

IFRS 9 Financial instruments

IFRS 9 Financial instruments, replaces IAS 39 Financial instruments: Recognition and measurement, as of 2018. IFRS 9 differs from IAS 39 foremost regarding classification and valuation of financial assets and financial liabilities, write-downs of financial assets and hedging accounting. IFRS 9 allows a company to continue to apply the rules in IAS 39 for hedging accounting even after 1 January 2018 until IASB has finished its project on so-called “macro hedging”. Peab has chosen to apply all parts of IFRS 9 as of 1 January 2018. In addition, Peab has chosen to apply the exemption in IFRS 9 that permits not recalculating comparable information for previous periods. However, the changed principles for hedging accounting will not affect the Group. The other effects of IFRS 9 for Peab are described below.

Classification and valuation of financial assets and financial liabilities

Peab has holdings of unlisted funds that under IAS 39 have been classified as “Financial assets available-for-sale” (see note 35 in Annual Report 2017), which means that the funds have been valued at fair value via other comprehensive income. The funds do not meet the criteria in IFRS 9 for equity instruments and cash flow from the funds does not consist solely of payments in capital and interest. The funds will therefore be valued at fair value via the income statement under IFRS 9. The amount of SEK 4 million in “Fair value reserve” that refers to the funds on 31 December 2017 will be transferred to profit brought forward in the opening balance on 1 January 2018.

Peab also has holdings in unlisted shares and participations under IAS 39 valued at acquisition method less any write-downs since fair value could not be reliably determined. However, under IFRS 9 these shares must be valued at fair value. When transitioning to IFRS 9, fair values were re-examined and the recognized values corresponded more or less to fair value. Future changes in values will be recognized in profit for the year.

IFRS 9 will not have any effect on the recognition of Peab’s financial liabilities.

Write-downs of financial assets

IFRS 9 requires loss reserves for anticipated credit losses. This differs from current regulations that only require loss reserves if something occurs that leads Peab to believe a customer may not be able to pay the entire balance due. Historically Peab has only had small credit losses in current operations. Implementation of IFRS 9 will therefore only raise Group reserves for credit losses to a certain extent. The loss reserve per item affected as of 1 January 2018 are shown in the table below. The increase in loss reserves due to the transition to IFRS 9 will charge profit brought forward in the opening balance on 1 January 2018 by SEK -7 million net after reductions for deferred tax.

Group, MSEK	Increase in credit risk reserve on 1 January 2018
Accounts receivable	5
Interest-bearing long-term receivables	5
Total	10

Disclosures

New disclosures follow with the implementation of IFRS 9, primarily regarding hedging accounting and credit risks that will affect Peab's Annual Report in 2018.

Conversion to new accounting principles - IFRS 9

Balance sheet

MSEK	Balance sheet 2017-12-31	Adjustment IFRS 9 2018-01-01	Adjusted balance sheet 2018-01-01
Assets			
Intangible assets	2,167		2,167
Tangible assets	5,508		5,508
Investment property	871		871
Interest-bearing long-term receivables	1,520	-5	1,515
Other long-term receivables	1,147		1,147
Deferred tax recoverables	13		13
Total fixed assets	11,226	-5	11,221
Project and development properties	7,612		7,612
Inventories	399		399
Interest-bearing current receivables	411		411
Other current receivables	11,882	-5	11,877
Liquid funds	595		595
Total current assets	20,899	-5	20,894
Total assets	32,125	-10	32,115
Equity and liabilities			
Equity	10,332	-7	10,325
Liabilities			
Interest-bearing long-term liabilities	2,573		2,573
Deferred tax liabilities	201	-3	198
Other long-term liabilities	840		840
Total long-term liabilities	3,614	-3	3,611
Interest-bearing current liabilities	1,169		1,169
Other current liabilities	17,010		17,010
Total current liabilities	18,179	-	18,179
Total liabilities	21,793	-3	21,790
Total equity and liabilities	32,125	-10	32,115