

Financial statements →

Financial statements

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This report describes the SRV Group's financial performance in 2006. SRV Group Plc's full financial statements for the financial year 1 January–31 December 2006 are included in the company's official financial statement documents, which are available on the company's website at www.srv.fi.

Report of the Board of Directors

1 January – 31 December 2006

- SRV's revenue increased by 13.6% in 2006, amounting to EUR 479.5 million (EUR 422.0 million in 2005)
- Operating profit amounted to EUR 24.6 million (EUR 21.8 million)
- Net profit for the review period amounted to EUR 15.3 million (EUR 14.7 million)
- Order backlog increased by 80%, amounting to EUR 453.7 million (EUR 251.8 million) at the end of the financial year
- Return on investment was 15.9% (19.1%) and return on equity 27.3% (34.0%)
- Equity ratio was 31.7% (19.8%)

IFRS accounting standards and reporting

On 1 January 2006, SRV Group (SRV) adopted International Financial Reporting Standards (IFRS). The 2006 financial statements as well as the unaudited comparative period 2005 have been prepared in accordance with the IFRS. SRV's reporting segments comprise Business premises, Housing, International Operations and Other Operations.

Segment reporting has been prepared in compliance with IFRS 8. Segment reporting for the periods 2006 and 2005 have been prepared by consolidating financial statements of the Group companies following business area division.

SRV's Group structure

SRV is the leading project management contractor in Finland. The company is engaged in the construction and development of commercial and Business premises, housing as well as infrastructure and logistics sites. SRV Group Plc is the Group's parent company and is responsible for the Group's management, financing, financial and administrative services. The project development and building systems units support and provide services to all of the Group's business operations.

SRV's business areas comprise Business premises, Housing, International Operations and Other Operations. Business premises comprise the operations of SRV Viitaset Oy. Housing comprises the operations of SRV Westerlund Oy and the regional subsidiaries. International Operations comprise the operations of SRV International Group. Other Operations mainly consist of the businesses of SRV Group Plc and SRV Kalusto Oy.

SRV Group's strategic goals

The Board of Directors of SRV Group Plc has set long-term financial goals of the Group. The target growth for the Profit before taxes is in minimum 10% annually and the net profit target margin is in minimum 5%. The target equity ratio is 30%.

Revenue increased 13.6% and the order backlog 80%

In 2006, SRV's revenue increased 13.6%, amounting to EUR 479.5 million (EUR 422.0 million in 2005), while the order backlog increased to EUR 454 million (EUR 252 million).

Key figures for Group

EUR million	Jan.-Dec. 2006	Jan.-Dec. 2005	Change %
Revenue	479.5	422.0	13.6
Operating profit	24.6	21.8	12.9
Profit before taxes	20.7	21.7	-4.6
Net profit for the financial year	15.3	14.7	4.1
Order backlog at 31 Dec.	453.7	251.8	80.2
Operating profit, %	5.1	5.2	
Profit before taxes, %	4.3	5.1	
Net profit for the financial year, %	3.2	3.5	

Key figures for operating segments

Revenue

EUR million	Jan.-Dec. 2006	Jan.-Dec. 2005	Change %	Share of revenue 2006, %
Business premises	297.0	244.0	21.7	61.9
Housing	138.1	148.9	-7.3	28.8
International Operations	44.6	36.2	23.1	9.3
Other Operations	6.0	8.8	-31.6	1.3
Eliminations	-6.2	-16.0	-61.3	-1.3
Group revenue	479.5	422.0	13.6	100.0

Profit before taxes

EUR million	Jan.-Dec. 2006	%	Jan.-Dec. 2005	%	Change %	Share of profit before taxes 2006, %
Business premises	24.4	8.2	12.0	4.9	103.0	118.1
Housing	4.2	3.0	10.0	6.7	-58.4	20.1
International Operations	-4.3	-9.6	2.1	5.7	-307.6	-20.7
Other Operations	-4.7	-78.3	-0.8	-9.4	471.2	-22.8
Eliminations	1.1		-1.6			
Group profit before taxes	20.7	4.3	21.7	5.1	-4.6	100.0

In accordance with IFRS, project development costs related to developer contracting projects are expensed until the requirements for the recognition of an asset are met. Apart from project development costs, the company does not incur any substantial research or development costs.

Order backlog

EUR million	31 Dec. 2006	31 Dec. 2005	Change %	Share of order backlog Dec. 2006, %
Business premises	287.7	163.4	76.1	63.4
Housing	154.4	70.8	118.1	34.0
International Operations	11.6	17.6	-34.1	2.6
Group, total	453.7	251.8	80.2	100.0

Earnings trends of operating segments

Business premises

EUR million	Jan.-Dec. 2006	Jan.-Dec. 2005	Change %
Revenue	297.0	244.0	21.7
Operating profit	25.0	11.9	109.4
Profit before taxes	24.4	12.0	103.0

Segment's assets

Non-current assets	0.7	25.3	-97.1
Current assets	111.2	122.6	-9.3
Assets, total	111.9	147.9	-24.3

Segment's liabilities

Non-current liabilities	14.0	1.7	748.7
Current liabilities	58.1	116.2	-50.0
Liabilities, total	72.2	117.8	-38.8

Order backlog at 31 Dec. 287.7 163.4 76.1

The revenue of Business premises amounted to EUR 297.0 million (EUR 244.0 million) and the profit before taxes amounted to EUR 24.2 million (EUR 12.0 million).

The Business premises segment comprises SRV Viitosen Oy's commercial, business and logistics construction and property development as well as the logistics and infrastructure operations of SRV Teräsbetoni Oy, which was merged to SRV Viitosen Oy.

The completion and sale of Kamppi Shopping Centre and its office blocks at the beginning of the year had a significant impact on revenue and the net profit. Other completed projects include the renovation of the Granittitalo office premises, the construction of Kamppi Centre square and street areas, KaraPhone East office building for Nokia Corporation, Halti headquarters in Vantaa, Ideapark Commercial City in Lempäälä, Rock Vallila underground parking facilities for 700 vehicles and Riha-Center commercial premises in Tuusula as well as the oil control depot at Santahamina.

New development projects launched include Aviapolis Recreational Centre in Vantaa, Kara Mid Point office and product development building for Nokia Corporation in Espoo, several projects in Kuninkaanportti Commercial Centre in Porvoo, PartnerTech Oy office project, Teknos Oy powder coating factory as well as Biomedicum Phase II and Aktia-Forum Phase II projects. Construction of the new Neste Oil Corporation headquarters as well as the office buildings for HTC Keilaniemi have begun in Keilaniemi, Espoo. During the financial period, construction work also begun on the maintenance tunnel for Ämmässuo waste disposal site, Pamoto extension, Upinniemi central warehouse, the maintenance centre for Helsinki-Vantaa International Airport and the multi-storey parking facility for Jorvi Hospital.

Housing

EUR million	Jan.-Dec. 2006	Jan.-Dec. 2005	Change %
Revenue	138.1	148.9	-7.3
Operating profit	5.1	10.5	-51.4
Profit before taxes	4.2	10.0	-58.4

Segment's assets

Non-current assets	1.1	0.9	29.6
Current assets	73.1	51.8	41.0
Assets, total	74.2	52.7	40.8

Segment's liabilities

Non-current liabilities	25.5	19.2	32.8
Current liabilities	35.5	17.8	99.4
Liabilities, total	61.0	37.0	64.6

Order backlog at 31 Dec. 154.4 70.8 118.1

Revenue of Housing segment amounted to EUR 138.1 million (EUR 148.9 million) and Profit before taxes amounted to EUR 4.2 million (EUR 10.0 million).

The Housing segment comprises SRV Westerlund Oy's housing construction operations within the Greater Helsinki area as well as the operations of the regional subsidiaries. The regional subsidiaries engage in housing, commercial, business and logistics construction projects.

During 2006 Housing segment launched 490 (166 in 2005) new dwellings and apartments. The two most significant projects started in 2006 were Vantaan Marsalkka in Vantaa (113 apartments) and Eiran Kommodori in Helsinki (47 apartments). During the second half of 2006 several

new developer contracting projects were launched within the Greater Helsinki area.

The most important ongoing codevelopment construction projects were Vantaan Ulrikanpuisto and Puu-Ylästö in Vantaa. Housing segment had several project management contracts such as the conversion and renovation of the former Ilmarinen Mutual Pension Insurance Company Head Office into apartments in Helsinki.

During the financial period, SRV engaged itself to a three-year development project (24Living) which is part-financed by the National Technology Agency (TEKES). The project is managed by the University of Industrial Art in co-operation with Finpro, MIT and TEKES, with participation of several Finnish companies.

Two land-plots in Leppäsuu, Helsinki city centre were acquired during the financial period. Two apartment houses will be constructed on the land-plots. Construction of the first apartment house is expected to begin towards the end of 2007.

International Operations

EUR million	Jan.-Dec. 2006	Jan.-Dec. 2005	Change %
Revenue	44.6	36.2	23.1
Operating profit	-3.6	1.4	-351.0
Profit before taxes	-4.3	2.1	-307.6

Segment's assets

Non-current assets	0.4	1.1	-63.0
Current assets	65.2	51.1	27.6
Assets, total	65.6	52.2	25.6

Segment's liabilities

Non-current liabilities	17.5	12.4	40.9
Current liabilities	36.9	29.4	25.3
Liabilities, total	54.3	41.8	29.9

Order backlog at 31 Dec. 11.6 17.6 -34.1

Revenue of International Operations amounted to EUR 44.6 million (EUR 36.2 million) and the loss before taxes amounted to EUR 4.3 million (a profit of EUR 2.1 million).

International Operations comprise the business activities of SRV International Group in Russia and the Baltic States.

Baltic States

An extensive housing and office premises complex, Osten Tor, was completed in Estonia. Residential construction in Estonia is still growing strongly. The development of new projects has continued and the construction can be started at the beginning of 2007. New service and logistics premises were completed for Wihuri in Tallinn.

Group's operations in Latvia have mainly been project management contracting. An important logistics centre in a prominent location in the immediate vicinity of Riga Airport was completed for DHL. Two new K-Rauta stores were com-

pleted for Kesko in Jelgava and Liepaja in Latvia. Two new K-Agro stores are also under construction for Kesko.

Russia

Development of the Etmia II office and parking facility in the heart of Moscow was continued during the financial period. Preparations for construction were commenced in April and the actual construction started during the last quarter. The development and desing of Papula residential area in the city of Vyborg, continued. The building permit for Phase I is expected in early 2007.

The company signed in May an agreement with OOO Ahlström Tver concerning project management contract of woven glass fabric factory. The construction of this target price project started in September.

The Park Inn Hotel in Yekaterinburg, constructed by SRV Russia, was completed at the beginning of March 2006 and opened to the public on 6 March 2006. In late autumn 2006, SRV revoked the original sale contract, due to a delay by the customer. Because the completed project remained unsold, the Profit before taxes of International Operations decreased EUR 0.6 million.

Other Operations

EUR million	Jan.-Dec. 2006	Jan.-Dec. 2005	Change %
Revenue	6.0	8.8	-31.6
Operating profit	-4.4	-0.7	526.3
Profit before taxes	-4.7	-0.8	471.2

Segment's assets

Non-current assets	7.4	25.3	-70.8
Current assets	64.3	82.2	-21.8
Assets, total	71.7	107.4	-33.3

Segment's liabilities

Non-current liabilities	0.9	60.3	-98.6
Current liabilities	44.3	18.4	140.3
Liabilities, total	45.1	78.7	-42.7

Revenue of Other Operations amounted to EUR 6.0 million (EUR 8.8 million) and Loss before taxes amounted to EUR 4.7 million (a loss of EUR 0.8 million).

Other Operations comprises mainly the operations of SRV Group Plc and SRV Kalusto Oy.

Financing and financial position

The Group's interest-bearing liabilities totalled EUR 79.5 million (EUR 132.4 million) at the end of the financial year. Net financial expenses were EUR 4.0 million (EUR 0.1 million). At the end of the financial year, the Group's liquid assets amounted to EUR 14.9 million (EUR 23.5 million).

The return on investment was 15.9% (19.1%) and the return on equity 27.3% (34.0%). The equity ratio was 31.7% (19.8%).

Investments and acquisitions

The Group's investments amounted to EUR 3.3 million (EUR 2.7 million) and were mainly related to machinery and equipment.

Risks, risk management and corporate governance

General economic trends and changes in customers' operating environments have an immediate effect on the construction and property markets. A change in the general interest level has a direct impact on both SRV's actual cash flow from operating activities and financing costs.

SRV's revenue is generated by construction projects, and the company's result depends on the profitability of individual projects as well as their progress. Project risk management is the cornerstone of SRV's project and operational success.

Construction risks are monitored on a continuous basis at Group level as well as on project level. Technical design and implementation of projects is carried out by using acknowledged and tested solutions together with SRV's extensive experience in construction. Construction is subject to significant risks relating to subcontracting and materials. Operational and financial aspects of the projects are monitored on a monthly basis. Project management contracting model requires skilled and competent personnel.

Warranty and liability obligations related to construction can span up to ten years. Warranty and liability expenses are managed by investing in project quality systems.

Group's risk management is carried out in line with the Group's operations system and control is exercised in accordance with the Group strategy approved by the Board of Directors of the Group's parent company. The Group President and CEO has overall responsibility for the risk management. SRV also makes every effort to cover operational risks by means of insurance and contractual terms.

SRV's risks, risk management and corporate governance policies were disclosed in the 2005 Annual Review and will be disclosed in the 2006 Annual Report.

Environmental issues

The Group seeks to operate in accordance with the principles of sustainable development and minimise harmful environmental impacts related to the life cycle of buildings.

The Group has adopted an environmental reporting system which is a significant part in the Group's environmental and social responsibility project. Implementation and development of this project was continued in 2006.

Changes in Group management

Eero Heliövaara has served as President and CEO of the SRV Group Plc since 1 March 2006. On 1 June 2006, Hannu Linnoinen took responsibility for finance and administration as Senior Executive Vice President and CFO. Ari Beilinson started as Executive Vice President in charge of International Operations on 13 November 2006. Juha-Veikko Nikulainen started on 26 January 2007 as Executive Vice President in charge of the Housing and Jussi Ollila on 1 February 2007 as

Executive Vice President in charge of communications and marketing.

The Group's Management Group comprises President and CEO Eero Heliövaara, Senior Executive Vice President and Deputy CEO Timo Nieminen, Senior Executive Vice President Hannu Linnoinen, Executive Vice President Ari Beilinson, in charge of International Operations, Executive Vice President Juha-Veikko Nikulainen, in charge of Housing, Executive Vice President Juha Pekka Ojala, in charge of Business premises, Pirjo Ahanen, HR Director, Anu Hämäläinen, Senior Vice President - Financial Administration, Jussi Ollila, Senior Vice President - Marketing and Communications and Marja Sarnela, Senior Vice President - Legal Affairs. Matti Kärnä, Senior Vice President - Development, acts as secretary to the Management Group.

Hannu Mikkonen acted as SRV Group Plc's President and CEO until 28 February 2006. Arto Toikkanen acted as SRV Teräsbetoni Oy's Managing Director until 15 September 2006. The current Managing Director of Teräsbetoni Oy is Juha Pekka Ojala. SRV Westerlund Oy's Managing Director Marko Heino was employed by the company's until 31 October 2006. SRV Group Plc's Senior Executive Vice President Timo Nieminen acted as Managing Director until Juha-Veikko Nikulainen took over.

Changes in Group structure

SRV's Group structure re-organisation was carried out in September 2006. SRV Teräsbetoni Oy's commercial, logistics and infrastructure construction operations were merged to SRV Viitokset Oy starting from 31 December 2006. SRV Teräsbetoni's operation in Lappeenranta were incorporated on 31 December 2006 and combined to SRV's Housing segment. 31 December 2006, SRV Teräsbetoni's machinery and equipment leasing and maintenance operations were incorporated as SRV Kalusto Oy. SRV Kalusto Oy is part of Other Operations segment.

Human Resources

SRV Group employed on average 668 (671) employees, of whom 460 (432) were white-collar. The parent company employed on average 60 (47) white-collar. At the end of the financial year the Group's payroll was 707 (632) employees, of whom 66 (51) were employed by the parent company. 10 % of the personnel are employed abroad.

In 2006, wages and salaries amounted to EUR 29.3 million (EUR 25.4 million in 2005).

Personnel by operating segment	Share of Group personnel		
	Dec. 2006	Dec. 2005	2006, %
Business premises	236	224	33.4
Housing	293	223	41.4
International Operations	87	113	12.3
Other Operations	91	72	12.9
Group, total	707	632	100.0

Corporate governance and decisions by the Annual General Meeting

The Annual General Meeting of SRV Group Plc was held on 28 April 2006. The Annual General Meeting confirmed the financial statements for 2005 and discharged the members of the Board of Directors and the President and CEO from liability. The dividend was confirmed at EUR 1.70 per share.

Hannu Mikkonen, who had acted as SRV Group Plc's President and CEO, resigned from the company on 28 February 2006. Eero Heliövaara started as President and CEO on 1 March 2006. Senior Executive Vice President Timo Nieminen acts as deputy CEO. Ilpo Kokkila is the Chairman of the Board of Directors. Other Board members were Eero Heliövaara, Matti Mustaniemi and Markku Sarkamies.

The Group's auditor is Jarmo Lohi, Authorised Public Accountant, and the deputy auditor is Ernst & Young Oy, with Mikko Ryttilähti, Authorised Public Accountant, as chief auditor.

Shares and shareholders

SRV Group Plc's share capital amounted to EUR 1.3 million. The share has no nominal value. The total number of shares is 1,303,200. The company has one series of shares.

SRV Group Plc is owned by Ilpo Kokkila (52%) and SRV Henkilöstö Oy (48%). SRV Henkilöstö Oy was established to commit personnel to the long-term development of the company. On 31 December 2006, SRV Henkilöstö had 170 shareholders, with the following ownership structure: Kolpi Investment Oy (Ilpo Kokkila) 50.4%, Management Group 28.6% and others 21.0%.

The Board of SRV Group Plc has decided to hold an Extraordinary General Meeting to decide on share split (1:20). The split will not affect the company's share capital and will increase the number of shares in proportion to the shareholdings. The number of shares will increase from 1,303,200 shares to 26,064,000 shares.

Construction outlook

In 2006, the Finnish economy passed the peak of the economic cycle. Total production increased by 5.5% and all the principal industries did better than the long-term average. It is forecasted that in 2007 and 2008 the economic growth will be on the long-term average, i.e. around 3%.

The construction industry estimates that during the current year residential and non-residential construction will increase by 4–5%, with a slight further increase in 2008.

The growth is expected to shift to other than residential and renovation construction. According to The Confederation of Finnish Construction Industries RT, the construction of 33,500 new dwellings and apartments will begin in 2007. Commercial and office construction, in particular, will increase, but there will also be growth in industrial construction. Almost as many new dwellings and apartments will be started as last year. The growth centres in southern Finland, in particular, will suffer from shortages in skilled labour. In terms of resources, it is not just manpower that will be

in short supply, as construction will be brisk in the regions neighbouring Finland.

Economic growth is significantly faster in Russia and the Baltic States than in the rest of the Europe on average. Construction companies are increasing their international operations. It is estimated that revenue from international operations grew by more than 10% in 2006, to EUR 2.7 billion.

In 2007, the revenue is expected to reach almost EUR 3.0 billion. Russia accounts for 23% and the Baltic States for 18% of the international revenue generated by construction companies.

Events after the balance sheet date

In line with the corporate strategy, the operations were reorganised on 1 February 2007 to cover three operating seg-

ments: Business premises, Housing and International Operations. The operating segments are the responsibility of the following members of the Management Group: Ari Beilinson (International Operations), Juha-Veikko Nikulainen (Housing) and Juha Pekka Ojala (Business premises).

Group outlook

The volume of the order backlog is a good starting point for the positive development of revenue and earnings in 2007.

A negative trend in the demand for residential constructions is not anticipated in Finland. Construction volume is expected to increase both in Russia and the Baltic States, but challenges will be faced as cost levels rise and the shortage in skilled personnel continues.

Board of Directors' proposal for the distribution of profits

The parent company's distributable equity at 31 December 2006	EUR 29,376,277
of which net profit for the financial year	EUR 11,897,114

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

A dividend of EUR 2.40 per share shall be paid to shareholders	EUR 3,127,680
The remainder shall be transferred to retained earnings	EUR 26,248,597

If SRV Group Plc's Extraordinary General Meeting resolves to increase the number of shares (split 1:20) before the balancing date of the dividend distribution, so that the number of shares is increased from 1,303,200 shares to 26,064,000 shares, the dividend per share will be EUR 0.12.

No fundamental changes have occurred in the financial position of the company after the balance sheet date. The company's liquidity is good, and the Board of Directors does not see the proposed profit distribution compromising the company's solvency.

Espoo, 30 March 2007

SRV Group Plc
Board of Directors

Consolidated income statement

EUR 1,000	Note	2006	2005
Revenue		479,490	421,969
Other operating income	5	3,664	1,412
Change in inventories of finished goods and work in progress		27,155	-5,375
Use of materials and services		-434,045	-351,920
Employee benefit expenses	8	-36,814	-31,877
Depreciation and impairments	7	-2,033	-1,736
Other operating expenses	6	-12,800	-10,677
Operating profit		24,617	21,796
Financial income	10	2,603	4,220
Financial expenses	10	-6,570	-4,361
Financial income and expenses, total		-3,967	-141
Profit before taxes		20,650	21,655
Income taxes	11	-5,372	-6,985
Net profit for the financial year		15,278	14,670
Attributable to			
Equity holders of the parent company		14,470	12,639
Minority interest		808	2,031
Earnings per share calculated on the profit attributable to equity holders of the parent company (undiluted and diluted)	14	11.10	9.70

Consolidated balance sheet

EUR 1,000	Note	2006	2005
ASSETS			
Non-current assets			
Property, plant and equipment	13	5,479	7,267
Goodwill	14	726	804
Other intangible assets	14	905	770
Other financial assets	15	2,317	1,603
Receivables	16	5,591	26,620
Deferred tax assets	17	162	782
Non-current assets, total		15,180	37,846
Current assets			
Inventories	18	134,521	101,005
Trade and other receivables	19	65,448	99,607
Current tax		1,415	1,746
Cash and cash equivalents	20	14,877	23,488
Current assets, total		216,261	225,846
ASSETS, TOTAL		231,441	263,692
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent company			
Share capital	21	1,303	1,303
Share premium reserve	21	1,759	1,759
Translation differences		10	
Retained earnings		54,841	42,833
Equity attributable to equity holders of the parent company, total		57,913	45,895
Minority interest		4,244	3,946
Equity, total		62,157	49,841
Non-current liabilities			
Deferred tax liabilities	17	1,031	1,568
Provisions	22	4,812	3,508
Interest-bearing liabilities	23	48,324	83,055
Other liabilities	24	33	239
Non-current liabilities, total		54,200	88,370
Current liabilities			
Trade and other liabilities	24	80,129	69,923
Current tax		165	4,228
Provisions	22	3,639	1,987
Interest-bearing liabilities	23	31,152	49,343
Current liabilities, total		115,085	125,481
Liabilities, total		169,284	213,851
EQUITY AND LIABILITIES, TOTAL		231,441	263,692

Consolidated cash flow statement

EUR 1,000	2006	2005
Cash flow from operating activities		
Net profit for the financial year	14,470	12,639
Adjustments:		
Depreciation	2,033	1,735
Non-cash transactions	677	915
Financial income and expenses	3,966	141
Capital gains on sales of tangible and intangible assets	-389	26
Taxes	5,372	6,985
	11,659	9,803
Changes in working capital:		
Change in loan receivables	21,649	23,931
Change in trade and other receivables	30,328	-19,356
Change in inventories	-33,858	-45,372
Change in trade and other liabilities	10,966	-51,413
Change in provisions	2,955	1,548
	32,040	-90,663
Interest paid	-8,061	-5,045
Interest received	8,060	578
Dividends received	7	6
Income taxes paid	-9,649	-3,710
Net cash from operating activities	48,526	-76,391
Cash flow from investing activities		
Acquisition of subsidiaries, net of cash	0	-159
Property, plant and equipment	-1,631	-1,403
Intangible assets	-625	-506
Other financial assets	-1,032	-634
Sale of property, plant and equipment and intangible assets	2,343	62
Sales of investments	45	0
Net cash used in investing activities	-899	-2,640
Cash flow from financing activities		
Proceeds from long-term loans	6,254	37,972
Repayments of long-term loans	-62,797	-16,433
Change in housing corporation loans	-538	41,428
Change in short-term loans	3,059	15,607
Dividends paid	-2,215	-1,095
Net cash from financing activities	-56,237	77,479
Net change in cash and cash equivalents	-8,610	-1,552
Cash and cash equivalents at the beginning of financial year	23,488	25,039
Cash and cash equivalents at the end of financial year	14,877	23,487

Consolidated statement of changes in equity

EUR 1,000

Equity attributable to equity holders of the parent company

	Share capital	Share premium reserve	Translation difference *)	Fair value reserve	Retained earnings	Sub-ordinated loan	Minority Total interest	Equity, total	
Equity, total (FAS), 31 Dec. 2004	1,303	1,759	-	-	34,346	15,048	52,456	2,204	54,660
Effect of the adoption of IFRS	-	-	-	296	-3,437	-15,048	-18,189	-	-18,189
Adjusted equity (IFRS), 1 Jan. 2005	1,303	1,759	0	296	30,909	0	34,267	2,204	36,471
Net gains on available-for sale financial assets	-	-	-	84	-	-	84	-	-
Net income recorded directly in equity	0	0	0	84	0	0	84		
Net profit for the financial year	-	-	-	-	12,639	-	12,639	-	-
Income and expenses recorded during the financial year	0	0	0	0	12,639	0	12,639		
Dividends paid	-	-	-	-	-1,095	-	-1,095	-	-
Equity, total (IFRS), 31 Dec. 2005	1,303	1,759	0	380	42,453	0	45,895	3,946	49,841
Equity, total (IFRS), 1 Jan. 2006	1,303	1,759	0	380	42,453	0	45,895	3,946	49,841
Translation differences	-	-	10	-	-	-	10	-	-
Amount of available-for-sale financial assets removed from equity and recognised in the income statement	-	-	-	-390	-	-	-390	-	-
Net gains on available-for-sale financial assets	-	-	-	118	-	-	118	-	-
Other change	-	-	-	-	25	-	25	-	-
Net income recorded directly in equity	0	0	10	-272	25	0	-237		
Net profit for the financial year	-	-	-	-	14,470	-	14,470	-	-
Income and expenses recorded during the financial year	0	0	0	0	14,470	0	14,470		
Dividend payout	-	-	-	-	-2,215	-	-2,215	-	-
Equity, total (IFRS), 31 Dec. 2006	1,303	1,759	10	108	54,733	0	57,913	4,244	62,157

*) translation differences in 2004 and 2005 have been included in retained earnings.

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 Viitaset 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 operational segment. SRV Group Plc's Project Development unit and Group Administration as well as the Building Services unit (SRV Viitaset 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.

Accounting policies

Basis of preparation

The consolidated financial statements for the financial year 2006 are the first to be published in line with the IFRS (International Financial Reporting Standards) while adhering to the related IFRS/IAS standards effective on 31 December 2006. 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 IFRS transition date was 1 January 2006 and The Group has prepared comparative information in accordance with IFRS for the financial year 2005. The financial statements are presented in thousands of euros.

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.

SRV Group prepared its consolidated financial statements until the end of 2005 in accordance with the Finnish Accounting Standards (FAS). The differences caused by the transition to IFRS are presented in the reconciliation statements in Note 30 to the financial statements. IFRS 1 (First-time Adoption of International Financial Reporting Standards)

and the exemptions permitted under it have been applied as follows:

- The amount of goodwill corresponds to the carrying amount of goodwill calculated in accordance with the Finnish Accounting Standards (FAS)
- Cumulative translation differences before the transition to IFRS have been recorded in retained earnings.

The following new standard has been applied as from 1 January 2006 before the effective date:

- IFRS 8, Operating Segments, which has been applied as from 1 January 2006. Introduction of the standard affects the notes to the consolidated financial statements

New standards, changes to standards and new interpretations

The following new standards as well as changes to standards and new interpretations have been published, and the application of them will be mandatory across Group units at the latest when they come into force.

- IFRS 7, Financial Instruments: Disclosures (in force for the financial year commencing 1 January 2007). The Group will apply this standard as from 1 January 2007. The standard will affect the notes to the consolidated financial statements to some extent.
- IAS 1, Presentation of Financial Statements (in force for the financial year commencing 1 January 2007). The Group will apply this change as from 1 January 2007. The change will affect the notes to the consolidated financial statements to some extent.
- IFRIC 11, IFRS 2 Group and Treasury Share Transactions (in force for the financial year commencing 1 January 2007). The interpretation will not have an effect on the Group's financial reporting. The Group will apply this amendment as from 1 January 2007.
- IFRIC 12 Service Concession Agreements (in force for the financial year commencing 1 January 2008). The interpretation will not have an effect on the Group's financial reporting. The Group will apply this amendment as from 1 January 2008.

Other published standards and interpretations that will come into force at a later date, as well as changes to them, are not of significance to the Group.

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 the balance sheet assets and liabilities as well as revenues and expenses for the reporting period. Estimates and assump-

tions 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 deferred 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 fair value calculations. The preparation of these calculations calls for the 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.

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 so as to obtain benefits from its activities. Construction projects organised as separate companies are included in the consolidated financial statements, but the companies are not considered as subsidiaries due to their temporary nature.

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. Under the exemption permitted by IFRS 1, acquisitions made prior to 1 January 2005, have not been adjusted.

The accounting policies of subsidiaries have been changed as necessary in accordance with the Group's accounting policies.

Subsidiaries are consolidated 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.

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 the 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 recorded through income statement as part of the capital gain or loss. In IFRS transition, the Group has recorded cumulative translation differences until 1 January 2005 in retained earnings on the basis of the exemption permitted under IFRS 1 First-time Adoption Of International Financial Reporting Standards.

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 the 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 share of the estimated total cost of a contract and the costs realised at the balance sheet date. The income and costs from developer contracting are recognised as revenue in the income statement based on the combined percentage of completion which is calculated based on percentage of completion of the construction and the degree of sale. Costs in excess of the combined percentage of completion are capitalised 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. Gross profit is recognised on projects containing a rental liability 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 recorded in advances received. Uncertainty associated with a lease agreements are 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.

Borrowing costs

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

Research expenditure

SRV's development consists of the development of projects and concepts, which are recorded as an expense in the income statement.

Property, plant and equipment

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

Land and water areas are amortised because the economic life cannot be determined. Depreciation on other tangibles is calculated 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 values and economic lives of property, plant and equipment are estimated and adjusted as needed at every balance sheet date. If the carrying value 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 are valued at historical cost and amortised over their estimated economic life (3–5 years).

After 1 January 2005, goodwill is the excess of the cost of the business combination over the fair value of the Group's share of acquired net assets. The goodwill arising from business combinations prior to this corresponds with the amount under FAS, which has been used as the deemed cost. The classification and accounting treatment of these business combinations has not been adjusted when preparing the Group's opening IFRS Consolidated Balance Sheet. 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 in the income statement.

Asset items which are depreciated or amortised are always tested for impairment when events or changes in circumstances indicate the carrying value 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 fair value.

Financial assets and liabilities

The Group classifies its financial assets and liabilities in the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and other receivables, available-for-sale financial assets, cash and cash equivalents and other liabilities.

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. All acquisition and sales of financial assets are recorded 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.

Financial assets at fair value through profit or loss

The derivative instruments which the Group uses do not meet the criteria for hedge accounting. Derivatives are recognised in the balance sheet at cost, which corresponds to their fair value on the transaction day and thereafter they are measured at fair value at the balance sheet date. Changes in fair values are recorded in the income statement under Other financial income and expense. The definition of fair value is based on quoted market prices and exchange rates.

Loans and other receivables

Loans and other receivables are non-derivative financial assets with fixed or definable payments. They are not quoted in well-functioning markets 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 periodised in the income statement over the maturity of the loan using the effective interest method. An impairment is recorded as an expense 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 be 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 as belonging to this item 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 of available-for-sale financial assets are recorded directly in equity. When an asset item of this kind is sold, the cumulative changes in fair value are recorded 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 an item or group of items belonging to available-for-sale financial assets has 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.

Other liabilities

Other liabilities are initially recognised at fair value. Transaction expenses have been included in the original carrying amount of financial liabilities. Interest is periodised in the income statement over the maturity of the loan using the effective interest method.

An external loan from a financial institution taken out by housing corporations and real-estate companies in connection with developer contracting contracts is recognised as a liability to the extent that it relates to the unsold shares in housing corporations and real-estate companies. The loan is derecognised when the project is sold and 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

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.

The Balance Sheet item Land areas and plot-owning companies comprises costs of development stage projects and projects started. The Balance Sheet item Work in Progress comprises the construction cost and plot cost for uncompleted construction projects not yet expensed. The Balance Sheet item Shares in completed housing corporations and real-estate companies comprises unsold completed projects.

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 applying local tax legislation). Taxes are adjusted for any taxes for previous periods.

Deferred taxes are recorded on the temporary differences resulting from investments in subsidiaries, except 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 that it is probable that future taxable income will be available against which the asset can be utilised.

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 SRV Henkilöstö Oy owns 48% of SRV Group Plc. SRV Henkilöstö Oy's field of operations is the ownership of the shares in SRV Group Plc. SRV Henkilöstö Oy carried out a share issue targeted at the personnel in autumn 2005. The transaction does not constitute a payment and recognition of expense in accordance IFRS 2 Share-based Payment as the share issue was made at fair value.

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 a 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.

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 materialization of warranty expenses. It is expected that warranty provisions are 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 materialization 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 recorded 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. Segment reporting follows Group's management and organisational structure. IFRS 8 was introduced before the last entry date of the standard, 1 January 2009.

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

Other operations include Group services and the services related to rental of construction equipment.

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. The 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 contracting 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. The geographical distribution of the Group's operations corresponds to the distribution of the operating segments.

During the financial year 1 January–31 December 2005, the Group had one major customer in accordance with IFRS 8 and its share of revenue amounted to EUR 77.7 million. The revenue was allocated to the Business premises segment.

During the financial year 1 January–31 December 2006, the Group did not have major customers according to the definition of IFRS 8.

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
Total	296,985	138,117	44,565	6,011	485,678
Operating profit	24,961	5,108	-3,559	-4,403	22,107
Profit before taxes	24,391	4,158	-4,275	-4,708	19,566
Segment's assets					
Non-current	740	1,148	425	7,377	9,690
Current	111,195	73,073	65,185	64,302	313,755
Total	111,935	74,221	65,610	71,679	323,445
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
Total	72,151	60,983	54,344	45,125	232,603
Order backlog	287,700	154,400	11,600	0	453,700

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
Total	244,044	148,933	36,202	8,784	437,963
Operating profit	11,920	10,508	1,418	-703	23,143
Profit before taxes	12,017	9,991	2,059	-824	23,242
Segment's assets					
Non-current	25,318	886	1,149	25,260	52,613
Current	122,571	51,840	51,073	82,181	307,665
Total	147,889	52,726	52,222	107,441	360,278
Segment's liabilities					
Non-current	1,653	19,242	12,388	60,319	93,602
Current	116,156	17,799	29,444	18,417	181,816
Order backlog	117,809	37,041	41,832	78,736	275,418
Orderbook	163,400	70,800	17,600	0	251,800

REVENUE EUR 1,000	2006	2005
Segments' revenue	479,667	429,179
Revenue, others	6,011	8,784
Eliminations and other adjustments	-6,188	-15,994
Total	479,490	421,969

OPERATING PROFIT EUR 1,000	2006	2005
Segments' operating profit	26,510	23,846
Operating profit, others	-4,403	-703
Eliminations and other adjustments	2,510	-1,347
Total	24,617	21,796

PROFIT BEFORE TAXES EUR 1,000	2006	2005
Segments' result	24,274	24,067
Result, others	-4,708	-824
Eliminations and other adjustments	1,084	-1,588
Total	20,650	21,655

Profit before taxes does not include Group contributions.

ASSETS EUR 1,000	2006	2005
Segments' assets	251,766	252,837
Assets, others	71,679	107,441
Eliminations and other adjustments	-92,062	-97,368
Deferred tax assets	58	782
Total	231,441	263,692

LIABILITIES EUR 1,000	2006	2005
Segments' liabilities	187,478	196,682
Liabilities, others	45,125	78,736
Eliminations and other adjustments	-64,350	-63,135
Deferred tax liabilities	1,031	1,568
Total	169,284	213,851

ORDER BACKLOG EUR million	2006	2005
Order backlogs of the segments	453.7	251.8
Total	453.7	251.8

2. Acquisitions

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 2006

In 2006, SRV Group sold its 51% holding in SRV Statyba UAB for EUR 45,000. Since the carrying value at the time of sale was EUR 29,000, the effect of the sale on revenue before taxes was EUR 16,000.

Disposals during 2005

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

4. Construction contracts

EUR 1,000	2006	2005
Revenue from construction contract recognised as income during the financial year	477,423	429,198
Contract costs and profits at the end of financial year (less recognised losses)	284,913	320,772
Gross amount due from customers related to construction contracts *)	13,645	29,429
Gross amount due to customers related to construction contracts **)	35,078	11,953

*) Expenses and recorded profits, which exceed the amount calculated for the project are disclosed in the balance sheet under Trade and other receivables.

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

5. Other operating income

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

6. Other operating expenses

EUR 1,000	2006	2005
Capital losses on sales of property, plant and equipment and intangible assets	34	26
Rental expenses	2,334	2,836
Voluntary indirect personnel expenses	972	863
Car and travel expenses	873	919
Entertainment and marketing	1,773	1,098
Communications and IT	1,160	908
Other external services	1,024	836
Other fixed expenses	4,630	3,191
Total	12,800	10,677

7. Depreciation and impairments

EUR 1,000	2006	2005
Depreciation		
Intangible assets		
Other intangible assets	422	283
Property, plant and equipment		
Buildings and structures	154	174
Machinery and equipment	1,440	1,279
Other tangible assets	17	0
Total	2,033	1,736

8. Employee-benefit expenses

EUR 1,000	2006	2005
Wages and salaries	29,286	25,409
Pension expenses - defined contribution plans	4,950	4,382
Other indirect personnel expenses	2,578	2,086
Total	36,814	31,877

Average number of personnel	2006	2005
Total	668	671

Information on management's compensation as well as employee benefits is disclosed in section Related party transactions.

SRV Henkilöstö Oy owns 48% of SRV Group Plc. Its field of operations is ownership of the shares in SRV Group Plc. SRV Henkilöstö Oy carried out an employee issue in autumn 2005. As part of the arrangement, three shareholders sold their entire holding. The transaction does not constitute a payment and recognition of expense in accordance with IFRS 2 Share-based Payment, as the transactions were made at fair value.

9. Research and development expenditure

SRV Group's development work consists of the development of projects and project concepts, which are expensed in the income statement.

10. Financial income and expenses

EUR 1,000	2006	2005
Financial income		
Dividend income	7	294
Interest income	2,057	3,782
Foreign exchange gains	1,769	818
Other financial income	539	144
Total	4,372	5,038

Financial expenses

Interest expenses on short and long-term loans	-4,757	-4,260
Foreign exchange losses	-2,218	-769
Other financial expenses	-1,364	-150
Total	-8,339	-5,179

Net financial income and expenses **-3,967** **-141**

11. Income taxes

Income taxes in the income statement EUR 1,000	2006	2005
Current tax	5,281	5,608
Taxes for previous financial years	-106	0
Deferred taxes	197	1,377
Total	5,372	6,985

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

Tax reconciliation EUR 1,000	2006	2005
Profit before taxes	20,650	21,655
Taxes at statutory tax rate in Finland (26%)	5,369	5,630
Differing tax rates of foreign subsidiaries	-139	104
Effect of changes in tax rates on deferred taxes	-27	-127
Tax exempt income	-327	-303
Non-deductible expenses	98	184
Tax losses and temporary differences during the financial year, not recognized	222	172
Taxes for previous financial years	-163	2
Group eliminations	339	1,323
Taxes in the income statement	5,372	6,985

12. Earnings per share

EUR 1,000	2006	2005
Profit for the financial year attributable to equity holders of the parent company, EUR 1,000	14,470	12,639
Weighted average number of shares during the financial year, 1,000 shares	1,303	1,303
Earnings per share, EUR/share	11.10	9.70

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

13. Property, plant and equipment

2006 EUR 1,000	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Total
Historical cost, 1 Jan.	307	3,107	6,666	170	10,250
Increases	0	0	1,626	5	1,631
Decreases	-36	-1,464	-272		-1,772
Foreign exchange differences			-21	-3	-24
Historical cost, 31 Dec.	271	1,643	7,999	172	10,085
Accumulated depreciation and impairments, 1 Jan.	0	-432	-2,531	-20	-2,983
Depreciation	0	-154	-1,440	-17	-1,611
Foreign exchange differences	0	-12			-12
Accumulated depreciation and impairments, 31 Dec.	0	-598	-3,971	-37	-4,606
Carrying amount, 1 Jan.	307	2,675	4,135	150	7,267
Carrying amount, 31 Dec.	271	1,045	4,028	135	5,479
2005 EUR 1,000	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Total
Historical cost, 1 Jan.	307	3,078	5,354	195	8,934
Increases		29	1,375		1,404
Decreases			-63	-25	-88
Historical cost, 31 Dec.	307	3,107	6,666	170	10,250
Accumulated depreciation and impairments, 1 Jan.		-258	-1,252	-20	-1,530
Depreciation		-174	-1,279		-1,453
Accumulated depreciation and impairments, 1 Jan. 31 Dec.	0	-432	-2,531	-20	-2,983
Carrying amount, 1 Jan.	307	2,820	4,102	175	7,404
Carrying amount, 31 Dec.	307	2,675	4,135	150	7,267

Finance lease agreements

The SRV Group had no finance lease agreements in 2006 and 2005.

14. Intangible assets

2006 EUR 1,000	Intangible rights	Goodwill	Other capitalised expenses	Total
Historical cost, 1 Jan. 2006	0	804	1,255	2,059
Increases	250		375	625
Decreases		-78	-68	-146
Historical cost, 31 Dec. 2006	250	726	1,562	2,538
Accumulated amortisation, 1 Jan. 2005			-485	-485
Amortisation			-422	-422
Accumulated amortisation, 31 Dec. 2006	0	0	-907	-907
Carrying amount, 1 Jan. 2006	0	804	770	1,574
Carrying amount, 31 Dec. 2006	250	726	655	1,631
2005 EUR 1,000	Intangible rights	Goodwill	Other capitalised expenses	Total
Historical cost, 1 Jan. 2005		645	749	1,394
Increases			506	506
Acquisitions of subsidiaries		159		159
Historical cost, 31 Dec. 2005	0	804	1,255	2,059
Accumulated amortisation, 1 Jan. 2005			-202	-202
Amortisation			-283	-283
Accumulated amortisation, 31 Dec.	0	0	-485	-485
Carrying amount, 1 Jan. 2005		645	547	1,192
Carrying amount, 31 Dec. 2005	0	804	770	1,574

The reduction in goodwill in 2006, EUR 78,000, includes a disposal of a 10% holding in Rakennusliike Erkki Huhdanpää Oy. The increase in goodwill in 2005, Acquisitions of subsidiaries, includes an additional purchase price of EUR 159,000 paid for the shares of Rakennusliike Erkki Huhdanpää Oy.

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

Goodwill		
EUR 1,000	2006	2005
Housing		
SRV Westerlund Oy	380	380
Rakennusliike Erkki Huhdanpää Oy	346	424
Goodwill, total	726	804

The recoverable amount of cash generating units is based on the value in use calculation model in which cash flows are based on four-year projections and on cash flows growing at a standard rate in line with the projections or on cash flows growing at a standard rate in line after year 2007. In the impairment testing of goodwill performed in January, a growth factor of 2.5% was used and it does not exceed the actual long-term growth of the business. The discount factor used is the latest weighted average cost of capital (WACC) pre-tax, which has been increased by an additional risk factor defined on cash generating unit basis. In the financial statements at 31 December 2006, a WACC of 8% was used. The additional risk factors are always redefined during impairment testing and they vary between 1–3%.

The recoverable amount exceeded the carrying values significantly in all cash-generating units with goodwill.

15. 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 they are

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

EUR 1,000	2006	2005
Carrying value, 1 Jan.	1,603	885
Increases	1,212	696
Decreases	-226	-62
Amount of available-for-sale financial assets removed from equity and recognised in the income statement	-390	-
Net gains on available-for-sale financial assets	118	84
Carrying value, 31 Dec.	2,317	1,603
Non-current	2,317	1,603
Current	-	-
Quoted shares	31	58
Unquoted shares	2,286	1,545

16. Receivables

EUR 1,000	2006	2005
Loan receivables	5,591	22,876
Other receivables	0	3,744
Non-current receivables, total	5,591	26,620

The fair values of loan receivables do not materially differ from carrying values since loans are primarily tied to short-term market rates.

17. Deferred tax assets and liabilities

2006		Recognised in	Recognised in	
EUR 1,000	1 Jan.	the income	equity	31 Dec.
		statement		
Deferred tax assets:				
Tax losses	7	41	114	162
Changes in accounting policies	775	-775		0
Deferred tax assets, total	782	-734	114	162
Deferred tax liabilities:				
Undistributed profits of foreign subsidiaries	1,568	-537		1,031
Deferred tax liabilities, total	1,568	-537	0	1,031
Net deferred taxes	-786	-197	114	-869

2005		Recognised in	Recognised in	
EUR 1,000	1 Jan.	the income	equity	31 Dec.
		statement		
Deferred tax assets:				
Tax losses	136	-129		7
Changes in accounting policies	1,230	-456		775
Deferred tax assets, total	1,366	-584	0	782
Deferred tax liabilities:				
Undistributed profits of foreign subsidiaries	1,615	-47		1,568
Deferred tax liabilities, total	1,615	-47	0	1,568
Net deferred taxes	-249	-537	0	-786

A deferred tax asset for unused tax losses of subsidiaries, EUR 193,000 in amount, 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 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.

18. Inventories

EUR 1,000	2006	2005
Raw materials and consumables	272	30
Work in progress	51,818	58,443
Land areas and plot-owning companies	46,778	34,594
Shares in completed housing corporations and real estate companies	14,760	1,580
Advance payments	13,469	754
Other inventories	7,424	5,604
Inventories, total	134,521	101,005

During the financial years 2006 and 2005 there were no impairment losses on inventories.

19. Trade and other receivables

EUR 1,000	2006	2005
Trade receivables	42,462	41,156
Loan receivables	933	12,846
Receivables from customers on construction contracts	13,645	29,429
Accrued income and prepaid expenses	6,292	14,648
Other receivables	2,116	1,528
Total	65,448	99,607
Interest-bearing receivables	933	12,846
Non-interest-bearing receivables	64,515	86,761
Total	65,448	99,607

The Group incurred no credit losses in 2006 and 2005.

In 2006, the Group's trade receivables were on average EUR 41,809,000.

20. Cash and cash equivalents

EUR 1,000	2006	2005
Cash in hand and at bank	14,877	23,488
Total	14,877	23,488

21. Equity

Share capital and share premium reserve.

EUR	Number of shares	Share capital	Share premium reserve	Total
1 Jan. 2005	1,303,200	1,303,200	1,759,320	3,062,520
31 Dec. 2005	1,303,200	1,303,200	1,759,320	3,062,520
1 Jan. 2006	1,303,200	1,303,200	1,759,320	3,062,520
31 Dec. 2006	1,303,200	1,303,200	1,759,320	3,062,520
Total number of shares, 31 Dec. 2006	1,303,200			

At 31 December 2006, the number of SRV Group Plc's shares was 1,303,200 and share capital amounted to EUR 1,303,200.

The minimum share capital of SRV Group Plc according to the Articles of Association is EUR 1,303,200 and the maximum share capital is EUR 5,212,800. The share has no nominal value.

Dividends

After the balance sheet date, the Board of Directors proposed to pay out a dividend of EUR 2.40 per share.

22. Provisions

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

EUR 1,000	Provisions for construction contracts	Other provisions	Total
1 Jan. 2005	3,947		3,947
Increases in provisions	4,336		4,336
Provisions used	-2,686		-2,686
Reversals of unused provisions	-102		-102
31 Dec. 2005	5,495	0	5,495
Non-current	3,508		3,508
Current	1,987		1,987
Total	5,495	0	5,495

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.

23. Interest-bearing liabilities

EUR 1,000	2006 Carrying values	2005 Carrying values
Long-term		
Loans from financial institutions	7,001	62,925
Housing corporation loans	41,323	20,130
Total	48,324	83,055
Short-term		
Loans from financial institutions	19,702	44,343
Commercial paper	0	5,000
Housing corporation loans	11,450	0
Total	31,152	49,343

The Group has committed financing credit facilities of which the undrawn amount was EUR 40 million at the end of the financial year on 31 December 2006.

The Group's loan agreements contain covenants relating to the equity ratio and profitability.

The fair values of loans do not materially differ from carrying values since they are primarily tied to short-term market rates.

The interest expense relating to the housing corporation loan portions of completed unsold residential units has been included in financial expenses.

Foreign currency breakdown of interest-bearing loans

EUR 1,000	2006 Carrying values	2005 Carrying values
Long-term		
Euro	48,324	82,262
EEK	0	793
Total	48,324	83,055
Short-term		
Euro	30,359	38,747
USD	0	10,596
EEK	793	0
Total	31,152	49,343

Repayment schedule for long-term loans

Maturity	Loans from financial institutions	Housing corporation loans	Total
EUR 1,000			
In less than a year	19,702	11,450	31,152
In more than one but less than five years	7,001	11,450	18,451
In more than five years	-	29,873	29,873
Total	26,703	52,773	79,476

Risk management related to loans

Interest rate risk

SRV's Treasury unit is responsible for managing interest rate risks. The risk associated with interest-bearing loans can be controlled by means of the interest rate maturities of the loan portfolio at the contractual date or by subsequently altering the interest rate content of the loan portfolio with derivatives. The major part of the loans in connection with SRV's liquidity management is short-term and they do not involve significant interest rate risk. At the end of the financial year, the Group did not have open forward rate agreements or interest rate swaps.

Currency risk

The objective of currency risk management is to minimise the effect of currency fluctuation on earnings of operations and equity. SRV Group's Treasury unit is responsible for monitoring the currency exposure and carries out hedging transactions. Derivatives and loans in foreign currency may be used for hedging. The hedging transactions are carried out against the functional currency of the risk-bearing unit.

The Group selectively applies hedge accounting as defined in IAS 39. Hedge accounting in accordance with IAS 39 is observed in hedging translation risk.

At the end of the financial year, the Group did not have open hedging instruments to which hedge accounting according to IAS 39 would have been applied.

Liquidity risk

The objective of the management of liquidity is to optimise the use of the Group's liquid assets in financing operations. SRV endeavours to maintain adequate liquidity by means of efficient cash management.

SRV's Treasury unit is responsible for the Group's treasury and funding activities and furthermore sees to it that the Group has available an adequate number of different sources of financing. The liquidity management tools used are lines of credit, commercial paper programmes and liquidity credit facility.

Credit and counterparty risk

The major part of the Group's operations is based on well-established, reliable customer relationships and contractual terms that are generally accepted in the industry. The payment term of invoices is typically 30 days. The Group does not have significant credit risk concentrations.

The business units manage the credit risk related to trade receivables. The Group makes use of subcontracting to a large extent, thereby incurring significant performance risk. The business units manage the hedging of such risk.

The Group does not have significant investment activities. The investments are typically related to daily cash management and consist primarily of current money market deposits. SRV's Treasury unit is responsible for the counterparty risk of investments.

24. Other liabilities

EUR 1,000	2006	2005
Non-current		
Subordinated loan	23	48
Other liabilities	10	191
Non-current, total	33	239
Current		
Trade payables	25,136	27,920
Accrued expenses and prepaid income	14,732	21,591
Periodisations of construction contracts	35,078	11,952
Other liabilities	5,183	8,460
Current, total	80,129	69,923
Accrued expenses and prepaid income		
Wages and salaries and related expenses	5,319	4,860
Accrued interest	640	503
Periodisations of project expenses	4,489	15,966
Others	4,284	262
Accrued expenses and prepaid income, total	14,732	21,591

25. Operating leases

Group as lessee

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

EUR 1,000	2006	2005
In less than a year	2,796	1,803
In more than one but less than five years	2,394	3,076
In more than five years	0	0
	5,190	4,879

Liabilities of 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.

26. Commitments and contingent liabilities

EUR 1,000	2006	2005
Collateral given for own liabilities		
Real-estate mortgages given	87,447	48,063
Pledges given	10,849	816
Other commitments		
Guarantees given for liabilities on uncompleted projects	48,000	0
Investment commitments given	3,805	3,100

27. Fair and nominal values of derivative instruments

EUR 1,000	2006 Fair values		2005 Fair values	
	Positive	Negative	Positive	Negative
Hedge accounting not applied				
Foreign exchange forward contracts	-	-6	-	-
	0	-6	0	0
Nominal values of derivative instruments				
Foreign exchange forward contracts		7,593		-
		7,593		0

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.

28. Subsidiaries

Name Shares in subsidiaries	Domicile	Group's holding, %		
SRV Viitokset Oy	Espoo	100.00	SRV Stroi OOO	Moscow 100.00
SRV Teräsbetoni Oy	Espoo	100.00	ZAO Nordrus Hotel	Yekaterinburg 100.00
SRV Westerlund Oy	Espoo	100.00	OOO SRV Papula	Vyborg 100.00
SRV International Oy	Espoo	100.00	SRV Terbelat Sia	Riga 100.00
Pirkanmaan Projektitoimi Oy	Tampere	65.00	SRV Ehituse AS	Tallinn 100.00
Rakennusliike Purmonen Oy	Joensuu	65.00	TBE-Construction Oy	Espoo 100.00
Kiinteistöviitonen Oy	Espoo	100.00	Satabild AS	Tallinn 88.30
KOy Turun Europortti	Turku	100.00	SRV Kinnisvara	Tallinn 65.00
SRV Lounais-Suomi Oy	Turku	100.00	SRV Ballista AS	Tallinn 55.25
SRV Keski-Suomi Oy	Jyväskylä	92.50	Mark Invest Oü	Tallinn 54.60
SRV Kalusto Oy	Vihti	100.00	Kiwitooted Group AS	Tallinn 45.50
SRV Kaakkois-Suomi Oy	Lappeenranta	100.00	Ribido Oü	Tallinn 39.00
Porvoon Puurakennus Oy	Porvoo	100.00	Jüri Arenduse	Tallinn 32.50
Rakennus Pirttimaa Oy	Hämeenlinna	100.00	SRV Develita UAB	Vilnius 100.00
RKI Erkki Huhdanpää Oy	Tampere	60.00		
KOy Nummelanrinne	Vihti	100.00		
SRV Russia Oy	Espoo	100.00		

Holdings in subsidiaries of subgroups are affected by multiplied minority interests.

29. Related-party transactions

EUR 1,000	2006	2005
Sales of goods and services	14,347	79,121
Purchases of goods and services	0	0
Receivables	0	46,137
Liabilities	0	0

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

Related party subsidiaries are listed above in Section 28 Subsidiaries.

Management's employee benefits	2006	2005
Salaries and other short-term employee benefits	2,283	1,213

The President and CEO's period of notice is six months. If SRV dismisses the President and CEO, he is entitled to receive, in addition to salary for the period of notice, severance compensation equivalent to six months of total remuneration (not including bonuses). If the termination is prior to 1 January 2010, an additional six months of salary shall be payable as compensation for termination. If the company terminates the President and CEO as a consequence of a change in ownership, the President and CEO is entitled to receive, in addition to salary for the period of notice, 12-month compensation for termination. The President and CEO's retirement age and pension are determined according to the relevant legislation.

30. Reconciliations

The reconciliations presented here describe the differences between the financial statements in accordance with IFRS and FAS for the financial year 2005.

Reconciliation of the consolidated income statement for the financial year 1 Jan.–31 Dec. 2005

EUR 1,000	FAS 1 Jan.– 31 Dec. 2005	Effect of the transition to IFRS	IFRS 1 Jan.– 31 Dec. 2005
¹⁾ Revenue	431,822.1	-9,853.6	421,968.5
¹⁾ Other operating income	44.8	1,366.9	1,411.7
²⁾ Operating expenses	-409,342.7	9,493.8	-399,848.9
Depreciation and impairments excluding goodwill amortisation	-1,735.4	0.0	-1,735.4
Operating profit before amortisation of goodwill (EBITA)	20,788.8	1,007.1	21,795.9
of revenue, %	4.8		5.2
³⁾ Amortisation of goodwill	-349.8	349.8	0.0
Operating profit (EBIT)	20,439.0	1,356.9	21,795.9
of revenue, %	4.7		5.2
Financial income	5,038.7	-0.7	5,038.0
Financial expenses	-5,198.1	19.0	-5,179.1
Profit before taxes	20,279.6	1,375.2	21,654.8
⁴⁾ Income taxes	-5,607.9	-1,377.6	-6,985.5
Minority interest	-1,869.5	-161.2	-2,030.7
Net profit for the financial year	12,802.2	-163.6	12,638.6
of revenue, %	3.0		3.0
Attributable to			
Equity holders of the parent company	12,802.2	-163.6	12,638.6
Minority interest	1,869.5	161.2	2,030.7
Earnings per share calculated on the profit attributable to equity holders of the parent company:			
Undiluted earnings per share in euros	9.82		9.70
Earnings per share adjusted for the dilution effect in euros	9.82		9.70

Events after the balance sheet date

There have been no significant events after the end of the financial year that would have an impact on the result for the financial year or balance sheet.

Transition to IFRS reporting

SRV Group prepared its financial statements until 31 December 2005 in accordance with Finnish Accounting Standards (FAS). As from 1 January 2006 the Group prepares its financial statements in accordance with International Financial Reporting Standards (IFRS). The 2006 interim reports as well as the 2005 financial statements have previously been prepared in accordance with FAS. In connection with the financial statements 2005, SRV discloses the comparable figures in accordance with IFRS, together with notes to the financial statements for 2005. Comparable figures in accordance with IFRS for the interim financial statements Jan.–Mar. 2006, Jan.–June 2006 and Jan.–Sept. 2006 will be disclosed in connection with the 2007 interim reports. The comparable figures will be unaudited and subject to slight revisions.

The adoption of IFRS had an effect on the percentage of completion revenue recognition, the goodwill amortisation, financial expenses and fixed expenses, 10-years warranty provisions and on the allocation of overhead costs. The accounting policies are disclosed in the notes to the consolidated financial statements.

The reconciliation presented here describes the differences between the financial statements in accordance with IFRS and FAS for the financial year 2005.

Notes to the consolidated financial statements

Reconciliation of the consolidated balance sheet

Assets		Effect of the transition to IFRS		Effect of the transition to IFRS		
EUR 1,000	FAS 31 Dec. 2004		IFRS 1 Jan. 2005	FAS 31 Dec. 2005	IFRS 31 Dec. 2005	
Non-current assets						
Property, plant and equipment	7,404.0	0.0	7,404.0	7,267.3	7,267.3	
³⁾ Goodwill	645.2	0.0	645.2	454.2	804.0	
Other intangible assets	547.3	0.0	547.3	769.8	769.8	
⁵⁾ Other financial assets	588.8	295.7	884.5	1,222.6	1,602.5	
Receivables	49,966.6	0.0	49,966.6	26,620.0	26,620.0	
⁴⁾ Deferred tax assets	0.0	1,366.0	1,366.0	0.0	781.7	
Current assets						
⁶⁾ Inventories	46,234.1	8,570.3	54,804.4	83,016.1	101,005.0	
⁶⁾ Trade and other receivables	75,441.4	213.8	75,655.2	110,715.7	101,354.0	
⁶⁾ Cash and cash equivalents	25,039.2	0.0	25,039.2	22,980.0	23,487.7	
Assets, total	205,866.6	10,445.8	216,312.4	253,045.7	263,692.0	
Equity and liabilities						
EUR 1,000	FAS 31 Dec. 2004	Effects of the transition to IFRS	IFRS 1 Jan. 2005	FAS 31 Dec. 2005	Effects of the transition to IFRS	IFRS 31 Dec. 2005
Equity attributable to equity holders of the parent company						
Share capital	1,303.2	0.0	1,303.2	1,303.2	0.0	1,303.2
⁷⁾ Other equity	51,153.1	-18,190.0	32,963.1	47,860.6	-3,269.1	44,591.5
Minority interest	2,203.7	0.0	2,203.7	3,785.2	161.1	3,946.3
Equity, total	54,660.0	-18,190.0	36,470.0	52,949.0	-3,108.0	49,841.0
Non-current liabilities						
⁴⁾ Deferred tax liabilities	0.0	775.1	775.1	0.0	1,568.3	1,568.3
²⁾ Provisions	1,490.0	452.2	1,942.2	1,924.8	1,583.0	3,507.8
⁶⁾ Interest-bearing liabilities	26,296.8	26,941.7	53,238.5	67,434.7	15,619.5	83,054.2
Other liabilities	87.5	0.0	87.5	190.7	48.6	239.3
Current liabilities						
⁶⁾ Trade and other liabilities	120,936.6	0.0	120,936.6	107,216.3	-33,065.1	74,151.2
²⁾ Provisions	1,537.9	466.8	2,004.7	1,986.8	0.0	1,986.8
⁶⁾ Interest-bearing liabilities	857.8	0.0	857.8	21,343.4	28,000.0	49,343.4
Equity and liabilities, total	205,866.6	10,445.8	216,312.4	253,045.7	10,646.3	263,692.0

Reconciliation of equity, 1 Jan. 2005 and 31 Dec. 2005

EUR 1,000	1 Jan. 2005	31 Dec. 2005
Equity, total in 2005, FAS	54,660.0	52,949.0

Reconciliation by IFRS standard

IAS 2 Inventories	508.0	296.1
IFRS 3 Business Combinations	0.0	349.8
IAS 11 Construction Contracts	-3,831.3	-2,074.4
IAS 12 Income Taxes	591.0	-786.7
IAS 32 Financial Instruments: Disclosure and Presentation	-15,048.1	-48.1
IAS 37 Provisions, Contingent Liabilities and Contingent Assets	-919.0	-1,583.0
IAS 39 Financial Instruments: Recognition and Measurement	509.4	737.9
Other standards	0.1	0.3
Impact on equity, total	-18,189.9	-3,108.1
Equity in 2005, IFRS	36,470.1	49,840.9

Reconciliation for profit for the financial year, 31 Dec. 2005

EUR 1,000	1 Jan.–31 Dec. 2005
Net profit for the 2005 financial year, FAS	12,802.2

IFRS reconciled by standard

IAS 2 Inventories	-373.1
IFRS 3 Business Combinations	349.8
IAS 11 Construction Contracts	1,757.1
IAS 12 Income Taxes	-1,377.7
IAS 37 Provisions, Contingent Liabilities and Contingent Assets	-664.0
IAS 39 Financial Instruments: Recognition and Measurement	144.2
Other standards	0.1
Impact on net profit for the financial year, total	-163.6
Net profit for the 2005 financial year, IFRS	12,638.6

Supplementary notes to the income statement and balance sheet

1) REVENUE

Consolidated revenue declined at the aggregate level.

Factors that lowered Revenue were:

- the changeover to income recognition in accordance with the combined percentage of completion
- the changeover from separate measurement and recognition of income for construction and sales of shares in accordance with FAS to measurement and recognition of income as debt-free sales price of shares
- the deferral of the estimated rental lease liability from Revenue
- the classification of rental income as Other operating income

Factors that increased revenue were:

- the recognition of plot as part of Revenue

2) OPERATING EXPENSES

The change in operating expenses resulted due to the following factors:

- the changeover to income recognition in accordance with the combined percentage of completion
- the expensing of the costs related to construction contracts prior the implementation decision
- the increase in 10-year warranty provisions for construction projects due to the change in accounting policies
- the allocation of overhead costs related to construction contracts.

3) GOODWILL AMORTISATION AND IMPAIRMENT LOSSES

Goodwill has not been amortised after 1 January 2005. Goodwill has been tested annually for impairment according as of 31 December 2005 and 31 December 2006.

4) INCOME TAXES

The deferred tax liability has been recognised in the consolidated financial statements for the undistributed profits of the 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.

Deferred tax assets have been recorded based on the changes in accounting policies.

5) AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are measured at fair value. Available-for-sale financial assets consist mainly of unquoted shares.

6) DEVELOPER CONTRACTING IN BALANCE SHEET

The amount of inventories, receivables and liabilities increased for the following reasons:

- receivables and liabilities related to the developer contracting projects in progress have been included in the balance sheet
- expenses related to the developer contracting exceeding the combined percentage of completion are recognised as assets in inventories

7) OTHER EQUITY

The decrease in other equity can be explained by the following items: Subordinated loan classified as part of liabilities and items recognised in profit and loss.

Other equity is furthermore affected by the recording of Available-for-sale financial assets directly in equity at fair value as well as to the periodisation of loan arrangement fees for borrowings to the maturity of the loan.

Income statement of the parent company

EUR 1,000	2006	2005
Revenue	6,401	7,255
Other operating income	17	0
Personnels costs		
Salaries and other remuneration	-4,306	-2,652
Indirect personnel costs		
Pension costs	-746	-474
Other indirect personnel costs	-346	-249
Depreciation and impairments		
Depreciation	-440	-264
Other operating expenses	-5,435	-4,492
Operating loss	-4,855	-876
Financial income and expenses	-285	-14
Loss before extraordinary items	-5,140	-890
Extraordinary items +/-	21,160	16,662
Profit before appropriations and taxes	16,020	15,772
Income taxes	-4,123	-4,140
Net profit for the financial year	11,897	11,632

Balance sheet of the parent company

EUR 1,000	2006	2005
ASSETS		
Non-current asset		
Intangible assets	694	541
Property, plant and equipment	793	559
Investments		
Shares in Group companies	12,509	14,835
Receivables from Group companies	457	0
Other financial assets	1,321	857
Other receivables	423	0
Non-current assets, total	16,197	16,792
Current assets		
Inventories	10	10
Other receivables	59,623	74,925
Cash and cash equivalents	3,837	6,179
Current assets, total	63,470	81,114
ASSETS, TOTAL	79,667	97,906
EQUITY AND LIABILITIES		
Equity		
Share capital	1,303	1,303
Share premium reserve	1,759	1,759
Retained earnings	17,480	8,063
Net profit for the financial year	11,897	11,632
Equity, total	32,439	22,757
Liabilities		
Non-current liabilities	0	60,000
Current liabilities	47,228	15,149
Liabilities, total	47,228	75,149
EQUITY AND LIABILITIES, TOTAL	79,667	97,906

Cash flow statement of the parent company

EUR 1,000	2006	2005
Cash flow from operating activities		
Profit before extraordinary items	-5,140	-891
Financial income and expenses	285	14
Adjustments to operating profit	440	266
Change in working capital	41,214	-43,862
Interest and payments paid	-2,995	-2,805
Dividends received	183	144
Interest received	2,344	2,864
Income taxes paid	-7,782	-39
Cash flow from operating activities	28,548	-44,309
Cash flow from investing activities:		
Property, plant and equipment and intangible assets	-826	-592
Loans granted	-880	0
Other financial assets	-494	-608
Sale of other financial assets	2,365	0
Net cash used in investing activities	165	-1,200
Cash flow from financing activities:		
Net change in short-term loans	10,000	2,711
Proceeds from long-term loans	0	35,000
Repayments of long-term loans	-60,000	-15,000
Dividend paid	-2,215	-1,095
Group contributions received and paid	21,160	16,662
Net cash from financing activities	-31,055	38,278
Net change in cash and cash equivalents	-2,342	-7,231
Cash and cash equivalents at the beginning of financial year	6,179	13,410
Cash and cash equivalents at the end of financial year	3,837	6,179
Change in working capital:		
Increase in current trade receivables	14,851	-46,466
Increase in inventories	-10	0
Increase in current liabilities	26,373	2,604
	41,214	-43,862

Statement of changes in equity of the parent company

EUR 1,000	2006	2005
Share capital, 1 Jan.	1,303	1,303
Share capital, 31 Dec.	1,303	1,303
Share premium reserve, 1 Jan.	1,759	1,759
Share premium reserve, 31 Dec.	1,759	1,759
Retained earnings, 1 Jan.	8,063	3,896
Profit for the previous financial year	11,632	5,261
Dividends paid	-2,215	-1,094
Retained earnings, 31 Dec.	17,480	8,063
Net profit for the financial year	11,897	11,632
Equity, 31 Dec.	32,439	22,757
Statement of distributable funds at 31 Dec.		
Retained earnings	17,480	8,063
Net profit for the financial year	11,897	11,632
Distributable funds, 31 Dec.	29,377	19,695

Signatures to the financial statements and Report of the Board of Directors, Auditor's note

Signatures to the financial statements and Report of the Board of Directors

Espoo, 30 March 2007

Ilpo Kokkila
Chairman

Markku Sarkamies

Matti Mustaniemi

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, 30 March 2007

Jarmo Lohi
Authorised Public Accountant

Auditors' report

To the shareholders of SRV Group Plc

We 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 1.1.–31.12.2006. 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 our audit, we 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.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we 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 our 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.

In our 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.

In our 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.

In our opinion 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, 30 March 2007

Jarmo Lohi
Authorised Public Accountant

Formulas used in the calculation of key ratios

Return on investment, %	$\frac{\text{Profit before extraordinary items and taxes} + \text{interest and other financial expenses}}{\text{Balance sheet total} - \text{non-interest-bearing liabilities (average)}}$
Return on equity, %	$\frac{\text{Profit before extraordinary items} - \text{income taxes}}{\text{Equity} + \text{minority interest (average)}}$
Equity ratio, %	$\frac{\text{Equity} + \text{minority interest}}{\text{Balance sheet total} - \text{advances received}}$
Debt/equity ratio, %	$\frac{\text{Interest-bearing liabilities} - \text{cash in hand and at bank}}{\text{Equity} + \text{minority interest}}$