FINANCIAL STATEMENTS 2015

SRV

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This report describes the SRV Group's financial performance in 2015. SRV Group Plc´s full financial statements for the financial year 1 January–31 December 2015 are included in the company's official financial statements, which are available on the company's website at www.srv.fi.

REPORT OF THE BOARD OF DIRECTORS 2015

Financial year 1 January–31 December 2015 in brief:

- **SRV's revenue totalled EUR 719.1 million (EUR 684.4 million 1-12/2014). Construction of the REDI shopping centre and parking facility began, contributing to this growth in revenue.**
- **Operating profit remained at the same level as in the previous year: EUR 24.4 (24.9) million.**
- **The result before taxes was EUR 17.6 (18.5) million. This includes a EUR -3.3 million fair value revaluation of a ten-year interest rate hedge in July.**
- **Earnings per share were EUR 0.25 (EUR 0.30).**
- **At year-end, the order backlog stood at EUR 1,583.4 (860.4) million. The order backlog rose to a record high, primarily due to the start-up of REDI and several other large-scale projects.**
- **The equity ratio stood at 42.5 (43.0) per cent and gearing at 83.3 (91.6) per cent.**
- **The proposed dividend is EUR 0.10 (0.07).**

Group key figures

(IFRS, EUR million)	**1–12/2015**	1–12/2014	change, EUR million	change, %
Revenue	719.1	684.4	34.6	5.1
Operating profit	24.4	24.9	–0.5	–1.9
Financial income and expenses, total	–6.8	–6.4	–0.5	
Profit before taxes	17.6	18.5	–0.9	–5.1
Order backlog	1,583.4	860.4	723.0	84.0
New agreements	1,393.5	700.3	693.2	99.0
Operating profit, %	3.4	3.6		
Net profit, %	1.9	2.2		
Equity ratio, %	42.5	43.0		
Net interest-bearing debt	230.8	206.1	24.7	12.0
Gearing, %	83.3	91.6		
Return on investment, %	5.9	5.4		
Return on equity, %	5.6	6.9		
Earnings per share, eur[1]	0.25	0.30	–0.05	–16.3
Equity per share, eur[1]	3.90	4.51	–0.61	–13.5
Share price at end of period, eur	3.10	2.83	0.27	9.5
Weighted average number of shares outstanding, millions[1]	42.6	39.8		7.2

[1] Comparative data is share issue adjusted.

Overall review

At the end of the financial year, the Group's order backlog stood at EUR 1,583.4 (860.4) million thanks to new contractor agreements, the major ones being the REDI project and the Health and Wellbeing Centre in the Kalasatama district of Helsinki, Niittykumpu Metro Centre, the renovation of Helsinki City Theatre, the expansion of Tampere University Hospital, and HKScan's production facility investment. 80 per cent of the order backlog has been sold, a total of EUR 1,261 million. The value of the Group's new contracts rose to EUR 1,393.5 (700.3) million.

The Group's revenue increased to EUR 719.1 (684.4) million. The start-up of the REDI shopping centre and parking facility project in particular contributed to this rise in revenue, as quarrying and other infrastructure work completed before the contractor agreement was signed was recognised as revenue in accordance with the level of completion. A fall in revenue from housing production weakened the company's total revenue. The comparison figures for revenue in 2014 contain the sale of the Derby Business Park in the Perkkaa district of Espoo.

The Group's operating profit totalled EUR 24.4 (24.9) million, generating an operating margin of 3.4 (3.6) per cent. Developer-contracted housing projects completed in late 2015 and the increased profitability of projects had a favourable impact on SRV's operating profit, while a rise in the percentage of low-margin business contracting had a negative impact. Numerous large-scale projects started up in 2015, such as the REDI project in Kalasatama and the Niittykumpu Metro Centre, and the rise in the fixed costs incurred by their construction reduced SRV's operating profit. The comparison figures for operating profit in 2014 contain rental income from the Derby Business Park, which was sold during the third quarter.

Operating profit and its relative level is reduced by the elimination of a share equivalent to SRV's ownership from the profit margins of three shopping centre projects (Okhta Mall, Daily and REDI), which will be recognised as income only when the investment is sold.

Several factors contribute to the quarterly variation in SRV's operating profit and operating profit margin: SRV's own projects are recognised as income upon delivery; the part of the order backlog that is continuously recognised as income mainly consists of low-margin contracting; and the nature of the company's operations (project development).

Net financial expenses were EUR –6.8 (–6.4) million. Net financial expenses were improved by a fall in general interest rates, growth in interest income, exchange rate differences resulting from changes in the value of the rouble, and the recognition of EUR 1.4 million in credit loss provisions. In addition to an increase in net debt, net financial expenses were weakened by a EUR –3.3 million fair value revaluation of a ten-year interest rate hedge in July.

The Group's profit before taxes was EUR 17.6 (18.5) million. Net profit period was EUR 14.0 (15.4) million. Income taxes totalled EUR –3.6 (–3.2) million. Earnings per share were EUR 0.25 (EUR 0.30). In spite of SRV's record-breaking order backlog and considerable investments made in the REDI project, the Group's equity ratio remained almost unchanged at 42.5 (43.0) per cent thanks to positive cash flow and a share issue during the reporting period.

Key figures for the Segments

Revenue

EUR million	1–12/2015	1–12/2014	change, EUR million	change, %
Operations in Finland	654.1	627.9	26.2	4.2
International Operations	65.1	56.9	8.2	14.4
Other Operations	14.4	19.5	–5.1	–26.0
Eliminations	–14.6	–19.9	5.3	
Group, total	**719.1**	**684.4**	**34.6**	**5.1**

Liikevoitto

EUR million	1–12/2015	1–12/2014	change, EUR million	change, %
Operations in Finland	28.9	30.0	–1.2	–3.9
International Operations	–0.1	1.1	–1.2	–110.3
Other Operations	–4.3	–6.2	1.9	
Eliminations	0.0	0.0	0.0	
Group, total	**24.4**	**24.9**	**–0.5**	**–1.9**

Operating profit

%	1–12/2015	1–12/2014
Operations in Finland	4.4	4.8
International Operations	–0.2	1.9
Group, total	**3.4**	**3.6**

Order backlog

EUR million	2015	2014	change, EUR million	change, %
Operations in Finland	1,506.2	723.2	783.0	108.3
International Operations	77.1	137.2	–60.0	–43.8
Group, total	**1,583.4**	**860.4**	**723.0**	**84.0**
Sold order backlog	1,261	729	533	73.1
Unsold order backlog	322	132	190	144.7

Earnings trends for the Segments

SRV's business segments are Operations in Finland, International Operations, and Other Operations. Operations in Finland are divided into property development, housing construction, and business construction (which comprises retail, office, specialised, logistics, earthworks, and rock construction operations). International Operations comprises SRV's business activities in Russia and Estonia.

The business segment Other Operations primarily consists of the parent company, SRV Group Plc's group operations, property and project development operations in Finland, and equipment service for Finnish construction sites (SRV Kalusto Oy's operations).

Operations in Finland

EUR million	1–12/2015	1–12/2014	change, EUR million	change, %
Revenue	654.1	627.9	26.2	4.2
Business construction	434.0	395.5	38.5	9.7
Housing construction	220.1	232.5	–12.4	–5.3
Operating profit	28.9	30.0	–1.2	–3.9
Operating profit, %	4.4	4.8		
Order backlog	1,506.2	723.2	783.0	108.3
Business construction	952.3	450.1	502.2	111.6
Housing construction	554.0	273.1	280.9	102.8

Revenue for Operations in Finland totalled EUR 654.1 (627.9) million and accounted for 91 (92) per cent of the Group's revenue. Factors contributing to this growth in revenue were an increase in both the order backlog for and revenue from contracting and, in particular, the launch of construction work on the REDI shopping centre and parking facility. Quarrying and other infrastructure work completed before the REDI contractor agreement was signed was also recognised as revenue in accordance with the level of completion. SRV eliminates its own 40 per cent holding from the margin recognised as revenue. This share is recognised only when the investment is sold.

The operating profit for Operations in Finland totalled EUR 28.9 (30.0) million and accounted for 4.4 (4.8) per cent of the Group's operating profit. Developer-contracted housing completed in late 2015 and increased profitability of projects had a favourable impact on the operating profit, while a rise in the percentage of low-margin business contracting had a negative effect. Numerous large-scale projects started up in 2015, such as the REDI project in Kalasatama and the Niittykumpu Metro Centre, and the rise in fixed costs incurred by their construction reduced operating profit.

The order backlog rose to EUR 1,506.2 (723.2) million. Several major new projects were launched in the January–December period, such as the REDI project and the Health and Wellbeing Centre in the Kalasatama district of Helsinki, the Niittykumpu Metro Centre in Espoo, and the expansion of Tampere University Hospital. The construction of 1,516 new housing units began in 2015. SRV had more than about 70 sites at the end of 2015.

Business construction

Revenue from business construction totalled EUR 434.0 (395.5) million. The order backlog stood at EUR 952.3 (450.1) million. Even though SRV's order backlog grew, competition for new contracts remained fierce.

Several projects were completed in the capital city area during the year: the Opinmäki campus in the Suurpelto district of Espoo, an extension to the emergency room at Jorvi Hospital in Espoo, and a logistics centre for Stockmann in Tuusula. HUSLAB laboratory and office premises for the Hospital District of Helsinki and Uusimaa (HUS) in Meilahti were completed in August almost two months ahead of schedule.

Other projects were also completed elsewhere in Finland: the Kampusareena at the Tampere University of Technology, the Liipola Multifunctional Centre in Lahti, a medical and a shopping centre on Kamppurienkatu in Oulu for Ilmarinen, and an assisted-living facility for ET-hoivakiinteistöt in Turku.

SRV's Western Metro Koivusaari project was voted Construction Site of the Year 2015 in a competition held by the journal Rakennuslehti. Work on this project will continue during the first half of 2016. The jury praised SRV's management of this contractually and technically demanding site, as well as its innovative time-saving technical solutions.

New contractor agreements worth EUR 894 million were signed during the year. The most significant of these was a EUR 390 million contractor agreement with the project consortium developing the REDI shopping centre and parking facility. A leasing agreement with Q-Park regarding the parking facility was signed in December. SRV is also building a Health and Wellbeing Centre next door to REDI as a development project, and in August this centre was sold to a property investment fund administered by the German company Deka Immobilien. The centre consists of approximately 18.000 square meters of rentable space, and is scheduled for completion in late 2017.

SRV and SATO's joint Metro Centre project in the Niittykumpu district of Espoo is progressing, and is scheduled for completion sometime in the first half of 2017. SRV will be responsible for planning and constructing the shopping centre, and for leasing out its 5,400 square metres of available space. The centre was sold to investors in 2015 and about 90 per cent of its premises have already been leased. Two residential towers are also being constructed as part of the Metro Centre. SRV will build a 24-storey tower, Espoo's tallest building, as a developer-contracted property and one 12-storey tower for SATO. In addition, housing units for Varma and Sato as well as one for SRV will be built on the other side of the street. The site will comprise a total of about 400 apartments.

In July, SRV signed a project management contractor agreement valued at EUR 171 million. This agreement covers the construction of new buildings and a parking facility at Tampere University Hospital. The buildings will be completed in stages in the period 2017–2019.

One smaller-scale business construction project worth mentioning is the contractor agreement signed with Real Estate Department of the city of Helsinki for new and expanded premises on Teollisuuskatu 23 for the City of Helsinki Education Department and Helsinki Vocational College. SRV is also the project management contractor for the renovations of both Helsinki City Theatre and Helsinki Women's Hospital. The company is also building a new visitor centre for Fazer in Vantaa. In Oulu, SRV has been constructing Villa Sulka, a care home for MVH-hoivakiinteistöt, and temporary premises for equipment maintenance for the Northern Ostrobothnia Hospital District. In December, SRV signed a contractor agreement with HKScan to build a production facility specialising in poultry products in Rauma.

In August, SRV announced that the company will be involved in the Hanhikivi-1 nuclear power plant construction project as both an investor and project manager. SRV has made a financing commitment to Fennovoima's main owner Voimaosakeyhtiö SF. This investment is equivalent to a 1.8 per cent stake in the project. SRV will have the same rights and obligations as Voimaosakeyhtiö SF's other shareholders. SRV has also signed a cooperation agreement for the Fennovoima project with Rusatom Overseas and the main contractor Titan-2. SRV will be the construction project manager, and the exact nature of the company's responsibilities will be confirmed at a later date. The project will be entered into the order backlog when the final project management agreements have been signed. All parties actively engaged in negotiations throughout the autumn, and these negotiations are still ongoing.

Housing construction

A developer-contracted housing project is a project that is developed by SRV and which has not been sold when construction begins. SRV bears the risks involved in both the sale and construction of such projects, which are recognised as revenue when they have been completed and sold. A residential development project is a project that is developed by SRV, but which is sold to an investor before construction begins. SRV bears the construction risks in such projects, which are recognised as revenue according to the percentage of completion.

Revenue from housing construction totalled EUR 220.1 (232.5) million. The order backlog stood at EUR 554.0 (273.1) million. Operating profit contracted, as fewer housing projects were recognised as revenue according to the percentage of completion in 2015 than in 2014. However, the order backlog saw year-on-year growth.

The larger-scale housing projects completed in 2015 were 114 units built in January–May for LocalTapiola and Ice Capital in the Pähkinärinne district of Vantaa and 176 units in the Nihtisilta district of Espoo. SRV also completed two projects for SATO: 113 units in the Suurpelto district of Espoo and 77 units in the Töölö district of Helsinki. Other completed projects in Helsinki included 39 units for Auratum on Unioninkatu and a 93-unit wooden apartment building for the Helsinki Housing Production Department (ATT) in Pukinmäki. 76 units were completed for LocalTapiola in the Sarfvik district of Kirkkonummi, and 54 units in the Seppälä district of Jyväskylä. 39 units were completed in Joensuu for Opiskelija-Asunnot.

New contractor agreements worth EUR 134 million were signed with cooperation partners. SRV will build 156 housing units in the Niittykumpu district of Espoo and 46 units in the Etu-Töölö district of Helsinki for SATO. 62 units will also be built in Niittykumpu for Varma. SRV is building 42 units for the Lojo Petter Foundation in Lohja, 83 units in Tampere for YH, and 37 units in the Atala district of Tampere for Tampereen vuokratalosäätiö. In December, SRV signed agreements with LocalTapiola and Elo for the construction of 190 housing units in the Tikkurila district of Vantaa, and with the Helsinki Housing Production Department (ATT) for the construction of 98 units in Wood City, a quarter of wooden buildings in the Jätkäsaari district of Helsinki.

Construction of the Airut eco-quarter in the Jätkäsaari district of Helsinki began in early 2015 with the car park and four residential buildings. The project comprises 70 apartments which equals to approximately 22,000 square metres of floor area, including a rental apartment building for VVO and SRV's four market-financed apartment buildings, of which two will be built in accordance with HITAS terms. The design of the eco-quarter is based on a multi-purpose concept that offers residents a wide range of services. The project focuses on energy monitoring and reporting on apartments' energy consumption, enabling residents to optimise their energy use and uphold the principles of sustainable development in their daily lives.

During 2015, SRV launched the construction of 802 (330) developer-contracted housing units within the scope of the RS system. 200 of these units will be located in Niittyhuippu, which is going up in the Niittykumpu district and will be the tallest residential building in Espoo. 85 units will be built in Taitaja in Northern Tapiola, Espoo; 33 units in Sandra in Tali, Helsinki; 66 units in Kvartto in Lauttasaari, Helsinki; 83 units in Carina in Tikkurila, Vantaa; and 54 units in Neulanen in Rajakylä, Vantaa. SRV also launched the sale and construction of 143 units in Helsinki's Airut quarter. 91 of these units will be HITAS homes. Outside the capital area, SRV began the sale and construction of 60 units on Lapintie in Tampere, 42 units in downtown Kaarina, and 36 units in downtown Joensuu. The projects begun in January–December are scheduled for completion in late 2016 or during 2017.

During 2015, SRV also signed contractor agreements for the construction of the foundations of REDI's eight towers with their respective housing companies. The foundations will be built above the REDI shopping centre roof height at the same time as the shopping centre and parking facility. The value of these contractor agreements totalled EUR 117.6 million. This sum is included in the housing construction order backlog, as the towers will mainly be in residential use once they are completed in 2018–2023.

SRV has also greenlit the construction of 245 more developer-contracted housing units in addition to contracts that have already been signed. 100 of these will be located in the Toppilansalmi district, in what will be the tallest residential building in Oulu. The 16-storey Satamarannan Masto tower will be over 50 metres high. Construction began in late 2015, after the building permit was granted, and is scheduled for completion in spring 2017. The remaining 145 apartments will be built in Jyväskylä and Vantaa.

Consumer sales of developer-contracted housing units increased compared to 2014. A total of 646 units were sold in 2015 compared to 288 in 2014. 247 (249) new developer-contracted housing units were completed. However, when it came to residential development projects, which are recognised as revenue in accordance with the level of completion, sales to investors fell from 468 in 2014 to 227 in 2015.

At the end of the year, SRV had a total of 1,849 (1,625) units under construction, 76 per cent of which (1,398 units) had been sold. Also under construction were 885 (330) developed-contracted housing units (that is, units on sale to consumers), of which 451 (219) were unsold. The number of completed yet unsold units halved compared to the previous year, standing at 107 (183).

Based on current schedules, SRV estimates that a total of 503 developer-contracted housing units in the RS system will be completed during 2016. The majority of these units are currently scheduled for completion in the second half of the year.

Housing production in Finland

units	**1-12/ 2015**	1–12/ 2014	change, units
Housing sales, total	873	756	117
Sales, developer contracting	646	288	358
Sales, negotiation contracts[2]	227	468	–241
Developer contracting			
Start-ups	802	330	472
Completed	247	249	–2
Completed and unsold[1]	107	183	–76
Under construction, total[1]	1,849	1,625	224
Construction contracts[1]	487	625	–138
Negotiation contracts[1, 2]	477	670	–193
Developer contracting[1]	885	330	555
of which sold[1]	434	111	323
of which unsold[1]	451	219	232

[1] at period-end
[2] investor sales under negotiated contracts

The order backlog for housing construction stood at EUR 554 (273) million. The order backlog for contracts and negotiated contracts totalled EUR 132 (122) million, and accounted for 24 (45) per cent of the total order backlog. EUR 246 (150) million of the housing construction order backlog was sold. The completed yet unsold order backlog was EUR 39 (65) million.

Order backlog, housing construction in Finland

EUR million	**1–12/ 2015**	1–12/ 2014	change, EUR million
Negotiation and construction contracts	132	122	10
Under construction, sold developer contracting	114	28	86
Under construction, unsold developer contracting	269	59	211
Completed and unsold developer contracting	39	65	–25
Total	**554**	**273**	**281**

REDI project

REDI, SRV's development project in the Kalasatama district of Helsinki, is progressing according to plan. Excavation work for the shopping centre and parking facility is already in its final stages, and foundation and structural work has also begun according to plan. A Health and Wellbeing Centre is also being built in conjunction with REDI, and the excavation work has now been completed. The majority of the foundation work that was begun in July has also been finished, and structural work is now underway.

Other infrastructure construction related to the REDI project has also been launched. In addition to the shopping centre and parking facility, SRV plans to build six residential towers on top of the shopping centre plus office and hotel towers. The residential towers will contain a total of 1,200 housing units, most of which will be targeted at the consumer market. Construction of the first two residential towers is expected to begin during this year, when the construction phase of the shopping centre makes it technically possible. The first tower is scheduled for completion by the end of 2018 and the second tower in 2019, depending on demand. The final decision on construction of the first residential tower, Majakka, will be made latest by the end of October this year, as soon as the detailed information required for the Articles of Association and RS financing are ready.

The REDI project was confirmed in March 2015, when a EUR 225 million project credit agreement for the construction of the shopping centre and parking facility was signed between the project companies implementing the REDI shopping centre project and the bank syndicate. SRV has also granted unsecured project credit of EUR 15 million for construction.

The capital investments of the consortium developing the shopping centre and parking facility are divided as follows: SRV 40 per cent, Ilmarinen Mutual Pension Insurance Company 30 per cent, LocalTapiola 15 per cent, and OP-Pohjola Group and a fund managed by this Group 15 per cent. SRV has a 40 per cent holding in the associated companies behind the shopping centre and parking facility, and consolidates them using the equity method.

On December 15, the REDI consortium and the City of Helsinki signed agreements covering the shopping centre's plots, specified areas of plots and rights of use, joint plot ownership, and land use agreements for the parking facility's underground areas. The agreements are worth nearly EUR 40 million.

The total value of the shopping centre and parking facility investment is EUR 480 million, of which EUR 240 million will be financed using the owners' capital investments. The remainder will be covered by project credit. The shopping centre, which has approximately 64,000 square metres of leasable space, and its almost 2,000-car parking facility are scheduled to open in autumn 2018. A leasing agreement with Q-Park regarding the parking facility was signed in December. Preliminary or final contracts have been made for about 32 per cent of the shopping centre's leasable premises. SRV is responsible for designing, constructing, and leasing out the site.

As a whole, the REDI project is currently scheduled for completion during 2023, depending on the market situation. Revenue from the construction of the shopping centre, parking facility and towers is expected to total over EUR 1 billion in 2015–2023.

Development of Operations

SRV maintained a strong focus on the development of data models. Modelling supports successful design, progress in construction projects, and cooperation between parties. In technical building systems, SRV has primarily been focusing on energy-efficient solutions, and energy consumption is already being monitored at several sites.

SRV has invested in the fight against the grey economy by further developing the SRV Network Register, which contains information about contractors, access control systems, checks on tax numbers, and tax authority reports.

International Operations

EUR million	**1–12/ 2015**	1–12/ 2014	change, EUR million	change, %
Revenue	65.1	56.9	8.2	14.4
Share of profits of associated companies	0.2	1.0	-0.8	-81.4
Operating profit	-0.1	1.1	-1.2	-110.3
Operating profit, %	-0.2	1.9		
Order backlog	77.1	137.2	-60.0	-43.8

International Operations comprises SRV's construction and property development business in Russia and Estonia. SRV is also seeking to expand its shopping centre management operations in Russia.

Revenue from International Operations totalled EUR 65.1 (56.9) million and accounted for 9 (8) per cent of the Group's revenue. The construction of the Okhta Mall and Daily shopping centres generated the majority of this revenue. Operating profit totalled EUR -0.1 (1.1) million. This slight fall in operating profit mainly stemmed from the weaker results of associated companies and joint ventures, and the depreciation of completed units.

Operating profit and its relative level is reduced by the elimination of a share equivalent to SRV's ownership from the profit margins of two shopping centre projects (Okhta Mall and Daily), which will be recognised as income only when the investment is sold.

New orders to the value of EUR 2.3 (48.9) million were received. The order backlog stood at EUR 77.1 (137.2) million.

Russia

Projects under construction

The construction of the Okhta Mall in immediate proximity to St Petersburg downtown is progressing according to plan and will be opened to the public in August. The shopping centre will have about 78,000 square metres of leasable commercial premises in a total area of 144,000 square metres. It will feature two underground parking levels, a hypermarket, and four aboveground levels. In addition to the hypermarket, the shopping centre will contain a cinema, food court, gym, adventure park for children, and a variety of specialty stores.

Leasing is ongoing. Final lease agreements have been signed for about 32 per cent of the premises, and about 33 per cent have been reserved (as at 31 January 2016). After signing agreements with major and other anchor tenants, negotiations over smaller gallery spaces will be started with full force this spring. The target for stabilised annual rental income from the shopping centre is around over EUR 30 million, and the total investment is currently budgeted at around EUR 205 million.

For several years, SRV has been developing Okhta City, a large-scale project in the Okhta district of St Petersburg that covers a total area of 8.5 hectares. A 400,000-square metre package is planned for the area, including a shopping centre, housing, office and business premises, and hotel, restaurant and entertainment services. The project will be implemented in several phases. Phase I of the project commenced when Russia Invest, an investment company owned by SRV, Ilmarinen, Sponda, Etera and Onvest, reached a decision to invest in the Okhta Mall shopping centre project. Russia Invest owns a 55 per cent holding in the shopping centre and SRV 45 per cent. In addition to its direct ownership, SRV owns a further 27 per cent share in the project through its holding in Russia Invest. SRV retains a 100 per cent holding in the other phases of the Okhta City project.

Construction of the Okhta Mall began in August 2013. In line with the project management contractor agreements (valued at about EUR 140 million), SRV is responsible for designing, constructing, developing, and leasing out the site. Sberbank is externally funding the project with a project loan of EUR 90 million. Most of the owner financing has already been committed to the project. On the basis of the current budget's financing plan, SRV expects to invest about a further EUR 9 million in the project.

Due to uncertainty in the Russian economy, it is unlikely that Russia Invest, in which SRV is a partner, will make any investments in new projects in the near future. SRV owns a 27 per cent stake in Russia Invest.

SRV is developing the Daily shopping centre project in the Moscow region. Construction was launched in August 2014 and the shopping centre is scheduled for completion in autumn 2016. The shopping centre has leasable space of about 26,000 square metres, and final lease agreements have been signed for about 29 per cent. Lease negotiations are ongoing and, in addition to the final contracts, preliminary lease agreements have been signed for over 24 per cent of premises. The target for annual rental income is about EUR 10 million and total investment in the project amounts to approximately EUR 61 million.

SRV has a 20 per cent holding in the Daily shopping centre project, and its total investment already placed in the project is about EUR 12 million. In addition to capital from the owners, the investment is also being financed with a project loan granted by Sberbank. The weakening of the rouble reduced the project's investment budget, and the value of SRV's project management contracts has therefore also decreased to about EUR 30 million. SRV is responsible for designing, constructing, marketing, and leasing out the site.

In July 2015, SRV signed a five-year management agreement for the Mega shopping centre in Kaliningrad, Russia. The shopping centre has a total floor area of more than 100,000 square metres, and includes offices in addition to retail space.

Completed leasable projects

Both visitor numbers and sales figures have been continually rising at St Petersburg's Pearl Plaza shopping centre. Pearl Plaza has been open for a couple of years and all of its premises have been leased. The centre attracted over 7.5 million visitors in 2015, which is 1.1 million more than the previous year. The shopping centre's sales (in monetary terms) also grew by over 25 per cent in 2015.

Pearl Plaza's popularity is also evident in the numerous awards and recognitions it received in 2015, such as Best Medium-sized Shopping Centre 2015 given at the REX exhibition in Moscow, Russia. In June, Pearl Plaza also received an honourable mention in the 2015 Golden Brick Award, which is one of the most highly esteemed awards in the Russian real estate industry. The target for annual rental income from the shopping centre is about EUR 18 million.

SRV is responsible for managing the Pearl Plaza shopping centre, which is jointly owned by SRV and Shanghai Industrial Investment Company. The total investment amounts to approximately EUR 140 million. SRV's ownership of the joint venture is 50 per cent, and the company has invested roughly EUR 24 million in the project. Bank financing for the project was reorganised in November 2015 when the Pearl Plaza company signed a EUR 95 million loan agreement with the Bank of China. In line with the project management contractor agreements, SRV is responsible for designing, constructing, developing, and leasing out the site.

The commercial concept design of Phase II of the Pearl Plaza shopping centre has now been completed. Preliminary lease reservations have been made for over 50 per cent of the Phase II premises. A final decision on the investment is expected when the market stabilises and traffic arrangements have been made to control weekend congestion. According to the preliminary plan, construction of Phase II could begin during 2017. No final decision on its construction has yet been made.

About 83 per cent of the office premises in the Etmia II office project in downtown Moscow have been leased. SRV estimates that, if fully leased, the premises will generate about EUR 4 million in annual rental income. SRV is a co-owner in the project with a 50 per cent stake, and was responsible for its construction as the project management contractor. SRV's investment in the project amounts to about EUR 3 million. The company estimates that, in the current market, it is unlikely that the project will be sold to investors during 2016.

SRV has invested EUR 6.3 million in a property fund that acquired an office and logistics property in Moscow in autumn 2011. This property is fully leased out.

No apartments in the Papula residential project in Vyborg were sold during the year (5 in 2014). At year-end, there were two (2) completed yet unsold units. Construction of the next two buildings, comprising a total of 110 housing units, will continue.

Estonia

Of the 48 developer-contracted housing units completed in Tartu in 2014, 27 were sold. There are 7 unsold units and no units under construction.

Other operations

Other operations

EUR million	**1–12/ 2015**	1–12/ 2014	change, EUR million	change, %
Revenue	14.4	19.5	–5.1	–26.0
Operating profit	–4.3	–6.2	1.9	

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

The revenue from Other Operations totalled EUR 14.4 (19.5) million with an operating profit of EUR –4.3 (–6.2) million. A fall in operating volumes impacted on revenue. Development costs expensed for SRV's projects totalled EUR 1.9 (2.2) million.

Group project development

SRV, Mutual Pension Insurance Company Ilmarinen and SATO Corporation progressed and the city plan came into effect. Demolition work began in December and construction is scheduled to begin during 2016. The project will comprise a total of almost 2,000 housing units, including residential building rights for approximately 100,000 square metres of floor area, of which SRV owns almost 27,000.

The city plan for SRV and Stora Enso's Wood City, a project showcasing industrial wood construction in the Jätkäsaari district of Helsinki, came into effect in July 2014 and a building permit for the quarter's office building was issued in August 2015. The quarter will comprise office, hotel and commercial buildings covering about 20,000 square metres of floor area. The Helsinki Housing Production Department (ATT) will also build two residential buildings, containing a total of 98 units, in the quarter. SRV signed a contractor agreement for housing construction with ATT in December 2015. Negotiations with tenants and investors for the office building are ongoing, and construction will begin when investor and lease agreements so permit.

SRV's Keilaniemi development project of residential towers in Espoo covers approximately 72,000 square metres of floor area, consisting of 1,150 housing units in total of four residential towers. The area's city plan has come into force and progress now hinges on tunnelling and traffic arrangements for Ring Road I. No final decision on construction of the towers has yet been made. SRV has had a reservation for the plots since 2008, and negotiations with other parties for sale of the residential tower plots are still ongoing. Any decisions on plot transactions will most probably be made during the first half of 2016. The target for the project as a whole is to start municipal engineering during 2016 and launch construction of the first tower in 2018.

SRV is developing the Lapinmäentie 1 property in the Munkkivuori district of Helsinki in cooperation with its owner. The city plan is currently being amended with regard to this property, and a draft city plan for the area went on display in spring 2015. The project is being developed on the basis of the winning entry of an architecture competition. In accordance with the principles for changing the city plan approved by the Helsinki City Planning Committee in January 2015, the site will be allocated new residential building rights for approximately 46,000 square metres of floor area, which is about 736 housing units. Around 22,000 square metres of existing floor area will be renovated. The proposed city plan was approved by the Helsinki City Planning Committee in December and is expected to come into force sometime in 2016.

SRV is involved in a project to develop Kerava city centre. The current plan is to build five apartment blocks and a retail centre along a pedestrian street. Both the project and planning agreements were signed in October, and construction is scheduled to start in autumn 2016. The various buildings will be completed in stages over the period 2018–2022. Tenant and investor negotiations for the commercial centre are ongoing. Kesko Food is the centre's main tenant.

In Vantaa, SRV is also involved in developing a corporate campus of the future concept in Vantaankoski in cooperation with Sanoma and the City of Vantaa. A brand-new kind of open idea and concept competition is seeking concept ideas for the forthcoming corporate campus in Vantaankoski. The winner(s) will be announced in spring 2016. The area is located along the Ring Rail Line, at the intersection of Ring Road III and the Tampere motorway. It currently provides about 3,600 jobs, and this figure is expected to increase in the future.

In December, SRV submitted a proposal to the City of Helsinki for the renovation of Bunkkeri, a warehouse building in the Jätkäsaari district of Helsinki. The goal is to build a new, 13-storey landmark that combines versatile sports facilities, a swimming pool, and over 300 homes. The proposal was a follow-up to the City of Helsinki's public tender in the spring. The City was seeking a buyer for Bunkkeri in order to provide the area's schoolchildren, residents and sports clubs with sports facilities and a swimming pool. The City is committed to leasing the sports facilities from the developer for over 20 years. The Bunkkeri project is now progressing towards the next and final phase of the tender process. It has been discussed in early 2016 by the Helsinki Sports Committee and Real Estate Committee, and discussions will continue later early 2016 by the City Planning Committee. Construction is scheduled to begin in summer 2017.

Financing and financial position

Net cash flow from operating activities totalled EUR 49.7 (47.0) million and the net cash flow from investing activities was EUR -118.5 (-33.7) million. Increased customer payments for housing construction and, in particular, cash flow from contract invoicing of the REDI project had a positive impact on net cash flow from operating activities. Net cash flow from investing activities was affected by investments in the project companies for both REDI and the Okhta Mall in Russia. The Group's inventories stood at EUR 336.6 (312.8) million, of which land areas and plot-owning companies accounted for EUR 187.5 (162.1) million. The Group's invested capital totalled EUR 543.0 (449.8) million.

SRV financed investments and loan repayments with cash flow from operations, by drawing down new loans and short-term commercial papers, and with a share issue in late summer. At the end of the year, the Group's financing reserves totalled EUR 175.3 million with the Group's cash assets amounting to EUR 35 million, and open-ended account limits and committed undrawn financing reserves and loans to EUR 140.3 million. SRV's financing agreements contain standard covenants. The company's financial covenants are its equity ratio and liquidity. In the case of developer contracting projects, the equity ratio is also reported to financiers as a ratio based on percentage of completion. Liquidity refers to the Group's immediately available cash and cash equivalents, committed credit lines, undrawn loans with a maturity of over 12 months, and the undrawn portion of its syndicated liquidity limit. SRV's equity ratio based on percentage of completion stood at 44.2 per cent on 31 December 2015.

Investments in SRV's developer-contracted housing and business construction projects in Finland, both under construction and completed, total about EUR 137.6 million. SRV estimates that the completion of these projects requires another EUR 227.0 million. Undrawn housing corporation loans and receivables for housing construction projects plus undrawn business construction financing totals EUR 147.3 million. Completed international projects include a housing project in Vyborg, valued at EUR 0.2 million. Capital committed to completed projects involving associated companies includes EUR 24.2 million tied up in the Pearl Plaza shopping centre and EUR 2.8 million in the Etmia office project.

SRV's investment commitments totalled EUR 47.6 (9.6) million. This increase in investment commitments stemmed from SRV's decision to invest in Fennovoima's Hanhikivi-1 project. Annual investments in the Fennovoima project will be made towards the end of each year until 2024.

At the beginning of the third quarter, SRV made two ten-year interest rate swaps. The swaps have a total nominal value of EUR 100 million and seek to partially hedge against a rise in interest rates on non-current interest-bearing liabilities. The financial expenses contain a EUR -3.3 million fair value revaluation of the interest rate hedges.

A subscription right issue in the third quarter improved the company's net cash flow from financing activities. The share issue generated net income of EUR 48.6 million and noticeably strengthened the Group's equity ratio.

The equity ratio stood at 42.5 (43.0) per cent and gearing at 83.3 (91.6) per cent. The Group's shareholders' equity totalled EUR 277.2 (225.2) million and its net interest-bearing liabilities EUR 230.8 (206.1) million. At the end of the year, the Group's cash and cash equivalents amounted to EUR 35.0 (18.4) million. The return on investment was 5.9 (5.4) per cent and the return on equity 5.6 (6.9) per cent.

Unbuilt land areas, land acquisition commitments and land development agreements

Land reserve 31 Dec 2015	Business construction	Housing construction	International Operations	Total
Unbuilt land areas and land acquisition commitments				
Building rights[1], m²	175,000	389,138	704,264	1,268,402
Land development agreements				
Building rights[1], m²	144,000	226,000	0	370,000

[1] Building rights also include the estimated building rights/construction volume of unzoned land reserves and land areas covered by agreements in projects that are wholly or partly owned by SRV.

During 2015, the REDI project led to a decrease 5.5 per cent in the area of unbuilt land and land acquisition commitments, and an increase of 6.2 per cent in the area covered by land development agreements due to new development reservations in Espoo and Helsinki.

Personnel

SRV's payroll increased in 2015, and the company had an average of 1,008 (937) employees, of whom 785 (722) were salaried employees. A significant proportion of this growth was a result of the resources required for the current phases of construction projects in Russia. Construction launches for numerous large-scale projects, such as REDI, have contributed to growth in Operations in Finland. The parent company had an average staff of 60 (59) salaried employees. At the end of December, the Group had 1,046 (958) employees, of whom 56 (58) were employed by the parent company. SRV's Operations in Finland employed a total of 31 (45) trainees (students on work placements and students working on a thesis or diploma).

In the autumn, the SRV STEP Academy continued to run supervisor and expert training that focused on coaching. SRV has defined an operational and management culture that is based on its values, supports its corporate culture, and enables the realisation of its business strategy. The implementation and communications phase was completed in 2015. Work will continue in 2016 as part of strategic development programmes. The 'Kunnon Rakentajat' social media campaign, which promoted wellbeing at work, ended in the autumn. New campaigns were launched during 2016.

In February 2016, SRV achieved the 11th place in Corporate Spirit's Most Inspiring Finnish Workplaces survey conducted in 2015.

Personnel by segment

	31 Dec 2015	31 Dec 2014	Percentage of Group personnel 31 Dec 2015, %
Operations in Finland	721	655	69
International Operations	235	212	22
Other operations	90	91	9
Group, total	**1,046**	**958**	**100**

Detailed information about remuneration and incentive schemes for management can be found in the 2015 Notes to the Financial Statements, 2015 Annual Report, and the Salary and Remuneration Report of 31 December 2015.

Outlook for construction

The outlook for the global economy is slightly optimistic. The Chinese economy is still growing, and the US is leading an upswing in Western economies. Europe is recovering at a slower pace. 2015 forecasts for economic growth in Finland are close to zero, but growth is predicted to get off the ground this year. An upswing is also expected in the total volume of construction. The rise in building costs continues to be moderate.

According to a recent VTT (Technical Research Centre of Finland) report, urbanisation and immigration will increase demand for housing in Finnish growth centres by up to 29,000 new homes per annum over the coming years. In the Helsinki region, this means 50 per cent more homes over the next 25 years in comparison to the city's current housing stock.

Although a slight rise has been seen in the low number of housing construction start-ups, they are not expected to increase this year. Rental apartments are being built and smaller apartments are selling in growth centres, but sales are more subdued in other areas. Demand for housing is still being affected by major uncertainty factors.

A slight year-on-year decrease is forecast for business construction start-ups in 2016 after the launch of large-scale projects last year. A prolonged period of weak economic growth has kept the number of empty offices high, and the need for additional retail space has remained low. Start-ups in industrial, warehouse and public-sector service construction are expected to remain at around the same level as last year.

Steady annual growth of about 2.0–2.5 per cent is expected in renovation construction. Infrastructure construction is still being weakened by the decline in new construction work and the contraction in investments in highway construction and maintenance.

The Ukrainian crisis combined with the low price of oil and the weak rouble have led to difficulties in the Russian economy. The future is extremely uncertain. Russia's total economic growth for 2016 is forecast at around zero, but the situation could significantly worsen if the price of oil remains low or even continues to fall. The situation in Russia also brings significant uncertainty factors to Estonia's economy, although slight growth is predicted this year.

Risks, risk management and corporate governance

The general business cycle and changes in customers' business environments have immediate effects on the construction, property and financial markets, and this may, for example, alter the volume of SRV's order backlog and the profitability of its operations. It may also hinder the availability of financing and lead to an increased amount of capital being tied up in projects. A change in the general level of interest rates has a direct impact on both cash flow from operating activities and financing costs. The general economic climate is unstable, and the international financial crisis is contributing to economic uncertainty. This uncertainty coupled with difficulties in securing financing are reducing demand for property investments and delaying the start-up of large-scale projects in particular.

SRV develops, owns and operates shopping centres in Russia. The Ukrainian crisis and its consequences are affecting the Russian economy, the availability of financing from investors and for projects, and property sales. The sanctions on the financial market, imposed by the United States and European Union, weaken the Russian bank sector's ability to grant loans. The decline in the rouble's exchange rate is impacting on consumer purchasing power and is weakening both the rent-paying capacity of tenants in shopping centres and the euro-value of properties. The fall in the price of oil is also weakening the Russian state economy. Furthermore, the crisis is affecting the economies of Russia's major trading partners.

Stricter banking regulation will affect the availability of financing from banks, the length of loan periods, and loan margin levels. In spite of the extremely low interest rate level, financing costs may grow as loan margins continue to rise. If the availability of financing for clients continues to weaken, client receivables may grow, posing challenges to SRV's liquidity.

In developer-contracted projects, recognition of revenue is largely based on the completed contract method, and recognition depends on the percentage of sold premises in delivered projects. The delivery schedules of developer-contracted projects can have a material impact on the development of revenue and profit for the financial year and the quarters. Factors that affect project sales include the availability of financing for buyers and premises' occupancy rates. When sales are delayed, the recognition of revenue and operating profit are likewise delayed. The sales prices of slow-turnover projects might have to be lowered in order to accelerate sales. Postponed start-ups in developer-contracted projects increase development expenses, which are recognised as costs.

Slower sales increase both interest expenses and sales and marketing costs for developer-contracted housing production. Economic uncertainty and tax rises have weakened both consumer sales volumes and their outlook. Key risks affecting demand for housing include changes in consumer confidence in the future, the availability of financing, and a strong rise in interest rates. Changes in demand for rental housing development projects for investors would affect the volume and profitability of SRV's new order backlog.

The projects carry significant risks with regard to construction, subcontracting and procurements, and their management requires a high level of systematic operational planning, steering, and monitoring. SRV's operating model requires skilled personnel and a network of professional partners. A weak economic cycle increases the financial risks relating to subcontractors. The construction industry is now subject to greater administrative regulation, which requires enhanced accuracy. Post-construction warranty and liability obligations can last up to ten years after handover. The rise in construction costs is moderate and the building cost index has remained fairly stable.

SRV's revenue is generated by construction projects, and the company's result depends on the profitability of individual projects and their progress. Fierce competition for new orders in the construction sector may affect the volume and profitability of SRV's new order backlog. Contract agreements for construction are extremely valuable. Their terms and conditions require all parties to achieve the agreed targets within a set timetable, and to adhere to agreed working methods. In particular, agreeing on additional works and alterations may involve financial risks that increase in a poor economic climate. Project receivables can include additional work and alterations, and these may involve complaints or be the subject of disputes over payment liability. Although segment management estimates the provisions required for receivables, these provisions may prove to be insufficient. If no mutual agreement on payment liability is reached during the final financial analysis of a project, the company may have to instigate legal proceedings against the client. The outcomes of legal proceedings involve uncertainties. In 2013, SRV initiated legal proceedings against clients with respect to two completed projects involving disputes over payment liability for additional work and alterations. SRV initiated legal proceedings against Auroratalo Oy and HDL-Talot over payment liability for construction costs incurred by new construction and the renovation of the Deaconess Institute's Auroratalo building. SRV is claiming a sum of approximately EUR 3.6 million (VAT 0%). SRV also initiated legal proceedings against Kiinteistö Oy Abraham Wetterintie 6 over a dispute relating to both payment liability for, and the construction costs and schedule of, a project comprising the construction of several residential apartment buildings built by SRV Construction Ltd for the real estate company. Keva owns the entire share capital of the real estate company. SRV's claim totals about EUR 7.1 million (VAT 0%). In March 2014, the client made a defendant's claim of approximately EUR 3.9 million from SRV Construction Ltd. SRV's management believes that these cases and their outcomes will not have a significant impact on SRV's financial standing.

In addition to land acquisition risks, property projects face other challenges, such as those related to the outcome of zoning, soil conditions, financing, the liquidity of funding based on financing commitments, the commercialisation of the project, implementation schedules and agreements, partners, the project's geographical location, and the type of project. In line with IFRS requirements, SRV measures its land reserves at acquisition cost. If the acquisition cost plus construction costs is lower than the fair value of the planned project, the value of the property will be reduced. In accordance with its strategy, SRV has been prioritising developer contracting projects and has focused its land acquisition in Finland and, also previously, in Russia. SRV aims to carry out large-scale development projects in cooperation with real estate investors using project funding. The availability and terms of project and investor financing affect the progress of development projects, their profitability for SRV, as well as the amount of financing the company has tied up in the project. SRV's investment commitments in projects require the company to maintain sufficient liquidity and financing capacity. A decline in the availability of investor and project funding may increase SRV's own share of project funding, and this would lower the Group's equity ratio, reduce Group liquidity, and hinder the availability of other funding.

The financial risks related to SRV's operations are interest rate, currency, liquidity, capital structure, and contractual party risks. These are presented in more detail in the Notes to the 2015 Financial Statements. Currency risks are divided into transaction risks and translation risks. Transaction risks are related to currency-denominated business and financing cash flows. Translation risks encompass investments made in foreign subsidiaries, the accounting effects of which are recorded in the translation differences for equity in the consolidated figures.

Liquidity risks may have an effect on the Group's earnings and cash flow if the Group is unable to ensure sufficient financing for its operations. SRV maintains adequate liquidity through the efficient management of cash flows and related solutions, such as binding lines of credit that are valid until further notice. The company has a long-term binding liquidity arrangement of EUR 100 million, which will mature in January 2018. The company's financing agreements contain customary terms and conditions. The financial covenant is the company's minimum liquidity and equity ratio. For developer contracting projects, the equity ratio is also reported to banks as a ratio based on percentage of completion.

Capital structure risks may adversely affect the availability of financing for the Group if the company's equity ratio falls too low. The Group does not have a public credit rating issued by a credit institution. In order to maintain its capital structure, the Group may adjust its dividend payment, or issue new shares or bonds. In autumn 2015, SRV strengthened its capital structure with a share issue worth approximately EUR 50 million. In order to maintain its equity ratio, the Group may be forced to make changes in its business operations or use of capital. The profitability of business operations, delays in selling or turning over developer-contractor projects, plot investments, and other increases in the balance sheet value all affect the equity ratio. The Group monitors its capital structure using its equity ratio, seeking to keep its share of the capital in the balance sheet total (minus advances received) to at least 35 per cent. On 28 December 2012, SRV issued a EUR 45 million, domestic hybrid bond. The bond has no maturity, but the company has the right to redeem it in four years' time. The interest payable on the bond will increase after the first repayment date.

The 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. SRV also makes every effort to cover operational risks by means of insurance and contractual terms.

A Corporate Governance Statement is issued as a separate report. Information about risks and risk management is also available in the Notes to the Financial Statements and the Annual Report.

Corporate governance and resolutions of general meetings

Juha Pekka Ojala, B.Sc. (Eng.), took over as President & CEO of SRV Group Plc on 1 January 2015. Ojala transferred from his position as CEO of SRV Construction Ltd.

On 13 January 2015, SRV Group Plc's Board of Directors appointed Juha Toimela, M.Sc. (Tech.), MBA, as CEO of SRV Construction Ltd and Vice President responsible for SRV's Business Operations in Finland. At the same time, Antero Nuutinen, B.Sc. (Eng.), was appointed Deputy CEO of SRV Construction Ltd, responsible for Housing and Regional Offices. Both Toimela and Nuutinen are members of SRV Group's Corporate Executive Team.

The Annual General Meeting (AGM) of SRV Group Plc was held on 25 March 2015. The AGM adopted the Financial Statements for the period 1 January–31 December 2014 and granted release from liability to the members of the Board of Directors and the President & CEO. As proposed by the Board of Directors, a dividend of EUR 0.12 per share was declared. The dividend was paid on 7 April 2015. Mr Ilpo Kokkila was elected chairman of the Board of Directors and Ms Minna Alitalo, Mr Arto Hiltunen, Mr Olli-Pekka Kallasvuo, Mr Timo Kokkila, and Mr Risto Kyhälä were elected to seats on the Board. The authorised firm of public accountants PricewaterhouseCoopers Oy was elected as the company's auditor for the next term of office, which ends at the conclusion of the 2016 Annual General Meeting. Samuli Perälä, Authorised Public Accountant, is the principal auditor.

The AGM authorised the Board of Directors to decide on the acquisition of the company's own shares, using the company's unrestricted equity. The Board was authorised to acquire a maximum of 3,676,846 of the company's own shares in such a manner that the number of shares acquired on the basis of this authorisation, when combined with the shares already owned by the company and its subsidiaries, does not at any given time exceed 3,676,846 shares, or 10 per cent of all shares of the company. On the basis of this authorisation, the Board may acquire a maximum of 3,676,846 shares in public trading arranged by Nasdaq OMX Helsinki Oy at a market price valid at the moment of acquisition, as well as a maximum of 200,000 shares issued on the basis of incentive schemes to individuals employed by SRV Group without consideration, or for no more than the price at which an individual within the sphere of an incentive scheme is obliged to convey a share, such that the maximum number of acquired shares nevertheless remains at 3,676,846. The aforementioned authorisations include the right to acquire shares other than in proportion to the holdings of shareholders. Shares acquired on the basis of this authorisation may be acquired in one or several instalments. The company's own shares can be acquired for use, for example, as payment in corporate acquisitions, when the company acquires assets relating to its business, as part of the company's incentive programmes, or to be otherwise conveyed, held or cancelled. The authorisations as described above shall be in force for 18 months from the decision of the general meeting and cancel the authorisation granted by the Annual General Meeting to the Board of Directors on 26 March 2014. The Board of Directors shall decide on other terms relating to the acquisition. The company acquired a total of 3,810 treasury shares in 2015. The acquisition of these treasury shares was based on the terms and conditions of the share-based incentive scheme targeted at key personnel.

The Board of Directors of SRV Group Plc held its organisation meeting on 25 March 2015. Olli-Pekka Kallasvuo was selected as Vice Chairman of the Board of SRV Group Plc. Minna Alitalo was elected as Chair of the Audit Committee, and Olli-Pekka Kallasvuo and Timo Kokkila as members. Ilpo Kokkila was elected as Chairman of the Nomination and Remuneration Committee, and Arto Hiltunen and Risto Kyhälä as members.

On 23 April 2015, SRV Group Plc's Board of Directors appointed Päivi Kauhanen as SVP, Communications and a member of the Corporate Executive Team. Taneli Hassinen, SVP, Communications, left the Group on 31 July 2015.

On 22 June 2015, SRV Group Plc held an Extraordinary General Meeting that authorised the Board of Directors to decide on the issue of new shares or treasury shares such that, based on the authorisation, the Board of Directors may decide on the issue of new shares or treasury shares in one or more lots in total up to a maximum of 27,000,000 shares. The authorisation may be used to safeguard the company's financing needs and strengthen its balance sheet structure. Based on the authorisation, the Board of Directors shall decide on all other terms and conditions of the share issue. The issuance of shares may also be carried out in a directed share issue in derogation of the pre-emptive subscription right of shareholders. The authorisation shall be valid until 31 March 2016 and it shall not supersede the authorisation granted to the Board of Directors by the Annual General Meeting held on 15 March 2011, which is valid until 15 March 2016 and under which a maximum total of 3,676,846 SRV shares can be issued. On the basis of this latter authorisation, the company has given 5,000 treasury shares to the Group's key personnel through the share-based incentive scheme.

On the basis of the aforementioned authorisation, the Board of Directors decided, on 18 August 2015, to issue a maximum of 23,731,107 new SRV Group Plc shares. Subscription rights to the new shares have been offered to all shareholders listed in the share register on the record date of 20 August 2015. Shareholders have been able to use their subscription right to receive two (2) new shares for every three shares owned at the subscription price of EUR 2.11 per share. The subscription price has been entered into the invested free equity fund in its entirety. The subscription period ended on 8 September 2015 and the Board of Directors approved the share subscription on 14 September 2015. The new shares grant their holders the right to any potential dividends and other distribution of funds, and to all other shareholders' rights, as of their registration date in the Trade Register, 14 September 2015.

On 17 December 2015, SRV Group Plc's Board of Directors decided to make changes to the share-based incentive scheme as a result of the September 2015 share issue. The changes are designed to ensure that the value of any benefits received through the share-based inventive scheme remains unchanged.

After the end of the financial year, on 22 January 2016, SRV Group Plc confirmed the permanent appointment of Ilkka Pitkänen, M.Sc. (Econ.), as CFO and a member of the Group's Corporate Executive Team. Pitkänen has been acting CFO since 1 December 2014, when former CFO and Executive Vice President Hannu Linnoinen went on sick leave. Hannu Linnoinen will continue at SRV until 31 July 2016 in a separately arranged executive position.

Shares and shareholders

SRV Group Plc's share capital is EUR 3,062,520. The share has no nominal value and the number of shares outstanding is 60,499,575. The company has one class of shares. SRV had a total of 6,556 shareholders on 31 December 2015.

The closing price at OMX Helsinki at the end of December was EUR 3.10 (EUR 2.83 on 31 December 2014). The highest share price was EUR 3.42 and the lowest EUR 2.36. At period-end, SRV's equity per share, excluding the hybrid bond, was EUR 3.90 (EUR 4.51). The comparison figures pre-date the share issue. In 2015, the all-share index of the Helsinki Stock Exchange (OMX Helsinki) was up 9.8 per cent, and the OMX Construction and Materials index up 18.2 per cent.

At the end of December, SRV had a market capitalisation of EUR 183.9 million, excluding the Group's treasury shares. 11.5 million shares were traded with a trade volume of EUR 36.6 million. At the end of December, SRV Group Plc held 1,174,117 treasury shares (1.9 per cent of the total number of shares and combined number of votes). In 2015, SRV Group Plc acquired 3,810 (6,000) treasury shares and divested 5,000 treasury shares.

A total of 27,182,182 SRV Group Plc shares were subscribed for during the share issue that ended in September, representing 114.5 per cent of the 23,731,107 shares offered during the share issue. A total of 23,292,610 shares were subscribed for on the basis of subscription rights, representing 98.2 per cent of all the shares on offer. A total of 3,889,572 shares were subscribed for without subscription rights during the secondary offering, representing 16.4 per cent of all the shares on offer. The subscription price was EUR 2.11 per share, and SRV collected about EUR 48.5 million from the share issue. The number of SRV shares rose to 60,499,575 as a result of the issue.

SRV's strategy 2016–2020 and financial objectives

At a meeting held on 17 February 2016, SRV's Board of Directors approved SRV's strategic financial objectives and updated vision and three strategic objectives, as well as six strategic development programmes for the period of 2016–2020 that will ensure the achievement of SRV's vision by 2020. SRV's updated vision: SRV creates the best customer experience as a constructor of urban town centres. This vision will be achieved when three strategic objectives have been realised: The best profitability in our industry, The best customer experience in our industry, and The most attractive employer in our industry. In addition to implementing the strategy, SRV's strategic efforts in 2016 will focus on improving profitability, creating a superior customer experience, and developing reporting and sustainability operating model.

The strategic financial objectives for 2016-2020 are:

- During the strategy period, faster growth than the industry will be pursued through large-scale projects
- The operating profit margin will rise to more than 8 per cent by the end of the strategy period
- Return on equity will be at least 15 per cent by the end of the strategy period
- In International Operations, return on investment will rise to at least 15 per cent by the end of the strategy period
- The equity ratio will remain above 35 per cent
- The goal is to distribute a stable dividend of 30–50 per cent of the annual result, taking into account the capital needs of business operations

The achievement of the set strategic objectives is based on weak but steady economic growth in Finland, and a slight recovery and stabilisation in Russia's economy. In addition, substantial growth in SRV's developer-contracted projects is required.

The above mentioned financial objectives equal those set in August 2015 for the period of 2015-2019.

Outlook for 2016

In addition to general economic trends, SRV's revenue and result will be affected by several factors in 2016, such as: SRV's own projects are recognised as income upon delivery; the part of the order backlog that is continuously recognised as income mainly consists of low-margin contracting; trends in the order backlog's profit margins; the sales volume of developer-contracted housing and the completion schedules of the properties; and the launch of new contracts and development projects. SRV's largest project is the REDI project in the Kalasatama district of Helsinki, which was launched in April. Based on current schedules, SRV estimates that a total of 503 developer-contracted residential units will be completed during 2016.

The Group's full-year revenue for 2016 is expected to grow and operating profit to improve on 2015 (revenue EUR 719 million and operating profit EUR 24.4 million). Due to the completion schedules of SRV's developer contracting housing projects, a significant proportion of the company's operating profit will be made in the second half of the year. The financing costs will increase due to additional financing needed for increasing order backlog.

Proposal for the distribution of profits

The parent company's distributable funds on 31 December 2015 are	EUR 181,253,044.13
of which net profit for the financial year is	EUR 3,172,825.44

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

A dividend of EUR 0.10 per share be paid to shareholders, or	EUR 6,049,957.50
The amount to be transferred to shareholders' equity is	EUR 175,203,086.63

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

Espoo, 17 February 2016

Board of Directors

Key financial indicators

		2015	2014	2013	2012	2011
Revenue	EUR million	719.1	684.4	679.4	641.6	672.2
Operating profit	EUR million	24.4	24.9	26.4	6.9	14.1
Operating profit, % of revenue	%	3.4	3.6	3.9	1.1	2.1
Profit before taxes	EUR million	17.6	18.5	22.8	2.8	10.8
Profit before taxes, % of revenue	%	2.4	2.7	3.4	0.4	1.6
Net profit for the financial year attributable to equity holders of the parent company	EUR million	14.0	15.2	18.3	0.8	5.9
Return on equity, %	%	5.6	6.9	8.4	0.5	3.3
Return on investment, %	%	5.9	5.4	5.4	2.2	4.5
Equity ratio, %	%	42.5	43.0	36.4	34.7	31.0
Order backlog	EUR million	1,583.4	860.4	825.8	827.8	810.8
New agreements	EUR million	1,393.5	700.3	600.7	594.5	811.6
Personnel on average		1,008	937	949	989	880
Invested capital	EUR million	543.0	449.8	528.0	513.3	454.0
Net interest-bearing debt	EUR million	230.8	206.1	215.8	267.9	271.8
Net gearing ratio, %	%	83.3	91.6	97.1	126.2	160.2
Earnings per share[2]	EUR	0.25	0.30	0.38	0.02	0.17
Earnings per share (diluted)[2]	EUR	0.25	0.30	0.38	0.02	0.17
Equity per share[2]	EUR	4.66	5.64	5.58	5.88	4.68
Equity per share (excluding hybrid bond)[2]	EUR	3.90	4.51	4.45	4.61	4.68
Dividend per share[1, 2]	EUR	0.10	0.07	0.07	0.06	0.12
Dividend payout ratio, %[2]	%	40.2	23.5	18.4	300.0	70.6
Dividend yield, %[2]	%	3.2	2.6	1.8	1.8	3.0
Price per earnings ratio (P/E-ratio)[2]		12.5	9.5	10.6	163.0	23.5
Share price development						
Share price at the end of the period	EUR	3.10	2.83	4.05	3.26	4.00
Average share price	EUR	2.94	3.81	3.75	3.76	5.88
Lowest share price	EUR	2.36	2.75	2.95	3.00	3.83
Highest share price	EUR	3.42	4.38	4.72	4.89	7.43
Market capitalisation at the end of the period	EUR million	183.9	112.7	160.8	115.7	142.0
Trading volume	1,000	11,463	3,613	3,364	2,937	8,759
Trading volume, %	%	26.9	9.1	8.5	8.3	25.0
Weighted average number of shares outstanding[2]	1,000	42,616	39,771	39,701	35,499	35,023
Weighted average number of shares outstanding (diluted)[2]	1,000	42,648	39,799	39,813	35,532	35,023
Number of shares outstanding at the end of the period[2]	1,000	59,325	39,810	39,700	35,498	35,503

[1] The Board of Directors' dividend proposal for 2015.
[2] Comparative data 2013 and 2014 is share issue adjusted.

Calculation of key figures

$$\text{Gearing ratio, \%} = 100 \times \frac{\text{Net interest-bearing debt}}{\text{Total equity}}$$

$$\text{Return on equity, \%} = 100 \times \frac{\text{Net result for the financial year}}{\text{Total equity, average}}$$

$$\text{Return on investment, \%} = 100 \times \frac{\text{Result before taxes + interest and other financial expenses (excluding exchange rate gains and losses)}}{\text{Invested capital, average}}$$

$$\text{Equity ratio, \%} = 100 \times \frac{\text{Total equity}}{\text{Total assets – advances received}}$$

$$\text{Invested capital} = \text{Total assets – non-interest bearing debt – deferred tax liabilities – provisions}$$

$$\text{Net interest bearing debt} = \text{Interest bearing debt – cash and cash equivalents}$$

$$\text{Earnings per share[1]} = \frac{\text{Result for the period – non-controlling interest – hybrid bond interest}}{\text{Average number of shares outstanding}}$$

$$\text{Earnings per share (diluted)[1]} = \frac{\text{Result for the period – non-controlling interest – hybrid bond interest}}{\text{Average diluted number of shares outstanding}}$$

$$\text{Equity per share[1]} = \frac{\text{Equity attributable to equity holders of the parent company}}{\text{Number of shares outstanding at the end of the period}}$$

$$\text{Equity per share (without hybrid bond)[1]} = \frac{\text{Equity attributable to equity holders of the parent company – hybrid bond}}{\text{Number of shares outstanding at the end of the period}}$$

$$\text{Price per earnings ratio (P/E-ratio)[1]} = \frac{\text{Share price at the end of the period}}{\text{Earnings per share}}$$

$$\text{Dividend payout ratio, \%[1]} = 100 \times \frac{\text{Dividend per share}}{\text{Earnings per share}}$$

$$\text{Dividend yield, \%[1]} = 100 \times \frac{\text{Dividend per share}}{\text{Share price at the end of the period}}$$

$$\text{Average share price} = \frac{\text{Number of shares traded in euros during the period}}{\text{Number of shares traded during the period}}$$

$$\text{Market capitalisation at the end of the period} = \text{Number of shares outstanding at the end of the period x share price at the end of the period}$$

$$\text{Trading volume} = \text{Number of shares traded during the period and in relation to the weighted average number of shares outstading}$$

[1] Comparative data is share issue adjusted.

Shares and shareholders

Share price trend and trading of shares

The shares of SRV Group Plc are quoted on the OMX Nordic Exchange. The trading with SRV Group Plc's shares started on the Main list of OMX on 15 June 2007. During 2015 the highest price was EUR 3.42 and the lowest price EUR 2.36. The average share price for 2015 was EUR 2.94 and the closing price EUR 3.10 giving the company a market capitalisation of EUR 183.9 million as of 31 December 2015. 11.5 million shares were traded in OMX which corresponds to 26.9% of the weighted average number of SRV shares outstanding. The trading value of the shares was EUR 36.6 million.

The authorisations of the Board of Directors

SRV Group Plc's Board of Directors is not authorised to grant options or any other special rights to shares. The Board of Directors is authorised to decide on a share issue and to both acquire and dispose of treasury shares (note 25).

Management shareholding

The Members of the Board of SRV Group Plc as well as the President and CEO and the Deputy CEO owned directly a total of 21,605,964 shares on 31 December 2015 which corresponds to 35.7% of SRV shares and voting rights. In addition to the direct ownership, Ilpo Kokkila owned SRV shares also through Kolpi Investments Oy.

Shareholders on 31 December 2015

Shareholder	Number of shares	Holding and voting rights, %
Kokkila Ilpo	12,988,844	21.5
Kolpi Investments Oy	11,505,457	19.0
Kokkila Timo	7,617,216	12.6
Tiiviste-Group Oy	5,980,821	9.9
OP-Suomi Arvo	1,321,147	2.2
OP-Suomi Pienyhtiöt	1,312,993	2.2
SRV Yhtiöt Oyj	1,174,117	1.9
Valtion Eläkerahasto	1,170,000	1.9
Keskinäinen Työeläkevakuutusyhtiö Varma	716,666	1.2
Keskinäinen Eläkevakuutusyhtiö Etera	656,666	1.1
Nieminen Timo	655,390	1.1
Sundholm Göran	539,842	0.9
Taaleritehdas Mikro Markka sijoitusrahasto	500,000	0.8
Skandinaviska Enskilda Banken	420,671	0.7
Taaleritehdas Arvo Markka sijoitusrahasto	406,000	0.7
4capes Oy	404,775	0.7
Keskinäinäinen Eläkevakuutusyhtiö Ilmarinen	308,003	0.5
Säästöpankki Kotimaa -sijoitusrahasto	303,896	0.5
Tukinvest Oy	225,000	0.4
Ojala Juha Pekka	201,182	0.3
20 largest shareholders	**48,408,686**	**80.0**
Nominee registration	670,432	1.1
Other	11,420,457	18.9
Total number of shares	**60,499,575**	**100.0**

Breakdown of share ownership on 31 December 2015
By number of shares owned

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1–100	669	10.2	39,817	0.1
101–500	3,012	45.9	802,853	1.3
501–1,000	1,055	16.1	821,599	1.4
1,001–5,000	1,404	21.4	3,181,859	5.3
5,001–10,000	219	3.3	1,563,499	2.6
10,001–50,000	153	2.3	3,150,275	5.2
50,001–100,000	13	0.2	865,866	1.4
100,001–500,000	19	0.3	4,434,648	7.3
500,000–	12	0.2	45,639,159	75.4
Total	**6,556**	**100.0**	**60,499,575**	**100.0**
of which nominee registrations	8	0.1	670,432	1.1

By shareholder category

	% of shares
Corporations	36.9
Financial and insurance institutions	6.2
Non-profit organisations	0.7
Public institutions	4.7
Households	51.5
Non-Finnish shareholders	0.1
	100.0

IFRS CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement

EUR 1,000	Note	2015	2014
Revenue		**719,064**	**684,420**
Other operating income	5	1,810	4,891
Change in inventories of finished goods and work in progress		24,659	–54,554
Use of materials and services		–639,081	–533,181
Employee benefit expenses	8	–64,628	–63,174
Share of profits of associated and joint venture companies	17	–62	1,030
Depreciation and impairments	7	–3,477	–2,049
Other operating expenses	6	–13,838	–12,459
Operating profit		**24,445**	**24,924**
Financial income	10	4,985	2,824
Financial expenses	10	–11,833	–9,204
Financial income and expenses, total		**–6,848**	**–6,380**
Profit before taxes		**17,598**	**18,545**
Income taxes	11	–3,612	–3,158
Net profit for the financial year		**13,985**	**15,387**
Attributable to			
Equity holders of the parent company		13,984	15,217
Non-controlling interests		1	170
Earnings per share attributable to equity holders of the parent company	12	**0.25**	**0.30**
Earnings per share attributable to equity holders of the parent company (diluted)	12	**0.25**	**0.30**

Statement of comprehensive income

EUR 1,000	Note	2015	2014
Net profit for the financial year		**13,985**	**15,387**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Gains and losses on remeasuring available-for-sale financial assets		–528	–1,174
Gains and losses arising from translating the financial statements of a foreign operation		–1,566	–5,298
Share of other comprehensive income of associated companies and joint ventures		–347	0
Income tax relating to components of other comprehensive income		106	235
Other comprehensive income for the year, net of tax		**–2,336**	**–6,237**
Total comprehensive income for the year		**11,650**	**9,150**
Total comprehensive income attributable to:			
Equity holders of the parent company		11,649	8,981
Non-controlling interests		1	170

Consolidated balance sheet

EUR 1,000	Note	2015	2014
ASSETS			
Non-current assets			
Property, plant and equipment	14	10,688	11,335
Goodwill	15	1,734	1,734
Other intangible assets	15	1,859	731
Shares in associated and joint venture companies	17	206,647	99,960
Other financial assets	16, 18	11,741	9,250
Receivables	16, 19	656	928
Loan receivables from associated companies and joint ventures	16, 22	31,240	29,953
Deferred tax assets	20	7,298	6,954
Non-current assets, total		**271,863**	**160,845**
Current assets			
Inventories	21	336,573	312,765
Trade and other receivables	16, 23	111,947	82,587
Loan receivables from associated companies and joint ventures	16, 22	5,600	1,100
Current tax receivables		1,611	321
Cash and cash equivalents	24	35,026	18,449
Current assets, total		**490,757**	**415,221**
ASSETS TOTAL		**762,620**	**576,067**

EUR 1,000	Note	2015	2014
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent company			
Share capital	25	3,063	3,063
Share premium reserve	25	0	0
Invested free equity fund	25	141,185	92,267
Fair value reserve	25	–1,362	–939
Translation differences	25	–7,230	–5,317
Other reserves		0	0
Hybrid bond		45,000	45,000
Retained earnings		95,719	90,279
Equity attributable to equity holders of the parent company, total		**276,376**	**224,353**
Non-controlling interests		**812**	**811**
Equity, total		**277,189**	**225,164**
Non-current liabilities			
Deferred tax liabilities	20	2,344	1,548
Provisions	26	6,297	6,523
Interest-bearing liabilities	16, 27	163,198	147,028
Other liabilities	16, 28	3,988	39
Non-current liabilities, total		**175,827**	**155,137**
Current liabilities			
Trade and other payables	16, 28	201,374	111,514
Current tax payable		822	2,717
Provisions	26	4,779	3,974
Interest-bearing liabilities	16, 27	102,629	77,563
Current liabilities, total		**309,604**	**195,768**
Liabilities, total		**485,431**	**350,905**
EQUITY AND LIABILITIES, TOTAL		**762,620**	**576,067**

Consolidated cash flow statement

EUR 1,000	Note	2015	2014
Cash flow from operating activities			
Net profit for the year		**13,985**	**15,387**
Adjustments:			
Depreciation and impairments	7	3,477	2,049
Non-cash transactions	32	1,581	1,205
Financial income and expenses	10	6,848	6,380
Capital gains and losses on sale of tangible and intangible assets		0	0
Income taxes	11	3,612	3,158
Adjustments, total		**15,518**	**12,792**
Changes in working capital:			
Change in loan receivables		–1,018	–773
Change in trade and other receivables		–29,308	–8,258
Change in inventories		–24,559	50,838
Change in trade and other payables		95,110	–7,103
Changes in working capital, total		**40,224**	**34,705**
Interest and other financial costs paid		–14,747	–14,664
Interest received		16	226
Income taxes paid		–5,327	–1,471
Net cash from operating activities		**49,669**	**46,975**

EUR 1,000	Note	2015	2014
Cash flow from investing activities			
Property, plant and equipment		–2,392	–2,538
Intangible assets		–1,561	–121
Other financial assets		–110,115	–31,126
Sale of tangible and intangible assets		22	128
Sale of financial assets		0	0
Change in loan receivables from associated companies		–4,500	0
Net cash used in investing activities		**-118,546**	**-33,657**
Cash flow from financing activities			
Proceeds from loans		29,614	10,697
Repayments of loans		–58,195	–10,207
Change in housing corporation loans		13,148	–15,829
Change in credit limits		56,629	–65,403
Net cash from share issue		48,562	0
Purchase of treasury shares		0	230
Dividends paid		–4,306	–4,294
Net cash from financing activities		**85,452**	**-84,806**
Net change in cash and cash equivalents		**16,576**	**-71,488**
Cash and cash equivalents at the beginning of financial year		18,449	89,982
Effects on exchange rate fluctuations on cash held		1	–45
Cash and cash equivalents at the end of financial year		**35,026**	**18,449**

Consolidated statement of changes in equity

EUR 1,000	Equity attributable to equity holders of the parent company								
	Share capital	Invested free equity fund	Fair value reserve	Translation differences	Hybrid bond	Retained earnings	**Total**	Non-controlling interests	**Equity Total**
Equity, total, 1 Jan 2015	**3,063**	**92,267**	**-939**	**-5,317**	**45,000**	**90,279**	**224,353**	**811**	**225,164**
Net profit for the financial year	0	0	0	0	0	13,984	**13,984**	1	**13,985**
Other comprehensive income items (with the tax effect)									
Foreign currency translation differences for foreign operations	0	0	0	-1,565	0	0	**-1,565**	0	**-1,565**
Share of other comprehensive income of associated companies and joint ventures	0	0	0	-347	0	0	**-347**	0	**-347**
Available-for-sale financial assets	0	0	-423	0	0	0	**-423**	0	**-423**
Total comprehensive income	**0**	**0**	**-423**	**-1,913**	**0**	**13,984**	**11,649**	**1**	**11,650**
Transactions with the owners									
Dividends paid	0	0	0	0	0	-4,306	**-4,306**	0	**-4,306**
Share based incentive plan	0	0	0	0	0	-499	**-499**	0	**-499**
Sale of treasury shares[1]	0	356	0	0	0	-356	**0**	0	**0**
Purchase of treasury shares	0	0	0	0	0	0	**0**	0	**0**
Share issue	0	50,073	0	0	0	0	**50,073**	0	**50,073**
Cost related to share issue	0	-1,511	0	0	0	0	**-1,511**	0	**-1,511**
Hybrid bond	0	0	0	0	0	-3,383	**-3,383**	0	**-3,383**
Other changes	0	0	0	0	0	0	**0**	0	**0**
Transactions with the owners, total	**0**	**48,919**	**0**	**0**	**0**	**-8,544**	**40,374**	**0**	**40,374**
Equity, total, 31 Dec 2015	**3,063**	**141,185**	**-1,362**	**-7,230**	**45,000**	**95,719**	**276,376**	**812**	**277,189**
Equity, total, 1 Jan 2014	**3,063**	**92,204**	**0**	**-19**	**45,000**	**81,326**	**221,574**	**641**	**222,215**
Net profit for the financial year	0	0	0	0	0	15,217	**15,217**	170	**15,387**
Other comprehensive income items (with the tax effect)									
Foreign currency translation differences for foreign operations	0	0	0	-5,298	0	0	**-5,298**	0	**-5,298**
Available-for-sale financial assets	0	0	-939	0	0	0	**-939**	0	**-939**
Total comprehensive income	**0**	**0**	**-939**	**-5,298**	**0**	**15,217**	**8,981**	**170**	**9,150**
Transactions with the owners									
Dividends paid	0	0	0	0	0	-4,294	**-4,294**	0	**-4,294**
Share based incentive plan	0	0	0	0	0	1,257	**1,257**	0	**1,257**
Sale of treasury shares	0	63	0	0	0	167	**230**	0	**230**
Purchase of treasury shares	0	0	0	0	0	0	**0**	0	**0**
Hybrid bond	0	0	0	0	0	-3,392	**-3,392**	0	**-3,392**
Other changes	0	0	0	0	0	0	**0**	0	**0**
Transactions with the owners, total	**0**	**63**	**0**	**0**	**0**	**-6,262**	**-6,200**	**0**	**-6,200**
Equity, total, 31 Dec 2014	**3,063**	**92,267**	**-939**	**-5,317**	**45,000**	**90,279**	**224,353**	**811**	**225,164**

[1] Sale of treasury shares includes a transfer between an invested free equity fund and retained earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Description of operations

SRV Group Plc and its subsidiaries (SRV Group) comprise one of Finland's leading project management contractors that builds and develops commercial and business premises, residential units as well as industrial and logistics projects in Finland, Russia and the Baltic countries. In line with the Group's strategy, business operations are organised into two business areas: operations in Finland and international operations. The main companies are SRV Construction Ltd, SRV Ehituse AS and SRV Russia Oy. Operations in Finland comprise the construction of business premises and housing. The construction of business premises comprises retail, office, logistics, earthworks and rock construction operations and property development. Housing construction comprises developer contracting and residential contracting for external clients in the Greater Helsinki Area and its surrounding municipalities as well as in other Finnish growth centres. International operations comprise business activities in Russia and in Estonia. SRV Group Plc's Project Development Unit and Group Administration 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 Tarvonsalmenkatu 15, 02601 Espoo. The Board of Directors has approved these consolidated financial statements for issue on 17 February 2016.

Accounting policies

The consolidated financial statements have been prepared on 31 December 2015 in accordance with IFRS (International Financial Reporting Standards). International Financial Reporting Standards refer to the standards and their interpretations issued and approved for application within the EU in accordance with the procedure prescribed in EU regulation (EC) 1606/2002. The financial statements are presented in thousands of euros unless otherwise stated.

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

The following standards, interpretations and amendments shall be applied for a period beginning on 1 January 2016 or later (in brackets effective date). The Group is reviewing the impact of future standards, amendments and interpretations.

- Annual improvements amend standards from the 2012–2014 reporting cycle (01/01/2016). These annual improvements include changes to; IFRS 5, Non-current assets held for sale and discontinued operations, IFRS 7, Financial instruments, Disclosures: There are two amendments: Servicing contracts and Interim financial statements, IAS 19, Employee benefits, IAS 34, Interim financial reporting. SRV Group is currently assessing the potential impacts of the standards.

- IFRS 15, Revenue from contracts with customers (01/01/2017, not yet approved in the EU). This is the converged standard on revenue recognition. It replaces IAS 11 Construction contracts, IAS 18, Revenue and related interpretations.

  Revenue is recognised when a customer obtains control of goods or services. A customer obtains control when they have the ability to direct the use of and obtain the benefits from the goods or services.

  The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:
  - Step 1: Identify the contract(s) with a customer
  - Step 2: Identify the performance obligations in the contract
  - Step 3: Determine the transaction price
  - Step 4: Allocate the transaction price to the performance obligations in the contract
  - Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

  IFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. SRV Group is currently assessing the potential impacts of the standards on consolidated financial statement.

- IFRS 9, Financial instruments (01/01/2018, not yet approved in the EU). The complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39.

  For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss. SRV Group is currently assessing the potential impacts of the standard on consolidated financial statements.

- The amendments to IAS 1 Presentation of Financial Statements (1.1.2016) are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including:
  - Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information.
  - Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
  - Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.
  - Notes – confirmation that the notes do not need to be presented in a particular order.
  - OCI arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

  According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards and accounting policies are not required for these amendments. SRV Group is currently assessing the potential impacts of the standards on consolidated financial statements.

- IFRS 16, Leases (1.1.2019) requires lessees to recognize a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts. SRV Group is currently assessing the potential impacts of the standards on consolidated financial statements.

Use of estimates

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

Revenues and expenses related to the construction contracts are recognised based on the 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. The estimate of the expected revenue from the project is also affected by the estimated amount of the rental liabilities. If the estimates of the project's outcome change, the revenues and the profit will be correspondingly changed during the financial period that the change is discovered and can be estimated.

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

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

When preparing the financial statements the Group estimates the net realisable value of current assets and the possible consequent need for write down. Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made as to the amount the inventories are expected to realise. Assessing the need for impairment of inventory items may require management to make estimates of matters such as the future costs of development and construction, the future income and expenses accruing from the item, the market return requirement at the time of realisation and the sale value of the item.

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

Consolidated financial statements

Subsidiaries

The consolidated financial statements comprise all such companies that belong to parent company SRV Yhtiöt Oy where the Group has authority. The Group has authority in a company if the Group, by being involved in it, is susceptible to or entitled to its changing revenue, and is capable of exerting an impact on the revenue concerned by applying its authority in a manner that affects the company concerned. The subsidiaries will be combined within the consolidated financial statements from the day that authority is transferred to the Group, and the combination will end on the day when this authority ceases. The balance sheet items of self-sufficient construction projects are comprised within the consolidated financial statements.

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

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

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 impairment.

The share of non-controlling owners of the acquisition will be booked per purchase using either the fair value or using the amount which corresponds to the holding of the net assets in the balance sheet.

Non-controlling interests has been presented separately after “net profit for the period” and in “total equity”. Losses applicable to non-controlling interests in a subsidiary are allocated to non-controlling interests, even if doing so causes the non-controlling interests to have a negative balance.

Changes in the ownership share of the parent company in the subsidiary that do not lead to the loss of authority are treated as business operations affecting equity. When the authority of the Group ceases, the remaining ownership share is appreciated to the fair value of authority on the loss date, and the change in book value is entered as effect on income. This fair value functions as an original book value when the remaining share is later treated as an associated company, joint venture or as financial assets. In addition, amounts entered previously into other comprehensive income-based items respective to the enterprise concerned will be treated as if the Group had directly transferred the assets and liabilities connected with them. This may mean that amounts entered previously into other comprehensive income-based items will be transferred as effect on income.

Associated companies and joint ventures

Associated companies are all enterprises in which the Group has considerable influence, but not authority. This is generally based on share ownership that generates 20–50% of the voting rights.

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the jointly agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is either a joint operation or a joint venture. A joint venture is an arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement, whereas in a joint operation the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to arrangement. The Group has applied the IFRS 11 standard to all joint arrangements from the outset of 2014 onwards. According to IFRS 11, the joint arrangements are classified as joint operations or joint ventures in compliance with the investors’ contractual rights and obligations. The Group has assessed the character of its joint arrangements and has determined that they are joint ventures.

The associated companies and joint ventures are combined in the consolidated financial statements by using the capital share method. If the Group’s share of associated company and joint venture losses exceeds the book value of the investment, the investment will be entered into the balance sheet with a value of zero, and the losses exceeding book value will be combined, unless the Group is not obligated to fulfilling the obligations of the associated company and joint venture. Associated company and joint venture investment contains the goodwill that has been generated from its acquisition. Non-realized profits and losses between the Group and associated companies and joint ventures are eliminated in accordance with the Group’s ownership share. Non-realized losses are not eliminated if the transaction suggests a reduction in value of the transferred asset. The share of the financial year´s results from associated companies and joint ventures are presented before operating profit.

The financial statement formulation principles observed by an associated company and joint venture have been amended as required to comply with the principles the Group observes. In accordance with the Group’s accounting principles, Group management judges the depreciation period for an available-for-sale asset as beginning after a period of two years, when the probability of sale, occupancy rate and other important criteria will be evaluated.

Foreign currency transactions

Functional and presentation currency

Items of each group company included in the consolidated financial statements are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to a group company (the functional currency). The functional currency of a group company may therefore differ from the currency used in its country of location. 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 functional currency is not euros 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”. In so far as the loans between the group companies are considered part of net investment in foreign subsidiaries, the currency exchange differences are recorded in “translation differences”. When a foreign subsidiary is sold, the cumulative translation differences are recognised in the income statement as part of the capital gain or loss.

Transactions and balance sheet items

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

Income recognition

Construction contracts

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

In the developer contracting of housing, projects will be recognised upon completion at the earliest. The share of revenue and expenses corresponding to the percentage of sale at the time of completion will be recognised as revenue. The revenue recognition method to be employed in the developer contracting of business premises is determined on a project-by-project basis. Sold developer contracting projects are recognised on a percentage of completion base method if the risks and rewards of the project are transferred substantially to the buyer when the project is sold. The relative share recognised as revenue is calculated in accordance with the combined percentage of completion, which is derived from the percentage of completion of construction and percentage of sale. If the risks and rewards cannot be deemed to have been transferred to the buyer during construction, the project is recognised when it has been completed and the risks and rewards have been transferred.

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

If the costs and recorded profits of construction contracts exceed the amount of progress billings, the difference is disclosed in "trade and other receivables". If costs and recorded profits of construction contracts are less than the amount of progress billings, the difference is disclosed in "trade and other payables". Other operating income consists mainly of sales of land areas and rental income from current assets. A share equivalent to SRV's own holding is eliminated from the margin of construction carried out for associated companies and joint ventures. This elimination is recognised as a reduction in revenue and is entered into the balance sheet under Advances received. The margin is realised when the holding is sold to an external party.

Order backlog

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

Borrowing costs

Borrowing costs in projects that are implemented for clients outside the Group are recognised as expenses in the period in which they are incurred. In developer contracted housing projects, part of the interest on borrowing costs is activated during the construction period in accordance with the Group's capitalisation rate and is recognised as an expense when the project is sold. These interest expenses are entered as project expenses above operating profit. In developer contracting of business premises, interest expenses are activated on the basis of management's estimates, as the sales prices of projects are not always known in advance.

Research and development expenditure

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

Property, plant and equipment

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

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

- Buildings and structures, reducing balance method: 4–7% or amortised on a straight-line basis over their estimated economic life
- Machinery and equipment, reducing balance method: 25%
- Other intangible assets, straight-line method: 3–5 years

The carrying amounts and economic lives of property, plant and equipment are estimated and values adjusted as needed. The Group estimates at every balance sheet date if there is a need for impairment. If the carrying amount of an asset item exceeds the estimated recoverable amount, the carrying amount is lowered to correspond the recoverable amount. When controlling interest is lost in a current asset company in a transaction carried out, its remaining holding is measured at fair value. Capital gains and losses on property, plant and equipment are included in the income statement, other operating income or other operating expenses.

Intangible assets

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

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

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

Financial assets and liabilities

The Group classifies its financial assets and liabilities into the following categories: financial assets held for trading, loans and other receivables, available-for-sale financial assets, financial liabilities held for trading that are recognised at fair value through profit or loss, and financial liabilities measured at amortised cost.

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. The Group´s management defines the classification of financial assets and liabilities in the initial recognition. Purchases and sales of financial assets are recognised on the clearing day and derivatives on their trade date. Financial assets are derecognised from the balance sheet when the contractual right to the cash flows of the item included in financial assets ceases or when the Group has transferred a significant part of the risks and returns associated with the financial assets. Financial liabilities are derecognised when the obligation specified in the contract has been fulfilled, cancelled or the liability has ceased.

Derivative financial instruments

At the time of entering into derivative instruments the Group designates them as either cash flow hedges of business or financing cash flows or as hedges of investments in foreign entities. The Group's Treasury unit is responsible for the hedge transactions according to the policy approved by the Board of Directors. The hedge qualifying for IAS 39 was not applied during fiscal years 2014 and 2015.

Financial assets and liabilities held for trading

The derivative instruments are classified as financial assets or liabilities held for trading. Derivatives are initially recognised in the balance sheet at cost, which corresponds to their fair value on the transaction day and thereafter measured at fair value on each balance sheet date. Changes in fair values are recognised in the income statement under other financial income and expense and in the balance sheet under short term financial assets or liabilities. Financial assets and liabilities are long-term when their maturity period lasts over 12 months, and short-term when their remaining maturity period is under 12 months.

Loans and other receivables

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

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

Available-for-sale financial assets

The available-for-sale financial assets are financial assets that are either specified as belonging to this item or which have not been classified in any other group. These include long-term financial assets unless there is the intention to relinquish the investment within 12 months from the date of the balance sheet.

The available-for-sale financial assets can include both quoted and non-quoted shares. The investments in the sorts of non-quoted shares whose fair value is not reliably specified are valued at the purchase price. The fair value of the investment is determined on the basis of the investment's bid price. In the event that there are no quoted bid prices for the available-for-sale financial assets, the Group will apply various valuation methods to their valuation. These are, for example, the recent transactions between independent interests, discounted cash flows, or other similar types of instrument valuations.

The changes in the fair value of the available-for-sale financial assets will be entered into the other comprehensive income and presented in an equity instalment, the Revaluation Reserve, whilst taking into consideration its tax impact. The accumulated fair value changes are transferred from equity as corrections owing to changes in the classification of items affecting income when the investment is sold or its value has declined to the extent that impairment loss from the investment should be entered.

The available-for-sale financial assets are derecognized when the rights to cash flows cease being valid or they are transferred, and the Group has transferred the risks and benefits connected with ownership to a substantive extent. The Group assesses on each balance sheet date as to whether or not there is objective evidence that the value of the item or group of items respective to the financial assets for sale has declined.

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.

Hybrid bond

An equity bond (hybrid loan) is a bond that is subordinated to the company's other debt instruments but is senior to other equity instruments. The interest on a hybrid loan is paid if the Annual General Meeting decides to pay a dividend. If a dividend is not paid, the company decides separately on whether to pay the interest. Unpaid interest accumulates. Hybrid loan holders have no control over the company and no right to vote at shareholders' meetings.

Financial liabilities measured at amortised costs

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

An external loan from a financial institution taken out by housing corporations in connection with developer contracting contracts is recognised as a liability until the project is completed. In completed developer contracting housing projects the loan is derecognised when the purchaser assumes the liability.

Leases

Operating leases

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

Inventories

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

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

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

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

The balance sheet item, “Advance payments”, comprises advance payments in connection with the inventories.

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

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

The net realisable value of land areas and plot-owning companies is based on their expected use. The net realisable value of land areas and plot-owning companies expected to be used in project operations is evaluated as part of the net realisable value of the entire project. Land areas and plot-owning companies are impaired only if it is forecast that the project as a whole will result in a loss. If it is expected that a land area or plot-owning company will be realised by sale, the net realisable value is based on the estimated market price. The net realisable value of work in progress and completed housing corporations and real-estate companies is based on their selling price at the expected time of sale.

Rental costs remitted to an external party can be activated to book value for the asset assigned to rent; for example the rental agency’s fees. Sales and marketing costs are not activated costs. In preparing the asset, the activated rental costs should be entered as expenditure along with the average duration of the rental agreements. The margin generated from rental services sold by the associated company and joint venture should be eliminated in relation to the ownership share.

Income taxes

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

Deferred tax assets or liabilities are recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets are recognised from unused losses and all temporary differences. Deferred taxes are not recognised in connection with investments made in subsidiaries when the Group can control the timing of the reversal of the temporary difference, and the temporary difference will probably not be reversed in the foreseeable future. A tax asset is recognised to the extent when it is probable that the asset can be utilised against future taxable income.

Employee benefits

Pension liabilities

Group companies have various pension plans in accordance with the local regulations and practices of each country of operation. Pension plans are funded through contributions paid to insurance companies based on paid salaries and wages. The Group has only defined contribution plans. The payments in connection with Group’s defined contribution plans are recognised in the income statement in the period which they relate to.

Share-based payment

The Group applies IFRS 2 Share-based Payment standard on its share-based incentive schemes. Share-based incentive scheme share settled transactions are valued at fair value by using the Black&Scholes pricing model at the time of granting. They are paid in cash and valued at fair value in every interim and annual closing. Changes in value are recognised in the income statement over their effective period. The share-based payments of the Group are cash or share settled transactions.

Provisions

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

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

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

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

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

Dividends

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

1 Segment information

Segment information has been prepared in compliance with IFRS 8 and it follows the accounting standards of the Group's financial statements as well as the Group's management and organisational structure. Pricing of transactions between the operating segments equals the market price. Segments assets and liabilities are those assets and liabilities that the segment uses in its operations or which can be allocated to the segments on a reasonable basis. Unallocated items include income taxes and financial items as well as Group level items.

Operating segments

SRV Group has the following operating segments:

Operations in Finland

SRV is an innovative construction company that provides end-to-end solutions. The company assumes customer-focused responsibility for project development, commercialisation and construction. The product selection of Finnish business operations is comprised of residential, office and infrastructure construction. In Finland, SRV operates in the Greater Helsinki Area, Turku, Tampere, Oulu, Jyväskylä and Joensuu. The construction of business premises primarily comprises office and commercial premises, logistics facilities and rock construction. Housing construction comprises the developer contracting of housing and residential contracting for external clients.

International operations

International Operations is specialised in the implementation of construction projects in Estonia and in Russia's regional centres as well as in developer construction of residential projects in selected markets. Business operations in Russia also includes temporary ownership and facility management. The product range covers housing, office and commercial premises, as well as logistics and industrial sites. The clientele consists primarily of Finnish and international companies expanding into this region as well as real-estate investors and consumers. Operating segments derive the revenues from construction services. Other operations include Group services and the services related to rental of construction equipment. The geographical distribution of the Group's operations is in line with the operating segments.

Operating segment information

The amount reported for each operating segment is to be the measure reported internally to the chief operating decision maker (CODM, Chief Operating Decision Maker according to IFRS 8). The chief operating decision maker is the Corporate Chief Executive Officer assisted in decision making by the Corporate Executive Team. Reported internal management information is in accord with reported operating segment information.

In accordance with the IFRS 8 definition, the Group had one significant individual customer during the 2015 and 2014 financial years.

2015

EUR 1,000	Operations in Finland	International Operations	Other	Total
Revenue, external	653,578	64,878	607	**719,064**
Business construction	433,968			
Housing construction	220,098			
Revenue, internal	487	246	13,817	**14,550**
Total	**654,065**	**65,124**	**14,425**	**733,614**
Operating profit	**28,866**	**-110**	**-4,310**	**24,445**
Segment's assets				
Non-current	116,547	143,110	182,198	**441,856**
Current				
Land areas and plot-owning companies	116,652	67,980	0	**184,633**
Work in progress	99,432	2,418	0	**101,850**
Shares in completed housing corporations and real estate companies	37,602	500	0	**38,103**
Other inventories	6,913	5,071	5	**11,988**
Inventories total	260,600	75,969	5	**336,573**
Other current assets	126,312	26,679	241,936	**394,926**
Total	**503,459**	**245,758**	**424,139**	**1,173,356**
Segment's liabilities				
Non-current	87,532	6,914	81,402	**175,848**
Current	266,320	167,568	116,460	**550,348**
Total	**353,852**	**174,482**	**197,862**	**726,195**
Invested capital				
At the end of period	315,412	216,681		**543,015**
Return on investment, %	9.8	2.1		**5.9**
Order backlog	**1,506,246**	**77,132**		**1,583,378**
Business construction	952,255			
Housing construction	553,991			

2014

EUR 1,000	Operations in Finland	International Operations	Other	Total
Revenue, external	620,799	56,689	6,932	**684,420**
Business construction	395,474			
Housing construction	232,468			
Revenue, internal	7,073	241	12,559	**19,873**
Total	**627,872**	**56,930**	**19,490**	**704,293**
Operating profit	**30,026**	**1,066**	**-6,168**	**24,924**
Segment's assets				
Non-current	18,146	133,863	179,170	**331,179**
Current				
Land areas and plot-owning companies	96,033	66,089	0	**162,122**
Work in progres	77,095	2,275	0	**79,371**
Shares in completed housing corporations and real estate companies	58,229	2,755	0	**60,984**
Other inventories	5,970	4,310	7	**10,287**
Inventories total	237,328	75,430	7	**312,765**
Other current assets	124,495	16,868	173,523	**314,886**
Total	**379,969**	**226,160**	**352,701**	**958,830**
Segment's liabilities				
Non-current	71,129	4,106	79,989	**155,223**
Current	169,543	151,547	87,019	**408,110**
Total	**240,672**	**155,653**	**167,008**	**563,333**
Invested capital				
At the end of period	277,244	202,999		**449,756**
Return on investment, %	10.8	1.3		**5.4**
Order backlog	**723,200**	**137,178**		**860,378**
Business construction	450,060			
Housing construction	273,140			

Revenue

EUR 1,000	2015	2014
Segment's revenue	719,189	684,802
Revenue, others	14,425	19,490
Eliminations and other adjustments	-14,550	-19,873
Total	**719,064**	**684,420**

Operating profit

EUR 1,000	2015	2014
Segment's operating profit	28,756	31,093
Operating profit, others	-4,310	-6,168
Eliminations and other adjustments	0	0
Total	**24,445**	**24,924**

Assets

EUR 1,000	2015	2014
Segment's assets	749,216	606,129
Assets, others	424,139	352,701
Eliminations and other adjustments	-410,738	-382,763
Total	**762,617**	**576,067**

Liabilities

EUR 1,000	2015	2014
Segment's liabilities	528,334	396,325
Liabilities, others	197,862	167,008
Eliminations and other adjustments	-240,765	-212,429
Total	**485,431**	**350,904**

Order backlog

EUR million	2015	2014
Order backlogs of the segments	1,583	860
Total	**1,583**	**860**

2 Acquisitions

SRV Group did not acquire new businesses in 2015 or the previous year.

3 Disposals

SRV Group did not have significant disposals of businesses in 2015 or the previous year.

4 Long-term construction contracts

2015

EUR 1,000	
Revenue recognised from construction contracts based on the percentage of completion	619,489
Revenue recognised from other construction projects upon delivery	93,016
Contract costs and profits at the end of financial year (less recognised losses) related to the work in progress	553,330

EUR 1,000	Total 2015	Cost incurred plus recognised profits	The sum of recognised losses and progress billings
The gross amount due from customers for contract work[1]	**28,050**		
Operations in Finland	26,518	191,708	165,190
International operations	1,531	15,215	13,683
The gross amount due to customers for contract work[1]	**104,131**		
Operations in Finland	99,018	392,835	491,853
International operations	5,113	13,597	18,710

2014

EUR 1,000	
Revenue recognised from construction contracts based on the percentage of completion	541,162
Revenue recognised from other construction projects upon delivery	136,643
Contract costs and profits at the end of financial year (less recognised losses) related to the work in progress	501,055

EUR 1,000	Total 2014	Cost incurred plus recognised profits	The sum of recognised losses and progress billings
The gross amount due from customers for contract work[1]	**10,685**		
Operations in Finland	10,685	167,159	156,474
International operations	0	4,279	4,279
The gross amount due to customers for contract work[1]	**49,223**		
Operations in Finland	47,141	297,352	344,493
International operations	2,082	4,161	6,242

[1] The gross amount due from customers for contract work is disclosed in Note 23 Accounts receivables and other receivables. Gross liabilities to customers are disclosed in note 28, other liabilities, under advance payments related to construction contracts.

5 Other operating income

EUR 1,000	2015	2014
Capital gains on sales of property, plant and equipment and intangible assets	32	75
Rental income	1,542	4,186
Other income	236	630
Total	**1,810**	**4,891**

6 Other operating expenses

EUR 1,000	2015	2014
Capital losses on sales of property, plant and equipment and intangible assets	0	0
Rental expenses	2,779	1,825
Voluntary indirect personnel expenses	1,865	1,806
Car and travel expenses	954	935
Entertainment and marketing	1,002	1,013
Communications and IT	1,856	1,795
Other external services	1,253	1,219
Other fixed expenses	4,129	3,867
Total	**13,838**	**12,459**

Auditing fees

EUR 1,000	2015	2014
Audit	294	277
Auditors' statements	4	0
Tax services	7	4
Other services	141	28
Total	**446**	**309**

7 Depreciation and impairments

EUR 1,000	2015	2014
Depreciation		
Intangible assets		
Other intangible assets	403	131
Reversal of impairment	0	–1,100
Property, plant and equipment		
Buildings and structures	724	585
Machinery and equipment	2,250	2,364
Other tangible assets	99	68
Total	**3,477**	**2,049**

8 Employee-benefit expenses

EUR 1,000	2015	2014
Wages and salaries[1]	52,985	50,375
Pension expenses – defined contribution plans	9,497	8,516
Share-based incentive scheme	–939	1,723
Other indirect personnel expenses	3,087	2,559
Total	**64,628**	**63,174**

[1] Information on management's compensation as well as employee benefits is disclosed under related party transactions. SRV Group has only defined contribution plans in connection with the pensions.

Average number of personnel	2015	2014
Operations in Finland	690	658
International Operations	224	188
Other	94	91
Total	**1,008**	**937**

Share-based incentive schemes

Grant year	2009[1]	2011[2]	2012[3]	2014[4]	2014[5]	Total
Reward principle	Employment	Employment	Set targets	Set targets	Employment	
Exercise price	4.80	6.81	–	–	3.14	
Dividend and right issue adjusted exercise price 31 Dec 2015*	4.00	4.69	–	–	2.61	
Subscription period	2010–2016	2011–2016	2012–2013	2014–2016	2015–2020	
Total amount*	2,000,000	2,000,000	404,000	588,000	720,000	
Share incentives 1 Jan 2014	**1,200,000**	**1,218,750**	**372,000**	**-**	**-**	**2,790,750**
Additions	–	–	–	553,000	600,000	**1,153,000**
Share incentives used	–	–	104,232	–	–	**104,232**
Share incentives returned or expired	400,000	447,750	267,768	0	–	**1,115,518**
Share incentives 31 Dec 2014	**800,000**	**771,000**	**0**	**553,000**	**600,000**	**2,724,000**
Share incentives 1 Jan 2015	**800,000**	**771,000**	**0**	**553,000**	**600,000**	**2,724,000**
Additions	–	–	–	138,740	120,000	**258,740**
Share incentives used	–	–	–	5,000	–	**5,000**
Share incentives returned or expired	800,000	771,000	–	384,028	–	**1,955,028**
Share incentives 31 Dec 2015	**0**	**0**	**0**	**302,712**	**720,000**	**1,022,712**
Shares granted based on incentives, 2014	–	–	104,232	–	–	**104,232**
Shares granted based on incentives, 2015	–	–	–	5,000	–	**5,000**

[1] On 15 December 2009, the Board of Directors of SRV decided on a long-term share-based incentive scheme that includes two key employees of the Group, one of whom is the CEO of the Group. The amount to be paid as a share bonus is based on the price development of SRV Group Plc's share. SRV Group Plc has decided that half of the bonus shall be paid as shares and half in cash. According to the terms of the scheme, half of the post-tax value of the rewards must be tied to SRV Group Plc shares and the shares are subject to a two-year transfer restriction. The bonus paid as shares in this share-based incentive scheme is valued at its value at the time of granting. Changes in value are recognised in the income statement over their effective period. Exercise price is not adjusted by dividends. The total recognized IFRS value of shares conveyed over the lifetime of the incentive scheme will be approximately EUR 2.1 million with the addition of the cash payments.

[2] On 16 February 2011, the Board of Directors of SRV decided on a new long-term share-based incentive scheme. The scheme will be in effect from 2011 to 2016 and the rewards are tied to the appreciation of the company's share. The scheme continues SRV's share-based incentive scheme for 2008–2010. The comparison price is the volume-weighted average price in January 2011, original EUR 6.81/share. Annually, the dividends paid will be deducted from the comparison price. A maximum total of 2 million reward rights will be granted to key employees. Rewards, if any, will be paid half in shares and half in cash. Any shares granted are subject to transfer restrictions and a commitment period. This share-based incentive scheme was valued using the Black&Scholes pricing model with a volatility of 33%. The total recognized IFRS value of shares conveyed over the lifetime of the incentive scheme will be approximately EUR 2.0 million with the addition of the cash payments.

[3] On 4 September 2012, the Board of Directors of SRV decided on a new share-based incentive scheme for the Group's key personnel. The scheme covers 28 key SRV personnel. The scheme will be in effect from 2012 to 2013 and rewards are tied to the Group's result and specific business indicators. The potential reward will be paid partly as shares in the company and partly in cash. The proportion to be paid in cash will cover taxes and tax-related costs arising from the reward. A maximum of 404,000 SRV Group shares will be granted to key employees. The theoretical market value is calculated by the Black&Scholes model used for pricing options with the following criteria: share price EUR 3.60, risk-free interest rate 0.58% and a volatility of 37%. If a key person's employment or service ends during said restriction period, he/she must return the shares rewarded under the scheme to the company without compensation. Restriction period ends by the end of 2015. The total recognized IFRS value of shares conveyed over the lifetime of the incentive scheme will be approximately EUR 0.4 million with the addition of the cash payments.

[4] On 13 February 2014, the Board of Directors of SRV decided on a new share-based incentive scheme for the Group's key personnel. The scheme covers 26 key SRV personnel. The scheme will be in effect from 2014 to 2016 and rewards are tied to Group's result and specific business indicators. The potential reward will be paid partly as shares in the company and partly in cash. The proportion to be paid in cash will cover taxes and tax-related costs arising from the reward. A maximum of 558,000 SRV Group shares will be granted to key employees. The theoretical market value is calculated by the Black&Scholes model used for pricing options with the following criteria: share price EUR 4.00, risk-free interest rate 0.86% and a volatility of 32%. If a key person's employment or service ends during said restriction period, he/she must return the shares rewarded under the scheme to the company without compensation. The total recognized IFRS value of shares conveyed over the lifetime of the incentive scheme will be approximately EUR 2.5 million with the addition of the cash payments.

[5] In December 2014, the Board of Directors of SRV decided on new CEO's, starting from the beginning of January 2015, long-term share-based incentive scheme. The scheme will be in effect from 2014 to 2022 and the reward is based on the price development of SRV Group Plc's share. The company's Board of Directors will make a decision on the manner of implementation each time separately. According to the terms of the scheme, half of the post-tax value of the rewards must be tied to SRV Group Plc shares and the shares are subject to a two-year transfer restriction. The theoretical market value is calculated by the Black&Scholes model used for pricing options with the following criteria: original share price EUR 3.12, reference share price EUR 3.1374, risk-free interest rate 0.37% and a volatility of 25%. The total recognized IFRS value of shares conveyed over the lifetime of the incentive scheme will be approximately EUR 0.5 million.

The liabilities related to share-based payment transactions amounted to EUR 408 thousand (2015) and EUR 653 thousand (2014) in the consolidated financial statements.

* The Board of Directors of SRV Group Plc decided on 17 December 2015 to modify the company's share-based incentive scheme as a result of the rights issue implemented in September 2015. The purpose of the modifications is to assure that the value of the benefit remains unchanged for participants within the schemes.

9 Research and development expenses

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

10 Financial income and expenses

EUR 1,000	**2015**	2014
Financial income		
Interest income from loans and receivables	3,569	2,426
Financial asset/liabilities at fair value[1]	0	383
Other financial income	153	398
Total	**3,723**	**3,207**
Financial expenses		
Expenses for financial liabilities at amortised cost	-6,110	-6,867
Financial asset/liabilities at fair value	-3,323	–
Other financial expenses	-2,399	-1,378
Total	**-11,833**	**-8,245**
Foreign exchange gains/losses		
Foreign exchange gains	2,280	3,019
Foreign exchange losses	-1,018	-4,361
Total	**1,262**	**-1,342**
Financial income and expenses, total	**-6,848**	**-6,380**

[1] The comparable year's financial assets and liabilities at the fair value through profit and loss are disclosed in the income statement in financial expenses.

11 Income taxes

Income taxes in the income statement

EUR 1,000	**2015**	2014
Current taxes	2,832	4,139
Taxes for previous financial years	185	51
Other taxes	0	1
Deferred taxes	595	-1,033
Total	**3,612**	**3,158**
Effective income tax rate	20.5%	17.0%

The income taxes in the consolidated income statement differ from the statutory income tax rate in Finland (20% in 2015 and in 2014) as follows:

Income tax reconciliation

EUR 1,000	**2015**	2014
Profit before taxes	17,598	18,545
Income taxes at statutory tax rate in Finland (20% 2015 and 20% 2014)	3,520	3,709
Differing tax rates of foreign subsidiaries	-4	-3
Tax exempt income	-216	-221
Non-deductible expenses	549	786
Unrecognized and reversed tax losses	-433	-798
Taxes for previous financial years	185	-109
Associated companies and joint ventures consolidated using the equity method	13	-206
Adjustments	0	0
Income taxes	**3,612**	**3,158**

Income taxes recognized in other comprehensive income

	2015			2014		
EUR 1,000	**Before tax**	**Tax (expense) benefit**	**Net of tax**	Before tax	Tax (expense) benefit	Net of tax
Financial assets available for sale	528	-106	423	1,174	-235	939
Total	**528**	**-106**	**423**	**1,174**	**-235**	**939**

The income tax credited directly to equity

EUR 1,000	**2015**	2014
Hybrid bond interests tax	846	848
Total	**846**	**848**

12 Earnings per share

EUR 1,000	2015	2014
Profit/loss for the year attributable to equity holders of the parent	13,984	15,217
Profit/loss for the year attributable to hybrid bond investors	–3,383	–3,392
Adjusted profit/loss for the year attributable to equity holders of the parent	10,602	11,825

Number of shares	2015	2014
Weighted average number of shares outstanding, (1,000)[1]	42,616	39,771
Weighted average number of shares outstanding (diluted), (1,000)[1]	42,648	39,799
Earnings per share attributable to equity holders of the parent company, EUR per share[1]	**0.25**	**0.30**
Earnings per share attributable to equity holders of the parent company (diluted), EUR per share[1]	**0.25**	**0.30**

[1] Adjusted weighted number of shares, comparative data is share issue adjusted.

13 Dividend per share

The dividends paid in 2015 were EUR 0.12 per share, totalling EUR 4.3 million (share issue adjusted dividend EUR 0.07 per share). The dividends paid in 2014 were EUR 0.12 per share, totalling EUR 4.3 million. A dividend of EUR 0.10 per share will be proposed at the Annual General Meeting on 22 March 2015 corresponding to total dividends of EUR 5.9 million. This proposed dividend is not recorded as liability in the financial statements.

14 Property, plant and equipment

2015

EUR 1,000	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Total
Historical cost, 1 Jan	272	10,825	27,116	459	**38,672**
Increases	0	0	2,348	173	**2,522**
Decreases	0	0	–22	–3	**-25**
Transfer	0	0	3	0	**3**
Foreign exchange differences	–1	–65	–37	–7	**-110**
Historical cost, 31 Dec	**271**	**10,760**	**29,409**	**622**	**41,062**
Accumulated depreciation and impairments, 1 Jan	0	–6,717	–20,507	–112	**-27,336**
Depreciation	0	–724	–2,250	–99	**-3,073**
Accumulated depreciations of decreases	0	0	11	–2	**9**
Foreign exchange differences	0	5	38	0	**43**
Transfer	0	0	–14	–3	**-16**
Accumulated depreciation and impairments, 31 Dec	**0**	**-7,437**	**-22,721**	**-216**	**-30,374**
Carrying amount, 31 Dec	**271**	**3,323**	**6,687**	**407**	**10,688**

2014

EUR 1,000	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Total
Historical cost, 1 Jan	272	10,896	25,074	824	**37,066**
Increases	0	0	2,255	149	**2,404**
Decreases	0	–11	–80	–355	**-447**
Transfer	0	0	15	0	**15**
Foreign exchange differences	0	–61	–147	–158	**-366**
Historical cost, 31 Dec	**272**	**10,825**	**27,116**	**459**	**38,672**
Accumulated depreciation and impairments, 1 Jan	0	–6,141	–18,242	–58	**-24,441**
Depreciation	0	–585	–2,364	–68	**-3,018**
Accumulated depreciations of decreases	0	0	13	–1	**12**
Foreign exchange differences	0	10	103	17	**129**
Transfer	0	0	–19	–1	**-18**
Accumulated depreciation and impairments, 31 Dec	**0**	**-6,717**	**-20,507**	**-112**	**-27,336**
Carrying amount, 31 Dec	**272**	**4,108**	**6,609**	**347**	**11,335**

SRV Group had no significant value of finance lease agreements in 2015 and 2014.

15 Goodwill and other intangible assets

2015

EUR 1,000	Intangible rights	Goodwill	Other capitalised expenditure	**Total**
Historical cost, 1 Jan	734	1,734	978	**3,446**
Foreign exchange differences	18	0	-7	**11**
Increases	7	0	1,561	**1,568**
Decreases	0	0	-30	**-30**
Historical cost, 31 Dec	**759**	**1,734**	**2,502**	**4,995**
Accumulated amortisation, 1 Jan	-481	0	-492	**-973**
Foreign exchange differences	-20		-5	**-25**
Amortisation	-2	0	-402	**-403**
Accumulated amortisation, 31 Dec	**-503**	**0**	**-898**	**-1,402**
Carrying amount, 31 Dec	**256**	**1,734**	**1,603**	**3,593**

2014

EUR 1,000	Intangible rights	Goodwill	Other capitalised expenditure	**Total**
Historical cost, 1 Jan	728	1,734	880	**3,342**
Foreign exchange differences	0	0	-33	**-33**
Increases	7	0	157	**164**
Decreases	0	0	-26	**-26**
Historical cost, 31 Dec	**735**	**1,734**	**977**	**3,446**
Accumulated amortisation, 1 Jan	-473	0	-368	**-841**
Foreign exchange differences	-3	0	-6	**-9**
Amortisation	-5	0	-126	**-131**
Accumulated amortisation, 31 Dec	**-481**	**0**	**-500**	**-981**
Carrying amount, 31 Dec	**254**	**1,734**	**477**	**2,465**

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

Goodwill

EUR 1,000	**2015**	2014
Operations in Finland		
SRV Rakennus Oy	1,734	1,734
Total	**1,734**	**1,734**

Impairment test

The recoverable amount of cash-generating units is based on the value in use calculation model in which cash flows are based on base year figures and on business units growing cash flows for the next 5 years strategy period.

On 5 August 2015, SRV's Board of Directors confirmed the Group's strategic goals for the years 2015–2019, as follows:

- With large-scale projects, the company will seek to outpace the growth of the industry during the strategy period.
- The operating margin will rise to more than 8 per cent by the end of the strategy period.
- The return on equity will be at least 15% by the end of the strategy period.
- The return on investment of International Operations will rise to at least 15% by the end of the strategy period.
- The equity ratio will be kept at over 30%.
- Steady dividend payments equalling 30–50% of the annual result, taking into account the capital needs of business operations.

In the impairment test of goodwill performed in January 2015, a growth factor of 2% was used and it did not exceed the actual long-term growth of the business. The main factors in the impairment test were operating profit margin and discount factor. The discount factor used was the latest weighted average cost of capital (WACC) pre-tax. In the value in use calculation a WACC of 8% was used. The calculation parameters of WACC are risk-free interest rate, market risk and company specific premium, industry specific beta, the cost of liabilities and equity ratio. The recoverable amount exceeded the carrying amounts significantly in all cash-generating units with goodwill. According to the impairment tests there was no need for impairments.

Sensitivity analysis

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

16 Financial assets and liabilities by measurement categories

2015

EUR 1,000	Financial assets and liabilities at fair value through profit and loss	Loans and receivables	Available for-sale financial assets	Financial liabilities measured at amortised cost	Carrying amounts by balance sheet item	Fair value	Note
Non-current financial asset							
Long-term interest bearing receivables	0	656	0	0	656	656	19
Loan receivables from associated companies and joint ventures	0	31,240	0	0	31,240	31,240	22
Other financial assets	0	0	11,741	0	11,741	11,741	18
Current financial assets							
Accounts receivables	0	43,187	0	0	43,187	43,187	23, 29
Construction contracts receivables	0	28,049	0	0	28,049	28,049	23
Other interest bearing receivables	0	21	0	0	21	21	23
Derivative instruments	0		0	0	0	0	30
Loan receivables from associated companies and joint ventures	0	5,600	0	0	5,600	5,600	22
Cash and cash equivalents	0	35,026	0	0	35,026	35,026	24
Total	**0**	**143,779**	**11,741**	**0**	**155,520**	**155,520**	
Non-current financial liabilities							
Interest bearing liabilities	0	0	0	163,198	163,198	165,547	27
Derivative instruments	3,323	0	0	0	3,323	3,323	31
Other non-current liabilities	0	0	0	3,988	3,988	9,888	28
Current financial liabilities							
Interest bearing liabilities	0	0	0	102,629	102,629	102,629	27
Accounts payables	0	0	0	0	44,210	44,210	28
Total	**3,323**	**0**	**0**	**269,814**	**317,347**	**325,597**	

2014

EUR 1,000	Financial assets and liabilities at fair value through profit and loss	Loans and receivables	Available for-sale financial assets	Financial liabilities measured at amortised cost	Carrying amounts by balance sheet item	Fair value	Note
Non-current financial asset							
Long-term interest bearing receivables	0	928	0	0	928	928	19
Loan receivables from associated companies and joint ventures	0	29,953	0	0	29,953	29,953	22
Other financial assets	0	0	9,250	0	9,250	9,250	18
Current financial assets							
Accounts receivables	0	43,683	0	0	43,683	43,683	23, 29
Construction contracts receivables	0	10,685	0	0	10,685	10,685	23
Other interest bearing receivables	0	18	0	0	18	18	23
Derivative instruments	0		0	0	0	0	30
Loan receivables from associated companies and joint ventures	0	1,100	0	0	1,100	1,100	22
Cash and cash equivalents	0	18,449	0	0	18,449	18,449	24
Total	**0**	**104,817**	**9,250**	**0**	**114,067**	**114,067**	
Non-current financial liabilities							
Interest bearing liabilities	0	0	0	147,028	147,028	149,561	27
Other non-current liabilities	0	0	0	39	39	39	28
Current financial liabilities							
Interest bearing liabilities	0	0	0	77,563	77,563	77,563	27
Derivative instruments	0	0	0	0	0	0	31
Accounts payables	0	0	0	0	22,267	22,267	28
Total	**0**	**0**	**0**	**224,629**	**246,897**	**249,430**	

Carrying amounts do not differ substantially from fair value excluded bonds. The fair value of a bond is based on discounted cash flows. Interest by means of which the Group would obtain a corresponding external loan on the ending date of the reporting period is used as the discount rate. Price quotations are used to determine the fair value of interest-rate derivatives. These price quotations are based on predominant market circumstances and generally accepted pricing models. Carrying amounts of financial assets represent the maximum amount of credit risk at the balance sheet date.

17 Shares in associated and joint venture companies

Shares in associated and joint venture companies

EUR 1,000	2015	2014
Shares in associated companies	81,089	72,824
Shares in joint venture companies	125,558	27,136
Total	**206,647**	**99,960**

Shares in associated and joint venture companies are investments into international construction projects together with other investors.

Information about the substantial associated companies

		Direct ownership (%)	
Name	Domicile	2015	2014
Jupiter Realty 1 B.V.	Netherlands	45	45

The associated company is investing in Okhta Mall project in St Petersburg. SRV is also investing in the project through partnership with Russia Invest.

Information about the substantial joint venture companies

		Direct ownership (%)	
Name	Domicile	2015	2014
Netherland Pearl Plaza B.V.	Netherlands	50	50
KSK Redi Ky	Finland	40	–
KSK Parking I Ky	Finland	40	–

Netherland Pearl Plaza B.V. the joint venture company is investing in the Pearl Plaza project in St Petersburg. REDI joint venture companies are investing in construction of Helsinki Kalasatama shopping center and parking facility.

Financial information about the substantial associated companies

	Jupiter Realty 1 B.V.		Netherland Pearl Plaza B.V.		REDI	
	2015	**2014**	**2015**	2014	**2015**	2014
Cash and cash equivalents	–	–	2,427	1,731	9,512	–
Other short term assets	28,604	90,623	3,981	1,871	9,057	–
Short term asset	**28,604**	**90,623**	**6,408**	**3,602**	**18,569**	**-**
Long term asset	**128,497**	**8,574**	**153,197**	**154,732**	**157,298**	**-**
Long term liabilities	**6,522**	**8,523**	**16,222**	**15,820**	**5,230**	**-**
Long term financial liabilities	–	–	95,000	95,000	21,855	–
Long term liabilities	82,272	35,814	–	–	–	–
Other long term liabilities	**82,272**	**35,814**	**95,000**	**95,000**	**21,855**	**-**
Net sales	0	0	17,223	20,167	0	–
Depreciation	–	–	–1,538	–40	0	–
Interest income	–	–	55	60	3	–
Interest expenses	–	–	–5,660	–5,700	–32	–
Income taxes	–	–	–1,479	–1,094	157	–
Profit for the financial period	–1,553	–1,096	790	4,317	–629	–
						–
The reconciliation of the associated and joint venture companies financial information to the Group's unbooked book value:						–
The Group's ownership-%	45	45	50	50	40	–
The Group's share of net assets	30,738	24,687	24,191	23,757	59,870	–
Adjustment to purchase price of associated companies	15,381	15,381	–	–	0	–
Upfront investment share of the joint ventures[1]	–	–	–	–	37 885	–
The balance sheet value of the associated and joint venture companies in the Group´s balance sheet	46,119	40,068	24,191	23,757	97,755	–

[1] SRV's equity investment is upfront compared to other equity investors investments.

Summary of financial information

	Other associated companies		Other joint venture companies	
	2015	**2014**	**2015**	2014
The Group's share of the profit	263	–1,332	233	696
The total book value in the Group´s balance sheet	34,970	32,756	3,612	3,379

18 Other financial assets

Other financial assets may include quoted or unquoted shares, which are classified as available-for-sale financial assets. The valuation methods and the fair value hierarchy of the available-for-sale financial assets are presented in note 29.

EUR 1,000	**2015**	2014
Opening balance, 1 Jan	**9,250**	**10,805**
Increases	3,046	0
Decreases	–26	–317
Net gains and losses recognised in equity	–528	–1,174
Net gains and losses recognised in profit or loss	0	–64
Closing balance, 31 Dec	**11,741**	**9,250**
Non-current	11,741	9,250
Current	0	0
Quoted shares	0	0
Unquoted shares	11,741	9,250

19 Receivables

	Carrying amount	
EUR 1,000	**2015**	2014
Non-current receivables		
Loan receivables	656	928
Total	**656**	**928**

20 Deferred tax assets and liabilities

2015

EUR 1,000	1 Jan	Recognised in the income statement	Recognised in comprehensive income	Exchange rate difference	31 Dec
Deferred tax assets					
Tax losses	3,375	–685	0	0	2,690
Employee-benefits	170	–155	0	0	15
Unrealised losses of financial instruments	243	0	106	0	349
Accrual differences in developer contracting	2,834	–597	0	0	2,237
The fair value of derivatives	0	665	0	0	665
Other temporary differences	332	995	0	17	1,344
Total	**6,954**	**222**	**106**	**17**	**7,298**
Deferred tax liabilities					
Borrowing costs	1,070	187	0	0	1,257
Other temporary differences	477	629	0	–20	1,087
Total	**1,548**	**816**	**0**	**-20**	**2,344**
Net deferred taxes	**5,406**	**-595**	**106**	**37**	**4,954**

2014

EUR 1,000	1 Jan	Recognised in the income statement	Recognised in comprehensive income	Exchange rate difference	31 Dec
Deferred tax assets					
Tax losses	2,683	692	0	0	3,375
Employee-benefit	343	–173	0	0	170
Unrealised losses of financial instruments	0	8	235	0	243
Accrual differences in developer contracting	2,650	184	0	0	2,834
Other temporary differences	1,822	–799	0	–691	332
Total	**7,498**	**-87**	**235**	**-691**	**6,954**
Deferred tax liabilities					
Borrowing costs	978	92	0	0	1,070
Unrealised profits of financial instruments	160	–160	0	0	0
Other temporary differences	1,529	–1,052	0	0	477
Total	**2,667**	**-1,120**	**0**	**0**	**1,548**
Net deferred taxes	**4,831**	**1,033**	**235**	**-691**	**5,406**

The Group's accumulated losses for which no deferred tax assets have been recognised were EUR 4,369 thousand (EUR 4,576 thousand) because realisation of the tax benefit is not considered probable.

The deferred tax liability has been recognised in the consolidated financial statements in connection with 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 the Group is able to control the timing of profit distribution and the distribution is not probable at the balance sheet date.

21 Inventories

EUR 1,000	**2015**	2014
Raw materials and consumables	2,226	3,380
Work in progress	101,850	79,371
Land areas and plot-owning companies	187,472	162,122
Shares in completed housing corporations and real estate companies	38,103	60,984
Advance payments	6,550	6,557
Other inventories	373	350
Inventories, total	**336,573**	**312,765**

During the financial year capitalized interests the amount of which was EUR 1,643 thousand (2014: EUR 1,468 thousand) was included in the value of work in progress. The capitalisation rate used was 2.4% on average.

The carrying amount of completed inventories used as security for loans in 2015 amounted to EUR 31,280 thousand (2014 EUR 52,310 thousand) and the carrying amount of inventories under construction in 2015 was EUR 86,981 thousand (2014 EUR 24,423 thousand).

During the financial year 2015 there was impairment losses in shares in completed housing companies for EUR 269 thousand. During the financial year 2014 there was impairment losses for land areas for EUR 188 thousand and for shares in completed housing corporations for EUR 298 thousand.

22 Loan receivables from associated companies and joint ventures

EUR 1,000	**2015**	2014
Long term loan receivables from associated companies	29,953	23,643
Increases	3,672	6,734
Decreases	-2,385	-425
	31,240	**29,953**
Short term loan receivables from joint ventures	1,100	1,100
Increases	4,500	0
Decreases	0	0
	5,600	**1,100**

23 Accounts and other receivables

	Carrying amount	
EUR 1,000	**2015**	2014
Accounts receivables	43,187	43,683
Loan receivables	21	18
Gross amount due from customers related to construction contracts	28,049	10,685
Accrued income and prepaid expenses	37,758	24,923
Other receivables	2,931	3,277
Total	**111,947**	**82,587**
Interest bearing receivables	21	18
Non-interest bearing receivables	111,925	82,568
Total	**111,947**	**82,587**

Carrying amount does not substantially differ from fair value.

In 2015 the Group's accounts receivables were on average EUR 43 million. The accounts receivables are non-interest bearing and they are normally about 30 days old.

24 Cash and cash equivalents

EUR 1,000	**2015**	2014
Cash and cash equivalents	35,026	18,449
Total	**35,026**	**18,449**

25 Equity

Share capital, share premium reserve and invested free equity fund

EUR 1,000	Number of shares	Share capital	Invested free equity fund
1 Jan 2014	35,494,929	3,063	92,204
Return of treasury shares	-6,000		0
Transfer of treasury shares	104,232		63
31 Dec 2014	**35,593,161**	**3,063**	**92,267**
1 Jan 2015	35,593,161	3,063	92,267
Return of treasury shares	-3,810		0
Transfer of treasury shares	5,000		356
Share issue	23,731,107		48,562
31 Dec 2015	**59,325,458**	**3,063**	**141,185**

Shares, share capital and share premium reserve

On 31 December 2015, the total number of SRV Group Plc's shares outstanding was 59,325,458 and the share capital amounted to EUR 3,062,520. The share has no nominal value.

The Annual General Meeting of SRV Group Plc authorised on 25 March 2015 the Board of Directors to acquire the company's own shares (treasury shares) using the company's non-restricted equity. A maximum of 3,676,846 own shares, or a lower amount that, in addition to the shares already owned by the company and its subsidiaries, is less than 10% of all shares, may be acquired on the basis of the authorisation. The authorisation includes the right to acquire own shares in proportion other than the holdings of the shareholders. The authorisation is in force for 18 months from the decision of the Meeting.

The company's own shares can be acquired in order to be used as part of the company's incentive programs, as payment in corporate acquisitions or when the company acquires assets relating to its business as well as to be otherwise conveyed, held or cancelled.

At the end of December there were 1,174,117 own shares in the Group´s possession.

Invested free equity fund

Invested free equity fund consists of the net proceeds from the Offering of SRV Group Plc as well as received and cancelled SRV shares. Invested free equity fund also includes the share subscription of own shares conveyance.

Translation difference

Translation difference comprises of the translation of financial statetements of the foreign subsidiaries to the functional currency of the parent company in case the functional currency is not euros.

Fair value reserve

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

Hybrid bond

Shareholders' equity (after equity belonging to shareholders) includes a EUR 45 million hybrid bond issued in 2012. The bond coupon is 9.5% per year. The bond has no maturity date, but the company has the right to redeem it four years after the date of issue. The hybrid bond is unsecured and in a weaker preference position than promissory notes. A holder of hybrid bond notes has no shareholder rights.

Dividends

After the balance sheet date, the Board of Directors proposed a dividend of EUR 0.10 per share.

26 Provisions

2015

EUR 1,000	Warranty provisions	10-year warranty	Other provisions for construction contracts	Other provisions	Total
1 Jan	**6,169**	**4,057**	**271**	**0**	**10,497**
Increase in provisions	0	0	–22	0	–22
Provisions used	2,432	821	156	0	3,409
Reversals of unused provisions	–2,674	–8	–124	0	–2,806
31 Dec	0	0	0	0	0
31 Dec	**5,926**	**4,871**	**280**	**0**	**11,076**
Non-current					6,297
Current					4,779
Total					**11,076**

2014

EUR 1,000	Warranty provisions	10-year warranty	Other provisions for construction contracts	Other provisions	Total
1 Jan	**5,500**	**3,803**	**356**	**0**	**9,660**
Increase in provisions	–97	0	–6	0	–103
Provisions used	2,879	377	390	0	3,646
Reversals of unused provisions	–2,113	–123	–469	0	–2,705
31 Dec	**6,169**	**4,057**	**271**	**0**	**10,497**
Non-current					6,523
Current					3,974
Total					**10,497**

Other provisions for construction contracts include warranty for potential disputes and other provisions for construction contracts. The 10-year warranty provision is based on index-adjusted historical data.

27 Interest-bearing liabilities

EUR 1,000	Carrying amount **2015**	Fair value **2015**	Carrying amount 2014	Fair value 2014
Non-current				
Loans from financial institutions	29,452	29,452	26,607	26,607
Bonds	74,887	77,349	74,850	77,382
Housing corporation loans	58,858	58,858	45,572	45,572
Total	**163,198**	**165,660**	**147,028**	**149,561**
Current				
Loans from financial institutions	16,579	16,579	47,873	47,873
Commercial papers	86,000	86,000	29,500	29,500
Housing corporation loans	50	50	190	190
Total	**102,629**	**102,629**	**77,563**	**77,563**

Carrying amounts do not differ substantially from fair value excluded bonds. The fair value of a bond is based on discounted cash flows. Interest by means of which the Group would obtain a corresponding external loan on the ending date of the reporting period is used as the discount rate. Price quotations are used to determine the fair value of interest-rate derivatives.

28 Other liabilities

EUR 1,000	Carrying amount **2015**	2014
Non-current		
Derivative liabilities	3,323	–
Other liabilities	664	39
Total	**3,988**	**39**
Current		
Accounts payables	44,210	22,267
Advance payments related to construction contracts	104,130	49,223
Other advance payments	6,473	2,801
Other current liabilities	27,761	18,920
Accrued expenses and prepaid income	18,800	18,303
Total	**201,374**	**111,514**
Accrued expenses and prepaid income		
Wages and salaries and related expenses	10,133	9,327
Interest and other financial liabilities	262	252
Periodisations of project expenses	7,560	6,510
Other	845	2,214
Total	**18,800**	**18,303**

29 Financial risk management

The SRV Group is exposed to several financial risks in its business operations. The most significant financial risks are related to interest, currency, liquidity and credit. The management of the Group's financial risks is concentrated on the Group's finance department. The management of financial risks is implemented in accordance with the financial policies approved by the Board of Directors. Financial policy is updated as required to respond to the changes in the marketplace. The objective of management of the Group's financial risks is to reduce the uncertainty that the changes occurring on the financial markets incur on the financial result of the Group.

Interest-rate Risks

The cash flows and fair values of the Group's debts and receivables subject to interest are susceptible to changes in interest. Interest-rate risk is composed primarily of the short- and long-term loans connected with the funding of business operations as well as receivables sold to financing companies. The overwhelming bulk of the Group's credit is obtained for target-specific, short-term construction period financing requirements. Construction period financing is typically either re-financed or paid off at the time of transfer. The Group can assume long-term debt at both a variable and fixed interest rate. The weighted average value of interest respective to the entire loan portfolio when the accounts were closed was 2.4%. Euribor is primarily the reference rate of variable-interest loans.

Interest-rate risk is monitored and measured from the perspective of the income statement by means of gap analysis as well as via the average interest rate linkage period. Interest-rate risk is managed by changing the ratio of variable- and fixed-interest debts in the loan portfolio. The proportion of fixed-interest loans in the entire loan portfolio (contains off-balance sheet receivables sold to banks and financing companies) when the accounts were closed was 55%. Interest-rate risk is also managed by interest period selection or by changing the content of the loan portfolio afterwards via derivatives. SRV Group Plc signed two new interest rate swap contracts totaling EUR 100 million in 2015. Swapping of interest starts in July 2016 and both contracts mature in 2025. By means of derivatives, protection is sought from market interest rate changes, and changes in the fair value of interest rate derivatives are entered into financial returns or expenditures for the financial year during which they occur. The fair values for derivatives correspond to the prices that the Group would be required to pay or would obtain if it were to dissolve the derivative agreement. Price quotations are used to determine the fair value of interest-rate derivatives. These price quotations are based on predominant market circumstances and generally accepted pricing models. Hedge accounting has not been applied to interest-rate derivatives used in 2015 and 2014. The effect of fair valuation of interest rate swaps would have been EUR 8.3 million on the profit of the period when interest rates rise one percentage. If interest rates decrease one percentage the effect on the profit of the period would have been EUR -9.6 million. General interest rate change also has direct impacts on the investment decisions of the Group's customers and, via the same, cash flows from the Group´s business operations.

The accompanying sensitivity analysis compliant with IFRS7 contains variable interest rate financial debts in which there is an interest rate inspection during the next 12 months, in accordance with the closing balance sheet. Variable interest rate financial debts are composed of target-specific company loans and variable interest rate loans respective to the Group's general financing sphere. Sensitivity analysis for financial debts contains off-balance sheet receivables sold to banks and financing companies to the amount of EUR 33.4 million. On the date of closing the accounts, the Group did not have any variable interest rate financing receivables. The sensitivity analysis includes also interest rate derivatives that start during the next 12 months.

2015 EUR 1,000	Interest risk position	Average interest rate	Average maturity, months	Sensitivity EUR[1] −1%	Sensitivity EUR[1] +1%	2014 Carrying amount	2014 Sensitivity, EUR
Debt, floating rate	−132,618	1.72%	2.7	1,105	−1,105	−121,613	−994
Derivatives	100,000	−0.06%[2]	6.4	−449	449	0	0
Receivables	0	0.00%	0	0	0	0	0
	−32,618			656	−656		

[1] Effect of one percentage point in market interest rates on the Group's interest expenses and revenue during the next 12 months. All other variables assumed unchanged.

[2] Interest rate swap contracts first interest fix is in July 2016, therefore forward rates have been used to predict fixing date interest rates. Impact of interest rate risk for the interest rate swaps include only five months as interest rate swaping begings in July 2016.

Currency Risks

The Group is exposed to currency risks relating to the international business' commercial cash flows, financing of the ongoing projects during the construction period and equity and other investments in foreign subsidiaries and project companies. The most significant currency to pose currency risk in 2015 was the Russian ruble. The foreign subsidiaries are, in accordance with the Group's financial policies, responsible for identifying and reporting rate of exchange risks connected with currency-based cash flows to the finance department. The objective of currency risk management is to minimise the effect of currency fluctuation on earnings and equity. The Group aims to stay currency neutral. Open positions can be hedged with derivatives or currency loans according to Group financing policy. At the end of year 2015 there were no open hedge instruments.

Currency risks are divided into transaction risk and translation risk. Transaction risk relates to business (sales and purchases) and financing (loans) cash flows in non-functional currencies. Translation risk relates to investments in foreign subsidiaries and project companies and the effect is shown in translation differences in the Group´s consolidated equity. The Group is exposed to RUB risk in those entities where the operational currency is not euros. Currency risk is also present in project financing done in Russia as the value of project collateral is affected by changes in the currency. Declining project collateral value can lead to a need for additional collateral or re-negotiation of loan terms and amounts.

Sensitivity to currency fluctuation

The sensitivity analysis illustrates the impact of currency fluctuations to the Group´s earnings and equity. In the table below the positions are shown as net positions after matching the in- and outgoing cashflows and possible hedge transactions. The positions include only financial instruments at the balance sheet date and therefore highly probable sales and purchases that could have been hedged or that could have a neutralising impact on the cashflows are not noted. A change of +/-10% is used as it is considered to be a potential change in the currency areas in question.

EUR 1,000	**2015 RUB**	2014 RUB
Transaction risk[1]	−4,332	−1,593
Translation risk	22,309	22,735
Impact on earnings		
euro 10% strenghtening	394	145
euro 10% weakening	−481	−177
Impact on equity[2]		
euro 10% strenghtening	−2,028	−2,067
euro 10% weakening	2,479	2,526

[1] The sign illustrates the direction of the cash flow, e.g. negative sign shows that there is more outgoing than incoming cashflow in that particular position.

[2] Direct impact, effect through earnings not noted.

Liquidity and refinancing risks

Liquidity and refinancing risk may have an impact on the Group´s result, cash flow and developer contracting projects if the Group is not able to secure sufficient financing for the operations.

The Group maintains adequate liquidity by efficient cash management and related instruments, like committed current account overdraft limits (EUR 23.3 million). Financing for developer contracting projects is secured by sales process, project loans and use of general liquidity reserves. Project receivables are also sold to banks and financing companies as a part of liquidity management when needed. The Group has a long-term committed Revolving Credit Facility (EUR 100 million) and in addition to that an uncommitted Commercial Paper Programme (EUR 100 million) for short-term financing needs. Refinancing risk is managed by maintaining the maturity of the commited credit lines in relation to the cash flows of debt payments. At the end of December 2015 the amount of commited undrawn credit lines and cash in hand and in bank accounts amounted to EUR 175.4 million of which the Group's cash assets amounted to EUR 35.0 million, and open-ended account limits and committed undrawn financing reserves to EUR 140.3 million.

The total amount of accounts receivable and undrawn project loans in SRV's housing and business developer contracting projects was EUR 147.3 million. SRV estimates that the total cost to finish these projects is EUR 227.0 million. The equity ratio and liquidity covenant function as financial covenants. The equity ratio is reported to lenders also with respect to developer contracting sites based on percentage of completion. Liquidity refers to the Group's immediately available cash, cash equivalents and deposits, committed limits and non-drawn loans in which the maturity period exceeds 12 months, as well as the non-drawn share of the syndicated liquidity limit.

Financial liabilities

2015

			Maturity				
EUR 1,000	Carrying amount	Contractual liability[1]	2016	2017	2018	2019	Later
Bonds	74,887	86,250	3,750	3,750	78,750	0	0
Loans from financial institutions[2]	46,031	56,134	22,987	23,445	9,702	0	0
Housing loans[3]	58,858	77,237	907	1,407	1,537	1,699	71,687
Commercial Papers	86,000	86,000	86,000	0	0	0	0
Other liabilities	2	2	2	0	0	0	0
Derivative liabilities [4]	3,324	3,324	672	1,367	1,117	800	-631
Accounts payables	44,210	44,210	44,210	0	0	0	0
Investment commitment [5]	47,614	47,614	17,634	2,125	2,293	2,482	23,080
Total	**360,926**	**400,771**	**176,162**	**32,094**	**93,399**	**4,981**	**94,136**

2014

			Maturity				
EUR 1,000	Carrying amount	Contractual liability[1]	2015	2016	2017	2018	Later
Bonds	74,850	90,000	3,750	3,750	3,750	78,750	0
Loans from financial institutions[2]	74,480	75,313	47,803	11,576	14,263	1,355	317
Housing loans[3]	45,572	49,636	984	1,027	2,280	2,587	42,759
Commercial Papers	29,500	29,500	29,500	0	0	0	0
Subordinated loans	0	0	0	0	0	0	0
Other liabilities	8	8	8	0	0	0	0
Derivative liabilities [4]	0	0	0	0	0	0	0
Accounts payables	22,267	22,267	22,267	0	0	0	0
Investment commitment [5]	9,642	9,642	9,642	0	0	0	0
Total	**256,318**	**276,366**	**113,953**	**16,352**	**20,294**	**82,691**	**43,076**

[1] Includes all contractual payments, e.g. interest and commitment fees.

[2] Commmitted current account overdrafts are assumed to expire 2016.

[3] Loan and interest payment liability is noted for the full contractual amount until the completion of the property and thereafter in proportion of the sales rate.

[4] Fair value and contractula liabilities are calculated using book closing date market forecasts. According to forecast SRV will receive positive net interest income from interest rate derivatives from 2020 onwards.

[5] Off-balance sheet liability.

Cash and liquidity reserves available

EUR 1,000	31 Dec 2015	31 Dec 2014
Committed credit facility	100,000	100,000
Committed current account overdraft limits	22,100	23,300
Cash and cash equivalents	35,026	18,449
Total	**157,126**	**141,749**

In addition to the above the Group has EUR 18.2 million of undrawn housing loans and other project financing facilities available for selected projects. These are not included in the liquidity reserves.

Credit risk

The Group is exposed to credit risk relating to receivables from ongoing projects, accounts receivables, loan receivables, cash investments and receivables from derivative instrument counterparties. The Group does not have any significant investment activities or derivative instrument trading. The investments relate to daily cash management and are mainly short-term bank deposits with the Group's solid relationship banks. The Group Treasury unit is responsible for investment and derivative instrument counterparty risks in accordance with the Group financing policy approved by the Board of Directors. Business units are responsible for credit risk management relating to ongoing projects and accounts receivables in accordance with the Group credit policy which defines the requirements for credit decision process, sales terms and collection process. The Group's commercial counterparties are mainly publicly listed companies or notable institutional- and property investors. In Housing business there are mainly individuals as buyers and at the end of the year 2015 one rental agreement was made relating to completed apartments. The same Group credit policy principles are applied to tenant selection. Tenants are usually required to deposit a guarantee payment equivalent to two months rent. The loan receivables relate to financing the construction period for ongoing or development projects where the Group also has equity interest.

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. Competition for new orders in the construction sector is fierce, which may affect the volume and profitability of SRV's new order backlog. Contracts concerning construction have a significant value. Agreements set specific terms and schedules for the agreed parties concerning achievement of set targets and adhering to agreed procedures. In particular, execution of additional works and alterations may involve financial risks that grow when the economic situation is poor. Contract receivables may involve additional and alteration works involving customer complaints or disputes concerning the payment obligations of the client. Based on business operation directors' estimations adequate provisions have been made and receivables don't include need for depreciations. If the project parties cannot arrive at a mutual understanding on payment obligations during the final financial review, the company may have to enter into legal proceedings against the client. The outcomes of legal proceedings involve uncertainties. It is also impossible to precisely assess the time required by court procedures owing to disputes. SRV initiated litigations against two buyers in two separate cases during 2013 concerning disputes of payment liabilities. SRV initiated a legal process against Auroratalo Oy and HDL-Talot Oy, connected with payment liability for construction costs in the renovation and new construction contract of the Auroratalo building. The amount of SRV's claim is approximately EUR 3.6 million (VAT 0%). SRV also initiated litigation against Kiinteistö Oy Abraham Wetterintie 6 in a dispute concerning construction costs and schedule as well as the property company's payment liability in a construction works contract in which SRV Rakennus Oy has constructed a site comprised of several blocks of flats for the property company concerned. Keva owns the entire capital stock of the property company. The orderer has filed a counterclaim (3/2014), in which he has demanded approximately EUR 3.9 million from SRV. The amount of SRV's claim is approximately EUR 7.1 million (VAT 0%). The SRV Management Group believes that these cases and their outcomes will not significantly affect SRV's financial position.

Ageing of accounts receivables

EUR 1,000	2015	2014
Current	32,224	33,639
1–30 days past due	4,009	2,708
31–60 days past due	27	42
61–90 days past due	124	2
91–180 days past due	86	1,055
181–360 days past due	462	81
Over 361 days past due[1]	6,253	6,154
Total	**43,187**	**43,683**

[1] Includes sales receivables from disputes specified in credit risk.

There were no past due receivables in other group financial assets.
Accounts receivables do not contain provisions for credit losses.

Fair value hierarchy of financial assets and liabilities

Financial assets at fair value through profit or loss

There were no financial assets at fair value through profit or loss at 31 Dec 2015 or 31 Dec 2014.

Derivative financial instruments at fair value through profit or loss

EUR million	Level 1	Level 2	Level 3	Total
31 Dec 2015				
Derivative financial assets	0	0	0	**0**
Derivative financial liabilities	0	3.3	0	**3.3**
31 Dec 2014				
Derivative financial assets	0	0	0	**0**
Derivative financial liabilities	0	0	0	**0**

Available-for-sale financial assets

EUR million	Level 1	Level 2	Level 3	Total
31 Dec 2015				
Unlisted shares	0	0.5	11.3	**11.7**
31 Dec 2014				
Unlisted shares	0	0.5	8.7	**9.3**

Level 1 instruments are traded in active markets and their fair values are directly based on the market price.
The fair values of level 2 instruments are derived from market data.
The fair values of level 3 instruments are not based on observable market data but on amortised cost, quotations provided by brokers and market valuation reports.

Unlisted shares and investments consist mainly of investments in leisure time facilites, which are used by SRV's employees (level 2) and of investments in and related to real estate funds (level 3).

The table below presents movements in level 3 instruments for 2015

EUR million	Unquoted shares and holdings
Opening balance at 1 Jan 2015	8.7
Increases	3.0
Decreases	0.0
Net gains/losses recognised in equity	−0.5
Gains/losses recognised in profit or loss	0.0
Total	**11.3**

The table below presents movements in level 3 instruments for 2014

EUR million	Unquoted shares and holdings
Opening balance at 1 Jan 2014	9.9
Increases	0.0
Decreases	0.0
Net gains/losses recognised in equity	−1.2
Gains/losses recognised in profit or loss	0.0
Total	**8.7**

Capital risk management

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

To maintain the capital structure the Group can balance the dividends, issue new shares or equity loans. Additionally the Group can adjust the businesses and capital to be used to maintain the capital structure. The Group monitors its capital on the basis of equity ratio. The Group's objective is to maintain the ratio of total equity to total assets less advance payments above 35%. Total equity consists of equity attributable to equity holders of the parent company, non-controlling interests and hybrid bond.

EUR 1,000	2015	2014
Total equity	277,189	225,164
Total assets	762,620	576,067
Advance payments	−110,624	−52,055
	651,996	**524,012**
Equity ratio, %	**42.5%**	**43.0%**

30 Operating leases, commitments and contingent liabilities

The Group as lessee

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

EUR 1,000	2015	2014
In less than a year	3,047	3,787
In more than one but less than five years	9,023	9,840
In more than five years	11,102	12,680
Total	**23,171**	**26,307**

Liabilities in connection with the operating lease agreements of employees´ cars generally have a duration of three to four years. The Group's maximum duration in the operating lease agreements is 162 months. Open-ended leasing agreements duration time is estimated to be 12 months. The various terms and conditions of the office premises contracts including the index, renewal and other terms differ from each other.

EUR 1,000	2015	2014
Collateral given for own liabilities		
Real-estate mortgages given	90,356	79,198
Other commitments		
Investment commitments given	47,614	9,642
Landarea commitments	161,848	185,793

The Group has guaranteed obligations of its subsidiaries. At 31 December 2015, the total amount of these guarantees was EUR 301,783 thousand (271,571).

31 Fair and nominal values of derivative instruments

EUR 1,000	2015		2014	
Fair values	**Positive**	**Negative**	Positive	Negative
Interest rate swap	0	3,323	0	0
Total	**0**	**3,323**	**0**	**0**

EUR 1,000		
Nominal values of derivative instruments	**2015**	2014
Interest rate swap	100,000	0
Total	**100,000**	**0**

32 Adjustments to cash flows from operation

EUR 1,000	2015	2014
Non-cash transactions		
Change in provisions	580	837
Change in the fair values	106	298
Others	895	70
Total	**1,581**	**1,205**

33 Subsidiaries

Name	Domicile	Group's holding, %	Group's voting right, %
Shares in subsidiaries			
SRV Rakennus Oy	Espoo	100.00	100.00
SRV Investments S.à r.l.	Luxembourg	100.00	100.00
Rakennusliike Purmonen Oy	Joensuu	65.00	65.00
SRV Kalusto Oy	Vihti	100.00	100.00
SRV Infra Oy	Kerava	100.00	100.00
KOy Nummelanrinne	Vihti	100.00	100.00
SRV Voima Oy	Espoo	100.00	100.00
SRV Russia Oy	Espoo	100.00	100.00
OOO SRV Development	St Petersburg	100.00	100.00
SRV Stroi OOO	Moscow	100.00	100.00
OOO SRV 360	St Petersburg	100.00	100.00
SRV Ehituse AS	Tallinn	100.00	100.00
SRV Realty B.V.	Amsterdam	100.00	100.00
Jupiter Realty B.V.	Amsterdam	100.00	100.00

The list does not include project companies.

34 Related party transactions

2015

EUR 1,000	Selling of goods and services	Purchase of goods and services	Interest income	Receivables	Liabilities
Management and Board of Directors	0	5,300	0	0	0
Joint ventures	113,878	0	143	6,403	1
Associate company	49,803	184	3,123	34,810	5,112
Other related parties	0	2	0	0	0
Total	**163,681**	**5,486**	**3,266**	**41,213**	**5,113**

2014

EUR 1,000	Selling of goods and services	Purchase of goods and services	Interest income	Receivables	Liabilities
Management and Board of Directors	0	0	0	0	0
Joint ventures	774	0	159	2,296	0
Associate company	40,151	140	2,095	34,072	21
Other related parties	0	0	0	0	0
Total	**40,925**	**140**	**2,254**	**36,368**	**21**

The company has adjusted the presentation of loan receivables granted to associated companies and joint ventures in insider events. The figures for the comparison period have been adjusted accordingly. The related parties of the Group include the parent company, subsidiaries and associated companies as well as joint ventures. The related parties also include the Board of Directors and Corporate Executive Team. Other related parties include transactions carried out with other companies under the control of the Group's management or with companies under control of minority shareholders. Goods and services are sold to related parties at market price. Subsidiaries included in related parties are listed above in note 33, "subsidiaries". The transactions between subsidiaries are eliminated in the consolidated financial statements and therefore the transactions between Group companies are not included in note 34, "related party transactions".

Itemisation of management salaries and employment-based benefits

EUR 1,000	2015	2014
Management salaries and other short-term employment-based benefits	2,652	2,770
Share-based payments	0	604
Post-employment benefits, statutory pensions	664	648
Post-employment benefits, voluntary additional pensions	127	215
Other long-term benefits	0	0
Benefits paid upon termination	54	531
Total	**3,497**	**4,768**

The statutory occupational pension insurance of the company's employees is handled through Ilmarinen. Pension payments are made on the basis of the statutory pension percentage, 24.5% (23.4%). In 2014, severance pay remitted in connection with resignations was entered as expenditure in the 2014 financial statements, but this compensation was not paid until 2015.

Compensation of the President and CEO and Board of Directors

EUR 1,000	**2015**	2014
Ojala Juha Pekka, President and CEO, from 1 Jan 2015	428	0
Hienonen Jukka, President and CEO, until 31 Dec 2014	531	761
Nieminen Timo, Deputy CEO	212	284
Members of the Board		
Kokkila Ilpo, Chairman	74	69
Kallasvuo Olli-Pekka, Vice Chairman	63	58
Alitalo Minna	49	46
Hiltunen Arto	49	45
Kokkila Timo	50	46
Kyhälä Risto	49	45
Members of the Board, total	**333**	**309**

The CEO's period of notice is 6 months. If SRV Group Plc dismisses the CEO a termination compensation amounting to 12 months' salary will be paid. If the CEO terminates the agreement, a termination compensation amounting to 12 months' salary is paid.

The President and CEO is entitled to retire at 60 years of age.

In 2015 the paid statutory occupational pension insurance of the President and CEO and Deputy CEO was EUR 150 thousand (EUR 224 thousand in 2014).

35 Events after the end of the review period

The Group did not have any significant events after 31 Dec 2015.

PARENT COMPANY'S FINANCIAL STATEMENTS, FAS

Income statement of the parent company

EUR 1,000	Note	2015	2014
Revenue	1	**8,319**	**13,617**
Other operating income		351	235
Purchase during the financial year		-433	-6,788
Personnel costs		-5,774	-5,732
Indirect personnel costs	2		
Pension costs		-1,044	-925
Other indirect personnel costs		-283	-232
Depreciation and impairments	3		
Depreciation		-304	-298
Other operating expenses	4	-6,294	-6,765
Operating loss		**-5,462**	**-6,888**
Financial income and expenses	5	-10,993	-6,193
Loss before extraordinary items		**-16,455**	**-13,081**
Extraordinary items + / -	6	12,875	24,183
Profit before appropriations and taxes		**-3,580**	**11,102**
Income taxes	7	407	-2,138
Net profit/loss for the financial year		**-3,173**	**8,965**

Balance sheet of the parent company

EUR 1,000	Note	31 Dec 2015	31 Dec 2014
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	8	732	688
Property, plant and equipment	8	693	784
Investments			
Shares in group companies	9	176,925	177,285
Other financial assets	9	2,306	2,810
Non-current assets, total		**180,656**	**181,567**
CURRENT ASSETS			
Inventories		5	7
Long-term receivables	11	1,404	1,141
Short-term receivables	11	221,808	162,550
Cash and cash equivalents		24,525	11,452
Current assets, total		**247,742**	**175,150**
ASSETS TOTAL		**428,399**	**356,717**
EQUITY AND LIABILITIES			
Equity			
Share capital	13	3,063	3,063
Invested free equity fund	13	142,696	92,267
Retained earnings	13	41,730	37,393
Net profit for the financial year	13	-3,173	8,965
Equity, total		**184,316**	**141,687**
Provisions	15	**245**	**1,656**
Liabilities			
Non-current liabilities	16	123,169	125,034
Current liabilities	17	120,669	88,340
Liabilities, total		**243,838**	**213,374**
EQUITY AND LIABILITIES, TOTAL		**428,399**	**356,717**

Cash flow statement of the parent company

EUR 1,000	2015	2014
Cash flow from operating activities		
Net profit for the year	**-3,173**	**8,965**
Adjustments:		
Depreciation	304	298
Non-cash transactions	-3,602	1,620
Financial income and expenses	10,993	6,193
Income taxes	-407	2,137
Adjustments, total	**7,287**	**10,248**
Changes in working capital:		
Change in loan receivables	6,122	-559
Change in trade and other receivables	-11,046	-25,475
Change in group bank accounts	-74,291	-23,610
Change in inventories	2	3
Change in trade and other payables	-22,278	32,032
Working capital, total	**-101,490**	**-17,608**
Interest paid and other financial costs	-10,941	-12,511
Interest received	4,454	5,916
Dividends received	65	990
Income taxes paid	-4,482	53
Net cash from operating activities	**-108,279**	**-3,948**

EUR 1,000	2015	2014
Cash flow from investing activities		
Property, plant and equipment	-87	-197
Intangible assets	-170	-144
Other financial assets	-3,075	0
Net cash used in investing activities	**-3,332**	**-341**
Cash flow from financing activities		
Proceeds from loans	0	0
Repayments of loans	-1,800	-1,923
Paid and received group contribution	24,183	6,800
Change in credit limits	56,500	-66,000
Net cash from share issue	50,073	-
Purchase/sell of treasury shares	0	230
Dividends paid	-4,271	-4,266
Net cash from financing activities	**124,684**	**-65,159**
Net change in cash and cash equivalents	**13,073**	**-69,448**
Cash and cash equivalents at the beginning of financial year	11,452	80,900
Cash and cash equivalents at the end of financial year	**24,525**	**11,452**

Notes to parent company´s financial statements

Parent company´s accounting principles:

Basic data

SRV Group Plc (reg 1707186-8) is a Finnish public limited company. The company is domiciled in Espoo and registered address is Tarvonsalmenkatu 15, 02601 Espoo.

Parent company's financial statements and comparable information

The parent company's financial statements are prepared in accordance with the principles of the Finnish accounting legislation (FAS).

Current assets

Tangible and intangible assets are recognized on the balance sheet at historical cost less depreciation according to plan and impairment. Depreciation according to plan is calculated as straight-line depreciation on the basis of the estimated economic life of tangible and intangible assets.

Depreciations are booked using reducing balance method of depreciation or straight-line depreciation during the economical lifetime of the asset as follows:

- buildings and structures reducing balance method of depreciation, 4–7%
- machinery and equipment reducing balance method of depreciation, 25%
- other capitalized expenditures, straight-line depreciation, 3–5 years

No depreciation is booked on land and water areas and intangible rights. Development costs are recognized as annual costs during the year they arise.

Items denominated in foreign currency

Foreign currency business transactions are recognized at the exchange rate of the transaction date.

Pensions

The statutory pension security in the parent company is provided by an external pension insurance company.

Taxes

The taxes in the income statement include the taxes for the financial year and adjustments for previous periods. The defferred tax liability and receivable is calculated from the temporary difference in bookkeeping versus taxation using the confirmed tax rate for the coming fiscal years.

The valuation of financial instruments

The financial instruments have been valued 1 Jan 2015 onwards at the fair market value according to Finnish accounting legislation (5ch 2§a). Interest rate swaps are recognized at fair market value on the closing date. Comparable figures at 31 Dec 2014 did not include any open positions. The change in fair value of the interest rate swaps are recognised in financial income/expenses in the P/L and the cumulative change in fair values is recognised in the accrued income/expenses at the balance sheet.

Commitments

The parent company has given absolute guarantees on behalf of the Group´s companies.
The guarantees are related to construction projects.

Notes to income statement

1 Revenue

EUR 1,000	2015	2014
Construction	433	6,788
Other revenues	7,887	6,829
	8,319	**13,617**
Geographical information		
Finland	8,319	13,617

2 Information concerning personnel and key management

EUR 1,000	2015	2014
Salaries and fees to management		
Board of Directors	333	309
CEO	428	761
Number of personnel on average		
Office employees	60	59

3 Depreciation and impairments

EUR 1,000	2015	2014
Depreciation on intangible assets	126	91
Depreciation on buildings and structures	6	6
Depreciation on machinery and equipment	173	201
Total	**304**	**298**

4 Other operating expenses

EUR 1,000	2015	2014
Rent expenses	1,329	1,205
Voluntary indirect personnel expenses	654	668
Car and travel expenses	201	195
Entertainment and marketing	673	711
Communication and IT	735	756
Other external services	767	588
Other fixed expenses	1,935	2,642
	6,294	**6,765**

Auditing fees included in other operating expenses

EUR 1,000	2015	2014
Auditing	75	51
Tax advisory services	0	4
Other services	141	21
Total	**216**	**77**

5 Financial income and expenses

EUR 1,000	2015	2014
Dividend income		
From group companies	65	990
Total	**65**	**990**
Interest and other financial income		
From group companies	4,559	5,627
From other companies	135	354
Total	**4,694**	**5,981**
Interest expenses		
Interest expenses to group companies	–35	–981
Financial asset/liabilities at the fair value	–3,323	0
Interest expenses to others	–9,096	–9,040
Total	**-12,455**	**-10,021**
Other financial expenses		
Other financial expenses	–2,769	–2,115
Impairments from non-current assets	–528	–1,027
Total	**-3,297**	**-3,142**
Total	**-10,993**	**-6,193**

6 Extraordinary items

EUR 1,000	2015	2014
Group contributions, received	14,655	26,283
Group contributions, given	–1,780	–2,100
	12,875	**24,183**

7 Income taxes

EUR 1,000	2015	2014
Income taxes from extraordinary items	–2,575	–4,837
Income taxes on operating activities	2,473	2,360
Change in deferred taxes	509	336
Income taxes on previous years	0	3
	407	**-2,138**

Notes to balance sheet

8 Changes in non-current assets

EUR 1,000		2015	2014
Intangible assets			
Intangible rights			
Historical cost 1 Jan	1 Jan	250	250
Historical cost 31 Dec	**31 Dec**	**250**	**250**
Other capitalised expenditures			
Historical cost 1 Jan	1 Jan	438	220
Increase		311	309
Depreciation		–126	–91
Historical cost 31 Dec	**31 Dec**	**312**	**438**
Unfinished acquisitions			
Historical cost 1 Jan	1 Jan	0	165
Increase		170	99
Depreciation		0	–264
Historical cost 31 Dec	**31 Dec**	**170**	**0**
Intangible assets total		**732**	**688**
Property, plant and equipment			
Land and water areas			
Historical cost 1 Jan	1 Jan	41	41
Historical cost 31 Dec	**31 Dec**	**41**	**41**
Buildings			
Historical cost 1 Jan	1 Jan	139	144
Depreciation		–6	–6
Historical cost 31 Dec	**31 Dec**	**133**	**139**
Machinery and equipment			
Historical cost 1 Jan	1 Jan	604	609
Increase		87	197
Decrease		0	0
Depreciation		–173	–201
Historical cost 31 Dec	**31 Dec**	**519**	**604**
Property, plant and equipment total		**693**	**784**

9 Investments

EUR 1,000		2015	2014
Shares in subsidiaries	1 Jan	177,285	34,981
Increase		43	143,220
Decrease		–403	–916
Historical cost 31 Dec	**31 Dec**	**176,925**	**177,285**
Other shares and holdings			
Historical cost 1 Jan	1 Jan	2,810	4,218
Increase		126	0
Decrease		–101	–195
Impairment		–528	–1,213
Historical cost 31 Dec	**31 Dec**	**2,306**	**2,810**
Investments total		**179,231**	**180,095**

10 Group companies

	Domicile	2015	2014
SRV Rakennus Oy	Espoo	100.0	100.0
SRV Infra Oy	Kerava	100.0	100.0
SRV Voima Oy	Espoo	100.0	–
SRV Russia Oy	Espoo	100.0	100.0
SRV Investment S.à r.l.	Luxembourg	100.0	100.0
SRV Ehituse AS	Tallinn	100.0	100.0
Rakennusliike Purmonen Oy	Joensuu	65.0	65.0
SRV Kalusto Oy	Vihti	100.0	100.0
Porvoon Puunrakennus[*]	Porvoo	–	100.0

[*] Likvidated 6/2015.

11 Long-term receivables

EUR 1,000	2015	2014
Deferred tax receivable	1,091	582
Other receivables	313	559
Total	**1,404**	**1,141**
Short-term receivables		
From Group companies		
Accounts receivable	178	113
Loan receivables	4,175	10,052
Other receivables	199,031	124,742
Accrued receivables	15,238	26,999
Total	**218,622**	**161,907**
From others		
Accounts receivable	312	182
Other receivables	287	326
Accrued receivables	2,587	136
Total	**3,186**	**643**
Short-term receivables	**221,808**	**162,550**

12 Accrued receivables

EUR 1,000	2015	2014
Group contribution receivables	14,655	26,283
Interest and other financial receivables	29	40
Taxes	1,915	0
Other	1,226	1,434
Total	**17,826**	**27,757**

13 Changes in equity

EUR 1,000	2015	2014
Share capital 1 Jan 2015	3,063	3,063
Share capital 31 Dec 2015	**3,063**	**3,063**
Share premium reserve 1 Jan	92,267	92,204
Share issue	50,073	–
Transfer between items	356	63
Share premium reserve 31 Dec	**142,696**	**92,267**
Retained earnings 1 Jan	46,357	41,302
Dividends	–4,271	–4,266
Purchase/sell of own shares	–356	356
Retained earnings 31 Dec	**41,730**	**37,393**
Profit for the financial year	–3,173	8,965
Equity 31 Dec	**184,316**	**141,687**

14 Calculation on the distributable equity

EUR 1,000	2015	2014
Share premium reserve	142,696	92,267
Retained earnings	46,357	41,302
Dividends	–4,271	–4,266
Purchase/sell of own shares	–356	356
Profit for the financial year	–3,173	8,965
Total	**181,253**	**138,624**

15 Provisions

EUR 1,000	2015	2014
Other provisions		
Provision for share-based incentives	245	1,656

16 Long-term liabilities

EUR 1,000	**2015**	2014
To other companies		
Bonds	75,000	75,000
Hybrid bond	45,000	45,000
Pension loans	3,148	4,948
Loans from the financial institutions total	**123,148**	**124,948**
To Group Companies		
Other liabilities	21	86
Total	**123,169**	**125,034**

17 Short-term liabilities

EUR 1,000	**2015**	2014
To Group companies		
Accounts payable	14	24
Accrued expenses	66	137
Liabilities of interest rate swaps	3,323	–
Other liabilities	23,646	51,026
Total	**27,050**	**51,187**
To other companies		
Commercial papers	86,000	29,500
Pension loans	1,800	1,800
Accounts payable	244	162
Advances received	1	2
Other loans	270	293
Accrued expenses	5,303	5,396
Total	**93,619**	**37,154**
Short term liabilities total	**120,669**	**88,340**

18 Accrued liabilities

EUR 1,000	**2015**	2014
Salaries including social costs	1,571	2,026
Interest and other financial expenses	3,553	247
Taxes	2	2,465
Other	243	795
Total	**5,369**	**5,533**

Other notes

19 Leasing and other rent agreements

EUR 1,000	**2015**	2014
Payable in less than a year	140	131
Payable in 2–5 years	186	130
	326	**261**
Rental lease liabilities		
Payable in less than a year	1,491	1,495
Payable later	18,503	19,984
Total	**19,995**	**21,479**

20 Other liabilities

EUR 1,000	**2015**	2014
Guarantee obligations given on behalf of Group companies	301,783	271,571
Investment commitments	32,614	646

21 Derivative contracts

The derivatives include only interest rate swaps in which future floating interest rates are converted into fixed. The interest rate swaps are 10 year contracts. The swapping of interest commences in July 2016 and the contracts are due 2025.

EUR 1,000	**2015**	2014
Interest rate swaps:		
Fair value positive	–	–
Fair value negative	3,323	–
Nominal value of underlying instruments	100,000	–

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, 17 February 2016

Ilpo Kokkila
Chairman

Olli-Pekka Kallasvuo
Vice Chairman

Minna Alitalo

Arto Hiltunen

Timo Kokkila

Risto Kyhälä

Juha-Pekka Ojala
President and CEO

Auditor´s note

Our auditor's report has been issued today.

Espoo, 25 February 2016

PricewaterhouseCoopers Oy
Authorized Public Accounting Firm

Samuli Perälä
KHT

AUDITOR'S REPORT (TRANSLATION FROM THE FINNISH ORIGINAL)

To the Annual General Meeting of SRV Yhtiöt Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of SRV Yhtiöt Oyj for the year ended 31 December, 2015. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki 25 February 2016

PricewaterhouseCoopers Oy
Authorised Public Accountants

Samuli Perälä
Authorised Public Accountant

GROUP AND SEGMENT INFORMATION BY QUARTER (UNAUDITED)

Revenue

EUR million	IFRS 10–12/2015	IFRS 7–9/2015	IFRS 4–6/2015	IFRS 1–3/2015	IFRS 10–12/2014	IFRS 7–9/2014	IFRS 4–6/2014	IFRS 1–3/2014
Operations in Finland	212.8	137.3	146.9	157.1	176.0	196.5	131.0	124.4
Business construction	119.8	105.6	94.5	114.0	99.1	144.9	82.5	69.0
Housing construction	92.9	31.7	52.4	43.1	76.9	51.7	48.5	55.4
International operations	13.8	17.9	17.6	15.9	17.8	12.6	12.4	14.2
Other operations	3.7	3.5	3.4	3.8	4.2	5.0	5.4	4.9
Eliminations	–3.7	–3.6	–3.4	–3.8	–4.1	–5.1	–5.7	–4.9
Group, total	**226.6**	**155.1**	**164.5**	**172.9**	**193.8**	**209.0**	**143.1**	**138.5**

Operating profit

EUR million	IFRS 10–12/2015	IFRS 7–9/2015	IFRS 4–6/2015	IFRS 1–3/2015	IFRS 10–12/2014	IFRS 7–9/2014	IFRS 4–6/2014	IFRS 1–3/2014
Operations in Finland	18.3	4.9	2.4	3.3	10.2	6.2	7.0	6.6
International operations	–0.6	–0.3	0.1	0.7	1.8	0.2	–0.4	–0.6
Other operations	–0.7	–0.5	–1.6	–1.5	–2.4	–0.4	–1.8	–1.6
Eliminations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Group, total	**17.0**	**4.1**	**0.8**	**2.5**	**9.6**	**6.0**	**4.9**	**4.4**

Operating profit

%	IFRS 10–12/2015	IFRS 7–9/2015	IFRS 4–6/2015	IFRS 1–3/2015	IFRS 10–12/2014	IFRS 7–9/2014	IFRS 4–6/2014	IFRS 1–3/2014
Operations in Finland	8.6	3.5	1.6	2.1	5.8	3.1	5.4	5.3
International operations	–4.0	–1.7	0.5	4.1	10.1	1.6	–2.9	–4.0
Group, total	**7.5**	**2.6**	**0.5**	**1.5**	**5.0**	**2.9**	**3.4**	**3.2**

Order backlog

EUR million	IFRS 31 Dec 2015	IFRS 30 Sept 2015	IFRS 30 Jun 2015	IFRS 31 Mar 2015	IFRS 31 Dec 2014	IFRS 30 Sept 2014	IFRS 30 Jun 2014	IFRS 31 Mar 2014
Operations in Finland	1,506.2	1,431.7	1,159.3	1,062.9	723.2	777.8	920.0	721.5
Business construction	952.3	1,023.6	806.9	801.1	450.1	505.6	633.1	477.2
Housing construction	554.0	408.1	352.4	261.8	273.1	272.3	286.9	244.2
International operations	77.1	85.7	99.5	116.9	137.2	166.2	126.9	158.8
Group, total	**1,583.4**	**1,517.5**	**1,258.8**	**1,179.8**	**860.4**	**944.1**	**1,047.0**	**880.2**
Sold order backlog	1,261	1,295	1,074	1,037	729	817	873	698
Unsold order backlog	322	222	185	142	132	127	174	182

Group key figures

EUR million	IFRS 10–12/2015	IFRS 7–9/2015	IFRS 4–6/2015	IFRS 1–3/2015	IFRS 10–12/2014	IFRS 7–9/2014	IFRS 4–6/2014	IFRS 1–3/2014
Revenue	226.6	155.1	164.5	172.9	193.8	209.0	143.1	138.5
Operating profit	17.0	4.1	0.8	2.5	9.6	6.0	4.9	4.4
Financial income and expenses, total	–2.1	–4.0	–1.5	0.8	–2.4	–0.2	–1.5	–2.3
Profit before taxes	14.9	0.1	–0.7	3.3	7.2	5.7	3.4	2.2
Order backlog[1]	1,583.4	1,517.5	1,258.8	1,179.8	860.4	944.1	1,047.0	880.2
New agreements	286.9	389.9	227.6	489.1	108.0	90.3	317.3	184.7
Earnings per share, EUR[2]	0.27	–0.03	–0.04	0.05	0.11	0.13	0.05	0.01
Equity per share, EUR[1, 2]	3.90	3.80	4.51	4.53	4.51	4.59	4.45	4.36
Share price, EUR[1]	3.10	2.53	3.71	3.39	2.83	3.67	4.13	3.76
Equity ratio, %[1]	42.5	41.6	36.3	39.8	43.0	38.9	38.4	39.0
Net interest bearing debt[1]	230.8	248.3	251.0	228.5	206.1	255.1	252.7	225.3
Gearing ratio, %[1]	83.3	91.5	111.4	101.0	91.6	111.6	113.4	103.0

[1] At the end of the period.

[2] Comparative data is share issue adjusted.

Invested capital

EUR million	IFRS 31 Dec 2015	IFRS 30 Sept 2015	IFRS 30 Jun 2015	IFRS 31 Mar 2015	IFRS 31 Dec 2014	IFRS 30 Sept 2014	IFRS 30 Jun 2014	IFRS 31 Mar 2014
Operations in Finland	315.4	326.3	290.8	273.3	277.2	298.9	303.1	275.3
International operations	216.7	214.6	217.7	211.3	203.0	208.5	192.8	181.7
Other operations and eliminations	10.9	6.8	–1.7	–15.5	–30.5	–2.2	–3.6	10.7
Group, total	**543.0**	**547.7**	**506.8**	**469.1**	**449.8**	**505.1**	**492.3**	**467.7**

Housing in Finland

pcs	10–12/2015	7–9/2015	4–6/2015	1–3/2015	10–12/2014	7–9/2014	4–6/2014	1–3/2014
Housing sales, total	397	166	236	74	206	102	288	160
Sales, developer contracting	207	129	236	74	122	65	29	72
Sales, negotiation contracts[2]	190	37	0	0	84	37	259	88
Developer contracting								
Start-ups	116	244	376	66	197	111	0	22
Completed	225	0	22	0	63	86	0	100
Completed and unsold[1]	107	110	126	152	183	194	173	198
Under construction, total[1]	1,849	1,855	1,628	1,356	1,625	1,612	1,638	1,185
construction contracts	487	498	498	492	625	649	649	455
negotiation contracts	477	363	380	468	670	767	818	559
developer contracting [1]	885	994	750	396	330	196	171	171
of which sold[1]	434	455	342	154	111	63	63	59
of which unsold[1]	451	539	408	242	219	133	108	112

[1] At the end of the period.

[2] Investor sales under negotiation contracts.

Order backlog, housing

Finland, pcs	31 Dec 2015	30 Sept 2015	30 Jun 2015	31 Mar 2015	31 Dec 2014	30 Sept 2014	30 Jun 2014	31 Mar 2014
Negotiation and construction contracts	132	83	88	88	122	146	179	130
Under construction, sold	114	117	86	39	28	16	14	13
Under construction, unsold	269	166	131	79	59	41	26	27
Completed and unsold	39	42	47	56	65	69	68	74
Housing, total	**554**	**408**	**352**	**262**	**273**	**272**	**287**	**244**

INFORMATION FOR SHAREHOLDERS

Basic information about the share

SRV Group Plc's shares are quoted on NASDAQ OMX Helsinki, under the sector heading Industrial Products and Services in the mid-cap group. The share's trading code is SRV1V. The ISIN code of the share is FI0009015309.

SRV's financial information in 2016

Financial Statement Release 2015: 18 February 2016
Interim Report for January–March 2016: 4 May 2016
Interim Report for January–June 2016: 21 July 2016
Interim Report for January–September 2016: 3 November 2016

Annual Report 2015: week 8 in 2016.

Annual General Meeting will be held 22 March 2016.

Silent period

SRV Group does not comment the company's financial performance nor meet with capital market participants during a period of two weeks prior to the publication of results for a reporting period.

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Ordering publications

SRV's annual reports and other financial bulletins can be ordered from SRV's website www.srv.fi/en/investorsor by e-mail investor.relations@srv.fi.