



# Reporting of NCC Property Development

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# Balance sheet

## Assets

SEK M	Mar. 31, 2008	Mar. 31, 2007	Dec. 31, 2007
Goodwill	1.7	1.7	1.7
Buildings and land	0.7	0.7	0.9
Other fixed assets	3.5	3.4	3.6
Receivables, sold property projects	1.7	2.9	2.2
Inventories	2.7	2.0	1.5

	Mar. 31, 2008	Mar. 31, 2007	Dec. 31, 2007
Completed ongoing projects	1.0	0.4	0.8
Development properties	1.4	1.3	1.4
	2.4	1.7	2.2

Cash and bank balances	1.2	1.6	1.7
<b>Total assets</b>	<b>33.5</b>	<b>31.5</b>	<b>34.1</b>

# Property development business affects both Property Development and Construction

## Property Development

- Realization of a property value is confirmed through the sale
- Property recognition begins on contract date or date of transfer, depending on contract type

## Construction

- Construction assignment. Construction work on the sold property
- Percentage-of-completion property recognition

# Contractual structure affects when earnings are recognized

## **Net sales**

- Revenues from sale of property development projects
- Rental revenues

## **Sale of property**

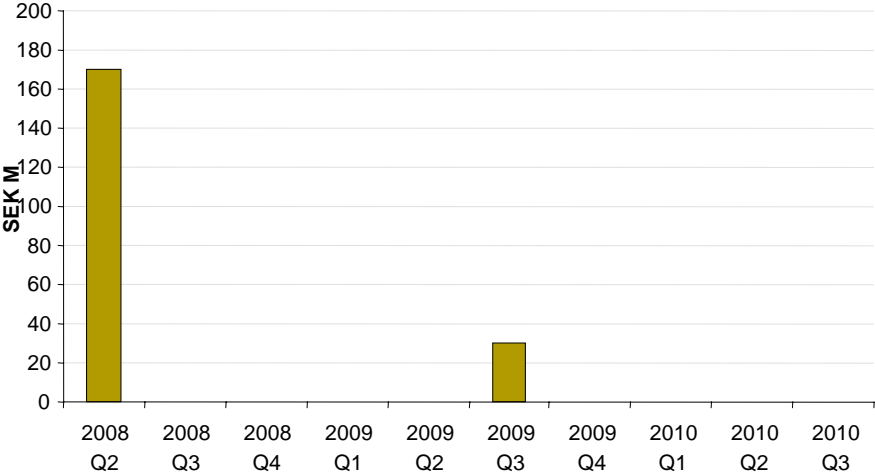
- Reported when there is an unconditionally binding sales contract or when the terms and conditions of a conditional sales contract have been fulfilled
- The right of ownership can be transferred to the purchaser at a date that is later than the date of contract
- May also be sold before construction has been completed, in certain cases even before it has started

# Costing principle for a fictive project

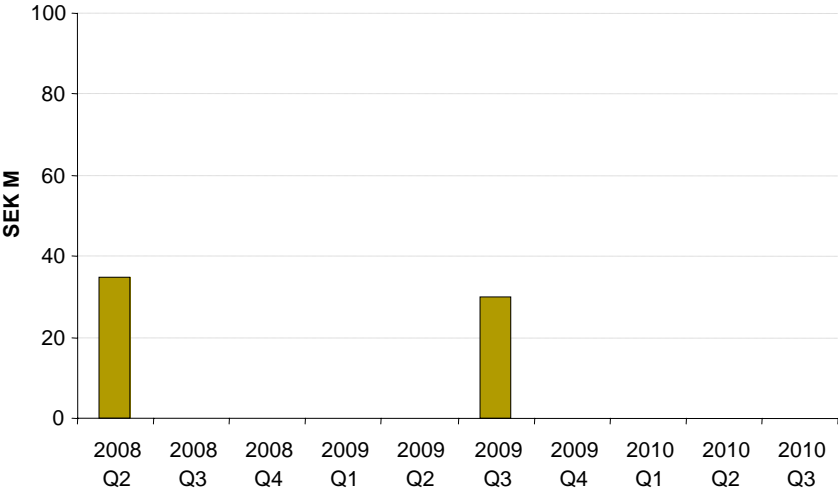
<b>Sales value</b>		+ 170 SEK M
<b>Construction cost</b>		- 100 SEK M
<b>Cost of land</b>		- 25 SEK M
<b>Developer cost</b>		- 10 SEK M
<b>Capital gain</b>		+ 35 SEK M
<b>Assumptions</b>	Leasing-dependent supplementary purchase consideration, 30 SEK M, will be achieved in Q3 2009 EBIT margin, Construction: 10% Linear production	

# Property Development

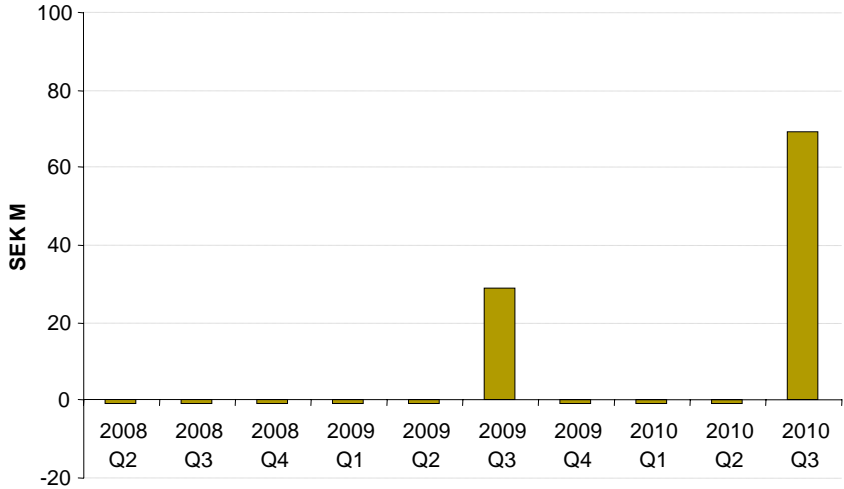
Sales



Earnings

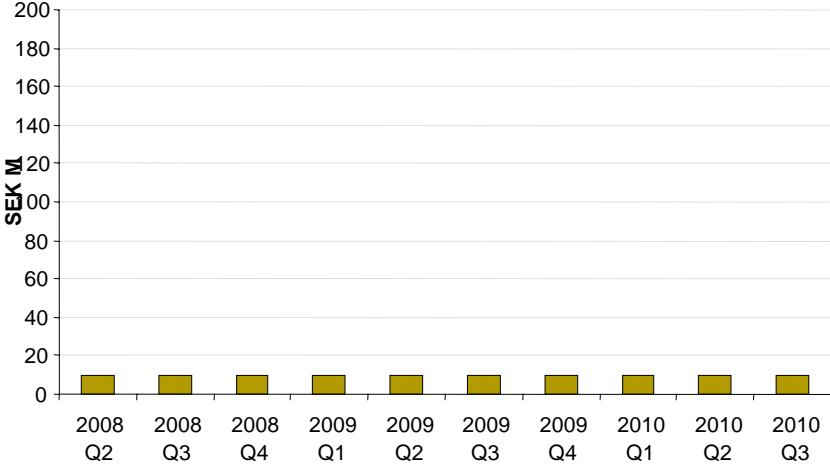


Cash flow

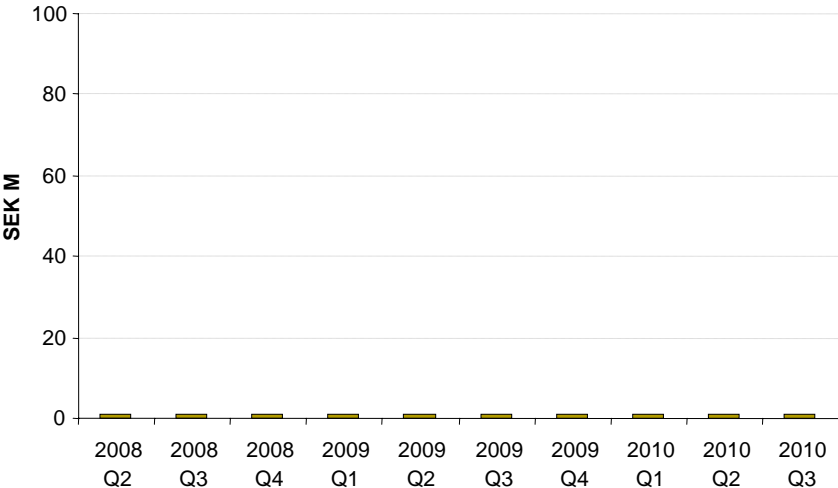


# Construction

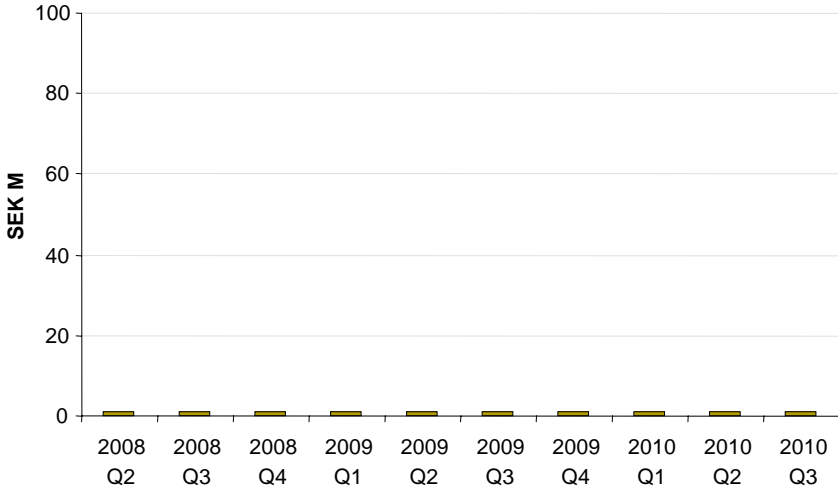
Sales



Earnings

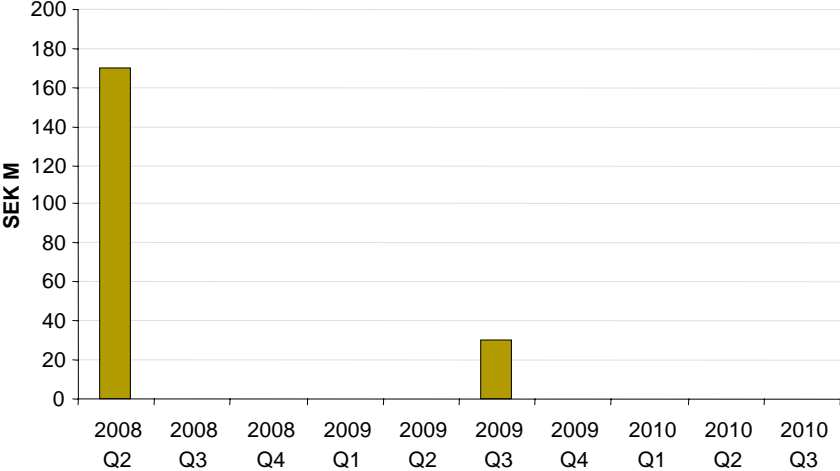


Cash flow

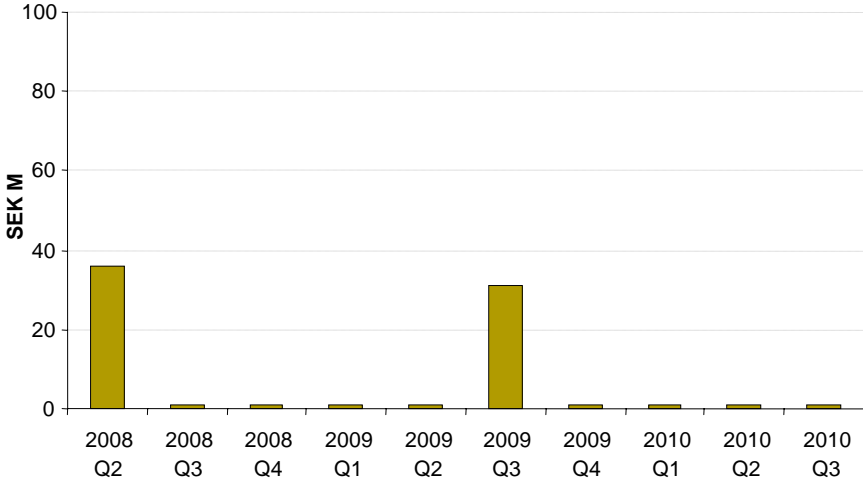


# Group

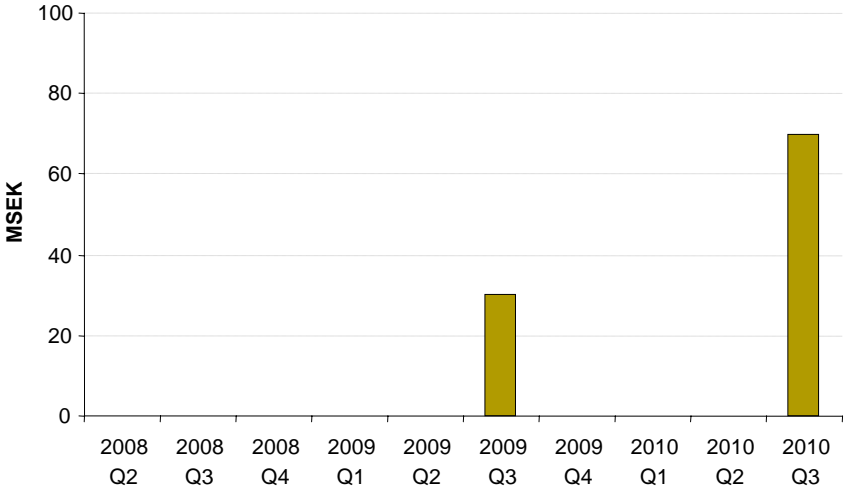
Sales



Earnings



Cash flow



# Costing principle for a fictive project

		SEK M
<b>Property Development</b>	Sales	+200
	Construction cost	- 100
	Cost of land	- 25
	Developer cost	- 10
	<b>Earnings</b>	<b>+ 65</b>
<b>Construction</b>	Sales	+100
	Construction cost	- 90
	<b>Earnings</b>	<b>+ 10</b>
<b>Group</b>	Sales	+200
	Construction cost	- 90
	Cost of land	- 25
	Developer cost	- 10
	<b>Earnings</b>	<b>+ 75</b>

# IFRS – D21

- Clearer principles concerning profit recognition of property projects are being discussed and will probably be established by IASB in June 2008
- Will apply as of January 1, 2009 and require restatement of prior fiscal years
- Will affect the reporting of sales of both commercial properties and proprietary residential projects
- Accrual effect
- Not clear exactly how it will impact on Swedish reporting

# Summary

- Type of contract affects when earnings are recognized and cash flow is generated from the sale of property projects
- Property Development's sales affect reporting in both Property Development and Construction units
- New interpretation of principles for profit recognition from sales of properties could affect when profit is to be recognized



