Fondsrapport 2022

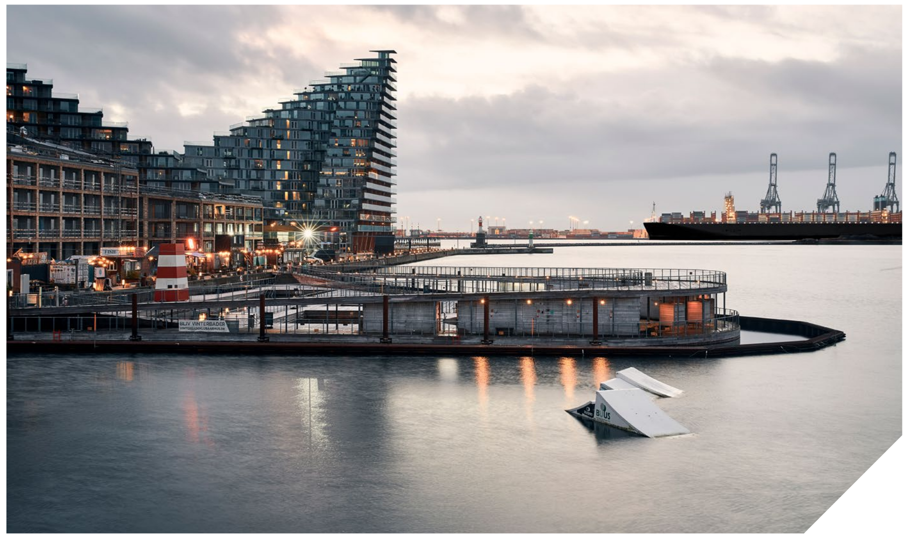
Købmand
Herman Sallings Fond

salling fondene

Købmand Herman Sallings Fond
Rosbjergvej 33-35
DK-8220 Brabrand
CVR 53520413
www.sallingfondene.dk

Om Købmand Herman Sallings Fond

”Vi gør hverdagen bedre”



Indholds-fortegnelse

Om fonden	SF 3
Forord fra bestyrelsesformanden	SF 4
Bag om fonden	SF 5
Formål og uddelingspolitik	SF 6-7
God fondsledelse	SF 8
Bestyrelsen	SF 9
Aktivt ejerskab	SF 10-11
Donationer 2022	SF 12
Banebrydende donationer	SF 13-14
Gengivelse af årsrapport 2022 (EN)	SF 15

Overskud til at gøre hverdagen bedre

Salling Fondene er eneejere af Danmarks største og mest mangfoldige detailhandelsvirksomhed Salling Group A/S, der driver Netto, Bilka, føtex, BR, BASALT, Salling Stormagasiner, Skagenfood, Carl's Jr. og Starbucks i Danmark samt Netto i Polen og Tyskland.

Som erhvervsdrivende fond med en række almennyttige formål har Købmand Herman Sallings Fond to overordnede formål; dels at sikre Salling Group de bedst mulige vilkår for at drive forretning, dels at varetage fondenes uddelingsformål.

Alt overskud fra Salling Group A/S geninvesteres således enten i forretningen eller uddeles til almennyttige eller andre værdige formål. Mens Salling Group investerer en del af overskuddet i flere kunderettede løsninger, værdi for kunderne og muligheder for alle, donerer fondene en del af overskuddet til projekter og initiativer, der gør hverdagen bedre.

Sammen med Købmand Ferdinand Sallings Mindefond udgør vi Salling Fondene.

Tilsammen har Salling Fondene siden 2012 uddelt ca.

1,9

milliarder kroner til formål, der gør hverdagen bedre.

Banebrydende donationer til gavn og glæde

Købmand Herman Sallings Fond fortsatte igen i 2022 med at donere markante bidrag til samfundsudviklingen. Dette er sket gennem banebrydende donationer indenfor kunst og kultur, sport, kirke, uddannelse og velgørenhed med det formål at gøre danskernes hverdag bedre. Det er kun muligt takket være en del af overskuddet fra Danmarks største detailkoncern.

2022 blev på mange måder et bemærkelsesværdigt år for fonden med den hidtil største enkeltstående donation på 250 mio. kr. til det storslåede nye stadion i Aarhus tegnet af de meget anerkendte Zaha Hadid arkitekter. Herudover er der foretaget en række donationer til blandt andre Børns Vilkår, Dansk Erhverv, Aarhus Universitet, Naturhistorisk Museum og Aarhus International School, som vil sætte varige aftryk.

De store uddelinger er mulige, fordi Salling Group driver en markedsledende og stærk forretning, hvor ca. 60.000 medarbejdere i koncernen hver dag yder en fantastisk indsats. Særligt i 2022, som har været turbulent på flere områder, har det været inspirerende og positivt at opleve virkelysten og initiativerne i Salling Group.

Salling Group tager fortsat ansvar

Da truslen om konflikt eskalerede til krig i Europa med Ruslands invasion af Ukraine, reagerede Salling Group omgående ved at fjerne alle russiske varer fra hylderne i Danmark, Tyskland og Polen.

Herudover accelererede Salling Group sin energiomstilling ved at igangsætte en betydelig investering på 2,4 mia. kr., som løber over en årrække, og som er et vigtigt element i koncernens ambitiøse klimaindsats. Fonden ser det som naturligt at understøtte ambitionerne indenfor ESG og bæredygtighed, og det er positivt, at der både er den finansielle styrke og de ambitioner, der er nødvendige for at foretage disse investeringer.

Landmark-donationer viser vejen

Det stærke økonomiske og bæredygtige fundament i Salling Group muliggjorde, at fonden i 2022 atter kunne foretage donationer til projekter og initiativer med stor bredde og høj kvalitet samtidig med at have fundamentet og evnen til at tænke langsigtet.

Købmand Herman Sallings Fond afgav i 2022 en hensigtserklæring på 250 mio. kr. til opførelsen af det banebrydende Bjarke Ingels Group-tegnede Dansk Neuroforskningscenter, der i regi af Aarhus Universitetshospital og Aarhus Universitet vil integrere psykiatri- og neuroforskning under samme tag for at muliggøre nybrud i diagnosticering og behandling af hjernens sygdomme. Sammen med det nye stadion i Aarhus er det to absolut landmark-initiativer, der har potentiale til endnu en gang at sætte Danmark og Aarhus på verdenskortet.

Fondene har med sine donationer atter været med til at styrke kultur, uddannelse, vilkår for børn og unge samt forskning, der er med til at binde samfundet sammen på tværs af generationer og give os oplevelser at samles om.

Med Salling Group som en stærk motor forventer fonden også de kommende år at kunne sætte sit præg på samfundet gennem banebrydende projekter og dermed bidrage til at gøre hverdagen bedre.

Jens Bjerg Sørensen
Bestyrelsesformand,
Købmand Herman Sallings Fond

Bag om fonden

Købmand Herman Sallings Fond har navn efter Salling Groups grundlægger Herman Christian Salling. Han overtog ved sin fars død i 1953 virksomheden, der dengang bestod af et enkelt stormagasin i Aarhus. I løbet af de næste årtier udviklede han en international detailkoncern, i 1960 med åbningen af føtex, Danmarks første supermarked, derefter med hypermarkedskæden Bilka fra 1970, inden han i 1981 lancerede Netto i Danmark og uden for landets grænser fra 1990. På den måde gentænkte og rokkede Herman Salling ved en hel branche, længe inden det var kommet på mode at tale om disruption.

Herman Sallings grundlæggende vision om altid at have kundens behov i centrum er fortsat i fokus i Salling Group den dag i dag. Og med stiftelsen af Købmand Herman Sallings Fond i 1964, tog han samtidig et afgørende skridt for at tage større ansvar for verden udenfor virksomheden.

1906
Ferdinand Salling, Herman Sallings far, åbner manufakturhandel i Aarhus.

1946
Herman Salling ansættes af Ferdinand Salling og butikken skifter navn til Salling.

1953
Herman Salling arver sin fars butik i Søndergade, Aarhus og den bliver udgangspunktet for Danmarks største virksomhed indenfor detailhandel, Salling Group.

1960
Jydsk Supermarked A/S bliver stiftet.

Første føtex åbner i Guldsmedgade, Aarhus.

1964
Partnerskab med A.P. Møller om Jydsk Supermarked, der skifter navn til Dansk Supermarked.

Salling Stormagasin åbner i Aalborg.

1970
Den første Bilka åbner i Tilst, Aarhus.

1981
Den første Netto åbner på Godthåbsvej, København.

2006
Den 8. maj dør Herman Salling efter mere end 60 år i virksomheden.

2014
Salling Fondene køber Dansk Supermarked aktierne tilbage fra A. P. Møller – Mærsk.

2017-2018
Dansk Supermarked skifter navn til Salling Group.

Salling Fondene fuldender tilbagekøbet af aktier og ejer Salling Group 100%

Formål og uddelingspolitik

Fondens hovedformål er at sikre, bevare og forøge styrken og kontinuiteten i Salling Group. Som erhvervsdrivende fond med almennyttige formål har fonden en uddelingspolitik, der følger af fondens fundats.

https://www.sallingfondene.dk/om-fondene/uddelingspolitik

Fonden kan efter ansøgning støtte:

- Med-arbejdere
- Kunst og kultur
- Sport
- Folke-kirken
- Værdige formål
- Uddannelse
- Innovation

Uddelingsstrategi

Mål & strategi

Vi gør hverdagen bedre

Vi giver tilbage til gavn og glæde for borgere, kunder og medarbejdere

Fokus-områder 2022-2023

Landmarks	Fællesskab	Livskvalitet	Ansvarlighed	Lokale initiativer
Betydende og banebrydende projekter der sætter et varigt aftryk	Projekter der styrker fælles-skabet gennem sport og fritid	Projekter der understøtter ind-satsen for at højne livskvaliteten	Projekter der bidrager til øget bæredygtig-hed og mindre klimapåvirkning	Projekter der gør en forskel i lokal-samfund rundt i hele Danmark*

Fundats områder

Med-arbejdere · **Kunst og kultur** · **Sport** · **Folke-kirken** · **Værdige formål** · **Uddannelse** · **Innovation**

*(indstilles via Bilka og føtex max DKK 250.000 pr. projekt)

Salling Fondene har siden 2012 uddelt ca. 1,9 mia. kr.

2012-2015
500 mio. kr.

2016-2019
600 mio. kr.

2020-2022
800 mio. kr.

God Fondsledelse

Købmand Herman Sallings Fond er som erhvervsdrivende fond omfattet af Anbefalingerne for god Fondsledelse fra Komitéen for god Fondsledelse, herunder vedrørende:

- Åbenhed og kommunikation
- Bestyrelsens opgaver og ansvar
- Vederlag

Fondens bestyrelse forholder sig kontinuerligt til anbefalingerne. Hvert år gennemgås compliance og governance, og en redegørelse af fondens efterlevelse af anbefalingerne publiceres årligt i tråd med fondens klare mål om at være transparent og bedrive god forretningsførelse.

Ud fra bestyrelsens vurdering følger Købmand Herman Sallings Fond i alle væsentlige forhold anbefalingerne, der endvidere udgør en betydelig inspiration i fondens arbejde.

Fondens redegørelse for overholdelse af anbefalingerne for god fonds-ledelse 2022 findes her:

https://www.sallingfondene.dk/om-fondene/redegoerelse-for-god-fondsledelse

Bestyrelsen for Købmand Herman Sallings Fond

Fondsbestyrelsen har til ansvar at forvalte fondens midler i overensstemmelse med fondens formål. Blandt andet beslutter bestyrelsen, hvilke initiativer der tildeles støtte.

Jens Bjerg Sørensen
Bestyrelsesformand
CEO, Schouw & Co. A/S

Jens Bjerg Sørensen har været CEO i industrikonglomeratet Schouw & Co. siden 2000 og varetager sideløbende med denne position en række bestyrelsesposter i toneangivende internationale virksomheder og fonde. Han er blandt andet formand for Danfoss A/S, A. Kirk A/S, F. Salling Invest A/S, F. Salling Holding A/S og Biomar Group A/S, næstformand i Salling Group A/S samt bestyrelsesmedlem AIDA A/S m.fl.

Med lang erfaring fra bestyrelsesarbejde, ledelse og innovation er Jens Bjerg Sørensen valgt til bestyrelsen grundet sine særlige forudsætninger for at kunne varetage fondens erhvervsformål. Som næstformand for Salling Group A/S har han endvidere indgående kendskab til aktiviteterne i detailhandelsgruppen.

Indtrådt i bestyrelsen i 2009.

Uafhængighed:
Anses ikke som uafhængigt medlem.

Karin Salling
Næstformand

Karin Salling har en fast plads i bestyrelsen, jf. fondens fundats. Hun har et indgående kendskab til Salling Groups historie samt en stor tilknytning til lokale kredse inden for kirke, kultur, sport mv. Hun er udpeget i forhold til varetagelse af fondens uddelingsformål.

Karin Salling blev i 2022 udnævnt til Kammerdame af Kongehuset.

Indtrådt i bestyrelsen i 1978.

Uafhængighed:
Anses ikke som uafhængigt medlem.

Nils Smedegaard Andersen
Bestyrelsesmedlem
Non-executive Director

Nils Smedegaard Andersen har en lang erhvervskarriere som CEO i globale virksomheder bag sig, blandt andet som CEO i A.P. Møller – Mærsk og Carlsberg Group. Han er en særdeles eftertragtet bestyrelseskandidat og tjener i dag som bestyrelsesformand i Unilever PLC, Akzo Nobel N/V og Worldwide Flight Services. Nils Smedegaard Andersen har som tidl. bestyrelsesformand for Salling Group indgående kendskab til aktiviteterne i Salling Group og er udpeget til bestyrelsen grundet sine særlige ledelsesmæssige forudsætninger til at kunne varetage fondens erhvervsformål.

Indtrådt i bestyrelsen i 2014.

Uafhængighed:
Anses som uafhængigt medlem.

Carsten Lorentzen
Bestyrelsesmedlem
Partner, advokat, DLA Piper

Carsten Lorentzen beskæftiger sig som advokat og partner i DLA Piper fortrinsvis med virksomhedsoverdragelser, fast ejendom, rets- og voldgiftssager og immaterialret og har ført et betydeligt antal retssager for Højesteret, Landsretterne samt for voldgiftsretter. Han er aktiv i en lang række bestyrelser, herunder LINDBERG OPTIK A/S, Benjamin Capital ApS, Formula Automobile A/S, PNO Holding A/S m.fl. Carsten Lorentzen er udpeget til særligt at kunne varetage fondens uddelingsformål med baggrund i sin erfaring med erhvervsjuridiske forhold og bestyrelsesarbejde.

Indtrådt i bestyrelsen i 2015.

Uafhængighed:
Anses som uafhængigt medlem.

Michael Holm
Bestyrelsesmedlem
CEO, Systematic A/S

Michael Holm stiftede for snart 40 år siden Systematic A/S, der siden har vokset sig til at blive den største privatejede softwarevirksomhed i Danmark med kunder i både den offentlige og private sektor indenfor sundhedssektoren, efterretningstjenester, uddannelse, vedvarende energi mm. Michael Holm er blandt andet bestyrelsesmedlem i Copenhagen Optimization ApS, Digital Research Centre Denmark – DIREC og Cubedin A/S samt næstformand i Jyllands-Postens Fond og Jyllands-Posten Holding A/S. Han er valgt til bestyrelsen for Købmand Herman Sallings Fond for særligt at kunne varetage fondens erhvervsformål via sin lange erfaring med ledelse, strategi, corporate governance og økonomi.

Indtrådt i bestyrelsen i 2018.

Uafhængighed:
Anses som uafhængigt medlem.

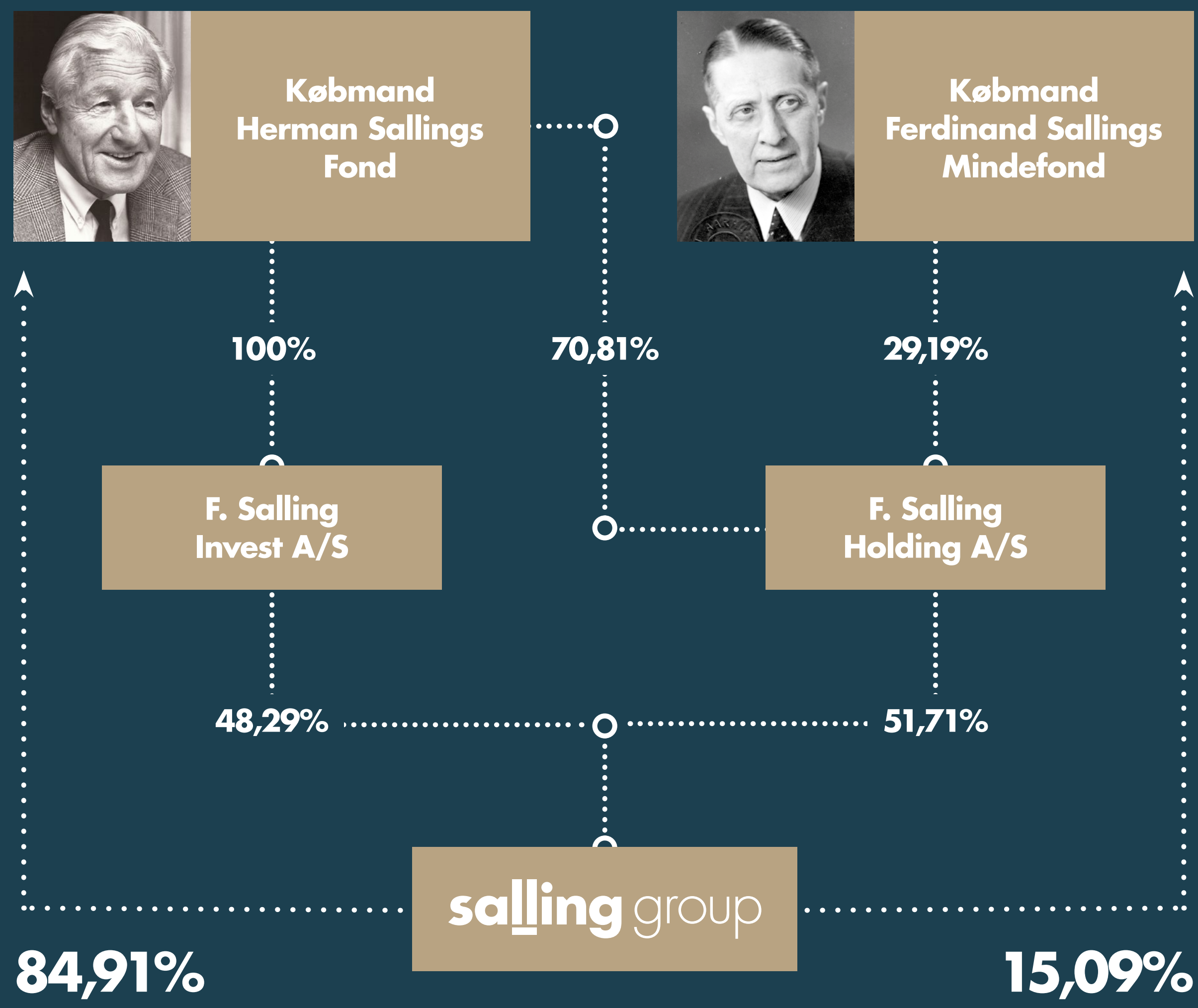
Ejerskab

Langsigtet, tålmodigt ejerskab i en turbulent branche

Som visionær erhvervsdrivende fond med almennyttige formål står Købmand Herman Sallings Fond sammen med sin søsterfond bag Salling Group i den langsigtede udvikling af forretningen. Fondens erhvervsmæssige formål vedrører de kommercielle aktiviteter i ejerskabet af Salling Group, hvor fonden gennem og med den siddende ledelse og i overensstemmelse med aftalte værdier, principper og mål som engageret ejer tager ansvar for at sikre, bevare og udvikle en økonomisk bæredygtig og robust virksomhed, der i samspil med kunder, medarbejdere, samarbejdspartnere og bredere interessenter i omverdenen arbejder for at forbedre hverdagen.

Det langsigtede og ansvarlige er grundlaget for, at Købmand Herman Sallings Fond kan indfri sit uddelingsmæssige formål, idet Salling Groups rentable drift skaber fundamentet for betydende donationer.

Når virksomheden skaber overskud, sætter fonden varigt aftryk gennem sine banebrydende uddelinger.



Netto føtex Bilka Salling BR

Danmarks mest mangfoldige detailhandelsvirksomhed

Omkring 60.000 medarbejdere, herunder ca. 45.000 herhjemme. Danmarks mest mangfoldige arbejdsplads. Butikker, webshops, kaffebarer, restauranter og en række unikke og velkendte brands. Fordelt på tre lande.

I Salling Group handler det om at gøre en forskel for kunden, kolleger, samarbejdspartnere og for verden omkring os. Gennem gode løsninger, nemmere og bedre indkøbsoplevelser, jobmuligheder til alle, betjening af 10 millioner kunder hver uge og ikke mindst donationer til værdige formål fra Salling Fondene har Salling Group en unik placering i de samfund, virksomheden er en del af.

Ved at drive en stærk konkurrencedygtig virksomhed sikrer Salling Group, at den kan sætte vægt bag intentionerne om at gøre en reel forskel, samtidig med at koncernens fremadrettede udvikling bliver tilgodeset. I 2022 satte Salling Group turbo på sin klimaambition, da detailkoncernen igangsatte en storstilet investering på 2,4 mia. kr. i den grønne omstilling. I løbet af de kommende år vil Salling Group udskifte gasfyr på tværs af Tyskland, Polen og Danmark og erstatte dem med elektriske varmepumper i 750 butikker. Desuden vil 725 butikker få installeret nye energieffektive køleskabe, og alle kølere og frysere bliver udstyret med glasdøre. Samtidig installerer Salling Group solpaneler på taget af i alt 570 danske, tyske og polske butikker, lagre og kontorbygninger. Et stort skridt på vejen mod at indfri ambitionen om klimaneutralitet.

Salling Group strategi

Our purpose

Improving Everyday Life

Our drivers and priorities

Our growth drivers

Poland
Achieve top 5 positions as the fastest growing discounter

Develop our strong foundation
with current formats in Denmark and Germany

Our sustainability priorities

Climate
Ambition on reducing our footprint in short- and long term

Health
Contribute to a healthier future for both our customers and employees

Our values

Integrity | Passionate | Agile | Competitive | Efficient

Our foundation

People and Products

Salling Group finansielle nøgletal 2022

Mio. kr.	2022
Omsætning	66.521
Resultat før afskrivninger, amortiseringer og nedskrivninger (EBITDA)	4.324
Resultat af primær drift (EBIT)	1.940
Årets resultat	972
Aktiver i alt	38.030
Egenkapital i alt	10.400
Overskudsgrad	2,9%
Egenkapitalforrentning	9,8%

Markante donationer i 2022

Købmand Herman Sallings Fond bidrog i det forgange år endnu en gang til en lang række spændende tiltag til gavn og glæde for mennesker i Danmark.

Samlet set har Købmand Herman Sallings Fond i 2022 doneret i alt **392,8 mio. kr.** til gode formål.

Aarhus Universitet Science Museerne

Udbygning af formidlingsfaciliteterne i udearealerne ved Ole Rømer Observatoriet.

Donation: 2.000.000 kr.

Kongelunden Stadion i Aarhus

Konvertering af den oprindelige hensigtserklæring til en donation til etablering af et nyt verdensklassestadion i Aarhus.

Donation: 250.000.000 kr.

Dansk Erhverv
København

Restaurering og tilbageføring af taget på Børsens historiske bygning til dets oprindelige udseende i hollandsk renæssancestil.

Donation: 10.000.000 kr.

Børns Vilkår
Aarhus

Køb af ejendom, som skal danne ramme om organisationens arbejde med at sikre en tryg og sikker opvækst for alle børn og unge.

Donation: 10.000.000 kr.

Beder Idrætsforening

Udvikling af et kulturelt samlingssted med multisal til tidens gymnastik og fitness.

Donation: 5.000.000 kr.

Aarhus International School

Udvidelse og ombygning af campus som centrum for den internationale skoles undervisningsaktiviteter.

Donation: 20.000.000 kr.

Naturhistorisk Museum
Aarhus

Ombygning af den eksisterende foyer til café og butiksområde samt etablering af showroom.

Donation: 2.000.000 kr.

Solbjerg Idrætsforening

Tilbygning til de eksisterende idrætsfaciliteter samt en hal til gymnastik og nye omklædningsrum.

Donation: 5.000.000 kr.

Udvalgte donationer i Aarhus

Uden for kortet

VIK Aarhus
Etablering af flerfunktionel bevægelseshal, der motiverer børn, unge og voksne til både springgymnastik og nye legende bevægelsesformer.
5 mio. kr.

Sport og Kulturcampus
Realisering af Sports- og Kulturcampus, et nytænkt og spændende bevægelseshus i Gellerup.
25 mio. kr.

Højbjerg Badmintonklub
Opførelse af en ekstra idrætshal for at imødekomme et stigende antal medlemmer.
5 mio. kr.

Fonden Lyseng Idrætscenter
Nye idrætsfaciliteter for de lokale idrætsforeninger i Lyseng, herunder et stort fælles ankomst- og kulturområde.
10 mio. kr.

Kirkens Korshær
Istandsættelse af lokaler.
5,2 mio. kr.

Den Gamle By, Aarhus
Realisering af Aarhus Story samt overflytning af ejendom fra Jelling.
74,6 mio. kr.

ARoS Kunstmuseum
Projekt 'The Next Level'.
80 mio. kr.

Nye kunstneriske oplevelser, kvalitetsforbedringer og sikkerhedstiltag i The Next Level. Donationen er øremærket 'Låget' og bænke i Domen.
15 mio. kr.

Bygning af Sunset Lounge samt tagterrasse.
21,4 mio. kr.

Musikhuset Aarhus
Etablering af ny nedre foyer.
13,4 mio. kr.

Opgradering af lysanlæg-get i alle Musikhusets sale.
10 mio. kr.

Aarhus Kommune
Etablering af event- og koncertplads og bypark ved Eskelunden.
11,9 mio. kr.

Tivoli Friheden
Støtte til opførelse af nyt kulturhus 'Hermans' i Tivoli Friheden.
12 mio. kr.

Etablering af Eventøen samt omlægning af parken inkl. vandløb mv.
20 mio. kr.

Aarhus Universitet, Science Museerne
Udbygning af formidlings-rammerne på udearealerne ved Ole Rømer-Observatoriet.
2 mio. kr.

Børns Vilkår
Køb af ejendom i Aarhus der skal anvendes af Børns Vilkår.
10 mio. kr.

Teatret Svalegangen
Etablering af ny samt renovering af den eksisterende teatersal.
22,7 mio. kr.

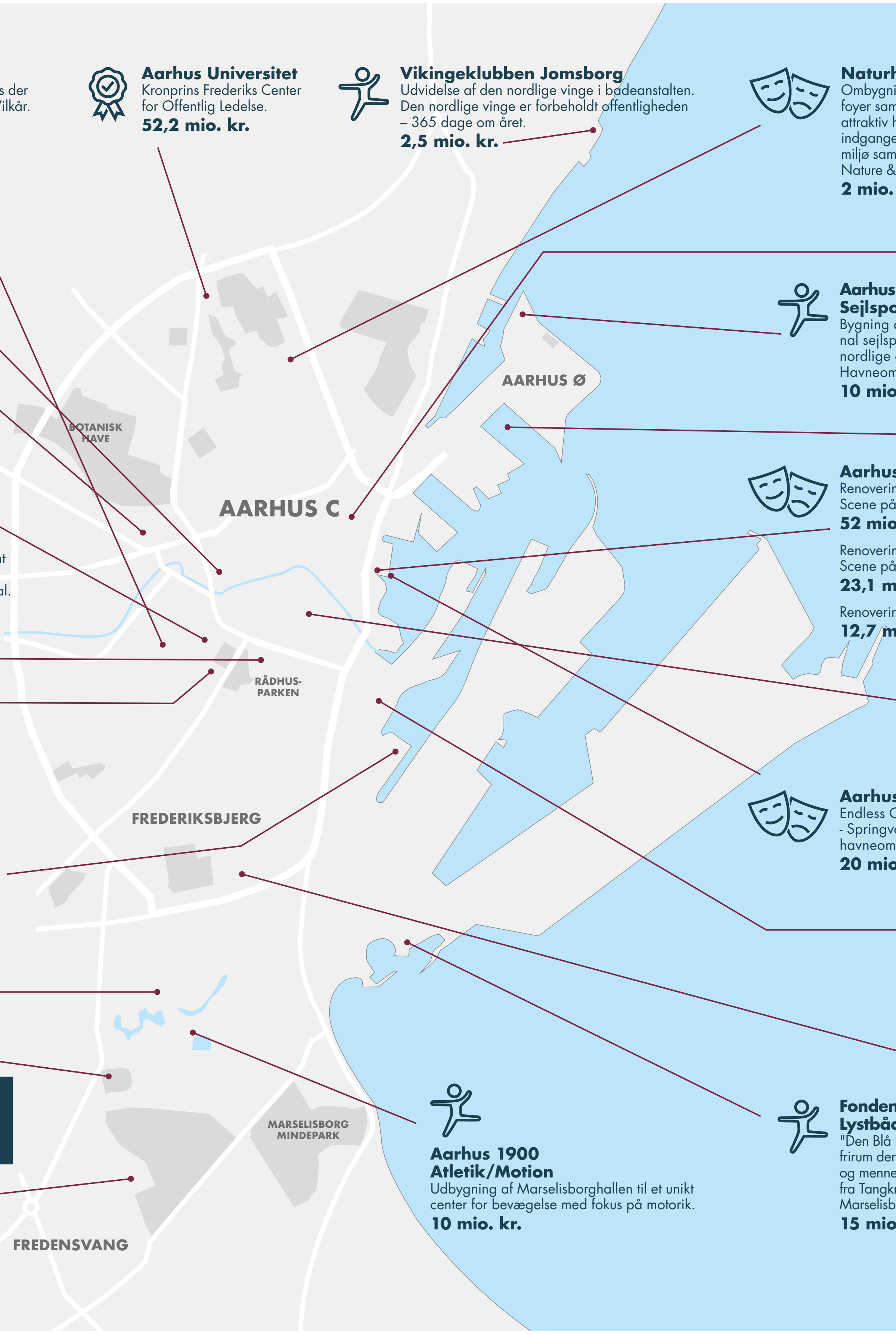
Ombygning af Svalegangen.
5 mio. kr.

Aarhus Kommune
Kvalitetslegeplads ved DOKK1.
7 mio. kr.

Aarhus Kommune
Projekt Kongelunden – Nyt stadion i verdensklasse.
250 mio. kr.

Aarhus Universitet
Kronprins Frederiks Center for Offentlig Ledelse.
52,2 mio. kr.

Vikingeklubben Jomsborg
Udvidelse af den nordlige vinge i badeanstalten. Den nordlige vinge er forbeholdt offentligheden – 365 dage om året.
2,5 mio. kr.



Aarhus 1900 Atletik/Motion
Udbygning af Marselisborghallen til et unikt center for bevægelse med fokus på motorik.
10 mio. kr.

Naturhistorisk Museum
Ombygning af den eksisterende foyer samt butiksområde til en attraktiv helhedsoplevelse ved indgangen inkl. butikssalg, café-miljø samt showroom for nyt Nature & Science Museum.
2 mio. kr.

Aarhus Internationale Sejlsportscenter
Bygning af nyt Internatio-nal sejlsportscenter i den nordlige del af de "Bynære Havneområder" i Aarhus.
10 mio. kr.

Aarhus Teater
Renovering af Store Scene på Aahus Teater.
52 mio. kr.

Renovering af Store Scene på Aahus Teater.
23,1 mio. kr.

Renovering af Scala Scenen
12,7 mio. kr.

Aarhus Kommune
Endless Connection - Springvand på havneområdet.
20 mio. kr.

Fonden Marselisborg Lystbådehavn
"Den Blå Promenade", et nyt frirum der forbinder by, havn og mennesker til opførelse fra Tangkrogen ud mod Marselisborg Lystbådehavn.
15 mio. kr.

Aarhus Domkirke
Udsmykning af Aarhus Domkirkes nordre kapel ved kunstneren Peter Brandes.
7,9 mio. kr.

Restaurering af Aarhus Domkirkes orgel, Danmarks største kirkeorgel.
4,87 mio. kr.

Indkøb af 400 stole.
1,9 mio. kr.

Aarhus Kommune
Havnebad på de bynære arealer.
42,4 mio. kr.

Udsigtstårn på havneområdet.
7 mio. kr.

Salling
Salling Roofgarden.
35 mio. kr.

Salling Rooftop.
23,2 mio. kr.

Ny facade og julebelys-ning på Salling Stormaga-sin i Aarhus med henblik på at skabe en ny event i byen.
8,8 mio. kr.

Filmby Aarhus
Byrummet Open Space, som en del af udvidelse af Filmby Aarhus. Donation gælder del-projekt Your Story Wall.
7 mio. kr.

Aarhus Internationale Skole
Ud- og ombygning af Campus på Aarhus Inter-nationale Skole i Aarhus.
20 mio. kr.

Videreudvikling af den internationale skole i Aarhus med ny placering på Dalgas Avenue.
38,9 mio. kr.

Banebrydende donationer gennem årene

Læs mere om donationerne fra Købmand Herman Sallings Fond på **sallingfondene.dk**

Havne-arealerne

Liv på havnen. På havnearealerne på Aarhus Ø er en helt ny bydel skudt op, komplet med havnebad, legeplads, springvand, udsigtstårn og sejlsportscenter.

Donationer i alt fra Salling Fondene: 86.400.000 kr.

Den Gamle By

Historien under jorden. Den Gamle By i Aarhus fortæller i en underjordisk tidsrejse gennem mere end 1.000 år historien om Danmarks udvikling fra vikingetiden til i dag.

Donationer: 81.300.000 kr.

Skejby-Lisbjerg Sognes Menighedsråd

Realisering af Ingvar Cronhammars kunstprojekt bestående af kirkerum, stillerum og refleksionsrum på Aarhus Universitetshospital i Skejby.

Donation: 8.200.000 kr.

Team Danmark

Langvarigt løft til dansk eliteidræt 2009-2024 gennem mangeårig støtte til Team Danmark for at sikre optimale forberedelser til de Olympiske Lege og de Paralympiske Lege.

Donationer i alt fra Salling Fondene: 190.000.000 kr.

190 mio. kr.

Aarhus Teater

Moderne teknik i historiske rammer. Gennemgribende renovering af Aarhus Teater, så det i dag fremstår som en teknisk moderne og fremtidssikret landsdelsscene.

Donationer: 87.890.000 kr.

87 mio. kr.

Aarhus Universitet

Ledelse og forskning i topklasse. Kronprins Frederiks Center for Offentlig Ledelse ved Institut for Statskundskab på Aarhus Universitet leverer forskningsbaseret viden i international topklasse om offentlig ledelse. Centret er opkaldt efter H.K.H. Kronprins Frederik, der selv har sin kandidatgrad fra instituttet.

Donation: 52.200.000 kr.

Sportscampus

Plads til utraditionelle og nytænkende tilbud til især børn og unge som en del af en større transformation af boligområdet Gellerup.

Donation: 25.000.000 kr.

ARoS

Udsigt til en ikonisk regnbue. Sunset Lounge og tagterrasse sikrer museumsgæsterne et pusterum og en formidabel udsigt til Olafur Eliassons monumentale kunstprojekt "Your rainbow panorama" på toppen af kunstmuseet ARoS.

Donation: 21.400.000 kr.

Musikhuset Aarhus

Lys på kulturen. Musikhuset Aarhus blænder op for lyssætning på internationalt niveau samt en ny 'Nedre foyer', der sikrer unikke visuelle oplevelser for kunstnere og husets mere end en halv million årlige gæster.

Donation: 23.400.000 kr.

Gengivelse af Årsrapport 2022 (EN)

I tilfælde af forskelle mellem årsrapport som gengivet på de følgende sider og Købmand Herman Sallings Fonds officielle årsrapport er den officielle årsrapport det gældende dokument.

https://www.sallingfondene.dk/om-fondene/aarsrapporter

Købmand Herman Sallings Fond
Rosbjergvej 33-35
DK-8220 Brabrand
CVR no. 53520413

Table of contents

	Page
Management's review	
Financial highlights for the Group	2
Management's review	2
Financial statements	
Statements	
Management's statement	4
Independent auditor's report	4
Købmand Herman Sallings Fond – Financial statements	
Købmand Herman Sallings Fond – Income statement	7
Købmand Herman Sallings Fond – Statement of other comprehensive income	7
Købmand Herman Sallings Fond – Statement of financial position	8
Købmand Herman Sallings Fond – Cash flow statement	9
Købmand Herman Sallings Fond – Statement of changes in equity	9
Købmand Herman Sallings Fond – Notes to the financial statements	10
Consolidated financial statements	
Consolidated income statement	17
Consolidated statement of other comprehensive income	18
Consolidated statement of financial position	19
Consolidated cash flow statement	20
Consolidated statement of changes in equity	21
Notes to the consolidated financial statements	23

Management's review

Financial highlights for the Group

DKK million

	2022	2021	2020	2019	2018*
Total revenue	66,519	66,200	60,854	56,688	55,850
Operating profit (EBIT)	1,366	2,462	2,333	1,800	1,568
Financial items, net	-568		-466	-544	-248
Profit for the year from continuing operations	534	1,570	1,487	971	1,025
Profit/loss for the year from discontinued operations	-	-	-	714	-50
Tital profit/loss for the year	534	1,570	1,487	1,685	975
Total assets	54,180	57,469	54,768	53,265	49,577
Total equity	24,703		22,943	21,828	20,205
Purchase of property, plant and equipment	1,884	2,081	1,911	1,489	1,233
Operating margin	2.1%	3.7%	3.8%	3.2%	2.8%
Return on equity	2.2%	6.6%	6.6%	8.0%	4.9%

Definitions:

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

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

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

Købmand Herman Sallings Fond – the foundation

Primary business area

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

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

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

Development during the financial year

The annual report for Købmand Herman Sallings Fond is presented in accordance with the provisions of the International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements in the Danish Financial Statements Act.

In 2022 the foundation has realised a profit for the year of TDKK 164,881 against a profit for the year of TDKK 363,596 in 2021. The profit for the year in 2022 is lower than the profit for the year in 2021 due to the fact that the foundation received a higher dividend from the subsidiary F. Salling Invest A/S in 2021 than in 2022. The profit for the year for 2022 is as expected.

Distributions

For information about the foundations distribution policies, please refer to https://www.sallingfondene.dk/om-fondene/uddelingspolitik

A total of TDKK 392,818 (2021: TDKK 192,289) has been distributed, which is allocated on main categories in accordance with the purpose of the foundation, groups of employees and present and former employees, initiative, ingenuity and the like in Danish business life and education of businessmen TDKK 12,471 and ecclesiastical, sport, cultural and other worthy causes TDKK 380,347. Distributions from previous years of TDKK 12,213 (2021: TDKK 12,048) have been reversed.

Description of good foundation management

The foundation complies with most of the provisions for good foundation management. For further information, please refer to https://www.sallingfondene.dk/om-fondene/redegoerelse-for-god-fondsledelse

The table showing information about the board members (recommendation no. 2.3.4) and the independence of the board members (recommendation no. 2.4.1) is provided in the notes.

Particular risks

The foundation has no particular risks.

Expected development and subsequent events

The foundation expects that the profit for the year 2023 will be at the same level as in 2022.

No subsequent events have occurred that affect the annual report for 2022.

Købmand Herman Sallings Fond – the Group

Primary business area

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

Development during the financial year

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

Operating profit (EBIT) for 2022 amounts to DKK 1,365 million compared to DKK 2,462 million in 2021. Profit before tax is DKK 798 million compared to DKK 2,008 million in 2021. Total profit for the year for 2022 is DKK 534 million compared to DKK 1,570 million in 2021.

The result for 2022 is in line with the expectations.

Statutory reporting on corporate responsibility cf. §99a, data ethics cf. §99d and gender distribution in management cf. §99b

Købmand Herman Sallings Fond does not have policies regarding social responsibility or data ethics, as the foundation has not identified any material risks within the areas of human rights, environment, social and employee conditions and anti-corruption. Also, the foundation does not have a data ethics policy, as the foundation has not identified any material risks related to the foundation's processing and storage of data.

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

Købmand Herman Sallings Fond has a target to increase the share of female members of the Board of Directors to 40% by end 2026 meaning that two out of five members of the Board of Directors must be female. At the end of 2022 the Board of Directors consists of five individuals, one female and four males. There were no relevant female candidates for the Board of Directors in the financial year 2022. Købmand Herman Sallings Fond will work towards achieving the target figure and recognises the bene-fits of a diverse board, but the Board of Directors believes that the board members should always be chosen based on their overall competences. The foundation has less than 50 full-time employees in 2022 and 2021 and therefore no further gender target figures or policies are reported.

Particular risks

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

Expected development and subsequent events

The Group expects, that the result before tax for 2023 in Salling Group A/S will be a slight improvement compared to 2022. As a consequence total profit for the year in the Group for 2023 is expected to be a slight improvement compared to 2022.

No subsequent events have occurred that affect the annual report for 2022.

Statements

Management's statement

The Board of Directors have today discussed and approved the annual report of Købmand Herman Sallings Fond for the financial year 1 January – 31 December 2022.

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

It is our opinion that the consolidated financial statements and the financial statements of Købmand Herman Sallings Fond give a true and fair view of the Group's and the foundation's assets, liabilities and financial position at 31 December 2022 and of the results of the Group's and the foundation's operations and cash flows for the financial year 1 January – 31 December 2022.

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

Brabrand, 25 May 2023

Board of Directors

Jens Bjerg Sørensen Chairman	Karin Salling	Nils S. Andersen
Carsten Lorentzen	Michael Holm	

Independent auditor's report

To the Board of Directors of Købmand Herman Sallings Fond

Opinion

We have audited the consolidated financial statements and the financial statements of Købmand Herman Sallings Fond for the financial year 1 January – 31 December 2022, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group and the foundation. The consolidated financial statements and the financial statements of Købmand Herman Sallings Fond are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the financial statements of Købmand Herman Sallings Fond give a true and fair view of the financial position of the Group and the foundation at 31 December 2022 and of the results of the Group's and the foundation's operations and cash flows for the financial year 1 January – 31 December 2022 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for opinion

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

Independence

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

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.

Independent auditor's report

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

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the foundation's internal control.

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

Independent auditor's report

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Aarhus C, 25 May 2023

EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Jes Lauritzen State Authorised Public Accountant mne10121	Jonas Busk State Authorised Public Accountant mne42771

Købmand Herman Sallings Fond – Financial statements

Income statement

Amounts in TDKK

Notes		2022	2021
4	Staff expenses	-2,050	-2,050
	External expenses	-4,690	-3,530
	Operating loss (EBIT)	-6,740	-5,580
5	Financial income	171,729	369,811
6	Financial expenses	-108	-635
	Total profit for the year	164,881	363,596
	Proposal for distribution of profit for the year:		
	Transferred to distribution reserve	168,000	370,000
	Transferred to available capital	-3,119	-6,404
	Total profit for the year	**164,881**	**363,596**

Statement of other comprehensive income

Amounts in TDKK

Profit for the year	164,881	363,596
Other comprehensive income for the year, net of income tax	-	-
Total comprehensive income for the year	**164,881**	**363,596**

Købmand Herman Sallings Fond – Financial statements

Balance sheet at 31 December

Amounts in TDKK

Assets

Notes		2022	2021
	Non-current assets		
	Financial assets		
7	Investments in subsidiaries	17,834	17,834
	Total financial assets	17,834	17,834
	Total non-current assets	**17,834**	**17,834**
	Current assets		
	Receivables		
8	Other current financial assets	310,866	535,957
	Total receivables	310,866	535,957
8	**Cash and short-term deposits**	9,806	43,579
	Total current assets	**320,672**	**579,536**
	Total assets	**338,506**	**597,370**

Balance sheet at 31 December

Amounts in TDKK

Equity and liabilities

Notes		2022	2021
	Equity		
	Registered capital	22,219	22,219
	Available capital	9,747	12,866
	Distribution reserve	44,853	257,458
	Total equity	**76,819**	**292,543**
	Liabilities		
	Current liabilities		
8	Other current financial liabilities	547	460
8	Trade payables	303	18
8	Other payables	260,837	304,349
	Total current liabilities	261,687	304,827
	Total liabilities	**261,687**	**304,827**
	Total equity and liabilities	**338,506**	**597,370**

Købmand Herman Sallings Fond – Financial statements

Cash flow statement

Amounts in TDKK

Notes		2022	2021
	Profit before tax	164,881	363,596
9	Adjustments	-171,621	-369,176
10	Change in working capital	477	258
	Net cash flows from operating activities before financial items and tax	-6,263	-5,322
	Financial income received	1,918	-
	Financial expenses paid	-2,017	-370
	Net cash flows from operating activities	**-6,362**	**-5,692**
	Dividends received	169,811	369,811
	Net cash flows from investment activities	**169,811**	**369,811**
8	Net payments to subsidiaries	227,087	-130,840
	Net cash flows from financing activities	**227,087**	**-130,840**
	Distributions paid	-424,309	-212,758
	Net change in cash and cash equivalents	-33,773	20,521
	Cash and cash equivalents at 1 January	43,579	23,058
11	**Cash and cash equivalents at 31 December**	**9,806**	**43,579**

Statement of changes in equity

Amounts in TDKK

2022:	Registered capital	Available capital	Distribution reserve	Total equity
Equity at 1 January 2022	22,219	12,866	257,458	292,543
Profit for the year	-	-3,119	168,000	164,881
Total comprehensive income for the year	**-**	**-3,119**	**168,000**	**164,881**
Approved distributions	-	-	-392,818	-392,818
Reversed distributions payable	-	-	12,213	12,213
Other transactions	**-**	**-**	**-380,605**	**-380,605**
Equity at 31 December 2022	**22,219**	**9,747**	**44,853**	**76,819**

2021:	Registered capital	Available capital	Distribution reserve	Total equity
Equity at 1 January 2021	22,219	19,270	67,699	109,188
Profit for the year	-	-6,404	370,000	363,596
Total comprehensive income for the year	**-**	**-6,404**	**370,000**	**363,596**
Approved distributions	-	-	-192,289	-192,289
Reversed distributions payable	-	-	12,048	12,048
Other transactions	**-**	**-**	**-180,241**	**-180,241**
Equity at 31 December 2021	**22,219**	**12,866**	**257,458**	**292,543**

Købmand Herman Sallings Fond – Financial statements

Summary of notes to the financial statements

1	General information
2	Summary of significant accounting policies
3	Significant accounting judgements, estimates and assumptions
	Notes to the income statement
4	Staff expenses
5	Financial income
6	Financial expenses
	Notes to the balance sheet
7	Investments in subsidiaries
8	Financial assets and financial liabilities
	Notes to the cash flow statement
9	Adjustments
10	Change in working capital
11	Cash and cash equivalents
	Other notes
12	Income tax and deferred tax
13	Contingent liabilities and other financial commitments
14	Related party disclosures
15	Capital management
16	Events after the reporting period
17	Standards issued but not yet effective

Købmand Herman Sallings Fond – Financial statements

Notes to the financial statements

Amounts in TDKK

1 General information

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

The purpose of the foundation is to own, protect and develop the strength and continuity of Salling Group. In addition to this the foundation also has charitable purposes to support:
- Groups of employees and present and former employees, initiative, ingenuity and the like in Danish business life and education of businessmen
- Ecclesiastical, sport, cultural and other worthy causes

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

2 Summary of significant accounting policies

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

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

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 financial statements

Amounts in TDKK

		2022	2021
4	**Staff expenses**		
	Fee, Board of Directors	2,050	2,050
	Total staff expenses	2,050	2,050
	Average number of full-time employees	0	0
5	**Financial income**		
	Interest income from related parties	1,860	-
	Dividends received	169,811	369,811
	Interest income from banks	58	-
	Total financial income	171,729	369,811
6	**Financial expenses**		
	Interest expense paid to banks	66	120
	Interest expense paid to related parties	42	514
	Other financial expenses	-	1
	Total financial expenses	108	635
7	**Investments in subsidiaries**		
	Cost		
	Balance at 1 January	17,834	17,834
	Balance at 31 December	17,834	17,834
	Carrying amount at 31 December	17,834	17,834

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

Købmand Herman Sallings Fond – Financial statements

Notes to the financial statements

Amounts in TDKK

8 Financial assets and financial liabilities

	Carrying amount		Fair value	
	2022	2021	2022	2021
Financial assets comprise the following:				
Receivables from subsidiaries	310,866	535,957	310,866	535,957
Other current financial assets	310,866	535,957	310,866	535,957
Cash and short-term deposits	9,806	43,579	9,806	43,579
Financial liabilities comprise the following:				
Payables to subsidiaries	547	460	547	460
Other current financial liabilities	547	460	547	460
Trade payables	303	18	303	18
Distributions payable	258,396	302,100	258,396	302,100
Other payables	2,441	2,249	2,441	2,249
Other payables	260,837	304,349	260,837	304,349

Financial instruments by category

	2022	2021
Financial assets at amortised cost:		
Other financial assets	310,866	535,957
Cash and short-term deposits	9,806	43,579
Financial liabilities measured at amortised cost:		
Other financial liabilities	547	460
Trade payables	303	18
Other payables	260,837	304,349

Notes to the financial statements

Amounts in TDKK

8 Financial assets and financial liabilities - continued

Fair value

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

Risks arising from financial instruments

The foundation's main risks are market risks relating to fluctuations in interest rates. There has been no structural changes in the risk exposure or risks compared to 2021.

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

Currency risks
There is no foreign currency risk in Købmand Herman Sallings Fond.

Interest rate risks
The foundation's exposure to risk of changes in market interest rates relates to internal loans and intercompany balances.

A general increase of 1%-point in interest rates is estimated, all other things being equal, to affect profit before tax and pre-tax equity by TDKK 1,830 (TDKK 3,124 in 2021).

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

31 December 2022	Carrying amount	Sensitivity	Profit before tax	Pre-tax equity
Other current financial assets	310,866	1%	1,835	1,835
Other current financial liabilities	547	1%	-5	-5
Impact			1,830	1,830

Købmand Herman Sallings Fond – Financial statements

Notes to the financial statements

Amounts in TDKK

8 Financial assets and financial liabilities - continued

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

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

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

Liquidity risks

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

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

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

31 December 2022	Carrying amount	Within 1 year	1 to 5 years	After 5 years
Other current financial liabilities	547	547	-	-
Trade and other payables	261,140	136,339	124,801	-
Total, current liabilities	261,687	136,886	124,801	-

Notes to the financial statements

Amounts in TDKK

8 Financial assets and financial liabilities - continued

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

Credit risks

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

Changes in assets and liabilities arising from financing activities

	1 January 2022	Cash flows	Other	31 December 2022
Other current financial assets	535,957	-227,000	1,909	310,866
Other current financial liabilities	-460	-87	-	-547
Total change in assets and liabilities from financing activities	535,497	-227,087	1,909	310,319

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

Købmand Herman Sallings Fond – Financial statements

Notes to the financial statements

Amounts in TDKK

	2022	2021
9 Adjustments		
Financial income	-171,729	-369,811
Financial expenses	108	635
Adjustments	-171,621	-369,176
10 Change in working capital		
Change in prepayments	-	142
Change in trade and other payables (excl. distributions payable)	477	116
Change in working capital	477	258
11 Cash and cash equivalents		
Cash and short-term deposits	9,806	43,579
Cash and cash equivalents	9,806	43,579

12 Income tax and deferred tax

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

Reconciliation of income tax recognised in the income statement

	2022		2021	
Tax on result for the year at the Danish income tax rate	-36,274	22.0%	-79,991	22.0%
Tax value of non-taxable income	37,358	-22.7%	81,358	-22.4%
Not recognised tax loss carry forwards	-1,084	0.7%	-1,367	0.4%
Income tax recognised in the income statement	0	0.0%	0	0.0%

At 31 December 2022 Købmand Herman Sallings Fond has a deferred tax asset related to unused tax losses, which is not recognised in the statement of financial position, due to the fact that Købmand Herman Sallings Fond does not expect future taxable profits against which the unused tax losses can be utilised.

Notes to the financial statements

Amounts in TDKK

13 Contingent liabilities and other financial commitments

At 31 December 2022 Købmand Herman Sallings Fond has signed a letter of intent stating its intention to, during a period of up to 15 months, decide to distribute up to DKK 250 million to Dansk Neuroforskningscenter in Aarhus, if a number of prerequisites are fulfilled.

At 31 December 2021 Købmand Herman Sallings Fond had signed letters of intent stating its intention to distribute up to DKK 280 million to Kongelunden Stadion and three minor projects in Aarhus, if a number of prerequisites were fulfilled. At 31 December 2022 distributions to these projects approved before 31. December 2021 has either been approved for distribution or the projects has been terminated.

14 Related party disclosures

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

	2022	2021
Subsidiaries:		
Purchase of goods and services	2,916	2,356
Interests received	1,860	-
Interests paid	42	514
Dividends received	169,811	369,811
Distributions paid	-62,700	-1,334

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

None of the outstanding balances are secured, and no provisions are held against the balances as at 31 December 2022 (DKK 0 in 2021). No expense has been recognised in 2022 or 2021 for bad or doubtful debts.

Key management personnel

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

	2022	2021
Short-term employee benefits	2,050	2,050
Total remuneration	2,050	2,050

Købmand Herman Sallings Fond – Financial statements

Notes to the financial statements

14 Related party disclosures - continued

Position	**Jens Bjerg Sørensen** Chairman	**Karin Salling** Vice chairman	**Nils S. Andersen** Board member	**Carsten Lorentzen** Board member	**Michael Holm** Board member
Age, gender, appointment period	Born 1957, male, appointment period 2009 - 2022.	Born 1943, female, appointment period 1978 - lifelong according to the foundation charter.	Born 1958, male, appointment period 2014 - 2022.	Born 1956, male, appointment period 2015 - 2022.	Born 1957, male, appointment period 2018 - 2022.
Independency	Not considered independent.	Not considered independent.	Considered independent.	Considered independent.	Considered independent.
Managerial positions: Chairman	Danfoss A/S, BioMar Group A/S, GPV Group A/S, HydraSpecma A/S, Borg Automotive A/S, Fibertex Nonwovens A/S, Fibertex Personal Care A/S, A. Kirk A/S.		Unilever PLC, AkzoNobel N/V, Worldwide Flight Services.	Ørnstrand Holding A/S, Jacob Lee Ørnstrand Holding A/S, Aktieselskabet Århus af 1. Oktober 1992, Benjamin Capital ApS, Poul-Jørn Holding ApS, JACO supermarkeder A/S, ROOV ApS, Malene Ørnstrand Holding A/S, Emiliehøj ApS, JACO Gruppen Holding A/S, Ejendomsselskabet Aarhus 2012 ApS, Ejendomsselskabet af den 4. januar 1999 A/S, Lægårdsvej ApS, Pantus Invest ApS, IPJ Invest A/S, Holmstrupgårdvej ApS, JNRP Invest A/S, Lindberg Optik A/S, Per N. Ørnstrand A/S, Jaco Holding I ApS, Jacob PNO Holding A/S, New Impact Holding A/S.	
Vice chairman	Salling Group A/S.	Købmand Ferdinand Sallings Mindefond.			Jyllands-Postens Fond, Jyllands-Posten Holding A/S.
Board member	Købmand Ferdinand Sallings Mindefond, Aida A/S, Ejendomsselskabet FMJ A/S, F.M.J. A/S.	Tivoli Friheden A/S.		Benjamin Holding A/S, Formula Automobile A/S, Pam Holding A/S, Medital A/S, PHIRIK ApS, Søholt Hovedgård A/S, Bell Xpress A/S, Formula Leasing A/S, MF Hansen Holding ApS, Formula Holding 2017 A/S, Give Sværgods A/S, Intracair ApS, Pantus ApS, Foreningen KUSTOS af 1881, Aarhus Ridefond af 1996, Autoropa Holding AB, Formula Holding Norge AS.	Copenhagen Optimization ApS, Digital Research Centre Denmark – DIREC, Cubedin A/S.
Positions on executive boards	CEO at Aktieselskabet Schouw & Co., Jens Bjerg Sørensen Datterholding 1 ApS, Jens Bjerg Sørensen Holding ApS.			Partner, Lawyer, DLA Piper Denmark Advokatpartnerselskab, Medital A/S, CLO 2018 ApS, LKC Holding 2020 ApS, LKC Invest ApS.	CEO at Systematic A/S, Systematic Holding ApS.
Other managerial positions			Non-Executive Director.	Positions as liquidator are not included.	DI FAD, DI Digital, DI Fremstillingsindustrien, DI Hovedbestyrelse.
Special competences	Appointed due to special managerial qualifications to handle the foundation's business purpose. Meets the requirement of close connection to Aarhus. Experience in board work, management and innovation among others in large, international corporations. Thorough knowledge of the activities within Salling Group.	Appointed to handle the foundation's distribution purpose. Close connection to the local circles within church, culture, sports etc.	Appointed due to special managerial qualifications to handle the foundation's business purpose. Experience in board work and management among others in large, international corporations.	Appointed to handle the foundation's distribution purpose. Meets the requirement of close connection to Aarhus. Experience in corporate law and board work.	Appointed to handle the foundation's business purpose. Experience in management, strategy, corporate governance and finance.

Købmand Herman Sallings Fond – Financial statements

Notes to the financial statements

Amounts in TDKK

15 Capital management

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

16 Events after the reporting period

No subsequent events have occurred that affect the annual report for 2022.

17 Standards issued but not yet effective

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

Købmand Herman Sallings Fond – the Group
Consolidated financial statements

Consolidated financial statements

Consolidated income statement

DKK million

Notes		2022	2021
	Revenue from contracts with customers	66,026	65,759
	Other revenue	493	441
4	Total revenue	66,519	66,200
	Cost of sales	-47,579	-47,285
	Gross profit	18,940	18,915
5	Staff expenses	-8,621	-8,690
6	External expenses	-6,002	-5,238
	Operating profit before depreciation, amortisation and impairment losses before special items (EBITDA before special items)	4,317	4,987
	Depreciation, amortisation and impairment losses	-2,944	-2,768
	Net gain/loss on disposal of investment properties, property, plant and equipment and intangible assets	-7	42
7	Special items	-	201
	Operating profit (EBIT)	1,366	2,462
8	Financial income	65	97
9	Financial expenses	-633	-551
	Profit before tax	798	2,008
10	Income tax	-264	-438
	Total profit for the year	**534**	**1,570**
	The profit for the year is attributable to:		
	Distribution reserve	168	370
	Købmand Herman Sallings Fond (retained earnings)	286	964
	Non-controlling interests	80	236
	Total profit for the year	**534**	**1,570**

Consolidated statement of other comprehensive income

DKK million

Notes		2022	2021
	Profit for the year	534	1,570
	Other comprehensive income, net of tax		
	Items that will not be reclassified to the consolidated income statement		
10	Remeasurement of defined benefit plans	10	-3
		10	-3
	Items that subsequently are or may be reclassified to the consolidated income statement		
10	Exchange differences on translating foreign operations	-122	-68
10	Cash flow hedges, value adjustment for the year	281	42
10	Cash flow hedges, reclassified to financial expenses	60	78
		219	52
	Other comprehensive income for the year, net of tax	229	49
	Total comprehensive income for the year	**763**	**1,619**
	The comprehensive income for the year is attributable to:		
	Distribution reserve	168	370
	Købmand Herman Sallings Fond	480	1,005
	Non-controlling interests	115	244
	Total comprehensive income for the year	**763**	**1,619**

Consolidated financial statements

Consolidated balance sheet at 31 December

DKK million

Notes	Assets	2022	2021
	Non-current assets		
11	**Intangible assets**		
	Goodwill	7,496	7,496
	Software	697	844
	Software development in progress	51	84
	Brands	1,250	1,296
	Other intangible assets	31	38
	Total intangible assets	9,525	9,758
12	**Property, plant and equipment**		
	Land and buildings	25,700	26,321
	Fixtures and fittings, tools and equipment	2,908	2,668
	Leasehold improvements	695	705
	Assets under construction and prepayments	68	285
	Total property, plant and equipment	29,371	29,979
13	**Right-of-use assets**		
	Land and buildings	5,010	5,586
	Fixtures and fittings, tools and equipment	86	69
	Total right-of-use assets	5,096	5,655
14	**Investment properties**	1,014	847
	Financial assets		
15	Other non-current financial assets	103	-
	Total financial assets	103	-
16	**Deferred tax assets**	94	99
	Total non-current assets	**45,203**	**46,338**

Consolidated balance sheet at 31 December

DKK million

Notes	Assets - continued	2022	2021
	Amount transferred	45,203	46,338
	Current assets		
17	**Inventories**	5,892	5,322
	Receivables		
15	Trade receivables	81	85
	Income tax receivables	51	10
15	Other receivables	686	599
	Prepayments	143	140
15	Other current financial assets	97	7
	Total receivables	1,058	841
15	**Securities**	1,114	2,766
15	**Cash and short-term deposits**	857	2,183
18	**Assets classified as held for sale**	56	19
	Total current assets	**8,977**	**11,131**
	Total assets	**54,180**	**57,469**

Consolidated financial statements

Consolidated balance sheet at 31 December

DKK million

Equity and liabilities

Notes		2022	2021
	Equity		
	Registered capital	22	22
	Retained earnings	21,037	20,743
	Cash flow hedge reserve	133	-156
	Foreign currency translation reserve	-437	-333
	Distribution reserve	45	257
	Equity attributable to Købmand Herman Sallings Fond	20,800	20,533
	Non-controlling interests	3,903	3,818
	Total equity	**24,703**	**24,351**
	Liabilities		
	Non-current liabilities		
19	Pensions	236	274
16	Deferred tax liabilities	2,414	2,573
20	Provisions	132	158
15	Mortgage loans	7,525	7,705
13, 15	Lease liabilities	4,901	5,471
15	Other non-current financial liabilities	16	155
	Total non-current liabilities	15,224	16,336
	Current liabilities		
20	Provisions	68	44
15	Mortgage loans	151	151
13, 15	Lease liabilities	804	685
15	Bank loans	534	2
15	Other current financial liabilities	15	104
15	Trade payables	9,733	12,611
	Income tax payable	56	65
15	Other payables	2,888	3,106
	Deferred income	4	14
	Total current liabilities	14,253	16,782
	Total liabilities	**29,477**	**33,118**
	Total equity and liabilities	**54,180**	**57,469**

Consolidated cash flow statement

DKK million

Notes		2022	2021
	Profit before tax	798	2,008
21	Adjustments	3,478	2,753
22	Change in working capital	-3,746	-94
	Net cash flows from operating activities before financial items and tax	530	4,667
	Financial income received	81	77
	Financial expenses paid	-633	-552
	Income tax paid	-565	-470
	Net cash flows from operating activities	**-587**	**3,722**
11	Purchase of intangible assets	-109	-175
12	Purchase of property, plant and equipment	-1,884	-2,081
14	Purchase of investment properties	-	-15
	Proceeds from sale of investment properties, property, plant and equipment and intangible assets	312	148
23	Acquisition of subsidiaries, net of cash received, and prepayments related to acquisition of subsidiaries	-1	-192
	Purchase of securities	-254	-1,214
	Sale of securities	1,906	2,900
	Net cash flows from investment activities	**-30**	**-629**
13	Payment of lease liabilities	-622	-617
	Net payments bank loans	501	-
	Proceeds from borrowings	25	-
	Repayment of borrowings	-180	-1,602
	Dividends paid	-30	-30
	Net cash flows from financing activities	**-306**	**-2,249**
	Distributions paid	-424	-213
	Net change in cash and cash equivalents	-1,347	631
	Cash and cash equivalents at 1 January	2,181	1,550
	Net foreign exchange difference	-10	-
24	**Cash and cash equivalents at 31 December**	**824**	**2,181**

Consolidated financial statements

Consolidated statement of changes in equity

DKK million

2022:	Registered capital	Retained earnings	Cash flow hedge reserve	Foreign currency translation reserve	Distribution reserve	Total	Non-controlling interests	Total equity
	Equity attributable to Købmand Herman Sallings Fond							
Equity at 1 January 2022	22	20,743	-156	-333	257	20,533	3,818	24,351
Profit for the year	-	286	-	-	168	454	80	534
Remeasurement of defined benefit plans	-	9	-	-	-	9	1	10
Exchange differences on translating foreign operations	-	-	-	-104	-	-104	-18	-122
Cash flow hedges, value adjustment for the year	-	-	238	-	-	238	43	281
Cash flow hedges, reclassified to financial expenses	-	-	51	-	-	51	9	60
Other comprehensive income	-	9	289	-104	-	194	35	229
Total comprehensive income for the year	**-**	**295**	**289**	**-104**	**168**	**648**	**115**	**763**
Dividends paid to non-controlling interests	-	-	-	-	-	-	-30	-30
Approved distributions	-	-	-	-	-393	-393	-	-393
Reversed distributions payable	-	-	-	-	12	12	-	12
Rounding	-	-1	-	-	1	-	-	-
Other transactions	**-**	**-1**	**-**	**-**	**-380**	**-381**	**-30**	**-411**
Equity at 31 December 2022	**22**	**21,037**	**133**	**-437**	**45**	**20,800**	**3,903**	**24,703**

Consolidated financial statements

Consolidated statement of changes in equity

DKK million

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

Consolidated financial statements

Summary of notes to the consolidated financial statements

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

Notes to the consolidated income statement

4 Total revenue
5 Staff expenses
6 External expenses
7 Special items
8 Financial income
9 Financial expenses
10 Income tax

Notes to the consolidated balance sheet

11 Intangible assets
12 Property, plant and equipment
13 Leases
14 Investment properties
15 Financial assets and financial liabilities
16 Deferred tax
17 Inventories
18 Assets classified as held for sale
19 Pensions
20 Provisions

Notes to the consolidated cash flow statement

21 Adjustments
22 Change in working capital
23 Acquisition of subsidiaries, net of cash received, and prepayments related to acquisition of subsidiaries
24 Cash and cash equivalents

Other notes

25 Contingent assets and liabilities and other financial commitments
26 Related party disclosures
27 Business combinations
28 Capital management
29 Events after the reporting period
30 Standards issued but not yet effective

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

1 General information

The primary business area of the Group includes the primary business area of the foundation as described in note 1 in the notes to the financial statements of Købmand Herman Sallings Fond. The primary business area of the subsidiaries in the Group, is the running of six different formats of retail stores in addition to a number of e-commerce platforms. In Denmark the Group is operating physical stores under the brands Bilka, føtex, Netto, BASALT, Salling and BR. In Germany and Poland the Group is present with Netto stores. Online the Group operates with Bilka.dk, Salling.dk, føtex.dk, BR.dk, flowr.dk and Skagenfood.dk. Furthermore the Group operates Starbucks and Carl's Jr. as franchises in Denmark. In the beginning of 2022 wupti.com was closed.

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

2 Summary of significant accounting policies

The financial statements section of the annual report for the period 1 January – 31 December 2022 comprises the consolidated financial statements of Købmand Herman Sallings Fond and its subsidiaries (the Group) and the separate financial statements of Købmand Herman Sallings Fond.

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

Changes to accounting policies

Several amendments and interpretations issued by the International Accounting Standards Board and endorsed by the European Union have become effective on or after 1 January 2022. 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 2022, and no significant impact on future periods from the changes is expected. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Basis of preparation

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

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

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

Basis of consolidation

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

	Share of issued share capital and voting rights	Principal place of business and country of incorporation
F. Salling Invest A/S	100.00%	Brabrand, Denmark
F. Salling Holding A/S	70.81%	Brabrand, Denmark
Associate of F. Salling Invest A/S:		
Salling Group A/S	48.29%	Brabrand, Denmark
Subsidiary of F. Salling Holding A/S:		
Salling Group A/S	51.71%	Brabrand, Denmark
Subsidiaries within Salling Group:		
Salling Group Ejendomme A/S	100.00%	Brabrand, Denmark
Salling Group Forsikring A/S	100.00%	Brabrand, Denmark
Dansk Netto Deutschland ApS	100.00%	Brabrand, Denmark
Skagenfood A/S	90.00%	Strandby, Denmark
Bodebjerg ApS	90.00%	Marslev, Denmark
Netto Supermarkt GmbH	100.00%	Stavenhagen, Germany
NETTO ApS & Co. KG	100.00%	Stavenhagen, Germany
Netto Sp. Z o.o	100.00%	Szczecin, Poland
Netto Indygo Sp. Z o.o.	100.00%	Szczecin, Poland

As at 16 March 2021 the subsidiary Netto Indygo Sp. Z o.o. and the company's subsidiaries, Netto Indygo Dystrybucja Sp. Z o.o., Jasper Sp. Z o.o. and Genesis Sp. Z o.o., were acquired by Salling Group A/S. In 2022 Netto Indygo Sp. Z o.o., Netto Indygo Dystrybucja Sp. Z o.o., Jasper Sp. Z o.o. and Genesis Sp. Z o.o. were merged with Netto Indygo Sp. Z o.o. as the continuing company.

A call option exists, according to which Salling Group A/S can purchase the 10% of Skagenfood A/S, which is owned by the co-owner Kuba Holding ApS. The call option can be exercised in 2024.

In 2022 Skagenfood A/S have acquired additional 39% of Bodebjerg ApS. Two call options exist, according to which Skagenfood A/S can purchase the 10% of Bodebjerg ApS, which is owned by the co-owner Søren Juel Jensen. The call options can be exercised in 2023 and 2025.

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

Non-controlling interests that are comprised by call options, that give the holder present access to the returns associated with the ownership interest, are considered to be purchased at the point in time, when the call options are written. No non-controlling interests are recognised in the income statement, the statement of other comprehensive income or the equity regarding the non-controlling interests, that are comprised by call options. Liabilities related to call options are recognised at fair value at acquisition date as part of Other non-current financial liabilities and is subsequently measured at amortised costs.

Accounting policies, income statement

Revenue from contracts with customers

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

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

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

Customer loyalty programmes give rise to a separate performance obligation, and the portion of the transaction price that is allocated to the customer loyalty programmes based on the relative stand-alone selling prices is deferred, and is recognised as revenue when the obligations to supply the discounted products are fulfilled or no longer probable.

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

Cost of sales

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

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.

Wages, salaries, social security contributions, annual leave and sick leave, bonuses and non-monetary benefits etc. are recognised in the year in which the associated services are rendered by employees. Where the company provides long-term employee benefits, the costs are accrued to match the rendering of the services by the employees concerned.

External expenses

External expenses include direct and indirect costs related to short-term and low value leases, franchise fees, operating expenses regarding properties, sales and distribution costs as well as office supplies etc.

Depreciation, amortisation and impairment losses

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

Special items

Special items comprise non-recurring items secondary to the principal activities of the Group. Among others, special items comprise acquired and liabilities assumed exceed the aggregate of the consideration transferred.

Government grants

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

Financial income and expenses

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

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

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

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

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

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

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

Accounting policies, balance sheet

Intangible assets

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

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

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

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

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

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

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 - 40 years
Other separately acquired intangible assets	3 - 10 years

Property, plant and equipment
Property, plant and equipment comprises land and buildings, fixtures and fittings, tools and equipment, leasehold improvements and assets under construction and prepayments. Property, plant and equipment is measured initially at cost comprising purchase price and any costs directly attributable to the acquisition until the date, when the asset is available for use. Government grants related to assets are deducted in arriving at the carrying amount of the asset. Subsequent to initial recognition property, plant and equipment is measured at cost net of accumulated depreciation and accumulated impairment losses, if any.

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

Land	No depreciation
Buildings, including investment properties:	
Technical installations within the property	10 - 30 years
Foundation and bearing structure	80 years
Remaining property	40 years
Fixtures and fittings, tools and equipment	3 - 25 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.

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

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

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less accumulated depreciation and impairment losses, if any, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

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

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

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

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

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

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

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

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

The recoverable amount is the higher value of an asset's net sales price and its value in use. The value in use is assessed as the present value of the expected net cash flow from utilisation of the asset or the group of assets and the expected net cash flow from disposal of the asset or the group of assets after the end of the useful life.

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

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

Calculated cost comprises the purchase cost and other costs incurred in bringing the inventories to their present location and condition, which include cost of transportation from central warehouses to individual stores. Supplier discounts attributable to the articles in inventory reduce the calculated cost. Borrowing costs are not included in calculated cost.

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

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.

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

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

Subsequently financial assets at fair value through profit or loss are carried in the balance sheet at fair value with net changes in fair value presented as financial expenses (negative net changes in fair value) or financial income (positive net changes in fair value) in the income statement. Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading, unless they are designated as effective hedging instruments. This category includes derivatives not designated as hedges and securities, as they are held for trading.

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

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

Impairment is recognised as an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss. The expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows include any cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events that are possible within the next 12 months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default. For trade receivables, the Group applies a simplified approach in calculating expected credit losses, and recognises a loss allowance based on lifetime expected credit losses at each reporting date 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.

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

Prepayments
Prepayments are measured at cost price.

Cash and short-term deposits
Cash and short-term deposits in the balance sheet comprise cash at banks and on hand and short-term deposits.

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

Pensions
The Group has entered into defined contribution pension schemes and similar arrangements with the majority of the Group's employees. Contributions to defined contribution plans where the Group pays fixed pension payments to independent pension funds are recognised in the income statement in the period to which they relate, and any contributions outstanding are recognised in the balance sheet 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 balance sheet under pension obligations. Pension costs for the year are recognised in the income statement based on actuarial estimates at the beginning of the year. Any difference between the calculated development in plan liabilities and realised amounts determined at year end constitutes actuarial gains or losses and is recognised in other comprehensive income.

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

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

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

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

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

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

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

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

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

The Group facilitates a supply chain financing programme (SCF). SCF is a three-way relationship between the Group, a given supplier and the syndication banks facilitating the SCF programme. When participating in this programme, the supplier has the option to receive early payment from the syndication banks based on the invoices approved by the Group. The agreement of early payment is a transaction between the supplier and the syndication banks, and does not involve the Group.

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

The amounts payable to the suppliers included in the SCF programme are classified as trade payables in the balance sheet and in the cash flow statement (change in working capital). The trade payables covered by the SCF programme arise in the ordinary course of business from supply of goods and services. The payment terms of the suppliers are not significantly extended compared to trade payables that are not part of the programme.

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

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

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

Taxes
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement or the statement of other comprehensive income.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, and deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

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.

Cash and cash equivalents comprise cash and short-term deposits as well as bank overdrafts.

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 properties and other non-current assets as well as acquisition and disposal of securities not classified as cash and cash equivalents.

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

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

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

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

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

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

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

Non-controlling interests comprised of call options that gives present access to the returns associated with that ownership interest are considered to be purchased at the point in time where the call options are written. An amount equal to the financial obligation is recognised as part of the cost price of the investments in subsidiaries. As a consequence no non-controlling interests are recognised in the income statement, the statement of other comprehensive income or the equity regarding the comprised non-controlling interests, as the non-controlling interests are regarded as purchased. The obligation regarding call options are recognised as part of Other non-current financial liabilities and is measured at fair value at initial recognition. Subsequently, the obligation regarding call options are measured at amortised cost.

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

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

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

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

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

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

Derivative financial instruments
The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into, and are subsequently remeasured at fair value. Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a cash flow hedge are recognised in other comprehensive income, and are reclassified to the income statement in the periods when the hedged item affects the income statement. Changes in the fair value of other derivative financial instruments are recognised in the income statement. The positive and negative fair values of derivative financial instruments are included in other financial assets or other financial liabilities, respectively.

Fair value measurement
The Group uses the fair value concept in connection with certain disclosure requirements and for recognition of some financial instruments. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants ("exit price").

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

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 the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Discontinued operations
Discontinued operations represent a separate major line of business, that has been disposed of. The results of discontinued operations are presented separately in the income statement as profit/loss for the year from discontinued operations, net of tax. Assets and liabilities related to the discontinued operations disposed of are not presented as separate line items in the comparative figures in the balance sheet unless the criteria for held for sale classification is regarded as met.

3 Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent assets and liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Management perform its estimates and judgements based on historical experience, independent advice, external data sources and in-house specialists.

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:

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

3 Significant accounting judgements, estimates and assumptions - continued

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

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

Valuation of intangible assets, property, plant and equipment, right-of use assets and investment properties
Intangible assets, property, plant and equipment, right-of-use assets and investment properties are tested for impairment, if there is an indication of impairment. For goodwill and intangible assets that are not yet in use, annual impairment tests are carried out. An impairment loss is recognised if the recoverable amount of an asset is lower than the asset's carrying amount. The recoverable amount is the higher of fair value less cost of disposal and value in use. The fair value less cost of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental cost for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the financial five-year plan. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the development in turnover and gross margins during the forecast period and the growth rate used for extrapolation purposes. For most intangible assets no fair value less cost of disposal exists. The key assumptions used to determine the recoverable amount are disclosed and further explained in the relevant notes.

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

Notes to the consolidated financial statements

DKK million

3 Significant accounting judgements, estimates and assumptions - continued

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

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

The war in Ukraine
The Group is not impacted directly by the war in Ukraine as we are not operating stores or other activities in Ukraine. Indirectly the war has led to increased inflation and higher energy prices which impacts the Group.

Increasing interest rates
The increasing interest have had an impact on the WACC used for e.g. Impairment tests. The WACC used for the activities in Denmark and Germany is 7.0% in 2022 compared to 6.0% in 2021. For Poland the WACC is 10.4% in 2022 compared to 6.0% in 2021.

The Groups funding is based on mortgage loans with fixed and variable interest rates. The variable interest rates are hedged using interest rate swaps. Therefore the increasing interest rate has had a very limited impact on the financial results in 2022.

Increasing energy prices
The increasing energy prices have had a negative impact on the result for 2022. Estimated additional costs are more than DKK 500 million.

Inflation
The increasing inflation rate has caused a shift in costumer behaviours in all our markets with a growth in promotion share, and a boost to the discount segment.

The increasing inflation have caused higher inventory values at the end of 2022 compared to 2021.

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

	2022	2021
4 Total revenue		
Revenue from contracts with customers, retail and ecommerce activities	66,026	65,759
Total revenue from contracts with customers	66,026	65,759
Rental revenue, investment properties	75	61
Other rental revenue	247	228
Other revenue	171	152
Total other revenue	493	441
Total revenue	66,519	66,200
Geographical split		
Denmark	47,200	47,408
Abroad	19,319	18,792
Total revenue	66,519	66,200

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

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

No material contract assets and liabilities or right of return assets and refund liabilities are recognised as at 31 December 2022 or 31 December 2021.

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

Notes to the consolidated financial statements

DKK million

	2022	2021
5 Staff expenses		
Wages and salaries incl. termination benefits	7,539	7,561
Post-employment benefits – defined contribution plans	381	434
Post-employment benefits – defined benefit plans	-7	1
Social security costs	449	449
Other staff expenses	259	245
Total staff expenses	8,621	8,690
Average number of full-time employees	30,334	32,899

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

	2022	2021
6 External expenses		
Fees paid to the auditors appointed at the annual general meeting:		
Fee regarding statutory audit	3.5	3.7
Tax assistance	0.1	0.1
Assurance engagements	0.6	0.6
Other assistance	1.3	1.3
Total fee paid to the auditors appointed at the annual general meeting	5.5	5.7

In 2022 fee regarding statutory audit includes DKK 0.3 million (DKK 0.3 million in 2021) paid to other auditors (the auditors appointed at the annual general meeting in Salling Group Forsikring A/S). All other fees mentioned above are paid to EY.

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

	2022	2021
7 Special items		

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

	2022	2021
Gain on discounted purchase	-	419
Severance pay	-	-85
Expenses related to assistance in connection with the sale of surplus assets	-	-63
Expenses related to termination of leases	-	-53
Expenses related to other advisors in connection with the business combination	-	-9
Capital duty, Poland	-	-8
Total special items	-	201

8 Financial income

	2022	2021
Interest income on loans and receivables	5	4
Net gain on derivatives not designated as hedging instruments	3	27
Net foreign exchange gain	34	66
Other financial income	23	-
Total financial income	65	97

9 Financial expenses

	2022	2021
Interest expense on mortgage loans	71	43
Interest expense on lease liabilities	339	339
Interest expense paid to banks	10	23
Cash flow hedges reclassified from other comprehensive income	76	100
Net loss on financial instruments held for trading	122	34
Other financial expenses	15	12
Total financial expenses	633	551

Notes to the consolidated financial statements

DKK million

10 Income tax

	2022	2021
Current income tax	-494	-636
Adjustment regarding prior years, current income tax	-21	5
Change in deferred tax	154	161
Adjustment regarding prior years, deferred tax	-	-1
Total income tax	-361	-471
Income tax recognised in the income statement	-264	-438
Income tax recognised in other comprehensive income	-97	-33
Total income tax	-361	-471

Reconciliation of income tax recognised in the income statement

	2022		2021	
Tax on result for the year at the Danish income tax rate	-176	22.0%	-442	22.0%
Non-deductible costs	-46	5.8%	-38	1.9%
Non-taxable income	78	-9.8%	108	-5.4%
Deviating tax rates in foreign operations	-15	1.8%	12	-0.6%
Adjustment to prior periods	-21	2.7%	4	-0.2%
Not capitalised tax loss carry forwards	-84	10.6%	-82	4.1%
Income tax recognised in the income statement	-264	33.1%	-438	21.8%

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

	2022	2021
10 Income tax - continued		

Divided on countries, where the Group has operating activities, the effective tax rate of 33.1% (21.8% in 2021) shown above can be specified as follows:

	2022	2021
Denmark	19.2%	22.7%
Germany	45.4%	20.2%
Poland:		
Netto Sp. Z o.o.	21.8%	20.5%
Netto Indygo Sp. Z.o.o and subsidiaries	1.0%	7.8%

In 2022 the effective tax in Germany was significantly impacted by adjustment from tax audits related to prior years contributing with 21.3% in addition to the effective tax for 2022 of 24.1% in total an effective tax rate of 45.4%.

In 2022 and 2021 Netto Indygo Sp. Z o.o. has been unprofitable, and the deferred tax asset related to the tax loss carry forward was only partially recognised. At the same time the acquisition was a discounted purchase, and no taxes were recognised related to the gain on the acquisition.

In 2021 Salling Group Sverige AB was liquidated, and the effective tax rate was 0%.

Tax on other comprehensive income

	2022			2021		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Remeasurement of defined benefit plans	12	-2	10	-4	1	-3
Exchange differences on translating foreign operations	-122	-	-122	-68	-	-68
Cash flow hedges, value adjustment for the year	360	-79	281	54	-12	42
Cash flow hedges, reclassified to financial expenses	76	-16	60	100	-22	78
	326	-97	229	82	-33	49

Notes to the consolidated financial statements

DKK million

11 Intangible assets

2022:	Goodwill	Software	Software develop-ment in progress	Brands	Other in-tangible assets	Total
Cost						
Balance at 1 January	11,681	2,330	84	1,870	75	16,040
Additions	-	73	36	-	-	109
Reclassifications	-	61	-69	-	-	-8
Disposals	-252	-146	-	-76	-	-474
Balance at 31 December	11,429	2,318	51	1,794	75	15,667
Accumulated amortisation and impairment losses						
Balance at 1 January	-4,185	-1,486	-	-574	-37	-6,282
Amortisation	-	-247	-	-46	-7	-300
Impairment losses recognised in the income statement	-	-30	-	-	-	-30
Disposals	252	142	-	76	-	470
Balance at 31 December	-3,933	-1,621	-	-544	-44	-6,142
Carrying amount at 31 December	7,496	697	51	1,250	31	9,525

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

11 Intangible assets - continued

2021:

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

Notes to the consolidated financial statements

DKK million

11 Intangible assets - continued

Impairment losses during the year

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

Carrying amount of goodwill within the Group:

	2022	2021
Repurchase of Salling Group shares	57	57
Other activities within Salling Group	7,439	7,439
Goodwill	7,496	7,496

The recoverable amount of the goodwill related to the Group's activities has been determined based on a value in use calculation using cash flow projections from the financial five-year plan approved by management. The discount rate applied to the cash flow projections is 7% (6% in 2021), and cash flows beyond the five-year period are extrapolated using a 2% growth rate, which is the expected long-term inflation rate (2% in 2021). As a result of the impairment test, management did not identify any impairment losses regarding goodwill in 2022.

The calculation of value in use is most sensitive to the following key assumptions: Development in turnover and gross margins during the forecast period and growth rates used to extrapolate cash flows beyond the forecast period, as well as the discount rate used. Development in turnover and gross margins is based on expectations of an average growth for 2023 - 2027.

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

11 Impairment losses recognised in the income statement

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

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

In January 2022 wupti.com was closed, and as a consequence an impairment loss of DKK 74 million was recognised in 2021 in order to reduce the carrying amount of the the part of the goodwill related to the Danish retail activities that was related to synergies between wupti.com and other parts of the Danish retail activities to zero.

Software

In late 2022 it was decided to expand home delivery of groceries to a wider geographical area in Denmark. As a consequence føtex home delivery was closed in January 2023. As described in Group Performance the financial result for 2022 includes a one-off charge of DKK 100 million to cover the cost of closing down the activities, which includes an impairment loss of DKK 30 million regarding software related to føtex home delivery activities.

In 2021 an impairment loss of DKK 4 million was recognised regarding the remaining carrying amount of software related to wupti.com.

Other intangible assets

No other impairment losses have been recognised regarding intangible assets in 2022 or 2021.

Notes to the consolidated financial statements

DKK million

12 Property, plant and equipment

2022:	Land and buildings	Fixtures and fittings, tools and equipment	Leasehold improve-ments	Assets under construction and prepayments	Total
Cost					
Balance at 1 January	38,689	7,894	1,688	285	48,556
Foreign currency translation	-139	-24	-4	-1	-168
Additions	721	1,035	98	30	1,884
Reclassifications	-97	3	11	-246	-329
Reclassified as held for sale	-10	-	-	-	-10
Disposals	-257	-263	-31	-	-551
Balance at 31 December	38,907	8,645	1,762	68	49,382
Accumulated depreciation and impairment losses					
Balance at 1 January	-12,368	-5,226	-983	-	-18,577
Foreign currency translation	18	10	-	-	28
Depreciation	-886	-757	-90	-	-1,733
Impairment losses recognised in the income statement	-14	-19	-23	-	-56
Reversals of impairment losses recognised in the income statement	-	-	1	-	1
Reclassifications	-35				-35
Reclassified as held for sale	6	-	-	-	6
Disposals	72	255	28	-	355
Balance at 31 December	-13,207	-5,737	-1,067	-	-20,011
Carrying amount at 31 December	25,700	2,908	695	68	29,371

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

12 Property, plant and equipment - continued

2021:

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

Notes to the consolidated financial statements

DKK million

12 Property, plant and equipment - continued

Impairment losses during the year

Land, buildings and leasehold improvements

The recoverable amount of land, buildings and leasehold improvements has been determined based on a value in use calculation using cash flow projections from the financial three-year plan approved by management. The discount rate applied to the cash flow projections for land, buildings and leasehold improvements in Denmark and Germany is 7% (6% in 2021) and 10.4% for land, buildings and leasehold improvements in Poland (6% in 2021), and cash flows beyond the three-year period are extrapolated using a 2% growth rate, which is the expected long-term inflation rate (2% in 2021).

The calculation of value in use is most sensitive to the following key assumptions: Development in turnover and gross margins during the forecast period and growth rates used to extrapolate cash flows beyond the forecast period, as well as the discount rate used. Development in turnover and gross margins is based on expectations of an average growth for 2023 - 2025.

During 2022 impairment losses has been recognised regarding a number of stores where, due to competitive pressure in the local areas, the stores have not been sufficiently profitable to cover the full carrying amount of the investments. The impairment losses are recognised for both land, buildings and leasehold improvements. In total impairment losses was recognised regarding 12 Danish stores, 28 Polish stores and 8 German stores in 2022. At the same time, impairment losses have been reversed regarding 2 Danish stores, where the profitability has increased sufficiently to cover the investments.

Fixtures and fittings, tools and equipment

In late 2022 it was decided to expand home delivery of groceries to a wider geographical area in Denmark. As a consequence føtex home delivery was closed in January 2023. As described in Group Performance the financial result for 2022 includes a one-off charge of DKK 100 million to cover the cost of closing down the activities, which includes an impairment loss of DKK 19 million related to fixtures and fittings, tools and equipment.

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

13 Leases

Right-of-use assets

2022:

	Land and buildings	Fixtures and fittings, tools and equipment	Total
Cost			
Balance at 1 January	7,510	200	7,710
Foreign currency translation	-22	-	-22
Additions	132	47	179
Remeasurement of lease liabilities	26	6	32
Disposals	-2	-2	-4
Balance at 31 December	7,644	251	7,895
Accumulated depreciation and impairment losses			
Balance at 1 January	-1,924	-131	-2,055
Foreign currency translation	3	-	3
Depreciation	-691	-35	-726
Impairment losses recognised in the income statement	-24	-	-24
Reversals of impairment losses recognised in the income statement	1	-	1
Disposals	1	1	2
Balance at 31 December	-2,634	-165	-2,799
Carrying amount at 31 December	5,010	86	5,096

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

Notes to the consolidated financial statements

DKK million

13 Leases - continued

Right-of-use assets

2021:

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

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

13 Leases - continued

Lease liabilities

	2022		2021	
	Undis-counted payments	Present value of payments	Undis-counted payments	Present value of payments
Within 1 year	1,000	804	960	685
1 to 5 years	3,625	2,363	3,517	2,650
After 5 years	3,153	2,538	3,417	2,821
Total	7,778	5,705	7,894	6,156

	2022	2021
Amounts recognised in the consolidated income statement		
Interest expense on lease liabilities	339	339
Expenses related to leases of low value assets	39	35
Income from subleasing of right-of use assets	76	70

Variable lease payments not recognised as part of the lease liabilities and expenses related to short-term leases are immaterial in both 2022 and 2021.

In 2022 the Group paid DKK 961 million related to lease contracts (DKK 956 million in 2021), of which DKK 339 million relate to interest payments regarding recognised lease liabilities (DKK 339 million in 2021) and DKK 622 million relate to payment of recognised lease liabilities (DKK 617 million in 2021).

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

Notes to the consolidated financial statements

DKK million

	2022	2021
14 Investment properties		
Cost		
Balance at 1 January	1,729	1,727
Additions	-	15
Reclassifications	336	2
Reclassified as held for sale	-56	-10
Disposals	-138	-5
Balance at 31 December	1,871	1,729
Accumulated depreciation and impairment losses		
Depreciation	-45	-34
Impairment losses recognised in the income statement	-32	-
Reclassifications	35	-2
Reclassified as held for sale	3	6
Disposals	64	2
Balance at 31 December	-857	-882
Carrying amount at 31 December	1,014	847

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

During 2022 an impairment loss has been recognised regarding 1 Danish and 7 Polish investment properties where the expected sales price of the investment property is lower than the carrying amount of the investment property. During 2021 no impairment loss was recognised.

The estimated fair value of investment properties amounts to DKK 1,522 million at 31 December 2022 (DKK 1,290 million at 31 December 2021). The fair value is not based on a valuation by an independent valuer.

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

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

	2022	2021
14 Investment properties - continued		
Rental income from investment properties	75	61
Direct operating expenses from investment properties that generated rental income	-26	-26
Direct operating expenses from investment properties that did not generate rental income	-2	-2
Profit arising from investment properties	47	33

15 Financial assets and financial liabilities

Financial assets comprise the following:

	Carrying amount		Fair value	
	2022	2021	2022	2021
Derivatives designated as hedging instruments (cash flow hedges)	103	-	103	-
Other non-current financial assets	103	-	103	-
Trade receivables	81	85	81	85
Other receivables	686	599	686	599
Derivatives designated as hedging instruments (cash flow hedges)	92	-	92	-
Other current financial assets	5	7	5	7
Other current financial assets	97	7	97	7
Securities	1,114	2,766	1,114	2,766
Cash and short-term deposits	857	2,183	857	2,183

Notes to the consolidated financial statements

DKK million

15 Financial assets and financial liabilities - continued

Financial liabilities comprise the following:

	Carrying amount		Fair value	
	2022	2021	2022	2021
Mortgage loans - non-current	7,525	7,705	7,241	7,745
Mortgage loans - current	151	151	151	151
Mortgage loans	7,676	7,856	7,392	7,896
Lease liabilities - non-current	4,901	5,471		
Lease liabilities - current	804	685		
Lease liabilities	5,705	6,156		
Bank loans - current	534	2	534	2
Bank loans	534	2	534	2
Derivatives designated as hedging instruments (cash flow hedges)	-	138	-	138
Other non-current financial liabilities	16	17	16	17
Other non-current financial liabilities	16	155	16	155
Derivatives not designated as hedging instruments	15	1	15	1
Derivatives designated as hedging instruments (cash flow hedges)	-	103	-	103
Other current financial liabilities	15	104	15	104
Trade payables	9,733	12,611	9,733	12,611
Other payables - non-current	-	-	-	-
Other payables - current	2,888	3,106	2,888	3,106
Other payables	2,888	3,106	2,888	3,106

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

15 Financial assets and financial liabilities - continued

Financial instruments by category

	2022	2021
Financial assets at amortised cost:		
Trade receivables	81	85
Other receivables	686	599
Other financial assets excluding derivatives	5	7
Cash and short-term deposits	857	2,183
Financial assets at fair value through profit or loss:		
Securities	1,114	2,766
Financial assets at fair value through other comprehensive income:		
Cash flow hedges	195	-
Financial liabilities measured at amortised cost:		
Mortgage loans	7,676	7,856
Lease liabilities	5,705	6,156
Bank loans	534	2
Other financial liabilities excluding derivatives	16	17
Trade payables	9,733	12,611
Other payables	2,888	3,106
Financial liabilities at fair value through profit or loss:		
Derivatives not designated as hedging instruments	15	1
Financial liabilities at fair value through other comprehensive income:		
Derivatives designated as hedging instruments (cash flow hedges)	-	241

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

15 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 2022	Carrying amount	*Next interest rate fixing* Within 1 year	1 to years	After 5 years
0 - 2%	7,676	1,931	3,600	2,145
Total	7,676	1,931	3,600	2,145
Of which:				
Bearing fixed interests	75%			
Bearing floating interests	25%			

31 December 2021	Carrying amount	*Next interest rate fixing* Within 1 year	1 to 5 years	After 5 years
0 - 2%	7,856	465	5,200	2,191
Total	7,856	465	5,200	2,191
Of which:				
Bearing fixed interests	94%			
Bearing floating interests	6%			

Hedging activities and derivatives

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

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

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

15 Financial assets and financial liabilities - continued

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.

The impact of the hedging instruments and the hedged items on the balance sheet is, as follows:

31 December 2022	Notional amount	Carrying amount	Line item in the balance sheet
CIBOR-based mortgage loans (hedged items)	6,041	6,041	Mortgage loans
Interest rate swap contracts (active)	5,900	-195	Other non-current and current financial liabilities

31 December 2021	Notional amount	Carrying amount	Line item in the balance sheet
CIBOR-based mortgage loans (hedged items)	6,165	6,165	Mortgage loans
Interest rate swap contracts (active)	5,900	241	Other non-current and current financial liabilities

The hedged cash flows are expected to occur and affect the income statement during the coming 10 years. Expected affect to profit before tax:

	2022	2021
Within 1 year	92	-103
1 to 5 years	98	-129
After 5 years	5	-9
Total	195	-241

The effective portion of the change in the fair value of the interest rate swaps is recognised in other comprehensive income, while any ineffective portion is recognised immediately in the income statement. The amount accumulated in other comprehensive income is reclassified to the income statement as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the income statement. No ineffectiveness was recognised in 2022 or 2021.

Notes to the consolidated financial statements

DKK million

15 Financial assets and financial liabilities - continued

Fair value

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

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

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

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

Risks arising from financial instruments

The Group's main risks are market risks relating to fluctuations in foreign exchange rates and interest rates, liquidity risk relating to the availability of funds to support business needs and credit risk relating to the undesirable event of a default among the Group's financial counterparties. There have been no structural changes in the Group's risk exposure or risks compared to 2021. The policies for managing risks are explained below.

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

In accordance with policies, Group Treasury uses derivative financial instruments with the purpose of hedging exposures related to the Group's operations and its source of financing. All derivative activities for risk management purposes are carried out by specialists that have the appropriate skills, experience and supervision. It is the Group's policy to minimise the potential adverse impact on the Group's financial performance and protect the Group against negative impact from market risks. Group Treasury has primarily used forward contracts to hedge foreign exchange exposures and interest rate swaps to hedge interest rate exposures. Treasury transactions and hedging activities are recognised in a Treasury management system with a high degree of system integration, control and automation of processes on treasury transactions.

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

15 Financial assets and financial liabilities - continued

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

The sensitivity analysis in the following sections relate to the position as at 31 December 2022 and 2021. The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place 31 December.

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

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

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

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

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

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

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

Notes to the consolidated financial statements

DKK million

15 Financial assets and financial liabilities - continued

31 December 2022	EUR/DKK	GBP/DKK	PLN/DKK	SEK/DKK	USD/DKK
Financial assets	385	6	32	1	31
Financial liabilities	-	-	-524	-	-
Known USD purchase orders	-	-	-	-	-525
Net exposures before derivatives	385	6	-492	1	-494
Derivatives	260	-	564	-	774
Net exposures after derivatives	645	6	72	1	280
The net exposures relate to:					
Hedging of expected commercial cash flows, where hedge accounting is not used	645	6	72	1	280
Applied sensitivity	1%	5%	5%	5%	5%
Impact on the consolidated income statement	6	-	4	-	14

31 December 2021	EUR/DKK	GBP/DKK	PLN/DKK	SEK/DKK	USD/DKK
Financial assets	304	13	769	1	60
Known USD purchase orders	-	-	-	-	-950
Net external exposures	304	13	769	1	-890
Derivatives	350	-	81	-	787
Net exposures	654	13	850	1	-103
The net exposures relate to:					
Hedging of expected commercial cash flows, where hedge accounting is not used	654	13	850	1	-103
Applied sensitivity	1%	5%	5%	5%	5%
Impact on the consolidated income statement	7	1	43	-	-5

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

15 Financial assets and financial liabilities - continued

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

Interest rate risks

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

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

As at 31 December 2022, after taking into account the effect of interest rate swaps, approximately 75% of the Group's mortgage loan portfolio are at a fixed rate, compared to 94% as at 31 December 2021.

A general increase of 1%-point in interest rates is estimated, all other things being equal, to affect profit before tax by DKK 8 million (DKK -29 million in 2021), and pre-tax equity by DKK 57 million (DKK 79 million in 2021). 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 2022	Carrying amount	Sensitivity	Profit before tax	Pre-tax equity
Securities	1,114	1%	14	14
Mortgage loans	7,676	1%	-35	-35
Derivatives	-195	1%	29	78
Impact			8	57

31 December 2021	Carrying amount	Sensitivity	Profit before tax	Pre-tax equity
Securities	2,766	1%	-30	-30
Mortgage loans	7,856	1%	-35	-35
Derivatives	241	1%	36	144
Impact			-29	79

Notes to the consolidated financial statements

DKK million

15 Financial assets and financial liabilities - continued

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

For other current financial assets interest rates are fixed based on the relevant interbank rate with a debit or credit margin. Other receivables or payables are not interest-bearing if they are paid when due.

Liquidity risks

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

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

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

31 December 2022	Within 1 year	1 to 5 years	After 5 years
Mortgage loans	151	1,439	6,086
Lease liabilities	1,000	3,625	3,153
Bank loans	534	-	-
Trade and other payables*	12,496	141	-
Total	14,181	5,205	9,239

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

*As at 31 December 2022 the Group has utilised the SCF facility by DKK 3.1 billion (DKK 6.7 billion in 2021).

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

15 Financial assets and financial liabilities - continued

Credit risks

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

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

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

The table below summarises the ageing analysis of trade receivables:

	2022	2021
Not due	68	73
< 30 days past due	11	10
30 to 90 days past due	1	1
> 90 days past due	1	1
Total	81	85

Notes to the consolidated financial statements

DKK million

15 Financial assets and financial liabilities - continued

The Group recognises an allowance for impairment of receivables. The entire allowance for impairment of receivables relates to trade receivables, as the allowance regarding any other financial assets is immaterial. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due, and a provision is recognised for not due receivables as well as past due receivables. As at the 31 December 2022 the provision amounts to DKK 19 million (31 December 2021: DKK 18 million). The maximum credit risk exposure at the reporting date is the carrying value of each class of financial assets. The Group does not hold collateral or other forms of credit insurance as security. The Group assesses the concentration of credit risk with respect to receivables as low.

Changes in liabilities arising from financing activities

2022:	1 January	Cash flows	Other	31 December
Mortgage loans	7,856	-180	-	7,676
Lease liabilities	6,156	-622	171	5,705
Other financial liabilities excluding derivatives	17	501	-502	16
Total change in assets and liabilities from financing activities	14,029	-301	-331	13,397

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

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

16 Deferred tax

Specification of deferred tax

	Consolidated income statement		Consolidated balance sheet	
	2022	2021	2022	2021
Intangible assets	41	17	-429	-470
Property, plant and equipment	100	47	-2,085	-2,185
Investment properties	-3	4	-111	-108
Financial assets	6	2	13	7
Other assets	5	-4	-1	-6
Provisions	-10	-2	82	92
Other liabilities	-1	22	59	60
Leases	17	24	102	85
Tax loss carryforward	-	51	51	51
Other	-1	-2	-1	-
Deferred tax income / Net deferred tax	154	159	-2,320	-2,474

Deferred tax is recognised in the consolidated balance sheet as follows:

	2022	2021
Deferred tax assets	94	99
Deferred tax liabilities	-2,414	-2,573
Net deferred tax	-2,320	-2,474

Reconciliation of net deferred tax

	2022	2021
Opening balance at 1 January	-2,474	-2,528
Adjustment of deferred tax recognised in the income statement	154	159
Adjustment of deferred tax recognised in other comprehensive income	-	1
Deferred tax acquired in business combinations	-	-106
Closing balance at 31 December	-2,320	-2,474

In the Group an unrecognised deferred tax asset of DKK 880 million exists as at 31 December 2022 of which DKK 870 million is related to Netto Indygo Sp. Z o.o. (in 2021 DKK 839 of which DKK 831 million related to Netto Indygo Sp. Z o.o.). The deferred tax asset is unrecognised due to uncertainties regarding the future taxable profits against which the unused tax losses can be utilised. Netto Indygo Sp. Z o.o. has suffered a loss in both 2022 and 2021.

Notes to the consolidated financial statements

DKK million

17 Inventories

	2022	2021
Goods held for resale	5,754	5,231
Consumables	138	91
Total inventories	5,892	5,322

In the income statement as part of Cost of sales an income of DKK 2 million has been recognised regarding write-downs of inventories to net realisable value (an expense of DKK 23 million in 2021).

18 Assets classified as held for sale

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

	2022	2021
Land and buildings	3	15
Investment properties	53	4
Assets classified as held for sale	56	19

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

19 Pensions

The Group has entered into pension schemes and similar arrangements with most of the Group's employees. The majority of the Group's pension schemes is defined contribution plans. For a few former employees and some members of the founders family defined benefit plans exist. The defined benefit plans are lifelong. The defined benefit plans guarantee fixed amounts per year adjusted for price inflation, and the plans are fully unfunded.

Changes in the present value of the defined benefit obligation:

	2022	2021
Defined benefit obligation at 1 January	274	286
Interest expenses recognised as part of staff expenses	-7	1
Actuarial gains / losses, demographic assumptions	5	-
Actuarial gains / losses, financial assumptions	-39	-4
Actuarial gains / losses, experience adjustments	21	8
Payments from the plan	-18	-17
Defined benefit obligation at 31 December	236	274

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

	2022	2021
19 Pensions - continued		
The following significant actuarial assumptions are applied:		
Discount rate	2.7%	-0.2%
Price inflation	1.9%	1.1%

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:

	2022	2021
Discount rate:		
Increase of 0.5% point	-9	-13
Decrease of 0.5% point	10	14
Price inflation:		
Increase of 0.5% point	10	14
Decrease of 0.5% point	-9	-13

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 2022 is 28 years (29 years in 2021). DKK 19 million is expexted to be paid from the plans in 2023.

20 Provisions

2022:	Insurance	Other	Total
Balance at 1 January	146	56	202
Provisions made during the year	45	11	56
Provisions utilised during the year	-15	-9	-24
Reversals during the year	-27	-7	-34
Balance at 31 December	149	51	200
Current	56	12	68
Non-current	93	39	132
Balance at 31 December	149	51	200

Notes to the consolidated financial statements

DKK million

20 Provisions - continued

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

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 21 million is expected to fall due after more than 5 years (DKK 44 million in 2021).

Other provisions comprise a provision for warranties, a provision for jubilee benefits and a provision for pending lawsuits. The warranty provision is recognised upon a sale of a product for which the Group is liable for future warranty costs. Initial recognition is based on historical experience. The existing provision will expire in 2032. The provision for jubilee benefits concerns the Danish employees, and is estimated based on the expected jubilees for current employees. Of the provision DKK 18 million is expected to fall due after more than 5 years (DKK 19 million in 2021). No further information is provided regarding the provision for pending lawsuits as the information might harm the Group's position.

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

		2022	2021
21	**Adjustments**		
	Financial income	-65	-97
	Financial expenses	633	551
	Amortisation and impairment of intangible assets	330	373
	Depreciation and impairment of property, plant and equipment	1,788	1,609
	Depreciation and impairment of right-of-use assets	749	752
	Depreciation and impairment of investment properties	77	34
	Net gain/loss on sale of non-current assets	7	-42
	Gain on discounted purchase	-	-419
	Other adjustments	-41	-8
	Adjustments	3,478	2,753
22	**Change in working capital**		
	Change in trade and other receivables and prepayments	-86	58
	Change in inventories	-570	216
	Change in trade and other payables	-3,090	-368
	Change in working capital	-3,746	-94

Notes to the consolidated financial statements

DKK million

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

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

In March 2021 the acquisition of the UK retailer Tesco's Polish business was finalised, and Netto Indygo Sp. Z o.o. and its then subsidiaries were included in the Group from this point in time. The fair value of the net assets acquired in the business combination is specified below. During 2020 a prepayment of DKK 41 million was made related to the acquisition of UK retailer Tesco's Polish business.

	2022	2021
Software	-	13
Land and buildings	-	2,538
Fixtures and fittings, tools and equipment	-	32
Leasehold improvements	-	51
Right-of-use assets: Land and buildings	-	1,199
Inventory	-	462
Trade receivables	-	48
Income tax receivables	-	2
Other receivables	-	112
Cash and bank balances	-	46
Total assets	-	4,503
Deferred tax liability	-	106
Provisions	-	8
Lease liabilities	-	1,233
Bank loans	-	124
Other current financial liabilities	-	1,300
Trade payables	-	486
Other payables	-	394
Deferred income	-	25
Total liabilities	-	3,676
Total identifiable net assets at fair value	-	827
Gain on discounted purchase	-	-419
Total	-	408

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

	2022	2021
23 Acquisition of subsidiaries, net of cash received, and prepayments related to acquisition of subsidiaries - continued		
Cash payment during the financial year	-	238
Prepayment related to the Netto Indygo Sp. Z o.o. acquisition in 2020	-	41
Net payable related to the Netto Indygo Sp. Z o.o. acquisition as at 31 December 2021	-	129
Net payable related to the Bodebjerg ApS acquisition as at 31 December 2022	1	-
Total amount to be paid	1	408
Cash acquired with the subsidiary	-	46
Cash paid	-1	-238
Net cash flow on acquisitions	-1	-192

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

	2022	2021
24 Cash and cash equivalents		
Cash and short-term deposits	857	2,183
Current liabilities - bank loans	-33	-2
Cash and cash equivalents	824	2,181
Cash and cash equivalents available to the Group	824	2,181

Notes to the consolidated financial statements

DKK million

25 Contingent assets and liabilities and other financial commitments

Operating leases, the Group is lessor

The Group leases a number of properties, shops and flats as operating leases to external parties. The leases have terms of between 1 month and 19 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:

	2022	2021
Within 1 year	202	200
1 to 5 years	299	260
After 5 years	100	103
Total	601	563

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 392 million (DKK 1,382 million in 2021).

The Group has entered into contractual commitments regarding acquisition of intangible assets of a total of DKK 5 million (DKK 14 million in 2021).

As security for mortgage loans land and buildings with a carrying amount of DKK 8,688 million have been provided as collateral (DKK 8,804 million in 2021).

The company has security for interest rate swap contracts with a positive carrying amount of DKK 131 million as collateral in 2022. In 2021 security was provided as collateral by the parent company for interest rate swap contracts with a negative carrying amount of DKK 168 million.

The Danish companies in the Group excl. F. Salling Holding A/S are part of the joint registration regarding payment of VAT, PAYE taxes etc. and are thus jointly liable for the total liability of DKK 553 million at 31 December 2022 (DKK 519 million in 2021).

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

		2022	2021

25 Contingent assets and liabilities and other financial commitments - continued

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

At 31 December 2022 Købmand Herman Sallings Fond has signed a letter of intent stating its intention to, during a period of up to 15 months, decide to distribute up to DKK 250 million to Dansk Neuroforskningscenter in Aarhus, if a number of prerequisites are fulfilled.

At 31 December 2021 Købmand Herman Sallings Fond had signed letters of intent stating its intention to distribute up to DKK 280 million to Kongelunden Stadion and three minor project in Aarhus, if a number of prerequisites were fulfilled. At 31 December 2022 distributions to these projects approved before 31. December 2021 has either been approved for distribution or the projects has been terminated.

The Group has entered into a suretyship for guarantees provided by Tryg Garanti of a maximum of DKK 121 million (DKK 114 million in 2021).

26 Related party disclosures

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

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

	2022	2021
Other related parties:		
Dividends paid to non-controlling interests in subsidiary	30	30

Notes to the consolidated financial statements

DKK million

26 Related party disclosures - continued

Key management personnel

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

	2022	2021
Short-term employee benefits	3	3
Total remuneration	3	3

Of the total remuneration DKK 1 million (DKK 1 million in 2021) concerns payments from other Group companies.

27 Business combinations

During 2022 no business combinations have taken place.

In 2021 Salling Group's acquisition of the UK retailer Tesco's Polish business was finalised. On 16 March 2021 Salling Group A/S acquired 100% of the share capital and the voting rights of Netto Indygo Sp. Z o.o. and its then subsidiaries.

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

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

Consolidated financial statements

Notes to the consolidated financial statements

DKK million

27 Business combinations - continued

In 2022 Skagenfood A/S have acquired additional 39% of Bodebjerg ApS. Skagenfood A/S holds a total of 90% of the issued share capital and voting rights in Bodebjerg ApS at 31 December 2022. Two call options exist, according to which Skagenfood A/S can purchase the remaining 10% of Bodebjerg ApS. The call options can be exercised in 2023 and 2025. As the call options give Skagenfood A/S present access to the returns associated with the ownership interest, the non-controlling interests, that are comprised by the call options, are considered to be purchased at the point in time, when the call options are written. Thus, no non-controlling interests are recognised in the income statement, the statement of other comprehensive income or the equity regarding the comprised non-controlling interests. Rather a liability of DKK 1 million related to the call options is recognised in the Group as at 31 December 2022 (DKK 4 million in 2021).

In 2017 Salling Group A/S acquired controlling interests in Skagenfood A/S, as 80% of the issued share capital and voting rights in the company were acquired. Salling Group A/S entered into a contractual commitment to purchase the remaining 20% of the shares in Skagenfood A/S, and in 2019 an additional 10% of Skagenfood A/S were acquired. A call option exists, according to which Salling Group A/S can purchase the remaining 10% of Skagenfood A/S. The call option can be exercised in 2024. The call option is treated according to the anticipated acquisition method, according to which the non-controlling interests, that are comprised by a call option, are considered to be purchased at the point in time, when the call option is 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. Rather a liability of DKK 15 million related to the call option is recognised as at 31 December 2022 (DKK 13 million in 2021).

28 Capital management

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

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

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

The Group has no covenants in relation to bank facilities or other financing activities, hence as at 31 December 2022 and 2021 no covenants exist.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 2021.

Notes to the consolidated financial statements

DKK million

29 Events after the reporting period

No subsequent events have occurred that affect the annual report for 2022.

30 Standards issued but not yet effective

The following Amendments to IFRS becomes effective as of 1 January 2023:
• Amendment to IAS 1 “Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies”
• Amendment to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates”
• Amendments to IAS 12 “Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction”
• Amendments to IFRS 17 “Insurance Contracts” and “Initial application of IFRS 17" and IFRS 9 “Comparative Information”

The implemented Amendments are not expected to have any significant impact on the financials or the Group’s accounting policies, as they cover areas that are not material and/or relevant for the Group or do not change the accounting policies applied in 2022.

salling fondene

Købmand Herman Sallings Fond
Rosbjergvej 33-35
DK-8220 Brabrand
CVR 53520413
www.sallingfondene.dk

LinkedIn: Salling Fondene