ANNUAL REPORT 2015

Dansk Supermarked A/S
Rosbjergvej 33
8220 Brabrand
CVR: 35 95 47 16

The Annual Report has been presented and approved on the company's annual general meeting at / 2016

Chair

MESSAGE FROM THE CEO

Leading retail

For Dansk Supermarked Group, 2015 marked the first full year with our new ownership structure. As this annual report shows, the challenge of being a stand-alone company has been met by the Group.

Our financial track record of running a healthy business that combines the ability to make long-term strategic investments with a constant focus on the needs of our customers, right here and now, is among the best in Danish retail. The past year has seen us move closer to achieving our ambition to become a leading international retailer in all our concepts in terms of customer satisfaction, financial performance and employee satisfaction.

As one of the few remaining Danish owned retailers, Dansk Supermarked Group holds a unique position in the everyday lives of our customers and the communities they are a part of. This brings with it not only accountability in terms of how we conduct ourselves businesswise, but also in terms of what we give back to society through the Salling Foundations and the social obligation that we in the Group take upon ourselves to rise to. As refugees from around the globe have looked to our part of the world for a safe haven, European businesses become an even more important factor in securing cohesion across society. At Dansk Supermarked Group, we acknowledge this responsibility by integrating refugees into our workforce while maintaining a strong focus on aiding existing community members when they need extra opportunities to gain a foothold in the labour market.

Delivering results while remaining agile

Taking responsibility requires a solid foundation. With these annual accounts, we are pleased to deliver a solid result. We are satisfied with the operational performance of the Group and the results achieved by most of our formats and countries despite challenging market conditions.

The accounts are negatively impacted by the full year effect of financing the share buyback and start-up costs for Netto UK.

Once again we improved our EBIT result and margin, placing us in the top bracket of European retailers. Maintaining this level of earnings in a difficult market environment is a challenge but we are fully committed to do what it takes to continue to deliver satisfactory financial results. Our cash flow remains strong and our cash conversion further underlines our capability to optimize both our P&L and balance sheet, thereby freeing up more cash to reinvest in our business for the benefit of our customers.

2015 saw the Group structurally changed with F. Salling A/S becoming a subsidiary of Dansk Supermarked A/S, meaning that our activities in the Salling department stores are now a fully integrated part of the company. Acquisitions have included the non-food e-commerce business Wupti.com and online grocery operator iPosen.dk from the B2G market. Both of these acquisitions help accelerate the growing e-commerce side of our business.

A cornerstone of our strategy is to remain lean and agile – even in times when the business is growing and the operating environment becomes more complex. In 2015, we maintained a constant vigilance for costs across the business, carrying out a headquarter reduction and working hard to further reduce waste and manage inventory levels.

Making life easier for our customers

With the introduction of a brand new convenience format in the shape of føtex food, 2015 saw us develop a concept aimed specifically at densely populated areas of Denmark. The concept draws on experience from both føtex and Netto and we expect further expansion will take place in the coming years as the European trend of increased customer focus on convenience takes hold in Denmark.

Last year saw discount gain further ground across Europe, ensuring additional growth in Netto across the countries as the Netto UK trial continued and a total of almost 50 new stores opened in Denmark, Sweden, Poland, Germany and the UK. All Netto countries delivered acceptable results in markets where some discounters continue to struggle to become profitable.

Customers were introduced to a range of new products and services in 2015, including further range extensions across categories in Bilka alongside a new Bistro concept, and a focus on top tier range and private label development across all formats.

We plan to develop the business further in line with our strategy over the coming years.

Rethinking retail for the customers of tomorrow

Throughout 2016, we will continue to invest in our business across physical stores and e-commerce activities for the benefit of our customers every day. We expect to expand the business further within traditional areas and we see exciting market opportunities within e-com-

”The primary aim of the Group will always be to run a sustainable retail business while creating convenient and inspiring shopping trips for our customers, safe working conditions for our employees and growth opportunities for our suppliers and partners.”

merce that we can benefit from on the back of the preparations we have made during the previous year.

Founded on challenging existing norms and business models, the history of Dansk Supermarked Group is one of a successful commercial adventure. Over its more than 100 year history, our company has evolved from a local draper's shop to an international retail group that operates a number of businesses across five countries, all of which strive for growth and capital for further investment.

The primary aim of the Group will always be to run a sustainable retail business while creating convenient and inspiring shopping trips for our customers, safe working conditions for our employees and growth opportunities for our suppliers and partners. By taking responsibility, we have the opportunity to help build stronger communities through creating opportunities and jobs and generating profit.

We expect market conditions to remain challenging so we will have to continue to improve our business every day to stay on the front foot which is exactly what we will strive to do.

Per Bank, CEO

Dansk Supermarked Group's Board of Directors

Nils S. Andersen, Chairman

Jens Bjerg Sørensen

Marianne Kirkegaard Knudsen

Bjørn Gulden

Freddy Mikael Sobin

Thomas Carsten Alexander Tochtermann

Margit Alexandra Sandersen
Employee representative

Kenneth Wedel
Employee representative

Dansk Supermarked Group's Executive Committee

Per Bank
CEO

Anders Hagh
EVP, CFO

Viktor Jegesi
EVP, Commercial

Claus Juel-Jensen
EVP, Netto International

Thor Jørgensen
EVP, føtex

Mark H. Nielsen
EVP, Bilka

Kenneth Nielsen
EVP, E-commerce & Digital

Alan Jensen
EVP, IT

Nicolai Gradman
EVP, Supply Chain & Logistics

Peter Poulsen
EVP, HR & CSR

Table of contents

Financial highlights for the Group

DKK million

	2015	2014	2013 *)	2012 *)	2011 *)
Net revenue	57,148	56,816	56,607	55,367	54,980
Total revenue	57,474	57,156	56,941	55,702	55,276
Operating profit (EBIT)	2,552	2,430	2,385	1,661	5,945
Total profit for the year	1,734	1,819	1,922	1,400	5,374
Total assets	32,465	28,596	36,309	33,931	33,650
Total equity	8,523	6,702	24,158	22,766	22,257
Purchase of property, plant and equipment	912	1,095	1,726	2,052	2,723
Profit margin	4.4 %	4.3 %	4.2 %	3.0 %	10.8 %
Return on equity	22.8 %	11.8 %	8.2 %	6.2 %	27.1 %

Definitions:

Profit margin is operating profit divided by total revenue.

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

All main and key figures have been adjusted as a consequence of using of the pooling of interests method regarding the non-cash contribution of F. Salling A/S.

*) The main and key figures for the financial years 2011, 2012 and 2013 have not been adjusted to reflect the changed accounting principles applied. Thus they are unchanged from the main and key figures in the annual reports for 2014 except for the consequences of the pooling of interests method mentioned above. The adjustments that would be necessary to adjust the main and key figures for 2011, 2012 and 2013 to IFRS are listed in note 2.

Management's review

Primary business area

Dansk Supermarked Group operates retailing in Denmark through the physical stores Bilka, føtex, Netto and Salling and online with Bilka.dk and Salling.dk, adding føtex.dk, Wupti.com and iPosen.dk during 2015. Furthermore the Group also operates franchises in Denmark including coffee shops Starbucks and the burger restaurants Carl's Jr. In Germany, Poland, Sweden and the UK, where the banner was reintroduced in 2014 through the establishment of a 50/50 joint venture with J Sainsbury PLC, the Group operates through Netto.

The parent company's activities include retailing in Denmark (Bilka, føtex and Netto).

Development during the financial year

Market development

The Danish grocery market continued to grow at a slow rate in 2015. The market was characterized by continued deflation in food prices and a sustained shift in volumes from supermarkets to discounters. The discount segment accounts for more than 40 % of the market for fast moving consumer goods in Denmark with several discount banners opening and refurbishing stores during the year. The discount segment is expected to continue its growth in the coming years, though at a significantly slower pace than earlier. New store openings will continue, but will be countered by other discounters closing unprofitable stores as was the case in both 2015 and the first months of 2016.

The market for nonfood and textile was also characterized by limited growth. Volumes are continuously shifting towards online trade, a trend expected to continue increasingly in the coming years.

Dansk Supermarked Group including food and non-food overall maintained its market share in Denmark despite fierce competition, many new discount competitors and increased online trade in Nonfood and Clothing.

Structural development

During 2015 a restructuring occurred as F. Salling A/S became a formal subsidiary of Dansk Supermarked A/S. Ownership including proportional ownership of F. Salling A/S remained unchanged, now through the ownership of Dansk Supermarked A/S.

Also during the financial year acquisitions of online companies Wupti.com and iPosen.dk were conducted. Legal mergers with the companies are expected to be approved in 2016 with Dansk Supermarked A/S as the continuing entity.

Result for the year

The annual report for Dansk Supermarked A/S is presented in accordance with the provisions of the International Financial Reporting Standards (IFRS), constituting a change from previous reporting in accordance with the Danish Financial Statements Act. All 2014 comparison figures in the report have been prepared in accordance with IFRS.

The total revenue for 2015 amounts to DKK 57,474 million, an increase of DKK 318 million compared to 2014. The expansion continued with the opening of 50 new stores, 5 of these were opened in the UK joint venture. During the year Dansk Supermarked Group closed 11 stores. Operating profit (EBIT) is DKK 2,552 million. In 2014 Operating profit (EBIT) amounted to DKK 2,430 million. The result is in line with the expectations for the year.

Cash flows from operating activities amount to DKK 3,420 million (DKK 3,113 million in 2014). Cash flows from investment activities were DKK 5,174 million (DKK 1,215 million in 2014).

Employees

As at 31 December 2015 the Dansk Supermarked Group employed 50,553 employees against (49,037 as at 31 December 2014). Converted into the average number of full time employees this equals 26,119 in 2015 (26,303 in 2014).

Management's review

Social responsibility and diversity in management

Dansk Supermarked Group considers social responsibility to be important for the Group. Regarding the efforts in 2015 we refer to our report on social responsibility in pursuance of sections 99a and 99b of the Danish Financial Statements Act. The report is available on:
https://dansksupermarked.com/responsibility/csr-strategy/

Particular risks

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

Expected development

The expectation for the result before financial items (EBIT) in 2016 is in line with 2015. The result before tax is expected to decline in 2016 compared to 2015 due to increased financial expenses.

Management's statement

The Board of Directors and the Executive Board have today discussed and approved the annual report of Dansk Supermarked A/S for the financial year 1 January – 31 December 2015.

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

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

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

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

Brabrand, 30 March 2016

Executive Board

Per Bank
CEO

Board of Directors

Nils S. Andersen Chairman	Jens Bjerg Sørensen	Marianne Kirkegaard Knudsen
Bjørn Gulden	Freddy Mikael Sobin	Thomas Carsten Alexander Tochtermann
Margit Alexandra Sandersen Employee representative	Kenneth Wedel Employee representative	

Independent auditors' reports

To the Shareholders of Dansk Supermarked A/S

Independent auditors' report on the consolidated financial statements and the parent company financial statements

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

Management's responsibility for the consolidated financial statements and the parent company financial statements

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

Auditors' responsibility

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

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

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

Our audit has not resulted in any qualification.

Opinion

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

Independent auditors' reports

Statement on the Management's review

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

Aarhus, 30 March 2016

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

Henrik Kronborg Iversen	Morten Friis
State Authorised Public Accountant	State Authorised Public Accountant

Consolidated income statement

DKK million

Notes		2015	2014
	Net revenue	57,148	56,816
	Other revenue	326	340
4	Total revenue	57,474	57,156
	Cost of sales	-42,242	-41,895
	Gross profit	15,232	15,261
5	Staff expenses	-6,786	-6,743
6	External expenses	-5,316	-5,351
	Depreciation, amortisation and impairment losses	-831	-834
	Net gain on disposal of investment property and property, plant and equipment	253	97
	Operating profit (EBIT)	2,552	2,430
13	Share of profit/loss of joint ventures, net of tax	-82	-29
7	Financial income	85	92
8	Financial expenses	-311	-144
	Profit before tax	2,244	2,349
9	Income tax	-510	-530
	Total profit for the year	1,734	1,819

The total profit for the year is attributable to shareholders of Dansk Supermarked A/S.

Consolidated statement of other comprehensive income

DKK million

Notes		2015	2014
	Profit for the year	1,734	1,819
	Other comprehensive income, net of income tax:		
	Items that will not be reclassified to the income statement:		
9	Remeasurement of defined benefit plans	5	-33
		5	-33
	Items that are or may be reclassified subsequently to the income statement:		
9	Exchange differences on translating foreign operations	51	-127
9	Cash flow hedges, value adjustment for the year	-11	-182
9	Cash flow hedges, reclassified to financial expenses	42	16
		82	-293
	Other comprehensive income for the year, net of income tax	87	-326
	Total comprehensive income for the year	1,821	1,493

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

Consolidated statement of financial position

DKK million

Assets

Notes		2015	2014	1 January 2014
	Non-current assets			
10	**Intangible assets**			
	Goodwill	310	58	58
	Software	1,029	1,089	511
	Software development in progress	158	28	560
	Brands	73	-	-
	Other intangible assets	8	8	10
	Total intangible assets	1,578	1,183	1,139
11	**Property, plant and equipment**			
	Land and buildings	16,353	16,157	15,853
	Fixtures and fittings, tools and equipment	1,517	1,385	1,382
	Leasehold improvements	309	306	302
	Assets under construction and prepayments	81	146	283
	Total property, plant and equipment	18,260	17,994	17,820
12	**Investment property**	419	489	514
	Financial assets			
13	Investments in joint ventures	113	44	-
14	Other non-current financial assets	12	-	-
	Total financial assets	125	44	-
15	**Deferred tax assets**	243	288	293
	Total non-current assets	**20,625**	**19,998**	**19,766**
	Current assets			
16	**Inventories**	4,969	4,940	4,595
	Receivables			
14	Trade receivables	111	129	120
	Income tax receivables	65	137	38
14	Other receivables	495	288	109
	Prepayments	141	80	92
14	Other current financial assets	30	55	10,061
	Total receivables	842	689	10,420
14	**Securities**	4,304	1,229	516
14	**Cash and short-term deposits**	1,689	1,735	1,019
17	**Assets classified as held for sale**	36	5	-
	Total current assets	**11,840**	**8,598**	**16,550**
	Total assets	**32,465**	**28,596**	**36,316**

Consolidated statement of financial position

DKK million

Equity and liabilities

Notes		2015	2014	1 January 2014
	Equity			
	Share capital	524	500	500
	Retained earnings	5,510	6,495	4,709
	Cash flow hedge reserve	-135	-166	-
	Foreign currency translation reserve	-76	-127	-
	Proposed dividends	2,700	-	18,926
	Total equity	**8,523**	**6,702**	**24,135**
	Liabilities			
	Non-current liabilities			
18	Pensions	286	304	270
15	Deferred tax liabilities	353	239	113
19	Provisions	151	139	126
14	Mortgage loans	12,999	11,372	3,517
14	Other non-current financial liabilities	395	427	3
	Total non-current liabilities	14,184	12,481	4,029
	Current liabilities			
19	Provisions	40	61	134
14	Mortgage loans	95	27	-
14	Bank loans	104	872	135
14	Other current financial liabilities	171	121	470
14	Trade payables	7,209	6,158	4,934
	Income tax payable	11	16	378
14	Other payables	2,104	2,146	2,089
	Deferred income	24	12	12
	Total current liabilities	9,758	9,413	8,152
	Total liabilities	**23,942**	**21,894**	**12,181**
	Total equity and liabilities	**32,465**	**28,596**	**36,316**

Consolidated cash flow statement

DKK million

Notes		2015	2014
	Profit before tax	2,244	2,349
20	Adjustments	864	750
21	Change in working capital	850	925
	Net cash flows from operating activities before financial items and tax	3,958	4,024
	Financial income received	81	20
	Financial expenses paid	-312	-132
	Income tax paid	-307	-799
	Net cash flows from operating activities	3,420	3,113
	Purchase of intangible assets	-186	-163
	Purchase of property, plant and equipment	-912	-1,095
	Purchase of investment property	-21	-4
	Proceeds from sale of property, plant and equipment	263	36
22	Acquisition of subsidiaries, net of cash received	-324	-
	Capital contribution, joint ventures	-147	-74
	Purchase of securities	-6,792	-383
	Sale of securities	2,945	468
	Net cash flows from investment activities	-5,174	-1,215
	Loan repayments from related parties	-14	-379
	Proceeds from loans from related parties	16	10,285
	Proceeds from borrowings	2,959	11,555
	Repayment of borrowings	-1,264	-3,673
	Dividends paid to equity holders of the parent	-	-17,615
	F. Salling A/S payment of dividends to external shareholders	-	-1,311
	Net cash flows from financing activities	1,697	-1,138
	Net change in cash and cash equivalents	-57	760
	Cash and cash equivalents at 1 January	1,639	884
	Net foreign exchange difference	3	-5
23	Cash and cash equivalents at 31 December	1,585	1,639

Consolidated statement of changes in equity

DKK million

2014:	Share capital	Retained earnings	Cash flow hedge reserve	Foreign currency translation reserve	Proposed dividends	Total equity
Equity at 1 January 2014	500	4,432	-	-	17,615	22,547
Recognition of F. Salling A/S due to pooling of interests		277			1,311	1,588
Equity at 1 January 2014 including F. Salling A/S	500	4,709	-	-	18,926	24,135
Profit for the year		1,819				1,819
Remeasurement of defined benefit plans		-33				-33
Exchange differences on translating foreign operations				-127		-127
Cash flow hedges			-182			-182
Cash flow hedges, reclassified to financial expenses			16			16
Other comprehensive income		-33	-166	-127	-	-326
Total comprehensive income for the year		1,786	-166	-127	-	1,493
Payment of dividends					-17,615	-17,615
F. Salling A/S payment of dividends to external shareholders					-1,311	-1,311
Total transactions with owners	-	-	-	-	-18,926	-18,926
Equity at 31 December 2014	500	6,495	-166	-127	-	6,702

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

Consolidated statement of changes in equity

DKK million

2015:	Share capital	Retained earnings	Cash flow hedge reserve	Foreign currency translation reserve	Proposed dividends	Total equity
Equity at 1 January 2015	500	6,495	-166	-127	-	6,702
Profit for the year		1,734				1,734
Remeasurement of defined benefit plans		5				5
Exchange differences on translating foreign operations				51		51
Cash flow hedges			-11			-11
Cash flow hedges, reclassified to financial expenses			42			42
Other comprehensive income		5	31	51	-	87
Total comprehensive income for the year		1,739	31	51	-	1,821
Issue of share capital regarding the non-cash contribution of F. Salling A/S	24	-24				-
Proposed dividends		-2,700			2,700	-
Total transactions with owners	24	-2,724	-	-	2,700	-
Equity at 31 December 2015	524	5,510	-135	-76	2,700	8,523

Summary of notes to the consolidated financial statements

Notes to the consolidated financial statements

DKK million

1 General information

Dansk Supermarked A/S' and its subsidiaries' primary business area is retailing in Denmark via the concepts Bilka, føtex and Netto and in Germany, Poland and Sweden via the concept Netto. The Group is also involved in e-commerce both via Bilka.dk and føtex.dk, but also via wupti.dk and iPosen.dk.

In 2014 the Netto concept was reintroduced in the UK through a joint venture, which Dansk Supermarked A/S formed together with J Sainsbury plc.

As at the 21 December 2015 the previous sister company F. Salling A/S became a subsidiary to Dansk Supermarked A/S by a non-cash contribution in which the share capital in Dansk Supermarked A/S was increased. The transaction is accounted for by the pooling of method in which comparative amounts are restated as if F. Salling A/S had always been a subsidiary.

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

2 Summary of significant accounting policies

The financial statements section of the annual report for the period 1 January – 31 December 2015 comprises the consolidated financial statements of Dansk Supermarked A/S and its subsidiaries (the Group) and the separate parent company financial statements.

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

Basis of preparation

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

As a consequence of the non-cash contribution of F. Salling A/S being a business combination between entities under common control, and as the business combination is recognised using the pooling of interests method the consolidated financial statements including all comparison figures are presented as if the entities had always been combined. All financial information for periods prior to the date of the combination is restated accordingly. Please refer to the reconciliation below for an overview of the effect on the equity as at 1 January 2014, total profit for the year for 2014 and the equity as at 31 December 2014.

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

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

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

Transition to IFRS

In accordance with IFRS 1, the opening statement of financial position at 1 January 2014 and comparative figures for 2014 have been prepared in accordance with the IFRSs, IASs, IFRICs and SICs, which were in force at 31 December 2015. The amendments to IAS 27: Equity Method in Separate Financial Statements have been applied before effective date. The opening statement of financial position at 1 January 2014 has been prepared as if these standards and interpretations had always been applied apart from the exceptions, which are described below.

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

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

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

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

		Consolidated amounts			
		1 January 2014	2014		31 December 2014
	Comments	Equity	Total profit for the year	Other comprehensive income	Equity
Dansk Supermarked Group determined in accordance with the Danish Financial Statements Act		22,570	1,745	-	6,407
Amortisation of goodwill	1		45		45
Provision for jubilee benefits	2	-30			-30
Exchange differences on translation of foreign operations	3			-127	
Cash flow hedges	4			-220	
Remeasurement of defined benefit plans	5		42	-42	
Tax effect of adjustments	6	7	-21	63	-5
Dansk Supermarked Group determined in accordance with IFRS		22,547	1,811	-326	6,417

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

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

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

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

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

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

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

6) The effect on deferred tax of the adjustments.

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

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

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

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

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

Non of the reclassifications have affected the result or equity.

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

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

The reconciliation below shows the effect of the non-cash contribution of F. Salling A/S.

	Consolidated amounts			
	1 January 2014	2014		31 December 2014
	Equity	Total profit for the year	Other comprehensive income	Equity
Dansk Supermarked Group determined in accordance with IFRS	22,547	1,811	-326	6,417
Recognition of the non-cash contribution of F. Salling A/S under the pooling of interests method	1,588	8	-	285
Dansk Supermarked Group determined in accordance with IFRS including F. Salling A/S	24,135	1,819	-326	6,702

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 A/S	100 %	Brabrand, Denmark
Dansk Supermarked Ejendomme A/S	100 %	Brabrand, Denmark
D. S. Forsikring A/S	100 %	Brabrand, Denmark
wupti.com A/S	100 %	Brabrand, Denmark
Thomberg ApS	100 %	Brabrand, Denmark
Dansk Netto Deutschland ApS	100 %	Brabrand, Denmark
Netto Supermarkt GmbH	100 %	Stavenhagen, Germany
NETTO ApS & Co. KG	100 %	Stavenhagen, Germany
Netto Sp. Z o.o	100 %	Szczecin, Poland
Netto Marknad AB	100 %	Halmstad, Sweden
Netto Fastigheter AB	100 %	Halmstad, Sweden
Future Express Ltd.	100 %	Leeds, the UK
NETTO Ukraine LLC	99 %	Lviv, Ukraine
Orbita Propeerty LLC.	100 %	Lviv, Ukraine

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

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

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

F. Salling Invest A/S, Rosbjergvej 33-35, Brabrand, Denmark
F. Salling Holding A/S, Rosbjergvej 33-35, Brabrand, Denmark
A.P. Møller Mærsk A/S, Esplanaden 50, Copenhagen, Denmark

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

Accounting policies, income statement

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

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

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

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

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

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

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

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

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

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

Government grants

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

Share of profit/loss of subsidiaries, net of tax

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

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

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

Financial income and expenses

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

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

Income tax

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

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

Accounting policies, statement of financial position

Intangible assets

Goodwill

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

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

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

Investment property

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

Borrowing costs

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

Investments in subsidiaries

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

Investments in joint ventures

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

Impairment testing of non-current assets

The carrying amount of non-current assets is evaluated annually for indications of impairment.

If indications of impairment exist, tests are performed to determine whether recognition of impairment losses is necessary for individual assets as well as groups of assets. If the recoverable amount is lower than an asset's carrying amount, an impairment loss is recognised so that the carrying amount is reduced to the recoverable amount. Goodwill, software development in progress and brands with indefinite useful lives are tested annually.

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

Non-current assets held for sale

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

Inventories

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

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

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

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

Trade receivables, securities and other financial assets

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

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

Subsequently loans and receivables are measured at amortised cost less impairment. First it is assessed whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment. The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The losses arising from impairment are recognised in an allowance account and in the income statement in finance costs for loans and in external expenses for receivables. This category is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. This category generally applies to trade and other receivables.

Prepayments

Prepayments are measured at cost price.

Cash and short-term deposits

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

Pensions

The Group has entered into pension schemes and similar arrangements with the majority of the Group's employees. Contributions to defined contribution plans where the Group pays fixed pension payments to independent pension funds are recognised in the income statement in the period to which they relate, and any contributions outstanding are recognised in the statement of financial position as other payables. For defined benefit plans an annual actuarial calculation (Projected Unit Credit method) is made of the present value of future benefits under the defined benefit plan. The present value is determined on the basis of assumptions about the future development in variables such as salary levels, interest rates, inflation, retirement age and mortality. The actuarial present value is recognised in the statement of financial position under pension obligations. Pension costs for the year are recognised in the income statement based on actuarial estimates at the beginning of the year. Any difference between the calculated development in plan liabilities and realised amounts determined at year end constitutes actuarial gains or losses and is recognised in other comprehensive income.

2 Summary of significant accounting policies - continued

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

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

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

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

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

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

After initial recognition, interest-bearing loans, borrowings and payables are measured at amortised cost. Accordingly, any difference between the proceeds and the nominal value is recognised in the income statement as finance costs over the term of the loan. This category is most relevant to the Group. This category generally applies to interest-bearing loans, borrowings, payables and the capitalised residual lease obligation under finance leases.

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

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

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

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

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

Accounting policies, cash flow statement

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

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

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

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

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

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

Accounting policies, other

Consolidated financial statements
The consolidated financial statements comprise the parent company Dansk Supermarked A/S and the subsidiaries in which Dansk Supermarked A/S directly or indirectly exercises control. Dansk Supermarked A/S exercises control if Dansk Supermarked A/S is exposed to or has rights to variable returns arising from its involvement in a company and may affect these returns through its power over the company.

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

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

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

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

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

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

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

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

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

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

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

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

Derivative financial instruments

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

Fair value measurement

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

The fair value is a market-based and not an entity-specific valuation. The Group uses the assumptions that the market participants would use for the pricing of the asset or liability based on existing market conditions, including assumptions relating to risks. The Group's intention to own the asset or settle the liability is thus not taken into consideration when the fair value is determined.

The fair value measurement is based on the primary market. If a primary market does not exist, the measurement is based on the most favourable market, which is the market that maximises the price of the asset or liability less transaction and transportation costs.

To the widest possible extent, the fair value measurement is based on market values in active markets (level 1) or alternatively on values derived from observable market information (level 2). If such observable information is not available or cannot be used without significant modifications, fair values are based on generally accepted valuation methods and reasonable estimates (level 3).

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

3 Significant accounting judgements, estimates and assumptions

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

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

Notes to the consolidated financial statements

DKK million

3 Significant accounting judgements, estimates and assumptions - continued

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

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

Depreciation and amortisation

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

Inventories

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

Provisions

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

	2015	2014
4 Total revenue		
Revenue from the sale of goods	57,148	56,816
Total net revenue	57,148	56,816
Rental revenue, investment property	105	114
Other rental	150	144
Other revenue	71	82
Total other revenue	326	340
Total revenue	57,474	57,156
Geographical split		
Denmark	39,079	39,149
Abroad	18,395	18,007
Total revenue	57,474	57,156

Notes to the consolidated financial statements

DKK million

		2015	2014
5	**Staff expenses**		
	Wages and salaries incl. termination benefits	6,037	6,051
	Post-employment benefits – defined contribution plans	354	312
	Post-employment benefits – defined benefit plans	3	7
	Social security costs	392	373
	Total staff expenses	6,786	6,743
	Average number of full-time employees	26,119	26,303
6	**External expenses**		
	Fees paid to the auditors appointed at the annual general meeting:		
	Fee regarding statutory audit	2.8	2.8
	Tax assistance	0.8	0.9
	Assurance engagements	0.3	0.2
	Other assistance	1.6	2.3
	Total fee paid to the auditors appointed at the annual general meeting	5.5	6.2
7	**Financial income**		
	Interest income on loans to entities with controlling influence	-	15
	Interest income on other loans and receivables	5	2
	Net gain on derivatives not designated as hedges	-	24
	Net gain on financial instruments held for trading	20	39
	Net foreign exchange gain	60	12
	Total financial income	85	92
8	**Financial expenses**		
	Interest expense on mortgage loans	147	100
	Interest expense paid to banks	2	7
	Interest expense on loans from entities with significant influence	5	4
	Cash flow hedges reclassified from other comprehensive income	54	22
	Net loss on derivatives not designated as hedges	88	-
	Other financial expenses	15	11
	Total financial expenses	311	144

Notes to the consolidated financial statements

DKK million

	2015	2014
9 Income tax		
Current income tax	-375	-339
Adjustment regarding prior years, current income tax	-2	-2
Change in deferred tax	-148	-132
Adjustment regarding prior years, deferred tax	2	1
Adjustment of deferred tax at the beginning of the year due to a change in the corporation tax rate from 25% to 22% (during 2014 - 2016)	2	5
Total income tax	-521	-467
Income tax recognised in the income statement	-510	-530
Income tax recognised in other comprehensive income	-11	63
Total income tax	-521	-467

Reconciliation of income tax recognised in the income statement

	2015		2014	
	DKK	%	DKK	%
Tax on result for the year at the Danish income tax rate	-527	23.5 %	-576	24.5 %
Non-deductible costs	-27	1.2 %	-15	0.6 %
Non-taxable income	15	-0.7 %	13	-0.5 %
Deviating tax rates in foreign operations	1	0.0 %	12	-0.5 %
Change in tax rates	2	-0.1 %	5	-0.2 %
Adjustment to prior periods	-	0.0 %	-1	0.1 %
Not capitalised tax loss carry forwards	24	-1.1 %	33	-1.4 %
Other	2	-0.1 %	-1	0.0 %
Income tax recognised in the income statement	-510	22.7 %	-530	22.6 %

Tax on other comprehensive income

	2015			2014		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Remeasurement of defined benefit plans	6	-1	5	-42	9	-33
Exchange differences on translating foreign operations	51	-	51	-127	-	-127
Cash flow hedges, value adjustment for the year	-13	2	-11	-241	59	-182
Cash flow hedges, reclassified to financial expenses	54	-12	42	21	-5	16
	98	-11	87	-389	63	-326

Notes to the consolidated financial statements

DKK million

10 Intangible assets

2014:	Goodwill	Software	Software develop-ment in progress	Brands	Other in-tangible assets	Total
Cost						
Balance at 1 January 2014	58	751	560	-	10	1,379
Additions	-	-	163	-	-	163
Reclassifications	-	695	-695	-	-	-
Balance at 31 December 2014	58	1,446	28	-	10	1,542
Accumulated amortisation and impairment losses						
Balance at 1 January 2014	-	-240	-	-	-	-240
Amortisation	-	-117	-	-	-2	-119
Balance at 31 December 2014	-	-357	-	-	-2	-359
Carrying amount at 31 December 2014	58	1,089	28	-	8	1,183

2015:	Goodwill	Software	Software develop-ment in progress	Brands	Other in-tangible assets	Total
Cost						
Balance at 1 January 2015	58	1,446	28	-	10	1,542
Additions	-	-	184	-	2	186
Acquisitions through business combinations	252	24	-	76	-	352
Reclassifications	-	58	-54	-	-	4
Balance at 31 December 2015	310	1,528	158	76	12	2,084
Accumulated amortisation and impairment losses						
Balance at 1 January 2015	-	-357	-	-	-2	-359
Amortisation	-	-142	-	-3	-2	-147
Balance at 31 December 2015	-	-499	-	-3	-4	-506
Carrying amount at 31 December 2015	310	1,029	158	73	8	1,578

Notes to the consolidated financial statements

DKK million

10 Intangible assets - continued

Impairment losses during the year

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

Carrying amount of goodwill within the Group:

	e-commerce		Danish retail activities		Other	
	2015	2014	2015	2014	2015	2014
Goodwill	179	-	73	-	58	58

The significant goodwill amounts in the Group relate to the e-commerce and the Danish retail activities.

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

The recoverable amount of the goodwill related to e-commerce and the Danish retail activities has been determined based on a value in use calculation using cash flow projections from the financial five-year plan approved by management. The pre-tax discount rate applied to cash flow projections is 9.0 %, and cash flows beyond the five-year period are extrapolated using a 2 % growth rate which is the expected long-term inflation rate. As a result of the analysis, management did not identify an impairment regarding goodwill (DKK 0 in 2014).

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

Increasing purchase prices would lead to a decline in gross margin. A decrease in gross margin of approximately 3%-points would result in impairment in the Dansk Supermarked Group in relation to e-commerce if cost within marketing, staff etc. cannot be readjusted.

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

Notes to the consolidated financial statements

DKK million

11 Property, plant and equipment

2014:	Land and buildings	Fixtures and fittings, tools and equipment	Leasehold improve-ments	Assets under construction	Total
Cost					
Balance at 1 January 2014	23,039	4,466	1,103	283	28,891
Foreign currency translation	-203	-30	-14	-2	-249
Additions	147	391	47	510	1,095
Reclassifications	646	-	-1	-645	-
Disposals	-63	-146	-13	-	-222
Balance at 31 December 2014	23,566	4,681	1,122	146	29,515
Accumulated depreciation and impairment losses					
Balance at 1 January 2014	-7,186	-3,084	-801	-	-11,071
Foreign currency translation	30	22	7	-	59
Depreciation	-296	-390	-31	-	-717
Impairment losses recognised in the income statement	-5	-	-6	-	-11
Reversals of impairment losses recognised in the income statement	21	-	-	-	21
Reclassifications	-2	-	2	-	-
Disposals	29	156	13	-	198
Balance at 31 December 2014	-7,409	-3,296	-816	-	-11,521
Carrying amount at 31 December 2014	16,157	1,385	306	146	17,994
Hereof finance leases		1			1

Notes to the consolidated financial statements

DKK million

11 Property, plant and equipment - continued

2015:	Land and buildings	Fixtures and fittings, tools and equipment	Leasehold improve-ments	Assets under construction	Total
Cost					
Balance at 1 January 2015	23,566	4,681	1,122	146	29,515
Foreign currency translation	67	14	6	-	87
Additions	53	445	45	369	912
Reclassifications	421	5	4	-434	-4
Disposals	-52	-136	-32	-	-220
Balance at 31 December 2015	24,055	5,009	1,145	81	30,290
Accumulated depreciation and impairment losses					
Balance at 1 January 2015	-7,409	-3,296	-816	-	-11,521
Foreign currency translation	-10	-10	-4	-	-24
Depreciation	-302	-321	-37	-	-660
Disposals	32	136	24	-	192
Impairment losses recognised in the income statement	-13	-1	-3	-	-17
Balance at 31 December 2015	-7,702	-3,492	-836	-	-12,030
Carrying amount at 31 December 2015	16,353	1,517	309	81	18,260
Hereof finance leases		5			5

Impairment losses during the year

Land and buildings and Leasehold improvements
During 2015 impairment losses have been recognised regarding a few buildings that have been vacated in connection with relocations of the stores to other nearby locations. The buildings are expected to be put on the market, and it is assessed that the expected sales prices are lower than the carrying amounts of the buildings. Also an impairment loss has been recognised regarding 2 Polish stores located in rented premises. Due to competitive pressures in the local area the stores are at present not sufficiently profitable to cover the carrying amount of the investments. The impairment losses and reversal of impairment losses are recognised in the income statement as part of Depreciation, amortisation and impairment losses.

Notes to the consolidated financial statements

DKK million

12 Investment property

	2015	2014
Cost		
Balance at 1 January	1,477	1,524
Foreign currency translation	1	-1
Additions	21	4
Reclassified as held for sale	-77	-16
Disposals	-98	-34
Balance at 31 December	1,324	1,477
Accumulated depreciation and impairment losses		
Balance at 1 January	-988	-1,010
Depreciation	-8	-8
Reclassified as held for sale	41	11
Disposals	50	19
Balance at 31 December	-905	-988
Carrying amount at 31 December	419	489

Investment property comprises shopping centres and flats located adjacent to Dansk Supermarked's stores.

The estimated fair value of investment property amounted to DKK 1,648 million at 31 December 2015 (DKK 1,967 million at 31 December 2014). The fair value is not based on a valuation by an independent valuer.

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

	2015	2014
Rental income from investment property	105	114
Direct operating expenses from investment that generated rental income	-17	-22
Direct operating expenses from investment that did not generate rental income	-4	-2
Profit arising from investment property	84	90

DKK million

	2015	2014
13 Investments in joint ventures		

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

	2015	2014
Cost		
Balance at 1 January	74	-
Additions	147	74
Balance at 31 December	221	74
Value adjustments		
Balance at 1 January	-30	-
Foreign currency translation etc.	4	-1
Result	-82	-29
Balance at 31 December	-108	-30
Carrying amount at 31 December	113	44

Specification of investments in joint ventures:

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

14 Financial assets and financial liabilities

Financial assets comprise the following:

	Carrying amount		Fair value	
	2015	2014	2015	2014
Cash flow hedges	12	-	12	-
Other non-current financial assets	12	-	12	-
Trade receivables	111	129	111	129
Other receivables	495	288	495	288
Receivables from entities with significant influence	14	5	14	5
Receivables from joint ventures	15	10	15	10
Derivatives not designated as hedges	1	40	1	40
Other current financial assets	30	55	30	55
Securities	4,304	1,229	4,304	1,229
Cash and short-term deposits	1,689	1,735	1,689	1,735

Notes to the consolidated financial statements

DKK million

14 Financial assets and financial liabilities - continued

Financial liabilities comprise the following:

	Carrying amount		Fair value	
	2015	2014	2015	2014
Mortgage loans - non-current	12,999	11,372	13,205	11,471
Mortgage loans - current	95	27	95	27
Mortgage loans	13,094	11,399	13,300	11,498
Bank loans - current	104	872	104	872
Bank loans	104	872	104	872
Payables to entities with significant influence	256	251	256	251
Obligations under finance leases	3	1	3	1
Cash flow hedges	131	175	131	175
Other non-current financial liabilities	5	-	5	-
Other non-current financial liabilities	395	427	395	427
Payables to entities with significant influence	77	64	77	64
Obligations under finance leases	1	-	1	-
Derivatives not designated as hedges	33	12	33	12
Cash flow hedges	59	45	59	45
Other current financial liabilities	1	-	1	-
Other current financial liabilities	171	121	171	121
Trade payables	7,209	6,158	7,209	6,158
Other payables	2,104	2,146	2,104	2,146

Notes to the consolidated financial statements

DKK million

14 Financial assets and financial liabilities - continued

Financial instruments by category:

	2015	2014
Loans and receivables:		
Trade receivables	111	129
Other receivables	495	288
Other financial assets excluding derivatives	29	15
Cash and short-term deposits	1,689	1,735
Financial assets at fair value through profit or loss:		
Derivatives not designated as hedges	1	40
Financial assets at fair value through profit or loss, held for trading:		
Securities	4,304	1,229
Financial assets at fair value through other comprehensive income:		
Cash flow hedges	12	-
Financial liabilities measured at amortised cost:		
Mortgage loans	13,094	11,399
Bank loans	104	872
Other financial liabilities excluding derivatives	343	316
Trade payables	7,209	6,158
Other payables	2,104	2,146
Financial liabilities at fair value through profit or loss:		
Derivatives not designated as hedges	33	12
Financial liabilities at fair value through other comprehensive income:		
Cash flow hedges	190	220

Hedge accounting:

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

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

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

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

Notes to the consolidated financial statements

DKK million

14 Financial assets and financial liabilities - continued

Fair value:

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

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

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

The fair value of mortgage loans are derived from quoted market prices in active markets, and fall within level 1 of the fair value hierarchy. Fair value of the remaining borrowing items fall within level 2 of the fair value hierarchy and are 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 has been no structural changes in the Group's risk exposure or risk compared to 2014. The policies for managing risk are explained below.

The overall framework for financial risk management is set out in Dansk Supermarked A/S' financial policy approved by the Board of Directors. The objective of the financial policy and the independent controls, that are established, is to minimize the potential adverse impact on the Group's financial performance. The financial policy is reviewed and updated on a regular basis. Dansk Supermarked A/S has a centralized 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. It is the Group's policy to minimize the potential adverse impact on the Group's financial performance and protect the Group against negative impact of market risks. Group Treasury has primarily used forward contracts to hedge foreign exchange exposures and interest rate swaps to hedge interest rate exposures.

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

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

Notes to the consolidated financial statements

DKK million

14 Financial assets and financial liabilities - continued

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

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

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

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

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

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

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

Notes to the consolidated financial statements

DKK million

14 Financial assets and financial liabilities - continued

31 December 2014	EUR/DKK	GBP/DKK	PLN/DKK	SEK/DKK	USD/DKK
Financial assets	-	-	-	25	11
Financial liabilities	-3	-	-	-	-
Derivatives	-199	134	-767	-599	392
Net external exposures	-202	134	-767	-574	403
Net external exposure from financial activities	145	-134	878	576	-
Known USD purchase orders	-	-	-	-	-422
Net exposures	-57	-	111	2	-19
The net exposures relate to:					
Hedging of expected commercial cash flows where hedge accounting is not used	-57	-	111	2	-19
Applied sensitivity	1 %	5 %	5 %	5 %	5 %
Impact on the consolidated income statement	-1	-	6	-	-1

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

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

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

As at 31 December 2015, after taking into account the effect of interest rate swaps, approximately 87 % of the Group's mortgage loan portfolio are at a fixed rate, compared to 83 % as at 31 December 2014.

A general increase of 1 %-points in interest rates is estimated, all other things being equal, to affect profit before tax by DKK -34 million (DKK -10 million in 2014), and pre-tax equity by DKK 310 million (DKK 402 million in 2014). The direct impact on pre-tax equity is due to changes in the fair value of the interest rate swaps.

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

31 December 2015	Carrying amount	Sensitivity	Profit before tax	Pre-tax equity
Securities	4,304	1 %	-20	-20
Mortgage loans	13,094	1 %	-54	-54
Derivatives	178	1 %	40	384
Impact			-34	310

Notes to the consolidated financial statements

DKK million

14 Financial assets and financial liabilities - continued

31 December 2014	Carrying amount	Sensitivity	Profit before tax	Pre-tax equity
Securities	1,229	1 %	3	3
Mortgage loans	11,399	1 %	-38	-38
Derivatives	220	1 %	25	437
Impact			-10	402

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

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

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

		Next interest rate fixing		
31 December 2015	Carrying amount	Within 1 year	1 to 5 years	After 5 years
0 - 2 %	11,300	2,577	4,073	4,650
2 - 4 %	1,794	-	-	1,794
Total	13,094	2,577	4,073	6,444
Of which:				
Bearing fixed interests	89 %			
Bearing floating interests	11 %			

		Next interest rate fixing		
31 December 2014	Carrying amount	Within 1 year	1 to 5 years	After 5 years
0 - 2 %	11,399	1,660	5,339	4,400
2 - 4 %	-	-	-	-
Total	11,399	1,660	5,339	4,400
Of which:				
Bearing fixed interests	84 %			
Bearing floating interests	16 %			

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

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

Notes to the consolidated financial statements

DKK million

14 Financial assets and financial liabilities - continued

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

31 December 2015	Within 1 year	1 to 5 years	After 5 years
Mortgage loans	281	861	15,563
Bank loans	104	-	-
Obligations under finance leases	2	4	-
Trade and other payables	9,391	267	-
Derivatives	63	323	218
Total	9,841	1,455	15,781

31 December 2014	Within 1 year	1 to 5 years	After 5 years
Mortgage loans	137	532	12,830
Bank loans	872	-	-
Obligations under finance leases	-	1	-
Trade and other payables	8,368	262	-
Derivatives	40	211	262
Total	9,417	1,006	13,092

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.

The Group is exposed to credit risks from trade receivables, balances with banks in the form of deposits and other financial instruments. The majority of the Group's sales are made in cash, and therefore, the credit risks are very low. The Group reduces its credit risks with banks by only doing business with banks with high credit ratings. Moreover, excess liquidity is deposited with banks or placed in liquid government and mortgage bonds with a rating of minimum Aa2. The overall duration of Dansk Supermarked Group's bond portfolio will typically low, currently 2.2.

	2015	2014
The table below summarises the ageing analysis of trade receivables, which are not impaired:		
Not due	63	97
< 30 days past due	20	23
30 to 90 days past due	15	6
90 to 180 days past due	1	2
> 180 days past due	12	1
Total	111	129

Notes to the consolidated financial statements

DKK million

15 Deferred tax

Deferred tax relates to the following:

	Consolidated income statement		Consolidated statement of financial position	
	2015	2014	2015	2014
Intangible assets	-37	-55	-182	-129
Property, plant and equipment	-102	-94	-140	-38
Investment property	-7	-5	14	21
Provisions	-10	-17	73	85
Other liabilities	13	1	48	40
Tax loss carryforward	8	31	77	66
Other	-4	-	-	4
Deferred tax expense/income / Net deferred tax	-139	-139	-110	49

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

	2015	2014
Deferred tax assets	243	288
Deferred tax liabilities	-353	-239
Net deferred tax	-110	49

Reconciliation of net deferred tax:

	2015	2014
Opening balance at 1 January	49	180
Foreign currency translation adjustments	2	-5
Adjustment of deferred tax recognised in the income statement	-139	-139
Adjustment of deferred tax recognised in other comprehensive income	-5	13
Deferred tax acquired in business combinations	-17	-
Closing balance at 31 December	-110	49

The Group has a deferred tax asset of DKK 52 million at 31 December 2015, which is not recognised in the consolidated statement of financial position (DKK 71 million in 2014). The deferred tax asset has not been recognised due to uncertainties regarding the future taxable profits against which the unused tax losses can be utilised.

16 Inventories

	2015	2014
Goods held for resale	4,939	4,911
Consumables	30	29
Total inventories	4,969	4,940

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

DKK million

	2015	2014

17 Assets classified as held for sale

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

	2015	2014
Investment property	36	5
Assets classified as held for sale	36	5

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

18 Pensions

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

Changes in the present value of the defined benefit obligation:

	2015	2014
Defined benefit obligation at 1 January	304	270
Interest expenses recognised as part of staff expenses	3	7
Actuarial gains / losses, demographic assumptions	4	3
Actuarial gains / losses, financial assumptions	-12	37
Actuarial gains / losses, experience adjustments	2	2
Payments from the plan	-15	-15
Defined benefit obligation at 31 December	286	304

The following significant actuarial assumptions are applied:

	2015	2014
Discount rate (%)	1.1 %	1.1 %
Price inflation (%)	1.9 %	2.2 %

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

DKK million

	2015	2014

18 Pensions - continued

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

	2015	2014
Discount rate:		
Increase of 0.5 % point	-15	-17
Decrease of 0.5 % point	17	18
Price inflation:		
Increase of 0.5 % point	16	18
Decrease of 0.5 % point	-15	-17

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

No contributions will be made to the plans in the future. The average duration of the defined benefit obligation as at 31 December 2015 is 35 years (36 years in 2014). DKK 15 million is expexted to be paid from the plans in 2016.

19 Provisions

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

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

Notes to the consolidated financial statements

DKK million

19 Provisions - continued

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

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

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

	2015	2014
20 Adjustments		
Financial income	-85	-92
Financial expenses	311	144
Amortisation and impairment of intangible assets	147	119
Depreciation and impairment of property, plant and equipment	677	707
Depreciation and impairment of investment property	8	8
Gain on sale of non-current assets, etc., net	-253	-97
Share of profit of joint ventures, net of tax	82	29
Other adjustments	-23	-68
Adjustments	864	750

21 Change in working capital

	2015	2014
Change in trade and other receivables and prepayments	-165	-79
Change in inventories	16	-377
Change in trade and other payables	999	1,381
Change in working capital	850	925

Notes to the consolidated financial statements

DKK million

		2015	2014
22	**Acquisition of subsidiaries, net of cash received**		
	For a description of the acquisition of subsidiaries please refer to note 26.		
	Brands	76	-
	Software	24	-
	Inventory	33	-
	Trade receivables	9	-
	Other receivables	2	-
	Cash and bank balances	6	-
	Total assets	150	-
	Deferred tax liability	18	-
	Bank loans	10	-
	Trade payables	33	-
	Income tax payable	1	-
	Other payables	14	-
	Total liabilities	76	-
	Total identifiable net assets at fair value	74	-
	Goodwill arising on acquisition	252	-
	Purchase consideration transferred	326	-
	Cash	320	-
	Contingent consideration arrangement	6	-
	Total	326	-
	Net cash acquired with the subsidiary	-4	-
	Cash paid	-320	-
	Net cash flow on acquisition	-324	-
23	**Cash and cash equivalents**		
	Securities	-	776
	Cash and bank balances	1,689	1,735
	Current liabilities - bank loans	-104	-872
	Cash and cash equivalents available to the Group	1,585	1,639

Notes to the consolidated financial statements

DKK million

	2015	2014

24 Contingent liabilities and other financial commitments

Operating leases, the Group is lessee:

The Group has entered into operating leases with external parties regarding a number of stores, warehouses and some operational equipment. The leases have terms of between 1 month and 63 years. Under some of the leases the Group has the option to continue the lease of the assets beyond the agreed upon lease terms. The lease arrangements imposes no restrictions on the Group.

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

	2015	2014
Within 1 year	509	453
1 to 5 years	890	659
After 5 years	530	397
Total	1,929	1,509
Future minimum sublease payments expected to be received under non-cancellable subleases	180	166
Minimum lease payments recognised as operating lease expenses	523	496
Sublease payments recognised as a reduction of operating lease expenses	69	63

The Group has also entered into a number of operating leases with terms of up to 19 years with entities with significant influence over the Group, in which the future minimum rentals payable amount to DKK 437 million (DKK 438 million in 2014). Minimum lease payments recognised as an operating lease expense amount to DKK 25 million (DKK 24 million in 2014).

Finance leases:

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

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

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

Notes to the consolidated financial statements

DKK million

24 Contingent liabilities and other financial commitments - continued

Operating leases, the Group is lessor:

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

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

	2015	2014
Within 1 year	219	227
1 to 5 years	303	303
After 5 years	122	83
Total	644	613

Other contingent liabilities and financial commitments:

The Group has entered into contractual commitments regarding acquisition and construction of property, plant and equipment of a total of DKK 291 million (DKK 914 million in 2014).

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

As security for mortgage loans land and buildings with a carrying amount of DKK 11,394 million have been provided as collateral (DKK 8,470 million in 2014).

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

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

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

Guarantees of DKK 265 million have been provided to credit institutions regarding related parties' mortgage loans (DKK 264 million in 2014).

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

Notes to the consolidated financial statements

DKK million

25 Related party disclosures

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

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

	2015	2014
Entities with controlling influence over the Group:		
Purchase of goods and services from entities with controlling influence	-	-27
Interests received or paid	-	15
Dividend paid	-	-12,417
Donations from Købmand Herman Sallings Fond	12	5
Entities with significant influence over the Group:		
Leasing income or expense	-25	-24
Interests received or paid	-5	-4
Dividend paid	-	-6,509
Joint ventures:		
Sales of goods and services to Joint ventures	15	6
Leasing income or expense	-2	-

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

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

Key management personnel

Key management personnel includes the Board of Directors, the Executive Board and other executive employees. Other executive employees comprise 9 employees end 2015 and 7 employees end 2014. The key management personnel remuneration is shown below:

	2015	2014
Short-term employee benefits	57	44
Post-employment benefits - defined contribution plans	3	2
Total remuneration	60	46

The Executive Board and other executive employees participate in bonus plans, in which the bonus is dependent on profit for the year and other conditions. Furthermore, the Executive Board and other executive employees have been granted an incentive scheme under which a cash bonus may be paid based upon performance of the Group over the period 2014 – 2018. The cash amount is variable with performance and is expected at approximately one year's salary. The estimated amount related to past services is accrued in the financial statements.

The total remuneration of the Board of Directors and the Executive Board amounts to DKK 22 million. In 2014 remuneration of the Executive Board was not disclosed in accordance with section 98b(3) of the Danish Financial Statements Act.

Notes to the consolidated financial statements

DKK million

26 Business combinations

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

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

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

As at the 21 December 2015 the previous sister company F. Salling A/S became a subsidiary of Dansk Supermarked A/S by a non-cash contribution in which the share capital in Dansk Supermarked A/S was increased. The previous owners of F. Salling A/S, F. Salling Holding A/S and A.P. Møller Mærsk A/S, received the increased share capital in Dansk Supermarked A/S. The transaction is accounted for as a business combination between entities under common control and is recognised using the pooling of interests method. As a consequence the consolidated financial statements including all comparison figures are presented as if the entities had always been combined. All financial information for periods prior to the date of the combination is restated accordingly.

During 2014 no business combinations took place.

27 Capital management

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

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

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

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

Notes to the consolidated financial statements

DKK million

28 Events after the reporting period

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

29 Standards issued but not yet effective

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

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

Parent company income statement

DKK million

Notes		2015	2014
	Net revenue	38,936	39,027
	Other revenue	143	122
4	Total revenue	39,079	39,149
	Cost of sales	-27,974	-27,884
	Gross profit	11,105	11,265
5	Staff expenses	-5,161	-5,216
	External expenses	-4,678	-4,623
	Depreciation, amortisation and impairment losses	-367	-392
	Net loss on disposal of property, plant and equipment	-2	-
	Operating profit (EBIT)	897	1,034
11	Share of profit/loss of subsidiaries, net of tax	1,239	1,038
12	Share of profit/loss of joint ventures, net of tax	-82	-29
6	Financial income	127	120
7	Financial expenses	-265	-81
	Profit before tax	1,916	2,082
8	Income tax	-182	-263
	Total profit for the year	1,734	1,819
	Proposal for distribution of profit for the year:		
	Proposed dividends	2,700	-
	Reserve for net revaluation under the equity method	1,103	1,001
	Retained earnings	-2,069	818
	Total profit for the year	1,734	1,819

Parent company statement of other comprehensive income

DKK million

Notes		2015	2014
	Profit for the year	1,734	1,819
	Other comprehensive income, net of income tax:		
	Items that will not be reclassified to the income statement:		
8	Remeasurement of defined benefit plans	5	-33
		5	-33
	Items that are or may be reclassified subsequently to the income statement:		
11,12	Exchange differences on translating foreign operations	51	-127
11,12	Other comprehensive income to be reclassified in subsidiaries and joint ventures	31	-166
		82	-293
	Other comprehensive income for the year, net of income tax	87	-326
	Total comprehensive income for the year	1,821	1,493

Parent company statement of financial position

DKK million

Assets

Notes		2015	2014	1 January 2014
	Non-current assets			
9	**Intangible assets**			
	Goodwill	18	18	18
	Software	1,008	1,089	511
	Software development in progress	158	28	560
	Other intangible assets	7	8	10
	Total intangible assets	1,191	1,143	1,099
10	**Property, plant and equipment**			
	Fixtures and fittings, tools and equipment	1,005	948	932
	Leasehold improvements	116	125	125
	Assets under construction and prepayments	17	16	-
	Total property, plant and equipment	1,138	1,089	1,057
	Financial assets			
11	Investments in subsidiaries	13,446	11,954	15,718
12	Investments in joint ventures	113	44	-
13	Other non-current financial assets	143	175	-
	Total financial assets	13,702	12,173	15,718
	Total non-current assets	**16,031**	**14,405**	**17,874**
	Current assets			
15	**Inventories**	3,489	3,551	3,229
	Receivables			
13	Trade receivables	44	77	57
	Income tax receivables	-	30	-
13	Other receivables	230	97	100
	Prepayments	73	70	36
13	Other current financial assets	1,438	1,797	8,370
	Total receivables	1,785	2,071	8,563
13	**Securities**	3,960	4	69
13	**Cash and short-term deposits**	1,426	1,290	681
	Total current assets	**10,660**	**6,916**	**12,542**
	Total assets	**26,691**	**21,321**	**30,416**

Parent company statement of financial position

DKK million

Notes	Equity and liabilities	2015	2014	1 January 2014
16	**Equity**			
	Share capital	524	500	500
	Reserve for net revaluation under the equity method	2,864	1,880	4,245
	Foreign currency translation reserve	-76	-127	-
	Retained earnings	2,511	4,449	1,775
	Proposed dividends	2,700	-	17,615
	Total equity	**8,523**	**6,702**	**24,135**
	Liabilities			
	Non-current liabilities			
17	Pensions	286	304	270
14	Deferred tax liabilities	137	94	25
18	Provisions	157	148	154
13	Other non-current financial liabilities	2,189	426	-
	Total non-current liabilities	2,769	972	449
	Current liabilities			
18	Provisions	14	17	107
13	Bank loans	-	-	1
13	Other current financial liabilities	8,184	7,273	250
13	Trade payables	5,511	4,669	3,651
	Income tax payable	-	-	179
13	Other payables	1,666	1,676	1,633
	Deferred income	24	12	11
	Total current liabilities	15,399	13,647	5,832
	Total liabilities	**18,168**	**14,619**	**6,281**
	Total equity and liabilities	**26,691**	**21,321**	**30,416**

Parent company cash flow statement

DKK million

Notes		2015	2014
	Profit before tax	1,916	2,082
19	Adjustments	-591	-790
20	Change in working capital	803	689
	Net cash flows from operating activities before financial items and tax	2,128	1,981
	Financial income received	127	120
	Financial expenses paid	-265	-81
	Income tax paid	-103	-395
	Net cash flows from operating activities	1,887	1,625
	Purchase of intangible assets	-191	-163
	Purchase of property, plant and equipment	-275	-306
	Proceeds from sale of property, plant and equipment	-	1
	Acquisition of subsidiaries, net of cash received	-324	-
	Capital contribution, joint ventures	-147	-74
	Dividends received	150	3,200
	Purchase of securities	-6,536	-
	Sale of securities	2,582	65
	Net cash flows from investment activities	-4,741	2,723
	Loan repayments from related parties	3,000	13,887
	Repayment of borrowings to related parties	-10	-10
	Dividends paid	-	-17,615
	Net cash flows from financing activities	2,990	-3,738
	Net change in cash and cash equivalents	136	610
	Cash and cash equivalents at 1 January	1,290	680
21	Cash and cash equivalents at 31 December	1,426	1,290

Parent company statement of changes in equity

DKK million

	Share capital	Reserve for net revaluation under the equity method	Foreign currency translation reserve	Retained earnings	Proposed dividends	Total equity parent company
Equity at 1 January 2014	500	4,245	-	187	17,615	22,547
Recognition of F. Salling A/S due to pooling of interests				1,588		1,588
Equity at 1 January 2014 including F. Salling A/S	500	4,245	-	1,775	17,615	24,135
Profit for the year		1,001		818		1,819
Remeasurement of defined benefit plans				-33		-33
Exchange differences on translating foreign operations			-127			-127
Other comprehensive income to be reclassified in subsidiaries		-166				-166
Other comprehensive income		-166	-127	-33	-	-326
Total comprehensive income for the year		835	-127	785	-	1,493
Dividends received from subsidiaries		-3,200		3,200		-
Payment of dividends					-17,615	-17,615
F. Salling A/S payment of dividends to external shareholders				-1,311		-1,311
Total transactions with owners	-	-3,200	-	1,889	-17,615	-18,926
Equity at 31 December 2014	500	1,880	-127	4,449	-	6,702

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

Parent company statement of changes in equity

DKK million

	Share capital	Reserve for net revaluation under the equity method	Foreign currency translation reserve	Retained earnings	Proposed dividends	Total equity parent company
Equity at 1 January 2015	500	1,880	-127	4,449	-	6,702
Profit for the year		1,103		631		1,734
Remeasurement of defined benefit plans				5		5
Exchange differences on translating foreign operations			51			51
Other comprehensive income to be reclassified in subsidiaries		31				31
Other comprehensive income		31	51	5	-	87
Total comprehensive income for the year		1,134	51	636	-	1,821
Issue of share capital regarding the non-cash contribution of F. Salling A/S	24			-24		-
Proposed dividends				-2,700	2,700	-
Dividends received from subsidiaries		-150		150		-
Total transactions with owners	24	-150	-	-2,574	2,700	-
Equity at 31 December 2015	524	2,864	-76	2,511	2,700	8,523

Summary of notes to the parent company financial statements

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

Notes to the income statement

4 Total revenue
5 Staff expenses
6 Financial income
7 Financial expenses
8 Income tax

Notes to the balance sheet

9 Intangible assets
10 Property, plant and equipment
11 Investments in subsidiaries
12 Investments in joint ventures
13 Financial assets and financial liabilities
14 Deferred tax
15 Inventories
16 Equity
17 Pensions
18 Provisions

Notes to the cash flow statement

19 Adjustments
20 Change in working capital
21 Cash and cash equivalents

Other notes

22 Contingent liabilities and other financial commitments
23 Related party disclosures
24 Business combinations
25 Capital management
26 Events after the reporting period
27 Standards issued but not yet effective

Notes to the parent company financial statements

DKK million

1 General information

Dansk Supermarked A/S' primary business area is retailing in Denmark via the concepts Bilka, føtex and Netto. Dansk Supermarked A/S is also involved in e-commerce both via Bilka.dk and føtex.dk.

Dansk Supermarked A/S also owns a number of subsidiaries in Denmark and abroad and a joint venture in the UK.

As at the 21 December 2015 the previous sister company F. Salling A/S became a subsidiary to Dansk Supermarked A/S by a non-cash contribution in which the share capital in Dansk Supermarked A/S was increased. The transaction is accounted for by the pooling of method in which comparative amounts are restated as if F. Salling A/S had always been a subsidiary.

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

2 Summary of significant accounting policies

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

Investments in subsidiaries are recognised according to the equity method in the parent company's separate financial statements. As a consequence of this policy combined with the fact that the non-cash contribution of F. Salling A/S is a business combination between entities under common control, and as the business combination is recognised using the pooling of interests method the parent company's separate financial statements including all comparison figures are presented as if F. Salling A/S had always been a subsidiary of Dansk Supermarked A/S. All financial information for periods prior to the date of the combination is restated accordingly. Please refer to the reconciliation below for an overview of the effect on the equity as at 1 January 2014, total profit for the year for 2014 and the equity as at 31 December 2014.

Transition to IFRS

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

The amendment to IAS 27: Equity Method in Separate Financial Statements has been applied before effective date. The consequence of the amendment is that investments in subsidiaries are recognised according to the equity method in the parent company's separate financial statements.

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

Notes to the parent company financial statements

DKK million

2 Summary of significant accounting policies - continued

		Parent company amounts			
		1 January 2014	2014		31 December 2014
	Comments	Equity	Total profit for the year	Other comprehensive income	Equity
Dansk Supermarked A/S determined in accordance with the Danish Financial Statements Act		22,570	1,745	-	6,407
Amortisation of goodwill	1		5		5
Provision for jubilee benefits	2	-30			-30
Remeasurement of defined benefit plans	5		42	-42	
Tax effect of adjustments	6	7	-10	9	6
Amortisation of goodwill included in share of profit/loss of subsidiaries, net of tax	1		29		29
Exchange differences on translation of foreign operations	3			-127	
Other comprehensive income to be reclassified in subsidiaries and joint ventures	4			-166	
Dansk Supermarked A/S determined in accordance with IFRS		22,547	1,811	-326	6,417

For a description of the comments to the reconciliation of the parent company equity as at 1 January 2014 and 31 December 2014, and total comprehensive income for the year ended 31 December 2014 please refer to note 2 in the notes to the consolidated financial statements.

The reconciliation below shows the effect of the non-cash contribution of F. Salling A/S.

	Parent company amounts			
	1 January 2014	2014		31 December 2014
	Equity	Total profit for the year	Other comprehensive income	Equity
Dansk Supermarked A/S determined in accordance with IFRS	22,547	1,811	-326	6,417
Recognition of the non-cash contribution of F. Salling A/S under the pooling of interests method	1,588	8	-	285
Dansk Supermarked Group determined in accordance with IFRS including F. Salling A/S	24,135	1,819	-326	6,702

Notes to the parent company financial statements

DKK million

	2015	2014
3 Significant accounting judgements, estimates and assumptions		

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

4 Total revenue	2015	2014
Revenue from the sale of goods	38,936	39,027
Total net revenue	38,936	39,027
Other revenue	143	122
Total other revenue	143	122
Total revenue	39,079	39,149

5 Staff expenses	2015	2014
Wages and salaries incl. termination benefits	4,602	4,684
Post-employment benefits – defined contribution plans	328	282
Post-employment benefits – defined benefit plans	3	7
Social security costs	114	122
Other staff expenses	114	121
Total staff expenses	5,161	5,216
Average number of full-time employees	16,320	16,784

6 Financial income	2015	2014
Interest income on loans to related parties	31	53
Interest income on other loans and receivables	1	4
Net gain on derivatives not designated as hedges	-	24
Net gain on financial instruments held for trading	27	22
Net foreign exchange gain	68	17
Total financial income	127	120

7 Financial expenses	2015	2014
Interest expense on bank loans	3	6
Interest expense on loans from related parties	143	73
Net loss on derivatives not designated as hedges	101	-
Other financial expenses	18	2
Total financial expenses	265	81

Notes to the parent company financial statements

DKK million

		2015	2014
8	**Income tax**		
	Current income tax	-132	-184
	Adjustment regarding prior years, current income tax	-8	-1
	Change in deferred tax	-53	-73
	Adjustment regarding prior years, deferred tax	8	4
	Adjustment of deferred tax at the beginning of the year due to a change in the corporation tax rate from 25% to 22% (during 2014 - 2016)	2	-
	Total income tax	-183	-254
	Income tax recognised in the income statement	-182	-263
	Income tax recognised in other comprehensive income	-1	9
	Total income tax	-183	-254

Reconciliation of income tax recognised in the income statement

	2015		2014	
	DKK	%	DKK	%
Tax on result for the year at the Danish income tax rate	-450	23.5 %	-510	24.5 %
Non-deductible costs	-25	1.3 %	-11	0.5 %
Non-taxable income	291	-15.1 %	254	-12.3 %
Change in tax rates	2	-0.2 %	-	0.0 %
Adjustment to prior periods	-	0.0 %	3	-0.1 %
Other	-	0.0 %	1	0.0 %
Income tax recognised in the income statement	-182	9.5 %	-263	12.6 %

Tax on other comprehensive income

	2015			2014		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Remeasurement of defined benefit plans	6	-1	5	-42	9	-33
	6	-1	5	-42	9	-33

Notes to the parent company financial statements

DKK million

9 Intangible assets

2014:

	Goodwill	Software	Software develop-ment in progress	Other in-tangible assets	Total
Cost					
Balance at 1 January 2014	18	751	560	10	1,339
Additions	-	-	163	-	163
Reclassifications	-	695	-695	-	-
Balance at 31 December 2014	18	1,446	28	10	1,502
Accumulated amortisation and impairment losses					
Balance at 1 January 2014		-240		-	-240
Amortisation		-117		-2	-119
Balance at 31 December 2014	-	-357	-	-2	-359
Carrying amount at 31 December 2014	18	1,089	28	8	1,143

2015:

	Goodwill	Software	Software develop-ment in progress	Other in-tangible assets	Total
Cost					
Balance at 1 January 2015	18	1,446	28	10	1,502
Additions	-	33	157	1	191
Reclassifications	-	26	-27	-	-1
Balance at 31 December 2015	18	1,505	158	11	1,692
Accumulated amortisation and impairment losses					
Balance at 1 January 2015		-357		-2	-359
Amortisation		-140		-2	-142
Balance at 31 December 2015	-	-497	-	-4	-501
Carrying amount at 31 December 2015	18	1,008	158	7	1,191

Notes to the parent company financial statements

DKK million

10 Property, plant and equipment

2014:	Fixtures and fittings, tools and equipment	Leasehold improve-ments	Assets under construction	Total
Cost				
Balance at 1 January 2014	3,109	668	-	3,777
Additions	275	15	16	306
Disposals	-128	-1	-	-129
Balance at 31 December 2014	3,256	682	16	3,954
Accumulated depreciation and impairment losses				
Balance at 1 January 2014	-2,177	-543	-	-2,720
Depreciation	-258	-15	-	-273
Disposals	127	1	-	128
Balance at 31 December 2014	-2,308	-557	-	-2,865
Carrying amount at 31 December 2014	948	125	16	1,089

2015:	Fixtures and fittings, tools and equipment	Leasehold improve-ments	Assets under construction	Total
Cost				
Balance at 1 January 2015	3,256	682	16	3,954
Additions	256	4	15	275
Reclassifications	9	6	-14	1
Disposals	-86	-14	-	-100
Balance at 31 December 2015	3,435	678	17	4,130
Accumulated depreciation and impairment losses				
Balance at 1 January 2015	-2,308	-557	-	-2,865
Depreciation	-208	-16	-	-224
Disposals	87	11	-	98
Impairment losses recognised in the income statement	-1	-	-	-1
Balance at 31 December 2015	-2,430	-562	-	-2,992
Carrying amount at 31 December 2015	1,005	116	17	1,138

Notes to the parent company financial statements

DKK million

	2015	2014
11 Investments in subsidiaries		
Cost		
Balance at 1 January	10,171	9,885
Recognition of F. Salling due to pooling of interests	-	1,588
Adjusted balance at 1 January	10,171	11,473
Profit for the year, F. Salling A/S	54	8
Dividends, F. Salling A/S	-	-1,311
Additions	325	1
Balance at 31 December	10,550	10,171
Value adjustments		
Balance at 1 January	1,783	4,245
Dividends	-150	-3,200
Foreign currency translation	47	-126
Other comprehensive income for the year	31	-166
Profit for the year	1,185	1,030
Balance at 31 December	2,896	1,783
Carrying amount at 31 December	13,446	11,954

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

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

12 Investments in joint ventures

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

	2015	2014
Cost		
Balance at 1 January	74	-
Additions	147	74
Balance at 31 December	221	74
Value adjustments		
Balance at 1 January	-30	-
Foreign currency translation	4	-1
Profit for the year	-82	-29
Balance at 31 December	-108	-30
Carrying amount at 31 December	113	44

Specification of investments in joint ventures:

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

Notes to the parent company financial statements

DKK million

13 Financial assets and financial liabilities

Financial assets comprise the following:

	Carrying amount		Fair value	
	2015	2014	2015	2014
Derivatives not designated as hedges	143	175	143	175
Other non-current financial assets	143	175	143	175
Trade receivables	44	77	44	77
Other receivables	230	97	230	97
Receivables from subsidiaries	1,358	1,702	1,358	1,702
Receivables from joint ventures	15	10	15	10
Receivables from other related parties	5	-	5	-
Derivatives not designated as hedges	60	85	60	85
Other current financial assets	1,438	1,797	1,438	1,797
Securities	3,960	4	3,960	4
Cash and short-term deposits	1,426	1,290	1,426	1,290

Financial liabilities comprise the following:

	Carrying amount		Fair value	
	2015	2014	2015	2014
Payables to entities with significant influence	256	251	256	251
Payables to subsidiaries	1,785	-	1,785	-
Derivatives not designated as hedges	143	175	143	175
Other non-current financial liabilities	5	-	5	-
Other non-current financial liabilities	2,189	426	2,189	426
Payables to subsidiaries	8,092	7,218	8,092	7,218
Derivatives not designated as hedges	91	55	91	55
Other current financial liabilities	1	-	1	-
Other current financial liabilities	8,184	7,273	8,184	7,273
Trade payables	5,511	4,669	5,511	4,669
Other payables	1,666	1,676	1,666	1,676

DKK million

	2015	2014
13 Financial assets and financial liabilities - continued		
Financial instruments by category:		
Loans and receivables:		
Trade receivables	44	77
Other receivables	230	97
Other financial assets excluding derivatives	1,378	1,712
Cash and short-term deposits	1,426	1,290
Financial assets at fair value through profit or loss:		
Derivatives not designated as hedges	203	260
Financial assets at fair value through profit or loss, held for trading:		
Securities	3,960	4
Financial liabilities measured at amortised cost:		
Other financial liabilities excluding derivatives	10,139	7,469
Trade payables	5,511	4,669
Other payables	1,666	1,676
Financial liabilities at fair value through profit or loss:		
Derivatives not designated as hedges	234	230

Hedge accounting:

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

Fair value:

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

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

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

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

Notes to the parent company financial statements

DKK million

13 Financial assets and financial liabilities - continued

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

Risks arising from financial instruments:

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

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

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

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

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

31 December 2015	EUR/DKK	GBP/DKK	PLN/DKK	SEK/DKK	USD/DKK
Financial assets	121	3	137	67	28
Financial liabilities	-	-	-	-	-
Derivatives	-336	318	-889	-487	683
Net external exposures	-215	321	-752	-420	711
Net external exposure from financial activity	-186	-143	894	419	-
Known USD purchase orders	-	-	-	-	-396
Netto UK Ltd. capital injection	-	-174	-	-	-
Net exposures	-401	4	142	-1	315
The net exposure relates to:					
Hedging of expected commercial cash flows where hedge accounting is not used	-401	4	142	-1	315
Applied sensitivity	1 %	5 %	5 %	5 %	5 %
Impact on the income statement	-4	-	7	-	16

Notes to the parent company financial statements

DKK million

13 Financial assets and financial liabilities - continued

31 December 2014	EUR/DKK	GBP/DKK	PLN/DKK	SEK/DKK	USD/DKK
Financial assets	-	-	-	25	11
Financial liabilities	-3	-	-	-	-
Derivatives	-199	134	-767	-599	392
Net external exposures	-202	134	-767	-574	403
Net external exposure from financial activity	145	-134	878	576	-
Known USD purchase orders	-	-	-	-	-317
Net exposures	-57	-	111	2	86
The net exposure relates to:					
Hedging of expected commercial cash flows where hedge accounting is not used	-57	-	111	2	86
Applied sensitivity	1 %	5 %	5 %	5 %	5 %
Impact on the income statement	-1	-	6	-	-1

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

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

A general increase of 1 %-points in interest rates is estimated, all other things being equal, to affect profit before tax and pre-tax profit by DKK -21 million (DKK -6 million in 2014).

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

31 December 2015	Carrying amount	Sensitivity	Profit before tax	Pre-tax equity
Financial assets	5,338	1 %	-2	-2
Financial liabilities	10,133	1 %	-19	-19
Impact			-21	-21

31 December 2014	Carrying amount	Sensitivity	Profit before tax	Pre-tax equity
Financial assets	1,716	1 %	22	22
Financial liabilities	7,469	1 %	-28	-28
Impact			-6	-6

Notes to the parent company financial statements

DKK million

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

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

		Next interest rate fixing		
31 December 2015	Carrying amount	Within 1 year	1 to 5 years	After 5 years
0 - 2 %	8,339	8,092	247	-
2 - 4 %	1,794	-	-	1,794
Total	10,133	8,092	247	1,794
Of which:				
Bearing fixed interest	20 %			
Bearing floating interest	80 %			

		Next interest rate fixing		
31 December 2014	Carrying amount	Within 1 year	1 to 5 years	After 5 years
0 - 2 %	7,469	7,222	247	-
2 - 4 %	-	-	-	-
Total	7,469	7,222	247	-
Of which:				
Bearing fixed interest	3 %			
Bearing floating interest	97 %			

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

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

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

Notes to the parent company financial statements

DKK million

13 Financial assets and financial liabilities - continued

31 December 2015	Within 1 year	1 to 5 years	After 5 years
Trade and other payables	8,093	2,046	-
Derivatives	63	334	267
Total	8,156	2,380	267

31 December 2014	Within 1 year	1 to 5 years	After 5 years
Trade and other payables	7,218	251	-
Derivatives	40	211	262
Total	7,258	462	262

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

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

The parent company is exposed to credit risks from trade receivables, balances with banks in the form of deposits and other financial instruments. The majority of the parent company's sales are made in cash, and therefore, the credit risks are very low. The parent company reduces its credit risks with banks by only doing business with banks with high credit ratings. Moreover, excess liquidity is deposited with banks or placed in liquid government and mortgage bonds with a rating of minimum Aa2. The overall duration of the bond portfolio will typically low, currently 2.2.

	2015	2014
The table below summarises the ageing analysis of trade receivables, which are not impaired:		
Not due	26	58
< 30 days past due	6	14
30 to 90 days past due	7	3
90 to 180 days past due	-	1
> 180 days past due	5	1
Total	44	77

Notes to the parent company financial statements

DKK million

14 Deferred tax

Deferred tax relates to the following:

	Parent company income statement		Parent company statement of financial position	
	2015	2014	2015	2014
Intangible assets	14	34	261	247
Property, plant and equipment	26	24	-24	-50
Provisions	11	19	-62	-74
Other	-9	1	-38	-29
Deferred tax expense/(income) / Net deferred tax	42	78	137	94

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

	2015	2014
Deferred tax liabilities	137	94
Net deferred tax	137	94

Reconciliation of net deferred tax:

	2015	2014
Opening balance at 1 January	94	25
Adjustment of deferred tax recognised in the income statement	42	78
Adjustment of deferred tax recognised in other comprehensive income	1	-9
Closing balance at 31 December	137	94

15 Inventories

	2015	2014
Goods held for resale	3,467	3,529
Consumables	22	22
Total inventories	3,489	3,551

In the income statement as part of cost of sales DKK 6 million have been recognised regarding write-downs of inventories to net realisable value (an income of DKK 2 million in 2014).

DKK million

	2015	2014

16 Equity

In 2015 an issue of share capital of DKK 1,237 million has taken place, consisting of an increase of share capital of DKK 24 million and of share premium of DKK 1,213 million. As a consequence of recognising the non-cash contribution of F. Salling A/S using the pooling of interests method in the parent company's separate financial statements a reduction of the equity has also taken place in 2015, so that the net change of the equity equals the net assets of F. Salling A/S at the point of the non-cash contribution (DKK 339 million). The changes are not visible on the parent company statement of changes in equity as the parent company equity is presented as if F. Salling A/S had always been a subsidiary of Dansk Supermarked A/S.

Share capital:

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

	2015	2014
1,048,223 shares of DKK 500 (1,000,000 shares in 2014)	524	500
Total share capital	524	500

There has been no changes to the share capital during 2011 - 2014. In 2015 48,223 new shares have been issued to F. Salling Holding A/S and A.P. Møller Mærsk A/S in connection with the non-cash contribution of F. Salling A/S. All shares have been fully paid.

Retained earnings:

During the 2015 financial year no dividend has been paid (DKK 17,615 million in 2014). A dividend for the 2015 financial year of DKK 2,700 million is proposed. Payment of dividends to shareholders does not trigger taxes for the parent company.

17 Pensions

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

Changes in the present value of the defined benefit obligation:

	2015	2014
Defined benefit obligation at 1 January	304	270
Interest expenses recognised as part of staff expenses	3	7
Actuarial gains / losses, demographic assumptions	4	3
Actuarial gains / losses, financial assumptions	-12	37
Actuarial gains / losses, experience adjustments	2	2
Payments from the plan	-15	-15
Defined benefit obligation at 31 December	286	304

DKK million

	2015	2014

17 Pensions - continued

The following significant actuarial assumptions are applied:

	2015	2014
Discount rate (%)	1.1 %	1.1 %
Price inflation (%)	1.9 %	2.2 %

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

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

	2015	2014
Discount rate:		
Increase of 0.5 % point	-15	-17
Decrease of 0.5 % point	17	18
Price inflation:		
Increase of 0.5 % point	16	18
Decrease of 0.5 % point	-15	-17

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

No contributions will be made to the plans in the future. The average duration of the defined benefit obligation as at 31 December 2015 is 35 years (36 years in 2014). DKK 15 million is expexted to be paid from the plans in 2016.

18 Provisions

2014:	Onerous contracts	Other	Total
Balance at 1 January 2014	210	51	261
Provisions made during the year	7	11	18
Provisions utilised during the year	-3	-5	-8
Reversals during the year	-96	-10	-106
Balance at 31 December 2014	118	47	165
Current	4	13	17
Non-current	114	34	148
Balance at 31 December 2014	118	47	165

Notes to the parent company financial statements

DKK million

18 Provisions - continued

2015:	Onerous contracts	Other	Total
Balance at 1 January 2015	118	47	165
Provisions made during the year	10	10	20
Provisions utilised during the year	-3	-4	-7
Reversals during the year	-1	-6	-7
Balance at 31 December 2015	124	47	171
Current	5	9	14
Non-current	119	38	157
Balance at 31 December 2015	124	47	171

The provision for onerous contacts comprises provision for leasing contracts, in which the unavoidable costs of meeting the obligations under the contracts exceed the economic benefits expected to be received under them. The provision is calculated as the least net cost of exiting from the contracts, which is the lower of the cost of fulfilling the contracts and any compensation or penalties arising from failure to fulfil them. The provision is discounted based on periods covered by the contracts, and DKK 105 million is expected to fall due after more than 5 years (DKK 108 million in 2014). The majority of the provision relates to leasing contracts signed with companies within the Købmand Herman Sallings Fond Group.

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

19 Adjustments

	2015	2014
Financial income	-127	-120
Financial expenses	265	81
Amortisation and impairment of intangible assets	142	119
Depreciation and impairment of property, plant and equipment	224	273
Gain on sale of non-current assets, etc., net	2	-
Share of profit/loss of subsidiaries, net of tax	-1,239	-1,038
Share of profit of joint ventures, net of tax	82	29
Other adjustments	60	-134
Adjustments	-591	-790

Notes to the parent company financial statements

DKK million

		2015	2014
20	**Change in working capital**		
	Change in trade and other receivables and prepayments	-103	-51
	Change in inventories	62	-322
	Change in trade and other payables	844	1,062
	Change in working capital	803	689
21	**Cash and cash equivalents**		
	Cash and bank balances	1,426	1,290
	Cash and cash equivalents available to the parent company	1,426	1,290

22 Contingent liabilities and other financial commitments

Operating leases, the parent company is lessee:

The parent company has entered into operating leases with external parties regarding a number of stores, warehouses and some operational equipment. The leases have terms of between 1 month and 14 years. Under some of the leases the parent company has the option to continue the lease of the assets beyond the agreed upon lease terms. The lease arrangements imposes no restrictions on the parent company.

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

	2015	2014
Within 1 year	268	232
1 to 5 years	337	172
After 5 years	49	66
Total	654	470
Future minimum sublease payments expected to be received under non-cancellable subleases	13	2
Minimum lease payments recognised as operating lease expenses	281	279
Sublease payments recognised as a reduction of operating lease expenses	3	-

The parent company has also entered into a number of operating leases with terms of up to 20 years with companies within the Købmand Herman Sallings Fond Group, in which the future minimum rentals payable amount to DKK 6 billion (DKK 6 billion in 2014). Minimum lease payments recognised as an operating lease expense amount to DKK 1,176 million (DKK 1,156 million in 2014).

DKK million

22 Contingent liabilities and other financial commitments - continued

Operating leases, the parent company is lessor:

The parent company leases a number of properties, shops and flats as operating leases to external parties. The leases have terms of between 4 months and 6 years.

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

	2015	2014
Within 1 year	3	1
1 to 5 years	10	1
Total	13	2

Other contingent liabilities and financial commitments:

The parent company has entered into contractual commitments regarding acquisition and construction of property, plant and equipment of a total of DKK 2 million (DKK 0 million in 2014).

The parent company has entered into contractual commitments regarding acquisition of intangible assets of a total of DKK 0 million (DKK 26 million in 2014).

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

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

Guarantees of DKK 13.500 million have been provided to credit institutions regarding related parties' mortgage loans (DKK 11.913 million in 2014).

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

DKK million

	2015	2014
23 Related party disclosures		

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

	2015	2014
Entities with controlling influence over the parent company:		
Purchase of goods and services from entities with controlling influence	-	-27
Interests received or paid	-	2
Dividend paid	-	-11,922
Donations from Købmand Herman Sallings Fond	12	5
Entities with significant influence over the parent company:		
Leasing income or expense	-25	-24
Interests received or paid	-5	-4
Dividend paid	-	-5,693
Subsidiaries:		
Sales of goods and services	171	154
Purchase of goods and services	-26	-12
Leasing income or expense	-1,151	-1,132
Interests received or paid	-107	-18
Dividend received	150	3,200
Joint ventures:		
Sales of goods and services	15	6
Leasing income or expense	-1	-

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

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

Any guarantees Dansk Supermarked A/S has provided for associates are listed in note 22.

Key management personnel

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

24 Business combinations

For a description of the business combinations during 2015 please refer to note 26 in the notes to the consolidated financial statements.

During 2014 no business combinations took place.

Notes to the parent company financial statements

DKK million

25 Capital management

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

26 Events after the reporting period

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

27 Standards issued but not yet effective

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

Dansk Supermarked Group

Dansk Supermarked Group
Rosbjergvej 33
8220 Brabrand
+45 8778 5000
dansksupermarked.com