Dansk Supermarked A/S

Rosbjergvej 33
DK-8220 Brabrand

Annual report

2016

CVR no. 35 95 47 16

The Annual Report has been presented and approved on the company's annual general meeting at / 2017

Chair

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Financial highlights for the Group

DKK million

	2016	2015	2014 *)	2013 **)	2012 **)
Net revenue	57,582	57,148	56,816	56,607	55,367
Total revenue	57,899	57,474	57,156	56,941	55,702
Operating profit (EBIT)	2,164	2,558	2,430	2,385	1,661
Net financial items	-196	-226	-52	141	259
Total profit for the year	1,322	1,739	1,819	1,922	1,400
Total assets	31,871	32,467	28,596	36,309	33,931
Total equity	6,733	8,513	6,702	24,158	22,766
Purchase of property, plant and equipment	1,070	912	1,095	1,726	2,052
Profit margin	3.7 %	4.5 %	4.3 %	4.2 %	3.0 %
Return on equity	17.3 %	22.9 %	11.8 %	8.2 %	6.2 %

Definitions:

Profit margin is operating profit divided by total revenue.

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

*) The main and key figures for the financial year 2014 have not been adjusted to reflect the changes to the accounting principles applied regarding insurance provisions. Please refer to note 2.

**) The main and key figures for the financial years 2012 and 2013 have not been adjusted to reflect the changes to the accounting principles applied resulting from the transition to IFRS in 2015 or the changes to the accounting principles applied regarding insurance provisions.

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, Salling.dk, føtex.dk and wupti.com. Furthermore the Group also operates franchises in Denmark including Starbucks and Carl's Jr. In Germany, Poland and Sweden 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 2016. The market was characterised by strong competition and continued price sensitive consumers. The discount segment accounts for more than 40 % of the market for fast moving consumer goods in Denmark with several discount banners opening 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 2016 and the first months of 2017.

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

Dansk Supermarked Group including food and non-food overall maintained its market share in Denmark despite fierce competition and grew sales in Denmark by 536 million.

Structural development

In 2015 the acquisitions of online companies Wupti.com and iPosen.dk were conducted. Legal mergers with the companies took place 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).

The total revenue for 2016 amounts to DKK 57,899 million, an increase of DKK 425 million compared to 2015. The expansion continued with the opening of 26 new stores. During the year Dansk Supermarked Group closed 20 stores and 26 døgnNetto stores were converted to Netto or føtex food stores.

Profit before tax is DKK 1,763 million. In 2015 Profit before tax amounted to DKK 2,250 million. The result is in line with the expectations for the year.

Cash flows from operating activities amount to DKK 4,434 million (DKK 3,420 million in 2015). Cash flows from investment activities were DKK -1,600 million (DKK -5,174 million in 2015) A part of investment activities is related to investments in securities. In 2016 net investments in securities amount to DKK -414 million. In 2015 the net investments in securities amounted to DKK -3,847 million.

Employees

As at 31 December 2016 the Dansk Supermarked Group employed 51,202 employees against 50,553 as at 31 December 2015. Converted into the average number of full time employees this equals 26,568 in 2016 (26,119 in 2015).

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 2016 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://dscomprodstorage.blob.core.windows.net/media/29976/csr-report-2016.pdf

Particular risks

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

Expected development

The result before tax for 2017 is expected to be in line with 2016.

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 2016.

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 give a true and fair view of the Group's and the company's assets, liabilities and financial position at 31 December 2016 and of the results of the Group's and the company's operations and cash flows for the financial year 1 January – 31 December 2016.

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, 21 March 2017

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

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 2016, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flow 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.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the parent company at 31 December 2016 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 2016 in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

Based on the work we have performed, we concluded that the Management's review is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatements of the Management's review.

Management's responsibilities 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 as 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.

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements

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

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

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

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

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

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

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

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

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

Aarhus, 21 March 2017

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

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

Consolidated income statement

DKK million

Notes		2016	2015
	Net revenue	57,582	57,148
	Other revenue	317	326
4	Total revenue	57,899	57,474
	Cost of sales	-42,589	-42,242
	Gross profit	15,310	15,232
5	Staff expenses	-6,892	-6,786
6	External expenses	-5,412	-5,310
	Depreciation, amortisation and impairment losses	-929	-831
	Net gain on disposal of investment property, property, plant and equipment and intangible assets	87	253
	Operating profit (EBIT)	2,164	2,558
13	Share of profit/loss of joint ventures, net of tax	-205	-82
7	Financial income	115	85
8	Financial expenses	-311	-311
	Profit before tax	1,763	2,250
9	Income tax	-441	-511
	Total profit for the year	1,322	1,739

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

Consolidated statement of other comprehensive income

DKK million

Notes		2016	2015
	Profit for the year	1,322	1,739
	Other comprehensive income, net of income tax:		
	Items that will not be reclassified to the consolidated income statement:		
9	Remeasurement of defined benefit plans	-13	5
		-13	5
	Items that are or may be reclassified subsequently to the consolidated income statement:		
9	Exchange differences on translating foreign operations	-229	51
9	Cash flow hedges, value adjustment for the year	-211	-11
9	Cash flow hedges, reclassified to financial expenses	51	42
		-389	82
	Other comprehensive income for the year, net of income tax	-402	87
	Total comprehensive income for the year	920	1,826

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		2016	2015
	Non-current assets		
10	**Intangible assets**		
	Goodwill	309	310
	Software	1,027	1,029
	Software development in progress	145	158
	Brands	65	73
	Other intangible assets	9	8
	Total intangible assets	1,555	1,578
11	**Property, plant and equipment**		
	Land and buildings	16,169	16,353
	Fixtures and fittings, tools and equipment	1,702	1,517
	Leasehold improvements	324	309
	Assets under construction and prepayments	111	81
	Total property, plant and equipment	18,306	18,260
12	**Investment property**	424	419
	Financial assets		
13	Investments in joint ventures	32	113
14	Other non-current financial assets	-	12
	Total financial assets	32	125
15	**Deferred tax assets**	186	246
	Total non-current assets	**20,503**	**20,628**
	Current assets		
16	**Inventories**	4,727	4,969
	Receivables		
14	Trade receivables	204	111
	Income tax receivables	20	65
14	Other receivables	500	495
	Prepayments	71	140
14	Other current financial assets	5	30
	Total receivables	800	841
14	**Securities**	4,718	4,304
14	**Cash and short-term deposits**	1,118	1,689
17	**Assets classified as held for sale**	5	36
	Total current assets	**11,368**	**11,839**
	Total assets	**31,871**	**32,467**

Consolidated statement of financial position

DKK million

Equity and liabilities

Notes		2016	2015
	Equity		
	Share capital	524	524
	Retained earnings	6,659	5,500
	Cash flow hedge reserve	-295	-135
	Foreign currency translation reserve	-305	-76
	Proposed dividends	150	2,700
	Total equity	**6,733**	**8,513**
	Liabilities		
	Non-current liabilities		
18	Pensions	291	286
15	Deferred tax liabilities	407	353
19	Provisions	143	164
14	Mortgage loans	12,362	12,999
14	Other non-current financial liabilities	309	395
	Total non-current liabilities	13,512	14,197
	Current liabilities		
19	Provisions	59	40
14	Mortgage loans	126	95
14	Bank loans	1	104
14	Other current financial liabilities	404	171
14	Trade payables	8,755	7,209
	Income tax payable	6	11
14	Other payables	2,251	2,103
	Deferred income	24	24
	Total current liabilities	11,626	9,757
	Total liabilities	**25,138**	**23,954**
	Total equity and liabilities	**31,871**	**32,467**

Consolidated cash flow statement

DKK million

Notes		2016	2015
	Profit before tax	1,763	2,250
20	Adjustments	1,233	858
21	Change in working capital	1,874	850
	Net cash flows from operating activities before financial items and tax	4,870	3,958
	Financial income received	115	81
	Financial expenses paid	-306	-312
	Income tax paid	-245	-307
	Net cash flows from operating activities	4,434	3,420
	Purchase of intangible assets	-165	-186
	Purchase of property, plant and equipment	-1,070	-912
	Purchase of investment property	-4	-21
	Proceeds from sale of property, plant and equipment	212	263
22	Acquisition of subsidiaries, net of cash received	-	-324
	Capital contribution, joint ventures	-203	-147
	Purchase of securities	-7,965	-6,792
	Sale of securities	7,551	2,945
	Dividends received from joint venture	44	-
	Net cash flows from investment activities	-1,600	-5,174
	Loan repayments from related parties	-24	-14
	Proceeds from loans from related parties	33	16
	Proceeds from borrowings	-	2,959
	Repayment of borrowings	-606	-1,264
	Dividends paid to equity holders of the parent	-2,700	-
	Net cash flows from financing activities	-3,297	1,697
	Net change in cash and cash equivalents	-463	-57
	Cash and cash equivalents at 1 January	1,585	1,639
	Net foreign exchange difference	-5	3
23	Cash and cash equivalents at 31 December	1,117	1,585

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
Effect of changes to accounting policies		-15				-15
Adjusted equity at 1 January 2015	500	6,480	-166	-127	-	6,687
Profit for the year		-961			2,700	1,739
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	-	-956	31	51	2,700	1,826
Issue of share capital regarding the non-cash contribution of F. Salling A/S	24	-24				-
Total transactions with owners	24	-24	-	-	-	-
Equity at 31 December 2015	524	5,500	-135	-76	2,700	8,513

Consolidated statement of changes in equity

DKK million

2016:	Share capital	Retained earnings	Cash flow hedge reserve	Foreign currency translation reserve	Proposed dividends	Total equity
Equity at 1 January 2016	524	5,500	-135	-76	2,700	8,513
Profit for the year		1,172			150	1,322
Remeasurement of defined benefit plans		-13				-13
Exchange differences on translating foreign operations				-229		-229
Cash flow hedges			-211			-211
Cash flow hedges, reclassified to financial expenses			51			51
Other comprehensive income	-	-13	-160	-229	-	-402
Total comprehensive income for the year	-	1,159	-160	-229	150	920
Payment of dividends					-2,700	-2,700
Total transactions with owners	-	-	-	-	-2,700	-2,700
Equity at 31 December 2016	524	6,659	-295	-305	150	6,733

Summary of notes to the consolidated financial statements

Notes to the consolidated financial statements

DKK million

1 General information

Dansk Supermarked Group's primary business area is retailing in Denmark through the physical stores Bilka, føtex, Netto and Salling and online with Bilka.dk, Salling.dk, føtex.dk, wupti.com and føtexdagligvarer.dk. Furthermore, the Group also operates franchises in Denmark including coffee shops Starbucks and the burger restaurants Carl's Jr. In Germany, Poland and Sweden the subsidiaries in the Group operates through Netto. In UK Netto was reintroduced in 2014 through the establishment of a 50/50 joint venture with J Sainsbury PLC. During 2016 it was decided together with J Sainsbury plc. to end the joint venture as it has proven difficult to reach sufficient scale due to a lack of availability of appropriate sites.

In the financial year 2015, 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 was accounted for by the pooling of interests method in which comparative amounts were 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 2016 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.

Changes to accounting policies

A number of new, amended or revised International Financial Reporting Standards (including interpretations) issued by the International Accounting Standards Board and endorsed by the European Union have become effective on or after 1 January 2016. The Group has assessed the changes, and it has been concluded that the application of the changes has not had a material impact on the consolidated financial statements or the separate parent company financial statements in 2016, and no significant impact on future periods from the changes is expected.

The Danish Executive Order no. 560 of 1 June 2016 regarding the use of IFRSs for companies within the scope of the Danish Financial Statements Act has been implemented with effect as from 1 January 2016 resulting in the following change to recognition and measurement:

Development projects reserve: An amount equalling the amount being capitalised as development projects adjusted for the income tax effect must be recognised on an undistributable equity reserve in the separate parent company financial statements. The reserve cannot be used for dividends or for covering any deficits. When the development projects are sold or amortised the reserve is reduced accordingly by way of a transfer from the undistributable equity reserve to the distributable equity reserves. Thus, the undistributable equity reserve will not exceed the carrying amount of the development projects. Only amounts recognised as development projects as from 1 January 2016 are recognised on the undistributable equity reserve.

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

Minor changes have been made to the comparison figures due to changes in accounting policies regarding insurance provisions resulting from legislative changes for Danish insurance companies. Equity at 1 January 2015 has been decreased by DKK 15 million, provisions at 1 January 2015 have been increased by DKK 19 million and deferred tax assets at 1 January 2015 have been increased by DKK 4 million, whereas external expenses for 2015 have been decreased by DKK 6 million and total profit for 2015 have been increased by DKK 5 million. Due to the immateriality of the changes no statement of financial position as at the beginning of the preceding period is presented.

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

Basis of preparation

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

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

Basis of consolidation

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

	Share of issued share capital and voting rights	Principal place of business and country of incorporation
F. Salling A/S	100 %	Brabrand, Denmark
Dansk Supermarked Ejendomme A/S	100 %	Brabrand, Denmark
D. S. Forsikring A/S	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. As at 1 January 2016 Dansk Supermarked A/S merged with the subsidiaries wupti.com A/S and Thomberg ApS.

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

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

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 are recognised as part of external expenses.

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

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

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

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

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

Financial income and expenses
Financial income and expenses comprise interest income and expense, exchange gains and losses on transactions denominated in foreign currencies as well 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.

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

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

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

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

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

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

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

Goodwill	No amortisation
Acquired software	3 - 10 years
Internally developed software	3 - 10 years
Software development in progress	No amortisation
Brands	10 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 - 20 years

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

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

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

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

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

Investments in subsidiaries

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

Investments in joint ventures

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

Impairment testing of non-current assets

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

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

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

Non-current assets held for sale

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

Inventories

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

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

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

Trade receivables, securities and other financial assets

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

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

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

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

Prepayments
Prepayments are measured at cost price.

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

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

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

For defined benefit plans an annual actuarial calculation (Projected Unit Credit method) is made of the present value of future benefits under the defined benefit plan. The present value is determined on the basis of assumptions about the future development in variables such as salary levels, interest rates, inflation, retirement age and mortality. The actuarial present value is recognised in the statement of financial position under pension obligations. Pension costs for the year are recognised in the income statement based on actuarial estimates at the beginning of the year. Any difference between the calculated development in plan liabilities and realised amounts determined at year end constitutes actuarial gains or losses and is recognised in other comprehensive income.

Notes to the consolidated financial statements

DKK million

2 Summary of significant accounting policies - continued

Provisions

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

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

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

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

Loans, trade payables and other financial liabilities

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

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

After initial recognition, interest-bearing loans, borrowings and payables are measured at amortised cost. 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 and 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:

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

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

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

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

Notes to the consolidated financial statements

DKK million

		2016	2015
4	**Total revenue**		
	Revenue from the sale of goods	57,582	57,148
	Total net revenue	57,582	57,148
	Rental revenue, investment property	94	105
	Other rental	137	150
	Other revenue	86	71
	Total other revenue	317	326
	Total revenue	57,899	57,474
	Geographical split		
	Denmark	40,771	40,235
	Abroad	17,128	17,239
	Total revenue	57,899	57,474
5	**Staff expenses**		
	Wages and salaries incl. termination benefits	6,118	6,037
	Post-employment benefits – defined contribution plans	358	354
	Post-employment benefits – defined benefit plans	3	3
	Social security costs	413	392
	Total staff expenses	6,892	6,786
	Average number of full-time employees	26,568	26,119
6	**External expenses**		
	Fees paid to the auditors appointed at the annual general meeting:		
	Fee regarding statutory audit	2.4	2.8
	Tax assistance	0.6	0.8
	Assurance engagements	0.3	0.3
	Other assistance	1.0	1.6
	Total fee paid to the auditors appointed at the annual general meeting	4.3	5.5
7	**Financial income**		
	Interest income on loans and receivables	7	5
	Net gain on derivatives not designated as hedges	17	-
	Net gain on financial instruments held for trading	57	20
	Net foreign exchange gain	34	60
	Total financial income	115	85

Notes to the consolidated financial statements

DKK million

		2016	2015
8	**Financial expenses**		
	Interest expense on mortgage loans	202	147
	Interest expense paid to banks	11	2
	Interest expense on loans from entities with significant influence	5	5
	Ineffective portion of changes in fair value of cash flow hedges	1	-
	Cash flow hedges reclassified from other comprehensive income	65	54
	Net loss on derivatives not designated as hedges	-	88
	Other financial expenses	27	15
	Total financial expenses	311	311
9	**Income tax**		
	Current income tax	-278	-375
	Adjustment regarding prior years, current income tax	-7	-2
	Change in deferred tax	-108	-149
	Adjustment regarding prior years, deferred tax	-	2
	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	-393	-522
	Income tax recognised in the income statement	-441	-511
	Income tax recognised in other comprehensive income	48	-11
	Total income tax	-393	-522

Reconciliation of income tax recognised in the income statement

	2016		2015	
	DKK	**%**	DKK	**%**
Tax on result for the year at the Danish income tax rate	-388	22.0 %	-529	23.5 %
Non-deductible costs	-58	3.3 %	-27	1.2 %
Non-taxable income	11	-0.6 %	15	-0.7 %
Deviating tax rates in foreign operations	-10	0.6 %	1	0.0 %
Change in tax rates	-	0.0 %	2	-0.1 %
Adjustment to prior periods	-7	0.4 %	-	0.0 %
Not capitalised tax loss carry forwards	12	-0.7 %	24	-1.1 %
Other	-1	0.0 %	3	-0.1 %
Income tax recognised in the income statement	-441	25.0 %	-511	22.7 %

Notes to the consolidated financial statements

DKK million

9 Income tax - continued

Tax on other comprehensive income

	2016			2015		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Remeasurement of defined benefit plans	-17	4	-13	6	-1	5
Exchange differences on translating foreign operations	-229	-	-229	51	-	51
Cash flow hedges, value adjustment for the year	-269	58	-211	-13	2	-11
Cash flow hedges, reclassified to financial expenses	65	-14	51	54	-12	42
	-450	48	-402	98	-11	87

10 Intangible assets

2015:	Goodwill	Software	Software development in progress	Brands	Other intangible 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

2016:	Goodwill	Software	Software develop-ment in progress	Brands	Other in-tangible assets	Total
Cost						
Balance at 1 January 2016	310	1,528	158	76	12	2,084
Additions	-	26	135	-	4	165
Adjustments, acquisitions through business combinations	-1	-	-	-	-	-1
Reclassifications	-	141	-148	-	-	-7
Disposals	-	-14	-	-	-	-14
Balance at 31 December 2016	309	1,681	145	76	16	2,227
Accumulated amortisation and impairment losses						
Balance at 1 January 2016	-	-499	-	-3	-4	-506
Amortisation	-	-158	-	-8	-3	-169
Disposals	-	3	-	-	-	3
Balance at 31 December 2016	-	-654	-	-11	-7	-672
Carrying amount at 31 December 2016	309	1,027	145	65	9	1,555

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	
	2016	2015	2016	2015	2016	2015
Goodwill	178	179	91	91	40	40

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

Goodwill

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 10 %, and cash flows beyond the five-year period are extrapolated using a 2 % growth rate which is the expected long-term inflation rate. As a result of the impairment test management did not identify any impairment losses regarding goodwill (DKK 0 in 2015).

Notes to the consolidated financial statements

DKK million

10 Intangible assets - continued

The calculation of value in use is most sensitive to the following key assumptions: Development in turnover and gross margins during the forecast period and growth rates used to extrapolate cash flows beyond the forecast period, as well as the the discount rate used. Development in turnover and gross margins are based on expectations to an average growth for 2017 -2021 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 an impairment loss in the Dansk Supermarked Group in relation to e-commerce if cost within marketing, staff etc. could not 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.

11 Property, plant and equipment

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
Impairment losses recognised in the income statement	-13	-1	-3	-	-17
Disposals	32	136	24	-	192
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

Notes to the consolidated financial statements

DKK million

11 Property, plant and equipment - continued

2016:	Land and buildings	Fixtures and fittings, tools and equipment	Leasehold improve-ments	Assets under construction	Total
Cost					
Balance at 1 January 2016	24,055	5,009	1,145	81	30,290
Foreign currency translation	-241	-35	-10	-1	-287
Additions	342	565	64	99	1,070
Reclassifications	17	11	3	-68	-37
Disposals	-47	-168	-16	-	-231
Balance at 31 December 2016	24,126	5,382	1,186	111	30,805
Accumulated depreciation and impairment losses					
Balance at 1 January 2016	-7,702	-3,492	-836	-	-12,030
Foreign currency translation	36	24	6	-	66
Depreciation	-312	-376	-40	-	-728
Impairment losses recognised in the income statement	-17	-	-9	-	-26
Reversals of impairment losses recognised in the income statement	4	2	-	-	6
Reclassifications	12	-	-	-	12
Disposals	22	162	17	-	201
Balance at 31 December 2016	-7,957	-3,680	-862	-	-12,499
Carrying amount at 31 December 2016	16,169	1,702	324	111	18,306
Hereof finance leases	-	7	-	-	7

Impairment losses during the year

Land and buildings and Leasehold improvements

During 2016 impairment losses were recognised regarding a few buildings that had been vacated in connection with relocations of the stores to other locations, and it was assessed that the expected sales price of the building were lower than the carrying amount of the buildings. Impairment losses were recognised regarding leaseholds that had been closed or vacated in connection with relocations. Also impairment losses were recognised regarding 7 Polish, 3 German, 3 Danish and 1 Swedish stores. Due to competitive pressures in local area the stores were not sufficiently profitable to cover the full 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

	2016	2015
12 Investment property		
Cost		
Balance at 1 January	1,324	1,477
Foreign currency translation	-1	1
Additions	4	21
Reclassifications	43	-
Reclassified as held for sale	-22	-77
Disposals	-26	-98
Balance at 31 December	1,322	1,324
Accumulated depreciation and impairment losses		
Balance at 1 January	-905	-988
Foreign currency translation	1	-
Depreciation	-9	-8
Reclassified as held for sale	16	41
Disposals	15	50
Impairment losses recognised in the income statement	-3	-
Reclassifications	-13	-
Balance at 31 December	-898	-905
Carrying amount at 31 December	424	419

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

The estimated fair value of investment property amounted to DKK 1,610 million at 31 December 2016 (DKK 1,573 million at 31 December 2015). 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.

	2016	2015
Rental income from investment property	94	105
Direct operating expenses from investment that generated rental income	-31	-17
Direct operating expenses from investment that did not generate rental income	-3	-4
Profit arising from investment property	60	84

Notes to the consolidated financial statements

DKK million

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. During 2016 it was decided together with J Sainsbury plc. to end the joint venture as it proved difficult to reach sufficient scale due to a lack of availability of appropriate sites.

	2016	2015
Cost		
Balance at 1 January	221	74
Additions	203	147
Balance at 31 December	424	221
Value adjustments		
Balance at 1 January	-108	-30
Dividends	-44	-
Foreign currency translation etc.	-35	4
Result	-205	-82
Balance at 31 December	-392	-108
Carrying amount at 31 December	32	113

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	
	2016	2015	2016	2015
Cash flow hedges	-	12	-	12
Other non-current financial assets	-	12	-	12
Trade receivables	204	111	204	111
Other receivables	500	495	500	495
Receivables from entities with significant influence	-	14	-	14
Receivables from joint ventures	-	15	-	15
Derivatives not designated as hedges	5	1	5	1
Other current financial assets	5	30	5	30
Securities	4,718	4,304	4,718	4,304
Cash and short-term deposits	1,118	1,689	1,118	1,689

Notes to the consolidated financial statements

DKK million

14 Financial assets and financial liabilities - continued

Financial liabilities comprise the following:

	Carrying amount		Fair value	
	2016	2015	2016	2015
Mortgage loans - non-current	12,362	12,999	12,823	13,205
Mortgage loans - current	126	95	126	95
Mortgage loans	12,488	13,094	12,949	13,300
Bank loans - current	1	104	1	104
Bank loans	1	104	1	104
Payables to entities with significant influence	-	256	-	256
Obligations under finance leases	6	3	6	3
Cash flow hedges	303	131	303	131
Other non-current financial liabilities	-	5	-	5
Other non-current financial liabilities	309	395	309	395
Payables to entities with significant influence	309	77	309	77
Obligations under finance leases	2	1	2	1
Derivatives not designated as hedges	10	33	10	33
Cash flow hedges	81	59	81	59
Other current financial liabilities	2	1	2	1
Other current financial liabilities	404	171	404	171
Trade payables	8,755	7,209	8,755	7,209
Other payables	2,251	2,103	2,251	2,103

Notes to the consolidated financial statements

DKK million

14 Financial assets and financial liabilities - continued

Financial instruments by category:

	2016	2015
Loans and receivables:		
Trade receivables	204	111
Other receivables	500	495
Other financial assets excluding derivatives	-	29
Cash and short-term deposits	1,118	1,689
Financial assets at fair value through profit or loss:		
Derivatives not designated as hedges	5	1
Financial assets at fair value through profit or loss, held for trading:		
Securities	4,718	4,304
Financial assets at fair value through other comprehensive income:		
Cash flow hedges	-	12
Financial liabilities measured at amortised cost:		
Mortgage loans	12,488	13,094
Bank loans	1	104
Other financial liabilities excluding derivatives	319	343
Trade payables	8,755	7,209
Other payables	2,251	2,103
Financial liabilities at fair value through profit or loss:		
Derivatives not designated as hedges	10	33
Financial liabilities at fair value through other comprehensive income:		
Cash flow hedges	384	190

Hedge accounting:

Cash flow hedging is used to ensure that part of the Group's 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 -81 million is expected to affect profit or loss (DKK -59 million in 2015), during 1 - 5 years DKK -266 million is expected to affect profit or loss (DKK -161 million in 2015), and after 5 years DKK -35 million is expected to affect profit or loss (DKK 41 million in 2015).

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

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

Risks arising from financial instruments:

The Group's main risks are market risks relating to fluctuations in foreign exchange rates and interest rates, liquidity risk relating to the availability of funds to support business needs and credit risk relating to the undesirable event of a default among the Group's financial counterparties. There has been no structural changes in the Group's risk exposure or risks compared to 2015. 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 centralised management of financial risks undertaken by Group Treasury.

In accordance with policies, Group Treasury uses derivative financial instruments with the purpose of hedging exposures related to the Group's operations and its source of financing. 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 parent company's functional currency DKK. However, some trade purchases are made in other currencies, primarily EUR and USD. It is the Group's policy to hedge known purchase orders in specific material currencies. Presently, USD is assessed to be a material currency, and purchase orders in USD are hedged. Purchase orders in other currencies are considered immaterial, and are therefore not hedged.

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

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 2016	EUR/DKK	GBP/DKK	PLN/DKK	SEK/DKK	USD/DKK
Financial assets	54	2	715	247	54
Financial liabilities	-551	-123	-	-	-
Known USD purchase orders	-	-	-	-	-580
Net exposures before derivatives	-497	-121	715	247	-526
Derivatives	401	123	-362	-198	430
Net exposures after derivatives	-96	2	353	49	-96
The net exposures relate to:					
Hedging of expected commercial cash flows where hedge accounting is not used	-96	2	353	49	-96
Applied sensitivity	1 %	5 %	5 %	5 %	5 %
Impact on the consolidated income statement	-1	-	18	2	-5

Notes to the consolidated financial statements

DKK million

14 Financial assets and financial liabilities - continued

31 December 2015	EUR/DKK	GBP/DKK	PLN/DKK	SEK/DKK	USD/DKK
Financial assets	121	3	1,031	486	28
Financial liabilities	-186	-143	-	-	-
Known USD purchase orders	-	-	-	-	-528
Netto UK Ltd. capital injection	-	-174	-	-	-
Net exposures before derivatives	-65	-314	1,031	486	-500
Derivatives	-336	318	-889	-487	683
Net exposures after derivatives	-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

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 2016, after taking into account the effect of interest rate swaps, approximately 86 % of the Group's mortgage loan portfolio are at a fixed rate, compared to 87 % as at 31 December 2015.

A general increase of 1 %-point in interest rates is estimated, all other things being equal, to affect profit before tax by DKK -56 million (DKK -34 million in 2015), and pre-tax equity by DKK 253 million (DKK 310 million in 2015). The direct impact on pre-tax equity is due to changes in the fair value of the interest rate swaps.

Notes to the consolidated financial statements

DKK million

14 Financial assets and financial liabilities - continued

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

31 December 2016	Carrying amount	Sensitivity	Profit before tax	Pre-tax equity
Securities	4,718	1 %	-43	-43
Mortgage loans	12,488	1 %	-48	-48
Derivatives	384	1 %	35	344
Impact			-56	253

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

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 2016	Carrying amount	Within 1 year	1 to 5 years	After 5 years
0 - 2 %	11,157	1,707	2,636	6,814
2 - 4 %	1,331	-	-	1,331
Total	12,488	1,707	2,636	8,145
Of which:				
Bearing fixed interests	86 %			
Bearing floating interests	14 %			

		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 %			

Notes to the consolidated financial statements

DKK million

14 Financial assets and financial liabilities - continued

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

The Group ensures liquidity through flexibility and diversification of borrowing, maturity and renegotiation time points, as well as counterparts. Flexibility in cash resources ensures that the Group can act appropriately in case of unforeseen changes in liquidity. The liquidity reserves consist of cash, securities and undrawn credit facilities. In both 2016 and 2015 the Group has had no breach of covenants or otherwise been close to breaking the agreed borrowing conditions during the year. The Group assesses the liquidity risk to be low.

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

31 December 2016	Within 1 year	1 to 5 years	After 5 years
Mortgage loans	312	1,253	14,178
Bank loans	1	-	-
Obligations under finance leases	3	6	-
Trade and other payables	11,317	-	-
Derivatives	83	374	204
Total	11,716	1,633	14,382

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	9,390	267	-
Derivatives	63	323	218
Total	9,840	1,455	15,781

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 be low, currently 2.2.

Notes to the consolidated financial statements

DKK million

	2016	2015

14 Financial assets and financial liabilities - continued

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

	2016	2015
Not due	101	63
< 30 days past due	20	20
30 to 90 days past due	36	15
90 to 180 days past due	19	1
> 180 days past due	28	12
Total	204	111

15 Deferred tax

Deferred tax relates to the following:

	Consolidated income statement		Consolidated statement of financial position	
	2016	2015	2016	2015
Intangible assets	-29	-37	-212	-182
Property, plant and equipment	-93	-102	-234	-140
Investment property	-6	-7	8	14
Financial assets	-1	-	-1	-
Provisions	10	-11	89	76
Other liabilities	-6	13	42	48
Tax loss carryforward	-5	8	68	77
Other	18	-4	19	-
Deferred tax expense/income / Net deferred tax	-112	-140	-221	-107

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

	2016	2015
Deferred tax assets	186	246
Deferred tax liabilities	-407	-353
Net deferred tax	-221	-107

Reconciliation of net deferred tax:

	2016	2015
Opening balance at 1 January	-107	49
Effect of changes to accounting policies	-	4
Adjusted opening balance at 1 January	-107	53
Foreign currency translation adjustments	-6	2
Adjustment of deferred tax recognised in the income statement	-112	-140
Adjustment of deferred tax recognised in other comprehensive income	4	-5
Deferred tax acquired in business combinations	-	-17
Closing balance at 31 December	-221	-107

Notes to the consolidated financial statements

DKK million

	2016	2015

15 Deferred tax - continued

The Group has a deferred tax asset of DKK 21 million at 31 December 2016, which is not recognised in the consolidated statement of financial position (DKK 52 million in 2015). 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

	2016	2015
Goods held for resale	4,698	4,939
Consumables	29	30
Total inventories	4,727	4,969

In the income statement as part cost of sales DKK 9 million have been recognised regarding write-downs of inventories to net realisable value (DKK 8 million in 2015).

17 Assets classified as held for sale

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

	2016	2015
Investment property	5	36
Assets classified as held for sale	5	36

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 founder's 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:

	2016	2015
Defined benefit obligation at 1 January	286	304
Interest expenses recognised as part of staff expenses	3	3
Actuarial gains / losses, demographic assumptions	3	4
Actuarial gains / losses, financial assumptions	12	-12
Actuarial gains / losses, experience adjustments	2	2
Payments from the plan	-15	-15
Defined benefit obligation at 31 December	291	286

DKK million

	2016	2015

18 Pensions - continued

The following significant actuarial assumptions are applied:

	2016	2015
Discount rate (%)	0.5 %	1.1 %
Price inflation (%)	1.8 %	1.9 %

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:

	2016	2015
Discount rate:		
Increase of 0.5 % point	-15	-15
Decrease of 0.5 % point	17	17
Price inflation:		
Increase of 0.5 % point	17	16
Decrease of 0.5 % point	-15	-15

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

No contributions will be made to the plans in the future. The average duration of the defined benefit obligation as at 31 December 2016 is 34 years (35 years in 2015). DKK 15 million is expexted to be paid from the plans in 2017.

19 Provisions

2015:	Onerous contracts	Insurance	Other	Total
Balance at 1 January 2015	16	128	56	200
Effect of changes to accounting policies	-	19	-	19
Adjusted balance at 1 January 2015	16	147	56	219
Provisions made during the year	6	26	11	43
Provisions utilised during the year	-6	-31	-11	-48
Reversals during the year	-	-4	-6	-10
Balance at 31 December 2015	16	138	50	204
Current	7	21	12	40
Non-current	9	117	38	164
Balance at 31 December 2015	16	138	50	204

Notes to the consolidated financial statements

DKK million

19 Provisions - continued

2016:	Onerous contracts	Insurance	Other	Total
Balance at 1 January 2016	16	138	50	204
Provisions made during the year	11	23	17	51
Provisions utilised during the year	-7	-24	-9	-40
Reversals during the year	-3	-5	-5	-13
Balance at 31 December 2016	17	132	53	202
Current	12	28	19	59
Non-current	5	104	34	143
Balance at 31 December 2016	17	132	53	202

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 no part of the provision is expected to fall due after more than 5 years (DKK 0 million in 2015).

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 45 million is expected to fall due after more than 5 years (DKK 50 million in 2015).

Other provisions comprise a provision for warranties, a provision for jubilee benefits and a provision for pending lawsuits. The warranty provision is recognised upon a sale of a product for which the Group is liable for future warranty costs. Initial recognition is based on historical experience. The existing provision will expire in 2032. The provision for jubilee benefits concerns the Danish employees, and is estimated based on the expected jubilees for current employees. Of the provision DKK 16 million is expected to fall due after more than 5 years (DKK 18 million in 2015). No further information is provided regarding the provision for pending lawsuits as the information might harm the Group's position.

	2016	2015
20 Adjustments		
Financial income	-115	-85
Financial expenses	311	311
Amortisation and impairment of intangible assets	169	147
Depreciation and impairment of property, plant and equipment	748	677
Depreciation and impairment of investment property	12	8
Gain on sale of non-current assets, etc., net	-87	-253
Share of profit of joint ventures, net of tax	205	82
Other adjustments	-10	-29
Adjustments	1,233	858

Notes to the consolidated financial statements

DKK million

	2016	2015
21 Change in working capital		
Change in trade and other receivables and prepayments	-71	-164
Change in inventories	208	16
Change in trade and other payables	1,737	998
Change in working capital	1,874	850

22 Acquisition of subsidiaries, net of cash received

For a description of the acquisition of subsidiaries please refer to note 26.

	2016	2015
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

	2016	2015
Cash and bank balances	1,118	1,689
Current liabilities - bank loans	-1	-104
Cash and cash equivalents available to the Group	1,117	1,585

DKK million

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 62 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:

	2016	2015
Within 1 year	542	509
1 to 5 years	970	890
After 5 years	731	530
Total	2,243	1,929
Future minimum sublease payments expected to be received under non-cancellable subleases	175	180
Minimum lease payments recognised as operating lease expenses	554	523
Sublease payments recognised as a reduction of operating lease expenses	69	69

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 436 million (DKK 437 million in 2015). Minimum lease payments recognised as an operating lease expense amount to DKK 27 million (DKK 25 million in 2015).

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:

	2016		2015	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within 1 year	3	2	2	1
1 to 5 years	6	6	4	3
Total	9	8	6	4

The difference between the minimum payments and the present value of payments (DKK 1 million in 2016 and DKK 2 million in 2015) 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 1 month and 23 years. Under some of the leases the external parties have the option to continue the lease of the assets beyond the agreed upon lease terms.

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

	2016	2015
Within 1 year	214	219
1 to 5 years	297	303
After 5 years	143	122
Total	654	644

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 380 million (DKK 291 million in 2015).

The Group has entered into contractual commitments regarding acquisition of intangible assets of a total of DKK 2 million (DKK 1 million in 2015).

As security for mortgage loans land and buildings with a carrying amount of DKK 10,243 million have been provided as collateral (DKK 10,419 million in 2015).

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 497 million at 31 December 2016 (DKK 418 million in 2015).

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.

Guarantees of DKK 265 million have been provided to credit institutions regarding related parties' mortgage loans (DKK 265 million in 2015).

Guarantees of DKK 106 million have been provided to external parties regarding subsidiaries' leasing obligations (DKK 97 million in 2015).

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:

	2016	2015
Entities with controlling influence over the Group:		
Donations from Købmand Herman Sallings Fond	24	12
Entities with significant influence over the Group:		
Leasing expense	-26	-25
Interests paid	-5	-5
Dividend paid	-2,187	-
Joint ventures:		
Sales of goods and services	18	15
Purchase of goods and services	-12	-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 2015). No expense has been recognised in 2016 or 2015 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 2016 and 9 employees end 2015. The key management personnel remuneration is shown below:

	2016	2015
Short-term employee benefits	50	57
Post-employment benefits - defined contribution plans	3	3
Other long-term benefits	22	-
Total remuneration	75	60

The Executive Board and other executive employees participate in short term bonus plans, in which the bonus is dependent on profit for the year and other conditions. Furthermore, the Executive Board and other executive employees have been granted a Long Term Incentive Plan under which a cash bonus may be paid based upon performance of the Group over the period 2014-2018. The Long Term Incentive Plan has been renegotiated in 2016 and as a consequence the performance period has been changed to 2014 – 2016, and the cash bonus will be paid out in 2017. The estimated amount including adjustment for past services is accrued in the financial statements with DKK 22 million.

The total remuneration of the Board of Directors and the Executive Board amounts to DKK 28 million (DKK 22 million in 2015).

Notes to the consolidated financial statements

DKK million

26 Business combinations

As at 1 January 2016 Dansk Supermarked A/S merged with the subsidiaries wupti.com A/S and Thomberg ApS.

During 2015 Dansk Supermarked A/S 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 was accounted for as a business combination between entities under common control and was 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 the period prior to the date of the combination was restated accordingly.

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 2016 and 2015.

28 Events after the reporting period

No subsequent events have occurred that affect the annual report for 2016.

Notes to the consolidated financial statements

DKK million

29 Standards issued but not yet effective

The standards IFRS 9 Financial Instruments, Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses, Amendments to IAS 7: Disclosure Initiative, Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions, Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts, IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration, Amendments to IAS 40: Transfers of Investment Property and Annual Improvements 2014-2016 Cycle have been issued, but are not yet effective. The Group plans to adopt the new standards on the required effective dates. Overall the Group expects no significant impact on its statement of financial position and equity of the standards.

In May 2014 IFRS 15 Revenue from Contracts with Customers, in September 2015 amendments to IFRS 15: Effective date of IFRS 15 and in April 2016 Clarifications to IFRS 15 Revenue from Contracts with Customers were issued by the International Accounting Standards Board. The standard including amendments have been endorsed by the European Union, but the clarifications have yet to be endorsed. The standard establishes a five-step model to account for revenue arising from contracts with customers. Revenue has to be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group plans to adopt the new standard on the required effective date. The Group has performed a preliminary assessment of the standard and a more detailed analysis is ongoing. Based on the preliminary assessment the Group expects no significant impact on its statement of financial position and equity of the standard due to the relatively uncomplex nature of the Group's revenue generating activities.

In January 2016 IFRS 16 Leases was issued by the International Accounting Standards Board. The standard has yet to be endorsed by the European Union. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard requires a lessee to recognise assets and liabilities for the rights and obligations created by all leases (with limited exceptions for short-term leases and leasing of assets with low value). IFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted. The Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date. The Group has determined that the standard will increase the total assets and liabilities significantly due to a considerable number of operating leases and also increase operating profit and financial expenses. Thus, the standard will affect the main and key figures of the Group. The Group has yet to determined the exact monetary effect.

Parent company income statement

DKK million

Notes		2016	2015
	Net revenue	39,682	39,141
	Other revenue	155	143
4	Total revenue	39,837	39,284
	Cost of sales	-28,667	-28,155
	Gross profit	11,170	11,129
5	Staff expenses	-5,239	-5,166
	External expenses	-4,740	-4,695
	Depreciation, amortisation and impairment losses	-438	-373
	Net loss on disposal of property, plant and equipment and intangible assets	-10	-2
	Operating profit (EBIT)	743	893
11	Share of profit/loss of subsidiaries, net of tax	981	1,247
12	Share of profit/loss of joint ventures, net of tax	-205	-82
6	Financial income	134	127
7	Financial expenses	-166	-265
	Profit before tax	1,487	1,920
8	Income tax	-165	-181
	Total profit for the year	1,322	1,739
	Proposal for distribution of profit for the year:		
	Proposed dividends	150	2,700
	Equity reserves	1,172	-961
	Total profit for the year	1,322	1,739

Parent company statement of other comprehensive income

DKK million

Notes		2016	2015
	Profit for the year	1,322	1,739
	Other comprehensive income, net of income tax:		
	Items that will not be reclassified to the income statement:		
8	Remeasurement of defined benefit plans	-13	5
		-13	5
	Items that are or may be reclassified subsequently to the income statement:		
11,12	Exchange differences on translating foreign operations	-229	51
11,12	Other comprehensive income to be reclassified in subsidiaries and joint ventures	-160	31
		-389	82
	Other comprehensive income for the year, net of income tax	-402	87
	Total comprehensive income for the year	920	1,826

Parent company statement of financial position

DKK million

Assets

Notes		2016	2015
	Non-current assets		
9	**Intangible assets**		
	Goodwill	270	270
	Software	1,027	1,029
	Software development in progress	145	158
	Brands	65	73
	Other intangible assets	5	7
	Total intangible assets	1,512	1,537
10	**Property, plant and equipment**		
	Fixtures and fittings, tools and equipment	1,213	1,005
	Leasehold improvements	127	116
	Assets under construction and prepayments	6	17
	Total property, plant and equipment	1,346	1,138
	Financial assets		
11	Investments in subsidiaries	13,741	13,114
12	Investments in joint ventures	32	113
13	Other non-current financial assets	303	143
	Total financial assets	14,076	13,370
	Total non-current assets	**16,934**	**16,045**
	Current assets		
14	**Inventories**	3,297	3,519
	Receivables		
13	Trade receivables	149	68
	Income tax receivables	-	-
13	Other receivables	287	241
	Prepayments	38	77
13	Other current financial assets	1,036	1,401
	Total receivables	1,510	1,787
13	**Securities**	4,334	3,960
13	**Cash and short-term deposits**	788	1,457
	Total current assets	**9,929**	**10,723**
	Total assets	**26,863**	**26,768**

Parent company statement of financial position

DKK million

Equity and liabilities

Notes		2016	2015
15	**Equity**		
	Share capital	524	524
	Reserve for net revaluation under the equity method	3,429	2,857
	Foreign currency translation reserve	-305	-76
	Development projects reserve	126	-
	Retained earnings	2,809	2,508
	Proposed dividends	150	2,700
	Total equity	**6,733**	**8,513**
	Liabilities		
	Non-current liabilities		
16	Pensions	291	286
17	Deferred tax liabilities	166	153
18	Provisions	160	157
13	Other non-current financial liabilities	2,036	2,189
	Total non-current liabilities	2,653	2,785
	Current liabilities		
18	Provisions	20	14
13	Other current financial liabilities	8,902	8,184
13	Trade payables	6,759	5,580
	Income tax payable	24	-
13	Other payables	1,751	1,667
	Deferred income	21	25
	Total current liabilities	17,477	15,470
	Total liabilities	**20,130**	**18,255**
	Total equity and liabilities	**26,863**	**26,768**

Parent company cash flow statement

DKK million

Notes		2016	2015
	Profit before tax	1,487	1,920
19	Adjustments	-324	-599
20	Change in working capital	1,393	802
	Net cash flows from operating activities before financial items and tax	2,556	2,123
	Financial income received	134	127
	Financial expenses paid	-166	-265
	Income tax paid	-123	-105
	Net cash flows from operating activities	2,401	1,880
	Purchase of intangible assets	-162	-190
	Purchase of property, plant and equipment	-478	-275
	Proceeds from sale of property, plant and equipment	7	-
	Acquisition of subsidiaries, net of cash received	-	-324
	Capital contribution, joint ventures	-203	-147
	Dividends received from subsidiaries	-	150
	Purchase of securities	-7,925	-6,536
	Sale of securities	7,551	2,582
	Dividends received from joint ventures	44	-
	Net cash flows from investment activities	-1,166	-4,740
	Loan repayments from related parties	800	3,037
	Repayment of borrowings to related parties	-4	-10
	Dividends paid	-2,700	-
	Net cash flows from financing activities	-1,904	3,027
	Net change in cash and cash equivalents	-669	167
	Cash and cash equivalents at 1 January	1,457	1,290
21	Cash and cash equivalents at 31 December	788	1,457

Parent company statement of changes in equity

DKK million

2015:	Share capital	Reserve for net revaluation under the equity method	Foreign currency translation reserve	Develop-ment projects reserve	Retained earnings	Proposed dividends	Total equity parent company
Equity at 1 January 2015	500	1,880	-127	-	4,449	-	6,702
Changes to accounting policies, subsidiaries		-15					-15
Adjusted equity at 1 January 2015	500	1,865	-127	-	4,449	-	6,687
Profit for the year		1,111			-2,072	2,700	1,739
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	-	1,142	51	-	-2,067	2,700	1,826
Issue of share capital regarding the non-cash contribution of F. Salling A/S	24				-24		-
Dividends received from subsidiaries		-150			150		-
Total transactions with owners	24	-150	-	-	126	-	-
Equity at 31 December 2015	524	2,857	-76	-	2,508	2,700	8,513

Parent company statement of changes in equity

DKK million

2016:	Share capital	Reserve for net revaluation under the equity method	Foreign currency translation reserve	Develop-ment projects reserve	Retained earnings	Proposed dividends	Total equity parent company
Equity at 1 January 2016	524	2,857	-76	-	2,508	2,700	8,513
Profit for the year		776		126	270	150	1,322
Remeasurement of defined benefit plans					-13		-13
Exchange differences on translating foreign operations			-229				-229
Other comprehensive income to be reclassified in subsidiaries		-160					-160
Other comprehensive income	-	-160	-229	-	-13	-	-402
Total comprehensive income for the year	-	616	-229	126	257	150	920
Dividends received from joint venture		-44			44		-
Payment of dividends						-2,700	-2,700
Total transactions with owners	-	-44	-	-	44	-2,700	-2,700
Equity at 31 December 2016	524	3,429	-305	126	2,809	150	6,733

Summary of notes to the parent company financial statements

Notes to the parent company financial statements

DKK million

1 General information

Dansk Supermarked A/S' primary business area is retailing in Denmark through the physical stores Bilka, føtex and Netto and online with Bilka.dk, føtex.dk, wupti.com and føtexdagligvarer.dk. Furthermore Dansk Supermarked A/S also operates franchises in Denmark including coffee shops Starbucks and the burger restaurants Carl's Jr.

Dansk Supermarked A/S also owns a number of subsidiaries in Denmark and abroad and a joint venture in the UK. During 2016 it was decided together with J Sainsbury plc. to end the joint venture in the UK as it proved difficult to reach sufficient scale due to a lack of availability of appropriate sites.

As at 1 January 2016 Dansk Supermarked A/S merged with the subsidiaries wupti.com A/S and Thomberg ApS. The mergers are business combinations between entities under common control and are recognised in the parent company's separate financial statements using the pooling of interests method. The subsidiaries wupti.com A/S and Thomberg ApS were acquired during 2015, and all comparison figures from the acquisition dates and going forward are restated.

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 was accounted for by the pooling of interests method in which comparative amounts were 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.

Minor changes have been made to the comparison figures due to changes in accounting policies regarding insurance provisions resulting from legislative changes for Danish insurance companies affecting the subsidiary, Dansk Supermarked Forsikring A/S. Equity at 1 January 2015 and investments in subsidiaries have been decreased by DKK 15 million, whereas share of profit/loss of subsidiaries, net of tax for 2015 have been increased by DKK 5 million. Due to the immateriality of the changes no statement of financial position as at the beginning of the preceding period is presented.

3 Significant accounting judgements, estimates and assumptions

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

Notes to the parent company financial statements

DKK million

		2016	2015
4	**Total revenue**		
	Revenue from the sale of goods	39,682	39,141
	Total net revenue	39,682	39,141
	Other revenue	155	143
	Total other revenue	155	143
	Total revenue	39,837	39,284
5	**Staff expenses**		
	Wages and salaries incl. termination benefits	4,646	4,607
	Post-employment benefits – defined contribution plans	325	328
	Post-employment benefits – defined benefit plans	3	3
	Social security costs	113	114
	Other staff expenses	152	114
	Total staff expenses	5,239	5,166
	Average number of full-time employees	16,272	16,328
6	**Financial income**		
	Interest income on loans to related parties	22	31
	Interest income on other loans and receivables	3	1
	Net gain on derivatives not designated as hedges	17	-
	Net gain on financial instruments held for trading	52	27
	Net foreign exchange gain	40	68
	Total financial income	134	127
7	**Financial expenses**		
	Interest expense on bank loans	20	3
	Interest expense on loans from related parties	142	143
	Net loss on derivatives not designated as hedges	-	101
	Other financial expenses	4	18
	Total financial expenses	166	265

Notes to the parent company financial statements

DKK million

8 Income tax

	2016	2015
Current income tax	-132	-132
Adjustment regarding prior years, current income tax	-16	-8
Change in deferred tax	-26	-52
Adjustment regarding prior years, deferred tax	13	8
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	-161	-182
Income tax recognised in the income statement	-165	-181
Income tax recognised in other comprehensive income	4	-1
Total income tax	-161	-182

Reconciliation of income tax recognised in the income statement

	2016		2015	
	DKK	**%**	DKK	**%**
Tax on result for the year at the Danish income tax rate	-327	22.0 %	-451	23.5 %
Non-deductible costs	-51	3.4 %	-25	1.3 %
Non-taxable income	216	-14.5 %	293	-15.2 %
Change in tax rates	-	0.0 %	2	-0.2 %
Adjustment to prior periods	-3	0.2 %	-	0.0 %
Income tax recognised in the income statement	-165	11.1 %	-181	9.4 %

Tax on other comprehensive income

	2016			2015		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Remeasurement of defined benefit plans	-17	4	-13	6	-1	5
	-17	4	-13	6	-1	5

Notes to the parent company financial statements

DKK million

9 Intangible assets

2015:

	Goodwill	Software	Software develop-ment in progress	Brands	Other in-tangible assets	Total
Cost						
Balance at 1 January 2015	18	1,446	28	-	10	1,502
Additions	-	32	157	-	1	190
Acquisitions through business combinations	252	24	-	76	-	352
Reclassifications	-	26	-27	-	-	-1
Balance at 31 December 2015	270	1,528	158	76	11	2,043
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	270	1,029	158	73	7	1,537

2016:

	Goodwill	Software	Software develop-ment in progress	Brands	Other in-tangible assets	Total
Cost						
Balance at 1 January 2016	270	1,528	158	76	11	2,043
Additions	-	27	135	-	-	162
Reclassifications	-	141	-148	-	-	-7
Disposals	-	-15	-	-	-	-15
Balance at 31 December 2016	270	1,681	145	76	11	2,183
Accumulated amortisation and impairment losses						
Balance at 1 January 2016	-	-499	-	-3	-4	-506
Amortisation	-	-158	-	-8	-2	-168
Disposals	-	3	-	-	-	3
Balance at 31 December 2016	-	-654	-	-11	-6	-671
Carrying amount at 31 December 2016	270	1,027	145	65	5	1,512

Notes to the parent company financial statements

DKK million

10 Property, plant and equipment

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
Impairment losses recognised in the income statement	-1	-		-1
Disposals	87	11		98
Balance at 31 December 2015	-2,430	-562	-	-2,992
Carrying amount at 31 December 2015	1,005	116	17	1,138

2016:	Fixtures and fittings, tools and equipment	Leasehold improve-ments	Assets under construction	Total
Cost				
Balance at 1 January 2016	3,435	678	17	4,130
Additions	444	28	6	478
Reclassifications	23	-	-17	6
Disposals	-109	-10	-	-119
Balance at 31 December 2016	3,793	696	6	4,495
Accumulated depreciation and impairment losses				
Balance at 1 January 2016	-2,430	-562		-2,992
Depreciation	-257	-16		-273
Reversals of impairment losses recognised in the income statement	2	-		2
Disposals	105	9		114
Balance at 31 December 2016	-2,580	-569	-	-3,149
Carrying amount at 31 December 2016	1,213	127	6	1,346

DKK million

	2016	2015
11 Investments in subsidiaries		
Cost		
Balance at 1 January	10,225	10,171
Profit for the year, F. Salling A/S	-	54
Balance at 31 December	10,225	10,225
Value adjustments		
Balance at 1 January	2,889	1,783
Changes to accounting policies, subsidiaries		-15
Adjusted balance at 1 January	2,889	1,768
Dividends	-	-150
Foreign currency translation	-194	47
Other comprehensive income for the year	-160	31
Profit for the year	981	1,193
Balance at 31 December	3,516	2,889
Carrying amount at 31 December	13,741	13,114

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. During 2016 it was decided together with J Sainsbury plc. to end the joint venture as it proved difficult to reach sufficient scale due to a lack of availability of appropriate sites.

	2016	2015
Cost		
Balance at 1 January	221	74
Additions	203	147
Balance at 31 December	424	221
Value adjustments		
Balance at 1 January	-108	-30
Dividends	-44	-
Foreign currency translation	-35	4
Profit for the year	-205	-82
Balance at 31 December	-392	-108
Carrying amount at 31 December	32	113

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	
	2016	2015	2016	2015
Derivatives not designated as hedges	303	143	303	143
Other non-current financial assets	303	143	303	143
Trade receivables	149	68	149	68
Other receivables	287	241	287	241
Receivables from subsidiaries	949	1,321	949	1,321
Receivables from joint ventures	-	15	-	15
Receivables from other related parties	1	5	1	5
Derivatives not designated as hedges	86	60	86	60
Other current financial assets	1,036	1,401	1,036	1,401
Securities	4,334	3,960	4,334	3,960
Cash and short-term deposits	788	1,457	788	1,457

Financial liabilities comprise the following:

	Carrying amount		Fair value	
	2016	2015	2016	2015
Payables to entities with significant influence	-	256	-	256
Payables to subsidiaries	1,733	1,785	1,733	1,785
Derivatives not designated as hedges	303	143	303	143
Other non-current financial liabilities	-	5	-	5
Other non-current financial liabilities	2,036	2,189	2,036	2,189
Payables to entities with significant influence	308	-	308	-
Payables to subsidiaries	8,501	8,092	8,501	8,092
Derivatives not designated as hedges	91	91	91	91
Other current financial liabilities	2	1	2	1
Other current financial liabilities	8,902	8,184	8,902	8,184
Trade payables	6,759	5,580	6,759	5,580
Other payables	1,751	1,667	1,751	1,667

DKK million

	2016	2015
13 Financial assets and financial liabilities - continued		
Financial instruments by category:		
Loans and receivables:		
Trade receivables	149	68
Other receivables	287	241
Other financial assets excluding derivatives	950	1,341
Cash and short-term deposits	788	1,457
Financial assets at fair value through profit or loss:		
Derivatives not designated as hedges	389	203
Financial assets at fair value through profit or loss, held for trading:		
Securities	4,334	3,960
Financial liabilities measured at amortised cost:		
Other financial liabilities excluding derivatives	10,544	10,139
Trade payables	6,759	5,580
Other payables	1,751	1,667
Financial liabilities at fair value through profit or loss:		
Derivatives not designated as hedges	394	234

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

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

Notes to the parent company financial statements

DKK million

13 Financial assets and financial liabilities - continued

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

Risks arising from financial instruments:

The parent company's main risks are market risks relating to fluctuations in foreign exchange rates and interest rates, liquidity risk relating to the availability of funds to support business needs and credit risk relating to the undesirable event of a default among the parent company's financial counterparties. There has been no structural changes in the risk exposure or risks compared to 2015.

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

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

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

31 December 2016	EUR/DKK	GBP/DKK	PLN/DKK	SEK/DKK	USD/DKK
Financial assets	54	2	715	247	54
Financial liabilities	-551	-123	-	-	-
Known USD purchase orders	-	-	-	-	-447
Net exposures before derivatives	-497	-121	715	247	-393
Derivatives	401	123	-362	-198	430
Net exposures after derivatives	-96	2	353	49	37
The net exposure relates to:					
Hedging of expected commercial cash flows where hedge accounting is not used	-96	2	353	49	37
Applied sensitivity	1 %	5 %	5 %	5 %	5 %
Impact on the income statement	-1	-	18	2	2

DKK million

13 Financial assets and financial liabilities - continued

31 December 2015	EUR/DKK	GBP/DKK	PLN/DKK	SEK/DKK	USD/DKK
Financial assets	121	3	1,031	486	28
Financial liabilities	-186	-143	-	-	-
Known USD purchase orders	-	-	-	-	-396
Netto UK Ltd. capital injection	-	-174	-	-	-
Net exposures before derivatives	-65	-314	1,031	486	-368
Derivatives	-336	318	-889	-487	683
Net exposures after derivatives	-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

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 -82 million (DKK -21 million in 2015).

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

31 December 2016	Carrying amount	Sensitivity	Profit before tax	Pre-tax equity
Financial assets	5,284	1 %	-29	-29
Financial liabilities	10,542	1 %	-53	-53
Impact			-82	-82

31 December 2015	Carrying amount	Sensitivity	Profit before tax	Pre-tax equity
Financial assets	5,301	1 %	-2	-2
Financial liabilities	10,133	1 %	-19	-19
Impact			-21	-21

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 2016	Carrying amount	Within 1 year	1 to 5 years	After 5 years
0 - 2 %	8,758	8,758	-	-
2 - 4 %	1,784	-	-	1,784
Total	10,542	8,758	-	1,784
Of which:				
Bearing fixed interest	19 %			
Bearing floating interest	81 %			

		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 %			

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 2016 and 2015 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 2016	Within 1 year	1 to 5 years	After 5 years
Trade and other payables	17,321	218	1,515
Derivatives	83	374	204
Total	17,404	592	1,719

31 December 2015	Within 1 year	1 to 5 years	After 5 years
Trade and other payables	15,340	300	1,746
Derivatives	63	334	267
Total	15,403	634	2,013

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 be low, currently 2.2.

	2016	2015
The table below summarises the ageing analysis of trade receivables, which are not impaired:		
Not due	70	40
< 30 days past due	14	9
30 to 90 days past due	28	11
90 to 180 days past due	15	-
> 180 days past due	22	8
Total	149	68

Notes to the parent company financial statements

DKK million

		2016	2015
14	**Inventories**		
	Goods held for resale	3,276	3,497
	Consumables	21	22
	Total inventories	3,297	3,519

In the income statement as part of cost of sales DKK 8 million have been recognised regarding write-downs of inventories to net realisable value (DKK 6 million in 2015).

15 Equity

In 2015 an increase of equity of DKK 1,237 million took 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 also took place in 2015, so that the net change of the equity equalled 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:

	2016	2015
1,048,223 shares of DKK 500	524	524
Total share capital	524	524

There has been no changes to the share capital during 2012 - 2014 or in 2016. In 2015 48,223 new shares were issued to F. Salling Holding A/S and A.P. Møller Mærsk A/S in connection with the non-cash contribution of F. Salling A/S. All shares have been fully paid.

Retained earnings:

During the 2016 financial year a dividend of DKK 2,700 million has been paid (DKK 0 million in 2015). A dividend for the 2016 financial year of DKK 150 million is proposed. Payment of dividends to shareholders does not trigger taxes for the parent company.

DKK million

	2016	2015

16 Pensions

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

	2016	2015
Defined benefit obligation at 1 January	286	304
Interest expenses recognised as part of staff expenses	3	3
Actuarial gains / losses, demographic assumptions	3	4
Actuarial gains / losses, financial assumptions	12	-12
Actuarial gains / losses, experience adjustments	2	2
Payments from the plan	-15	-15
Defined benefit obligation at 31 December	291	286

The following significant actuarial assumptions are applied:

	2016	2015
Discount rate (%)	0.5 %	1.1 %
Price inflation (%)	1.8 %	1.9 %

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:

	2016	2015
Discount rate:		
Increase of 0.5 % point	-15	-15
Decrease of 0.5 % point	17	17
Price inflation:		
Increase of 0.5 % point	17	16
Decrease of 0.5 % point	-15	-15

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

No contributions will be made to the plans in the future. The average duration of the defined benefit obligation as at 31 December 2016 is 34 years (35 years in 2015). DKK 15 million is expexted to be paid from the plans in 2017.

Notes to the parent company financial statements

DKK million

17 Deferred tax

Deferred tax relates to the following:

	Parent company income statement		Parent company statement of financial position	
	2016	2015	2016	2015
Intangible assets	-3	13	276	279
Property, plant and equipment	20	26	-4	-24
Provisions	2	11	-64	-62
Other	-2	-9	-42	-40
Deferred tax expense/income / Net deferred tax	17	41	166	153

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

Deferred tax liabilities	166	153
Net deferred tax	166	153

Reconciliation of net deferred tax:

Opening balance at 1 January	153	94
Adjustment of deferred tax recognised in the income statement	17	41
Adjustment of deferred tax recognised in other comprehensive income	-4	1
Deferred tax acquired in business combinations	-	17
Closing balance at 31 December	166	153

18 Provisions

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

Notes to the parent company financial statements

DKK million

18 Provisions - continued

2016:	Onerous contracts	Other	Total
Balance at 1 January 2016	124	47	171
Provisions made during the year	12	13	25
Provisions utilised during the year	-3	-8	-11
Reversals during the year	-	-5	-5
Balance at 31 December 2016	133	47	180
Current	7	13	20
Non-current	126	34	160
Balance at 31 December 2016	133	47	180

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 108 million is expected to fall due after more than 5 years (DKK 105 million in 2015). 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 16 million is expected to fall due after more than 5 years (DKK 18 million in 2015). No further information is provided regarding the provision for pending lawsuits as the information might harm the parent company's position.

19 Adjustments

	2016	2015
Financial income	-134	-127
Financial expenses	166	265
Amortisation and impairment of intangible assets	168	147
Depreciation and impairment of property, plant and equipment	271	225
Loss on sale of non-current assets, etc., net	10	2
Share of profit/loss of subsidiaries, net of tax	-981	-1,247
Share of profit of joint ventures, net of tax	205	82
Other adjustments	-29	54
Adjustments	-324	-599

Notes to the parent company financial statements

DKK million

		2016	2015
20	**Change in working capital**		
	Change in trade and other receivables and prepayments	-88	-131
	Change in inventories	222	65
	Change in trade and other payables	1,259	868
	Change in working capital	1,393	802

		2016	2015
21	**Cash and cash equivalents**		
	Cash and bank balances	788	1,457
	Cash and cash equivalents available to the parent company	788	1,457

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 13 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:

	2016	2015
Within 1 year	274	268
1 to 5 years	305	337
After 5 years	36	49
Total	615	654
Future minimum sublease payments expected to be received under non-cancellable subleases	5	13
Minimum lease payments recognised as operating lease expenses	276	281
Sublease payments recognised as a reduction of operating lease expenses	3	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 16 billion (DKK 16 billion in 2015). Minimum lease payments recognised as an operating lease expense amount to DKK 1,232 million (DKK 1,176 million in 2015).

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:

	2016	2015
Within 1 year	2	3
1 to 5 years	3	10
Total	5	13

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 0 million (DKK 2 million in 2015).

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 497 million at 31 December 2016 (DKK 418 million in 2015).

Guarantees of DKK 12,895 million have been provided to credit institutions regarding related parties' mortgage loans (DKK 13,500 million in 2015).

Guarantees of DKK 106 million have been provided to external parties regarding subsidiaries' leasing obligations (DKK 97 million in 2015).

Notes to the parent company financial statements

DKK million

	2016	2015
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:

	2016	2015
Entities with controlling influence over the parent company:		
Donations from Købmand Herman Sallings Fond	15	12
Entities with significant influence over the parent company:		
Leasing expense	-26	-25
Interests paid	-5	-5
Dividend paid	-2,187	-
Subsidiaries:		
Sales of goods and services	195	167
Purchase of goods and services	-35	-26
Leasing expense	-1,206	-1,151
Interests paid	-115	-107
Dividend received	-	150
Joint ventures:		
Sales of goods and services	18	15
Purchase of goods and services	-12	-1
Dividend received	44	-

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 2015). No expense has been recognised in 2016 or 2015 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

As at 1 January 2016 Dansk Supermarked A/S merged with the subsidiaries wupti.com A/S and Thomberg ApS.

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

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 2016.

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.