

**SRV GROUP PLC**  
**SRV GROUP PLC-GROUP**

**Business identity code 1707186-8**

**Domicile: Espoo**

**Balance sheet book and  
Report of the Board of Directors**

**31 Dec.2007**

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**Balance sheet book and Report of the Board of directors 31 Dec. 2007**

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## **REPORT OF THE BOARD OF DIRECTORS 1 JANUARY – 31 DECEMBER 2007**

- SRV's revenue was EUR 561.4 million (EUR 479.5 in 2006)
- Operating profit was EUR 15.1 million (EUR 24.6 million). Operating profit exclusive of the arbitration tribunal's decision was EUR 25.1 million
- Net profit for the financial period was EUR 7.6 million (EUR 15.3 million)
- The order backlog at the close of the review period was EUR 528.7 million (EUR 453.7 million)
- The return on investment was 9.7 per cent (15.9%) and the return on equity 6.9 per cent (27.3%)
- The equity ratio was 55.4 per cent (31.7%)
- Earnings per share were EUR 0.22 (EUR 0.56)
- The proposed dividend is EUR 0.12 per share (EUR 0.12)

### **SRV's Group structure**

SRV is Finland's leading project management contractor. The Group builds and develops retail and commercial premises, residential units as well as infrastructure and logistics projects. Apart from Finland, the company operates in Russia and the Baltic countries. SRV Group Plc is the Group's parent company, and it is responsible for the Group's management, treasury, finance and administrative functions. The Property Development and Building Systems Engineering units support and serve all the Group's business operations.

SRV's business areas are Business Premises, Housing and International as well as Other Operations. The Business Premises business area comprises the operations of SRV Viitaset Oy. Housing comprises the operations of SRV Westerlund Oy and the regional subsidiaries. The SRV International subgroup carries on international operations. Other Operations consist primarily of the SRV Group Plc and SRV Kalusto Oy businesses.

### **SRV Group's strategic objectives**

SRV's mid-term objective is to reach an average annual consolidated revenue growth of about 15 per cent, with average annual revenue growth in international operations of over 30 per cent. SRV will seek to increase the level of operating profit and achieve an 8 per cent operating profit margin over the medium and long term. In addition, the company will aim to maintain an equity ratio of over 30 per cent.

### **Revenue up 17.1 per cent and order backlog increases by 16.5 per cent**

The SRV Group's revenue in 2007 grew by 17.1 per cent to EUR 561.4 million (EUR 479.5 million in 2006). The share of revenue coming from Finland was 91 per cent (91 %), whereas 9 per cent (9 %) came from Russia and the Baltic countries.

Business Premises had revenue growth of 16.3 per cent to EUR 345.4 million (EUR 297.0 million). Housing posted a revenue increase of 18.1 per cent to EUR 163.1 million (EUR 138.1 million), with developer contracting projects progressing according to plans. The International business area reported revenue growth of 19.4 per cent to EUR 53.2 million (EUR 44.6 million).

The order backlog was EUR 528.7 million at 31 December 2007 (EUR 453.7 million). The 16.5 per cent increase in the order backlog was attributable to the rise in orders booked by both the Business Premises and the International business areas.

### **Arbitration tribunal decision on the ZAO Nordrus Hotel contractual dispute**

SRV built the Park Inn hotel in Ekaterinburg, which was opened in March 2007. SRV has been the defendants in arbitration proceedings before the Arbitration Institute of the Stockholm Chamber of Commerce, in which the plaintiff is the Danish company Nordrus Hotel Holdings A/S ("Nordrus"). The dispute concerns the form of property registration, whereby Nordrus did not accept the delivery of the works specified in the purchase agreement and did not remit the purchase price claimed.

According to the decision of the arbitration tribunal, SRV was ordered to pay Nordrus compensation of USD 11.0 million for the loss of appreciation in value with interest and court costs. EUR 10.0 million of this was charged to operating profit and EUR 1.0 million to interest expense.

The arbitration tribunal's decision confirmed SRV's holding in the hotel property. The company estimates that the appreciation in value of the hotel property and the proceeds that may be obtained from a future sale will cover the damages awarded by the arbitration tribunal.

### **Expense recorded on arbitration decision cuts into operating profit**

Operating profit was EUR 15.1 million (EUR 24.6 million) and net profit for the financial period EUR 7.6 million (EUR 15.3 million). The operating profit margin was 2.7 per cent (5.1%).

The Housing business area reported an increase in operating profit to EUR 10.7 million (EUR 5.1 million). Operating profit generated by Business Premises declined to EUR 18.0 million, whereas in the comparative period operating profit (EUR 25.0 million) included a gain of about EUR 16 million on sales of premises and operating assets in the Kamppi office building and shopping centre complex. Operating loss of EUR 10.2 million in the International Operations was caused by a charge of EUR 10.0 million for the arbitration decision connected with the construction of the hotel property. The volume of construction operations and housing sales in Estonia declined. In Russia, developer contracting projects are under way, which will be recorded as income when the projects are sold.

Net profit for the financial period was EUR 7.6 million (EUR 15.3 million) and earnings per share were EUR 0.22 (EUR 0.56). The fall in net profit and earnings per share were significantly affected by the arbitration decision on construction of the hotel property.

### **SRV wins important merit awards**

The worksite of the Flamingo recreational centre which SRV builds in Vantaa won the best construction site 2007 contest arranged by *Rakennuslehti (Construction Magazine)*. The panel of judges included a representative of the industry's professional organisation, a representative of the Construction Consultants Organisation and representatives of the Uusimaa County Labour Protection District, the Helsinki University of Technology and *Construction Magazine*. Among the project's outstanding merits, the panel singled out management of the entire construction process on a large and demanding worksite,

production planning and the use of a product model as well as the level of occupational safety and tidiness at the site. The site received a special mention for its compliance with the Client Liability Act.

The biannual Steel Design Award of the European Convention for Constructional Steelwork went to the Kamppi Centre for innovative steel construction. The award was made to the architects and structural engineers who designed the project as well as to the developers and builders. An award for acting as the general contractor and developer of the Kamppi project went to SRV.

<b>SRV Group key figures</b> (EUR million)	<b>IFRS</b> <b>2007</b>	IFRS 2006	change, MEUR	change, %
Revenue	<b>561.4</b>	479.5	81.9	17.1
Operating profit	<b>15.1</b>	24.6	-9.6	-38.8
Profit before taxes	<b>11.5</b>	20.7	-9.1	-44.1
Net profit for the period	<b>7.6</b>	15.3	-7.6	-50.0
Order backlog	<b>528.7</b>	453.7	75.0	16.5
Operating profit, %	<b>2.7</b>	5.1		
Profit before taxes, %	<b>2.1</b>	4.3		
Net profit, %	<b>1.4</b>	3.2		
Equity ratio, %	<b>55.4</b>	31.7		
Return on investment, %	<b>9.7</b>	15.9		
Return on equity, %	<b>6.9</b>	27.3		
Earnings per share, EUR 1)	<b>0.22</b>	0.56		-60.4

1) Key figures per share have been adjusted to reflect the increase in the number of shares, which came into effect on April 11th, 2007 (split), the rights issue on June 11th, 2007 and the rights issue and cancellation of treasury shares in connection with the merger of the SRV Henkilöstö Oy on 28 September, 2007.

## **Outlook for construction**

The world economy continued to enjoy good growth during 2007. The economic growth in the United States slowed down towards the end of the year, but proceeded favourably in the growing markets, including Russia. Gauging the business cycle as we move forward is complicated by the increased uncertainties in the economy and the crisis of confidence prevailing in the financial markets. In the Eurozone, the boom has probably peaked. The Finnish Ministry of Finance estimates that growth in the area's output will slow from 2.5 per cent to 2 per cent.

The Finnish economy grew at an annual rate of 4.4 per cent in 2007. Economic growth in 2008 is expected to slow down, but to exceed the growth figures for Europe. The Ministry of Finance estimates GDP growth at 3.3 per cent.

The boom in construction and the property market is expected to hold up in 2008, though the pace of growth will slow. The credit crunch that has hit the USA will add to uncertainty in the markets. The construction industry is forecasting a decline in residential construction in Finland in 2008 to a level of about 31,000 units. Construction of business premises is expected to remain at a good level, although the number of project starts may decrease. The good business climate in conjunction with completion of the Vuosaari harbour will underpin brisk logistics and construction of storage facilities, especially in the Greater Helsinki area.

Even after the summer, there was a shortage of skilled labour, particularly in the growth centres in southern Finland. Strong demand also made it difficult to obtain certain products. The availability of subcontractors and materials improved towards the end of the year.

Following several years of growth, the Estonian economy is slackening. The Estonian Central Bank estimated that economic growth had come in at 7.3% in 2007 and is forecasting growth of 4.3% for 2008 and 5.7% for 2009. The situation in the Estonian housing market has weakened, and lower demand has led to a fall in the level of house prices. The Latvian Central Bank estimated that economic growth had been over 10% in the period. Estimates of economic growth in the Baltic countries as a whole nevertheless involve elements of uncertainty. Russia's gross domestic product grew at an estimated rate of about 8 per cent in the period. The Russian construction market is estimated to grow by about 10% a year. The rise in the level of costs and a shortage of skilled personnel nonetheless pose challenges for operations in Russia. Demand for both business premises and housing is estimated to remain good in Russia.

### **Key figures for the business area**

<b>Revenue</b> (EUR million)	<b>IFRS 2007</b>	IFRS 2006	change, MEUR	change, %
Business Premises	<b>345.4</b>	297.0	48.4	16.3
Housing	<b>163.1</b>	138.1	25.0	18.1
International	<b>53.2</b>	44.6	8.6	19.4
Other Operations	<b>11.2</b>	6.0	5.2	86.0
Eliminations	<b>-11.4</b>	-6.2	-5.3	
Group, total	<b>561.4</b>	479.5	81.9	17.1

<b>Operating profit</b> (EUR million)	<b>IFRS 2007</b>	IFRS 2006	change, MEUR	change, %
Business Premises	<b>18.0</b>	25.0	-6.9	-27.7
Housing	<b>10.7</b>	5.1	5.6	109.1
International	<b>-10.2</b>	-3.6	-6.7	
Other Operations	<b>-3.1</b>	-4.4	1.3	
Eliminations	<b>-0.4</b>	2.5	-2.9	-114.2
Group, total	<b>15.1</b>	24.6	-9.6	-38.8

<b>Order backlog at 31 Dec.</b> (EUR million)	<b>IFRS 2007</b>	IFRS 2006	change, MEUR	change, %
Business Premises	<b>302.8</b>	287.7	15.1	5.2
Housing	<b>174.6</b>	154.4	20.2	13.1
International	<b>51.3</b>	11.6	39.7	341.3
Group, total	<b>528.7</b>	453.7	75.0	16.5

### **Earnings trends of the operating business areas**

<b>Business Premises</b> (EUR million)	<b>IFRS 2007</b>	IFRS 2006	change, MEUR	change, %
<b>Revenue</b>	<b>345.4</b>	297.0	48.4	16.3
<b>Operating profit</b>	<b>18.0</b>	25.0	-6.9	-27.7
<b>Order backlog at end of period</b>	<b>302.8</b>	287.7	15.1	5.2

The Business Premises business area comprises SRV Viitokset Oy's commercial, business, logistics and rock construction operations and project development.

Revenue in the Business Premises business area grew by 16.3 per cent. The Kamppi office building and shopping centre complex accounted for about EUR 100 million of revenue in the comparative period. Operating profit was EUR 18.0 million (EUR 25.0). Operating profit in the comparative period included about EUR 16 million on sales of properties and operating assets in the Kamppi office and shopping centre complex. The order backlog grew by 5.2 per cent to EUR 302.8 million (EUR 287.7 million).

Among the projects completed in the financial period were a logistics centre built for Kaukokuulinta in Tuusula, the KaraPhone East Business Premises project for Nokia in the Karamalmi district of Espoo, new business premises for PartnerTech Oy in Vantaa, Teknos powder coating plant in Rajamäki, the first part of the Helsinki City service tunnel, the Autotalo Laakkonen car dealership and retail facilities for IBI in the Kuninkaanportti district of Porvoo. Other projects completed included a renovation of the Sähkötalo electrical utility building in Helsinki, Hotel Katajanokka, renovation of Phase 2 of Aktia-Forum, renovation of the Valimokuja 2 property into a commercial centre for A-Vakuutus Oy insurance company, the Etola Technologies production facilities that were built in Vantaa and the Ämmässuo landfill service tunnel that was built for YTV (Helsinki Metropolitan Area Council) in Espoo.

A contract was signed in early 2007 with the Neste Oil Pension Fund for the construction and sale of a third office block in Keilaniemi, Espoo. In August, an agreement was made with MEAG of Germany concerning the sale and construction of the remaining three HTC Keilaniemi office blocks. Other projects that got under way were the Logistics Centre in Tuupakka, Vantaa, the renovation of the TRIO Shopping Centre in Lahti, the Etra, Sjaelso Finland, Koti-idea and Vepsäläinen projects in Kuninkaanportti, Porvoo, business premises for SGN in Vantaa, renovation of the Pasila postal centre, renovation of the Hakaniemenranta 6 office building as well as retail premises for Plantagen in Suomenoja, Espoo. A number of rock construction projects are in progress in the centre of Helsinki. An interior works contract agreement was signed on the Helsinki City service tunnel in the last quarter of the year.

In December 2007, a settlement was reached with Kamppi Center Investment Oy in the dispute regarding the amount of administrative costs for the purchase agreement on the shares in Helsingin Kamppi Center Oy, which owns the Kamppi Center, along with other commercial liabilities connected with the purchase agreement. On the basis of the settlement agreement, SRV recorded a charge of EUR 0.5 million in the 2007 financial statements.

<b>Housing</b> (EUR million)	<b>IFRS</b> <b>2007</b>	IFRS 2006	change, MEUR	change, %
<b>Revenue</b>	<b>163.1</b>	138.1	25.0	18.1
<b>Operating profit</b>	<b>10.7</b>	5.1	5.6	109.1
<b>Order backlog at end of period</b>	<b>174.6</b>	154.4	20.2	13.1

The Housing business area comprises housing construction in the Greater Helsinki area and the neighbouring municipalities as well as the operations of the regional subsidiaries.

The regional subsidiaries are engaged in housing, commercial, business premises and logistics construction projects.

Revenue in the Housing business area grew by 18.1 per cent, with developer contracting projects moving ahead according to plans. Operating profit improved markedly and was EUR 10.7 million (EUR 5.1 million). The order backlog was EUR 174.6 million (EUR 154.4 million).

The construction of 363 developer contracting housing units was started during the year (490), of which 241 were started in the Greater Helsinki area, 54 in the Tampere area, 18 in the Turku area and 50 in the Jyväskylä area. In addition, contract agreements to a total of EUR 51.6 million were signed with external clients. A total of 288 developer contracting housing units were sold in 2007 (374). At the end of the financial period, 415 residential units were under construction (571). There were 80 completed but unsold residential units (14). A total of 519 residential units were completed during the year, 388 of which were completed during the last two quarters.

Major projects that were launched included the Helsingin Oscar condominium, where 65 units will be completed, Vallikallion Helmi in Espoo (67 units) and Ulriikanhuippu in Vantaa (46 units), which will be realised jointly with Asuntosäätiö (Housing Foundation).

SRV continued its participation in the 24Living development project, which is being partly funded by TEKES (the Finnish Funding Agency for Technology and Innovation) as part of its residential cluster activities. Started in 2006, the 3-year project is headed by the University of Art and Design in Helsinki, in cooperation with Finpro, the Massachusetts Institute of Technology (MIT) and TEKES, with a number of Finnish companies also participating.

<b>International Operations</b> (EUR million)	<b>IFRS</b> <b>2007</b>	IFRS 2006	change, MEUR	change, %
<b>Revenue</b>	<b>53.2</b>	44.6	8.6	19.4
<b>Operating profit</b>	<b>-10.2</b>	-3.6	-6.7	
<b>Order backlog at end of period</b>	<b>51.3</b>	11.6	39.7	341.3

International Operations comprises the business activities of the SRV International subgroup in Russia and the Baltic countries.

International Operations increased its revenue by 19.4 per cent, but reported an operating loss of EUR 10.2 million (a loss of EUR 3.6 million). Operating profit was lowered by an EUR 10 million charge to earnings in connection with the decision of an arbitration tribunal concerning the construction of a hotel property. Operations in Russia in the second half of the year were geared towards expanding and improving developer contracting projects. The volume of construction activities and sales of housing units in Estonia declined. The order backlog was EUR 51.3 million (EUR 11.6 million).

## **Russia**

SRV has started renovation of the Pulkovskaya and Pribaltiskaya hotels operated by the Rezidor Group in St Petersburg. The Etmia II office and parking facility in the heart of Moscow is estimated to be completed by the end of 2008. SRV's role in the project is as a

co-owner with a 50 per cent stake and responsibility for acting as the project management contractor. Construction of the Papula residential area in the city of Vyborg started in June and the apartments included in the project got ready for sale at the end of 2007. In the first phase, 38 units are to be built, and they are estimated to reach completion by the end of 2008. Four of the project's units have been sold.

In March, an important shopping centre project was announced, that will be realised in the Moscow area together with Vicus Oy, a real estate investment company. The shopping centre's design, preparations for construction and the search for tenants have started, and the construction is scheduled to get under way in 2008. The ensemble will have about 100,000 square metres of gross floor area. SRV is involved in the project as an owner, with a 25 per cent stake, and will act as the project management contractor. The design portion of the work on the shopping centre is included in the order backlog.

Construction of a glass fibre plant for Ahlström was continued in Tver. The project will be completed in early 2008. An annex to the Lenexpo fair centre in St Petersburg was built and handed over in the first part of 2007.

### **Baltic countries**

A partnership project with Facio Ehitus was started in Tartu, Estonia. SRV owns a plot for 7 high-rise apartment buildings, on one of which construction was started in the summer.

Starts of 46 new developer housing units (81) were made in Estonia during 2007. A total of 5 units were sold during the 2007 period (124) and, all in all, 46 were up for sale at the end of the period (3), 4 of which were in already-completed projects (0).

In Estonia, a preliminary agreement was signed on 28 November 2007 concerning the sale of the logistics centre that was leased to Oriola KD. The property was completed in December. The sale was finalised in January 2008. Agreements were concluded on a vehicle dealership for Inchcape Motors and for enlarging the Mercantile logistics centre. Design work on these projects is in progress. The office premises of Veikko Laine Oy were completed in the early part of the year.

In Latvia, the implementation of previously signed agreements was continued for HRX, Beweship and Latvijas Finieris. A Kesko Agro store was handed over to the client in Riga in early 2007.

<b>Other Operations</b> (EUR million)	<b>IFRS</b> <b>2007</b>	IFRS 2006	change, MEUR	change, %
<b>Revenue</b>	<b>11.2</b>	6.0	5.2	86.0
<b>Operating profit</b>	<b>-3.1</b>	-4.4	1.3	

Other Operations comprise mainly the SRV Group Plc and SRV Kalusto Oy businesses.

Other Operations generated revenue of EUR 11.2 million (EUR 6.0 million) and operating loss was EUR 3.1 million (a loss of EUR 4.4 million).

## **Financing and financial position**

The Group's interest-bearing liabilities were EUR 64.6 million at 31 December 2007 (EUR 79.5 million). Net financial expenses were EUR 3.5 million (EUR 4.0 million). The Group's liquid assets at the end of the financial period amounted to EUR 21.4 million (EUR 14.9 million). The growth in liquid assets and the decrease in debt were due to the initial public offering.

SRV signed an EUR 100 million syndicated loan arrangement on 22 December 2007. The agreement is for a 5-year loan facility, in addition to which the company has an option on a 2-year extension.

The return on investment was 9.7 per cent (15.9%) and the return on equity 6.9 per cent (27.3%). The equity ratio was 55.4 per cent (31.7%).

## **Investments and M&A arrangements**

The Group's investments totalled EUR 5.4 million (EUR 3.3 million) and consisted mainly of spending on machinery and equipment.

### **Unbuilt land areas and land acquisition commitments**

<b>31 Dec 2007</b>	<b>Business Operations</b>	<b>Housing</b>	<b>International Operations</b>	<b>Total</b>
<b>Unbuilt land areas and land acquisition commitments</b>				
Building rights*, m <sup>2</sup>	117 000	222 000	359 000	698 000
Capital invested incl. commitments, EUR million	23	45	32	100
<b>Land development agreements</b>				
Building rights*, m <sup>2</sup>	408 000	122 000	100 000	630 000
* Building rights include the share of estimated zoning potential and the share of land acquisition commitments				

SRV purchased a 6.3 hectare land area in Vantaa near the Hämeenlinna motorway and Ring Road III in June. The building rights for the area are for 66,000 m<sup>2</sup> of gross floor area, and will make possible the construction of a wide range of business premises in the fast-developing Vantaankoski district.

In June, SRV signed a preliminary property purchase agreement for land and buildings owned by Parker Hannifin Oy in the Pakkala district of Vantaa, where application will be made for an alteration to the town plan. The objective is to build residential units totalling 5,800 m<sup>2</sup> of floor area on the plot. Concurrently, an agreement was made on constructing a new operations centre with about 4,000 m<sup>2</sup> of floor space for Parker Hannifin Oy in the Koivuhaka district of Vantaa.

In August, SRV concluded a preliminary property purchase agreement on obtaining alterations to the town plan of a plot located in the Seppälä district of Jyväskylä and its development for commercial and residential use. SRV's objective is to construct a commercial building with 15,000-16,000 m<sup>2</sup> of gross floor area in the area as well as 8,000-9,000 m<sup>2</sup> of residential buildings when the town plan change has been made.

A plot purchase for the first phase of the Asunto Oy Helsingin Oscar condominium was signed on 27 June 2007. The plot has building rights for 5,800 m<sup>2</sup> of floor area. A plot purchase for the second phase was signed on 30 November 2007. The plot has building rights for 6,400 m<sup>2</sup> of floor area.

### **Risks, risk management and corporate governance**

The economic cycle and changes in customers' operating environment have a direct impact on the construction and property market. Changes in the general level of interest rates have direct effects on both the cash flow on SRV's mainline operations and on financing costs.

SRV's revenue comes from construction projects, and the company's earnings are dependent on the profitability and progress of individual projects. The time of recognising income from developer contracting projects also depends on the percentage of premises sold. Construction involves significant cost risks relating to subcontracting and procurements. In managing these risks, there is a pronounced need for good long-term planning. The operating model based on project management calls for an adequate supply of skilled and competent staff. Post-construction warranty and liability obligations can last up to 10 years.

Constructions risks are monitored continually at both Group level and for individual projects. SRV carries out engineering design and implementation, drawing on solutions that have been well proven in the industry and making use of SRV's long years of experience. Project implementation and profitability is regularly tracked monthly.

Risk management across all business units is carried out in line with the Group's operations system, and control is exercised in line with the Group strategy approved by the Board of Directors and the parent company. The Group's President and CEO has overall responsibility for risk management covering line operations. SRV also endeavours to cover operational risks by taking out insurance policies and in the terms of the contracts it enters into.

The financial risks connected with SRV's operations are interest rate, currency, liquidity and contractual party risks, which are discussed in the Notes to the 2007 Financial Statements.

A discussion of SRV's main risks, risk management and corporate governance principles was published in the 2006 Annual Report and is also given in the 2007 Annual Report as well as in the Notes to the Financial Statements.

### **Environmental compliance**

The Group endeavours in all its operations to observe the principles of sustainable development and to minimise harmful environmental impacts connected with the life cycle of buildings. The main activities relate to the management of environmental aspects of both the design and worksite phases of buildings. In Finland, the Group also makes use of a waste reporting system at its construction sites. Since the beginning of 2008, SRV has strengthened the resources it allocates to managing the Group's environmental compliance.

## **Changes in Group management**

Mr Juha-Veikko Nikulainen took up his duties as Executive Vice President in charge of the Housing business area on 26 January 2007 and Mr Jussi Ollila became Senior Vice President in charge of Communications and Marketing on 1 February 2007.

## **Personnel**

SRV had an average payroll of 761 employees (668), of whom 537 were white-collar (461). The parent company had an average staff of 62 white-collar employees (60). At the close of the financial period, the Group had 752 employees (707), of whom 59 were employed by the parent company (66). An average of 9 per cent of the employees work at subsidiaries abroad (10%).

SRV develops cooperation with universities and colleges as part of its effort to cover staffing needs for recruitment and the holiday seasons. During the review period, SRV had a total of 27 trainees working in the Group's operations in Finland.

Personnel by business area	<b>31 Dec 2007</b>	31 Dec 2006	Share of Group personnel, 31 Dec 2007, %
Business Premises	<b>295</b>	236	39
Housing	<b>257</b>	293	34
International	<b>114</b>	87	15
Other Operations	<b>86</b>	91	12
Group, total	<b>752</b>	707	100

SRV Group's salaries and remuneration in 2007 totalled EUR 33.1 million (EUR 29.3 million).

## **Corporate governance and resolutions of general meetings**

The extraordinary General Meeting held on 2 April 2007 resolved to increase the number of the company's shares twenty-fold (split) and to transfer the share premium reserve to share capital. At the same time, the Extraordinary General Meeting passed amendments to the Articles of Association. The resolutions were entered in the Trade Register on 11 April 2007.

The Annual General Meeting was held on 23 April 2007. The AGM adopted the financial statements for 2006 and granted release from liability to the members of the Board of Directors and the President and CEO. A dividend of EUR 0.12 per share was declared.

The AGM set the emolument of the Chairman of the Board at EUR 5,000, the emolument of the Vice Chairman at EUR 4,000 and the emoluments of the directors at EUR 3,000 per month. In addition, an EUR 500 meeting fee is paid for meetings of the Board of Directors and its committees.

Mr Ilpo Kokkila was elected Chairman of the Board of Directors and Mr Eero Heliövaara, Mr Matti Mustaniemi, Mr Markku Sarkamies, Mr Jukka Hienonen and Mr Lasse Kurkilahti were elected to seats on the Board. Of the members of the Board of Directors, Mr Jukka Hienonen's and Mr Lasse Kurkilahti's term of office began and Mr Eero Heliövaara's term ended on 13 June 2007 when the company's shares were admitted to public trading on

the OMX Nordic Exchange Helsinki. The Board of Directors elected Mr Lasse Kurkilahti Chairman of the Board on 13 June 2007, Mr Matti Mustaniemi Chairman of the Audit Committee and Mr Ilpo Kokkila Chairman of the Nominations and Remunerations Committee.

Mr Jarmo Lohi, Authorised Public Accountant, was elected as the company's auditor, and the firm of public accountants Ernst & Young Oy was elected as the deputy auditor, with Mr Mikko Ryttilahti, Authorised Public Accountant, acting as principal auditor.

On 23 April 2007, the Annual General Meeting authorised the Board of Directors to issue a maximum of 11,500,000 new shares, to decide on the issuance of up to 1,500,000 shares directed at SEB Enskilda to cover possible oversubscriptions and to purchase the above-mentioned maximum amount of 1,500,000 shares directly from SEB Enskilda.

### **Initial Public Offering**

The Board of Directors decided on 25 May 2007 to offer ca. 11,500,000 new shares for subscription by Finnish and International institutional investors, by retail investors in Finland and by the Board of Directors, management and employees of SRV in Finland. SRV submitted to the OMX Nordic Exchange in Helsinki an application for listing of its shares on 25 May 2007.

The institutional offering commenced on 28 May 2007 and expired on 11 June 2007. The retail offering commenced on 29 May 2007 and was suspended due to oversubscription on 5 June 2007. The employee offering commenced on 29 May 2007 and expired on 9 June 2007. The offer price range was EUR 8.00 to EUR 9.75 per share. The Board of Directors decided to set the offer price at EUR 9.00 for the institutional and retail offerings and EUR 8.10 for the employee offering.

The Board of Directors decided on 11 June 2007 to issue 11,500,000 new shares, of which 9,907,300 shares were allocated to domestic and institutional investors, 1,150,000 shares to retail investors in Finland and 442,700 to the employees. In addition, the Company issued 1,500,000 shares to SEB Enskilda to cover over-allotments. Based on the share allocation, the institutional offering was approximately 8.1 times subscribed and the retail offering was approximately 4.6 times subscribed. In total, around 6,400 investors participated in the offering. Approximately 54 per cent of the demand in the institutional offering came from Finnish investors and approximately 46 per cent from international investors. The size of the offering was confirmed on 15 June 2007 at 13,000,000 shares. The shares issued represent approximately 33.3 per cent of the total number of shares in SRV after the offering.

The gross proceeds to SRV from the offering were approximately EUR 117 million and the net proceeds after deduction of commissions and fees related to the transaction were approximately EUR 112 million. SRV intends to use the proceeds to further develop its operations, primarily through increasing the proportion of developer contracting and development projects, both in residential and non-residential construction, and by accelerating the expansion of its international business, with an emphasis on Russia.

## **Shares and shareholders**

SRV Group Plc's share capital is EUR 3,062,520. The share has no nominal value and the number of shares outstanding is 36,768,468. The company has one class of shares. The presented per-share figures have been adjusted to a comparable basis so as to reflect the increase in the number of shares which came in effect on 11 April 2007 (split), the rights issue on 11 June 2007 and the share issue carried out on 28 September 2007 in connection with the merger plan of SRV Henkilöstö Oy employee fund as well as the cancellation of own shares (treasury shares).

SRV's shares were admitted to public trading on the OMX Nordic Exchange Helsinki Pre List on 12 June 2007 and on the Main List on 15 June 2007. SRV had a total of 6,626 shareholders at 31 December 2007. The offer price in the IPO was set at EUR 9.00. At the close of the first trading day 12 June 2007, the share closed at EUR 9.90 and at the end of 2007 the share price was EUR 5.02 (-49.2%). The high for the share in 2007 was EUR 10.79 and the low was EUR 4.72. The change in the Helsinki Stock Exchange All Share Index (OMX Helsinki) during the corresponding period was 3.2%, and the OMX Industrials Index registered -14.4%.

At the end of 2007, the company had a market capitalisation of EUR 184.6 million. About 22.5 million shares were traded on the Helsinki Stock Exchange in 2007 and the trade volume was EUR 187.8 million.

## **Merger of SRV Henkilöstö Oy employee fund**

The Boards of Directors of SRV Group Plc and the SRV Henkilöstö Oy employee fund signed a merger plan on 27 April 2007 according to which SRV Henkilöstö Oy was to merge into SRV. The Extraordinary General Meeting of SRV Group Plc approved the merger plan on 24 May 2007. An Extraordinary General Meeting of SRV Henkilöstö Oy approved the merger on 6 June 2007.

On 25 September 2007, SRV's Board of Directors confirmed the number of shares to be issued as merger consideration at 10,216,468. For each SRV Henkilöstö Oy share, about 16.33 new SRV shares were given as merger consideration. The execution date of the merger was 28 September 2007. The 12,512,000 SRV shares held by SRV Henkilöstö Oy were cancelled on 28 September 2007 without reducing the share capital. The merger decreased SRV's non-restricted equity by EUR 20,659,925.02.

## **Merger of subsidiary**

SRV Teräsbetoni merged into SRV Group Plc on 31 July 2007. SRV Teräsbetoni Oy's business operations were transferred to SRV Viitokset Oy, SRV Kalusto Oy and SRV Kaakkois-Suomi Oy on 31 December 2006.

## **Events after the balance sheet date**

The SRV Housing business area decided to establish in Oulu a regional office, which will start operations in early March 2008. On 14 January 2008, the Espoo City Council approved SRV's planning reservation application for the design of four 27-28 storey residential towers to be built atop Karhusaarentie-road. According to initial plans, the area includes about 50,000 square meters of residential building volume, and the total number of apartments would be around 370.

The sale of the logistics centre that had been leased to Oriola KD in Estonia was completed on 15 January 2008. Revenue of EUR 5 million and operating profit of EUR 1.7 million were recorded on the sale in the first quarter.

On 8 February 2008 SRV acquired 32 per cent share in Russian enterprise OOO "Olgino-4", which will buy a land territory of 24.9 hectares, located north of Saint Petersburg in close vicinity to the Ring Road. During spring 2008 SRV will raise its ownership in the enterprise aiming at majority stockholding by summer 2008. Over 100,000 m<sup>2</sup> of logistics facilities will be built on the site in several stages during next few years. SRV intends to commence construction works of the first stage by the end of 2008.

### **Near-term outlook**

The high level of the order backlog provides a solid basis for a good trend in revenue and earnings in 2008. The Group will seek to sell the Park Inn hotel located in Ekaterinburg during 2008.

Housing demand is estimated to decline, and selling periods are expected to lengthen in Finland, particularly for properties located outside growth centres. The outlook for construction of business premises is estimated to remain positive in Finland. Russia's strong economic growth is set to support the trend in the order backlog and revenue within International Operations.

Revenue in 2008 is expected to increase on the previous year. Operating profit in 2008 is anticipated to exceed operating profit in 2007 by a substantial margin.

### **Board of Directors' Proposal for the distribution of profits**

The parent company's distributable funds at 31 December 2007 are	EUR 127,675,240.51
of which net profit for the financial year is	EUR 14,088,539.93

The Board of Directors proposes to the Annual General Meeting that the distributable equity be allocated as follows:

A dividend of EUR 0.12 per share be paid to shareholders, thus	EUR 4,412,216.16
The remainder be transferred to retained earnings	EUR 123,263,024.35

No material changes have taken place in the company's financial position after the close of the financial year. The company's liquidity is good and, in the view of the Board of Directors, the proposed dividend payout does not compromise the company's solvency.

**KEY FINANCIAL INDICATORS**

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		<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
		<b>IFRS</b>	<b>IFRS</b>	<b>IFRS</b>	<b>FAS</b>
Revenue	EUR million	561.4	479.5	422.0	403.2
Operating profit	EUR million	15.1	24.6	21.8	17.2
Operating profit, % of revenue	%	2.7	5.1	5.2	4.3
Profit before extraordinary items	EUR million	11.5	20.7	21.7	16.2
Profit before extraordinary items, % of revenue	%	2.1	4.3	5.1	4.0
Profit before taxes	EUR million	11.5	20.7	21.7	16.2
Profit before taxes, % of revenue	%	2.1	4.3	5.1	4.0
Net profit for the financial year attributable to equity holders of the parent company	EUR million	7.2	14.5	12.6	11.6
Return on equity, %	%	6.9	27.3	34.0	35.3
Return on investment, %	%	9.7	15.9	19.1	26.2
Equity ratio, %	%	55.4	31.7	19.8	22.6
Property, plant and equipment investments	EUR million	5.4	3.3	2.7	2.0
Property, plant and equipment investments, % of revenue	%	1.0	0.7	0.6	0.5
Order backlog	EUR million	528.7	453.7	251.8	345.9
Personnel on average		761	668	671	603
Invested capital	EUR million	222.9	141.7	182.5	81.9
Net interest-bearing debt	EUR million	43.2	64.6	108.9	2.2
Gearing ratio, %	%	27.3	103.9	218.7	43.5
Earnings per share, share issue adjusted *)	EUR	0.22	0.56	0.48	0.44
Equity per share, share issue adjusted *)	EUR	4.22	2.22	1.76	1.44
Dividend per share, share issue adjusted **)	EUR	0.12	0.12	0.08	0.04
Dividend payout ratio, %	%	54.6	21.4	16.7	9.1
Dividend yield, %	%	2.4	-	-	-
Price per earnings ratio		22.8	-	-	-
Share price development					
Share price at the end of the period	EUR	5.02	-	-	-
Average share price	EUR	8.40	-	-	-
Lowest share price	EUR	4.72	-	-	-
Highest share price	EUR	10.79	-	-	-
Market capitalisation at the end of the period	EUR million	184.60	-	-	-
Trading volume	EUR 1,000	22,514	-	-	-
Trading volume, %	%	68.8	-	-	-
Weighted average number of shares outstanding	1,000	32,703	26,064	26,064	26,064
Number of shares outstanding at the end of the period	EUR 1,000	36,768	26,064	26,064	26,064

\*) The Extraordinary General Meeting of SRV Group Plc decided on 2 April 2007 to increase the number of shares of SRV Group Plc twenty fold (split).

Before the change in nominal value the number of shares was 1,303,200 and after the change the number of shares was 26,064,000.

SRV Group Plc arranged Initial Public Offering in June 2007. In the Offering 13,000,000 shares were subscribed.

After the Offering the number of shares was 39,064,000.

The plan to merge SRV Henkilöstö Oy into SRV Group Plc was executed on 28 September 2007. At the same time 10,216,468 new shares of SRV Group Plc were issued without raising the share capital.

In connection with the merger SRV Group Plc received the 12,512,000 shares held by SRV Henkilöstö Oy.

After the merger the number of shares was 36,768,468.

\*\*) The Board of Directors' dividend proposal for 2007

## CALCULATION OF KEY FIGURES

<b>Gearing ratio, %</b>	=	100 x $\frac{\text{Net interest-bearing debt}}{\text{Total equity}}$
<b>Return on equity, %</b>	=	100 x $\frac{\text{Profit before taxes - income taxes}}{\text{Total equity, average}}$
<b>Return on investment, %</b>	=	100 x $\frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Invested capital, average}}$
<b>Equity ratio, %</b>	=	100 x $\frac{\text{Total equity}}{\text{Total assets - advances received}}$
<b>Invested capital</b>	=	Total assets - non-interest bearing debt - deferred tax liabilities - provisions
<b>Net interest bearing debt</b>	=	Interest bearing debt - cash and cash equivalents
<b>Earnings per share, share issue adjusted</b>	=	$\frac{\text{Net profit for the financial year attributable to equity holders of the parent company}}{\text{Weighted average number of shares outstanding}}$
<b>Equity per share, share issue adjusted</b>	=	$\frac{\text{Equity attributable to equity holders of the parent company}}{\text{Number of shares outstanding at the end of the period, share issue adjusted}}$
<b>Price per earnings ratio</b>	=	$\frac{\text{Share price at the end of the period}}{\text{Earnings per share, share issue adjusted}}$
<b>Dividend payout ratio, %</b>	=	100 x $\frac{\text{Dividend per share, share issue adjusted}}{\text{Earnings per share, share issue adjusted}}$
<b>Dividend yield, %</b>	=	100 x $\frac{\text{Dividend per share, share issue adjusted}}{\text{Share price at the end of the period, share issue adjusted}}$
<b>Average share price</b>	=	$\frac{\text{Number of shares traded in euros during the period}}{\text{Number of shares traded during the period}}$
<b>Market capitalisation at the end of the period</b>	=	Number of shares outstanding at the end of the period x share price at the end of the period
<b>Trading volume</b>	=	Number of shares traded during the period and in relation to the weighted average number of shares outstanding

**Share price trend and trading of shares**

The shares of SRV Group Plc are quoted on the OMX Nordic Exchange.

The trading with SRV Group Plc's shares (SRV1V) started on the Main list of OMX on 15 June 2007.

During 2007 the highest price was EUR 10.79 and the lowest price EUR 4.72.

The average share price for 2007 was EUR 8.4 and the closing price EUR 5.02

giving the company a market capitalisation of EUR 184.6 million as of 31 December 2007.

Some 22.5 million shares were traded in OMX which corresponds to 68.8 %

of the weighted average number of SRV shares outstanding. The trading value of the shares was EUR 187.8 million.

**The authorisations of the Board of Directors**

The Board of Directors of SRV Group Plc has neither valid authorisations to raise the share capital, issue bonds with warrants or convertible bonds nor to buy or sell own shares.

**Management shareholding**

The Members of the Board of SRV Group Plc as well as the President and CEO and the Deputy CEO owned directly a total of 16,038,093 shares on 31 December 2007 which corresponds to 43.6 % of SRV shares and voting rights. In addition to the direct ownership Ilpo Kokkila owned SRV shares also through Kolpi Investments Oy.

**Shareholders on 31 December 2007**

Shareholder	Number of shares	Holding and voting rights, %
Kokkila Ilpo	13,552,000	36.9
Kolpi Investments Oy	5,178,129	14.1
Heliövaara Eero	1,909,483	5.2
Linnoinen Hannu	615,566	1.7
Valtion Eläkerahasto	470,000	1.3
Nieminen Timo	418,266	1.1
Keskinäinen Vakuutusyhtiö Eläke-Fennia	350,000	1.0
OP-Suomi Pienyhtiöt	342,476	0.9
Veritas Eläkevakuutusosakeyhtiö	337,000	0.9
Sundholm Göran	308,906	0.8
Keskinäinen Eläkevakuutusosakeyhtiö Ilmarinen	275,000	0.7
ABN Amro Finland sijoitusrahasto	274,190	0.7
Fondita Nordic Micro Cap Placeringsfond	270,000	0.7
Keskinäinen Työeläkevakuutusyhtiö Varma	257,000	0.7
Sijoitusrahasto ABN Amro Small Cap Finland	208,673	0.6
Sitiftelsen för Åbo Akademi	200,000	0.5
Kuntien Eläkevakuutus	183,669	0.5
Ålandsbanken Nordic Value	150,330	0.4
Laakkonen Mikko	150,000	0.4
Evli Select	140,000	0.4
<b>20 largest shareholders</b>	<b>25,590,688</b>	<b>69.6</b>
Nominee registration	1,701,819	4.6
Other	9,475,961	25.8
<b>Total number of shares</b>	<b>36,768,468</b>	<b>100.0</b>

**Breakdown of share ownership on 31 December 2007****By number of shares owned**

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1-100	463	7.0	34,638	0.1
101-500	4,288	64.7	915,517	2.5
501-1 000	786	11.9	651,184	1.8
1 001-5 000	771	11.6	1,843,999	5.0
5 001-10 000	123	1.9	881,893	2.4
10 001-50 000	145	2.2	3,091,143	8.4
50 001-100 000	22	0.3	1,660,714	4.5
100 001-500 000	23	0.3	5,289,019	14.4
yli 500 000	5	0.1	22,400,361	60.9
<b>Yhteensä</b>	<b>6,626</b>	<b>100.0</b>	<b>36,768,468</b>	<b>100.0</b>
of which nominee registrations	10	0.2	1,701,819	4.6

**By shareholder category**

Shareholder category	% of shares
Corporations	18.6
Financial and insurance institutions	9.9
Non-profit organisations	2.9
Public institutions	6.4
Households	61.8
Non-Finnish shareholders	0.4
<b>Total</b>	<b>100.0</b>

CONSOLIDATED INCOME STATEMENT

<b>EUR 1,000</b>	<b>Liite</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>Revenue</b>		<b>561,425</b>	<b>479,490</b>	<b>421,969</b>
Other operating income	5	1,111	3,664	1,412
Change in inventories of finished goods and work in progress		18,317	27,155	-5,375
Use of materials and services		-509,734	-434,045	-351,920
Employee benefit expenses	8	-41,567	-36,814	-31,877
Depreciation and impairments	7	-1,917	-2,033	-1,736
Other operating expenses	6	-12,575	-12,800	-10,677
<b>Operating profit</b>		<b>15,059</b>	<b>24,617</b>	<b>21,796</b>
Financial income	10	2,624	2,603	4,220
Financial expenses	10	-6,146	-6,570	-4,361
Financial income and expenses, total		<b>-3,522</b>	<b>-3,967</b>	<b>-141</b>
<b>Profit before taxes</b>		<b>11,537</b>	<b>20,650</b>	<b>21,655</b>
Income taxes	11	-3,894	-5,372	-6,985
<b>Net profit for the financial year</b>		<b>7,643</b>	<b>15,278</b>	<b>14,670</b>
<b>Attributable to</b>				
Equity holders of the parent company		7,185	14,470	12,639
Minority interest		458	808	2,031
<b>Earnings per share calculated on the profit attributable to equity holders of the parent company (undiluted and diluted)</b>	12	0.22	0.56	0.48

CONSOLIDATED BALANCE SHEET

EUR 1,000	Lite	2007	2006
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	8,012	5,479
Goodwill	15	726	726
Other intangible assets	15	644	905
Other financial assets	16, 17	2,929	2,317
Receivables	16, 18	2,709	5,591
Deferred tax assets	19	1,121	162
<b>Non-current assets, total</b>		<b>16,141</b>	<b>15,180</b>
<b>Current assets</b>			
Inventories	20	196,428	134,521
Trade and other receivables	16, 21	94,175	65,448
Current tax receivables		3,402	1,415
Cash and cash equivalents	22	21,407	14,877
<b>Current assets, total</b>		<b>315,412</b>	<b>216,261</b>
<b>ASSETS TOTAL</b>		<b>331,554</b>	<b>231,441</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent company</b>			
Share capital	23	3,063	1,303
Share premium reserve	23	0	1,759
Invested free equity fund	23	87,338	0
Translation differences		22	10
Retained earnings		64,680	54,841
<b>Equity attributable to equity holders of the parent company, total</b>		<b>155,103</b>	<b>57,913</b>
<b>Minority interest</b>		<b>3,236</b>	<b>4,244</b>
<b>Equity, total</b>		<b>158,339</b>	<b>62,157</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	19	142	1,031
Provisions	24	5,888	4,812
Interest-bearing liabilities	16, 25	37,677	48,324
Other liabilities	16, 26	414	33
<b>Non-current liabilities, total</b>		<b>44,120</b>	<b>54,200</b>
<b>Current liabilities</b>			
Trade and other payables	16, 26	96,911	80,129
Current tax payable		1,600	165
Provisions	24	4,071	3,639
Interest-bearing liabilities	16, 25	26,511	31,152
<b>Current liabilities, total</b>		<b>129,094</b>	<b>115,085</b>
<b>Liabilities, total</b>		<b>173,215</b>	<b>169,284</b>
<b>EQUITY AND LIABILITIES, TOTAL</b>		<b>331,554</b>	<b>231,441</b>

CONSOLIDATED CASH FLOW STATEMENT

<b>EUR 1,000</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>Note</b>
<b>Cash flow from operating activities</b>				
<b>Net profit for the financial year</b>	<b>7,643</b>	<b>15,278</b>	<b>14,670</b>	
Adjustments:				
Depreciation and impairments	1,917	2,033	1,735	
Non-cash transactions	1,450	2,827	432	30
Financial income and expenses	3,522	3,966	141	
Capital gains on sale of tangible and intangible assets	-148	-389	26	
Income taxes	3,894	5,372	6,986	
<b>Adjustments, total</b>	<b>10,635</b>	<b>13,810</b>	<b>9,320</b>	
Changes in working capital:				
Change in loan receivables	-2,701	31,472	14,181	
Change in trade and other receivables	-22,951	18,408	-9,579	
Change in inventories	-62,844	-33,858	-46,339	
Change in trade and other payables	16,404	11,266	-50,219	
<b>Changes in working capital, total</b>	<b>-72,092</b>	<b>27,287</b>	<b>-91,956</b>	
Interest paid	-6,353	-8,204	-4,756	
Interest received	2,813	8,203	578	
Dividends received	0	7	6	
Income taxes paid	-6,295	-9,021	-3,125	
<b>Net cash from operating activities</b>	<b>-63,650</b>	<b>47,359</b>	<b>-75,263</b>	
<b>Cash flow from investing activities</b>				
Acquisition of subsidiaries, net of cash	0	0	-159	
Property, plant and equipment	-4,215	-1,631	-1,404	
Intangible assets	-116	-625	-506	
Other financial assets	-1,023	-1,032	-634	
Sale of property, plant and equipment and intangible assets	740	2,343	62	
Sale of financial assets	264	45	0	
<b>Net cash used in investing activities</b>	<b>-4,349</b>	<b>-899</b>	<b>-2,640</b>	
<b>Cash flow from financing activities</b>				
Proceeds from share issue	113,430	0	0	
Proceeds from loans	19,148	23,989	51,562	
Repayments of loans	-13,536	-77,914	-17,299	
Change in loan receivables	176	1,470	-2,192	
Change in housing corporation loans	-21,829	-11,151	41,428	
Change in credit limits	928	10,751	3,947	
Purchase of treasury shares	-20,660	0	0	
Dividends paid	-3,128	-2,215	-1,095	
<b>Net cash from financing activities</b>	<b>74,530</b>	<b>-55,071</b>	<b>76,352</b>	
<b>Net change in cash and cash equivalents</b>	<b>6,530</b>	<b>-8,611</b>	<b>-1,551</b>	
Cash and cash equivalents at the beginning of financial year	14,877	23,488	25,039	
<b>Cash and cash equivalents at the end of financial year</b>	<b>21,407</b>	<b>14,877</b>	<b>23,488</b>	

CONSOLIDATED FINANCIAL STATEMENTS, IFRS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR 1,000

	Equity attributable to equity holders of the parent company							Minority interest	Equity, total
	Share capital	Share premium reserve	Invested free equity fund	Translation differences	Fair value reserve	Retained earnings	Total		
<b>Equity, total (IFRS), 1 Jan 2006</b>	<b>1,303</b>	<b>1,759</b>	<b>0</b>	<b>0</b>	<b>380</b>	<b>42,453</b>	<b>45,895</b>	<b>3,946</b>	<b>49,841</b>
Translation differences	-	-	-	10	-	-	10	-	10
Amount of available-for-sale financial assets removed from	-	-	-	-	-390	-	-390	-	-390
Net gains on available-for-sale financial assets	-	-	-	-	118	-	118	-	118
Other changes	-	-	-	-	-	25	25	-	25
<b>Net income recognised directly in equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10</b>	<b>-272</b>	<b>25</b>	<b>-237</b>	<b>0</b>	<b>-237</b>
Net profit for the financial year	-	-	-	-	-	14,470	14,470	-	14,470
<b>Total income and expenses for the financial year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14,470</b>	<b>14,470</b>	<b>0</b>	<b>14,470</b>
Dividends paid	-	-	-	-	-	-2,215	-2,215	-	-2,215
<b>Equity, total (IFRS), 31 Dec. 2006</b>	<b>1,303</b>	<b>1,759</b>	<b>0</b>	<b>10</b>	<b>108</b>	<b>54,732</b>	<b>57,913</b>	<b>4,244</b>	<b>62,157</b>
<b>Equity, total (IFRS), 1 Jan 2007</b>	<b>1,303</b>	<b>1,759</b>	<b>0</b>	<b>10</b>	<b>108</b>	<b>54,732</b>	<b>57,913</b>	<b>4,244</b>	<b>62,157</b>
Translation differences	-	-	-	12	-	-	12	-	12
Net gains on available-for-sale financial assets	-	-	-	-	-108	-	-108	-	-108
Other changes	-	-	-	-	-	60	60	-	60
<b>Net income recognised directly in equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12</b>	<b>-108</b>	<b>60</b>	<b>-36</b>	<b>0</b>	<b>-36</b>
Net profit for the financial year	-	-	-	-	-	7,185	7,185	-	7,185
<b>Total income and expenses for the financial year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,185</b>	<b>7,185</b>	<b>0</b>	<b>7,185</b>
Dividends paid	-	-	-	-	-	-3,128	-3,128	-	-3,128
Transfer from share premium reserve to share capital	1,759	-1,759	-	-	-	-	0	-	0
Share issue and employee offering	-	-	116,602	-	-	398	117,000	-	117,000
Share issue and employee offering deductions	-	-	-	-	-	-3,171	-3,171	-	-3,171
Purchase and cancellation of treasury shares	-	-	-29,263	-	-	8,604	-20,660	-	-20,660
<b>Equity, total (IFRS), 31 Dec. 2007</b>	<b>3,063</b>	<b>0</b>	<b>87,338</b>	<b>22</b>	<b>0</b>	<b>64,680</b>	<b>155,103</b>	<b>3,236</b>	<b>158,339</b>

# Notes to the consolidated financial statements

## Description of operations

SRV Group Plc and its subsidiaries (the SRV Group) is a leading Finnish project management contractor that constructs and develops commercial and Business premises, residential housing as well as industrial and logistics facilities in Finland, Baltic countries and Russia. In line with the Group's strategy, operations are organised into three business areas: Business Premises, Housing, and International Operations. The main operational companies are SRV Viitosen Ltd, which focuses on the construction of business and commercial premises as well as logistics facilities and infrastructure, SRV Westerlund Ltd, which carries out residential construction in the Greater Helsinki area, and SRV International Ltd, which is responsible for operations abroad. The operations of the regional construction companies outside the Greater Helsinki area consist primarily of residential construction, and they are reported as part of the Housing segment. SRV Group Plc's Project Development unit and Group Administration as well as the Building Services unit (SRV Viitosen Ltd as from 1 March 2007) support and serve all the Group's operations.

The Group's parent company, SRV Group Plc (the Company), is a Finnish public limited company which is domiciled in Espoo, Finland. The Company's registered address is Niittytaival 13, 02200 Espoo.

Board of Directors has approved these consolidated financial statements for issue on 11 February 2008.

## Accounting policies

### Basis of preparation

The consolidated financial statements have been prepared on 31 December 2007 in accordance with IFRS (International Financial Reporting Standards). International Financial Reporting Standards refer to the standards and their interpretations issued and approved for application within the EU in accordance with the procedure prescribed in EU regulation (EC) 1606/2002. The financial statements are presented in thousands of euros unless otherwise stated.

The consolidated financial statements have been prepared based on a historical cost basis, except for available-for-sale investments, financial assets and liabilities measured at fair value through income statement and derivative contracts measured at fair value as well as share-based payments which are measured at fair value.

### Application of new standards, amendments and interpretations

The following standards, amendments and interpretations have been applied as from the accounting period beginning on 1 January 2007:

- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Presentation of Financial Statements; Capital Disclosures
- IFRIC 8 Scope of IFRS 2
- IFRIC 10 Interim Financial Reporting and Impairment

These standards, amendments and interpretations do not have an effect on the Group's financial position. They have effect on the notes of the consolidated financial statements to some extent.

The following standard has been early adopted:

- IFRS 8 Operating Segments

This standard does not have an effect on the Group's financial position. It has effect on the notes of the consolidated financial statements to some extent.

The following standards, amendments and interpretations have been applied as from the accounting period beginning on 1 January 2007 but they are not significant to the Group:

- IFRIC 7 Applying the Restatement Approach under IAS 29; Financial Reporting in Hyperinflationary Economies
- IFRIC 9 Reassessment of Embedded Derivatives

The application of the following standards, amendments and interpretations is mandatory as from the accounting period beginning on or after 1 January 2008:

- IAS 1 Presentation of Financial Statements; Revised (in force for the financial year commencing 1 January 2009). The Group will apply this standard as from 1 January 2009.
- IAS 23 Borrowing costs (in force for the financial year commencing 1 January 2009). The Group will apply this standard as from 1 January 2009.
- IFRIC 11 IFRS 2 Group and Treasury Shares Transactions (in force for the financial year commencing after 1 March 2007). The Group will apply this standard as from the beginning on 1 January 2008.

These standards, amendments and interpretations do not have an effect on the Group's financial position. They have effect on the notes of the consolidated financial statements to some extent.

The application of the following standards, amendments and interpretations is mandatory as from the accounting period beginning on or after 1 January 2008 but they are not significant to the Group:

- IFRIC 12 Service Concession Agreements (in force for the financial year commencing 1 January 2008). The Group will apply this standard as from the beginning on 1 January 2008.
- IFRIC 13 Customer Loyalty Programmes (in force for the financial year commencing 1 July 2008). The Group will apply this standard as from the beginning on 1 January 2009.
- IFRIC 14, IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (in force for the financial year commencing 1 January 2008). The Group will apply this standard as from the beginning on 1 January 2008.

#### **Use of estimates**

The preparation of financial statements in accordance with IFRS requires the management to make certain estimates and to use the judgement in applying accounting policies. The estimates and assumptions have an effect on assets and liabilities as well as on revenues and expenses for the reporting period. Estimates and assumptions have been used for example in the impairment testing of goodwill, property, plant and equipment and intangible assets, in the revenue recognition of construction contracts, in the measurement of warranty and other provisions and in the recognition of income taxes.

Revenues and expenses related to the construction contracts are recognised based on the percentage of completion method (in developer contracting projects on a combined percentage of completion method), when the outcome of the project can be estimated reliably. Revenue recognition according to the percentage of completion is dependent on estimates of the expected revenue and expenses from the project as well as on reliable measurement of the progress of the project. The estimate of the expected revenue from the project is affected by the estimated amount of the rental liabilities. Should the estimates of the project's outcome change, the revenues and the profit will be correspondingly changed during the financial period that the change is discovered and can be estimated.

The Group carries out an annual impairment testing of goodwill and intangible assets having an indefinite useful life. The recoverable amounts of cash-generating units have been defined on the basis of value in use calculations. The preparation of these calculations requires use of estimates.

Warranty provisions and 10-year warranty provisions are recorded when the amount of the provision can be estimated reliably. The recorded amount is the best estimate of the expected cost that will be required to meet the claim as of the balance sheet date. The estimate concerning probability of costs is based on previous similar events and previous experience and it requires judgement from the Group management.

When preparing the financial statements the Group estimates if there is a need for recognition of deferred taxes. The Group prepares an estimate about the probability of the profits of subsidiaries against which the unused tax losses or unused tax credits can be used.

## **Consolidated Financial Statements**

### **Subsidiaries**

The consolidated financial statements comprise the parent company SRV Group Plc and all the companies in which SRV Group Plc holds, directly or indirectly, more than 50 per cent of the voting rights or otherwise exercises control. Control means the right to govern the financial and operating policies of an entity to obtain the benefits from its activities. Balance sheets of developer contracting projects are included in the consolidated financial statements.

The financial statements of the SRV Group have been consolidated using the purchase method. Acquisition cost is determined by taking into account funds given as consideration and measured at fair value, and liabilities assumed, as well as the direct costs of an acquisition. Acquired and identifiable assets and liabilities are measured at fair value at the acquisition date, irrespective of the size of any minority interest. The amount by which the cost exceeds the fair value of Group's share of the net identifiable assets acquired is recorded as goodwill. Goodwill is not amortised but is tested for impairment annually. If the acquisition cost is less than the fair value of the acquired subsidiary's net assets, this difference is recorded directly to the income statement.

The accounting policies of subsidiaries have been changed as necessary to correspond the Group's accounting policies.

Subsidiaries are consolidated starting from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Intra-group transactions, receivables and liabilities as well as unrealised gains on intra-group transactions are eliminated in the consolidated financial statements. Unrealised losses are eliminated if the loss is not caused by an impairment.

Minority interest has been presented separately after Net profit for the period and in Total equity.

### **Joint ventures**

Joint ventures are companies in which the Group exercises a shared controlling interest with other parties based on an agreement. The Group's holding in joint ventures is consolidated proportionally on a line by line basis. The consolidated financial statements consist of the Group's share of joint ventures' assets, liabilities, income and expenses.

## **Foreign currency transactions**

### **Functional and presentation currency**

The items included in the financial statements of each Group company have been translated using the functional currency in which the company operates. The functional currency is the currency which best reflects the primary economic environment in which company operates. The consolidated financial statements are presented in euros, which is the parent company's functional currency.

### **Group companies**

The income statements of those subsidiaries whose reporting currency is not Euro are translated into euros using the average rate for the financial period. The balance sheets of subsidiaries are translated into euros using the rates at the balance sheet date. The translation

differences arising from the use of different exchange rates are recorded in Translation differences under equity. When a foreign subsidiary is sold, the cumulative translation differences are recognised in the income statement as part of the capital gain or loss.

#### **Transactions and balance sheet items**

Transactions denominated in foreign currency are recorded using the exchange rate on the date of the transaction. Monetary foreign currency items in the balance sheet are measured using the exchange rate at the closing date. Non-monetary items denominated in foreign currency are measured using the exchange rate on date of the transaction. Exchange rate gains and losses on business operations are included in corresponding items above operating profit. Exchange rate differences of financing items are included in financial income and expenses.

#### **Income recognition**

##### **Construction contracts**

Income and costs of construction contracts are recorded as revenue and expenses on the basis of the percentage of completion, when the outcome of the project can be estimated reliably. The percentage of completion is calculated on the basis of the estimated total cost of a contract and the cumulative costs at the balance sheet date.

Income and costs from developer contracting projects are recognised as revenue based on the combined percentage of completion which is calculated based on percentage of completion of the construction and the degree of sale. Cumulative cost in excess of the combined percentage of completion is recognised in Work in progress in Inventories.

If it is probable that the total expenditure required to complete a contract will exceed the total income from the project, the expected loss is expensed immediately. Revenue from projects which comprise construction and rental liability are recognised as one construction contract. Gross profit is recognised on projects containing a rental liability starting from the point when the total revenue from the fixed construction contract and the rental agreements concluded exceeds the estimated total cost of the project. The recognition of revenues is deferred in respect of the estimated rental liability and this estimated deferral is recognised in Advance payments in Liabilities. The rental security deposits reduce the Advance payments of the project. Uncertainty associated with a lease agreements is taken into account in income recognition.

If the costs and recorded profits of construction contracts exceed the amount of progress billings, the difference is disclosed in Trade and other receivables. If costs and recorded profits of construction contracts are less than the amount of progress billings, the difference is disclosed in Trade and other payables.

##### **Order backlog**

A construction project is included in the order backlog when the construction contract of the project has been signed or the decision to start construction has been made in case of a developer contracting project. The order backlog consists of the construction contracts not yet recognised as revenue (including the plot).

##### **Borrowing costs**

Borrowing costs are recognised as an expense in the period in which they are incurred.

##### **Research and development expenditure**

SRV's research and development expenditures are planning costs of developer contracting projects and development projects for which the decision to start construction has not yet been made. These costs are recorded as an expense in the income statement.

##### **Property, plant and equipment**

Property, plant and equipment is valued at historical cost less accumulated depreciation and possible accumulated impairment losses. Historical cost consists of the costs directly related to acquiring the asset.

Land and water areas are not amortised because the economic life of these assets cannot be determined. Depreciation on other tangible assets than land and water areas is calculated by using the reducing balance method or on a straight-line basis by recording acquisition costs as expense over their estimated economic lives as follows:

- Buildings and structures, reducing balance method: 4–7%.
- Machinery and equipment, reducing balance method: 25%
- Other intangible assets, straight-line method: 3–5 years

The carrying amounts and economic lives of property, plant and equipment are estimated and values adjusted as needed. The Group estimates at every balance sheet date if there is a need for impairment. If the carrying amount of an asset item exceeds the estimated recoverable amount, the carrying amount is lowered to correspond the recoverable amount.

Capital gains and losses on property, plant and equipment are included in the income statement.

##### **Intangible assets**

Intangible assets which have a limited useful life are valued at historical cost and amortised over their estimated economic life (3–5 years). Intangible assets which have an unlimited useful life are tested yearly for impairment.

Goodwill is the excess of the cost of the business combination over the fair value of the Group's share of acquired net assets. Goodwill is subject to an annual impairment test. For this purpose, goodwill has been allocated to cash-generating units. Goodwill is measured at historical cost less impairment. Impairment is expensed directly to the income statement.

Assets which are depreciated or amortised are always tested for impairment when events or changes in circumstances indicate the carrying amount may not be recovered. An impairment is recorded through profit and loss to the extent that the carrying amount of the asset item exceeds the recoverable amount. The recoverable amount is the higher of the following: the fair value of the asset item less selling costs or its value in use.

### Financial assets and liabilities

The Group classifies its financial assets and liabilities into the following categories: financial assets held for trading, loans and other receivables, available-for-sale financial assets, financial liabilities held for trading and financial liabilities measured at amortised costs.

The classification is made in accordance with the purpose for which the financial assets were initially acquired. The Group records financial assets and liabilities in the balance sheet when it becomes a party to the contractual terms and conditions of the instrument. Group management defines the classification of financial assets and liabilities in the initial recognition. Purchases and sales of financial assets are recognised on the clearing day. Financial assets are derecognised from the balance sheet when the contractual right to the cash flows of the item included in financial assets ceases or when the Group has transferred a significant part of the risks and returns associated with the financial assets. Financial liabilities are derecognised when the obligation specified in the contract has been fulfilled, cancelled or the liability has ceased.

### Derivative financial instruments and hedge accounting

Derivative financial instruments are initially recognised in the balance sheet at cost which corresponds to their fair value on the transaction day and subsequently measured at their fair value on each balance sheet day. At the time of entering into derivative instrument the Group designates them as either cash flow hedges of business or financing cash flows or as hedges of investments in foreign entities.

Changes in the fair value of derivative instruments qualifying for IAS 39 hedge accounting are recognised in equity under the Hedge Reserve for their effective part. The cumulative gain or loss of derivatives is transferred into income statement as revenue or expense for the same accounting period when the underlying hedged item is recognised the income statement. The ineffective part of the hedge is recognised directly in the income statement.

Changes in the fair value of derivative instruments which do not qualify for IAS 39 hedge accounting are recognised directly in the income statement.

Group's Treasury unit is responsible for the hedge transactions according to the policy approved by the Board of Directors. Hedge accounting is applied for relevant forecasted business or financing cash flows. Hedge accounting is always applied for hedges of investments in foreign entities.

During the fiscal year 2007 there were no hedges qualifying for IAS 39 hedge accounting

### Financial assets and liabilities held for trading

The derivative instruments which do not meet the criteria for hedge accounting are classified as financial assets or liabilities held for trading. Derivatives are initially recognised in the balance sheet at cost, which corresponds to their fair value on the transaction day and thereafter measured at fair value on each balance sheet date. Changes in fair values are recognised in the income statement under Other financial income and expense and in the balance sheet under short term financial assets or liabilities. The fair values are based on quoted market prices and exchange rates on balance sheet date.

### Loans and other receivables

Loans and other receivables are non-derivative financial assets with fixed or definable payments. They are not quoted on the market and it is not a primary intention of the company to sell them in the short term. Loans and other receivables are included in non-current financial assets, except for items whose maturity is shorter than twelve months. These items are classified as current financial assets.

Loans and other receivables, including trade receivables, are recorded in the balance sheet at amortised cost. Interest is recognised in the income statement over the maturity of the loan using the effective interest method. Impairment loss is recognised if there is evidence that the Group will not recover the receivable in full or in part according to the original terms. Matters that constitute evidence of this kind can be a debtor's serious financial problems, the probability that a debtor will end up in bankruptcy or is subjected to other financial arrangements as well as payment delinquency. The amount of the impairment is the difference between the receivable in the balance sheet and the present value of estimated future cash flows.

### Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are either defined belonging to this category or which cannot be classified in any other category. They are included in non-current financial assets unless Group intends to sell the investment within twelve months of the balance sheet date.

Available-for-sale financial assets are measured at fair value using quoted market prices or applicable valuation models. Changes in the fair value are recognised directly in equity. When the asset is sold, the cumulative changes in fair value are recognised as a transfer from equity to income statement.

Investments are derecognised when the rights to the cash flows from the investment cease to exist or they have been transferred and the Group has transferred the substantial risks and rewards of ownership.

The Group estimates at each balance sheet date whether there is objective evidence that a single asset or group of assets belonging to available-for-sale financial assets is impaired.

#### **Cash and cash equivalents**

Cash and cash equivalents consist of cash, current bank deposits as well as other current liquid investments with a maturity not exceeding three months. Bank overdrafts are included in current liabilities in the balance sheet.

#### **Financial liabilities measured at amortised costs**

Financial liabilities are initially recognised at fair value. Transaction expenses have been included in the original carrying amount of financial liabilities. Interest is recognised in the income statement over the maturity of the loan using the effective interest method. Financial liabilities are recognised in the balance sheet under non-current and current liabilities and they can be interest-bearing or non-interest-bearing

An external loan from a financial institution taken out by housing corporations in connection with developer contracting contracts is recognised as a liability to the extent it relates to the unsold shares of the housing corporation. The loan is derecognised when the purchaser assumes the liability.

#### **Leases**

##### **Operating leases**

Lease agreements in which the risks and benefits are retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as an expense in the income statement on a straightline basis over the lease term.

#### **Inventories**

The costing of raw materials and consumables is measured using weighted average cost method.

The balance sheet item "Work in progress" comprises the cost of construction work and plot for uncompleted construction projects not yet expensed. The acquisition costs included in the Work in progress are raw materials, direct cost of labour, other direct costs as well as the indirect costs of purchase and construction.

The balance sheet item "Land areas and plot-owning companies" comprises costs of development stage projects. The costs that are considered to increase the value of land areas and plot-owning companies are capitalised.

The balance sheet item "Shares in completed housing corporations and real-estate companies" comprises unsold completed projects.

The balance sheet item "Advance payments" comprises advance payments in connection with the inventories.

The balance sheet item "Other inventories" comprises share capitals from projects of which the decision to start construction has not yet been made and the property bought for resale.

Inventories are valued at the lower of cost and net realisable value. In ordinary business, net realisable value is the estimated selling price which is obtainable, less the estimated costs incurred in bringing the product to its present condition and selling expenses.

#### **Income taxes**

Tax expense in the income statement comprises current taxes and deferred taxes. Current tax is calculated based on the taxable income for the financial period using the statutory tax rate that is force in each country at the balance sheet date (and local tax legislation). Taxes are adjusted for any taxes for previous periods.

Deferred taxes are recognised on temporary differences. Deferred taxes are not recognised in connection with investments made in subsidiaries when the Group can control the timing of the reversal of the temporary difference, and the temporary difference will probably not be reverse in the foreseeable future.

A tax asset is recognised to the extent when it is probable that the asset can be utilised against future taxable income.

#### **Employee benefits**

##### **Pension liabilities**

Group companies have various pension plans in accordance with the local regulations and practices of each country of operation. Pension plans are funded through contributions paid to insurance companies based on paid salaries and wages.

The Group has only defined contribution plans. The payments in connection with Group's defined contribution plans are recognised in the income statement in the period which they relate to.

##### **Share-based payment**

The Group applies IFRS 2 Share-based Payment standard on its share-based incentive schemes. Share-based incentive scheme is valued at fair value by using the Black & Scholes pricing model in every interim and annual closing. The change in the incentive liability is recognised in the income statement. The share-based payments of the Group are cash settled transactions.

#### **Provisions**

A provision is recognised when the company has a legal or constructive obligation as a result of a past event, the payment obligation is probable and the amount of obligation can be reliably estimated.

If compensation can be received from a third party for a part of the obligation, the compensation is recognised as a separate item when it is virtually certain that the compensation will be received. A provision is recognised for a loss-making contract when the costs required to meet the obligations exceed the benefits received from the contract.

SRV and its subsidiaries are reengaged in several legal proceedings which relate to ordinary business or to other processes. The result of these legal proceedings and processes is difficult to predict. In case of litigation a provision is recognised in the financial statements according to the mentioned accounting policies when there is a legal or constructive obligation against third-party, payment obligation is probable and the amount of an obligation can be reliably estimated.

Warranty provisions comprise the costs resulting from the repair of completed projects if the warranty period is still in effect at the balance sheet date. A warranty provision is recognised at the time of the project hand-over, and the amount of provision is based on prior experience of the materialisation of warranty expenses. It is expected that warranty provisions are used during the two years from the completion of the project.

The amount of a 10-year warranty provision in the construction industry is based on prior experience of the materialisation of these expenses. It is expected that a 10-year provision will be used over the ten years following completion of the project.

### Dividends

The dividend payout proposed by the Board of Directors to the Annual General Meeting is recognised in the financial statements when the company's shareholders have approved the relevant resolution at the Annual General Meeting.

## 1. Segment information

Segment information has been prepared in compliance with IFRS 8 and it follows the accounting standards of Group's financial statements as well as the Group's management and organisational structure. IFRS 8 has been early adopted. The standard is effective for financial years beginning on or after 1 January 2009.

Pricing of transactions between the operating segments equals the market price. Segments assets and liabilities are those assets and liabilities that the segment uses in its operations or which can be allocated to the segments on a reasonable basis. Unallocated items include income taxes and financial items as well as Group level items.

**Operating segments**

SRV Group has the following operating segments:

**BUSINESS PREMISES**

Business Premises operating segment is specialised in office, commercial, logistics and underground construction in Finland. The customers are primarily users of premises, owners of properties or plots and real-estate investors as well as municipalities, the State and other public sector entities. Business Premises brings special expertise to the design and implementation of the Group's joint projects for the development and construction of commercial and office premises.

**HOUSING**

Housing operating segment comprises residential construction in the Greater Helsinki area and its peripheral communities as well as the operations of the regional subsidiaries. The regional companies carry out residential, commercial, office premises and logistics construction projects. The clientele is made up of consumers, professional developers and public sector entities. Housing brings special expertise to the design and implementation of the Group's joint projects within new residential construction and refurbishment.

**INTERNATIONAL OPERATIONS**

International Operations is specialised in the implementation of construction projects in the Baltic countries and in Russia's regional centres as well as in developer construction of residential projects in selected markets. The product range covers housing, office and commercial premises as well as logistics and industrial sites. The clientele consists primarily of Finnish and international companies expanding into this region as well as real-estate investors and consumers.

Operating segments derive the revenues from construction services. Other operations include Group services and the services related to rental of construction equipment.

The geographical distribution of the Group's operations is in line with the operating segments. International Operations comprise the operations in Russia and in the Baltic countries. The operations of other business segments comprise the operations in Finland.

During the financial year 1 January–31 December 2007, the Group did not have major customers according to the definition of IFRS 8.

2007 EUR 1,000	Business Premises	Housing	International Operations	Other	Total
Revenue, external	345,254	162,959	53,164	48	561,425
Revenue, internal	141	134	45	11,130	11,450
<b>Total</b>	<b>345,394</b>	<b>163,093</b>	<b>53,209</b>	<b>11,178</b>	<b>572,875</b>
<b>Operating profit</b>	<b>18,042</b>	<b>10,682</b>	<b>-10,239</b>	<b>-3,070</b>	<b>15,415</b>
Segment's assets					
Non-current	973	2,584	2,439	9,538	15,534
Current	116,216	110,864	111,832	152,473	491,386
<b>Total</b>	<b>117,189</b>	<b>113,449</b>	<b>114,271</b>	<b>162,011</b>	<b>506,920</b>
Segment's liabilities					
Non-current	1,195	28,146	14,798	727	44,866
Current	82,691	65,665	90,101	30,820	269,278
<b>Total</b>	<b>83,886</b>	<b>93,811</b>	<b>104,900</b>	<b>31,547</b>	<b>314,144</b>
Invested capital					
At the end of period	33,403	81,517	101,265		222,933
Return on investment, %	52.4	16.7	-11.3		9.7
<b>Order backlog</b>	<b>302,759</b>	<b>174,583</b>	<b>51,337</b>		<b>528,678</b>
2006 EUR 1,000	Business Premises	Housing	International Operations	Other	Total
Revenue, external	296,922	137,905	44,564	99	479,490
Revenue, internal	63	212	1	5,912	6,188
<b>Total</b>	<b>296,985</b>	<b>138,117</b>	<b>44,565</b>	<b>6,011</b>	<b>485,678</b>
<b>Operating profit</b>	<b>24,961</b>	<b>5,108</b>	<b>-3,559</b>	<b>-4,403</b>	<b>22,107</b>
Segment's assets					
Non-current	740	1,148	425	7,377	9,690
Current	111,195	73,073	65,185	64,302	313,755
<b>Total</b>	<b>111,935</b>	<b>74,221</b>	<b>65,610</b>	<b>71,679</b>	<b>323,445</b>
Segment's liabilities					
Non-current	14,029	25,483	17,459	864	57,835
Current	58,122	35,500	36,885	44,261	174,768
<b>Total</b>	<b>72,151</b>	<b>60,983</b>	<b>54,344</b>	<b>45,125</b>	<b>232,603</b>
Invested capital					
At the end of period	37,895	35,620	33,014		141,666
Return on investment, %	60.3	16.5	-7.8		15.9
<b>Order backlog</b>	<b>287,700</b>	<b>154,400</b>	<b>11,600</b>		<b>453,700</b>

2005 EUR 1,000	Business Premises	Housing	International Operations	Other	Total
Revenue, external	234,890	148,933	36,190	1,956	421,969
Revenue, internal	9,154	0	12	6,828	15,994
<b>Total</b>	<b>244,044</b>	<b>148,933</b>	<b>36,202</b>	<b>8,784</b>	<b>437,963</b>
<b>Operating profit</b>	<b>11,920</b>	<b>10,508</b>	<b>1,418</b>	<b>-703</b>	<b>23,143</b>

  

Revenue EUR 1,000	2007	2006	2005
Segment's revenue	561,696	479,667	429,179
Revenue, others	11,178	6,011	8,784
Eliminations and other adjustments	-11,450	-6,188	-15,994
<b>Total</b>	<b>561,425</b>	<b>479,490</b>	<b>421,969</b>

  

Operating profit EUR 1,000	2007	2006	2005
Segment's operating profit	18,485	26,510	23,846
Operating profit, others	-3,070	-4,403	-703
Eliminations and other adjustments	-356	2,510	-1,347
<b>Total</b>	<b>15,059</b>	<b>24,617</b>	<b>21,796</b>

  

Assets EUR 1,000	2007	2006
Segment's assets	344,909	251,766
Assets, others	162,011	71,679
Eliminations and other adjustments	-176,487	-92,062
Deferred tax assets	1,121	58
<b>Total</b>	<b>331,554</b>	<b>231,441</b>

  

Liabilities EUR 1,000	2007	2006
Segment's liabilities	282,597	187,478
Liabilities, others	31,547	45,125
Eliminations and other adjustments	-141,071	-64,350
Deferred tax liabilities	142	1,031
<b>Total</b>	<b>173,215</b>	<b>169,284</b>

  

Order backlog EUR million	2007	2006
Order backlogs of the segments	528.7	453.7
<b>Total</b>	<b>528.7</b>	<b>453.7</b>

## 2. Acquisitions

### Acquisitions during 2007

SRV Group did not acquire new businesses in 2007.

### Acquisitions during 2006

SRV Group did not acquire new businesses in 2006.

### Acquisitions during 2005

SRV Group did not acquire new businesses in 2005.

## 3. Disposals

### Disposals during 2007

SRV Group did not have significant disposals of businesses in 2007.

### Disposals during 2006

In 2006, SRV Group sold its 51% holding in SRV Statyba UAB for EUR 45,000.

Since the carrying amount at the time of sale was EUR 29,000, the effect of the sale on profit before taxes was EUR 16,000. The sale of holding did not have significant impact on consolidated balance sheet.

### Disposals during 2005

SRV Group did not have significant disposals of businesses in 2005.

## 4. Construction contracts

EUR 1,000	2007	2006	2005
Revenue from construction contracts recognised as income during the financial year	554,117	477,423	429,198
Contract costs and profits at the end of financial year (less recognised losses) <sup>1)</sup>	307,471	284,913	320,772
Gross amount due from customers related to construction contracts <sup>2)</sup>	32,161	13,645	
Gross amount due to customers related to construction contracts <sup>3)</sup>	45,516	35,078	

1) Related to the work in progress.

2) Expenses and recognised profits exceeding the progress billings are disclosed in the balance sheet under Trade and other receivables.

3) If the actual expenses and profits recorded are less than progress billings, the difference is disclosed under Trade and other payables.

## 5. Other operating income

EUR 1,000	2007	2006	2005
Capital gains on sales of property, plant and equipment and intangible assets	148	423	0
Rental income	544	1,579	9
Income from other operations	0	942	1,299
Other income	420	720	104
<b>Total</b>	<b>1,111</b>	<b>3,664</b>	<b>1,412</b>

## 6. Other operating expenses

EUR 1,000	2007	2006	2005
Capital losses on sales of property, plant and equipment and intangible assets	0	34	26
Rental expenses	2,463	2,334	2,836
Voluntary indirect personnel expenses	1,149	972	863
Car and travel expenses	1,115	873	919
Entertainment and marketing	1,378	1,773	1,098
Communications and IT	1,317	1,160	908
Other external services	1,264	1,024	836
Other fixed expenses	3,888	4,630	3,191
<b>Total</b>	<b>12,575</b>	<b>12,800</b>	<b>10,677</b>

## 7. Depreciation and impairments

EUR 1,000	2007	2006	2005
<b>Depreciation</b>			
<i>Intangible assets</i>			
Other intangible assets	375	422	283
<i>Property, plant and equipment</i>			
Buildings and structures	118	154	174
Machinery and equipment	1,422	1,440	1,279
Other tangible assets	1	17	0
<b>Total</b>	<b>1,917</b>	<b>2,033</b>	<b>1,736</b>

## 8. Employee-benefit expenses

EUR 1,000	2007	2006	2005
Wages and salaries <sup>1)</sup>	33,055	29,286	25,409
Pension expenses - defined contribution plans	5,613	4,950	4,382
Share-based incentive scheme	115	0	0
Employee offering cost <sup>2)</sup>	398	0	0
Other indirect personnel expenses	2,386	2,578	2,086
<b>Total</b>	<b>41,567</b>	<b>36,814</b>	<b>31,877</b>

1) Information on management's compensation as well as employee benefits is disclosed in Section 32 Related party transactions.

2) The size of employee offering of 442,700 shares was decided in the Board of Directors meeting held on 11 June, 2006.

The employee offering was carried out by EUR 8.10 per share which was EUR 0.90 lower than the Institutional and retail offering price. The total cost of employee offering was EUR 398,430.

SRV Group has only defined contribution plans in connection with the pensions.

Average number of personnel	2007	2006	2005
Business Premises	281	219	242
Housing	290	282	231
International Operations	102	84	129
Other	88	83	69
<b>Total</b>	<b>761</b>	<b>668</b>	<b>671</b>

Share-based incentive scheme	Subscription ratio	Exercise price	Dividend adjusted exercise price	Amount granted	Subscription period
Grant year					
2006 <sup>3)</sup>	1:1	3.85	3.73	200,000	2010-2013

3) Two members of the Management team of SRV have share-based Incentive scheme. Under the scheme the person is entitled to a share bonus which SRV may upon its discretion pay in cash or as shares. According to the scheme the members of the Management team are entitled to the share bonus only when they are employed by the Group. The amount to be paid as a share bonus is based on the price development of SRV Group Plc's share. The amount to be paid is determined as the difference between a specified initial price and the publicly quoted price of the share determined in a more specified way on the date on which the share bonus is paid. This share-based Incentive scheme is valued at fair value by using the Black & Scholes pricing model in every interim and annual closing. The change in the incentive liability is recognised in the Income statement. The volatility used in the pricing model is 30 %.

The above mentioned incentive scheme became a share-based Incentive scheme as a consequence of the initial public offering.

## 9. Research and development expenses

SRV Group's research and development costs attribute to the planning costs of the developer contracting projects and the development projects for which construction decision has not been made. These costs are recognised as an expense in the income statement.

## 10. Financial income and expenses

EUR 1,000	2007	2006	2005
<b>Financial income</b>			
Income on available-for-sale assets	42	7	6
Interest income from loans and receivables	1,717	2,282	3,872
Other financial income	12	7	336
<b>Total</b>	<b>1,770</b>	<b>2,296</b>	<b>4,215</b>
<b>Financial expenses</b>			
Expenses for financial liabilities at amortised cost	-5,323	-5,011	-4,139
Losses on available-for-sale assets	-5	0	0
Other financial expenses	-843	-1,103	-198
<b>Total</b>	<b>-6,171</b>	<b>-6,114</b>	<b>-4,337</b>

<b>Exchange rate and fair value gains and losses</b>			
Loans and other receivables	35	-1,544	588
Liabilities at amortised cost	5	1,097	-594
Other	-13	-2	-12
Financial assets/liabilities at fair value	852	301	0
<b>Total</b>	<b>879</b>	<b>-148</b>	<b>-19</b>
<b>Financial income and expenses, total</b>	<b>-3,522</b>	<b>-3,967</b>	<b>-141</b>
<b>Other aggregate exchange differences charged/credited to the income statement</b>			
Revenue	232	4	11
Other operating expenses	-6	0	0
<b>Total</b>	<b>226</b>	<b>4</b>	<b>11</b>

## 11. Income taxes

<b>Income taxes in the income statement</b>			
EUR 1,000	2007	2006	2005
Current taxes	5,475	5,281	5,608
Taxes for previous financial years	269	-106	0
Deferred taxes	-1,849	197	1,377
<b>Total</b>	<b>3,894</b>	<b>5,372</b>	<b>6,985</b>
Effective income tax rate	33.8 %	26.0 %	32.3 %

The income taxes in the consolidated income statement differ from the statutory income tax rate in Finland (26% in 2007, 2006 and 2005) as follows:

<b>Income tax reconciliation</b>			
EUR 1,000	2007	2006	2005
Profit before taxes	11,537	20,650	21,655
Income taxes at statutory tax rate in Finland (26%)	3,000	5,369	5,630
Differing tax rates of foreign subsidiaries	58	-139	104
Effect of changes in income tax rates on deferred taxes	0	-27	-127
Tax exempt income	-1	-327	-303
Non-deductible expenses	185	98	184
Tax losses and temporary differences not recognised	311	222	172
Taxes for previous financial years	269	-163	2
Group eliminations	73	339	1,323
<b>Income taxes</b>	<b>3,894</b>	<b>5,372</b>	<b>6,985</b>

## 12. Earnings per share

EUR 1,000	2007	2006	2005
Net profit for the financial year attributable to equity holders of the parent company, EUR 1,000	7,185	14,470	12,639
Weighted average number of shares during the financial year, 1,000 shares	32,703	26,064	26,064
<b>Earnings per share, EUR/share</b>	<b>0.22</b>	<b>0.56</b>	<b>0.48</b>

SRV Group Plc does not have arrangements that dilute earnings per share.

## 13. Dividend per share

The dividends paid in 2007 were EUR 0.12 per share, totalling EUR 3.1 million. The dividends paid in 2006 were EUR 0.08 per share, totalling EUR 2.2 million. A dividend of EUR 0.12 per share will be proposed at the Annual General Meeting on 14 April 2008 corresponding to total dividends of EUR 4.4 million. This proposed dividend is not recorded as liability in the financial statements.

## 14. Property, plant and equipment

2007	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments	Total
EUR 1,000						
Historical cost, 1 Jan.	271	1,643	7,999	172	0	10,085
Increases	3	1,404	2,778	1	32	4,218
Decreases	-1	-559	-72	0	0	-632
Reclassifications	0	568	21	-166	0	423
Foreign exchange differences	0	0	0	0	0	0
<b>Historical cost, 31 Dec.</b>	<b>273</b>	<b>3,056</b>	<b>10,726</b>	<b>7</b>	<b>32</b>	<b>14,094</b>
Accumulated depreciation and impairments, 1 Jan.	0	-598	-3,971	-37	0	-4,606
Depreciation	0	-118	-1,422	-1	0	-1,541
Accumulated depreciations of decreases	0	39	0	35	0	74
Foreign exchange differences	0	-9	0	0	0	-9
<b>Accumulated depreciation and impairments, 31 Dec.</b>	<b>0</b>	<b>-686</b>	<b>-5,393</b>	<b>-3</b>	<b>0</b>	<b>-6,082</b>
Carrying amount, 1 Jan.	271	1,045	4,028	135	0	5,479
<b>Carrying amount, 31 Dec.</b>	<b>273</b>	<b>2,370</b>	<b>5,333</b>	<b>4</b>	<b>32</b>	<b>8,012</b>
2006	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments	Total
EUR 1,000						
Historical cost, 1 Jan.	307	3,107	6,666	170	0	10,250
Increases	0	0	1,626	5	0	1,631
Decreases	-36	-1,464	-272	0	0	-1,772
Reclassifications	0	0	0	0	0	0
Foreign exchange differences	0	0	-21	-3	0	-24
<b>Historical cost, 31 Dec.</b>	<b>271</b>	<b>1,643</b>	<b>7,999</b>	<b>172</b>	<b>0</b>	<b>10,085</b>
Accumulated depreciation and impairments, 1 Jan.	0	-432	-2,531	-20	0	-2,983
Depreciation	0	-154	-1,440	-17	0	-1,611
Accumulated depreciations of decreases	0	0	0	0	0	0
Foreign exchange differences	0	-12	0	0	0	-12
<b>Accumulated depreciation and impairments, 31 Dec.</b>	<b>0</b>	<b>-598</b>	<b>-3,971</b>	<b>-37</b>	<b>0</b>	<b>-4,606</b>
Carrying amount, 1 Jan.	307	2,675	4,135	150	0	7,267
<b>Carrying amount, 31 Dec.</b>	<b>271</b>	<b>1,045</b>	<b>4,028</b>	<b>135</b>	<b>0</b>	<b>5,479</b>

### Finance lease agreements

SRV Group had no finance lease agreements in 2007 and 2006.

### 15. Goodwill and other intangible assets

2007 EUR 1,000	Intangible rights	Goodwill	Other capitalised expenditure	Total
Historical cost, 1 Jan.	250	726	1,562	2,538
Increases	0	0	116	116
Decreases	0	0	-2	-2
<b>Historical cost, 31 Dec.</b>	<b>250</b>	<b>726</b>	<b>1,676</b>	<b>2,652</b>
Accumulated amortisation, 1 Jan.	0	0	-907	-907
Amortisation	0	0	-375	-375
<b>Accumulated amortisation, 31 Dec.</b>	<b>0</b>	<b>0</b>	<b>-1,282</b>	<b>-1,282</b>
Carrying amount, 1 Jan.	250	726	655	1,631
<b>Carrying amount, 31 Dec.</b>	<b>250</b>	<b>726</b>	<b>394</b>	<b>1,370</b>

  

2006 EUR 1,000	Intangible rights	Goodwill	Other capitalised expenditure	Total
Historical cost, 1 Jan.	0	804	1,255	2,059
Increases	250	0	375	625
Acquisitions of subsidiaries	0	-78	-68	-146
<b>Historical cost, 31 Dec.</b>	<b>250</b>	<b>726</b>	<b>1,562</b>	<b>2,538</b>
Accumulated amortisation, 1 Jan.	0	0	-485	-485
Amortisation	0	0	-422	-422
<b>Accumulated amortisation, 31 Dec.</b>	<b>0</b>	<b>0</b>	<b>-907</b>	<b>-907</b>
Carrying amount, 1 Jan.	0	804	770	1,574
<b>Carrying amount, 31 Dec.</b>	<b>250</b>	<b>726</b>	<b>655</b>	<b>1,631</b>

The reduction in goodwill in 2006 relates to the 10 % sell of Erkki Huhdanpää Oy's ownership.

SRV Group's goodwill is allocated to operating segments and to cash-generating units as follows:

Goodwill EUR 1,000	2007	2006
Housing		
SRV Westerlund Oy	380	380
Rakennusliike Erkki Huhdanpää Oy	346	346
<b>Total</b>	<b>726</b>	<b>726</b>

#### Impairment test

The recoverable amount of cash-generating units is based on value in use calculation model in which cash flows are based on 2007 figures and on cash flows growing at a standard rate for the next 5 years. In spring 2007 the Board of Directors of SRV set financial targets. SRV's mid-term target is to reach an average annual consolidated revenue growth of about 15 per cent. SRV will seek to increase the level of operating profit and achieve an 8 per cent operating profit margin over the medium and long term.

In the impairment test of goodwill performed in January 2008, a growth factor of 2 per cent was used and it does not exceed the actual long-term growth of the business. The main factors in impairment test are operating profit margin and discount factor.

The discount factor used is the latest weighted average cost of capital (WACC) pre-tax. In the value in use calculation a WACC of 8 per cent was used. The calculation parameters of WACC are risk-free interest rate, market risk and company specific premium, industry specific beta, the cost of liabilities and equity ratio.

The recoverable amount exceeded the carrying amounts significantly in all cash-generating units with goodwill. According to the impairment tests there were no need for impairments.

#### Sensitivity analysis

The sensitivity analysis was performed to each cash-generating unit separately. When reassessing the goodwills of the Housing unit an eight (8) per cent decline in operating profit margin does not cause impairments.

The performed sensitivity analysis does not cause impairments for cash-generating units when using moderate changes in default factors.

### 16. Carrying amounts of financial assets and liabilities by measurement categories

2007 EUR 1,000	Financial assets and liabilities held for trading	Loans and receivables	Available- for-sale financial assets	Financial liabilities measured at amortised cost	Carrying amounts by balance sheet item	Fair value	Note
<b>Non-current financial asset</b>							
Long-term interest bearing receivables	0	2,709	0	0	2,709	2,734	18
Other financial assets	0	0	2,929	0	2,929	2,929	17
<b>Current financial assets</b>							
Trade receivables	0	49,871	0	0	49,871	49,871	21,27
Gross amount due from customers related to construction contracts	0	32,161	0	0	32,161	32,161	21
Other receivables	0	6,340	0	0	6,340	6,331	21
Derivative instruments	30	0	0	0	30	30	29
Cash and cash equivalents	0	21,407	0	0	21,407	21,407	22
<b>Total</b>	<b>30</b>	<b>112,489</b>	<b>2,929</b>	<b>0</b>	<b>115,448</b>	<b>115,464</b>	
<b>Non-current financial liabilities</b>							
Interest bearing liabilities	0	0	0	37,677	37,677	37,710	25
Other non-current liabilities	0	0	0	405	405	405	26
<b>Current financial liabilities</b>							
Interest bearing liabilities	0	0	0	26,511	26,511	26,504	25
Derivative instruments	0	0	0	0	0	0	29
Trade payables	0	0	0	25,883	25,883	25,883	26
Other payables	0	0	0	0	0	0	
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>90,477</b>	<b>90,477</b>	<b>90,502</b>	

2006 EUR 1,000	Financial assets and liabilities held for trading	Loans and receivables	Available- for-sale financial assets	Financial liabilities measured at amortised cost	Carrying amounts by balance sheet item	Fair value	Note
<b>Non-current financial asset</b>							
Long-term interest bearing receivables	0	5,591	0	0	5,591	5,552	18
Other financial assets	0	0	2,317	0	2,317	2,317	17
<b>Current financial assets</b>							
Trade receivables	0	42,462	0	0	42,462	42,462	21,27
Gross amount due from customers related to construction contracts	0	13,645	0	0	13,645	13,645	21
Other receivables	0	933	0	0	933	933	21
Derivative instruments	0	0	0	0	0	0	29
Cash and cash equivalents	0	14,877	0	0	14,877	14,877	22
<b>Total</b>	<b>0</b>	<b>77,509</b>	<b>2,317</b>	<b>0</b>	<b>79,826</b>	<b>79,787</b>	
<b>Non-current financial liabilities</b>							
Interest bearing liabilities	0	0	0	48,324	48,324	48,290	25
Other non-current liabilities	0	0	0	33	33	33	26
<b>Current financial liabilities</b>							
Interest bearing liabilities	0	0	0	31,152	31,152	31,186	25
Derivative instruments	6	0	0	0	6	6	29
Trade payables	0	0	0	25,136	25,136	25,136	26
Other payables	0	0	0	0	0	0	
<b>Total</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>104,645</b>	<b>104,651</b>	<b>104,651</b>	

Carrying amounts of financial assets represent the maximum amount of credit risk at the balance sheet date.

#### 17. Other financial assets

Other financial assets include both quoted and unquoted shares, which are classified as available-for-sale financial assets.

Quoted shares have been valued at fair value at the closing date and the amount is considered immaterial.

The fair values of unquoted shares cannot be determined reliably. Unquoted shares are measured at cost less possible impairments.

EUR 1,000	2007	2006
<b>Carrying amount, 1 Jan.</b>	<b>2,317</b>	1,603
Increases	1,319	1,212
Decreases	-663	-226
Amount of available-for-sale financial assets removed from equity and recognised in the income statement	0	-390
Net gains on available-for-sale financial assets	-44	118
<b>Carrying amount, 31 Dec.</b>	<b>2,929</b>	<b>2,317</b>
Non-current	2,913	2,317
Current	16	0
Quoted shares	0	31
Unquoted shares	2,929	2,286

#### 18. Receivables

EUR 1,000	Fair value		Carrying amount	
	2007	2,006	2007	2006
<b>Non-current receivables</b>				
Loan receivables	2,754	5,552	2,709	5,591
<b>Total</b>	<b>2,754</b>	<b>5,552</b>	<b>2,709</b>	<b>5,591</b>

#### 19. Deferred tax assets and liabilities

2007	Recognised in the income statement		Recognised in equity	
EUR 1,000	1 Jan.		31 Dec.	
<b>Deferred tax assets</b>				
Tax losses	162	430	0	592
Consolidation and group eliminations	0	426	104	530
<b>Total</b>	<b>162</b>	<b>856</b>	<b>104</b>	<b>1,121</b>
<b>Deferred tax liabilities</b>				
Undistributed profits of foreign subsidiaries	1,031	-1,065	104	69
Other	0	73	0	73
<b>Total</b>	<b>1,031</b>	<b>-993</b>	<b>104</b>	<b>142</b>
<b>Net deferred taxes</b>	<b>-869</b>	<b>1,849</b>	<b>0</b>	<b>979</b>
<b>2006</b>				
EUR 1,000	1 Jan.	Recognised in the income statement	Recognised in equity	31 Dec.
<b>Deferred tax assets</b>				
Tax losses	7	41	114	162
Consolidation and group eliminations	0	0	0	0
Changes in accounting policies	775	-775	0	0
<b>Total</b>	<b>782</b>	<b>-734</b>	<b>114</b>	<b>162</b>
<b>Deferred tax liabilities</b>				
Undistributed profits of foreign subsidiaries	1,568	-537	0	1,031
Other	0	0	0	0
<b>Total</b>	<b>1,568</b>	<b>-537</b>	<b>0</b>	<b>1,031</b>
<b>Net deferred taxes</b>	<b>-786</b>	<b>-197</b>	<b>114</b>	<b>-869</b>

A deferred tax asset for unused tax losses of subsidiaries, EUR 682,000 (2007) and EUR 193,000 (2006), has not been recognised in the consolidated financial statements because realisation of the tax benefit in this respect is not considered probable.

The deferred tax liability has been recognised in the consolidated financial statements in connection with for the undistributed profits of subsidiaries whose income tax is determined on the basis of profit distribution. The deferred tax liability has not been recognised when Group is able to control the timing of profit distribution and the distribution is not probable at the balance sheet date.

Recorded deferred tax receivables and deferred tax liabilities are based on the changes in accounting principles which relates to the adoption of International Financial Reporting Standards (IFRS).

## 20. Inventories

EUR 1,000	2007	2006
Raw materials and consumables	46	272
Work in progress	86,657	51,818
Land areas and plot-owning companies	64,307	46,778
Shares in completed housing corporations and real estate companies	30,258	14,760
Advance payments	6,509	13,469
Other inventories	8,652	7,424
<b>Inventories, total</b>	<b>196,428</b>	<b>134,521</b>

During the financial years 2007 and 2006 there were no impairment losses on inventories.

## 21. Trade and other receivables

EUR 1,000	Fair value		Carrying amount	
	2007	2006	2007	2006
Trade receivables	49,871	42,462	49,871	42,462
Loan receivables	6,331	933	6,340	933
Gross amount due from customers related to construction contracts	32,161	13,645	32,161	13,645
Accrued income and prepaid expenses	1,876	6,292	1,876	6,292
Other receivables	3,927	2,116	3,927	2,116
<b>Total</b>	<b>94,166</b>	<b>65,448</b>	<b>94,175</b>	<b>65,448</b>
Interest bearing receivables	6,331	933	6,340	933
Non-interest bearing receivables	87,835	64,515	87,835	64,515
<b>Total</b>	<b>94,166</b>	<b>65,448</b>	<b>94,175</b>	<b>65,448</b>

In 2007 the Group's trade receivables were on average EUR 46,166,958. The trade receivables are non-interest bearing and they are normally about 30 days by age. During the financial year 2007 there were no impairment losses on trade receivables.

## 22. Cash and cash equivalents

EUR 1,000	2006	2005
Cash in hand and at bank	21,407	14,877
<b>Total</b>	<b>21,407</b>	<b>14,877</b>

## 23. Equity

Share capital, share premium reserve and invested free equity fund

EUR	Number of shares	Share capital	Share premium reserve	Invested free equity fund	Total
1 Jan. 2006	1,303,200	1,303,200	1,759,320	-	3,062,520
<b>31 Dec. 2006</b>	<b>1,303,200</b>	<b>1,303,200</b>	<b>1,759,320</b>	<b>0</b>	<b>3,062,520</b>
1 Jan. 2007	1,303,200	1,303,200	1,759,320	0	3,062,520
Split 1:20	24,760,800	-	-	-	0
Transfer from share premium reserve to share capital	-	1,759,320	-1,759,320	-	0
Share issue and employee offering	13,000,000	-	-	116,601,570	116,601,570
Shares given as merger consideration	10,216,468	-	-	-	0
Cancellation of treasury shares	-12,512,000	-	-	-29,263,466	-29,263,466
<b>31 Dec. 2007</b>	<b>36,768,468</b>	<b>3,062,520</b>	<b>0</b>	<b>87,338,104</b>	<b>90,400,624</b>

### Shares, share capital and share premium reserve

On the 31 December 2007, the total number of SRV Group Plc's shares was 36,768,468 and the share capital amounted to EUR 3,062,520. The share has no nominal value.

The Extraordinary General Meeting decided on 2 April 2007 to increase the number of shares of SRV Group Plc twenty fold (split) and to transfer the share premium reserve to share capital. The Extraordinary General Meeting decided also on amendments to the Articles of Association. The decisions were entered in the Trade Register on 11 April 2007.

SRV Group Plc arranged its Initial Public Offering in June 2007. In the Offering 13,000,000 shares were subscribed from which 9,907,300 shares were allocated to institutional investors and 1,150,000 shares to retail investors at price EUR 9.00. 442,700 shares were allocated to employees at price EUR 8.10. The gross proceeds from the Offering less fees were recorded in the Invested free equity fund. Trading with SRV's share commenced on the Main list on 15 June 2007.

The plan to merge SRV Henkilöstö Oy into SRV Group Plc was executed on 28 September 2007. At the same time 10,216,468 new shares of SRV Group Plc were issued without raising the share capital as merger consideration to the shareholders of SRV Henkilöstö Oy in relation to their shareholding in SRV Henkilöstö Oy. In connection with the merger SRV Group Plc received 12,512,000 SRV shares held by SRV Henkilöstö Oy. On 28 September 2007 SRV Group Plc made the decision to cancel the shares. The cancellation of the shares came in force on 4 October 2007.

### Invested free equity fund

Invested free equity fund consists of the net proceeds from the Offering of SRV Group Plc as well as received and cancelled SRV shares.

### Translation difference

Translation difference comprises of the translation of financial statements of the foreign subsidiaries to the functional currency of the parent company.

### Fair value reserve

Fair value reserve comprises of the changes in available-for-sale financial assets.

### Dividends

After the balance sheet date, the Board of Directors proposed a dividend of EUR 0.12 per share.

2007 EUR 1,000	Provisions for construction contracts	Other provisions	Total
<b>1 Jan.</b>	8,451	0	<b>8,451</b>
Increase in provisions	3,776	-	<b>3,776</b>
Provisions used	-2,031	-	<b>-2,031</b>
Reversals of unused provisions	-237	-	<b>-237</b>
<b>31 Dec.</b>	<b>9,959</b>	<b>0</b>	<b>9,959</b>
Non-current	5,888	-	<b>5,888</b>
Current	4,071	-	<b>4,071</b>
<b>Total</b>	<b>9,959</b>	<b>0</b>	<b>9,959</b>

  

2006 EUR 1,000	Provisions for construction contracts	Other provisions	Total
<b>1 Jan.</b>	5,495	0	<b>5,495</b>
Increase in provisions	6,558	-	<b>6,558</b>
Provisions used	-2,776	-	<b>-2,776</b>
Reversals of unused provisions	-826	-	<b>-826</b>
<b>31 Dec.</b>	<b>8,451</b>	<b>0</b>	<b>8,451</b>
Non-current	4,812	-	<b>4,812</b>
Current	3,639	-	<b>3,639</b>
<b>Total</b>	<b>8,451</b>	<b>0</b>	<b>8,451</b>

Provisions for construction contracts include the contractual warranty provisions for the projects and a 10-year warranty on residential construction. The 10-year warranty provision is based on index-adjusted historical data.

## 25. Interest-bearing liabilities

EUR 1,000	Fair value		Carrying amount	
	2007	2006	2007	2006
<b>Non-current</b>				
Loans from financial institutions	14,470	7,000	14,429	7,001
Housing corporation loans	23,240	41,269	23,248	41,323
<b>Total</b>	<b>37,710</b>	<b>48,269</b>	<b>37,677</b>	<b>48,324</b>
<b>Current</b>				
Loans from financial institutions	26,504	31,186	26,511	31,152
<b>Total</b>	<b>26,504</b>	<b>31,186</b>	<b>26,511</b>	<b>31,152</b>

## 26. Other liabilities

EUR 1,000	Fair value		Carrying amount	
	2007	2006	2007	2006
<b>Non-current</b>				
Subordinated loan	45	23	45	23
Other advance payments	9	0	9	0
Other liabilities	360	10	360	10
<b>Total</b>	<b>414</b>	<b>33</b>	<b>414</b>	<b>33</b>
<b>Current</b>				
Trade payables	25,883	25,136	25,883	25,136
Advance payments related to construction contracts	45,516	35,078	45,516	35,078
Other advance payments	138	0	138	0
Other current liabilities	7,241	5,183	7,241	5,183
Accrued expenses and prepaid income	18,134	14,732	18,134	14,732
<b>Total</b>	<b>96,911</b>	<b>80,129</b>	<b>96,911</b>	<b>80,129</b>
<b>Accrued expenses and prepaid income</b>				
Wages and salaries and related expenses	6,780	5,319	6,780	5,319
Interest and other financial liabilities	799	640	799	640
Periodisations of project expenses	7,249	4,489	7,249	4,489
Other	3,305	4,284	3,305	4,284
<b>Total</b>	<b>18,134</b>	<b>14,732</b>	<b>18,134</b>	<b>14,732</b>

## 27. Financial risk management

**Interest rate risks**

Changes in interest rates on interest-bearing debts and receivables create interest-rate risks. Interest-rate risk management is centralised to Group's Treasury unit. Majority of Group's interest-bearing debt is servicing short-term financing need for the construction period of Group's ongoing projects. The interest period for these loans is chosen to facilitate economic repayment or refinancing of the loans upon release of the property. Interest-bearing loan receivables relating to ongoing projects are funded with ear-marked financing arrangements to meet the on-lending terms. Interest-rate risk is monitored and measured with gap-analysis and average maturity of interest periods. Interest-rate risks are managed with the selection of interest period or afterwards with interest rate derivatives. No derivatives were in use at the end of December 2007.

**Interest-bearing debt**

2007 EUR 1,000	Carrying amount	Average interest rate	Average maturity, months	Sensitivity, EUR*	2006	
					Carrying amount	Average interest rate
	64,188	4.47 %	3.7	434	79,476	4.05 %

\*Effect of one percentage point rise in market interest rates on the Group's interest expenses during the next 12 months. All other variables assumed unchanged.

Housing loans carrying amount corresponds the sales rate. In sensitivity analysis the interest payment liability is noted for the full contractual loan amount until the completion of the property and in proportion of the sales rate thereafter.

The sensitivity analysis includes interest-bearing debt only, at the end of December 2007 there were no material interest-bearing loan receivables.

**Currency risks**

The Group is exposed to currency risks relating to the international business commercial cash flows, financing of the ongoing projects during the construction period and through investments in foreign subsidiaries. The objective of currency risk management is to minimise the effect of currency fluctuation on earnings of operations and equity. The Group targets to stay currency neutral. Open positions can be hedged with derivatives or currency loans. Foreign currencies used in the Group are USD, RUB, EEK, LVL and LTL. Currency risks are divided into transaction risk and translation risk.

**Transaction risk**

Transaction risk relates to business (sales and purchases) and financing (loans) cash flows in foreign currencies. Operations denominated in EEK and LVL generate also transaction risks. Currently these currencies do not float freely, however, in the sensitivity analysis they are expected to do so. The impact on Group result of 10 % strengthening of euro is EUR -434 thousand (EUR -46 thousand in 2006) and the impact of 10 % weakening of euro is EUR +531 thousand (EUR +56 thousand in 2006). The foreign exchange derivatives the Group had at the end of 2007 do not qualify for IAS 39 hedge accounting.

**Translation risk**

Translation risk relates to investments in foreign subsidiaries and the effect is shown in translation differences in Group consolidated equity. The most relevant translation risk position is related to EEK and LVL denominated investments. In the sensitivity analysis these currencies are expected to float freely. The impact on Group equity of 10% strengthening of the euro is EUR 1.0 million at the end of 2007 (EUR -1.0 million in year 2006) and the impact of 10% weakening of the euro is EUR +1.3 million (EUR +0.8 million in year 2006). The Group has not hedged the translation risk.

**Liquidity and refinancing risks**

Liquidity and refinancing risk may have an impact on Group result and cash flow if the Group is not able to secure sufficient financing for the operations. The Group maintains adequate liquidity by efficient cash management and related instruments, like committed current account overdraft limits (EUR 23 million). For short-term financing needs the Group has a Commercial Paper Program (EUR 50 million) and in addition to that a long-term committed revolving credit facility (EUR 100 million) to secure availability of funding. Refinancing risk is managed by maintaining the maturity of the committed credit lines in relation to the cash flows of debt payments. The committed revolving credit facility matures in year 2012. At the end of December 2007 the amount of committed credit lines and cash in hand and at bank accounts amounted to EUR 130 million.

**Financial liabilities**

2007 EUR 1,000	Carrying amount	Contractual liability *	Maturity					2006	
			2008	2009	2010	2011	later	Carrying amount	Contractual liability
Loans from financial institutions	40,940	46,470	13,715	5,469	10,064	1,449	15,773	58,213	63,353
Housing corporation loans **	23,248	39,481	1,294	1,258	1,387	2,035	33,507	19,655	36,278
Commercial Paper	0	0	0	0	0	0	0	0	0
Subordinated loans	45	45	0	0	0	0	45	23	23
Derivative liabilities	0	0	0	0	0	0	0	6	6
Trade payables	25,883	25,883	25,883	0	0	0	0	25,136	25,136
Investment commitment ***		4,681	4,681	0	0	0	0		3,805
<b>Total</b>	<b>90,116</b>	<b>116,560</b>	<b>45,573</b>	<b>6,727</b>	<b>11,451</b>	<b>3,484</b>	<b>49,325</b>	<b>103,033</b>	<b>128,601</b>

\* Includes all contractual payments

\*\* The responsibility for the repayment of loan is transferred to the buyer when an apartment is sold. Interest payment liability is noted for the full contractual amount until the completion of the property and in proportion of the sales rate thereafter.

\*\*\* Off-balance sheet liability

**Available liquidity reserves**

EUR 1,000	31.12.2007	31.12.2006
Committed credit facility	100,000	40,000
Committed current account overdraft limits	8,641	0
Cash in hand and at bank accounts	21,407	14,877
<b>Total</b>	<b>130,048</b>	<b>54,877</b>

In addition to the above the Group has undrawn housing loans and other project financing facilities available for selected projects. These are not included in the liquidity reserves.

**Credit risk**

The Group is exposed to credit risk relating to receivables from ongoing projects, accounts receivables and receivables from derivative instrument counterparties. The Group does not have any significant investment activities or derivative instrument trading. The investments relate to daily cash management and mainly short-term bank deposits with the Group's solid relationship banks. The Group Treasury unit is responsible for investment and derivative instrument counterparty risks in accordance with the Group financing policy approved by the Board of Directors. Business units are responsible for credit risk management relating to ongoing projects and accounts receivables in accordance with the Group credit policy which defines the requirements for credit decision process, sales terms and collection process. The Group's commercial counterparties are mainly publicly listed companies or notable institutional and property investors. Credit risk related to these counterparties is considered to be low. In Housing business there are also individuals as counterparties. Group's loan receivables relate to financing the construction period for ongoing projects where the Group has also equity interest. During the financial year 2007 the Group has claimed EUR 3.25 million from a bank guarantee that was securing a trade receivable. There were no relevant credit losses. At the end of December 2007 the carrying amount of receivables corresponds the maximum credit risk. There were no risk concentrations at the end of 2007.

**Ageing of accounts receivables**

EUR 1,000	2007	2006
Current	27,576	20,303
1-30 days past due	13,343	17,326
31-60 days past due	4,910	1,487
Over 60 days past due	4,043	3,347
<b>Total</b>	<b>49,871</b>	<b>42,462</b>

There were no past due receivables in any other group of financial assets.

**Price risk**

At the end of December 2007 there were no financial instruments exposed to price risk.

At the end of December 2006 the Group had only minor investments in quoted shares, there was no relevant price risk related.

**Capital risk management**

The Group secures with the efficient capital structure that the group can give support to its businesses and can grow the shareholder value of the investors. The Group does not have a public rating. The capital structure of the Group is reviewed by the Board of Directors of SRV on a regular basis.

To maintain the capital structure the Group can balance the dividends or issue new shares. Additionally the Group can adjust the businesses and capital to be used to maintain the capital structure. The Group monitors its capital on the basis of equity ratio. Group's objective is to maintain the ratio of total equity to total assets less advance payments above 30 %. Total equity consists of equity attributable to equity holders of the parent company and minority interest.

EUR 1,000	2007	2006
<b>Total equity</b>	<b>158,339</b>	<b>62,157</b>
Total assets	331,554	231,441
- Advance payments	-45,663	-35,078
	<b>285,891</b>	<b>196,363</b>
<b>Equity ratio, %</b>	<b>55.4 %</b>	<b>31.7 %</b>

## 28. Operating leases, commitments and contingent liabilities

### Group as lessee

The future minimum lease payments under non-cancellable operating leases:

EUR 1,000	2007	2006
In less than a year	1,942	2,796
In more than one but less than five years	2,243	2,394
In more than five years	4	0
<b>Total</b>	<b>4,189</b>	<b>5,190</b>

Liabilities in connection with the operating lease agreements of employee cars generally have duration of three to four years.

The Group has leased the office premises in use. The maximum duration of the operating lease agreements is 2 years. The various terms and conditions of the office premises contracts including the index, renewal and other terms differ from each other.

EUR 1,000	2007	2006
<b>Collateral given for own liabilities</b>		
Real-estate mortgages given	69,856	87,447
Pledges given	5,167	10,849

At the end of 2007 the pledges given contained EUR 924 thousand of pledged inventories and EUR 4,243 thousand of short-term interest-bearing receivables. At the end of 2006 the pledges given contained EUR 4,939 thousand of pledged inventories and EUR 5,910 thousand of long-term interest-bearing liabilities.

### Other commitments

Guarantees given for liabilities on uncompleted projects	71,421	48,000
Investment commitments given	4,681	3,805

## 29. Fair and nominal values of derivative instruments

EUR 1,000	2007		2006	
	Fair values Positive	Negative	Fair values Positive	Negative
<b>Hedge accounting not applied</b>				
Foreign exchange forward contracts	30	0	0	-6
	<b>30</b>	<b>0</b>	<b>0</b>	<b>-6</b>

EUR 1,000	2007	2006
<b>Nominal values of derivative instruments</b>		
Foreign exchange forward contracts	8,525	7,593
	<b>8,525</b>	<b>7,593</b>

The fair values of foreign exchange forward contracts are based on market prices at the balance sheet date. Open foreign exchange forward contracts are hedging the financing cash flow.

## 30. Adjustments to cash flows from operation

EUR 1,000	2007	2006	2005
<b>Non-cash transactions</b>			
Minority interest	-528	-168	-1,116
Price difference between institutional/retail offering and employee offering	398	0	0
Change in provisions	1,509	2,955	1,548
Others	71	40	1
<b>Total</b>	<b>1,450</b>	<b>2,827</b>	<b>432</b>

## 31. Subsidiaries and joint ventures

Name	Domicile	Group's holding, %	Group's voting right, %
<b>Shares in subsidiaries</b>			
SRV Viitokset Oy	Espoo	100.00	100.00
SRV Westerlund Oy	Espoo	100.00	100.00
SRV International Oy	Espoo	100.00	100.00
Pirkanmaan Projektitoimi Oy	Tampere	65.00	65.00
Rakennusliike Purmonen Oy	Joensuu	65.00	65.00
Kiinteistöviljtonen Oy	Espoo	100.00	100.00
SRV Lounais-Suomi Oy	Turku	100.00	100.00
SRV Keski-Suomi Oy	Jyväskylä	92.50	92.50
SRV Kalusto Oy	Vihti	100.00	100.00
SRV Kaakkois-Suomi Oy	Lappeenranta	100.00	100.00
Porvoon Puurakennus Oy	Porvoo	100.00	100.00
Rakennus Pirttimaa Oy	Hämeenlinna	100.00	100.00
Rkl Erkki Huhdanpää Oy	Tampere	60.00	60.00
KOy Nummelanrinne	Vihti	100.00	100.00
SRV Russia Oy	Espoo	100.00	100.00
SRV Stroi OOO	Moscow	100.00	100.00
ZAO Nordrus Hotel	Ekaterinburg	100.00	100.00
SRV Terbeiat Sia	Riga	100.00	100.00
SRV Ehituse AS	Tallinn	100.00	100.00
TBE-Construction Oy	Espoo	100.00	100.00
SRV Kinnisvara	Tallinn	65.00	65.00
SRV Ballista AS	Tallinn	55.25	55.25
SRV Develita UAB	Vilnius	100.00	100.00

The Group has a 50 % control in a Russian joint venture OOO MMSG. In the financial year 1 January - 31 December 2007 the following assets, liabilities, income and expenses of the joint venture have been included in the Group's balance sheet and income statement: income and expenses EUR 0.0 million, assets EUR 6.7 million and liabilities EUR 0.0 million.

### 32. Related party transactions

#### Transactions between related parties

2007 EUR 1,000	Selling of goods and services	Management salaries and other short-term employment-based benefits	Purchase of goods and services	Receivables	Liabilities
Management	19	1,389	0	0	0
Joint ventures	3,348	0	0	7,077	0
Other related parties	0	0	82	0	0
<b>Total</b>	<b>3,367</b>	<b>1,389</b>	<b>82</b>	<b>7,077</b>	<b>0</b>

2006 EUR 1,000	Selling of goods and services	Management salaries and other short-term employment-based benefits	Purchase of goods and services	Receivables	Liabilities
Management	1,579	2,283	0	338	0
Other related parties	14,343	0	0	0	0
<b>Total</b>	<b>15,922</b>	<b>2,283</b>	<b>0</b>	<b>338</b>	<b>0</b>

2005 EUR 1,000	Selling of goods and services	Management salaries and other short-term employment-based benefits	Purchase of goods and services	Receivables	Liabilities
Management	313	1,213	0	0	0
Other related parties	78,808	0	0	46,137	0
<b>Total</b>	<b>79,121</b>	<b>1,213</b>	<b>0</b>	<b>46,137</b>	<b>0</b>

The related parties of SRV include subsidiaries and affiliated companies as well as joint ventures, the Management and owners of SRV as well as companies controlled by the owners of SRV.

Other related parties include transactions carried out with other companies under the control of the Group's management or with other companies under control of minority shareholders.

Goods and services are sold to related parties at market price.

Subsidiaries included in related parties are listed above in Section 31 Subsidiaries and joint ventures. Subsidiaries are included in the consolidated financial statements and therefore the transactions between Group companies are not included in Section 32 Related party transactions.

Compensation to President and CEO and Board of Directors EUR 1,000	2007	2006
Heliövaara Eero, President and CEO	269	222
Nieminen Timo, Deputy CEO	149	166
Members of the Board		
Kokkila Ilpo, Chairman	54	20
Kurkilahti Lasse, Vice Chairman	31	-
Hienonen Jukka	24	-
Mustaniemi Matti	38	20
Sarkamies Markku	38	20
Heliövaara Eero *	10	4
<b>Members of the Board, total</b>	<b>193</b>	<b>63</b>

\* The term of Eero Heliövaara as member of the Board of Directors ended on 13 June 2007.

The president's period of notice is 6 months. If SRV dismisses the president, he is entitled to receive termination compensation amounting to six months' total pay (excluding bonuses) over and above his salary for the period of notice. If the president is dismissed before 1 January 2010, an additional amount equal to six months' pay must also be paid as termination compensation. If the company dismisses the president due to a change of ownership, the president is entitled to receive termination compensation amounting to 12 months' pay over and above his salary for the period of notice. The president's retirement age and pension are set in accordance with the legislation in force.

### 33. Events after the balance sheet date

The sale of the logistics centre that had been leased to Oriola KD in Estonia was completed on 15 January 2008. Revenue of EUR 5 million and operating profit of EUR 1.7 million were recognised on the sale in the first quarter of 2008.

**SRV GROUP PLC**

	<b>2007</b>	<b>2006</b>
<b>INCOME STATEMENT</b>		
<b>Revenue</b>	<b>6,703,852.16</b>	<b>6,400,754.89</b>
Other operating income	6,108.00	16,551.61
<b>Materials and services</b>		
Purchases during the financial year	15,221,541.92	0.00
Change in inventories of finished goods and work in progress	-15,221,541.92	0.00
Personnel costs		
Salaries and other remuneration	-3,943,592.45	-4,306,115.04
Indirect personnel costs		
Pension costs	-726,389.88	-746,411.72
Other indirect personnel costs	-253,867.94	-345,409.09
Depreciation and impairments		
Depreciation	-418,485.16	-439,504.88
Other operating expenses	-6,027,853.92	-5,434,688.15
<b>Operating loss</b>	<b>-4,660,229.19</b>	<b>-4,854,822.38</b>
Financial income and expenses	-1,857,237.45	-285,192.56
<b>Loss before extraordinary items</b>	<b>-6,517,466.64</b>	<b>-5,140,014.94</b>
Extraordinary items +/-	21,694,904.51	21,160,400.00
<b>Profit before appropriations and taxes</b>	<b>15,177,437.87</b>	<b>16,020,385.06</b>
Income taxes	-1,088,897.94	-4,123,271.49
<b>Net profit for the financial year</b>	<b>14,088,539.93</b>	<b>11,897,113.57</b>

**SRV GROUP PLC****BALANCE SHEET****2007****2006****ASSETS****NON-CURRENT ASSETS**

Intangible assets	493,485.19	693,543.84
Property, plant and equipment	600,770.34	792,907.07

**INVESTMENTS**

Shares in group companies	16,116,816.45	12,509,028.08
Receivables from group companies	855,000.00	457,500.00
Other financial assets	1,625,391.47	1,321,192.44
Other receivables	1,194,338.28	422,822.00

**NON-CURRENT ASSETS TOTAL****20,885,801.73**      **16,196,993.43****CURRENT ASSETS**

Inventories	15,736,441.92	9,900.00
Other receivables	137,521,649.33	59,622,637.85
Cash and cash equivalents	52,028.90	3,837,070.94

**CURRENT ASSETS TOTAL****153,310,120.15**      **63,469,608.79****ASSETS TOTAL****174,195,921.88**      **79,666,602.22****EQUITY AND LIABILITIES****EQUITY**

Share capital	3,062,520.00	1,303,200.00
Share premium reserve	0.00	1,759,320.00
Invested free equity fund	87,338,104.02	0.00
Retained earnings	26,248,596.57	17,479,163.00
Profit for the financial year	14,088,539.93	11,897,113.57

**EQUITY TOTAL****130,737,760.52**      **32,438,796.57****LIABILITIES**

Non-current liabilities	432,738.10	0.00
Current liabilities	43,025,423.26	47,227,805.65

**LIABILITIES TOTAL****43,458,161.36**      **47,227,805.65****EQUITY AND LIABILITIES TOTAL****174,195,921.88**      **79,666,602.22**

## PARENT COMPANY CASH FLOW STATEMENT

	2007	2006	2005
<b>Cash flow from operating activities</b>			
<b>Net profit for the financial year</b>	<b>14,088,539.93</b>	<b>11,897,113.57</b>	<b>11,632,171.14</b>
<b>Adjustments:</b>			
Depreciation	418,485.16	439,504.88	264,461.00
Financial income and expenses	1,857,237.45	285,192.56	13,950.70
Capital gains on sale of tangible and intangible assets	20,226.65	0.00	0.00
Income taxes	1,088,897.94	4,123,271.49	4,139,663.80
<b>Adjustments, total</b>	<b>3,384,847.20</b>	<b>4,847,968.93</b>	<b>4,418,075.50</b>
<b>Changes in working capital:</b>			
Change in trade and other receivables	-81,452,595.52	-30,256,629.31	-13,471,954.61
Change in inventories	-15,726,541.92	0.00	0.00
Change in trade and other payables	-5,036,845.30	26,382,448.90	2,603,688.83
<b>Working capital, total</b>	<b>-102,215,982.74</b>	<b>-3,874,180.41</b>	<b>-10,868,265.78</b>
Interest paid	-1,328,116.09	-3,004,365.59	-2,805,384.51
Interest received	3,316,791.75	3,911,887.80	2,863,793.81
Dividends received	84,500.00	183,260.00	144,440.00
Income taxes paid	-3,741,071.90	-8,665,408.91	-38,999.95
<b>Net cash from operating activities</b>	<b>-86,410,491.85</b>	<b>5,296,275.39</b>	<b>5,345,830.21</b>
<b>Cash flow from investing activities</b>			
Property, plant and equipment	-156,653.98	-358,042.89	-208,175.31
Intangible assets	-85,688.75	-467,898.37	-384,576.24
Other financial assets	-5,349,226.68	-1,383,956.69	-607,652.81
Sale of property, plant and equipment and intangible assets	216,052.95	2,365,000.00	0.00
Sale of investments	251,747.79	0.00	0.00
<b>Net cash used in investing activities</b>	<b>-5,123,768.67</b>	<b>155,102.05</b>	<b>-1,200,404.36</b>
<b>Cash flow from financing activities</b>			
Proceeds from share issue	116,601,570.00	0.00	0.00
Offering fees	-4,285,567.74	0.00	0.00
Proceeds from loans	432,738.10	0.00	35,000,000.00
Repayments of loans	0.00	-60,000,000.00	-15,000,000.00
Change in loan receivables	6,532,195.72	44,422,385.56	-32,994,172.37
Change in credit limits	859,428.32	10,000,000.00	2,711,207.49
Purchase of treasury shares	-29,263,465.98	0.00	0.00
Dividends paid	-3,127,680.00	-2,215,440.00	-1,094,688.00
<b>Net cash from financing activities</b>	<b>87,749,218.42</b>	<b>-7,793,054.44</b>	<b>-11,377,652.88</b>
<b>Net change in cash and cash equivalents</b>	<b>-3,785,042.10</b>	<b>-2,341,677.00</b>	<b>-7,232,227.03</b>
Cash and cash equivalents at the beginning of financial year	3,837,071.00	6,178,748.00	13,410,975.03
<b>Cash and cash equivalents at the end of financial year</b>	<b>52,028.90</b>	<b>3,837,071.00</b>	<b>6,178,748.00</b>
Gross investments	-5,591,569.41	-2,209,897.95	-1,200,404.36

**SRV GROUP PLC****NOTES TO THE FINANCIAL STATEMENT****1. Description of operations**

SRV Group Plc is a Finnish public limited company which is domiciled in Espoo, Finland. The company's registered address is Niittytaival 13, 02200 Espoo.

**2. The parent company's financial statements and comparative information**

The financial statements of the parent company have been prepared according to the Finnish Accounting Principles (FAS).

**3. Non-current assets**

Intangible assets and property, plant and equipment are valued at historical costs less accumulated depreciation according to plan and impairment.

Depreciation is calculated by using the reducing balance method or on the straight-line basis by

- Buildings and structures, reducing balance method 4-7%
- Machinery and equipment, reducing balance method: 25%
- Other intangible assets, straight-line method: 3-5 years

Land and water areas are not amortised because the economic life of these assets cannot be determined.

Research and development expenditure are recorded as an expense in the income statement.

**4. Foreign currency transactions**

Transactions denominated in foreign currency are recorded using the exchange rate on the date of the transaction.

**5. Pension liabilities**

Pension plans are funded through contributions paid to insurance companies based on paid salaries and wages.

**6. Extraordinary items**

Group contributions, both received and given, are included in extraordinary items.

**7. Income taxes**

Tax expense in the income statement comprises taxes for the financial year and the adjustments for previous periods. Deferred tax assets and liabilities are not recorded in the book-keeping.

**8. Commitments**

The parent company has given guarantees on behalf of subsidiaries. The guarantees are related to construction projects.

**SRV GROUP PLC**

<b>Notes to the financial statement</b>	<b>31 Dec.2007</b>	<b>31 Dec.2006</b>	<b>31 Dec.2005</b>
<b>1. Revenue</b>			
Other	<u>6,703,852</u>	<u>6,400,755</u>	<u>7,255,277</u>
	6,703,852	6,400,755	7,255,277
Geographical distribution			
Finland	<u>6,703,852</u>	<u>6,400,755</u>	<u>7,255,277</u>
	6,703,852	6,400,755	7,255,277
<b>2. Employee-benefit expenses</b>			
Compensation to President and CEO and Board of Directors			
The members of the Board of Directors	193,300	63,000	0
President and CEO	269,053	221,704	165,691
Average number of personnel			
White-collar personnel	62	60	47
<b>3. Depreciation</b>			
Other capitalised expenditure	285,747	314,963	182,714
Buildings	7,685	8,005	8,339
Machinery and equipment	<u>125,053</u>	<u>116,537</u>	<u>73,409</u>
Total	418,485	439,505	264,461
<b>4 Other operating expenses</b>			
Rents	1,383,468	1,495,301	1,474,033
Voluntary social costs	280,586	374,577	327,305
Company cars, travelling	222,663	209,403	186,349
Entertainment and marketing	953,239	629,827	525,773
Communication and IT	646,682	518,921	433,464
External services	685,740	320,647	444,401
Other fixed expenses	<u>1,855,488</u>	<u>1,886,012</u>	<u>1,100,628</u>
	6,027,866	5,434,688	4,491,953
<b>5 Financial income and expenses</b>			
Dividens received			
From group companies	84,500	182,000	143,000
From others	0	1,260	1,440
Other interest and financial income			
From group companies	2,871,271	1,766,434	2,780,515
From others	780,092	566,754	126,719
Interest and other financial expenses			
To group companies	-640,640	-292,476	-14,110
To others	<u>-4,952,460</u>	<u>-2,509,164</u>	<u>-3,051,515</u>
	-1,857,237	-285,193	-13,951
<b>6. Extraordinary income</b>			
Group contributions, received	23,407,000	24,902,000	16,992,000
Group contributions, given	-13,230,300	-3,741,600	-329,600
Profit from merger	<u>11,518,205</u>	<u>0</u>	<u>0</u>
	21,694,905	21,160,400	16,662,400
<b>7. Income taxes</b>			
Taxes from extraordinary items	-2,645,942	-5,501,704	-4,332,224
Taxes for the financial period	1,637,181	1,341,178	192,560
Taxes for previous periods	<u>-80,137</u>	<u>37,255</u>	<u>0</u>
	-1,088,898	-4,123,271	-4,139,664

**SRV GROUP PLC****Notes to the balance sheet****1. Changes in fixed assets**

<b>Intangible rights</b>			
Historical cost	1 Jan.	250,000	0
Increases		<u>0</u>	<u>250,000</u>
Historical cost	31 Dec.	250,000	250,000
<b>Other capitalised expenditure</b>			
Historical cost	1 Jan.	443,544	540,608
Increases		85,689	217,899
Depreciation		<u>-285,747</u>	<u>-314,963</u>
Historical cost	31 Dec.	243,485	443,544
<b>Land and water areas</b>			
Historical cost	1 Jan.	<u>41,172</u>	<u>41,172</u>
Historical cost	31 Dec.	41,172	41,172
<b>Buildings</b>			
Historical cost	1 Jan.	402,125	200,130
Increases		0	210,000
Decreases		-210,000	0
Depreciation		<u>-7,685</u>	<u>-8,005</u>
Historical cost	31 Dec.	184,440	402,125
<b>Machinery and equipment</b>			
Historical cost	1 Jan.	349,610	318,103
Increases		156,654	148,125
Decreases		-6,053	-80
Depreciation for the period		<u>-125,053</u>	<u>-116,538</u>
Historical cost	31 Dec.	375,158	349,610
<b>2. Investments</b>			
<b>Shares in subsidiaries</b>			
Historical cost	1 Jan.	12,509,028	14,844,723
Increases		3,716,701	29,250
Decreases		-108,913	-2,355,045
Reclassifications		<u>0</u>	<u>-9,900</u>
Historical cost	31 Dec.	16,116,816	12,509,028
<b>Receivables from group companies</b>			
Historical cost	1 Jan.	457,500	0
Increases		485,000	457,500
Decreases		<u>-87,500</u>	<u>0</u>
Historical cost	31 Dec.	855,000	457,500
<b>Other financial assets</b>			
Historical cost	1 Jan.	1,321,192	856,762
Increases		547,654	464,430
Decreases		<u>-243,455</u>	<u>0</u>
Historical cost	31 Dec.	1,625,391	1,321,192
<b>Other receivables</b>			
Historical cost	1 Jan.	422,822	0
Increases		<u>771,516</u>	<u>422,822</u>
Historical cost	31 Dec.	1,194,338	422,822

## Notes to the balance sheet

3. Group companies	Domicile	Holding%	
SRV Viitokset Oy	Espoo	100.0	100.0
SRV Teräsbetoni Oy *	Espoo	0.0	100.0
SRV Westerlund Oy	Espoo	100.0	100.0
SRV International Oy	Espoo	100.0	100.0
Pirkanmaan Projektitoimi Oy	Tampere	65.0	65.0
Rakennusliike Purmonen Oy	Joensuu	65.0	65.0
Kiinteistöviitonen Oy	Espoo	100.0	100.0
SRV Lounais-Suomi Oy	Turku	100.0	100.0
SRV Keski-Suomi Oy	Jyväskylä	92.5	92.5
SRV Kalusto Oy	Vihti	100.0	90.9
SRV Kaakkois-Suomi Oy	Lappeenranta	100.0	90.9
Rkl Erkki Huhdanpää	Tampere	60.0	0.0
Porvoon Puunrakennus	Porvoo	100.0	0.0
Rakennus Pirttimaa Oy	Hämeenlinna	100.0	0.0
Kiinteistö Oy Turun Europortti **)	Turku	0.0	100.0
* merged to SRV Plc 31 July 2007			
** was sold 3 May 2007			
<b>4. Inventories</b>			
Land and water areas		15,221,541.92	0.00
Other inventories		9,900.00	9,900.00
Advance payments		505,000.00	0.00
		<u>15,736,441.92</u>	<u>9,900.00</u>
<b>5. Current receivables</b>			
From group companies			
Trade receivables		101,369	145,942
Loan receivables		3,070,640	9,602,836
Other receivables		105,938,283	23,379,775
Accrued income and prepaid expenses		23,834,322	24,999,915
		<u>132,944,615</u>	<u>58,128,468</u>
From others			
Trade receivables		14,276	7,166
Loan receivables		1,000,000	1,000,000
Other receivables		439,065	12,576
Accrued income and prepaid expenses		3,123,692	474,428
		<u>4,577,034</u>	<u>1,494,169</u>
Receivables total		137,521,649	59,622,638
<b>5. Material items in accrued income and prepaid expenses</b>			
Group contributions		23,407,000	24,902,000
Interest and other financial receivables		457,257	130,820
Taxes		3,093,648	441,474
Other		110	50
		<u>26,958,015</u>	<u>25,474,343</u>
<b>6. Changes in equity</b>			
Share capital 1 Jan.		1,303,200	1,303,200
Share issue		1,759,320	0
Share capital 31 Dec.		<u>3,062,520</u>	<u>1,303,200</u>
Share premium reserve 1 Jan.		1,759,320	1,759,320
Transfer to share capital		-1,759,320	0
Share premium reserve 31 Dec.		<u>0</u>	<u>1,759,320</u>
		3,062,520	3,062,520
Invested free equity fund 1.1		0	0
Share issue and employee offering		116,601,570	0
Cancellation of treasury shares		-29,263,466	0
Invested free equity fund 31 Dec.		<u>87,338,104</u>	<u>0</u>
Profit from previous periods 1 Jan.		29,376,277	19,694,603
Dividends paid		-3,127,680	-2,215,440
Profit from previous periods 31 Dec.		<u>26,248,597</u>	<u>17,479,163</u>
Profit for the financial period		<u>14,088,540</u>	<u>11,897,114</u>
		40,337,136	29,376,277
Equity total 31 Dec.		130,737,761	32,438,797

**SRV GROUP PLC****Notes to the balance sheet****7. Distributable funds**

Invested free equity fund	87,338,104.02	0
Retained earnings	26,248,596.56	17,479,163
Profit for the financial period	<u>14,088,539.93</u>	<u>11,897,114</u>
Total	127,675,240.51	29,376,277

**8. Non-current liabilities**

Loans from financial institutions	432,738	0
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**9. Current liabilities**

To group companies		
Trade payables	7,138	-14,526
Other liabilities	13,835,886	28,303,180
Accrued expenses and prepaid income	<u>13,260,916</u>	<u>3,788,984</u>
	27,103,941	32,077,638

## To others

Loans from financial institutions	14,359,428	13,500,000
Advance payments	0	595
Trade payables	10,965	110,137
Other liabilities	286,368	150,000
Accrued expenses and prepaid income	<u>1,264,721</u>	<u>1,389,436</u>
	15,921,482	15,150,168

Liabilities total	43,025,423	47,227,806
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**10. Material items in accrued income and prepaid expenses**

Salaries incl.social costs	1,167,337	148,655
Interest and other financial costs	41,860	66,825
Group contributions	13,230,300	3,741,600
Other	<u>86,141</u>	<u>1,221,339</u>
	14,525,637	5,178,420

**11. Operating leases and other rental commitments**

Operating leases		
To be paid during 2008	144,549	203,755
To be paid 2009 -	<u>191,211</u>	<u>210,053</u>
	335,760	413,808

## Rental commitments

To be paid during 2008	1,083,543	1,389,108
To be paid 2009 -	<u>812,657</u>	<u>710,896</u>
	1,896,200	2,100,004

**12. Commitments**

Other commitments		
Guarantees given on behalf of group companies	49,427,566	34,803,432
Guarantees given on behalf of others	48,000,000	48,000,000
Investment commitments	3,033,882	3,805,000

**Signatures to the financial statements and report of the Board of Directors**

Espoo, 11 February 2008

Ilpo Kokkila  
Chairman

Jukka Hienonen

Lasse Kurkilahti  
Vice Chairman

Matti Mustaniemi

Markku Sarkamies

Eero Heliövaara  
President and CEO

**Auditor's Note**

These financial statements and the Report of the Board of Directors have been prepared in accordance with generally accepted accounting principles in Finland. The report of the audit conducted by us has been submitted today.

Espoo, 11 February 2008

Jarmo Lohi  
Authorised Public Accountant

**Books used in financial statements**

Journal, daybook	Printouts
General ledger	Printouts
Subledgers	Printouts
Purchase vouchers	In electronic format
Sales vouchers	Paper voucher
Manual journal entry vouchers	Paper voucher
Balance sheet book	Paper voucher

## **AUDITOR'S REPORT**

### **To the shareholders of SRV Group Plc**

I have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of SRV Group Plc for the period from January 1, 2007 to December 31, 2007. The Board of Directors and the Managing Director have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on my audit, I express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company's financial statements and the administration.

The audit has been conducted in accordance with Finnish Standards on Auditing. Those standards require us to perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report and in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of the audit of the administration is to examine whether the members of the Board of Directors and the Managing Director of the parent company have complied with the rules of the Companies Act.

### **Consolidated financial statements**

In my opinion the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

### **Parent company's financial statements, report of the Board of Directors and administration**

In my opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view of the parent company's result of operations and of the financial position.

The report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company's financial statements can be adopted and the members of the Board of Directors and the Managing Directors of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the disposal of distributable funds is in compliance with the Companies Act.

Espoo, February 11, 2008

Jarmo Lohi  
Authorized Public Accountant