10121


Jonas Busk
State Authorised Public Accountant
mne42771



Købmand Herman Sallings Fond - Financial statements



Købmand Herman Sallings Fond

Income statement

Amounts in TDKK

Notes	2021	2020
4 Staff expenses	-2,050	-1,700
External expenses	-3,530	-2,840
Operating loss (EBIT)	-5,580	-4,540
5 Financial income	369,811	169,811
6 Financial expenses	-635	-469
Total profit for the year	363,596	164,802
Proposal for distribution of profit for the year:		
Transferred to distribution reserve	370,000	162,000
Transferred to available capital	-6,404	2,802
Total profit for the year	363,596	164,802

Statement of other comprehensive income

Amounts in TDKK

Profit for the year	363,596	164,802
Other comprehensive income for the year, net of income tax	-	-
Total comprehensive income for the year	363,596	164,802

Købmand Herman Sallings Fond - Financial statements

Købmand Herman Sallings Fond Statement of financial position

Amounts in TDKK

Assets		2021	2020
Notes			
	Non-current assets		
	Financial assets		
7	Investments in subsidiaries	17,834	17,834
	Total financial assets	17,834	17,834
	Total non-current assets	17,834	17,834
	Current assets		
	Receivables		
	Prepayments	-	142
8	Other current financial assets	535,957	405,223
	Total receivables	535,957	405,365
8	Cash and short-term deposits	43,579	23,058
	Total current assets	579,536	428,423
	Total assets	597,370	446,257

Købmand Herman Sallings Fond Statement of financial position

Amounts in TDKK

Equity and liabilities		2021	2020
Notes			
	Equity		
	Registered capital	22,219	22,219
	Available capital	12,866	19,270
	Distribution reserve	257,458	67,699
	Total equity	292,543	109,188
	Liabilities		
	Current liabilities		
8	Other current financial liabilities	460	300
8	Trade payables	18	-
8	Other payables	304,349	336,769
	Total current liabilities	304,827	337,069
	Total liabilities	304,827	337,069
	Total equity and liabilities	597,370	446,257

Købmand Herman Sallings Fond - Financial statements

Købmand Herman Sallings Fond Cash flow statement

Amounts in TDKK

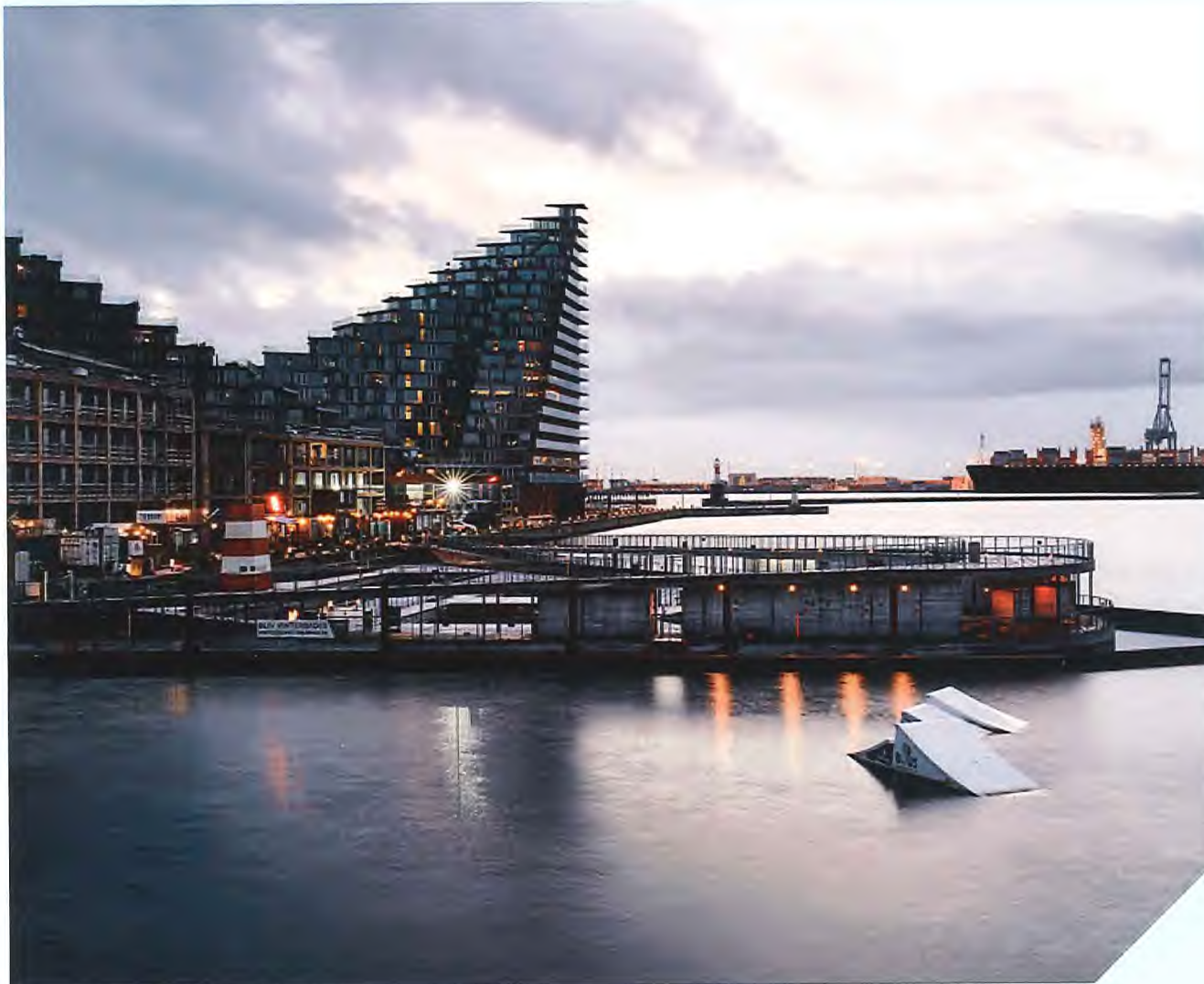
Notes	2021	2020
Profit before tax	363,596	164,802
9 Adjustments	-369,176	-169,342
10 Change in working capital	258	156
Net cash flows from operating activities before financial items and tax	-5,322	-4,384
Financial expenses paid	-370	-693
Net cash flows from operating activities	-5,692	-5,077
Dividends received	369,811	169,811
Net cash flows from investment activities	369,811	169,811
8 Net payments to subsidiaries	-130,840	-45,438
Net cash flows from financing activities	-130,840	-45,438
Distributions paid	-212,758	-125,633
Net change in cash and cash equivalents	20,521	-6,337
Cash and cash equivalents at 1 January	23,058	29,395
11 Cash and cash equivalents at 31 December	43,579	23,058

Købmand Herman Sallings Fond Statement of changes in equity

Amounts in TDKK

	Registered capital	Available capital	Distribution reserve	Total equity
2020:				
Equity at 1 January 2020	22,219	16,468	15,579	54,266
Profit for the year	-	2,802	162,000	164,802
Total comprehensive income for the year	-	2,802	162,000	164,802
Approved distributions	-	-	-114,021	-114,021
Reversed distributions payable	-	-	4,141	4,141
Other transactions	-	-	-109,880	-109,880
Equity at 31 December 2020	22,219	19,270	67,699	109,188
2021:				
Equity at 1 January 2021	22,219	19,270	67,699	109,188
Profit for the year	-	-6,404	370,000	363,596
Total comprehensive income for the year	-	-6,404	370,000	363,596
Approved distributions	-	-	-192,289	-192,289
Reversed distributions payable	-	-	12,048	12,048
Other transactions	-	-	-180,241	-180,241
Equity at 31 December 2021	22,219	12,866	257,458	292,543

Købmand Herman Sallings Fond – Financial statements



Købmand Herman Sallings Fond Summary of notes to the financial statements

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

Notes to the income statement

- 4 Staff expenses
- 5 Financial income
- 6 Financial expenses

Notes to the statement of financial position

- 7 Investments in subsidiaries
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- 10 Change in working capital
- 11 Cash and cash equivalents

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- 15 Capital management
- 16 Events after the reporting period
- 17 Standards issued but not yet effective

Købmand Herman Sallings Fond – Financial statements

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 on 30 December 1964 by the founder of Salling Group A/S, Herman Christian Salling, with the aim of ensuring the development of Salling Group A/S and its affiliated companies.

The purpose of the foundation is to own, protect and develop the strength and continuity of Salling Group. In addition to this the foundation also has 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 - 35, 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 (DKK). The presentation currency of the financial statements of Købmand Herman Sallings Fond is Danish kroner (DKK). All amounts have been rounded to the nearest thousand DKK, unless otherwise indicated.

3 Significant accounting judgements, estimates and assumptions

No significant accounting judgements, estimates and assumptions are made in relation to the financial statements of Købmand Herman Sallings Fond.

Købmand Herman Sallings Fond Notes to the financial statements

Amounts in TDKK

4 Staff expenses

	2021	2020
Fee, Board of Directors	2,050	1,700
Total staff expenses	2,050	1,700
Average number of full-time employees	-	-

5 Financial income

Dividends received	369,811	169,811
Total financial income	369,811	169,811

6 Financial expenses

Interest expense paid to banks	120	233
Interest expense on loans from related parties	20	41
Interest expense on loans to related parties	494	195
Other financial expenses	1	-
Total financial expenses	635	469

7 Investments in subsidiaries

Cost		
Balance at 1 January	17,834	17,834
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.

Købmand Herman Sallings Fond – Financial statements

Købmand Herman Sallings Fond Notes to the financial statements

Amounts in TDKK

8 Financial assets and financial liabilities

	Carrying amount		Fair value	
	2021	2020	2021	2020
<i>Financial assets comprise the following:</i>				
Receivables from subsidiaries	535,957	405,223	535,957	405,223
Other current financial assets	535,957	405,223	535,957	405,223
Cash and short-term deposits	43,579	23,058	43,579	23,058
<i>Financial liabilities comprise the following:</i>				
Payables to subsidiaries	460	300	460	300
Other current financial liabilities	460	300	460	300
Trade payables	18	-	18	-
Distributions payable	302,100	334,618	302,100	334,618
Other payables	2,249	2,151	2,249	2,151
Other payables	304,349	336,769	304,349	336,769

Financial instruments by category

Financial assets at amortised cost:			
Other financial assets		535,957	405,223
Cash and short-term deposits		43,579	23,058
Financial liabilities measured at amortised cost:			
Other financial liabilities		460	300
Trade payables		18	-
Other payables		304,349	336,769

Købmand Herman Sallings Fond Notes to the financial statements

Amounts in TDKK

8 Financial assets and financial liabilities - continued

Fair value

For cash and short-term deposits, 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.

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 risks compared to 2020.

For an in depth description of the policies for managing risks please refer to note 15 in the notes to the consolidated financial statements.

Currency risks

There is 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.

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 3,124 (TDKK 3,001 in 2020).

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

31 December 2021	Carrying amount	Sensitivity	Profit before tax	Pre-tax equity
Other current financial assets	535,957	1 %	3,128	3,128
Other current financial liabilities	460	1 %	-4	-4
Impact			3,124	3,124

Købmand Herman Sallings Fond – Financial statements

Købmand Herman Sallings Fond Notes to the financial statements

Amounts in TDKK

8 Financial assets and financial liabilities - continued

31 December 2020	Carrying amount	Sensitivity	Profit before tax	Pre-tax equity
Other current financial assets	405,223	1 %	3,004	3,004
Other current financial liabilities	300	1 %	-3	-3
Impact			3,001	3,001

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

For receivables 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 counterparties. 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 if any. 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 flows can differ from both the carrying amount and the fair value. Floating rate interest is estimated using the prevailing rate at the balance sheet date.

31 December 2021	Carrying amount	Within 1 year	1 to 5 years	After 5 years
Other current financial liabilities	460	460	-	-
Trade and other payables	304,367	204,811	99,556	-
Total, current liabilities	304,827	205,271	99,556	-

Købmand Herman Sallings Fond Notes to the financial statements

Amounts in TDKK

8 Financial assets and financial liabilities - continued

31 December 2020	Carrying amount	Within 1 year	1 to 5 years	After 5 years
Other current financial liabilities	300	300	-	-
Trade and other payables	336,769	184,378	152,391	-
Total, current liabilities	337,069	184,678	152,391	-

Credit risks

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument leading to a financial loss. Købmand Herman Sallings Fond is exposed to credit risk from its receivables and its financing activities, including deposits with banks. Købmand Herman Sallings Fond reduces its credit risks with banks by only doing business with banks with high credit ratings. No allowance for impairment of receivables is recognised, as the allowance regarding the financial assets is immaterial.

Changes in assets and liabilities arising from financing activities

2021:	1 January 2021	Cash flows	Other	31 December 2021
Other current financial assets	405,223	131,000	-266	535,957
Other current financial liabilities	-300	-160	-	-460
Total change in assets and liabilities from financing activities	404,923	130,840	-266	535,497

2020:	1 January 2020	Cash flows	Other	31 December 2020
Other current financial assets	359,261	45,738	224	405,223
Other current financial liabilities	-	-300	-	-300
Total change in assets and liabilities from financing activities	359,261	45,438	224	404,923

Købmand Herman Sallings Fond – Financial statements

Købmand Herman Sallings Fond Notes to the financial statements

Amounts in TDKK

	2021	2020
9 Adjustments		
Financial income	-369,811	-169,811
Financial expenses	635	469
Adjustments	-369,176	-169,342
10 Change in working capital		
Change in prepayments	142	-142
Change in trade and other payables (excl. distributions payable)	116	298
Change in working capital	258	156
11 Cash and cash equivalents		
Cash and short-term deposits	43,579	23,058
Cash and cash equivalents	43,579	23,058

12 Income tax and deferred tax

No income tax is recognised in the income statement, and no income tax receivable or payable or deferred tax is recognised in the balance sheet.

Reconciliation of income tax recognised in the income statement

	2021		2020	
	DKK	%	DKK	%
Tax on result for the year at the Danish income tax rate	-79,991	22.0 %	-36,256	22.0 %
Non-taxable income	81,358	-22.4 %	37,358	-22.7 %
Not recognised tax loss carry forwards	-1,367	0.4 %	-1,102	0.7 %
Income tax recognised in the income statement	-	0.0 %	-	0.0 %

Købmand Herman Sallings Fond Notes to the financial statements

Amounts in TDKK

	2021	2020
12 Income tax and deferred tax - continued		
Both as at 31 December 2020 and 31 December 2021 Købmand Herman Sallings Fond has a deferred tax asset related to unused tax losses, which is not recognised in the statement of financial position, due to the fact that Købmand Herman Sallings Fond does not expect future taxable profits against which the unused tax losses can be utilised.		
13 Contingent liabilities and other financial commitments		
As at 31 December 2020 Købmand Herman Sallings Fond had signed a letter of intent stating its intention to, during an undefined number of years, decide to distribute up to DKK 250 million to a major project in Aarhus, if a number of prerequisites are fulfilled. As at 31 December 2021 the letter of intent still exists.		
As at 31 December 2021 Købmand Herman Sallings Fond has signed letters of intent stating its intention to in 2022 decide to distribute up to a total of DKK 30 million to 3 minor project in Aarhus, if a number of prerequisites are fulfilled.		
14 Related party disclosures		

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

Subsidiaries:

Purchase of goods and services	2,356	1,750
Interests paid	514	236
Dividends received	369,811	169,811
Distributions paid	-1,334	-12,828

Købmand Herman Sallings Fond – Financial statements

Købmand Herman Sallings Fond Notes to the financial statements

Amounts in TDKK

2021 2020

14 Related party disclosures - continued

All outstanding balances with related parties as at 31 December are presented in note 8. All outstanding balances carry interest and are to be settled in cash within 1 year unless otherwise specified in note 8.

None of the outstanding balances are secured, and no provisions are held against the balances as at 31 December 2021 (DKK 0 in 2020). No expense has been recognised in 2021 or 2020 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	2,050	1,700
Total remuneration	2,050	1,700

Købmand Herman Sallings Fond Notes to the financial statements

Amounts in TDKK

14 Related party disclosures - continued

	Jens Bjerg Sørensen	Karin Salling	Nils S. Andersen
Position	Chairman	Vice chairman	Board member
Gender, age, appointment period and independency	Male, 64 (born in 1957). Appointment period 2009 - 2022. Not considered independent	Female, 78 (born in 1943). Appointment period 1978 - lifelong according to foundation charter. Not considered independent	Male, 63 (born in 1958). Appointment period 2014 - 2022. Not considered independent
Other managerial positions:			
Chairman	Danfoss A/S, BioMar Group A/S, GPV International A/S, HydraSpecma A/S, Borg Automotive A/S, A. Kirk A/S		Unilever PLC, AkzoNobel N/V, Worldwide Flight Services, WWF Verdensnaturfonden
Vice chairman	Salling Group A/S, Fibertex Nonwovens A/S, Fibertex Personal Care A/S	Købmand Ferdinand Salling Mindefond	
Board member	Købmand Ferdinand Sallings Mindefond, Aida A/S, Ejendomsselskabet FMJ A/S, F.M.J. A/S, Bitten og Mads Clausens Fond, Per Aarsleff Holding A/S	Tivoli Friheden A/S	
Positions on executive boards	CEO at Aktieselskabet Schouw & Co., Jens Bjerg Sørensen Datterholding 1 ApS, Jens Bjerg Sørensen Holding ApS		
Other managerial positions			Non-Executive Director
Special competences	Appointed due to special managerial qualifications to handle the foundation's business purpose. Meets the requirement of close connection to Aarhus. Experience in board work, management and innovation among others in large, international corporations. Thorough knowledge of the activities within Salling Group.	Appointed to handle the foundation's distribution purpose. Experience in board work, handling of distribution purposes and close connection to the local circles within church, culture, sports etc. Thorough knowledge of Salling Group's business, practices and history.	Appointed due to special managerial qualifications to handle the foundation's business purpose. Experience in board work and management among others in large, international corporations.

Købmand Herman Sallings Fond – Financial statements

Købmand Herman Sallings Fond Notes to the financial statements

Amounts in TDKK

14 Related party disclosures - continued

	Michael Holm	Carsten Lorentzen
Position	Board member	Board member
Gender, age, appointment period and independency	Male, 64 (born in 1957). Appointment period 2018 - 2022. Considered independent	Male, 65 (born in 1956). Appointment period 2015 - 2023. Considered independent
Other managerial positions:		
Chairman		Ørnstrand Holding A/S, Jacob Lee Ørnstrand Holding A/S, Aktieselskabet Århus af 1. Oktober 1992, Benjamin Capital ApS, Poul-Jørn Holding ApS, JACO supermarkeder A/S, ROOV ApS, 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, Holmstrupgårdvej ApS, JNRP Invest A/S, Lindberg Optik A/S, Per N. Ørnstrand A/S, Jacob Holding I ApS, Jacob PNO Holding A/S, New Impact Holding A/S
Vice chairman	Jyllands-Postens Fond, Digital Research Centre Denmark – DIREC	
Board member	Copenhagen Optimization ApS, Jyllands-Posten Holding A/S, Ejendomsselskabet Moesgård A/S, Den selvejende institution Moesgaard Museum	Benjamin Holding A/S, Formula Automobile A/S, Pam Holding A/S, Medital A/S, PHIRIK ApS, Søholt Hovedgård A/S, Bell Xpress A/S, Formula Leasing A/S, MF Hansen Holding ApS, Formula Holding 2017 A/S, Give Sværgods A/S, Intracair ApS, Pantus ApS
Positions on executive boards	CEO at Systematic A/S, Systematic Holding ApS, Michael Holm Holding ApS, Kristian Salling Holding ApS, Kaare Salling Holm Aps, Kasper Kielsgaard Holm ApS, Kathrine Kielsgaard Holding Aps, Klaus Kielsgaard Holding ApS, Michael Holm Holding II ApS	Partner, Lawyer, DLA Piper Denmark Advokatpartnerselskab, Medital A/S, CLO 2018 ApS, LKC Holding 2020 ApS, LKC Invest ApS
Other managerial positions	DI FAD, DI Digital, DI Fremstillingsindustrien, DI Hovedbestyrelse	Positions as liquidator are not included
Special competences	Appointed to handle the foundation's business purpose. Experience in management, strategy, corporate governance and finance.	Appointed to handle the foundation's distribution purpose. Meets the requirement of close connection to Aarhus. Experience in corporate law and board work.

Købmand Herman Sallings Fond Notes to the financial statements

Amounts in TDKK

15 Capital management

For a description of the capital management please refer to note 28 in the notes to the consolidated financial statements.

16 Events after the reporting period

No subsequent events have occurred that affect the annual report for 2021.

17 Standards issued but not yet effective

For a description of standards issued but not yet effective please refer to note 30 in the notes to the consolidated financial statements.

**Købmand Herman Sallings Fond – the Group
Consolidated financial statements**

Consolidated financial statements

Consolidated income statement

DKK million

Notes	2021	2020
Revenue from contracts with customers	65,759	60,489
Other revenue	441	365
4 Total revenue	66,200	60,854
Cost of sales	-47,285	-43,794
Gross profit	18,915	17,060
5 Staff expenses	-8,690	-7,847
6 External expenses	-5,238	-4,514
Operating profit before depreciation, amortisation and impairment losses before special items (EBITDA before special items)	4,987	4,699
Depreciation, amortisation and impairment losses	-2,768	-2,363
Net gain/loss on disposal of investment properties, property, plant and equipment and intangible assets	42	-3
7 Special items	201	-
Operating profit (EBIT)	2,462	2,333
8 Financial income	97	38
9 Financial expenses	-551	-504
Profit before tax	2,008	1,867
10 Income tax	-438	-380
Total profit for the year	1,570	1,487
Attributable to:		
Distribution reserve	370	162
Købmand Herman Sallings Fond (retained earnings)	964	1,102
Non-controlling interests	236	223
Total profit for the year	1,570	1,487

Consolidated statement of other comprehensive income

DKK million

Notes	2021	2020
Profit for the year	1,570	1,487
Other comprehensive income, net of tax:		
Items that will not be reclassified to the consolidated income statement:		
10 Remeasurement of defined benefit plans	-3	2
	-3	2
Items that subsequently are or may be reclassified to the consolidated income statement:		
10 Exchange differences on translating foreign operations	-68	-271
10 Cash flow hedges, value adjustment for the year	42	-43
10 Cash flow hedges, reclassified to financial expenses	78	80
	52	-234
Other comprehensive income for the year, net of tax	49	-232
Total comprehensive income for the year	1,619	1,255
Attributable to:		
Distribution reserve	370	162
Købmand Herman Sallings Fond	1,005	905
Non-controlling interests	244	188
Total comprehensive income for the year	1,619	1,255

Consolidated financial statements

Consolidated statement of financial position

DKK million

Assets		2021	2020
Notes			
Non-current assets			
11	Intangible assets		
	Goodwill	7,496	7,570
	Software	844	842
	Software development in progress	84	155
	Brands	1,296	1,342
	Other intangible assets	38	42
	Total intangible assets	9,758	9,951
12	Property, plant and equipment		
	Land and buildings	26,321	24,026
	Fixtures and fittings, tools and equipment	2,668	2,224
	Leasehold improvements	705	498
	Assets under construction and prepayments	285	274
	Total property, plant and equipment	29,979	27,022
13	Right-of-use assets		
	Land and buildings	5,586	4,808
	Fixtures and fittings, tools and equipment	69	82
	Total right-of-use assets	5,655	4,890
14	Investment properties	847	873
Financial assets			
15	Other non-current financial assets	-	41
	Total financial assets	-	41
16	Deferred tax assets	99	87
	Total non-current assets	46,338	42,864

Consolidated statement of financial position

DKK million

Assets - continued		2021	2020
Notes			
	Amount transferred	46,338	42,864
Current assets			
17	Inventories	5,322	5,084
Receivables			
15	Trade receivables	85	72
	Income tax receivables	10	149
15	Other receivables	599	507
	Prepayments	140	65
15	Other current financial assets	7	-
	Total receivables	841	793
15	Securities	2,766	4,452
15	Cash and short-term deposits	2,183	1,551
18	Assets classified as held for sale	19	24
	Total current assets	11,131	11,904
	Total assets	57,469	54,768

Consolidated financial statements

Consolidated statement of financial position

DKK million

Notes	2021	2020
Equity and liabilities		
Equity		
	22	22
Registered capital		
Retained earnings	20,743	19,782
Cash flow hedge reserve	-156	-258
Foreign currency translation reserve	-333	-275
Distribution reserve	257	68
Equity attributable to Købmand Herman Sallings Fond	20,533	19,339
Non-controlling interests	3,818	3,604
Total equity	24,351	22,943
Liabilities		
Non-current liabilities		
19 Pensions	274	286
16 Deferred tax liabilities	2,573	2,615
20 Provisions	158	153
15 Mortgage loans	7,705	7,764
13, 15 Lease liabilities	5,471	4,653
15 Other non-current financial liabilities	155	311
15 Other non-current payables	-	619
Total non-current liabilities	16,336	16,401
Current liabilities		
20 Provisions	44	37
15 Mortgage loans	151	270
13, 15 Lease liabilities	685	586
15 Bank loans	2	1
15 Other current financial liabilities	104	117
15 Trade payables	12,611	11,560
Income tax payable	65	42
15 Other payables	3,106	2,763
Deferred income	14	48
Total current liabilities	16,782	15,424
Total liabilities	33,118	31,825
Total equity and liabilities	57,469	54,768

Consolidated cash flow statement

DKK million

Notes	2021	2020
	2,008	1,867
21 Profit before tax		
21 Adjustments	2,753	2,837
22 Change in working capital	-94	606
Net cash flows from operating activities before financial items and tax	4,667	5,310
Financial income received	77	49
Financial expenses paid	-552	-499
Income tax paid	-470	-565
Net cash flows from operating activities	3,722	4,295
11 Purchase of intangible assets	-175	-273
12 Purchase of property, plant and equipment	-2,081	-1,911
14 Purchase of investment properties	-15	-4
Proceeds from sale of investment properties, property, plant and equipment and intangible assets	148	31
23 Acquisition of subsidiaries, net of cash received, and prepayments related to acquisition of subsidiaries	-192	-42
Purchase of securities	-1,214	-5,061
Sale of securities	2,900	3,413
Repayment, receivables	-	10
Net cash flows from investment activities	-629	-3,837
13 Payment of lease liabilities	-617	-524
Proceeds from borrowings	-	61
Repayment of borrowings	-1,602	-
Dividends paid	-30	-30
Net cash flows from financing activities	-2,249	-493
Distributions paid	-213	-126
Net change in cash and cash equivalents	631	-161
Cash and cash equivalents at 1 January	1,550	1,716
Net foreign exchange difference	-	-5
24 Cash and cash equivalents at 31 December	2,181	1,550

Consolidated financial statements

Consolidated statement of changes in equity

DKK million

	Equity attributable to Købmand Herman Sallings Fond							Total equity
	Registered capital	Retained earnings	Cash flow hedge reserve	Foreign currency translation reserve	Distribution reserve	Total	Non-controlling interests	
2020:								
Equity at 1 January 2020	22	18,678	-289	-45	16	18,382	3,446	21,828
Profit for the year	-	1,102	-	-	162	1,264	223	1,487
Remeasurement of defined benefit plans	-	2	-	-	-	2	-	2
Exchange differences on translating foreign operations	-	-	-	-230	-	-230	-41	-271
Cash flow hedges, value adjustment for the year	-	-	-37	-	-	-37	-6	-43
Cash flow hedges, reclassified to financial expenses	-	-	68	-	-	68	12	80
Other comprehensive income	-	2	31	-230	-	-197	-35	-232
Total comprehensive income for the year	-	1,104	31	-230	162	1,067	188	1,255
Dividends paid to non-controlling interests	-	-	-	-	-	-	-30	-30
Approved distributions	-	-	-	-	-114	-114	-	-114
Reversed distributions payable	-	-	-	-	4	4	-	4
Other transactions	-	-	-	-	-110	-110	-30	-140
Equity at 31 December 2020	22	19,782	-258	-275	68	19,339	3,604	22,943

Consolidated financial statements

Consolidated statement of changes in equity

DKK million

	Equity attributable to Købmand Herman Sallings Fond							Total equity
	Registered capital	Retained earnings	Cash flow hedge reserve	Foreign currency translation reserve	Distribution reserve	Total	Non-controlling interests	
2021:								
Equity at 1 January 2021	22	19,782	-258	-275	68	19,339	3,604	22,943
Profit for the year	-	964	-	-	370	1,334	236	1,570
Remeasurement of defined benefit plans	-	-3	-	-	-	-3	-	-3
Exchange differences on translating foreign operations	-	-	-	-58	-	-58	-10	-68
Cash flow hedges, value adjustment for the year	-	-	36	-	-	36	6	42
Cash flow hedges, reclassified to financial expenses	-	-	66	-	-	66	12	78
Other comprehensive income	-	-3	102	-58	-	41	8	49
Total comprehensive income for the year	-	961	102	-58	370	1,375	244	1,619
Dividends paid to non-controlling interests	-	-	-	-	-	-	-30	-30
Approved distributions	-	-	-	-	-192	-192	-	-192
Reversed distributions payable	-	-	-	-	12	12	-	12
Rounding	-	-	-	-	-1	-1	-	-1
Other transactions	-	-	-	-	-181	-181	-30	-211
Equity at 31 December 2021	22	20,743	-156	-333	257	20,533	3,818	24,351

Consolidated financial statements



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Consolidated financial statements

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 in 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 the running of five different formats of retail stores in addition to a number of e-commerce platforms. In Denmark, Bilka, føtex, Netto, Salling and BR are operated as physical stores while in Germany and Poland Salling Group is present with Netto stores. Online Salling Group operates with Bilka.dk, Salling.dk, føtex.dk, BR.dk, flowr.dk and Skagenfood.dk. Furthermore Salling Group operates Starbucks and Carl's Jr as franchises in Denmark. In the beginning of 2022 wupti.com has been closed.

In June 2020, the subsidiary in the Group, Salling Group A/S, announced the largest acquisition in the history of the Group, when the acquisition of the UK retail business Tesco's Polish activities was announced. The deal was completed on 16 March 2021, and the Group acquired Netto Indygo Sp. Z o.o. and the company's subsidiaries, Netto Indygo Dystrybucja Sp. Z o.o., Jasper Sp. Z o.o. and Genesis Sp. Z o.o..

Købmand Herman Sallings Fond is a commercially operating foundation with its registered office located at Rosbjergvej 33 - 35, 8220 Brabrand in Denmark.

2 Summary of significant accounting policies

The financial statements section of the annual report for the period 1 January – 31 December 2021 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.

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

Changes to accounting policies

Several amendments and interpretations issued by the International Accounting Standards Board and endorsed by the European Union have become effective on or after 1 January 2021. The Group has assessed the changes, and it has been concluded that the application of the changes has not had a material impact on the consolidated financial statements or the separate parent company financial statements in 2021, and no significant impact on future periods from the changes is expected. Salling Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

Basis of preparation

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

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

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	70.81 %	Brabrand, Denmark
Associate of F. Salling Invest A/S: Salling Group A/S	48.29 %	Brabrand, Denmark
Subsidiary of F. Salling Holding A/S: Salling Group A/S	51.71 %	Brabrand, Denmark
Subsidiaries within Salling Group:		
Salling Group Ejendomme A/S	100.00 %	Brabrand, Denmark
Salling Group Forsikring A/S	100.00 %	Brabrand, Denmark
Dansk Netto Deutschland ApS	100.00 %	Brabrand, Denmark
Skagenfood A/S	90.00 %	Strandby, Denmark
Bodebjerg ApS	51.00 %	Marslev, 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 Indygo Sp. Z o.o.	100.00 %	Szczecin, Poland
Netto Indygo Dystrybucja Sp. Z o.o.	100.00 %	Szczecin, Poland
Jasper Sp. Z o.o.	100.00 %	Szczecin, Poland
Genesis Sp. Z o.o.	100.00 %	Szczecin, Poland

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

As at 16 March 2021 the subsidiary Netto Indygo Sp. Z o.o. and the company's subsidiaries, Netto Indygo Dystrybucja Sp. Z o.o., Jasper Sp. Z o.o. and Genesis Sp. Z o.o., were acquired by Salling Group A/S. Netto Indygo Sp. Z o.o. and Netto Indygo Dystrybucja Sp. Z o.o. were named Tesco (Polska) Sp. Z o.o. and Tesco Dystrybucja Sp. Z o.o., when the acquisition took place, and have subsequently been renamed. Also, during 2021 Salling Group A/S' subsidiary Salling Group Sverige AB has been liquidated.

During 2020 Skagenfood A/S acquired 51 % of the company Bodebjerg ApS. Skagenfood A/S holds call options to purchase the remaining 49 % of the shares in Bodebjerg ApS at a favourable price. The call options can be exercised in 2023 and 2025. As the call options in reality give Skagenfood A/S present access to the returns associated with that ownership interest, the non-controlling interests that are comprised by the call options are considered to be purchased at the point in time, where the call options are written. Thus, 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. The call option liability is recognised at fair value at acquisition date as part of other non-current financial liabilities and is subsequently measured at amortised costs.

As 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 interests that are comprised by the put options are considered to be purchased at the point in time where the put options are written, 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. In 2017, when Salling Group A/S acquired 80 % of the issued share capital and voting rights of Skagenfood A/S, it also wrote put options regarding the 20 % of Skagenfood A/S, which were then owned by Kuba Holding ApS. A further 10 % were acquired during 2019, and a put option remains regarding the 10 %, which continues to be owned by Kuba Holding ApS. No non-controlling interests regarding the 10 % of Skagenfood A/S are recognised in the consolidated financial statements. The put option liability is recognised at fair value at acquisition date as part of other non-current financial liabilities and is subsequently measured at amortised costs.

Accounting policies, income statement

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services taking into account the amount of any trade discounts and expected returns, and excluding amounts collected on behalf of third parties such as sales taxes and value added taxes. Thus, revenue from the sale of goods is recognised at the point of sale (at delivery) in the store and for online purchases at collection in a store or at delivery of the goods, i.e. when the performance obligations are satisfied.

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

The Group provides customers with a right to return the goods within a specified period, and a refund liability and a right of return asset will be recognised if not immaterial. The Group uses historical return data to estimate the expected return percentages. These percentages are applied to determine the expected value of the variable consideration related to returns.

In situations where the Group is acting as an agent the recognised revenue equals the amount of commission plus any other amounts received from the principal or other parties.

Customer loyalty programmes give rise to a separate performance obligation, and the portion of the transaction price that is allocated to the customer loyalty programmes based on the relative stand-alone selling prices 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 of buildings and investment properties and operating leases regarding in-store rental is recognised on a straight-line basis over the lease terms, and is recognised as part of other revenue in the 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 recognised as a 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 short-term and low value leases, franchise fees, operating expenses regarding properties, sales and distribution costs as well as office supplies etc. Supplier discounts related to cost reimbursements are recognised as part of external expenses.

Depreciation, amortisation and impairment losses

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

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

Special items

Special items comprise non-recurring items secondary to the principal activities of the Group. Among others, special items comprise the gain that has been recognised on the discounted purchase (the business combination, where the identifiable assets acquired and liabilities assumed exceed the aggregate of the consideration transferred).

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.

Financial income and expenses

Financial income and expenses comprise interest income and expenses including interest expenses related to lease liabilities (all leases except for short-term leases and leases of low value assets), exchange rate gains and losses on transactions denominated in foreign currencies as well as fair value adjustments of financial assets held for trading. Moreover, financial income and expenses comprise amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax.

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

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.

Profit/loss for the year from discontinued operations, net of tax

Profit/loss for the year from discontinued operations, net of tax includes the results of discontinued operations and the eliminations between the continuing and the discontinued operations. The gain on sales is also included as part of profit/loss for the year from discontinued operations, net of tax.

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

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 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.

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.

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

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 - 40 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 properties:	
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 - 20 years

Leasehold improvements are depreciated over the shorter of the expected 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.

Right-of-use assets

At contract inception it is assessed whether a contract is, or contains, a lease. A single recognition and measurement approach is applied for all leases, except for short-term leases and leases of low value assets. Right-of-use assets representing the right to use the underlying assets and lease liabilities to make lease payments are recognised.

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less accumulated depreciation and impairment losses, if any, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Land and buildings	1 - 60 years
Fixtures and fittings, tools and equipment	1 - 5 years

The short-term lease recognition exemption is applied to short-term leases (leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The lease of low value assets recognition exemption is applied to leases that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expenses on a straight-line basis over the lease term.

Investment properties

Investment properties are properties 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 properties are measured initially at cost comprising purchase price and any directly attributable expenditure including transaction costs. Subsequent to initial recognition investment properties are 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 properties. 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.

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.

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

Impairment testing of non-current assets

Goodwill and software development in progress are tested annually. The carrying amount of other non-current assets is evaluated annually for indications of impairment.

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

The recoverable amount is the higher value of an asset's net sales price and its value in use. The value in use is assessed as the present value of the expected net cash flow from utilisation of the asset or the group of assets and the 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 primarily through a sales 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, which include cost of transportation from central warehouses to individual stores. 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.

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

Trade receivables, securities and other financial assets

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

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

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 financial expenses (negative net changes in fair value) or financial 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. This category includes derivatives not designated as hedges and securities, as they are held for trading.

At present the category financial assets at fair value through other comprehensive income is not relevant for the Group.

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

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

Impairment is recognised as an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss. The expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows include any cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events that are possible within the next 12 months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default. For trade receivables, the Group applies a simplified approach in calculating expected credit losses, and recognises a loss allowance based on lifetime expected credit losses at each reporting date irrespective of changes in credit risk using a provision matrix, which is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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.

Distributions

Distributions following the charter of the foundation and reversals of distributions payable, if any, made during the year are presented as an equity adjustment not as part of the proposal for distribution of profit/loss for the year. Approved distributions, which have not been paid at year-end, are recognised as part of other current financial liabilities.

Pensions

The Group has entered into defined contribution 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.

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

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 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.

Insurance provisions include the actuarial estimated costs expected to be paid by the Group for insured events existing at the reporting date and risk margin. 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 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.

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

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 financial 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. The Group has not designated any financial liabilities as at fair value through profit or loss.

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

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

Lease liabilities

At the commencement date of leases, lease liabilities are recognised measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised and payments of penalties for terminating the lease, if the lease term reflects that the option to terminate is exercised. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the incremental borrowing rate at the lease commencement date is used unless the interest rate implicit in the lease is readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

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.

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.

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of businesses and of intangible assets, property, plant and equipment, investment properties 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 including lease liabilities, 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

Discontinued operations

Discontinued operations represent a separate major line of business, that has been disposed of. The results of discontinued operations are presented separately in the income statement as profit/loss for the year from discontinued operations, net of tax. The comparative figures are restated. Eliminations between the continuing and the discontinued operations are presented to reflect continuing operations as post-separation. Assets and liabilities related to the discontinued operations disposed of are not presented as separate line items in the comparative figures in the statement of financial position unless the criteria for held for sale classification is regarded as met for the discontinued operations at the end of the comparative period. Cash flows from discontinued operations are not presented separately in the cash flow statement, but are included in net cash flows from operating activities, from investment activities and from financing activities.

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 accounting items of similar nature. On consolidation intra-group transactions are eliminated.

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

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

Other 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 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 interests that are comprised by the put options are considered to be purchased at the point in time where the put options are written. Non-controlling interests comprised of call options that in reality give present access to the returns associated with that ownership interest are considered to be purchased at the point in time where the call options are 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 and relevant call options is recognised as part of other non-current financial liabilities and is measured at fair value at initial recognition. Subsequently, the obligation regarding the put and relevant call options is measured at amortised cost.

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 rate differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

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

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

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

Foreign exchange rate differences arising on translation of the opening equity of such foreign enterprises using 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 and in a separate translation reserve under equity.

Derivative financial instruments

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into, and are subsequently remeasured 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).

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

The Group determines, whether transfers have occurred between levels in the hierarchy, by re-assessing the 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 revenue, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent assets and 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:

Recognition of right-of-use assets and lease liabilities

In recognising right-of-use assets and lease liabilities the lease terms of the leases have to be determined. The lease term is the non-cancellable term of the lease together with any periods covered by an option to extend the lease, if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. Several lease contracts include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, all relevant factors that create an economic incentive to exercise either the renewal or termination are considered. After the commencement date, the Group reassesses the lease term, if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g. construction of significant leasehold improvements).

For leases of land and buildings renewal periods are included as part of the lease term for leases with shorter non-cancellable periods. The renewal periods are included for the period that the Group expects to continue the lease taking into consideration that the retail business might look different in the future compared to the present set-up. The renewal periods for leases of land and buildings with longer non-cancellable periods are not included as part of the lease term as these are not reasonably certain to be exercised. In addition, the renewal options for leases of motor vehicles are not included as part of the lease term because the Group typically leases motor vehicles for no longer than the non-cancellable period and, hence, is not exercising any renewal options.

Consolidated 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, right-of-use assets and investment properties
Intangible assets, property, plant and equipment, right-of-use assets and investment properties are tested for impairment, if there is an indication of impairment. For goodwill and intangible assets 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 cost of disposal and value in use. The fair value less cost 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 cost for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the financial five-year plan. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the development in turnover and gross margins during the forecast period and the growth rate used for extrapolation purposes. For most intangible assets no fair value less cost 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, right-of-use assets and investment properties 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.

Recognition of business combination (the acquisition of the UK retailer Tesco's Polish business)

As part of the recognition of the acquisition of the UK retailer Tesco's Polish business the identifiable assets and liabilities acquired are measured at their fair values at the date of acquisition. As part of this process, the Group has cooperated with an external, Polish real estate expert, who has prepared market valuations of all of the acquired land and buildings, and as part of the recognition of the business combination the land and buildings have been measured using these market valuations. The external, Polish real estate expert has also assessed all external leases of properties to assess whether or not the terms of the leases are favourable or unfavourable when compared with market terms, and the favourable and unfavourable terms are reflected as part of the measurement of the right-of-use assets. Please refer to note 23 and note 27 for further information.

Notes to the consolidated financial statements

DKK million

4 Total revenue

	2021	2020
Revenue from contracts with customers, retail and ecommerce activities	65,759	60,489
Total revenue from contracts with customers	65,759	60,489
Rental revenue, investment properties	61	62
Other rental revenue	228	188
Other revenue	152	115
Total other revenue	441	365
Total revenue	66,200	60,854
Geographical split		
Denmark	47,408	45,831
Abroad	18,792	15,023
Total revenue	66,200	60,854

The absolute majority of sales in the Group is cash at delivery. The credit term for the remaining sales is 30 days, and the trade receivables are non-interest bearing if paid when due. No contracts with customers have an expected duration of more than one year, and in accordance with the practical expedient information about the amount of the transaction price related to unsatisfied or partially unsatisfied performances is not provided. The amount relates to the limited number of orders, where the order is received before year end and the delivery takes place after year end.

All revenue from contracts with customers is recognised at a point in time, and no revenue is recognised from performance obligations satisfied in previous years.

No material contract assets and liabilities or right of return assets and refund liabilities are recognised as at 31 December 2021 or 31 December 2020.

In a few situations primarily related to the online activities the Group acts as an agent, thus arranging for another party to transfer the goods to the customer. In all other situations the Group is responsible for delivering the goods and services sold in the stores and online.

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DKK million

	2021	2020
5 Staff expenses		
Wages and salaries incl. termination benefits	7,561	6,919
Post-employment benefits – defined contribution plans	434	369
Post-employment benefits – defined benefit plans	1	1
Social security costs	449	376
Other staff expenses	245	182
Total staff expenses	8,690	7,847
Average number of full-time employees	32,899	26,693

For a description of the key management personnel and an overview of their remuneration please refer to note 26.

6 External expenses

Fees paid to the auditors appointed at the annual general meeting:

Fee regarding statutory audit	3.7	2.9
Tax assistance	0.1	0.1
Assurance engagements	0.6	0.8
Other assistance	1.3	0.8
Total fee paid to the auditors appointed at the annual general meeting	5.7	4.6

In 2021 fee regarding statutory audit includes DKK 0.3 million (DKK 0.3 million in 2020) paid to other auditors (the auditors appointed at the annual general meeting in Salling Group Forsikring A/S). All other fees mentioned above are paid to EY.

7 Special items

As a consequence of the business combination, that has been finalised in 2021, a number of items of a non-recurring nature have been recognised. The items contain the gain, that was recognised on the discounted purchase, and different restructuring and advisory expenses and all other acquisition related costs.

Gain on discounted purchase	419	-
Severance pay	-85	-
Expenses related to assistance in connection with the sale of surplus assets	-63	-
Expenses related to termination of leases	-53	-
Expenses related to other advisors in connection with the business combination	-9	-
Capital duty, Poland	-8	-
Total special items	201	-

Notes to the consolidated financial statements

DKK million

	2021	2020
8 Financial income		
Interest income on loans and receivables	4	3
Net gain on derivatives not designated as hedging instruments	27	-
Net gain on financial instruments held for trading	-	19
Net foreign exchange gain	66	15
Other financial income	-	1
Total financial income	97	38
9 Financial expenses		
Interest expense on mortgage loans	43	62
Interest expense on lease liabilities	339	290
Interest expense paid to banks	23	11
Cash flow hedges reclassified from other comprehensive income	100	103
Net loss on derivatives not designated as hedging instruments	-	7
Net loss on financial instruments held for trading	34	-
Other financial expenses	12	31
Total financial expenses	551	504
10 Income tax		
Current income tax	-636	-478
Adjustment regarding prior years, current income tax	5	-11
Change in deferred tax	161	55
Adjustment regarding prior years, deferred tax	-1	43
Total income tax	-471	-391
Income tax recognised in the income statement	-438	-380
Income tax recognised in other comprehensive income	-33	-11
Total income tax	-471	-391

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DKK million

10 Income tax - continued

Reconciliation of income tax recognised in the income statement

	2021		2020	
	DKK	%	DKK	%
Tax on result for the year at the Danish income tax rate	-442	22.0 %	-411	22.0 %
Non-deductible costs	-38	1.9 %	-31	1.7 %
Non-taxable income	108	-5.4 %	13	-0.7 %
Deviating tax rates in foreign operations	12	-0.6 %	18	-1.0 %
Adjustment to prior periods	4	-0.2 %	32	-1.7 %
Not capitalised tax loss carry forwards	-82	4.1 %	-1	0.1 %
Income tax recognised in the income statement	-438	21.8 %	-380	20.4 %

	2021	2020
--	------	------

Divided on countries, where the Group has operating activities, the effective tax rate of 21.8 % (20.4 % in 2020) shown above can be specified as follows:

	2021	2020
Denmark	22.7 %	23.4 %
Germany	20.2 %	3.8 %
Poland:		
Netto Sp. Z o.o.	20.5 %	19.8 %
Netto Indygo Sp. Z.o.o - the Group	7.8 %	NA
Gain on discounted purchase	0.0 %	NA
Sweden	0.0 %	4.8 %

Notes to the consolidated financial statements

DKK million

10 Income tax - continued

The low effective tax rate in Germany for 2020 was due to adjustments to prior periods' taxes on Group level. The companies within the Netto Indygo Sp. Z o.o. Group are unprofitable in 2021, and the deferred tax asset related to the tax loss carryforward is only partially recognised. At the same time the acquisition was a discounted purchase, and no taxes are recognised related to the gain on the acquisition. In 2021 Salling Group Sverige AB was liquidated, and the effective tax rate was 0 % (4.8 % in 2020). The low effective tax rate in Sweden for 2020 was due to not capitalised tax losses carry forwards.

Tax on other comprehensive income

	2021			2020		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Remeasurement of defined benefit plans	-4	1	-3	2	-	2
Exchange differences on translating foreign operations	-68	-	-68	-271	-	-271
Cash flow hedges, value adjustment for the year	54	-12	42	-55	12	-43
Cash flow hedges, reclassified to financial expenses	100	-22	78	103	-23	80
	82	-33	49	-221	-11	-232

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DKK million

11 Intangible assets

2020:	Goodwill	Software	Software development in progress	Brands	Other intangible assets	Total
Cost						
Balance at 1 January 2020	11,681	2,133	102	1,864	71	15,851
Additions	-	134	138	-	1	273
Acquisitions through business combinations	-	-	-	6	-	6
Reclassifications	-	81	-85	-	-	-4
Disposals, sale of subsidiaries	-	-256	-	-	-	-256
Balance at 31 December 2020	11,681	2,092	155	1,870	72	15,870
Accumulated amortisation and impairment losses						
Balance at 1 January 2020	-4,111	-1,285	-	-483	-22	-5,901
Amortisation	-	-221	-	-45	-8	-274
Disposals, sale of subsidiaries	-	256	-	-	-	256
Balance at 31 December 2020	-4,111	-1,250	-	-528	-30	-5,919
Carrying amount at 31 December 2020	7,570	842	155	1,342	42	9,951

Notes to the consolidated financial statements

DKK million

11 Intangible assets - continued

2021:	Goodwill	Software	Software development in progress	Brands	Other intangible assets	Total
Cost						
Balance at 1 January 2021	11,681	2,092	155	1,870	72	15,870
Additions	-	134	38	-	3	175
Acquisitions through business combinations	-	13	-	-	-	13
Reclassifications	-	104	-109	-	-	-5
Disposals	-	-13	-	-	-	-13
Balance at 31 December 2021	11,681	2,330	84	1,870	75	16,040
Accumulated amortisation and impairment losses						
Balance at 1 January 2021	-4,111	-1,250	-	-528	-30	-5,919
Amortisation	-	-242	-	-46	-7	-295
Impairment losses recognised in the income statement	-74	-4	-	-	-	-78
Disposals	-	10	-	-	-	10
Balance at 31 December 2021	-4,185	-1,486	-	-574	-37	-6,282
Carrying amount at 31 December 2021	7,496	844	84	1,296	38	9,758

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DKK million

11 Intangible assets - continued

Impairment losses during the year

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

Carrying amount of goodwill within the Group:

	Salling Group		Other	
	2021	2020	2021	2020
Goodwill	7,439	7,439	57	131

The goodwill amounts in the Group relate to the activities within Salling Group.

In January 2022 wupti.com has been closed, and as a consequence an impairment loss has been recognised in order to reduce the carrying amount of the the part of the goodwill related to the Danish retail activities that was related to synergies between wupti.com and other parts of the Danish retail activities to zero.

The recoverable amount of the goodwill related to Salling Group's activities has been determined based on a value in use calculation using cash flow projections from the financial five-year plan approved by management. The pre-tax discount rate applied to the cash flow projections is 6 % (6 % in 2020), and cash flows beyond the five-year period are extrapolated using a 2 % growth rate, which is the expected long-term inflation rate (2 % in 2020). As a result of the impairment test, management did not identify any further impairment losses regarding goodwill.

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, as well as the discount rate used. Development in turnover and gross margins is based on expectations of an average growth for 2022 - 2026.

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DKK million

11 Intangible assets - continued

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. 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.

Management has considered and assessed reasonably possible changes for the key assumptions and has not identified any instances that would cause the carrying amount of the goodwill to exceed its recoverable amount.

During 2021 an impairment loss of DKK 4 million has been recognised regarding the remaining carrying amount of software related to wupti.com. No other impairment losses have been recognised regarding intangible assets (DKK 0 in 2020).

The impairment losses and reversal of impairment losses, if any, are recognised in the income statement as part of Depreciation, amortisation and impairment losses.

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DKK million

12 Property, plant and equipment

2020:	Land and buildings	Fixtures and fittings, tools and equipment	Leasehold improvements	Assets under construction and prepayments	Total
Cost					
Balance at 1 January 2020	35,180	6,320	1,284	280	43,064
Foreign currency translation	-332	-49	-3	-2	-386
Additions	626	960	115	210	1,911
Reclassifications	215	-2	5	-214	4
Reclassified as held for sale	-10	-	-	-	-10
Disposals	-54	-225	-10	-	-289
Balance at 31 December 2020	35,625	7,004	1,391	274	44,294
Accumulated depreciation and impairment losses					
Balance at 1 January 2020	-10,927	-4,447	-834	-	-16,208
Foreign currency translation	60	32	2	-	94
Depreciation	-763	-588	-60	-	-1,411
Impairment losses recognised in the income statement	-3	-	-11	-	-14
Reversals of impairment losses recognised in the income statement	-	-	1	-	1
Reclassified as held for sale	6	-	-	-	6
Disposals	28	223	9	-	260
Balance at 31 December 2020	-11,599	-4,780	-893	-	-17,272
Carrying amount at 31 December 2020	24,026	2,224	498	274	27,022

Notes to the consolidated financial statements

DKK million

12 Property, plant and equipment - continued

2021:	Land and buildings	Fixtures and fittings, tools and equipment	Leasehold improvements	Assets under construction and prepayments	Total
Cost					
Balance at 1 January 2021	35,625	7,004	1,391	274	44,294
Foreign currency translation	-62	-9	-1	-	-72
Additions	619	1,110	248	104	2,081
Acquisitions through business combinations	2,538	32	51	-	2,621
Reclassifications	68	4	24	-93	3
Reclassified as held for sale	-26	-	-	-	-26
Disposals	-73	-247	-25	-	-345
Balance at 31 December 2021	38,689	7,894	1,688	285	48,556
Accumulated depreciation and impairment losses					
Balance at 1 January 2021	-11,599	-4,780	-893	-	-17,272
Foreign currency translation	10	6	-	-	16
Depreciation	-847	-690	-77	-	-1,614
Impairment losses recognised in the income statement	-3	-	-13	-	-16
Reversals of impairment losses recognised in the income statement	21	-	-	-	21
Reclassifications	2	-	-	-	2
Reclassified as held for sale	11	-	-	-	11
Disposals	37	238	-	-	275
Balance at 31 December 2021	-12,368	-5,226	-983	-	-18,577
Carrying amount at 31 December 2021	26,321	2,668	705	285	29,979

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DKK million

12 Property, plant and equipment - continued

Impairment losses during the year

During 2021 an impairment loss has been recognised regarding a Danish building that has been vacated, and where it has been assessed that the expected sales price of the building will be lower than the carrying amount of the building, and impairment losses have been recognised regarding a few leaseholds that have been closed or vacated in connection with relocations. Also a few stores were, due to competitive pressures in the local areas of the stores, not sufficiently profitable to cover the full carrying amount of the investments. In total impairment losses were recognised regarding 11 Danish stores, 1 German store and 2 Polish stores. At the same time, impairment losses have been reversed regarding 9 German stores, where the profitability has increased sufficiently to cover the investments. 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

13 Leases

The Group has entered into leases with external parties regarding a number of stores, warehouses and some operational equipment. 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.

Right-of-use assets

2020:

	Land and buildings	Fixtures and fittings, tools and equipment	Total
Cost			
Balance at 1 January 2020	5,936	132	6,068
Foreign currency translation	-4	-1	-5
Additions	141	33	174
Acquisitions through business combinations	-	1	1
Remeasurement of lease liabilities	8	1	9
Disposals	-	-3	-3
Balance at 31 December 2020	6,081	163	6,244
Accumulated depreciation and impairment losses			
Balance at 1 January 2020	-690	-44	-734
Foreign currency translation	1	-	1
Depreciation	-583	-40	-623
Impairment losses recognised in the income statement	-20	-	-20
Reversals of impairment losses recognised in the income statement	19	-	19
Disposals	-	3	3
Balance at 31 December 2020	-1,273	-81	-1,354
Carrying amount at 31 December 2020	4,808	82	4,890

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DKK million

13 Leases - continued

2021:

	Land and buildings	Fixtures and fittings, tools and equipment	Total
Cost			
Balance at 1 January 2021	6,081	163	6,244
Foreign currency translation	-5	-	-5
Additions	224	38	262
Acquisitions through business combinations	1,199	-	1,199
Remeasurement of lease liabilities	193	1	194
Disposals	-182	-2	-184
Balance at 31 December 2021	7,510	200	7,710
Accumulated depreciation and impairment losses			
Balance at 1 January 2021	-1,273	-81	-1,354
Foreign currency translation	2	-	2
Depreciation	-688	-52	-740
Impairment losses recognised in the income statement	-13	-	-13
Reversals of impairment losses recognised in the income statement	1	-	1
Disposals	47	2	49
Balance at 31 December 2021	-1,924	-131	-2,055
Carrying amount at 31 December 2021	5,586	69	5,655

Notes to the consolidated financial statements

DKK million

13 Leases - continued

Lease liabilities

	2021		2020	
	Undis-counted payments	Present value of payments	Undis-counted payments	Present value of payments
Within 1 year	960	685	809	586
1 to 5 years	3,517	2,650	2,964	2,169
After 5 years	3,417	2,821	2,888	2,484
Total	7,894	6,156	6,661	5,239

Amounts recognised in the consolidated income statement

	2021	2020
Interest expense on lease liabilities	339	290
Expenses related to leases of low value assets	35	32
Income from subleasing of right-of use assets	70	65

Variable lease payments not recognised as part of the lease liabilities and expenses related to short-term leases are immaterial in both 2021 and 2020.

In 2021 the Group paid DKK 956 million related to lease contracts (DKK 814 million in 2020), of which DKK 339 million relate to interest payments regarding recognised lease liabilities (DKK 290 million in 2020) and DKK 617 million relate to payment of recognised lease liabilities (DKK 524 million in 2020).

Regarding situations, where the Group is lessor, please refer to note 25.

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	2021	2020
14 Investment properties		
Cost		
Balance at 1 January	1,727	1,728
Foreign currency translation	-	-1
Additions	15	4
Reclassifications	2	-
Reclassified as held for sale	-10	-
Disposals	-5	-4
Balance at 31 December	1,729	1,727
Accumulated depreciation and impairment losses		
Balance at 1 January	-854	-815
Foreign currency translation	-	1
Depreciation	-34	-36
Impairment losses recognised in the income statement	-	-5
Reclassifications	-2	-
Reclassified as held for sale	6	-
Disposals	2	1
Balance at 31 December	-882	-854
Carrying amount at 31 December	847	873

Investment properties comprise a shopping centre and flats located adjacent to Salling Group's stores.

During 2021 no impairment losses have been recognised. During 2020 impairment losses were recognised regarding one Danish and a few German investment properties, where the expected sales prices of the investment properties are lower than the carrying amount of the investment properties. The impairment losses and reversal of impairment losses, if any, are recognised in the income statement as part of Depreciation, amortisation and impairment losses.

The estimated fair value of investment properties amounts to DKK 1,290 million at 31 December 2021 (DKK 1,261 million at 31 December 2020). The fair value is not based on a valuation by an independent valuer.

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DKK million

	2021	2020
14 Investment properties - continued		
The fair value of the investment properties 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 properties	61	62
Direct operating expenses from investment properties that generated rental income	-26	-28
Direct operating expenses from investment properties that did not generate rental income	-2	-
Profit arising from investment properties	33	34

15 Financial assets and financial liabilities

Financial assets comprise the following:

	Carrying amount		Fair value	
	2021	2020	2021	2020
Prepayment	-	41	-	41
Other non-current financial assets	-	41	-	41
Trade receivables	85	72	85	72
Other receivables	599	507	599	507
Other current financial assets	7	-	7	-
Other current financial assets	7	-	7	-
Securities	2,766	4,452	2,766	4,452
Cash and short-term deposits	2,183	1,551	2,183	1,551

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DKK million

15 Financial assets and financial liabilities - continued

Financial liabilities comprise the following:

	Carrying amount		Fair value	
	2021	2020	2021	2020
Mortgage loans - non-current	7,705	7,764	7,745	7,714
Mortgage loans - current	151	270	151	270
Mortgage loans	7,856	8,034	7,896	7,984
Lease liabilities - non-current	5,471	4,653		
Lease liabilities - current	685	586		
Lease liabilities	6,156	5,239		
Bank loans - current	2	1	2	1
Bank loans	2	1	2	1
Derivatives designated as hedging instruments (cash flow hedges)	138	292	138	292
Other non-current financial liabilities	17	19	17	19
Other non-current financial liabilities	155	311	155	311
Derivatives not designated as hedging instruments	1	14	1	14
Derivatives designated as hedging instruments (cash flow hedges)	103	103	103	103
Other current financial liabilities	104	117	104	117
Trade payables	12,611	11,560	12,611	11,560
Other payables - non-current	-	619	-	619
Other payables - current	3,106	2,763	3,106	2,763
Other payables	3,106	3,382	3,106	3,382

Notes to the consolidated financial statements

DKK million

2021 2020

15 Financial assets and financial liabilities - continued

Financial instruments by category

Financial assets at amortised cost:

Trade receivables	85	72
Other receivables	599	507
Other financial assets excluding derivatives	7	41
Cash and short-term deposits	2,183	1,551

Financial assets at fair value through profit or loss:

Securities	2,766	4,452
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Financial liabilities measured at amortised cost:

Mortgage loans	7,856	8,034
Lease liabilities	6,156	5,239
Bank loans	2	1
Other financial liabilities excluding derivatives	17	19
Trade payables	12,611	11,560
Other payables	3,106	3,382

Financial liabilities at fair value through profit or loss:

Derivatives not designated as hedging instruments	1	14
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Financial liabilities at fair value through other comprehensive income:

Derivatives designated as hedging instruments (cash flow hedges)	241	395
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Derivatives not designated as hedging instruments reflect the positive or negative change in fair value of the foreign exchange forward contracts that are not designated in hedge relationships, but are, nevertheless, intended to reduce the level of foreign currency risk.

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DKK million

15 Financial assets and financial liabilities - continued

Financial assets at fair value through profit or loss include investments in listed Danish mortgage bonds. Fair values of the bonds are determined by reference to published price quotations in an active market.

Derivatives designed as hedging instruments reflect the negative change in fair value of the interest rate swaps, designated as cash flow hedges to hedge interest rate risk in CIBOR-based mortgage loans.

Financial liabilities: Interest-bearing mortgage loans including hedges

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 2021				
0 - 2 %	7,856	465	5,200	2,191
Total	7,856	465	5,200	2,191
Of which:				
Bearing fixed interests	94 %			
Bearing floating interests	6 %			

	Carrying amount	Next interest rate fixing		
		Within 1 year	1 to 5 years	After 5 years
31 December 2020				
0 - 2 %	7,920	589	5,200	2,131
2 - 4 %	114	-	-	114
Total	8,034	589	5,200	2,245
Of which:				
Bearing fixed interests	93 %			
Bearing floating interests	7 %			

Notes to the consolidated financial statements

DKK million

15 Financial assets and financial liabilities - continued

Hedging activities and derivatives

The Group is exposed to certain risks relating to its ongoing business operations. The primary risks managed using derivative instruments are foreign currency risk and interest rate risk. The Group's risk management strategy and how it is applied to manage risk is explained below.

Derivatives not designated as hedging instruments

The Group uses foreign currency-denominated forward contracts to manage some of its transaction exposures and intercompany balances. The foreign exchange forward contracts are not designated as cash flow hedging instruments and are typically entered into for periods of up to 3 months.

Derivatives designated as hedging instruments (cash flow hedges)

The hedged item is the highly probable interest rate payment on the Group's mortgage loan portfolio. The loan portfolio has been hedged in layers, where each layer is hedged by a single interest rate swap. The hedged item and the hedging instrument are identical in respect of the critical terms. To illustrate the robustness of the hedge relationship, a regression analysis using historical monthly swap rate, CIBOR and bond price data for a rolling 5 year period is performed. Hedge ineffectiveness can arise from:

- Unexpected changes to the size of hedged items from sale of properties with repayment of related mortgage loans,
- Counterparties not fulfilling their contractual obligations,
- Refinancing of underlying mortgage bonds, if known critical terms should be changed.

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DKK million

15 Financial assets and financial liabilities - continued

	Notional amount	Carrying amount	Line item in the statement of financial position
31 December 2021			
CIBOR-based mortgage loans (hedged items)	6,165	6,165	Mortgage loans
Interest rate swap contracts (active)	5,900	241	Other non-current and current financial liabilities
31 December 2020			
CIBOR-based mortgage loans (hedged items)	6,284	6,284	Mortgage loans
Interest rate swap contracts (active)	5,900	271	Other non-current and current financial liabilities
Interest rate swap contracts (forward-starting)	1,300	124	Other non-current and current financial liabilities

The hedged cash flows are expected to occur and affect the income statement during the coming 10 years. During the coming year DKK -103 million is expected to affect profit or loss (DKK -103 million as at 2020). DKK -129 million is expected to affect profit or loss during 1 - 5 years (DKK -266 million as at 2020), and after 5 years DKK -9 million is expected to affect profit or loss (DKK -26 million as at 2020).

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. The amount accumulated in other comprehensive income is reclassified to the income statement as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the income statement. No ineffectiveness was recognised in 2021 or 2020.

The IBOR reform refers to the global reform of interest rate benchmarks, which includes the replacement of some interbank offered rates (IBOR) with alternative benchmark rates. At the moment, it's unclear what will happen to CIBOR references in the future. Therefore, it has been assumed that the CIBOR interest rate, on which the Group's hedged debt is based, does not change as a result of the IBOR reform. In assessing whether the hedges are expected to be highly effective on a forward-looking basis, it has been assumed, that the CIBOR interest rate, on which the cash flows of the hedged debt and the interest rate swap that hedges it, is based, is not altered by the IBOR reform.

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DKK million

15 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 frequently 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 value of securities is derived from quoted market prices in active markets, and falls within level 1 of the fair value hierarchy.

The fair value of mortgage loans is derived from quoted market prices in active markets, and falls within level 1 of the fair value hierarchy. Fair value of the remaining financial liabilities falls within level 2 of the fair value hierarchy, and is calculated on the basis of discounted interests and instalments.

Risks arising from financial instruments

The 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 have been no structural changes in the Group's risk exposure or risks compared to 2020. The policies for managing risks are explained below.

The overall framework for financial risk management is set out in the Group's financial policy approved by the Board of Directors. The objective of the financial policy and the independent controls, that are established, is to minimise the potential adverse impact on the Group's financial performance. The financial policy is reviewed and updated on a regular basis. The Group has a centralised management of financial risks undertaken by Group Treasury.

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DKK million

15 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. All derivative activities for risk management purposes are carried out by specialists that have the appropriate skills, experience and supervision. It is the Group's policy to minimise the potential adverse impact on the Group's financial performance and protect the Group against negative impact from 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.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk; currency risk, interest rate risk and other price risks such as commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits, debt, fixed income investments and derivative financial instruments.

The sensitivity analysis in the following sections relate to the position as at 31 December 2021 and 2020. The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place 31 December.

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 Group's exposure to the risk of changes in foreign exchange rate relates primarily to the Group's operating activities and the Group's net investments in foreign subsidiaries. The framework for hedging guidelines and risk mandate is covered by the FX risk management policy.

Notes to the consolidated financial statements

DKK million

15 Financial assets and financial liabilities - continued

The majority of purchases of goods for resale made by the Group is 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:

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DKK million

15 Financial assets and financial liabilities - continued

31 December 2021	EUR/DKK	GBP/DKK	PLN/DKK	SEK/DKK	USD/DKK
Financial assets	304	13	769	1	60
Known USD purchase orders	-	-	-	-	-950
Net exposures before derivatives	304	13	769	1	-890
Derivatives	350	-	81	-	787
Net exposures after derivatives	654	13	850	1	-103
The net exposures relate to:					
Hedging of expected commercial cash flows, where hedge accounting is not used	654	13	850	1	-103
Applied sensitivity	1 %	5 %	5 %	5 %	5 %
Impact on the consolidated income statement	7	1	43	-	-5
31 December 2020	EUR/DKK	GBP/DKK	PLN/DKK	SEK/DKK	USD/DKK
Financial assets	93	14	242	2	56
Known USD purchase orders	-	-	-	-	-698
Net external exposures	93	14	242	2	-642
Derivatives	417	-	171	-	739
Net exposures	510	14	413	2	97
The net exposures relate to:					
Hedging of expected commercial cash flows, where hedge accounting is not used	510	14	413	2	97
Applied sensitivity	1 %	5 %	5 %	5 %	5 %
Impact on the consolidated income statement	5	1	21	-	5

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DKK million

15 Financial assets and financial liabilities - continued

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

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to risk of changes in market interest rates relates primarily to the Group's mortgage loan financing 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.

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 2021, after taking into account the effect of interest rate swaps, approximately 94 % of the Group's mortgage loan portfolio are at a fixed rate, compared to 93 % as at 31 December 2020.

A general increase of 1 %-point in interest rates is estimated, all other things being equal, to affect profit before tax by DKK -29 million (DKK -10 million in 2020), and pre-tax equity by DKK 79 million (DKK 159 million in 2020). The direct impact on pre-tax equity is due to changes in the fair value of the interest rate swaps.

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DKK million

15 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 2021				
Securities	2,766	1 %	-30	-30
Mortgage loans	7,856	1 %	-35	-35
Derivatives	241	1 %	36	144
Impact			-29	79
31 December 2020				
Securities	4,452	1 %	-8	-8
Mortgage loans	8,034	1 %	-38	-38
Derivatives	395	1 %	36	205
Impact			-10	159

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 other current financial assets 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.

Notes to the consolidated financial statements

DKK million

15 Financial assets and financial liabilities - continued

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. The Group currently has no covenants. The Group assesses the liquidity risk to be low.

The Group uses Supply Chain Financing (SCF) to strengthen its financial position. SCF is based on a three-way relationship between the Group, a given supplier and the syndication banks facilitating the SCF programme. A number of the Group's suppliers participate in the SCF programme. When suppliers participate in the SCF programme they have the option to receive early payment from the syndication banks based on the invoices, that have been sent to the Group, when the Group has received and approved the goods or services, and accepted to pay the invoices at maturity date via the syndication banks. The arrangement of early payment is a transaction between the supplier and the syndication banks, and does not involve the Group. The advantage of participating in the SCF programme for suppliers is that their cash position can be improved.

The Group's liability in relation to the SCF programme is the invoices, which are recognised and presented as trade payables until maturity. Any extended payment terms are agreed with the individual vendors directly, and are not a consequence of the SCF programme. The payment terms of the suppliers that are participating in the SCF programme are no more than 120 days.

As at 31 December 2021 the Group has utilised the SCF facility by DKK 6.7 billion (DKK 6.5 billion in 2020).

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DKK million

15 Financial assets and financial liabilities - continued

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 amount and the fair value. Floating rate interest is estimated using the prevailing rate at the balance sheet date.

31 December 2021	Within 1 year	1 to 5 years	After 5 years
Mortgage loans	211	1,437	6,942
Lease liabilities	960	3,517	3,417
Bank loans	2	-	-
Trade and other payables	15,617	117	-
Derivatives	102	170	18
Total	16,892	5,241	10,377

31 December 2020	Within 1 year	1 to 5 years	After 5 years
Mortgage loans	319	737	7,819
Lease liabilities	809	2,964	2,888
Bank loans	1	-	-
Trade and other payables	14,171	790	-
Derivatives	114	253	28
Total	15,414	4,744	10,735

Notes to the consolidated financial statements

DKK million

2021

2020

15 Financial assets and financial liabilities - continued

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.

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. Counterparty credit lines are reviewed on an ongoing basis and may be updated throughout the year subject to approval of management. Limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

The Group is exposed to credit risks from trade and other 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 government and mortgage bonds with a rating of minimum Aa2. The overall duration of Salling Group's bond portfolio must be below 4.

The table below summarises the ageing analysis of trade receivables:

Not due	73	63
< 30 days past due	10	4
30 to 90 days past due	1	-
90 to 180 days past due	-	-
> 180 days past due	1	5
Total	85	72

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DKK million

15 Financial assets and financial liabilities - continued

The Group recognises an allowance for impairment of receivables. The entire allowance for impairment of receivables relates to trade receivables, as the allowance regarding any other financial assets is immaterial. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due, and a provision is recognised for not due receivables as well as past due receivables. As at the 31 December 2021 the provision amounts to DKK 18 million (31 December 2020: DKK 7 million). The maximum credit risk exposure at the reporting date is the carrying value of each class of financial assets. The Group does not hold collateral or other forms of credit insurance as security. The Group assesses the concentration of credit risk with respect to receivables as low.

Changes in liabilities arising from financing activities

	1 January		31 December	
	2021	Cash flows	Other	2021
2021:				
Other financial assets excluding derivatives	-41	-	41	-
Mortgage loans	8,034	-178	-	7,856
Lease liabilities	5,239	-617	1,534	6,156
Other financial liabilities excluding derivatives	19	-1,424	1,422	17
Total change in assets and liabilities from financing activities	13,251	-2,219	2,997	14,029
	1 January		31 December	
	2020	Cash flows	Other	2020
2020:				
Other financial assets excluding derivatives	-10	-	-31	-41
Mortgage loans	7,973	61	-	8,034
Lease liabilities	5,584	-524	179	5,239
Other financial liabilities excluding derivatives	10	-	9	19
Total change in assets and liabilities from financing activities	13,557	-463	157	13,251

Notes to the consolidated financial statements

DKK million

16 Deferred tax

Specification of deferred tax

	Consolidated income statement		Consolidated statement of financial position	
	2021	2020	2021	2020
Intangible assets	17	-3	-470	-487
Property, plant and equipment	47	64	-2,185	-2,127
Investment properties	4	8	-108	-112
Financial assets	2	5	7	5
Other assets	-4	1	-6	-2
Provisions	-2	-3	92	94
Other liabilities	22	-22	60	38
Leases	24	26	85	61
Tax loss carryforward	51	-	51	-
Other	-2	22	-	2
Deferred tax income / Net deferred tax	159	98	-2,474	-2,528

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

Deferred tax assets	99	87
Deferred tax liabilities	-2,573	-2,615
Net deferred tax	-2,474	-2,528

Reconciliation of net deferred tax

Opening balance at 1 January	-2,528	-2,623
Foreign currency translation adjustments	-	-2
Adjustment of deferred tax recognised in the income statement	159	98
Adjustment of deferred tax recognised in other comprehensive income	1	-
Deferred tax acquired in business combinations	-106	-1
Closing balance at 31 December	-2,474	-2,528

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Notes to the consolidated financial statements

DKK million

2021	2020
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16 Deferred tax - continued

The Group has a deferred tax asset of DKK 839 million at 31 December 2021, which is not recognised in the consolidated statement of financial position (DKK 12 million in 2020). 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.

17 Inventories

Goods held for resale	5,231	4,988
Consumables	91	96
Total inventories	5,322	5,084

In the income statement as part of cost of sales an expense of DKK 23 million has been recognised regarding write-downs of inventories to net realisable value (an income of DKK 3 million in 2020).

18 Assets classified as held for sale

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

Land and buildings	15	24
Investment properties	4	-
Assets classified as held for sale	19	24

The properties classified as held for sale are recognised at carrying amount, since the fair value less costs to sell of the properties is higher than the carrying amount.

Notes to the consolidated financial statements

DKK million

2021	2020
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19 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 is defined contribution plans. For a few former employees and some members of the founders family defined benefit plans exist. The defined benefit plans are lifelong. The defined benefit plans guarantee fixed amounts per year adjusted for price inflation, and the plans are fully unfunded.

Changes in the present value of the defined benefit obligation:

Defined benefit obligation at 1 January	286	305
Interest expenses recognised as part of staff expenses	1	1
Actuarial gains / losses, demographic assumptions	-	-2
Actuarial gains / losses, financial assumptions	-4	-3
Actuarial gains / losses, experience adjustments	8	2
Payments from the plan	-17	-17
Defined benefit obligation at 31 December	274	286

The following significant actuarial assumptions are applied:

Discount rate	-0.2 %	-0.5 %
Price inflation	1.1 %	1.0 %

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

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DKK million

	2021	2020
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19 Pensions - continued

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

	2021	2020
Discount rate:		
Increase of 0.5 % point	-13	-14
Decrease of 0.5 % point	14	15
Price inflation:		
Increase of 0.5 % point	14	15
Decrease of 0.5 % point	-13	-14

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 2021 is 29 years (30 years in 2020). DKK 18 million is expected to be paid from the plans in 2022.

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DKK million

20 Provisions

2020:

	Insurance	Other	Total
Balance at 1 January 2020	128	44	172
Provisions made during the year	51	13	64
Provisions utilised during the year	-19	-9	-28
Reversals during the year	-12	-6	-18
Balance at 31 December 2020	148	42	190
Current	30	7	37
Non-current	118	35	153
Balance at 31 December 2020	148	42	190

2021:

	Insurance	Other	Total
Balance at 1 January 2021	148	42	190
Acquisitions through business combinations	-	8	8
Provisions made during the year	39	21	60
Provisions utilised during the year	-22	-9	-31
Reversals during the year	-19	-6	-25
Balance at 31 December 2021	146	56	202
Current	36	8	44
Non-current	110	48	158
Balance at 31 December 2021	146	56	202

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DKK million

2021 2020

20 Provisions - continued

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 44 million is expected to fall due after more than 5 years (DKK 59 million in 2020).

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 19 million is expected to fall due after more than 5 years (DKK 17 million in 2020). No further information is provided regarding the provision for pending lawsuits as the information might harm the Group's position.

21 Adjustments

Financial income	-97	-38
Financial expenses	551	504
Amortisation and impairment of intangible assets	373	274
Depreciation and impairment of property, plant and equipment	1,609	1,424
Depreciation and impairment of right-of-use assets	752	624
Depreciation and impairment of investment properties	34	41
Net gain/loss on sale of non-current assets	-42	3
Gain on discounted purchase	-419	-
Other adjustments	-8	5
Adjustments	2,753	2,837

Notes to the consolidated financial statements

DKK million

2021 2020

22 Change in working capital

Change in trade and other receivables and prepayments	58	22
Change in inventories	216	-208
Change in trade and other payables	-368	792
Change in working capital	-94	606

23 Acquisition of subsidiaries, net of cash received, and prepayments related to acquisition of subsidiaries

For a description of the acquisition of subsidiaries please refer to note 27.

On 16 March 2021 the acquisition of the UK retailer Tesco's Polish business was finalised, and Netto Indygo Sp. Z o.o. and the subsidiaries, Netto Indygo Dystrybucja Sp. Z o.o., Jasper Sp. Z o.o. and Genesis Sp. Z o.o., have been included in the Group from this point in time. The fair value of the net assets acquired in the business combination is specified below. During 2020 a prepayment of DKK 41 million was made related to the intended acquisition of UK retailer Tesco's Polish business, and Skagenfood A/S acquired 51 % of the issued share capital and voting rights in Bodebjerg ApS.

Brands	-	6
Software	13	-
Land and buildings	2,538	-
Fixtures and fittings, tools and equipment	32	-
Leasehold improvements	51	-
Right-of-use assets: Land and buildings	1,199	-
Right-of-use assets: Fixtures and fittings, tools and equipment	-	1
Inventory	462	1
Trade receivables	48	-
Income tax receivables	2	-
Other receivables	112	-
Cash and bank balances	46	-
Total assets	4,503	8

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DKK million

	2021	2020
23 Acquisition of subsidiaries, net of cash received, and prepayments related to acquisition of subsidiaries - continued		
Total assets (transferred)	4,503	8
Deferred tax liability	106	1
Provisions	8	-
Lease liabilities	1,233	1
Bank loans	124	-
Other current financial liabilities	1,300	-
Trade payables	486	-
Other payables	394	2
Deferred income	25	-
Total liabilities	3,676	4
Total identifiable net assets at fair value	827	4
Gain on discounted purchase	-419	-
Prepayment related to the intended acquisition of UK retailer Tesco's Polish business	-	41
Total	408	45
Cash payment during the financial year	238	42
Prepayment related to the Netto Indygo Sp. Z o.o. acquisition in 2020	41	-
Net payable related to the Netto Indygo Sp. Z o.o. acquisition as at 31 December 2021	129	-
Contingent consideration arrangement	-	3
Total amount to be paid	408	45
Cash acquired with the subsidiary	46	-
Cash paid	-238	-42
Net cash flow on acquisitions	-192	-42

Of the total purchase price for Netto Indygo Sp. Z o.o. and the subsidiaries, Netto Indygo Dystrybucja Sp. Z o.o., Jasper Sp. Z o.o. and Genesis Sp. Z o.o., DKK 41 million was paid in 2020 as a prepayment. As at 31 December 2021 DKK 129 million has not yet been paid, as the final payment will not take place until the outcomes of the sale of 2 buildings and a lawsuit are known.

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DKK million

	2021	2020
24 Cash and cash equivalents		
Cash and short-term deposits	2,183	1,551
Current liabilities - bank loans	-2	-1
Cash and cash equivalents available to the Group	2,181	1,550
25 Contingent assets and liabilities and other financial commitments		
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 1 month and 20 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	200	181
1 to 5 years	260	273
After 5 years	103	105
Total	563	559
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 1,382 million (DKK 904 million in 2020).		
The Group has entered into contractual commitments regarding acquisition of intangible assets of a total of DKK 14 million (DKK 25 million in 2020).		
As security for mortgage loans land and buildings with a carrying amount of DKK 8,804 million have been provided as collateral (DKK 8,888 million in 2020).		
As security for interest rate swap contracts securities with a carrying amount of DKK 168 million have been provided as collateral (DKK 262 million in 2020).		
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 519 million at 31 December 2021 (DKK 494 million in 2020).		

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DKK million

25 Contingent assets and liabilities and other financial commitments - continued

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 Salling Group 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, Salling Group A/S' subsidiaries have joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties within the Salling Group 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 2020 Købmand Herman Sallings Fond had signed a letter of intent stating its intention to, during an undefined number of years, decide to distribute up to DKK 250 million to a major project in Aarhus, if a number of prerequisites are fulfilled. As at 31 December 2021 the letter of intent still exists.

As at 31 December 2021 Købmand Herman Sallings Fond has signed letters of intent stating its intention to in 2022 decide to distribute up to a total of DKK 30 million to 3 minor project in Aarhus, if a number of prerequisites are fulfilled.

The Group has entered into a suretyship for guarantees provided by Tryg Garanti of a maximum of DKK 114 million (DKK 109 million in 2020).

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DKK million

26 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 transactions were carried out with related parties:

Other related parties:		
Dividends paid to non-controlling interests in subsidiary	30	30

Key management personnel

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

Short-term employee benefits	3	3
Total remuneration	3	3

Of the total remuneration DKK 1 million (DKK 1 million in 2020) concerns payments from other Group companies.

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DKK million

27 Business combinations

During 2021 Salling Group's acquisition of the UK retailer Tesco's Polish business was finalised. On 16 March 2021 Salling Group A/S acquired 100 % of the share capital and the voting rights of Netto Indygo Sp. Z o.o., which owns the subsidiaries Netto Indygo Dystrybucja Sp. Z o.o., Jasper Sp. Z o.o. and Genesis Sp. Z o.o.. Netto Indygo Sp. Z o.o. and Netto Indygo Dystrybucja Sp. Z o.o. were named Tesco (Polska) Sp. Z o.o. and Tesco Dystrybucja Sp. Z o.o., when the acquisition took place, and have subsequently been renamed.

Netto Indygo Sp. Z o.o. and the subsidiaries were acquired in order to strengthen the position of the Netto format in Poland. During 2021 in the period from the acquisition date Netto Indygo Sp. Z o.o. and the subsidiaries have realised revenue from contracts with customers in the amount of DKK 3,806 million and a loss after tax in the amount of DKK 549 million.

The business combination was a discounted purchase, and resulted in the recognition of a gain of DKK 419 million, which is recognised in the consolidated income statement as Special items. There are 2 main reasons for the business combination being a discounted purchase. The first reason is the fact that Netto Indygo Sp. Z o.o. for a number of years has not been able to run the retail business in Poland on a profitable manner. The second reason is the fact that Salling Group A/S as a consequence of the acquisition has to carry out a number of restructuring initiatives in order to dispose of the unprofitable parts of the previous retail business resulting in considerable restructuring costs. The purchase price was fixed considering these necessary restructuring costs.

Salling Group A/S' acquisition of UK retailer Tesco's Polish business was announced during June 2020, and a prepayment took place related to the acquisition during 2020.

During 2020 Salling Group A/S' subsidiary, Skagenfood A/S, acquired controlling interests in Bodebjerg ApS. Skagenfood A/S acquired 51 % of the issued share capital and voting rights in the company.

Notes to the consolidated financial statements

DKK million

27 Business combinations - continued

Bodebjerg ApS is one of Skagenfood A/S' suppliers, and it is the intention to continue running Bodebjerg ApS as a separate company supplying both Skagenfood A/S and other Group companies with high quality meat products. The purchase consideration transferred consisted of cash. Skagenfood A/S holds call options to purchase the remaining 49 % of the shares in Bodebjerg ApS at a favourable price. The call options can be exercised in 2023 and 2025.

As the call options in reality give Skagenfood A/S present access to the returns associated with that ownership interest, the non-controlling interests that are comprised by the call options are considered to be purchased at the point in time, where the call options are written. Thus, 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. The call options are recognised in the Group at DKK 4 million as at 31 December 2021 (DKK 3 million in 2020).

During 2017 Salling Group A/S acquired controlling interests in Skagenfood A/S. Salling Group A/S acquired 80 % of the issued share capital and voting rights in the company. Skagenfood A/S was acquired 21 June 2017.

Skagenfood A/S is one of the main players in Denmark regarding sale of meal boxes, and Salling Group intends to continue running Skagenfood A/S along side the Group's other online-activities. The purchase consideration transferred consisted of cash. Salling Group A/S entered into a contractual commitment to purchase the remaining 20 % of the shares in Skagenfood A/S. The founders of the company held put options that allowed them to sell the remaining shares at prices dependent on the development of the company. The put options could be exercised in 2019 and 2023. During 2019 the first put option was exercised and an additional 10 % of Skagenfood A/S was acquired.

The remaining put option is treated according to the anticipated acquisition method, according to which the non-controlling interests that are comprised by the put options are considered to be purchased at the point in time, where the put options are written. Thus, 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. The remaining put option is recognised at DKK 13 million as at 31 December 2021 (DKK 16 million in 2020).

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

28 Capital management

Købmand Herman Sallings Fond Group ensures the continuity within Salling Group 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 the Group will be able to continue as going concerns 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.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants.

The Group has no covenants in relation to bank facilities or other financing activities, hence as at 31 December 2021 and 2020 no covenants exist.

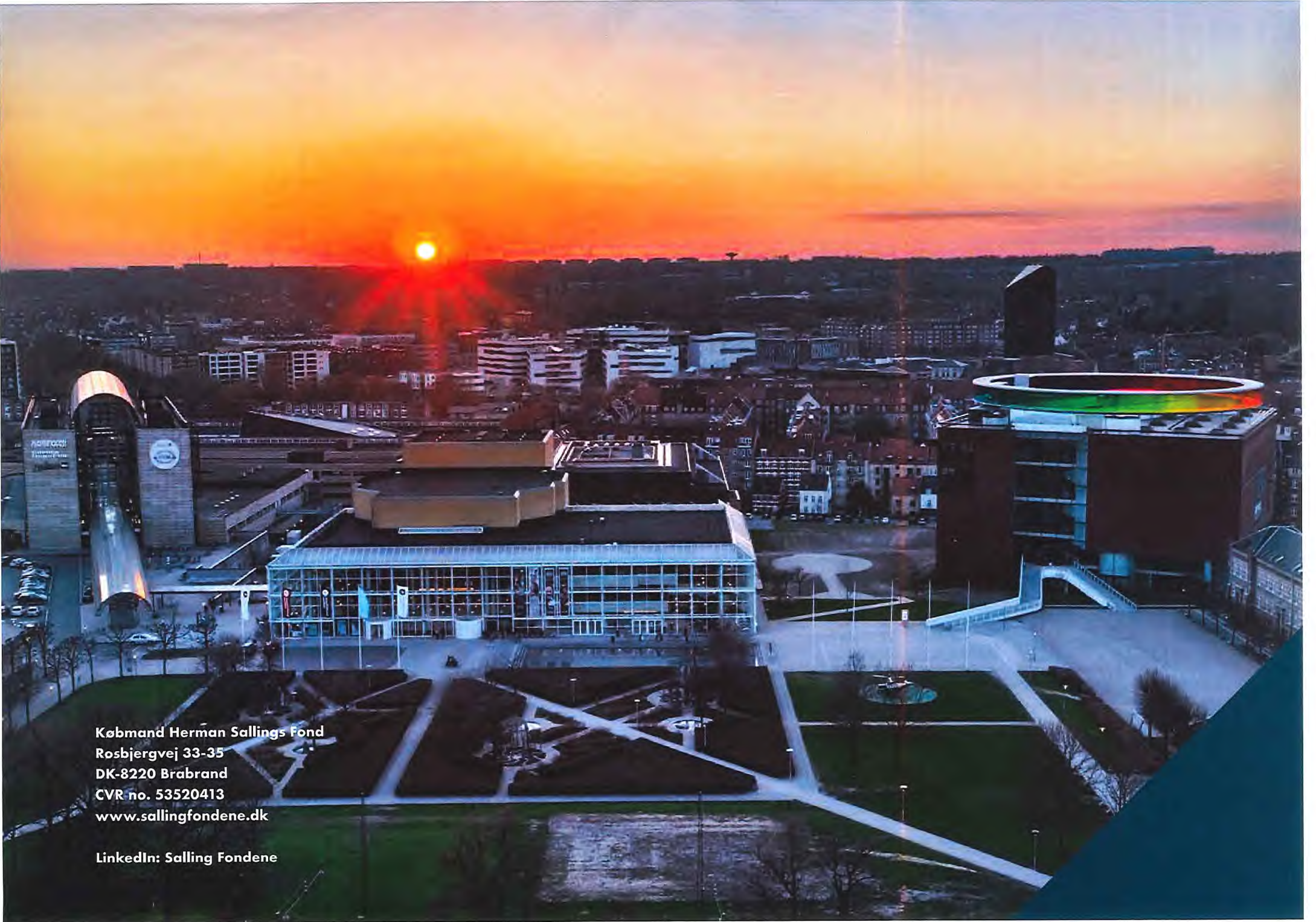
No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2020.

29 Events after the reporting period

No subsequent events have occurred that affect the annual report for 2021.

30 Standards issued but not yet effective

The new and amended standards IFRS 17 Insurance Contracts, Amendments to IAS 1: Classification of Liabilities as Current or Non-current, Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies, Amendments to IAS 8: Definition of Accounting Estimates, Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction, Amendments to IAS 16: Property, Plant and Equipment - Proceeds before Intended Use, Amendments to IAS 37: Onerous Contracts - Cost of Fulfilling a Contract, Amendments to IFRS 3: Reference to the Conceptual Framework, Annual Improvements to IFRS Standards 2018–2020 and Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture have been issued, but are not yet effective. The Group plans to adopt the new standards on the required effective dates. Overall the Group expects no significant impact on its statement of financial position and equity of the standards.



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