Salling Group A/S

Rosbjergvej 33
DK-8220 Brabrand

Annual report

2018

CVR no. 35 95 47 16

The Annual Report has been presented and approved on the company's annual general meeting at / 2019

Chair

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Financial highlights for the Group

	2018	2017	2016	2015 *)	2014 **)
Net revenue	59,059	58,289	57,582	57,148	56,816
Total revenue	59,410	58,689	57,899	57,474	57,156
Operating profit (EBIT)	2,059	2,472	2,164	2,558	2,430
Net financial items	-254	-248	-196	-226	-52
Total profit for the year	1,367	1,698	1,322	1,739	1,819
Total assets	30,871	30,476	31,870	32,467	28,596
Total equity	3,981	2,952	6,732	8,513	6,702
Purchase of property, plant and equipment	1,233	1,276	1,070	912	1,095
Profit margin	3.5 %	4.2 %	3.7 %	4.5 %	4.3 %
Return on equity	39.4 %	35.1 %	17.3 %	22.9 %	11.8 %

Definitions:

Profit margin is operating profit divided by total revenue.

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

*) The main and key figures for the financial years 2015 and 2014 have not been adjusted to reflect the changed accounting principles regarding the allowance for impairment losses on trade receivables.

**) The main and key figures for the financial year 2014 have not been adjusted to reflect the changes to the accounting principles applied in 2016 regarding insurance provisions.

Management's review

On 1 June 2018 the company changed its name from Dansk Supermarked A/S to Salling Group A/S. With the name change it is emphasised that Salling Group is owned 100 % by the Salling Foundations, and that the profit from Salling Group is used for two purposes only: For reinvestment in better stores in order to give more value for customers and to create more jobs, and for donations from the Salling Foundations for good causes. Also the name change honours Salling Group's historical roots as a tribute to Salling Groups visionary founder, Herman Salling.

Primary business area

Salling Group runs four different formats of retail stores. In Denmark, Bilka, føtex, Netto and Salling and in Germany, Poland and Sweden we are present with Netto stores. In E-commerce we operate with Bilka.dk, Salling.dk, føtex.dk, wupti.com, flowr.dk and Skagenfood A/S. Furthermore Salling Group operates Starbucks and Carl's Jr as franchises in Denmark.

The parent company's activities include all retail activities in Denmark.

Development during the financial year

Market development

Like in previous years the Danish grocery market continued to grow at a slow pace during 2018. The market was characterised by strong competition and price sensitive consumers. The discount segment accounts for more than 40 % of the market for fast moving consumer goods in Denmark with several discount banners opening new stores and making significant refurbishment of a part of the stores during the year. The discount segment is expected to continue its growth in the coming years. The total number of grocery stores in Denmark declined during 2018.

The market for nonfood and textile was characterized by limited growth. Volumes are continuously shifting towards online trade and a lot of the trade is coming from international players, a trend that is expected to continue in the coming years.

In føtex more than 3.000 products were lowered to discount price level.

Salling Group continued to grow its food market share in Denmark in 2018 and is now for the first time the largest player in the Danish grocery market.

Structural development

In 2018 Salling Group A/S merged with the previous subsidiary F. Salling A/S.

Result for the year

The annual report for Salling Group A/S is presented in accordance with the provisions of the International Financial Reporting Standards (IFRS) as adopted by the EU.

The total revenue for 2018 amounts to DKK 59,410 million, an increase of DKK 721 million compared to 2017. The expansion continued with the opening of 55 new stores of which 25 were converted from former Kiwi sites. During the year Salling Group A/S closed 2 stores.

Operating profit before depreciation, amortisation and impairment losses (EBITDA) is DKK 3,158 million compared to DKK 3,006 million in 2017.

Operation profit (EBIT) for 2018 is DKK 2,059 million compared to DKK 2,472 million in 2017. In 2017 the result was positively impacted by the sale of Næstved Storcenter.

Profit before tax is DKK 1,804 million compared to DKK 2,231 million in 2017 and profit for the year is DKK 1,367 million, a decrease of DKK 331 million compared to the result in 2017 of DKK 1,698 million in part due to the sale of Næstved Storcenter in 2017.

The result for the underlying business was in line with expectations.

Management's review

Cash flows from operating activities amount to DKK 3,786 million (DKK 4,691 million in 2017). Cash flows from investment activities were DKK -1,822 million (DKK 1,579 million in 2017). Investments in intangible assets, property, plant and equipment and investment property amount to DKK 1,384 million in 2018 (DKK 1,454 million in 2017).

Net cash flows from financing activities include dividend paid out of DKK 200 million (DKK 5,680 million in 2017).

Employees

As at 31 December 2018 the Salling Group employed 53,579 employees against 53,143 as at 31 December 2017. Converted into the average number of full time employees this equals 27,497 in 2018 (26,935 in 2017).

Social responsibility and diversity in management

Salling Group considers social responsibility to be important for the Group. Regarding the efforts in 2018 we refer to our report on social responsibility in pursuance of sections 99a and 99b of the Danish Financial Statements Act. The report is available on:
https://storage.sallinggroup.com/media/2145/csr-report-2018.pdf

Particular risks

The Group's financial risks include interest and exchange rate risks. The interest rate risk is related to the Group's mortgage loans where the risk is hedged by interest rate swaps. The exchange rate risk primarily concerns purchase of goods in USD where the major part hereof is covered by short-term forward contracts.

Expected development

The result before tax for 2019 is expected to a be at the same level as in 2018, when excluding the effect of IFRS 16: Leases in 2019. For an overview of the expected effect of IFRS 16, please refer to note 29 in the consolidated financial statements.

Management's statement

The Board of Directors and the Executive Board have today discussed and approved the annual report of Salling Group A/S for the financial year 1 January – 31 December 2018.

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 parent company financial statements give a true and fair view of the Group's and the company's assets, liabilities and financial position at 31 December 2018 and of the results of the Group's and the company's operations and cash flows for the financial year 1 January – 31 December 2018.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the company's operations and financial conditions, the results of the Group's and the company'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 company faces.

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

Brabrand, 9 April 2019

Executive Board

Per Bank
CEO

Board of Directors

Nils S. Andersen Chairman	Jens Bjerg Sørensen	Marianne Kirkegaard Knudsen
Bjørn Gulden	Freddy Mikael Sobin	Thomas Carsten Alexander Tochtermann
Helle Bech Employee representative	Morten Agerholm Employee representative	Lars Lippert Laursen Employee representative

Independent auditor's report

To the shareholders of Salling Group A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Salling Group A/S for the financial year 1 January – 31 December 2018, 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 parent company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the parent company at 31 December 2018 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 January – 31 December 2018 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 parent company financial statements" (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' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Independent auditor's report

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

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 parent company's internal control.

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

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

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

- 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.

Independent auditor's report

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, 9 April 2019

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

Henrik Kronborg Iversen
State Authorised Public Accountant
MNE no. mne24687

Morten Friis
State Authorised Public Accountant
MNE no. mne32732

Consolidated income statement

DKK million

Notes		2018	2017
	Revenue from contracts with customers	59,059	58,289
	Other revenue	351	400
4	Total revenue	59,410	58,689
	Cost of sales	-43,149	-42,704
	Gross profit	16,261	15,985
5	Staff expenses	-7,353	-7,094
6	External expenses	-5,794	-5,725
	Provision regarding onerous contracts and other expenses related to market expansion	44	-160
	Operating profit before depreciation, amortisation and impairment losses (EBITDA)	3,158	3,006
	Depreciation and amortisation	-1,153	-1,032
	Impairment losses	-21	-365
	Net gain on disposal of investment property, property, plant and equipment and intangible assets	75	863
	Operating profit (EBIT)	2,059	2,472
13	Share of profit/loss of joint ventures, net of tax	-1	7
7	Financial income	57	44
8	Financial expenses	-311	-292
	Profit before tax	1,804	2,231
9	Income tax	-437	-533
	Total profit for the year	1,367	1,698

The total profit for the year is attributable to shareholders of Salling Group A/S.

Consolidated statement of other comprehensive income

DKK million

Notes		2018	2017
	Profit for the year	1,367	1,698
	Other comprehensive income, net of income tax:		
	Items that will not be reclassified to the consolidated income statement:		
9	Remeasurement of defined benefit plans	-3	-5
		-3	-5
	Items that are or may be reclassified subsequently to the consolidated income statement:		
9	Exchange differences on translating foreign operations	-112	168
9	Cash flow hedges, value adjustment for the year	-96	-27
9	Cash flow hedges, reclassified to financial expenses	73	66
		-135	207
	Other comprehensive income for the year, net of income tax	-138	202
	Total comprehensive income for the year	1,229	1,900

The total comprehensive income for the year is attributable to shareholders of Salling Group A/S.

Consolidated statement of financial position

DKK million

Assets

Notes		2018	2017
	Non-current assets		
10	**Intangible assets**		
	Goodwill	131	131
	Software	965	948
	Software development in progress	82	160
	Brands	74	80
	Other intangible assets	23	20
	Total intangible assets	1,275	1,339
11	**Property, plant and equipment**		
	Land and buildings	16,392	16,433
	Fixtures and fittings, tools and equipment	1,831	1,832
	Leasehold improvements	460	420
	Assets under construction and prepayments	230	127
	Total property, plant and equipment	18,913	18,812
12	**Investment property**	312	335
	Financial assets		
13	Investments in joint ventures	-	4
	Total financial assets	-	4
15	**Deferred tax assets**	92	125
	Total non-current assets	**20,592**	**20,615**
	Current assets		
16	**Inventories**	4,758	4,885
	Receivables		
14	Trade receivables	125	178
	Income tax receivables	80	17
14	Other receivables	416	399
	Prepayments	63	55
14	Other current financial assets	1	10
	Total receivables	685	659
14	**Securities**	3,340	2,797
14	**Cash and short-term deposits**	1,489	1,513
17	**Assets classified as held for sale**	7	7
	Total current assets	**10,279**	**9,861**
	Total assets	**30,871**	**30,476**

Consolidated statement of financial position

DKK million

Equity and liabilities

Notes		2018	2017
	Equity		
	Share capital	524	524
	Retained earnings	3,785	2,621
	Cash flow hedge reserve	-279	-256
	Foreign currency translation reserve	-249	-137
	Proposed dividends	200	200
	Total equity	**3,981**	**2,952**
	Liabilities		
	Non-current liabilities		
18	Pensions	275	285
15	Deferred tax liabilities	474	427
19	Provisions	198	259
14	Mortgage loans	10,238	12,091
14	Other non-current financial liabilities	275	265
	Total non-current liabilities	11,460	13,327
	Current liabilities		
19	Provisions	87	83
14	Mortgage loans	148	169
14	Bank loans	4	-
14	Other current financial liabilities	526	445
14	Trade payables	11,854	11,054
	Income tax payable	24	20
14	Other payables	2,749	2,390
	Deferred income	38	36
	Total current liabilities	15,430	14,197
	Total liabilities	**26,890**	**27,524**
	Total equity and liabilities	**30,871**	**30,476**

Consolidated cash flow statement

DKK million

Notes		2018	2017
	Profit before tax	1,804	2,231
20	Adjustments	1,285	901
21	Change in working capital	1,378	2,284
	Net cash flows from operating activities before financial items and tax	4,467	5,416
	Financial income received	40	43
	Financial expenses paid	-311	-305
	Income tax paid	-410	-463
	Net cash flows from operating activities	3,786	4,691
10	Purchase of intangible assets	-150	-172
11	Purchase of property, plant and equipment	-1,233	-1,276
12	Purchase of investment property	-1	-6
	Proceeds from sale of property, plant and equipment	102	1,125
22	Acquisition of subsidiaries, net of cash received	-	-46
	Purchase of securities	-3,010	-5,618
	Sale of securities	2,467	7,538
13	Dividends received from joint venture	3	34
	Net cash flows from investment activities	-1,822	1,579
	Net repayments to related parties	-9	-8
	Payment of finance lease liabilities	-1	-1
	Net repayments from related parties	97	40
	Repayment of borrowings	-1,874	-228
	Dividends paid to equity holders of the parent	-200	-5,680
	Net cash flows from financing activities	-1,987	-5,877
	Net change in cash and cash equivalents	-23	393
	Cash and cash equivalents at 1 January	1,513	1,117
	Net foreign exchange difference	-5	3
23	Cash and cash equivalents at 31 December	1,485	1,513

Consolidated statement of changes in equity

DKK million

2017:	Share capital	Retained earnings	Cash flow hedge reserve	Foreign currency translation reserve	Proposed dividends	Total equity
Equity at 1 January 2017	524	6,659	-295	-305	150	6,733
Effect of changes to accounting policies		-1				-1
Adjusted equity at 1 January 2017	524	6,658	-295	-305	150	6,732
Profit for the year		1,498			200	1,698
Remeasurement of defined benefit plans		-5				-5
Exchange differences on translating foreign operations				168		168
Cash flow hedges			-27			-27
Cash flow hedges, reclassified to financial expenses			66			66
Other comprehensive income	-	-5	39	168	-	202
Total comprehensive income for the year	-	1,493	39	168	200	1,900
Payment of dividends					-150	-150
Payment of extraordinary dividends		-5,530				-5,530
Total transactions with owners	-	-5,530	-	-	-150	-5,680
Equity at 31 December 2017	524	2,621	-256	-137	200	2,952

Consolidated statement of changes in equity

DKK million

2018:	Share capital	Retained earnings	Cash flow hedge reserve	Foreign currency translation reserve	Proposed dividends	Total equity
Equity at 1 January 2018	524	2,621	-256	-137	200	2,952
Profit for the year		1,167			200	1,367
Remeasurement of defined benefit plans		-3				-3
Exchange differences on translating foreign operations				-112		-112
Cash flow hedges			-96			-96
Cash flow hedges, reclassified to financial expenses			73			73
Other comprehensive income	-	-3	-23	-112	-	-138
Total comprehensive income for the year	-	1,164	-23	-112	200	1,229
Payment of dividends					-200	-200
Total transactions with owners	-	-	-	-	-200	-200
Equity at 31 December 2018	524	3,785	-279	-249	200	3,981

Summary of notes to the consolidated financial statements

Notes to the consolidated financial statements

DKK million

1 General information

On 1 June 2018 the company changed its name from Dansk Supermarked A/S to Salling Group A/S. With the name change it is emphasised that Salling Group is owned 100 % by the Salling Foundations, and that the profit from Salling Group is used for two purposes only: For reinvestment in better stores in order to give more value for customers and to create more jobs, and for donations from the Salling Foundations for good causes. Also the name change honours Salling Group's historical roots as a tribute to Salling Group's visionary founder, Herman Salling.

The primary business area of Salling Group is the running of four different formats of retail stores. In Denmark, Bilka, føtex, Netto and Salling and in Germany, Poland and Sweden we are present with Netto stores. In E-commerce we operate with Bilka.dk, Salling.dk, føtex.dk, wupti.com, flowr.dk and Skagenfood A/S. Furthermore Salling Group operates Starbucks and Carl's Jr as franchises in Denmark.

The parent company's activities include all retail activities in Denmark.

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

2 Summary of significant accounting policies

The financial statements section of the annual report for the period 1 January – 31 December 2018 comprises the consolidated financial statements of Salling Group A/S and its subsidiaries (the Group) and the separate parent company financial statements.

The consolidated financial statements of Salling Group and the separate parent company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and further Danish requirements for class C large enterprises.

Changes to accounting policies

In 2018 Salling Group has applied IFRS 9: Financial Instruments and IFRS 15: Revenue from Contracts with Customers for the first time.

The Group has applied IFRS 9: Financial Instruments retrospectively, with the initial application date of 1 January 2018 and adjusting the comparative information for the period beginning 1 January 2017. The standard has not be applied to items that was derecognised at the initial application date.

IFRS 9 changes the classification and measurement of financial instruments.

The classification of financial assets is 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, and the financial assets are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income.

The assessment of the business model was made as of the date of initial application, 1 January 2018, and applied retrospectively to the financial assets that were not derecognised before 1 January 2018. The assessment did not change the measurement of any of the financial assets in the Group, but the classification was changed as follows:

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

Trade receivables, other receivables, other financial assets excluding derivatives and cash and short-term deposits were previously classified as Loans and Receivables. They are now classified and measured as Financial assets at amortised cost.

Securities were previously classified as Financial assets at fair value through profit or loss, held for trading. They are now classified as Financial assets at fair value through profit or loss, as they continue to be held for trading.

Derivatives not designated as hedges continue to be classified as Financial assets at fair value through profit or loss, and cash flow hedges continue to be classified as Financial assets at fair value through other comprehensive income.

The classification and measurement of financial liabilities is unchanged by the adoption of IFRS 9. Mortgage loans, bank loans, other financial liabilities excluding derivatives, trade payables and other payables continue to be classified as Financial liabilities measured at amortised cost. Derivatives not designated as hedges continue to be classified as Financial liabilities at fair value through profit or loss, and cash flow hedges continue to be classified as Financial liabilities at fair value through other comprehensive income.

IFRS 9 also changes the accounting for impairment losses on financial assets, as the standard requires the recognition of an allowance for expected credit losses for all financial assets not held at fair value through profit or loss, whereas impairment losses were previously recognised according to an incurred loss approach. The allowance for impairment losses on trade receivables is increased by DKK 1 million following the adoption of IFRS 9 (both as at 1 January 2017 and 2018). Retained earnings is decreased by the same amount. Due to the immateriality of the changes no statement of financial position as at the beginning of the preceding period is presented.

Furthermore IFRS 9 establishes the principles for hedge accounting. At the date of initial application, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. The application of IFRS 9 does not necessitate changes to the Group's accounting policies related to hedge accounting.

The Group has applied IFRS 15: Revenue from Contracts with Customers retrospectively. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer, and requires increased disclosures. Due to the limited complexity of the Group's revenue generating activities IFRS 15 does not change the recognition or measurement of the Group's revenue, thus the Group has not applied any available optional practical expedients related to the retrospective application of the standard.

IFRS 15 requires that rights of return are treated as variable consideration, and if material a refund liability and a right of return asset will be recognised based on the expected value method. Upon adoption of IFRS 15 the estimated amount related to expected returns according to both IFRS 15 and the previous accounting policy was immaterial and no reclassification takes place.

Before the adoption of IFRS 15, any loyalty programmes offered by the Group resulted in the allocation of a portion of revenue to the loyalty programmes using the fair value of points issued and recognition of deferred revenue in relation to points issued but not yet redeemed or expired. Under IFRS 15, the loyalty programmes give rise to a separate performance obligation, because they provide a material right to the customer and a portion of the transaction price is allocated to the loyalty programmes. The changes does not affect the recognised amounts upon adoption of IFRS 15.

IFRS 15 changes the criteria for determining when an entity is acting as an agent. The changed criteria do not change the classification of the existing contracts.

Notes to the consolidated financial statements
DKK million

2 Summary of significant accounting policies - continued

Several other amendments and interpretations issued by the International Accounting Standards Board and endorsed by the European Union have become effective on or after 1 January 2018. 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 2018, 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.

Except from the above mentioned, the accounting policies are unchanged compared to last year.

Basis of preparation

The functional currency of the Salling Group A/S is Danish kroner. The presentation currency of the consolidated financial statements and the separate parent company financial statements is Danish kroner. All amounts have been rounded to the nearest million, unless otherwise indicated.

The consolidated financial statements and the separate parent company 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
Salling Group Ejendomme A/S	100 %	Brabrand, Denmark
Salling Group Forsikring A/S	100 %	Brabrand, Denmark
Dansk Netto Deutschland ApS	100 %	Brabrand, Denmark
Skagenfood A/S	80 %	Strandby, Denmark
Netto Supermarkt GmbH	100 %	Stavenhagen, Germany
NETTO ApS & Co. KG	100 %	Stavenhagen, Germany
Netto Sp. Z o.o	100 %	Szczecin, Poland
Netto Marknad AB	100 %	Falkenberg, Sweden
Netto Fastigheter AB	100 %	Falkenberg, Sweden

As at 1 January 2018 Salling Group A/S merged with the subsidiary F. Salling A/S with Salling Group A/S as the continuing entity.

On 1 June 2018 the companies Dansk Supermarked Ejendomme A/S and D.S. Forsikring A/S changed their names to Salling Group Ejendomme A/S and Salling Group Forsikring A/S.

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

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 option are considered to be purchased at the point in time where the put option is 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 a put option regarding the 20 % of Skagenfood A/S, which are presently owned by Kuba Holding ApS. Consequently, no non-controlling interests regarding the 20 % of Skagenfood A/S are recognised in the consolidated financial statements. The put option liability is recognised at fair value at acquisition date under other non-current financial liabilities and subsequently measured at amortised costs.

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

F. Salling Invest A/S, Rosbjergvej 33-35, Brabrand, Denmark
F. Salling Holding A/S, Rosbjergvej 33-35, Brabrand, Denmark

Salling Group A/S and its subsidiaries are included in the consolidated financial statements of Købmand Herman Sallings Fond, which is the ultimate controlling party of Salling Group A/S.

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 a warehouse or at delivery of the goods, i.e. when the performance obligations are satisfied.

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 Salling 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 on buildings, investment properties and operating leases regarding in-store rental is recognised on a straight-line basis over the lease terms, and is recognised in other revenue in the consolidated income statement.

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

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

Staff expenses

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

External expenses

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

Depreciation, amortisation and impairment losses

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

Government grants

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

Share of profit/loss of subsidiaries, net of tax

Investments in subsidiaries are measured in the parent company's statement of financial position using the equity method. The share of profit/loss of subsidiaries after elimination of unrealised gains and losses resulting from transactions between the parent company and the subsidiaries is recognised in the income statement.

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

Joint arrangements, which are classified as joint ventures, are recognised using the equity method. The share of profit/loss of joint ventures after elimination of unrealised gains and losses resulting from transactions between the Group and the joint ventures to the extent of the interest in the joint ventures is recognised in the income statement.

Financial income and expenses

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

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

Income tax

Salling Group A/S and its Danish subsidiaries are included in the joint taxation in the Købmand Herman Sallings Fond Group. Tax for the year is allocated between the jointly taxed companies in proportion to their taxable income (full allocation). The jointly taxed companies are taxed under the on-account tax scheme.

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

Notes to the 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 net identifiable assets acquired and liabilities assumed.

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

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

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

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

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

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

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

Goodwill	No amortisation
Acquired software	3 - 10 years
Internally developed software	3 - 10 years
Software development in progress	No amortisation
Brands	10 - 15 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.

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

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

Land	No depreciation
Buildings, including investment property:	
Technical installations within the property	10 - 30 years
Foundation and bearing structure	80 years
Remaining property	40 years
Fixtures and fittings, tools and equipment	3 - 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.

Investment property

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

Borrowing costs

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

Investments in subsidiaries

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

Investments in joint ventures

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

Impairment testing of non-current assets

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 expected net cash flow from disposal of the asset or the group of assets after the end of the useful life.

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

Non-current assets held for sale

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

Inventories

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

Calculated cost comprises the purchase cost and other costs incurred in bringing the inventories to their present location and condition, 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.

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

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

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 either the Group has 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.

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 includes any cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events that are possible within the next 12 months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default. 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 irrespectively 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.

Equity - Development projects reserve
Development projects reserve, which is recognised in the separate parent company financial statements, comprises an amount equalling the capitalised development projects excluding payments for separable assets e.g. software licenses, and adjusted for the income tax effect. The reserve is an undistributable equity reserve, and cannot be used for dividends or for covering any deficits. The reserve is reduced as the development projects are sold or amortised by way of a transfer from development projects reserve to the distributable equity reserves.

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.

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.

2 Summary of significant accounting policies - continued

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

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

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 initial estimate of warranty-related costs is revised annually. Restructuring costs are recognised under liabilities when a detailed, formal restructuring plan has been announced to the parties affected no later than at the end of the reporting period.

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

Subsequently financial liabilities at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance items in the income statement. Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. The Group has not designated any financial liability 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 finance costs over the term of the loan or at derecognition. This category is most relevant to the Group. This category generally applies to interest-bearing loans, borrowings, payables and the capitalised residual lease obligation under finance leases.

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

Deferred income
Deferred income is measured at the consideration received or receivable.

2 Summary of significant accounting policies - continued

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.

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

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

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

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

Accounting policies, other

Consolidated financial statements

The consolidated financial statements comprise the parent company Salling Group A/S and the subsidiaries in which Salling Group A/S directly or indirectly exercises control. Salling Group A/S exercises control if Salling Group A/S 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 the parent company and the subsidiaries and are a pooling of the accounting items of similar nature. On consolidation intra-group transactions are eliminated.

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

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

Business combinations are accounted for using the acquisition method, according to which the identifiable assets and liabilities acquired are measured at their fair values at the date of acquisition. If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in the income statement. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date.

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

Put options regarding non-controlling interests in subsidiaries, which are written in connection with business combinations, are treated according to the anticipated acquisition method, according to which the non-controlling interests that are comprised by the put option are considered to be purchased at the point in time where the put option is written. An amount equal to the financial obligation is recognised as part of the cost price of the investments in subsidiaries. As a consequence no non-controlling interests are recognised in the income statement, the statement of other comprehensive income or the equity regarding the comprised non-controlling interests, as the non-controlling interests are regarded as purchased. The obligation regarding the put option is recognised as part of Other non-current financial liabilities and is measured at fair value at initial recognition. Subsequently, the obligation regarding the put option 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.

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

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

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

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

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

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

Notes to the consolidated financial statements

DKK million

3 Significant accounting judgements, estimates and assumptions

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

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

Valuation of intangible assets, property, plant and equipment and investment property
Intangible assets, property, plant and equipment and investment property are tested for impairment if there is an indication of impairment. For goodwill and intangible asset that are not yet in use annual impairment tests are carried out. An impairment loss is recognised if the recoverable amount of an asset is lower than the asset's carrying amount. The recoverable amount is the higher of fair value less costs of disposal and value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the long-term plans. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the 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 costs of disposal exists. The key assumptions used to determine the recoverable amount are disclosed and further explained in the relevant notes.

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

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

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

Put option regarding non-controlling interests
The put option regarding the non-controlling interests consisting of the remaining 20 % of the shares in Skagenfood A/S, which is owned by Kuba Holding ApS, is recognised initially at fair value. The fair value calculation is based on the present value of the amount expected to be paid for the remaining 20 % based on the realised results and the budget for the coming years. Subsequently, the put option is recognised at amortised cost.

Notes to the consolidated financial statements
DKK million

		2018	2017
4	**Total revenue**		
	Revenue from contracts with customers, retail and ecommerce activities	59,059	58,289
	Total revenue from contracts with customers	59,059	58,289
	Rental revenue, investment property	61	89
	Other rental revenue	209	219
	Other revenue	81	92
	Total other revenue	351	400
	Total revenue	59,410	58,689
	Geographical split		
	Denmark	42,050	41,304
	Abroad	17,360	17,385
	Total revenue	59,410	58,689

The absolut 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 contract assets and liabilities or right of return assets and refund liabilities are recognised as at 31 December 2018 or 31 December 2017.

In a few situations 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.

		2018	2017
5	**Staff expenses**		
	Wages and salaries incl. termination benefits	6,536	6,304
	Post-employment benefits – defined contribution plans	372	365
	Post-employment benefits – defined benefit plans	1	2
	Social security costs	444	423
	Total staff expenses	7,353	7,094
	Average number of full-time employees	27,497	26,935

Notes to the consolidated financial statements

DKK million

		2018	2017
6	**External expenses**		
	Fees paid to the auditors appointed at the annual general meeting:		
	Fee regarding statutory audit	2.3	2.2
	Tax assistance	0.6	0.6
	Assurance engagements	0.3	0.3
	Other assistance	2.9	2.2
	Total fee paid to the auditors appointed at the annual general meeting	6.1	5.3
7	**Financial income**		
	Interest income on loans and receivables	2	4
	Ineffective portion of changes in fair value of cash flow hedges	-	1
	Net gain on derivatives not designated as hedging instruments	19	-
	Net gain on financial instruments held for trading	8	35
	Net foreign exchange gain	24	4
	Other financial income	4	-
	Total financial income	57	44
8	**Financial expenses**		
	Interest expense on mortgage loans	187	169
	Interest expense paid to banks	14	22
	Interest expense on loans from entities with significant influence	1	3
	Cash flow hedges reclassified from other comprehensive income	94	84
	Net loss on derivatives not designated as hedging instruments	-	3
	Other financial expenses	15	11
	Total financial expenses	311	292
9	**Income tax**		
	Current income tax	-350	-484
	Adjustment regarding prior years, current income tax	-1	4
	Change in deferred tax	-81	-35
	Adjustment regarding prior years, deferred tax	3	-27
	Total income tax	-429	-542
	Income tax recognised in the income statement	-437	-533
	Income tax recognised in other comprehensive income	8	-9
	Total income tax	-429	-542

Notes to the consolidated financial statements

DKK million

9 Income tax - continued

Reconciliation of income tax recognised in the income statement

	2018		2017	
	DKK	%	DKK	%
Tax on result for the year at the Danish income tax rate	-397	22.0 %	-491	22.0 %
Non-deductible costs	-13	0.7 %	-53	2.4 %
Non-taxable income	12	-0.7 %	48	-2.1 %
Deviating tax rates in foreign operations	-7	0.4 %	-7	0.3 %
Adjustment to prior periods	2	-0.1 %	-23	1.0 %
Not capitalised tax loss carry forwards	-32	1.8 %	-6	0.3 %
Other	-2	0.1 %	-1	0.0 %
Income tax recognised in the income statement	-437	24.2 %	-533	23.9 %

Divided on countries, where Salling Group has operating activities, the effective tax rate of 24.2 % (23.9 % in 2017) shown above can be specified as follows: Denmark 21.8 % (21.9 % in 2017), Sweden -46.5 % (2.9 % in 2017), Germany 29.9 % (40.7 % in 2017) and Poland 18.8 % (20.6 % in 2017). The low effective tax rate in Sweden for 2017 and 2018 is due to the not capitalised tax losses carry forwards.

Tax on other comprehensive income

	2018			2017		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Remeasurement of defined benefit plans	-4	1	-3	-7	2	-5
Exchange differences on translating foreign operations	-112	-	-112	168	-	168
Cash flow hedges, value adjustment for the year	-124	28	-96	-34	7	-27
Cash flow hedges, reclassified to financial expenses	94	-21	73	84	-18	66
	-146	8	-138	211	-9	202

Notes to the consolidated financial statements

DKK million

10 Intangible assets

2017:	Goodwill	Software	Software develop-ment in progress	Brands	Other in-tangible assets	Total
Cost						
Balance at 1 January 2017	309	1,681	145	76	16	2,227
Additions	-	50	116	-	6	172
Acquisitions through business combinations	-	1	-	82	-	83
Reclassifications	-	96	-101	-	9	4
Disposals	-	-7	-	-	-	-7
Balance at 31 December 2017	309	1,821	160	158	31	2,479
Accumulated amortisation and impairment losses						
Balance at 1 January 2017	-	-654	-	-11	-7	-672
Amortisation	-	-168	-	-10	-4	-182
Impairment losses recognised in the income statement	-178	-56	-	-57	-	-291
Disposals	-	5	-	-	-	5
Balance at 31 December 2017	-178	-873	-	-78	-11	-1,140
Carrying amount at 31 December 2017	131	948	160	80	20	1,339

2018:	Goodwill	Software	Software develop-ment in progress	Brands	Other in-tangible assets	Total
Cost						
Balance at 1 January 2018	309	1,821	160	158	31	2,479
Additions	-	63	77	-	10	150
Reclassifications	-	147	-155	-	-	-8
Balance at 31 December 2018	309	2,031	82	158	41	2,621
Accumulated amortisation and impairment losses						
Balance at 1 January 2018	-178	-873	-	-78	-11	-1,140
Amortisation	-	-193	-	-6	-7	-206
Balance at 31 December 2018	-178	-1,066	-	-84	-18	-1,346
Carrying amount at 31 December 2018	131	965	82	74	23	1,275

Notes to the consolidated financial statements

DKK million

10 Intangible assets - continued

Impairment losses during the year

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

Carrying amount of goodwill within the Group:

	Danish retail activities		Other	
	2018	2017	2018	2017
Goodwill	91	91	40	40

The most significant goodwill amounts in the Group relate to the Danish retail activities.

The recoverable amount of the goodwill related to the Danish retail 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 cash flow projections is 10 %, and cash flows beyond the five-year period are extrapolated using a 2 % growth rate which is the expected long-term inflation rate. As a result of the impairment test management did not identify any impairment losses regarding goodwill. In 2017 an impairment loss of DKK 235 million was recognised regarding goodwill and brand related to e-commerce as the result for 2017 and the expected results for the coming years for e-commerce was not as expected.

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 the discount rate used. Development in turnover and gross margins are based on expectations to an average growth for 2019 - 2023.

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

During 2018 no impairment losses have been recognised regarding software. In 2017 an impairment loss regarding software of DKK 56 million was recognised due to the fact that the use of the software will be discontinued within a shorter period than previously expected.

Impairment losses and reversal of impairment losses are recognised in the income statement as part of Impairment losses.

Notes to the consolidated financial statements

DKK million

11 Property, plant and equipment

2017:	Land and buildings	Fixtures and fittings, tools and equipment	Leasehold improve-ments	Assets under construction	Total
Cost					
Balance at 1 January 2017	24,126	5,382	1,186	111	30,805
Foreign currency translation	223	24	-2	-	245
Additions	448	589	129	110	1,276
Acquisitions through business combinations	-	1	-	-	1
Reclassifications	55	8	27	-94	-4
Reclassified as held for sale	-8	-	-	-	-8
Disposals	-232	-153	-33	-	-418
Balance at 31 December 2017	24,612	5,851	1,307	127	31,897
Accumulated depreciation and impairment losses					
Balance at 1 January 2017	-7,957	-3,680	-862	-	-12,499
Foreign currency translation	-27	-16	2	-	-41
Depreciation	-325	-469	-47	-	-841
Impairment losses recognised in the income statement	-60	-1	-13	-	-74
Reclassified as held for sale	4	-	-		4
Disposals	186	147	33	-	366
Balance at 31 December 2017	-8,179	-4,019	-887	-	-13,085
Carrying amount at 31 December 2017	16,433	1,832	420	127	18,812
Hereof finance leases	-	7	-	-	7

Notes to the consolidated financial statements

DKK million

11 Property, plant and equipment - continued

2018:	Land and buildings	Fixtures and fittings, tools and equipment	Leasehold improve-ments	Assets under construction	Total
Cost					
Balance at 1 January 2018	24,612	5,851	1,307	127	31,897
Foreign currency translation	-163	-26	-9	-	-198
Additions	371	543	98	221	1,233
Reclassifications	104	13	9	-118	8
Reclassified as held for sale	-18	-	-	-	-18
Disposals	-65	-146	-7	-	-218
Balance at 31 December 2018	24,841	6,235	1,398	230	32,704
Accumulated depreciation and impairment losses					
Balance at 1 January 2018	-8,179	-4,019	-887	-	-13,085
Foreign currency translation	29	17	6	-	52
Depreciation	-341	-545	-55	-	-941
Impairment losses recognised in the income statement	-11	-	-9	-	-20
Reversals of impairment losses recognised in the income statement	5	-	-	-	5
Reclassified as held for sale	12	-	-	-	12
Disposals	36	143	7	-	186
Balance at 31 December 2018	-8,449	-4,404	-938	-	-13,791
Carrying amount at 31 December 2018	16,392	1,831	460	230	18,913
Hereof finance leases	-	5	-	-	5

Impairment losses during the year

Land and buildings and Leasehold improvements

During 2018 impairment losses were recognised regarding a few buildings that had been vacated in connection with relocations of the stores to other locations, and it was assessed that the expected sales price of the building were lower than the carrying amount of the buildings. Impairment losses were recognised regarding leaseholds that had 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 2 Polish, 4 Danish, 6 German and 11 Swedish stores. The impairment losses and reversal of impairment losses are recognised in the income statement as part of Impairment losses.

Notes to the consolidated financial statements
DKK million

12 Investment property

	2018	2017
Cost		
Balance at 1 January	1,011	1,322
Foreign currency translation	-	1
Additions	1	6
Disposals	-21	-318
Balance at 31 December	991	1,011
Accumulated depreciation and impairment losses		
Balance at 1 January	-676	-898
Depreciation	-6	-9
Disposals	9	231
Impairment losses recognised in the income statement	-6	-
Balance at 31 December	-679	-676
Carrying amount at 31 December	312	335

Investment property comprises a shopping centre and flats located adjacent to Salling Group's stores.

During 2018 an impairment loss has been recognised regarding a few German investment property where the expected sales price of the investment property is lower than the carrying amount of the investment property. The impairment losses and reversal of impairment losses are recognised in the income statement as part of Impairment losses.

The estimated fair value of investment property amounted to DKK 1,036 million at 31 December 2018 (DKK 1,063 million at 31 December 2017). The fair value is not based on a valuation by an independent valuer.

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

	2018	2017
Rental income from investment property	61	89
Direct operating expenses from investment that generated rental income	-17	-21
Direct operating expenses from investment that did not generate rental income	-1	-1
Profit arising from investment property	43	67
Of which related to investment property sold during the financial year	-1	-27
Profit arising from investment property owned at year end	42	40

Notes to the consolidated financial statements

DKK million

	2018	2017

13 Investments in joint ventures

Netto UK Ltd. is expected to be liquidated during 2019.

	2018	2017
Cost		
Balance at 1 January	424	424
Balance at 31 December	424	424
Value adjustments		
Balance at 1 January	-420	-392
Dividends	-3	-34
Foreign currency translation etc.	-	-1
Result	-1	7
Balance at 31 December	-424	-420
Carrying amount at 31 December	-	4

Specification of investments in joint ventures:

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

14 Financial assets and financial liabilities

Financial assets comprise the following:

	Carrying amount		Fair value	
	2018	2017	2018	2017
Trade receivables	125	178	125	178
Other receivables	416	399	416	399
Receivables from other related parties	-	8	-	8
Derivatives not designated as hedging instruments	1	2	1	2
Other current financial assets	1	10	1	10
Securities	3,340	2,797	3,340	2,797
Cash and short-term deposits	1,489	1,513	1,489	1,513

DKK million

14 Financial assets and financial liabilities - continued

Financial liabilities comprise the following:

	Carrying amount		Fair value	
	2018	2017	2018	2017
Mortgage loans - non-current	10,238	12,091	10,379	12,343
Mortgage loans - current	148	169	148	169
Mortgage loans	10,386	12,260	10,527	12,512
Bank loans - current	4	-	4	-
Bank loans	4	-	4	-
Obligations under finance leases	3	4	3	4
Derivatives designated as hedging instruments (cash flow hedges)	265	241	265	241
Other non-current financial liabilities	7	20	7	20
Other non-current financial liabilities	275	265	275	265
Payables to entities with controlling influence	-	9	-	9
Payables to entities with significant influence	414	325	414	325
Obligations under finance leases	3	3	3	3
Derivatives not designated as hedging instruments	1	15	1	15
Derivatives designated as hedging instruments (cash flow hedges)	99	93	99	93
Other current financial liabilities	9	-	9	-
Other current financial liabilities	526	445	526	445
Trade payables	11,854	11,054	11,854	11,054
Other payables	2,749	2,390	2,749	2,390

DKK million

	2018	2017
14 Financial assets and financial liabilities - continued		
Financial instruments by category:		
Financial assets at amortised cost:		
Trade receivables	125	178
Other receivables	416	399
Other financial assets excluding derivatives	-	8
Cash and short-term deposits	1,489	1,513
Financial assets at fair value through profit or loss:		
Derivatives not designated as hedging instruments	1	2
Securities	3,340	2,797
Financial liabilities measured at amortised cost:		
Mortgage loans	10,386	12,260
Bank loans	4	-
Other financial liabilities excluding derivatives	436	361
Trade payables	11,854	11,054
Other payables	2,749	2,390
Financial liabilities at fair value through profit or loss:		
Derivatives not designated as hedging instruments	1	15
Financial liabilities at fair value through other comprehensive income:		
Derivatives designated as hedging instruments (cash flow hedges)	364	334

Derivatives not designed 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.

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.

Notes to the consolidated financial statements

DKK million

14 Financial assets and financial liabilities - continued

Financial liabilities: Interest-bearing mortgage loans including hedges:

Overview of borrowings by interest rate levels (including the effect of related interest rate swaps):

31 December 2018	Carrying amount	*Next interest rate fixing* Within 1 year	1 to 5 years	After 5 years
0 - 2 %	9,169	1,334	2,300	5,535
2 - 4 %	1,217	-	-	1,217
Total	10,386	1,334	2,300	6,752
Of which:				
Bearing fixed interests	87 %			
Bearing floating interests	13 %			

31 December 2017	Carrying amount	*Next interest rate fixing* Within 1 year	1 to 5 years	After 5 years
0 - 2 %	10,960	1,583	1,717	7,660
2 - 4 %	1,300	-	-	1,300
Total	12,260	1,583	1,717	8,960
Of which:				
Bearing fixed interests	86 %			
Bearing floating interests	14 %			

Hedging activities and derivatives:

Salling 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:
Salling 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.

Notes to the consolidated financial statements

DKK million

14 Financial assets and financial liabilities - continued

31 December 2018	Notional amount	Carrying amount	Line item in the statement of financial position
CIBOR-based mortgage loans (hedged items)	6,278	6,278	Mortgage loans
Interest rate swap contracts (active)	5,900	216	Other non-current and current financial liabilities
Interest rate swap contracts (forward-starting)	2,800	148	Other non-current and current financial liabilities

31 December 2017	Notional amount	Carrying amount	Line item in the statement of financial position
CIBOR-based mortgage loans (hedged items)	6,618	6,618	Mortgage loans
Interest rate swap contracts (active)	5,900	237	Other non-current and current financial liabilities
Interest rate swap contracts (forward-starting)	2,100	97	Other non-current and current financial liabilities

The hedged cash flows are expected to occur and affect the income statement during the coming 30 years. During the coming year DKK -99 million is expected to affect profit or loss (DKK -93 million in 2017), during 1 - 5 years DKK -258 million is expected to affect profit or loss (DKK -225 million in 2017), and after 5 years DKK -7 million is expected to affect profit or loss (DKK -16 million in 2017).

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. There was no ineffectiveness recognised in 2018.

Fair value:

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

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

The fair 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 borrowing items falls within level 2 of the fair value hierarchy and is calculated on the basis of discounted interests and instalments.

14 Financial assets and financial liabilities - continued

Risks arising from financial instruments:

The Group's main risks are market risks relating to fluctuations in foreign exchange rates and interest rates, liquidity risk relating to the availability of funds to support business needs and credit risk relating to the undesirable event of a default among the Group's financial counterparties. There has been no structural changes in the Group's risk exposure or risks compared to 2017. The policies for managing risk are explained below.

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

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 minimize the potential adverse impact on the Group's financial performance and protect the Group against negative impact of market risks. Group Treasury has primarily used forward contracts to hedge foreign exchange exposures and interest rate swaps to hedge interest rate exposures. Treasury transactions and hedging activities are recognised in a Treasury management system with a high degree of system integration, control and automation of processes on treasury transactions.

Market risk:
Market risk is the risk that the fair value of 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 2018 and 2017. 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 2018.

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.

The majority of purchases of goods for resale made by the Group are denominated in the parent company'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.

Notes to the consolidated financial statements

DKK million

14 Financial assets and financial liabilities - continued

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:

31 December 2018	EUR/DKK	GBP/DKK	PLN/DKK	SEK/DKK	USD/DKK
Financial assets	45	11	426	136	3
Financial liabilities	-1,151	-	-	-	-
Known USD purchase orders	-	-	-	-	-577
Net exposures before derivatives	-1,106	11	426	136	-574
Derivatives	-448	-	-174	-	378
Net exposures after derivatives	-1,554	11	252	136	-196
The net exposures relate to:					
Hedging of expected commercial cash flows where hedge accounting is not used	-1,554	11	252	136	-196
Applied sensitivity	1 %	5 %	5 %	5 %	5 %
Impact on the consolidated income statement	-16	1	13	7	-10

31 December 2017	EUR/DKK	GBP/DKK	PLN/DKK	SEK/DKK	USD/DKK
Financial assets	18	8	641	85	1
Financial liabilities	-798	-	-	-	-
Known USD purchase orders	-	-	-	-	-536
Net exposures before derivatives	-780	8	641	85	-535
Derivatives	-67	-	-642	59	709
Net exposures after derivatives	-847	8	-1	144	174
The net exposures relate to:					
Hedging of expected commercial cash flows where hedge accounting is not used	-847	8	-1	144	174
Applied sensitivity	1 %	5 %	5 %	5 %	5 %
Impact on the consolidated income statement	-8	-	-	7	9

Notes to the consolidated financial statements

DKK million

14 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 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 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 2018, after taking into account the effect of interest rate swaps, approximately 87 % of the Group's mortgage loan portfolio are at a fixed rate, compared to 86 % as at 31 December 2017.

A general increase of 1 %-point in interest rates is estimated, all other things being equal, to affect profit before tax by DKK -23 million (DKK -12 million in 2017), and pre-tax equity by DKK 229 million (DKK 254 million in 2017). The direct impact on pre-tax equity is due to changes in the fair value of the interest rate swaps.

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

31 December 2018	Carrying amount	Sensitivity	Profit before tax	Pre-tax equity
Securities	3,340	1 %	-11	-11
Mortgage loans	10,386	1 %	-47	-47
Derivatives	364	1 %	35	287
Impact			-23	229

31 December 2017	Carrying amount	Sensitivity	Profit before tax	Pre-tax equity
Securities	2,797	1 %	-8	-8
Mortgage loans	12,260	1 %	-34	-34
Derivatives	334	1 %	30	296
Impact			-12	254

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

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

Notes to the consolidated financial statements

DKK million

14 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 on Net Debt to EBITDA. 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 Salling Group, a given supplier and the syndication banks facilitating the SCF program. As at 31 December 2018 the Group has utilised the SCF facility by DKK 6.9 billion (DKK 6.3 billion in 2017).

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

31 December 2018	Within 1 year	1 to 5 years	After 5 years
Mortgage loans	2,091	1,091	10,893
Bank loans	4	-	-
Obligations under finance leases	4	4	-
Trade and other payables	15,026	7	-
Derivatives	100	398	93
Total	17,225	1,500	10,986

31 December 2017	Within 1 year	1 to 5 years	After 5 years
Mortgage loans	336	1,337	13,153
Obligations under finance leases	3	5	-
Trade and other payables	13,778	20	-
Derivatives	94	394	125
Total	14,211	1,756	13,278

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 throughtout 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.

DKK million

	2018	2017

14 Financial assets and financial liabilities - continued

The Group is exposed to credit risks from trade receivables, balances with banks in the form of deposits and other financial instruments. The majority of the Group's sales are made in cash, and therefore, the credit risks are very low. The Group reduces its credit risks with banks by only doing business with banks with high credit ratings. Moreover, excess liquidity is deposited with banks or placed in liquid government and mortgage bonds with a rating of minimum Aa2. The overall duration of Salling Group's bond portfolio will typically be low, currently 1,4.

The table below summarises the ageing analysis of trade receivables:

	2018	2017
Not due	83	124
< 30 days past due	23	17
30 to 90 days past due	11	21
90 to 180 days past due	7	15
> 180 days past due	1	1
Total	125	178

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 2018 the provision amounts to DKK 7 million (31 December 2017: DKK 12 million), and is thus immaterial for the financial statements. The maximum exposure to credit risk 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 risk with respect to receivables as low.

Changes in assets and liabilities arising from financing activities:

2018	1 January 2018	Cash flows	Other	31 December 2018
Mortgage loans	12,260	-1,874	-	10,386
Obligations under finance leases	7	-1	-	6
Other financial liabilities excluding derivatives	334	80		414
Other financial assets excluding derivatives	-8	8	-	-
Total assets and liabilities from financing activities	12,593	-1,787	-	10,806

2017	1 January 2017	Cash flows	Other	31 December 2017
Mortgage loans	12,488	-228	-	12,260
Obligations under finance leases	8	-1	-	7
Other financial liabilities excluding derivatives	309	39	-14	334
Other financial assets excluding derivatives	-1	-7	-	-8
Total assets and liabilities from financing activities	12,804	-197	-14	12,593

Notes to the consolidated financial statements

DKK million

15 Deferred tax

Deferred tax relates to the following:

	Consolidated income statement		Consolidated statement of financial position	
	2018	2017	2018	2017
Intangible assets	3	17	-209	-213
Property, plant and equipment	-53	-102	-388	-335
Investment property	-1	2	9	10
Financial assets	2	1	2	-
Other assets	-3	-	-3	-
Provisions	-2	-4	87	88
Other liabilities	-8	32	66	73
Tax loss carryforward	-21	1	43	68
Other	4	-11	11	7
Deferred tax expense / Net deferred tax	-79	-64	-382	-302

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

	2018	2017
Deferred tax assets	92	125
Deferred tax liabilities	-474	-427
Net deferred tax	-382	-302

Reconciliation of net deferred tax:

	2018	2017
Opening balance at 1 January	-302	-221
Foreign currency translation adjustments	-2	-1
Adjustment of deferred tax recognised in the income statement	-79	-64
Adjustment of deferred tax recognised in other comprehensive income	1	2
Deferred tax acquired in business combinations	-	-18
Closing balance at 31 December	-382	-302

The Group has a deferred tax asset of DKK 57 million at 31 December 2018, which is not recognised in the consolidated statement of financial position (DKK 36 million in 2017). 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.

In Netto Marknad AB a deferred tax asset of DKK 43 million is recognised as at 31 December 2018. Netto Marknad AB has suffered a loss in 2018, and the utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences. The recognition of the deferred tax asset is based on the expected result before tax for the coming 5 years in Netto Marknad AB.

16 Inventories

	2018	2017
Goods held for resale	4,714	4,855
Consumables	44	30
Total inventories	4,758	4,885

In the income statement as part cost of sales an income of DKK 1 million have been recognised regarding write-downs of inventories to net realisable value (an expense of DKK 2 million in 2017).

Notes to the consolidated financial statements

DKK million

17 Assets classified as held for sale

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

	2018	2017
Land and buildings	7	-
Investment property	-	7
Assets classified as held for sale	7	7

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

18 Pensions

The Group has entered into pension schemes and similar arrangements with most of the Group's employees. The majority of the Group's pension schemes are defined contribution plans. For a few former employees and some members of the founder's 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:

	2018	2017
Defined benefit obligation at 1 January	285	291
Interest expenses recognised as part of staff expenses	1	2
Actuarial gains / losses, demographic assumptions	6	7
Actuarial gains / losses, financial assumptions	-4	-4
Actuarial gains / losses, experience adjustments	2	4
Payments from the plan	-15	-15
Defined benefit obligation at 31 December	275	285

The following significant actuarial assumptions are applied:

	2018	2017
Discount rate (%)	0.2 %	0.5 %
Price inflation (%)	1.4 %	1.7 %

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

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

	2018	2017
Discount rate:		
Increase of 0.5 % point	-14	-15
Decrease of 0.5 % point	15	16
Price inflation:		
Increase of 0.5 % point	15	16
Decrease of 0.5 % point	-14	-15

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.

Notes to the consolidated financial statements

DKK million

18 Pensions - continued

No contributions will be made to the plans in the future. The average duration of the defined benefit obligation as at 31 December 2018 is 32 years (33 years in 2017). DKK 15 million is expexted to be paid from the plans in 2019.

19 Provisions

2017:	Onerous contracts	Insurance	Other	Total
Balance at 1 January 2017	17	132	53	202
Provisions made during the year	160	33	12	205
Provisions utilised during the year	-11	-34	-4	-49
Reversals during the year	-1	-8	-7	-16
Balance at 31 December 2017	165	123	54	342
Current	35	27	21	83
Non-current	130	96	33	259
Balance at 31 December 2017	165	123	54	342

2018:	Onerous contracts	Insurance	Other	Total
Balance at 1 January 2018	165	123	54	342
Provisions made during the year	26	16	12	54
Provisions utilised during the year	-23	-18	-6	-47
Reversals during the year	-53	-	-11	-64
Balance at 31 December 2018	115	121	49	285
Current	43	29	15	87
Non-current	72	92	34	198
Balance at 31 December 2018	115	121	49	285

The provision for onerous contacts comprises provision for leasing contracts, in which the unavoidable costs of meeting the obligations under the contracts exceed the economic benefits expected to be received under them. The provision is calculated as the least net cost of exiting from the contracts, which is the lower of the cost of fulfilling the contracts and any compensation or penalties arising from failure to fulfil them, and DKK 24 million is expected to fall due after more than 5 years (DKK 57 million in 2017).

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 42 million is expected to fall due after more than 5 years (DKK 36 million in 2017).

Notes to the consolidated financial statements

DKK million

	2018	2017

19 Provisions - continued

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 16 million is expected to fall due after more than 5 years (DKK 16 million in 2017). No further information is provided regarding the provision for pending lawsuits as the information might harm the Group's position.

20 Adjustments

	2018	2017
Financial income	-57	-44
Financial expenses	311	292
Amortisation and impairment of intangible assets	206	473
Depreciation and impairment of property, plant and equipment	956	915
Depreciation and impairment of investment property	12	9
Gain on sale of non-current assets, etc., net	-75	-863
Share of profit of joint ventures, net of tax	1	-7
Other adjustments	-69	126
Adjustments	1,285	901

21 Change in working capital

	2018	2017
Change in trade and other receivables and prepayments	53	35
Change in inventories	105	-133
Change in trade and other payables	1,220	2,382
Change in working capital	1,378	2,284

Notes to the consolidated financial statements

DKK million

	2018	2017
22 Acquisition of subsidiaries, net of cash received		
For a description of the acquisition of subsidiaries please refer to note 26.		
Brands	-	82
Software	-	1
Fixtures and fittings, tools and equipment	-	1
Inventory	-	2
Trade receivables	-	9
Other receivables	-	1
Cash and bank balances	-	3
Total assets	-	99
Deferred tax liability	-	18
Trade payables	-	5
Income tax payable	-	1
Other payables	-	7
Total liabilities	-	31
Total identifiable net assets at fair value	-	68
Purchase consideration transferred	-	68
Cash	-	49
Contingent consideration arrangement	-	19
Total	-	68
Net cash acquired with the subsidiary	-	3
Cash paid	-	-49
Net cash flow on acquisition	-	-46

	2018	2017
23 Cash and cash equivalents		
Cash and bank balances	1,489	1,513
Current liabilities - bank loans	-4	-
Cash and cash equivalents available to the Group	1,485	1,513

DKK million

	2018	2017

24 Contingent liabilities and other financial commitments

Operating leases, the Group is lessee:

The Group has entered into operating leases with external parties regarding a number of stores, warehouses and some operational equipment. The leases have terms of between 1 month and 60 years. Under some of the leases the Group has the option to continue the lease of the assets beyond the agreed upon lease terms. The lease arrangements imposes no restrictions on the Group.

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

	2018	2017
Within 1 year	722	674
1 to 5 years	1,753	1,495
After 5 years	1,737	1,530
Total	4,212	3,699
Future minimum sublease payments expected to be received under non-cancellable subleases	198	202
Minimum lease payments recognised as operating lease expenses	713	854
Sublease payments recognised as a reduction of operating lease expenses	74	72

The Group has also entered into a number of operating leases with terms of up to 17 years with entities with significant influence over the Group, in which the future minimum rentals payable amount to DKK 401 million (DKK 419 million in 2017). Minimum lease payments recognised as an operating lease expense amount to DKK 27 million (DKK 27 million in 2017).

Finance leases:

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

	2018		2017	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within 1 year	4	3	3	3
1 to 5 years	4	3	5	4
Total	8	6	8	7

The difference between the minimum payments and the present value of payments (DKK 2 million in 2018 and DKK 1 million in 2017) represents the finance charges.

DKK million

24 Contingent liabilities and other financial commitments - continued

Operating leases, the Group is lessor:

The Group leases a number of properties, shops and flats as operating leases to external parties. The leases have terms of between 1 month and 23 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:

	2018	2017
Within 1 year	187	190
1 to 5 years	283	287
After 5 years	122	109
Total	592	586

Other contingent liabilities and financial commitments:

The Group has entered into contractual commitments regarding acquisition and construction of property, plant and equipment of a total of DKK 943 million (DKK 310 million in 2017).

The Group has entered into contractual commitments regarding acquisition of intangible assets of a total of DKK 11 million (DKK 2 million in 2017).

As security for mortgage loans, land and buildings with a carrying amount of DKK 7,111 million have been provided as collateral (DKK 10,164 million in 2017).

Companies in the Group are part of the joint registration with F. Salling Invest A/S regarding payment of VAT, PAYE taxes etc. and are thus jointly liable for the total liability of DKK 545 million at 31 December 2018 (DKK 567 million in 2017).

The Danish companies in the 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.

Guarantees of DKK 262 million have been provided to credit institutions regarding related parties' mortgage loans (DKK 263 million in 2017).

Guarantees of DKK 163 million have been provided to external parties regarding subsidiaries' leasing obligations (DKK 172 million in 2017).

Notes to the consolidated financial statements

DKK million

25 Related party disclosures

Transactions between Salling Group A/S and its subsidiaries have been eliminated in the consolidated financial statements and are not disclosed in this note.

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

	2018	2017
Entities with controlling influence over the Group:		
Sales of services	1	2
Donations from Købmand Herman Sallings Fond	11	36
Entities with significant influence over the Group:		
Sales of services	1	1
Leasing expense	-27	-27
Interests paid	-1	-3
Dividends paid	-200	-4,601
Joint ventures:		
Dividends received	3	34

All outstanding balances with related parties as at 31 December are presented in note 14. All outstanding balances carry interest and are to be settled in cash within 1 year unless otherwise specified in note 14.

None of the outstanding balances are secured, and no provisions are held against the balances as at 31 December (DKK 0 in 2017). No expense has been recognised in 2018 or 2017 for bad or doubtful debts.

Key management personnel

Key management personnel includes the Board of Directors, the Executive Board and other executive employees. Other executive employees comprise 9 employees end 2018 and 9 employees end 2017. The key management personnel remuneration is shown below:

	2018	2017
Short-term employee benefits	69	64
Post-employment benefits - defined contribution plans	4	3
Other long-term benefits	3	8
Total remuneration	76	75

Short term Bonus plan
The Executive Board and other executive employees participate in short term bonus plans, in which the bonus is dependent on profit for the year and other conditions.

Long Term Incentive Plan
For the periods 2017 - 2019 and 2018 - 2020 Long Term Incentive plans have been granted to the Executive Board and other executive employees, and the estimated provision expensed in 2018 amounts to DKK 3 million (DKK 8 million in 2017).

The total remuneration of the Board of Directors and the Executive Board amounts to DKK 25 million (DKK 25 million in 2017).

Notes to the consolidated financial statements

DKK million

26 Business combinations

As at 1 January 2018 Salling Group A/S merged with the subsidiary F. Salling A/S. The merger does not affect the consolidated financial statements.

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 intents to continue running Skagenfood A/S along side the Group's other online-activities. The purchase consideration transferred consists of cash. Salling Group A/S has entered into a contractual commitment to purchase the remaining 20 % of the shares in Skagenfood A/S. The founders of the company hold put options that allow them to sell the remaining shares at a price depended on the development of the company. The put options can be exercised in 2019 and 2021.

The put options 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. 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 put options are recognised at DKK 16 million as at 31 December 2018 (DKK 20 million in 2017).

27 Capital management

The Group manages its capital to ensure that the entities in the Group will be able to continue as going concerns while maximising the return to the shareholders through the optimisation of the debt and equity balance. For the purpose of the 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. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to bank facilities. Breaches in meeting the financial covenants could permit the bank to call the bank facilities. There have been no breaches of the financial covenants in the current or previous periods. As at 31 December 2018 no covenants exist.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 2017.

28 Events after the reporting period

No subsequent events have occurred that affect the annual report for 2018.

29 Standards issued but not yet effective

The standard IFRS 17 Insurance Contracts, IFRIC Interpretation 23 Uncertainty over Income Tax Treatments, Amendments to IFRS 9: Prepayment Features with Negative Compensation, Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, Amendments to IAS 19: Plan Amendment, Curtailment or Settlement, Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures, Amendment to IFRS 3 Business Combinations, Amendments to IAS 1 and IAS 8: Definition of Material and Annual Improvements to IFRS Standards 2015-2017 Cycle 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.

IFRS 16 Leases
In January 2016 IFRS 16 Leases was issued by the International Accounting Standards Board. The standard has been endorsed by the European Union. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard requires a lessee to recognise assets and liabilities for the rights and obligations created by all leases (with limited exceptions for short-term leases and leasing of assets with low value). IFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted. The Group plans to adopt the new standard on the required effective date, and the Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. All right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). Based on the Group's analysis of the standard, the Group has determined that the standard will increase the total assets and liabilities significantly due to a considerable number of operating leases and also increase operating profit and financial expenses. Thus, the standard will affect the main and key figures of the Group significantly.

All the Group's lease contracts have been reviewed during 2018, and based on the review the Group expects the total non-current assets as at 1 January 2019 to increase by 25 % - 30 % due to the recognition of right-of-use assets. Similarly the Group expects the total liabilities as at 1 January 2019 to increase by 20 % - 25 % due to the recognition of lease liabilities.

Operating profit before depreciation, amortisation and impairment losses (EBITDA) is expected to be affected positively by 20 % - 30 %, since the operating lease payments will be removed, operating profit (EBIT) is expected to be affected positively by 5 % - 15 % being influenced both by the removal of the operating lease payments and the additional amortisation of the right-of-use assets, whereas profit before tax is expected to be affected negatively by 5 % - 10 % being influenced both by the removal of the operating lease payments, the amortisation of the right-of-use assets and the interests on the lease liabilities.

Net cash flows from operating activities are expected to increase by 10 % - 15 %, and net cash flows from financing activities (being negative) is expected to increase by 20 % - 30 %, as repayment of the principal portion of the lease liabilities will be classified as net cash flows from financing activities, whereas the total operating lease payments were previously included in net cash flows from operating activities.

All expected developments are based on the realised 2018 amounts.

Parent company income statement

DKK million

Notes		2018	2017
	Revenue from contracts with customers	41,769	41,031
	Other revenue	200	208
4	Total revenue	41,969	41,239
	Cost of sales	-29,539	-29,088
	Gross profit	12,430	12,151
5	Staff expenses	-5,737	-5,549
	External expenses	-5,029	-5,205
	Operating profit before depreciation, amortisation and impairment losses (EBITDA)	1,664	1,397
	Depreciation and amortisation	-658	-559
	Impairment losses	-2	-292
	Net gain/loss on disposal of property, plant and equipment and intangible assets	1	-7
	Operating profit (EBIT)	1,005	539
11	Share of profit/loss of subsidiaries, net of tax	630	1,372
12	Share of profit/loss of joint ventures, net of tax	-1	7
6	Financial income	84	49
7	Financial expenses	-140	-141
	Profit before tax	1,578	1,826
8	Income tax	-211	-128
	Total profit for the year	1,367	1,698
	Proposal for distribution of profit for the year:		
	Proposed dividends	200	200
	Equity reserves	1,167	1,498
	Total profit for the year	1,367	1,698

Parent company statement of other comprehensive income

DKK million

Notes		2018	2017
	Profit for the year	1,367	1,698
	Other comprehensive income, net of income tax:		
	Items that will not be reclassified to the income statement:		
8	Remeasurement of defined benefit plans	-3	-5
		-3	-5
	Items that are or may be reclassified subsequently to the income statement:		
11,12	Exchange differences on translating foreign operations	-112	168
11,12	Other comprehensive income to be reclassified in subsidiaries and joint ventures	-23	39
		-135	207
	Other comprehensive income for the year, net of income tax	-138	202
	Total comprehensive income for the year	1,229	1,900

Parent company statement of financial position

DKK million

Assets

Notes		2018	2017
	Non-current assets		
9	**Intangible assets**		
	Goodwill	92	92
	Software	961	946
	Software development in progress	82	159
	Other intangible assets	2	4
	Total intangible assets	1,137	1,201
10	**Property, plant and equipment**		
	Land and buildings	577	560
	Fixtures and fittings, tools and equipment	1,372	1,334
	Leasehold improvements	132	143
	Assets under construction and prepayments	12	17
	Total property, plant and equipment	2,093	2,054
	Financial assets		
11	Investments in subsidiaries	11,066	10,791
12	Investments in joint ventures	-	4
13	Other non-current financial assets	265	241
	Total financial assets	11,331	11,036
	Total non-current assets	**14,561**	**14,291**
	Current assets		
14	**Inventories**	3,566	3,576
	Receivables		
13	Trade receivables	105	149
	Income tax receivables	54	-
13	Other receivables	222	301
	Prepayments	29	27
13	Other current financial assets	510	771
	Total receivables	920	1,248
13	**Securities**	3,043	2,505
13	**Cash and short-term deposits**	1,104	1,148
	Total current assets	**8,633**	**8,477**
	Total assets	**23,194**	**22,768**

Parent company statement of financial position

DKK million

Equity and liabilities

Notes		2018	2017
15	**Equity**		
	Share capital	524	524
	Reserve for net revaluation under the equity method	937	554
	Foreign currency translation reserve	-249	-137
	Development projects reserve	314	239
	Retained earnings	2,255	1,572
	Proposed dividends	200	200
	Total equity	**3,981**	**2,952**
	Liabilities		
	Non-current liabilities		
16	Pensions	275	285
17	Deferred tax liabilities	159	151
18	Provisions	257	312
13	Mortgage loans	1,147	1,185
13	Other non-current financial liabilities	272	1,944
	Total non-current liabilities	2,110	3,877
	Current liabilities		
18	Provisions	31	39
13	Mortgage loans	37	33
13	Other current financial liabilities	5,213	4,991
13	Trade payables	9,495	8,852
	Income tax payable	-	57
13	Other payables	2,292	1,934
	Deferred income	35	33
	Total current liabilities	17,103	15,939
	Total liabilities	**19,213**	**19,816**
	Total equity and liabilities	**23,194**	**22,768**

Parent company cash flow statement

DKK million

Notes		2018	2017
	Profit before tax	1,578	1,826
19	Adjustments	10	-265
20	Change in working capital	1,134	2,042
	Net cash flows from operating activities before financial items and tax	2,722	3,603
	Financial income received	67	48
	Financial expenses paid	-129	-155
	Income tax paid	-313	-147
	Net cash flows from operating activities	2,347	3,349
9	Purchase of intangible assets	-138	-165
10	Purchase of property, plant and equipment	-498	-512
	Proceeds from sale of property, plant and equipment	1	2
	Acquisition of subsidiaries, net of cash received	-	-46
11	Dividends received from subsidiaries	220	4,217
	Purchase of securities	-2,996	-5,618
	Sale of securities	2,458	7,447
12	Dividends received from joint ventures	3	34
	Net cash flows from investment activities	-950	5,359
	Net repayments from related parties	476	40
	Net repayments to related parties	-1,683	-2,696
	Repayment of borrowings	-34	-24
	Dividends paid	-200	-5,680
	Net cash flows from financing activities	-1,441	-8,360
	Net change in cash and cash equivalents	-44	348
	Cash and cash equivalents at 1 January	1,148	800
21	Cash and cash equivalents at 31 December	1,104	1,148

Parent company statement of changes in equity

DKK million

2017:	Share capital	Reserve for net revaluation under the equity method	Foreign currency translation reserve	Develop-ment projects reserve	Retained earnings	Proposed dividends	Total equity parent company
Equity at 1 January 2017	524	3,387	-305	126	2,851	150	6,733
Effect of changes to accounting policies					-1		-1
Adjusted equity at 1 January 2017	524	3,387	-305	126	2,850	150	6,732
Profit for the year		1,379		113	6	200	1,698
Remeasurement of defined benefit plans					-5		-5
Exchange differences on translating foreign operations			168				168
Other comprehensive income to be reclassified in subsidiaries		39					39
Other comprehensive income	-	39	168	-	-5	-	202
Total comprehensive income for the year	-	1,418	168	113	1	200	1,900
Dividends received from subsidiaries		-4,217			4,217		-
Dividends received from joint venture		-34			34		-
Payment of dividends						-150	-150
Payment of extraordinary dividends					-5,530		-5,530
Total transactions with owners	-	-4,251	-	-	-1,279	-150	-5,680
Equity at 31 December 2017	524	554	-137	239	1,572	200	2,952

Parent company statement of changes in equity

DKK million

2018:	Share capital	Reserve for net revaluation under the equity method	Foreign currency translation reserve	Develop-ment projects reserve	Retained earnings	Proposed dividends	Total equity parent company
Equity at 1 January 2018	524	554	-137	239	1,572	200	2,952
Profit for the year		629		75	463	200	1,367
Remeasurement of defined benefit plans					-3		-3
Exchange differences on translating foreign operations			-112				-112
Other comprehensive income to be reclassified in subsidiaries		-23					-23
Other comprehensive income	-	-23	-112	-	-3	-	-138
Total comprehensive income for the year	-	606	-112	75	460	200	1,229
Dividends received from subsidaries		-220			220		-
Dividends received from joint venture		-3			3		-
Payment of dividends						-200	-200
Total transactions with owners	-	-223	-	-	223	-200	-200
Equity at 31 December 2018	524	937	-249	314	2,255	200	3,981

Summary of notes to the parent company financial statements

Notes to the parent company financial statements

DKK million

1 General information

On 1 June 2018 the company changed its name from Dansk Supermarked A/S to Salling Group A/S. With the name change it is emphasised that Salling Group is owned 100 % by the Salling Foundations, and that the profit from Salling Group is used for two purposes only: For reinvestment in better stores in order to give more value for customers and to create more jobs, and for donations from the Salling Foundations for good causes. Also the name change honours Salling Group's historical roots as a tribute to Salling Groups visionary founder, Herman Salling.

The primary business area of Salling Group is the running of four different formats of retail stores. In Denmark, Bilka, føtex, Netto and Salling. In E-commerce we operate with Bilka.dk, Salling.dk, føtex.dk, wupti.com, flowr.dk and Skagenfood A/S. Furthermore Salling Group operates Starbucks and Carl's Jr as franchises in Denmark.

Salling Group A/S also owns a number of subsidiaries in Denmark and abroad.

As at 1 January 2018 Salling Group A/S merged with the subsidiary F. Salling A/S. The merger is a business combination between entities under common control and is recognised in the parent company's separate financial statements using the pooling of interests method. All comparison figures are restated.

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

2 Summary of significant accounting policies

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

3 Significant accounting judgements, estimates and assumptions

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

Notes to the parent company financial statements

DKK million

		2018	2017
4	**Total revenue**		
	Revenue from contracts with customers, retail and ecommerce activities	41,769	41,031
	Total revenue from contracts with customers	41,769	41,031
	Other revenue	200	208
	Total other revenue	200	208
	Total revenue	41,969	41,239

For descriptions related to revenue please refer to note 4 in the notes to the consolidated financial statements.

		2018	2017
5	**Staff expenses**		
	Wages and salaries incl. termination benefits	5,111	4,951
	Post-employment benefits – defined contribution plans	353	348
	Post-employment benefits – defined benefit plans	1	2
	Social security costs	123	112
	Other staff expenses	149	136
	Total staff expenses	5,737	5,549
	Average number of full-time employees	17,430	17,029
6	**Financial income**		
	Interest income on loans to related parties	17	19
	Interest income on other loans and receivables	2	4
	Net gain on derivatives not designated as hedging instruments	19	-
	Net gain on financial instruments held for trading	8	26
	Net foreign exchange gain	33	-
	Other financial income	5	-
	Total financial income	84	49
7	**Financial expenses**		
	Interest expense on mortgage loans	20	18
	Interest expense on bank loans	12	21
	Interest expense on loans from related parties	72	92
	Net loss on derivatives not designated as hedging instruments	-	2
	Other financial expenses	36	8
	Total financial expenses	140	141

Notes to the parent company financial statements

DKK million

	2018	2017
8 Income tax		
Current income tax	-202	-184
Adjustment regarding prior years, current income tax	-	-1
Change in deferred tax	-8	59
Total income tax	-210	-126
Income tax recognised in the income statement	-211	-128
Income tax recognised in other comprehensive income	1	2
Total income tax	-210	-126

Reconciliation of income tax recognised in the income statement

	2018		2017	
	DKK	%	DKK	%
Tax on result for the year at the Danish income tax rate	-347	22.0 %	-402	22.0 %
Non-deductible costs	-6	0.4 %	-46	2.5 %
Non-taxable income	142	-9.0 %	321	-17.6 %
Adjustment to prior periods	-	0.0 %	-1	0.1 %
Income tax recognised in the income statement	-211	13.4 %	-128	7.0 %

Tax on other comprehensive income

	2018			2017		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Remeasurement of defined benefit plans	-4	1	-3	-7	2	-5
	-4	1	-3	-7	2	-5

Notes to the parent company financial statements

DKK million

9 Intangible assets

2017:	Goodwill	Software	Software develop-ment in progress	Brands	Other in-tangible assets	Total
Cost						
Balance at 1 January 2017	270	1,681	145	76	11	2,183
Additions	-	49	115	-	1	165
Reclassifications	-	96	-101	-	-	-5
Disposals	-	-7	-	-	-	-7
Balance at 31 December 2017	270	1,819	159	76	12	2,336
Accumulated amortisation and impairment losses						
Balance at 1 January 2017	-	-654	-	-11	-6	-671
Amortisation	-	-167	-	-8	-2	-177
Disposals	-	4	-	-	-	4
Impairment losses recognised in the income statement	-178	-56	-	-57	-	-291
Balance at 31 December 2017	-178	-873	-	-76	-8	-1,135
Carrying amount at 31 December 2017	92	946	159	-	4	1,201

2018:	Goodwill	Software	Software develop-ment in progress	Brands	Other in-tangible assets	Total
Cost						
Balance at 1 January 2018	270	1,819	159	76	12	2,336
Additions	-	60	77	-	1	138
Reclassifications	-	147	-154	-	-	-7
Balance at 31 December 2018	270	2,026	82	76	13	2,467
Accumulated amortisation and impairment losses						
Balance at 1 January 2018	-178	-873	-	-76	-8	-1,135
Amortisation	-	-192	-	-	-3	-195
Balance at 31 December 2018	-178	-1,065	-	-76	-11	-1,330
Carrying amount at 31 December 2018	92	961	82	-	2	1,137

For a description of the recognised impairment losses please refer to note 10 in the notes to the consolidated financial statements.

DKK million

10 Property, plant and equipment

2017:	Land and buildings	Fixtures and fittings, tools and equipment	Leasehold improve-ments	Assets under construction	Total
Cost					
Balance at 1 January 2017	1,327	3,881	696	6	5,910
Additions	22	439	35	16	512
Reclassifications	-	10	-	-5	5
Disposals	-2	-106	-19	-	-127
Balance at 31 December 2017	1,347	4,224	712	17	6,300
Accumulated depreciation and impairment losses					
Balance at 1 January 2017	-775	-2,639	-569	-	-3,983
Depreciation	-12	-352	-19	-	-383
Impairment losses recognised in the income statement	-	-1	-	-	-1
Disposals	-	102	19		121
Balance at 31 December 2017	-787	-2,890	-569	-	-4,246
Carrying amount at 31 December 2017	560	1,334	143	17	2,054

2018:	Land and buildings	Fixtures and fittings, tools and equipment	Leasehold improve-ments	Assets under construction	Total
Cost					
Balance at 1 January 2018	1,347	4,224	712	17	6,300
Additions	29	443	14	12	498
Reclassifications	4	22	-2	-17	7
Disposals	-	-102	-2	-	-104
Balance at 31 December 2018	1,380	4,587	722	12	6,701
Accumulated depreciation and impairment losses					
Balance at 1 January 2018	-787	-2,890	-569	-	-4,246
Depreciation	-16	-427	-21	-	-464
Impairment losses recognised in the income statement	-	-	-2	-	-2
Disposals	-	102	2	-	104
Balance at 31 December 2018	-803	-3,215	-590	-	-4,608
Carrying amount at 31 December 2018	577	1,372	132	12	2,093

Notes to the parent company financial statements

DKK million

	2018	2017
11 Investments in subsidiaries		
Cost		
Balance at 1 January	9,954	9,886
Additions	-	68
Balance at 31 December	9,954	9,954
Value adjustments		
Balance at 1 January	837	3,474
Dividends	-220	-4,217
Foreign currency translation	-112	169
Other comprehensive income for the year	-23	39
Profit for the year	630	1,372
Balance at 31 December	1,112	837
Carrying amount at 31 December	11,066	10,791

For information about business combinations, please refer to note 24.

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

12 Investments in joint ventures

Netto UK Ltd. is expected to be liquidated during 2019.

	2018	2017
Cost		
Balance at 1 January	424	424
Balance at 31 December	424	424
Value adjustments		
Balance at 1 January	-420	-392
Dividends	-3	-34
Foreign currency translation	-	-1
Profit/loss for the year	-1	7
Balance at 31 December	-424	-420
Carrying amount at 31 December	-	4

Specification of investments in joint ventures:	Share of issued share capital and voting rights	Principal place of business and country of incorporation
Netto UK Ltd.	50 %	Wakefield, the UK

Notes to the parent company financial statements

DKK million

13 Financial assets and financial liabilities

Financial assets comprise the following:

	Carrying amount		Fair value	
	2018	2017	2018	2017
Derivatives not designated as hedging instruments	265	241	265	241
Other non-current financial assets	265	241	265	241
Trade receivables	105	149	105	149
Other receivables	222	301	222	301
Receivables from subsidiaries	410	668	410	668
Receivables from other related parties	-	8	-	8
Derivatives not designated as hedging instruments	100	95	100	95
Other current financial assets	510	771	510	771
Securities	3,043	2,505	3,043	2,505
Cash and short-term deposits	1,104	1,148	1,104	1,148

Financial liabilities comprise the following:

	Carrying amount		Fair value	
	2018	2017	2018	2017
Mortgage loans - non-current	1,147	1,185	1,164	1,205
Mortgage loans - current	37	33	37	33
Mortgage loans	1,184	1,218	1,201	1,238
Payables to subsidiaries	-	1,683	-	1,718
Derivatives not designated as hedging instruments	265	241	265	241
Other non-current financial liabilities	7	20	7	20
Other non-current financial liabilities	272	1,944	272	1,979
Payables to entities with controlling influence	-	9	-	9
Payables to entities with significant influence	415	325	415	325
Payables to subsidiaries	4,690	4,550	4,690	4,550
Derivatives not designated as hedging instruments	99	107	99	107
Other current financial liabilities	9	-	9	-
Other current financial liabilities	5,213	4,991	5,213	4,991
Trade payables	9,495	8,852	9,495	8,852
Other payables	2,292	1,934	2,292	1,934

DKK million

	2018	2017
13 Financial assets and financial liabilities - continued		
Financial instruments by category:		
Financial assets at amortised cost:		
Trade receivables	105	149
Other receivables	222	301
Other financial assets excluding derivatives	410	676
Cash and short-term deposits	1,104	1,148
Financial assets at fair value through profit or loss:		
Derivatives not designated as hedging instruments	365	336
Securities	3,043	2,505
Financial liabilities measured at amortised cost:		
Mortgage loans	1,184	1,218
Other financial liabilities excluding derivatives	5,121	6,587
Trade payables	9,495	8,852
Other payables	2,292	1,934
Financial liabilities at fair value through profit or loss:		
Derivatives not designated as hedging instruments	364	348

Derivatives not designed as hedging instruments reflect partly the positive or negative change in fair value of those foreign exchange forward contracts that are not designated in hedge relationships, but are, nevertheless, intended to reduce the level of foreign currency risk and partly the positive change in fair value of those interest rate swap contracts used by the Group to hedge CIBOR-based mortgage loans.

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

Financial liabilities: Interest-bearing mortgage loans:

Overview of borrowings by interest rate levels (including the effect of related interest rate swaps):

		Next interest rate fixing		
31 December 2018	Carrying amount	Within 1 year	1 to 5 years	After 5 years
0 - 2 %	1,010	289	-	721
2 - 4 %	174	-	-	174
Total	1,184	289	-	895

Of which:	
Bearing fixed interest	76 %
Bearing floating interest	24 %

Notes to the parent company financial statements

DKK million

13 Financial assets and financial liabilities - continued

31 December 2017	Carrying amount	*Next interest rate fixing* Within 1 year	1 to 5 years	After 5 years
0 - 2 %	1,218	464	-	754
Total	1,218	464	-	754

Of which:	
Bearing fixed interest	62 %
Bearing floating interest	38 %

Hedge accounting:

Cash flow hedging is used on Group level to ensure that part of Group's interest rate risk exposure is at a fixed rate. In the parent company hedge accounting is not used. For further information about the use of hedge accounting please refer to note 14 in the notes to the consolidated financial statements.

Fair value:

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

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

The fair 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 the non-current payables to entities with significant influence falls within level 2 of the fair value hierarchy. The carrying amount is a reasonable approximation of fair value due to the relatively short maturities.

Fair value of the remaining borrowing items falls within level 2 of the fair value hierarchy and is calculated on the basis of discounted interests and instalments.

Risks arising from financial instruments:

The parent company'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 parent company's financial counterparties. There have been no structural changes in the risk exposure or risks compared to 2017.

For an in-depth description of the policies for managing risks please refer to note 14 in the notes to the consolidated financial statements.

Notes to the parent company financial statements

DKK million

13 Financial assets and financial liabilities - continued

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

For a description of the FX risk management please refer to note 14 in the notes to the consolidated financial statements.

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

31 December 2018	EUR/DKK	GBP/DKK	PLN/DKK	SEK/DKK	USD/DKK
Financial assets	45	11	426	136	3
Financial liabilities	-1,151	-	-	-	-
Known USD purchase orders	-	-	-	-	-461
Net exposures before derivatives	-1,106	11	426	136	-458
Derivatives	-448	-	-174	-	378
Net exposures after derivatives	-1,554	11	252	136	-80
The net exposure relates to:					
Hedging of expected commercial cash flows where hedge accounting is not used	-1,554	11	252	136	-80
Applied sensitivity	1 %	5 %	5 %	5 %	5 %
Impact on the income statement	-16	1	13	7	-4

31 December 2017	EUR/DKK	GBP/DKK	PLN/DKK	SEK/DKK	USD/DKK
Financial assets	18	8	641	85	1
Financial liabilities	-798	-	-	-	-
Known USD purchase orders	-	-	-	-	-423
Net exposures before derivatives	-780	8	641	85	-422
Derivatives	-67	-	-642	59	708
Net exposures after derivatives	-847	8	-1	144	286
The net exposure relates to:					
Hedging of expected commercial cash flows where hedge accounting is not used	-847	8	-1	144	286
Applied sensitivity	1 %	5 %	5 %	5 %	5 %
Impact on the income statement	-8	-	-	7	14

Notes to the parent company financial statements

DKK million

13 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:
The parent company's exposure to risk of changes in market interest rates relates to mortgage loans, internal loans and intercompany balances and its bond holdings. For further descriptions regarding the overall interest rate risk management please refer to note 14 in the notes to the consolidated financial statements.

A general increase of 1 %-points in interest rates is estimated, all other things being equal, to affect profit before tax and pre-tax equity by DKK -49 million (DKK -35 million in 2017).

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

31 December 2018	Carrying amount	Sensitivity	Profit before tax	Pre-tax equity
Financial assets	3,453	1 %	-4	-4
Mortgage loans	1,184	1 %	-2	-2
Other financial liabilities	5,105	1 %	-43	-43
Impact			-49	-49

31 December 2017	Carrying amount	Sensitivity	Profit before tax	Pre-tax equity
Financial assets	3,181	1 %	9	9
Mortgage loans	1,218	1 %	-2	-2
Other financial liabilities	6,567	1 %	-42	-42
Impact			-35	-35

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

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

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

The parent company ensures liquidity through flexibility and diversification of borrowing, maturity and renegotiation time points, as well as counterparts. Flexibility in cash resources ensures that the parent company can act appropriately in case of unforeseen changes in liquidity. The liquidity reserves consist of cash, securities and undrawn credit facilities. The parent company currently has no covenants on Net Debt to EBITDA. The parent company assesses the liquidity risk to be low.

DKK million

13 Financial assets and financial liabilities - continued

The parent company uses Supply Chain Financing (SCF) to strengthen its financial position. SCF is based on a three-way relationship between Salling Group, a given supplier and the syndication banks facilitating the SCF program. As at 31 December 2018 the parent company has utilised the SCF facility by DKK 6.3 billion (DKK 5.4 billion in 2017).

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

31 December 2018	Within 1 year	1 to 5 years	After 5 years
Mortgage loans	60	237	1,145
Trade and other payables	16,901	7	-
Derivatives	100	398	93
Total	17,061	642	1,238

31 December 2017	Within 1 year	1 to 5 years	After 5 years
Mortgage loans	52	208	1,178
Trade and other payables	15,670	243	1,460
Derivatives	94	394	125
Total	15,816	845	2,763

Credit risks:
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument leading to a financial loss or a counterparty not being able to meet any other obligations leading to a financial loss. The parent company 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 parent company 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 parent company is exposed to credit risks from trade receivables, balances with banks in the form of deposits and other financial instruments. The majority of the parent company's sales are made in cash, and therefore, the credit risks are very low. The parent company 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 the bond portfolio will typically be low, currently 1,4.

DKK million

	2018	2017

13 Financial assets and financial liabilities - continued

The table below summarises the ageing analysis of trade receivables:

	2018	2017
Not due	72	108
< 30 days past due	17	9
30 to 90 days past due	9	19
90 to 180 days past due	7	13
Total	105	149

The parent company 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 2018 the provision amounts to DKK 7 million (31 December 2017: DKK 12 million), and is thus immaterial for the financial statements. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The parent company does not hold collateral or other forms of credit insurance as security. The parent company assesses the concentration of risk with respect to receivables as low.

Changes in assets and liabilities arising from financing activities:

2018	1 January 2018	Cash flows	Other	31 December 2018
Other financial assets	-676	266	-	-410
Mortgage loans	1,218	-34	-	1,184
Other financial liabilities	6,567	-1,473	11	5,105
Total assets and liabilities from financing activities	7,109	-1,241	11	5,879

2017	1 January 2017	Cash flows	Other	31 December 2017
Other financial assets	-949	273	-	-676
Mortgage loans	1,242	-24	-	1,218
Other financial liabilities	9,510	-2,929	-14	6,567
Total assets and liabilities from financing activities	9,803	-2,680	-14	7,109

Notes to the parent company financial statements

DKK million

		2018	2017
14	**Inventories**		
	Goods held for resale	3,529	3,554
	Consumables	37	22
	Total inventories	3,566	3,576

In 2018 no changes regarding write-downs of inventories to net realisable value have been recognised in the income statement as part of cost of sales (an income of DKK 1 million in 2017).

15 Equity

Share capital:

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

	2018	2017
1,048,223 shares of DKK 500	524	524
Total share capital	524	524

There has been no changes to the share capital during 2014 or in 2016 - 2018. In 2015 48,223 new shares were issued to F. Salling Holding A/S and A.P. Møller Mærsk A/S in connection with the non-cash contribution of F. Salling A/S. All shares have been fully paid.

Retained earnings:

During the 2018 financial year an ordinary dividend of DKK 200 million has been paid (DKK 150 million in 2017). During the 2017 financial year an extraordinary dividend of DKK 5,530 million was approved and paid. A dividend for the 2018 financial year of DKK 200 million is proposed. Payment of dividends to shareholders does not trigger taxes for the parent company.

16 Pensions

The parent company has entered into pension schemes and similar arrangements with most of the parent company's employees. The majority of the parent company's pension schemes are defined contribution plans. For a few former employees and some members of the founder's 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:

	2018	2017
Defined benefit obligation at 1 January	285	291
Interest expenses recognised as part of staff expenses	1	2
Actuarial gains / losses, demographic assumptions	6	7
Actuarial gains / losses, financial assumptions	-4	-4
Actuarial gains / losses, experience adjustments	2	4
Payments from the plan	-15	-15
Defined benefit obligation at 31 December	275	285

DKK million

	2018	2017

16 Pensions - continued

The following significant actuarial assumptions are applied:

	2018	2017
Discount rate (%)	0.2 %	0.5 %
Price inflation (%)	1.4 %	1.7 %

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

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

	2018	2017
Discount rate:		
Increase of 0.5 % point	-14	-15
Decrease of 0.5 % point	15	16
Price inflation:		
Increase of 0.5 % point	15	16
Decrease of 0.5 % point	-14	-15

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 2018 is 32 years (33 years in 2017). DKK 15 million is expexted to be paid from the plans in 2019.

17 Deferred tax

Deferred tax relates to the following:

	Parent company income statement		Parent company statement of financial position	
	2018	2017	2018	2017
Intangible assets	-13	-29	234	247
Property, plant and equipment	4	6	50	46
Provisions	2	4	-61	-62
Other	16	-38	-64	-80
Deferred tax expense/income / Net deferred tax	9	-57	159	151

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

	2018	2017
Deferred tax liabilities	159	151
Net deferred tax	159	151

DKK million

	2018	2017
17 Deferred tax - continued		
Reconciliation of net deferred tax:		
Opening balance at 1 January	151	210
Adjustment of deferred tax recognised in the income statement	9	-57
Adjustment of deferred tax recognised in other comprehensive income	-1	-2
Closing balance at 31 December	159	151

18 Provisions

2017:	Onerous contracts	Other	Total
Balance at 1 January 2017	133	47	180
Provisions made during the year	187	10	197
Provisions utilised during the year	-2	-4	-6
Reversals during the year	-13	-7	-20
Balance at 31 December 2017	305	46	351
Current	26	13	39
Non-current	279	33	312
Balance at 31 December 2017	305	46	351

2018:	Onerous contracts	Other	Total
Balance at 1 January 2018	305	46	351
Provisions made during the year	20	9	29
Provisions utilised during the year	-24	-5	-29
Reversals during the year	-57	-6	-63
Balance at 31 December 2018	244	44	288
Current	20	11	31
Non-current	224	33	257
Balance at 31 December 2018	244	44	288

The provision for onerous contacts comprises provision for leasing contracts, in which the unavoidable costs of meeting the obligations under the contracts exceed the economic benefits expected to be received under them. The provision is calculated as the least net cost of exiting from the contracts, which is the lower of the cost of fulfilling the contracts and any compensation or penalties arising from failure to fulfil them, and DKK 150 million is expected to fall due after more than 5 years (DKK 191 million in 2017). The majority of the provision relates to leasing contracts signed with companies within the Købmand Herman Sallings Fond Group.

Notes to the parent company financial statements

DKK million

18 Provisions - continued

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 parent company 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 concern the Danish employees, and are estimated based on the expected jubilees for current employees. Of the provision DKK 16 million is expected to fall due after more than 5 years (DKK 16 million in 2017). No further information is provided regarding the provision for pending lawsuits as the information might harm the parent company's position.

19 Adjustments

	2018	2017
Financial income	-84	-49
Financial expenses	140	141
Amortisation and impairment of intangible assets	195	468
Depreciation and impairment of property, plant and equipment	466	384
Loss on sale of non-current assets, etc., net	-1	7
Share of profit/loss of subsidiaries, net of tax	-630	-1,372
Share of profit of joint ventures, net of tax	1	-7
Other adjustments	-77	163
Adjustments	10	-265

20 Change in working capital

	2018	2017
Change in trade and other receivables and prepayments	121	60
Change in inventories	10	-89
Change in trade and other payables	1,003	2,071
Change in working capital	1,134	2,042

21 Cash and cash equivalents

	2018	2017
Cash and bank balances	1,104	1,148
Cash and cash equivalents available to the parent company	1,104	1,148

Notes to the parent company financial statements

DKK million

22 Contingent liabilities and other financial commitments

Operating leases, the parent company is lessee:

The parent company has entered into operating leases with external parties regarding a number of stores, warehouses and some operational equipment. The leases have terms of between 1 month and 16 years. Under some of the leases the parent company has the option to continue the lease of the assets beyond the agreed upon lease terms. The lease arrangements imposes no restrictions on the parent company.

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

	2018	2017
Within 1 year	271	263
1 to 5 years	450	350
After 5 years	239	79
Total	960	692
Future minimum sublease payments expected to be received under non-cancellable subleases	2	2
Minimum lease payments recognised as operating lease expenses	306	511
Sublease payments recognised as a reduction of operating lease expenses	4	4

The parent company has also entered into a number of operating leases with terms of up to 20 years with companies within the Købmand Herman Sallings Fond Group, in which the future minimum rentals payable amount to DKK 16 billion (DKK 17 billion in 2017). Minimum lease payments recognised as an operating lease expense amount to DKK 1,360 million (DKK 1,303 million in 2017).

Operating leases, the parent company is lessor:

The parent company leases a number of properties, shops and flats as operating leases to external parties. The leases have terms of between 2 months and 23 years.

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

	2018	2017
Within 1 year	24	24
1 to 5 years	25	21
After 5 years	54	56
Total	103	101

Other contingent liabilities and financial commitments:

The parent company has entered into contractual commitments regarding acquisition and construction of property, plant and equipment of a total of DKK 81 million (DKK 53 million in 2017).

As security for mortgage loans land and buildings with a carrying amount of DKK 568 million have been provided as collateral (DKK 550 million in 2017).

DKK million

22 Contingent liabilities and other financial commitments - continued

The company is jointly taxed with the Danish companies in the Købmand Herman Sallings Fond Group. As a jointly taxed company, which is not wholly owned, the company has limited and subsidiary liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties within the joint taxation group. The total net taxes payable to the Danish Central Tax Administration by the companies included in the joint taxation is disclosed in the annual report of the administration company (F. Salling Holding A/S, CVR no. 41 94 01 15). Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends etc. may entail that the company's liability will increase.

Companies in the Group are part of the joint registration with F. Salling Invest A/S regarding payment of VAT, PAYE taxes etc. and are thus jointly liable for the total liability of DKK 545 million at 31 December 2018 (DKK 567 million in 2017).

Guarantees of DKK 9,521 million have been provided to credit institutions regarding related parties' mortgage loans (DKK 11,413 million in 2017).

Guarantees of DKK 163 million have been provided to external parties regarding subsidiaries' leasing obligations (DKK 172 million in 2017).

23 Related party disclosures

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

	2018	2017
Entities with controlling influence over the parent company:		
Sales of services	1	2
Donations from Købmand Herman Sallings Fond	11	35
Entities with significant influence over the parent company:		
Sales of services	1	1
Leasing expense	-27	-27
Interests paid	-1	-3
Dividends paid	-200	-4,601
Subsidiaries:		
Sales of goods and services	130	173
Purchase of goods and services	-47	-40
Leasing expense	-1,333	-1,255
Interests paid	-54	-70
Dividends received	220	4,217
Joint ventures:		
Dividends received	3	34

All outstanding balances with related parties as at 31 December are presented in note 13. All outstanding balances carry interest and are to be settled in cash within 1 year unless otherwise specified in note 13.

None of the outstanding balances are secured, and no provisions are held against the balances as at 31 December (DKK 0 in 2017). No expense has been recognised in 2018 or 2017 for bad or doubtful debts.

Notes to the parent company financial statements

DKK million

23 Related party disclosures - continued

Any guarantees Salling Group A/S has provided for related parties are listed in note 22.

Key management personnel

For a description of the key management personnel and an overview of the key management personnel remuneration please refer to note 25 in the notes to the consolidated financial statements.

24 Business combinations

As at 1 January 2018 Salling Group A/S merged with the subsidiary F. Salling A/S.

For a description of the business combinations during 2017 please refer to note 26 in the notes to the consolidated financial statements.

25 Capital management

For a description of the capital management please refer to note 27 in the notes to the consolidated financial statements.

26 Events after the reporting period

No subsequent events have occurred that affect the annual report for 2018.

27 Standards issued but not yet effective

For a description of standards issued but not yet effective please refer to note 29 in the notes to the consolidated financial statements.