

Notes to the consolidated financial statements Group

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About the reporting

1. General information

BWG Homes ASA Group is domiciled in Norway, with its registered office at Munke-damsveien 45 D, Oslo. The group operates in two geographic segments – segment Norway and segment Sweden.

The company's consolidated financial statements for 2008 cover the company and its subsidiaries:

Block Watne AS	(Oslo, Norway)
Norpartner Sp. z.o.o	(Opole, Poland)
Hetlandhus AS	(Oslo, Norway)
BWG Homes AB	(Vetlanda, Sweden)
Myresjöhus AB	(Vetlanda, Sweden)
Myresjö Mark AB	(Vetlanda, Sweden)
SmålandsVillan AB	(Vetlanda, Sweden)
Boligbygg Prosjekt AS	(Oslo, Norway)
Nordiska Trähus AB*	(Vetlanda, Sweden)
Käglinge Bytomt AB*	(Vetlanda, Sweden)

* Dormant at present.

The financial statements were authorised for issuance by the Board on 31 March 2009.

ESTABLISHMENT OF THE GROUP/COMPARATIVE FIGURES

BWG Homes ASA was established by Lani Invest AS on 20 September 2005.

BWG Homes ASA Group was established when the company purchased all the shares in Block Watne AS and Hetlandhus AS on 30 November 2005. The purchase was made from Lani Development AS, a wholly-owned subsidiary of Lani Invest AS. The purchase was an arm's length transaction between related parties and was made at fair value.

The company purchased 100 per cent of the shares in BWG Homes AB on 15 March 2007 and the income statement items for this company were incorporated into the consolidated accounts from this date.

The Group took over 100 per cent of the shares in the Swedish group Prevesta AB with effect from 1 June. The group figures for 2007 therefore only contain the results for Prevesta Group for the period from June up to and including December 2007.

For comparison purposes, pro forma income statements have been produced for subsidiaries' operations in 2007 and 2006, with adjustments for parent company items, as if Prevesta Group had been acquired on 1 January 2006. More detailed information can be found in the separate note about this. In addition, the subsidiaries' annual reports also provide further information on operations in these companies.

2. Accounting policies

STATEMENT OF COMPLIANCE WITH IFRS

The consolidated financial statements have been presented in accordance with International Financial Reporting Standards (IFRS), as endorsed by the EU, and interpretations of the International Accounting Standards Board (IASB), and also Norwegian requirements under the Norwegian Accounting Act as at 31 December 2008.

BASIS OF PRESENTATION

The financial statements are presented in NOK (the parent's functional currency) rounded to the nearest thousand. The statements have been prepared under the historical cost convention with the exception of financial derivatives, which are recognised in the balance sheet at their fair value.

Preparing financial statements under IFRS requires management to make use of estimates and assumptions which affect the application of the accounting principles and the reported amounts of assets and liabilities, revenues and expenses. Estimates and associated assumptions are based on historical experience and other factors regarded as reasonable in the circumstances. These calculations form the basis for measuring the carrying amount of assets and liabilities which do not find clear expression from other sources. The actual result can differ from these estimates.

Estimates and their underlying assumptions are measured regularly. Changes in accounting estimates are recognised in the period when the changes arise providing they apply only to that period. Should the changes also apply to future periods, the effect will be distributed over the present and future periods.

The annual financial statements are based on adopted and effective IFRS standards. The company has assessed standards which have been adopted but have not yet become effective. More information on these standards can be found under "New standards and interpretations not yet adopted".

The accounting policies specified below have been applied consistently for all the periods presented in the consolidated accounts.

These accounting policies have been applied consistently by all the companies in the Group. Comparative figures are restated where necessary, in order to obtain uniform presentation and allow comparison with the figures for the year.

BASIS OF CONSOLIDATION

Consolidation

The consolidated financial statements show the Group's financial position, earnings and cash flows for its total operations as one entity.

Subsidiaries

Subsidiaries are companies over which BWG Homes ASA has control. Control exists when the company has a controlling influence, directly or indirectly, on an entity's financial and operational management, and thereby benefits from its operations. Such control is normally achieved

by ownership of 50 per cent or more. Financial statements for subsidiaries are consolidated from the time when control transfers to the Group, and de-consolidated when control ceases.

Associates

Associates are entities where the Group exercises significant influence, but not control, over financial and operational management. Such controlling influence is normally achieved by ownership of 20–50 per cent.

The consolidated accounts include the Group's share of the associated company's profit or loss in accordance with the equity method from the time when significant influence is established and until such influence ceases. The Group's share of the profit and loss of associates is reported under Income from associates in the income statement. Insignificant holdings in associates are recognised in accordance with the historical cost method. When the Group's share of losses exceeds its investment in an associate, the carrying amount of its investment is reduced to zero. Further losses are not recognised unless the Group has undertaken legal or constructive obligations or has made payments on behalf of an associated company.

Elimination of transactions on consolidation

Intra-group transactions and balances, including internal earnings and unrealised profits/losses, are eliminated.

Foreign currency transactions

Foreign currency transactions are translated at the exchange rate prevailing on the transaction date. Assets and liabilities in foreign currencies are translated to Norwegian kroner at the exchange rate prevailing on the balance sheet date. Exchange differences arising from the translation are recognised in profit or loss.

Translation of foreign companies

Assets and liabilities of foreign companies are translated to NOK at the exchange rate prevailing on the balance sheet date. Income and expense in foreign companies is translated to NOK using the average rate. Exchange differences are recognised directly in equity.

NON-DERIVATIVE FINANCIAL INSTRUMENTS

Non-derivative financial instruments consist of investments in debt and equity instruments, trade and other receivables, cash & cash equivalents, loans and trade and other payables.

Cash and bank deposits, including deposits under special conditions, are classified as cash & cash equivalents.

FINANCIAL DERIVATIVES

The Group has entered into forward rate agreements. These financial derivatives are recognised initially at cost. In subsequent periods, they are measured at fair value. Changes in fair value are recognised immediately in profit or loss. The fair value of interest swap agreements is the estimated amount the Group will receive or be required to pay in order to settle the agreement on the balance sheet date, after taking into consideration current interest rates and the creditworthiness of the counterparty.

SHARE CAPITAL

Ordinary shares are classified as equity. Expenses which are directly attributable to the issue of ordinary shares are recognised as a net reduction in equity (share premium reserve) after tax.

NON-CURRENT ASSETS

Non-current assets are carried at their cost less accumulated depreciation and any impairment losses.

Gains or losses on the sale of assets are defined as the difference between the sales total and the carrying amount of the unit and are recognised (net) as other income.

The Group has a large stock of property which includes land, finished houses and projects in progress which are classified as current assets in the balance sheet.

Depreciation

Depreciation is calculated on a straight-line basis over the estimated life of items of property, plant & equipment and recognised in the income statement. Land is not subject to depreciation.

Estimated useful lives are:

- Buildings 20–50 years
- Plant and equipment 5–7 years
- Equipment, fixtures & fittings 3–7 years

LEASES

The Group does not have any finance leases. The Group has operating leases for offices, warehouses and production premises. The leases have variable terms, although most remaining lease terms are between 3 and 8 years, with a renewal option. The leases are not based on variable rent conditions. The Group also has operating leases relating to cars and fixtures & fittings. These expire during the period 2008–2010.

INTANGIBLE ASSETS

Goodwill

All business combinations are accounted for by applying the acquisition method. Goodwill arising on an acquisition is the difference between the cost on the acquisition date and the fair value of the net identified assets acquired.

Goodwill is recognised in the balance sheet as acquisition cost less any accumulated impairment. Goodwill is allocated to cash-generating units, and is not amortised but tested annually for impairment.

Trademarks

When subsidiaries are acquired, values of trademarks are identified.

Trademarks are stated at cost less any accumulated impairment losses. Trademarks are not amortised, but are tested annually for impairment.

IMPAIRMENT TESTING

The carrying amounts of the Group's intangible assets are regularly reviewed in order to determine whether there is any indication of impairment. If such an indication exists, an estimation is made of the asset's recoverable amount.

Recoverable amounts of goodwill and assets with an indefinite useful life are estimated annually on the balance sheet date, regardless of whether there is any indication of impairment. This is done for each cash-generating unit (the smallest identifiable group of assets that generates cash inflows which are largely independent of the cash inflows from other assets or groups of assets).

An impairment loss is recognised when the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and then to reduce the carrying amount of the other assets on a pro rata basis.

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Calculation of recoverable amount

The recoverable amount is the higher of net selling price and value in use. The latter is calculated by discounting estimated future cash flows to their present value, using the discount rate before tax which reflects the market's pricing of the value of money over time and the risk associated with a specific asset. For assets which do not primarily generate independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Goodwill impairment is not reversed.

CONSTRUCTION WORK IN PROGRESS

Construction work in progress includes land costs and infrastructure for projects where sales have begun and production is underway. It also includes the buildings produced. Construction work in progress includes cost of acquisition and profit earned at the balance sheet date, less a provision for bad debts and advance payments. Cost of acquisition includes expenditure directly related to specific projects and a share of fixed and variable indirect costs incurred in the company's contractual activities based on normal capacity utilisation.

OTHER INVENTORIES

Other inventories include mainly materials. Inventories are measured at the lower of cost and net realisable value. Cost of acquisition of inventories is based on the first-in, first-out principle and includes expenditure and costs relating to the acquisition, production, processing and bringing the materials and goods to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

LAND AND LAND OBLIGATIONS

Land and associated obligations are classified as current items, as land is a component of the Group's production/operating cycle. Binding agreements for the purchase of land are reported as land under current assets and as land obligations under current liabilities.

Land includes the carrying amounts of land at full cost, and the construction of infrastructure at large construction sites. As soon as a sale has been decided and work commenced at a sub-divided site, the land cost and infrastructure for that site is moved to construction work in progress. Land is recognised in the balance sheet at the lower of acquisition cost and net realisable value. Net realisable value is the estimated sales price in ordinary operation less estimated costs for completion and sales.

TRADE RECEIVABLES

Trade and other receivables are recognised at cost less bad debts. A provision for losses on trade receivables is recognised when there is objective evidence that the group will not be able to recover outstanding amounts. Indications of losses include major financial problems on the part of the debtor, the likelihood of the debtor being declared bankrupt and reduced payments from the debtor.

OPERATING REVENUES

Income is recognised as it is earned. The Group's activities consist of house construction, both under its own control and for other parties. As soon as the outcome of a construction contract can be estimated reliably, revenue is recognised in proportion to the stage of completion of the contract. For identified onerous contracts, a provision is made for the entire expected loss. Operating income is less VAT and any discounts.

Only sold contracts are recognised. The stage of completion corresponds to contract costs incurred for work performed to date as a percentage of the estimated total costs. Degree of sale is defined as the number sold as a percentage of total expected sales. Recognised revenue is the estimated total revenue x degree of sale x stage of completion. The reported outcome is estimated final outcome x degree of sale x stage of completion.

INCOME TAX

Income tax on the result for the period comprises tax for the period and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Tax for the period comprises the expected tax payable on profit for the period based on tax rates that have been enacted, and any corrections to tax payable in

prior years. The Swedish tax rate was reduced from 28 per cent to 26.3 per cent during the year.

Deferred tax is normally recognised for all accounting and taxable temporary differences for assets and liabilities. Deferred tax is recognised at nominal value and is designated as a non-current liability in the balance sheet. No account is taken of goodwill which is not tax-deductible. The provision for deferred tax is based on expectations on the realisation or settlement of assets and liabilities in the balance sheet, and is calculated using tax rates that have been enacted by the balance sheet date.

FINANCE INCOME AND COSTS

Finance income consists of interest income on financial investments and dividend received. Interest income is recognised as interest accrues. The dividend is recognised when it has been adopted by the annual general meeting of shareholders of the company paying the dividend.

Finance costs consist of interest on loans, other fees and changes in the fair value of financial derivatives and are recognised as incurred. Exchange gains and losses are recognised in profit or loss as they arise and are classified as financial items.

Fees paid in advance for guarantees on construction contracts are also recognised as finance costs.

EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit attributable to ordinary shares by the weighted average number of outstanding ordinary shares in the period. The Group has not had any potential shares, and diluted earnings per share is the same as earnings per share.

EMPLOYEE BENEFITS**Termination payment agreements**

Key management personnel have agreements which under certain conditions give entitlement to up to one annual salary after the normal 6-month period of notice. See note 8.

Mandatory occupational pension

The parent company and its Norwegian subsidiaries are legally obliged to have a mandatory occupational pension scheme. This satisfies the requirements of the Norwegian mandatory occupational pension act.

Pension plans

The Group has defined-benefit and defined-contribution pension plans, in addition to its contractual early retirement plans and unfunded arrangements.

Defined-contribution pension plans

A defined-contribution pension plan is a plan whereby fixed contributions are paid to a fund or a pension fund and for which the company does not have a legal or constructive obligation to make further contributions. Compulsory contributions are recognised as personnel costs as they arise. Prepayments are recognised as an asset to the extent that the funds paid can be paid back or future payments to the plan can be reduced.

Defined-benefit pension plans

A defined-benefit plan is a plan which is not based on contributions. The net obligation relating to defined benefit pension plans is calculated separately for each plan by estimating the size of future benefits earned by employees through their service in the present and previous periods. These future benefits are discounted in order to calculate their present value, and the fair value of pension fund assets is deducted in order to establish the net obligation. The discount rate is based on the interest on 10-year Norwegian government bonds, adjusted to reflect the duration of the pension obligations. These calculations are made by a qualified actuary, and based on a straight-line pension-earning model.

When benefits in a plan are improved, the share of the improvement in benefits earned by the employee is recognised as an expense in the income statement. All actuarial gains and losses are recognised immediately in profit or loss.

Other pension plans

Obligations in respect of early retirement pension (AFP) and an unfunded obligation are recognised in the balance sheet/income statement.

Provisions

A restructuring provision is recognised when the Group has approved a detailed and formal restructuring plan and the restructuring has either started or has been publicly announced.

Onerous contracts

A provision for onerous contracts is recognised when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received under it.

TRADE PAYABLES AND OTHER CURRENT LIABILITIES

Trade payables and other liabilities are recognised at cost.

Interest-bearing loans and borrowings are recognised initially at fair value. Borrowing costs are recognised as an expense. Interest-bearing liabilities are subsequently assessed at amortised cost. Any difference between cost and redemption value is recognised over the period of the loan.

SEGMENT REPORTING

A business segment is a distinguishable component of the Group that is engaged in providing products or services, and that is subject to risks and returns that are different from those of other segments. A geographical segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of other segments. The accounting policies used to prepare the segment figures are the same as those applied when preparing the consolidated financial statements. Segment information is presented for geographical segments and is based on the Group's management and internal reporting.

Inter-segment sales are conducted under standard market conditions.

Segment information includes interest income, costs, assets and liabilities directly associated with the segment, and other elements which can be reasonably allocated. Elements which cannot be allocated consist mainly of investments and associated operating income, loans and associated costs, common assets and costs related to the head office and tax assets and liabilities.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

IFRIC Interpretation 15 Agreements for the Construction of Real Estate was published in July 2008, but has not yet been adopted by the EU. The interpretation discusses principles for recognition of revenue on contracts. The interpretation will influence the timing of recognition of income and profit in the accounts also in the accounts of BWG Homes. The practical consequences will be delayed recognition of income and profit for a substantial part of the contracts entered into by the Group, so that all income and profit on a contract is recognised when delivery of house takes place. No specific date is known with respect to adoption by the EU, but it is anticipated that the interpretation will be applicable for accounts starting in 2010. The company awaits final adoption by the EU before changes are made in the reporting. Implementation of the interpretation will imply reworking of comparable figures for previous years in line with requirements in IAS 8.

The new standard IAS 23, that is in effect from 1 January 2009, requires capitalisation of interest costs that are directly linked to acquisition, production and development of qualifying assets. It is not any longer an option to expense the interest in the income statement continuously. For BWG Homes the consequence of this will be capitalisation of the part of the interest expenses that are caused by financing of projects and land. These interest expenses will in the following be reported as costs of the projects. The implementation of IAS 23 is required from 2009, but will not have any effect on historical figures.

IFRS 8 Segments introduces a principle requiring management reporting being the basis for segment reporting. IFRS 8 is mandatory for the accounts for 2009. In current reporting from BWG Homes the segment information is presented for geographical segments/business segments. The introduction of IFRS 8 will not lead to changes in the structure of the segments of BWG Homes, but IFRS 8 might lead to changes in the information presented for each segment.

3. Estimates

Many accounting principles require management to use accounting estimates and assumptions for important items in the income statement and balance sheet. There follows a description of the important items in BWG Homes ASA for which accounting estimates and assumptions have been used, and which may therefore have a material effect on the financial statements of BWG Homes ASA if these assumptions change considerably.

INCOME AND PROJECTS (CONSTRUCTION WORK IN PROGRESS)

Income is recognised as it is earned. The Group's activities consist of house construction, both under its own control and for other parties. As soon as the outcome of a construction contract can be estimated reliably, revenue is recognised in proportion to the stage of completion of the contract. For identified onerous contracts, a provision is made for the entire expected loss. Projects in progress (construction work in progress) is a counter-item in the consolidated balance sheet. Material changes in assumptions relating to the stage of completion or contribution margin may have an effect on the consolidated financial statements.

PENSION COSTS AND RETIREMENT BENEFIT OBLIGATION

The Group has defined-benefit and defined-contribution pension plans in addition to its contractual early retirement plans and unfunded arrangements. Measurement of pension costs and obligations requires the use of estimates and assumptions, such as salary increases and discount rates. Material changes in estimates and assumptions may affect the pension costs and obligations in the financial statements of BWG Homes ASA.

INTANGIBLE ASSETS AND IMPAIRMENT

When the Group makes an acquisition, it is required to measure the fair values of assets, liabilities and intangible assets at the date of acquisition. Any additional value (residual) is recognised as goodwill. Values associated with trademarks were identified when the Norwegian and Swedish subsidiaries were acquired. These values are identified using different valuation methods based on different assumptions. These assumptions may include projected cash flows, required rate of return and so on.

IAS 36 Impairment of Assets requires goodwill and intangible assets to undergo impairment testing at least once a year. Goodwill impairment testing requires the fair value of cash-generating units to be estimated and compared with the carrying amount. If the carrying amount exceeds the fair value, an impairment loss is recognised. This type of testing requires estimates and assumptions about uncertain factors such as future cash flows, required rates of return and macro-conditions (interest, unemployment, inflation etc). Any significant change to these assumptions may have a material effect on the consolidated financial statements.

FINANCE COSTS AND VALUE OF FINANCIAL AGREEMENTS

The Group has entered into forward rate agreements in order to reduce the risk associated with interest costs relating to its interest-bearing liabilities. Changes in the market value of forward rate agreements are recognised in profit or loss. The market value is based on the net present value of the company's future floating interest less fixed interest. Changes in the estimates of future interest rates will therefore have a material effect on the Group's finance costs.

TAX IN THE INCOME STATEMENT AND BALANCE SHEET

BWG Homes ASA reports income tax on the basis of reported figures from the Group's subsidiaries. Deferred tax is calculated, in accordance with applicable tax rules, on the basis of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. Calculation of tax expense for the period and its categorisation as tax payable or deferred tax for the period requires use of judgement by management with regard to the sometimes complex tax rules in Norway and Sweden.

4. Group structure

The Group consists of the following units:

PARENT	COMPANY REG. NO.	ADDRESS			
BWG Homes ASA	988 737 798	Oslo, Norway			
SUBSIDIARIES	COMPANY REG. NO.	REGISTERED ADDRESS	NUMBER SHARES	HOLDING	EQUITY 31.12.08
Block Watne AS	986 757 954	Oslo, Norway	4 000 000	100%	430 480
Norpartner Sp.z.o.o.	- - -	Opole, Poland	3 676	100%	1 158
Hetlandhus AS	986 157 913	Oslo, Norway	100	100%	133
BWG Homes AB	556723-6087	Vetlanda, Sweden	1 100 000	100%	666 802
Myresjöhus AB	556031-7702	Vetlanda, Sweden	300 000	100%	152 414
Myresjö Mark AB	556070-7464	Vetlanda, Sweden	10 000	100%	3 458
SmålandsVillan AB	556210-9651	Vetlanda, Sweden	2 500	100%	19 320
Boligbygg Prosjekt AS*	993 469 696	Oslo, Norway	1 000	100%	115
Nordiska Trähus AB*	556120-9189	Vetlanda, Sweden	20 000	100%	2 205
Käglinge Bytomt*	556735-3114	Vetlanda, Sweden	1 000	100%	90

* Dormant at present.

5. Segments

The Group has identified the following business segments, which are identical to geographical segments:

SEGMENT NORWAY

House production in Norway under the Block Watne trademark. Operations consist mainly of development, sale and expansion of housing projects in Norway. House production follows the traditional method on-site construction.

SEGMENT SWEDEN

House production in Sweden under the Myresjöhus and SmålandsVillan trademarks. Operations consist mainly of development and factory construction of house models for the Swedish market and some development, sale and expansion of housing projects in Sweden. As the segment was acquired with effect from 31 May 2007, the results only apply to the period June to December 2007.

There were no material inter-segment sales or other transactions in 2008. The Group is organised in such a way that each segment has its own management who report to Group management. The Group's legal organisation also follows the same structure. Consumers represent the main customers group for both segments. The segments' production processes are different, as are the distribution channels.

(NOK 1 000)	SEGMENT NORWAY		SEGMENT SWEDEN		OTHER/ELIMINATIONS		CONSOLIDATED	
	2008	2007	2008	2007	2008	2007	2008	2007
External operating income	1 459 376	1 640 860	1 713 072	931 160	-923	18	3 171 525	2 572 038
Internal operating income	0	0	0	0	0	0	0	0
Operating profit before depreciation/amortisation (EBITDA)	228 717	301 599	158 131	97 907	-18 762	-14 130	368 086	385 376
Depreciation	-8 449	-7 425	-13 443	-7 891	-169	-43	-22 061	-15 359
Goodwill impairment	0	0	-226 050	0	0	0	-226 050	0
Income from associates	1 397	-104	-776	-2 591	0	0	621	-2 695
Assets	2 598 229	2 526 730	2 257 052	2 374 975	-59 462	-29 771	4 795 819	4 871 934
Carrying amount, associates	3 681	3 629	66 077	63 068	0	0	69 758	66 697
Liabilities	-1 852 179	-1 738 787	-1 740 240	-1 602 100	336 802	171 666	-3 255 617	-3 169 221
Investments during period	9 617	12 553	19 963	5 788	435	965	30 015	19 306

6. Payroll costs and employee benefits

COSTS RECOGNISED AS PAYROLL COSTS (NOK 1 000)	2008	2007
Salaries and holiday pay	457 694	387 025
Social security tax	99 449	72 019
Pension costs	18 152	16 723
Other payroll costs	24 281	29 832
Total	599 577	505 598

NUMBER OF EMPLOYEES		
Average number of full-time equivalents	1 079	1 303
Number of employees at end of year	965	1 363

7. Pensions and retirement benefit obligation

The Group has established pension plans for employees in Norway and Sweden. At the end of the year, collective pension plans covered 967 members (1 303 at 31.12.07), 140 (124) of whom were retired. At the end of the financial year, 16 (11) employees had taken out AFP pensions, while 2 (1) persons had been paid pension directly from the company. Block Watne has an established collective pension plan which is a defined contribution plan covering all employees. There is also a contractual early retirement pension agreement (AFP). In the Swedish company BWG Homes AB (and subsidiaries), there are different pension plans which are financed via payments to pension institutions or managed funds. These include defined contribution and defined benefit plans.

The parent company has a collective pension plan which is a defined benefit plan covering all employees.

The carrying amount of the retirement benefit obligation in the balance sheet is as follows:

(NOK 1 000)	2008	2007
Retirement benefit obligation, Block Watne	19 869	17 267
Retirement benefit obligation, parent company	999	962
Total retirement benefit obligation	20 868	18 229

MORE INFORMATION ABOUT PENSION PLANS IN NORWAY

In the Norwegian pension plans (AFP in Block Watne and defined benefit in parent), the calculation of the retirement benefit obligation is based on the following assumptions:

ASSUMPTIONS USED TO CALCULATE PENSION COSTS	2008	2007
Discount rate	4.30%	4.70%
Salary adjustment	4.50%	4.50%
Pension adjustment	2.80%	2.75%
NI base rate	4.25%	4.25%
Turnover	12.50%	12.50%
AFP - withdrawal propensity 65–67 years	75.00%	75.00%
Expected return	6.30%	5.75%

The main elements of the calculated retirement benefit obligation associated with the contractual early retirement pension agreement (AFP) in Block Watne AS are shown below. 503 persons are members of Block Watne's pension plans.

(NOK 1 000)	2008			2007		
	AFP	UNFUNDED	TOTAL	AFP	UNFUNDED	TOTAL
Estimated present value of retirement benefit obligation at 31.12	-13 607	-3 805	-17 412	-12 787	-2 346	-15 133
- Estimated plan assets at 31.12	0	0	0	0	0	0
Net retirement benefit obligation at 31.12	-13 608	-3 805	-17 412	-12 787	-2 346	-15 133
Employer's contribution	-1 919	-538	-2 457	-1 803	-331	-2 134
Net obligation recognised in balance sheet 31.12	-15 527	-4 343	-19 869	-14 590	-2 677	-17 267

The main elements of the calculated retirement benefit obligation in the parent company are listed in the parent company's note 2. The pension plan covers 5 employees.

MORE INFORMATION ABOUT PENSION PLANS IN SWEDEN

In the Swedish company BWG Homes AB (and subsidiaries), there are different pension plans which are financed via payments to pension institutions or managed funds. The companies have both defined-contribution and defined-benefit plans. The pension plans in Sweden cover a total of 457 persons. Defined contribution plans are recognised as an expense as incurred.

The defined benefit plans are insured with Alecta. According to the statement issued by the Emerging Issues Task Force of the Norwegian Accounting Advisory Council (URA 42), this is categorised as a defined-benefit plan. However, the company does not have access to the necessary information to present this plan as a defined benefit plan. This is because Alecta has been unable to give an overview of the necessary information in time. The pension plan is therefore presented as a defined contribution plan.

8. Remuneration of management and board

The Group paid NOK 963 000 (2007: NOK 906 000) in board fees in 2008. See below.

The following remuneration was paid to management and board in 2008:

(NOK 1 000) NAME	POSITION	SALARY	BONUS	OTHER BENEFITS	PENSION PREMIUM	BOARD FEES	LOANS	OTHER FEES
Management								
Lars Nilsen	CEO, BWG Homes ASA	1 822	0	56	127	0	0	0
Arnt Eriksen	CFO, BWG Homes ASA	301	0	24	22	0	0	0 ¹⁾
Ole Feet	CEO, Block Watne AS	1 581	1 483	135	21	0	0	0
Mikael Olsson	CEO, BWG Homes AB	1 360	154	106	323	0	0	0
Jonas Karlsson	CFO, BWG Homes AB	870	67	96	274	0	0	0
Ketil Kvalvik	CFO, BWG Homes ASA	543	193	101	194	0	0	0 ²⁾
Elisabet Landsend	Director Corp. Communications	1 008	165	133	140	0	0	0
Board								
Harald Walther	Chairman	0	0	0	0	270	0	261 ³⁾⁴⁾
Hege Bømark	Deputy Chairman	0	0	0	0	210	0	0 ³⁾
Petter Neslein	Board member	0	0	0	0	180	0	0 ³⁾
Eva Eriksson	Board member	0	0	0	0	60	0	0 ³⁾
Brit Hagelund	Employee representative	591	110	9	0	80	0	0 ³⁾⁵⁾
Tore M. Randen	Employee representative	384	0	7	0	80	0	0 ³⁾⁵⁾
Øyvind Wiik	Employee representative	538	0	35	0	80	0	0 ³⁾⁵⁾
Einar Salbu	Employee representative	528	0	4	0	0	0	0 ³⁾⁵⁾
Torunn Thiemer	Employee representative, deputy	722	86	15	0	3	0	0 ³⁾⁵⁾

Comments

1) Arnt Eriksen took up his position on 6 October 2008

2) Ketil Kvalvik left his position on 31 October 2008

3) Board fees apply to BWG Homes ASA and Block Watne AS

4) Other fees are invoiced from the individual business areas. These fees have been approved by the board.

5) Employee representatives on the board, including deputies, are employees of Block Watne AS.

Salary includes holiday pay. Bonus paid refers to the bonus earned in 2007, which was paid in 2008. The bonus earned in 2008, which will be paid in 2009, is considerably lower than the previous year. Other benefits include taxable benefits, such as company car, car allowance, accident insurance, telephone etc.

Members of the management group have bonus agreements, based on performance and other individual criteria. The bonuses are limited to a certain number of monthly salaries. The maximum number of monthly salaries that can be paid as a bonus is 12.

The management group has agreements allowing early-retirement benefits up to 12 months beyond the standard 6-month period of notice. There are no other agreements for the management group or board with regard to special compensation on termination of employment or change of position. The CEO of Block Watne AS has a bonus agreement for 2008.

The Group is not under any obligation to grant the management group, board or other employees profit-sharing, options or similar benefits.

For comparative purposes, remuneration of management and board in 2007 is shown below:

(NOK 1 000) NAME	POSITION	SALARY	BONUS	OTHER BENEFITS	PENSION PREMIUM	BOARD FEES	LOANS	OTHER FEES
Management								
Lars Nilsen	CEO, BWG Homes ASA	1 735	0	73	66	0	0	0
Ketil Kvalvik	CFO, BWG Homes ASA	599	88	120	115	0	0	0
Ole Feet	CEO, Block Watne AS	1 499	800	138	0	0	0	0
Mikael Olsson	CEO, Prevesta AB	741	0	48	218			1)
Jonas Karlsson	CFO, Prevesta AB	478	0	48	140			1)
Board								
Harald Walther	Chairman	0	0	0	0	270	0	524 ²⁾³⁾
Hege Bømark	Deputy Chairman	0	0	0	0	210	0	0 ²⁾
Petter Neslein	Board member	0	0	0	0	180	0	0 ²⁾
Brit Hagelund	Employee representative	562	120	7	14	80	0	0 ²⁾⁴⁾
Tore M. Randen	Employee representative	387	0	5	10	80	0	0 ²⁾⁴⁾
Einar Hauge	Employee representative	446	0	2	11	40	0	0 ²⁾⁴⁾
Bjørn S. Ask	Employee representative, deputy	393	45	27	10	3	0	0 ²⁾⁴⁾
John Brattekø	Employee representative, deputy	441	0	22	11	3	0	0 ²⁾⁴⁾
Øyvind Wiik	Employee representative	504	104	27	13	40	0	0 ²⁾⁴⁾

Comments

- 1) Applies to period 1 June 2007-31 December 2007
- 2) Board fees apply to BWG Homes ASA and Block Watne AS
- 3) Other fees are invoiced from the individual business areas. These fees have been approved by the board.
- 4) Employee representatives on the board, including deputies, are employees of Block Watne AS.

Shares owned by management and board at 31 December 2008:

Management		SHARES
Lars Nilsen	CEO, BWG Homes ASA	23 958 000 *
Arnt Eriksen	CFO, BWG Homes ASA	38 000
Elisabet Landsend	Director Corp. Communications, BWG Homes ASA	10 400
Ole Feet	CEO, Block Watne AS	15 400
Mikael Olsson	CEO, BWG Homes AB	116 279
Jonas Karlson	CFO, BWG Homes AB	93 023
Board		
Harald Walther	Chairman	201 000 *
Hege Bømark	Deputy chairman	0
Eva Eriksson	Board member	0
Petter Neslein	Board member	110 000 *
Brit Hagelund	Employee representative	400
Tore Morten Randen	Employee representative	200
Øyvind Wiik	Employee representative	400

* Including shares owned by related parties and/or companies

9. Fee to auditors

THE FOLLOWING AUDITORS' FEES EXCL. VAT WERE PAID (NOK 1 000)	2008	2007
Standard auditing	1 635	893
Tax advice	43	51
Other	215	681
Total	1 893	1 626

10. Tax

TAX EXPENSE RECOGNISED IN INCOME STATEMENT (NOK 1 000)	2008	2007
Tax on profit for the year	74 937	60 148
Change in deferred tax	-24 733	12 542
Total tax expense recognised in income statement	50 204	72 690

EFFECTIVE TAX RATE RECONCILIATION (NOK 1 000)	2008		2007	
Profit before tax		-32 078		273 770
Tax (income) based on nominal tax rate in Norway	28.0%	8 982	28.0%	76 656
Effect of GW write-down (not taxable deduction)	197.3%	-63 294	0.0%	
Effect of non-deductible expenses	0.1%	-24	0.1%	178
Effect of unutilised tax losses	-11.8%	3 780	-1.5%	-4 120
Effect of tax-free revenue	-16.0%	5 138	0.0%	7
Changed tax rate in Sweden	26.3%	-2 232		
Other adjustments	8.0%	-2 553	0.0%	-31
Total	156.5%	-50 204	26.6%	72 690

TAX RECOGNISED IN EQUITY (NOK 1 000)	2008	2007
Tax effect of share issue expenses	0	6 394

BASIS OF DEFERRED TAX IN BALANCE SHEET (TEMPORARY DIFFERENCES) (NOK 1 000)	2008	2007
Project reserve	242 128	294 962
Trade receivables	568	509
Profit and loss account	-176	-220
Net pension obligation	-20 867	-18 229
Inventories	7 961	7 652
Non-current assets	24 299	17 813
Other provisions	-38 605	-45 565
Financial assets measured at market value	-36 495	6 005
Loss carryforwards	0	-12 498
Trademarks	501 650	477 199
Added value, financial assets	27 351	25 576
Added value, land	33 242	55 953
Basis of deferred tax	741 057	809 157

DEFERRED TAX ASSET IN BALANCE SHEET (NOK 1 000)		
Norway	51 257	78 431
Sweden	150 574	148 133
Total	201 831	226 564

TAX PAYABLE IN BALANCE SHEET (NOK 1 000)		
Norway	56 373	47 665
Sweden	5 844	1 006
Total	62 217	48 671

TAX RATES

Nominal tax rate in Norway is 28 per cent. The Swedish tax rate was changed from 28 per cent to 26.3 per cent during the financial year. The effect of this reduction in the Group's tax liabilities (approximately NOK 9 million) was recognised as income in the 4th quarter.

11. Earnings per share

CALCULATION OF EPS (NOK 1 000)	2008	2007
Profit for the period	-82 282	201 080
Weighted average number of ordinary shares (in 1 000 shares)		
Ordinary shares outstanding at 01.01	66 000	43 959
Effect of shares issued	0	14 660
Weighted average number of shares at 31.12	66 000	58 616
Earnings per share (NOK)	-1.25	3.43
DILUTED EARNINGS PER SHARE		
Number of potential shares	0	0
Diluted earnings per share (NOK)	-1.25	3.43

12. Related party transactions

Related parties are companies in which the CEO Lars Nilsen is majority owner through his investment companies. This applies to Lani Development AS and Waterguard International AS. Lani Development AS has issued two subordinated loans totalling NOK 95 million to Block Watne AS. The loans have been converted to standard loans, with NOK 55 million repaid during 2008. The balance at 31 December 2008 was NOK 40 million. Interest paid in 2008 was NOK 8.13 million (2007: NOK 4.816 million). The outstanding loan was paid of in its entirety in February 2009.

Waterguard International AS sells water leakage systems to subsidiary Block Watne AS. These are sold through wholesalers and are conducted at market prices. Waterguard International AS leases premises and purchases certain administrative services from Block Watne AS. In 2008 these amounted to NOK 26 000 (2007: NOK 115 000).

The chairman of the board invoiced lawyer services of NOK 261 000 in 2008 (2007: NOK 524 000). See also note 8.

13. Intangible assets

Goodwill and value of trademarks arose from the parent company's acquisition of all the shares in Block Watne AS and Hetlandhus AS in 2005 and Prevesta in 2007. Goodwill and the value of trademarks are not amortised; instead, they are tested annually for impairment. If there is any indication of impairment, the recoverable amount is calculated, and if this is lower than the carrying amount, an impairment loss is recognised.

The Group's Norwegian trademarks Block Watne and Hetlandhus have existed for 80 and 15 years respectively. The Swedish company's Myresjöhus trademark has existed for more than 80 years, while SmålandsVillan has existed for more than 10 years. Operations will continue to be conducted under these trademarks. The Group's trademarks have generated strong cash flows over a long period of time.

(NOK 1 000)	GOODWILL	TRADEMARKS	OTHER INTANG. ASSETS	2008	2007
At 01.01					
Cost of acquisition	2 146 938	477 199	5 605	2 629 742	826 349
Accumulated amortisation	0	0	445	445	253
Carrying amount at 01.01	2 146 938	477 199	5 160	2 629 297	826 096
Translation differences	100 394	24 451	-895	123 950	0
Purchases during year*	0	0	208	208	1 802 844
Other additions	0	0	0	0	567
Disposals during year	0	0	0	0	18
Depreciation during year	0	0	0	0	0
Impairment during year	226 050	0	0	226 050	192
Carrying amount at 31.12	2 021 282	501 650	4 473	2 527 405	2 629 297
At 31.12					
Cost of acquisition	2 146 938	477 199	5 813	2 629 950	2 629 742
Accumulated amortisation	0	0	445	445	445
Accumulated impairment	226 050	0	0	226 050	0
Translation differences	100 394	24 451	-895	123 950	0
Carrying amount at 31.12	2 021 282	501 650	4 473	2 527 405	2 629 297
* ADDITIONS FROM PURCHASE OF SUBSIDIARIES (NOK 1 000)				2008	2007
Historical cost, intangible assets				0	386 300
Historical accumulated amortisation, intangible assets				0	391
Carrying amount of purchased intangible assets				0	385 910
Goodwill and trademarks arising on acquisition				0	1 416 934
Net additions				0	1 802 844

Other intangible assets are amortised over 3–5 years.

Goodwill impairment testing for cash-generating units. The following units have substantial trademark and goodwill values:

(NOK 1 000)	GOODWILL		TRADEMARKS	
	2008	2007	2008	2007
Block Watne AS	700 882	700 882	125 000	125 000
BWG Homes AB	1 320 400	1 446 056	376 650	352 199
Total	2 021 282	2 146 938	501 650	477 199

IMPAIRMENT TESTING

The Group has defined two cash-generating units – segment Norway and segment Sweden. Impairment testing is conducted on the basis that the cash-generating units fulfil the going concern requirement.

Based on this the Group has performed an impairment test of assets focusing on goodwill and other intangible assets in line with IAS 36. The impairment test is particularly relevant for goodwill related to the Swedish operations. The Swedish operations produce houses using two brands, SmålandsVillan and Myresjöhus. For the impairment test the combined operations have been considered as one cash-generating unit. This because the activities are managed in one structure and the cash flow generated is not possible to split between the two brands. In internal reporting the combined Swedish operations are reported jointly and Group management monitor the operations in total.

Key assumptions used in the analysis are sales/turnover, margins and the discount rate. We have based future estimates of sales and margins on a combination of market predictions, estimated macroeconomic conditions and past figures for the Swedish operation. The analysis is therefore based on both external and internal information. The discount rate is defined in accordance with the capital asset pricing model and WACC, and has been calculated at 11 per cent. The discount rate has been calculated by external experts. Future cash flow has been set at 2.5 per cent after 5 years.

The basis for measurement was a calculation of discounted cash flows (value in use) based on projected cash flows for the next 5 years and the terminal value.

In view of the high level of uncertainty in the financial markets and the consequences of this on the real economy in Sweden, the Board has decided to make a downward revision of estimates of future turnover and earnings. Consequently, at the end of 2008, the Board decided to write down the value of goodwill in the Swedish operations by NOK 226 million.

Sensitivity analysis

A 1 per cent increase in the discount rate would require a further goodwill write-down of SEK 237 million. A 10 per cent reduction in future cash flows would involve a further impairment loss of SEK 208 million.

14. Non-current assets

(NOK 1 000)	PROPERTY	MACHINERY, EQUIPMENT	OFFICE EQUIPMENT, FIXTURES	2008	2007
Cost at start of period	18 751	96 444	24 615	139 810	57 511
Accumulated depreciation	1 632	22 464	17 399	41 495	26 633
Carrying amount at start of period	17 119	73 980	7 216	98 315	30 878
Translation differences	197	-1 833	556	-1 080	394
Additions from acquisition of operations*	0	0	0	0	58 021
Additions during year	8 240	23 112	3 166	34 518	18 740
Disposals during year	316	292	0	608	222
Depreciation during year	1 548	16 902	3 611	22 061	14 861
Carrying amount at 31.12	23 692	78 065	7 327	109 083	92 950

The Group's depreciation periods are 20–50 years 5–7 years 3–7 years

Straight-line depreciation is applied over assets' expected useful lives.

* ADDITIONS FROM ACQUISITION OF OPERATIONS	2008	2007
Historical cost, property, plant & equipment	0	180 282
Historical accumulated depreciation of property, plant & equipment	0	122 261
Net additions	0	58 021

15. Investments in associates

Associates in which the Group has a holding of 20–50 per cent are valued using the equity method, and the Group's share of their profit or loss is recognised in the consolidated income statement. The Group's share of equity in the companies is reported as an asset in the consolidated accounts.

(NOK 1 000)	REG'D OFFICE	SHARE CAPITAL	HOLDING	CARRYING AMOUNT 31.12.08	SHARE OF PROFIT 2008	CARRYING AMOUNT 31.12.07	SHARE OF PROFIT 2007
Associates							
Smeheia Utb AS*	Sandnes	2 000	40%	Liquidated	63	1403	36
Hetlandsgården AS	Sandnes	200	50%	292	-198	194	1
Lunde Utb AS*	Sandnes	1 500	40%	Liquidated	929	922	17
A4 Bogafjell AS*	Sandnes	200	50%	Liquidated	-20	72	169
Buggeland Utb AS	Sandnes	1 500	33%	574	0	574	-28
Trøåsen Utb AS	Trondheim	200	50%	-210	0	-210	-59
Skadberg Utb AS	Sandnes	900	20%	105	607	478	-135
Eivindsholen AS	Sandnes	1 000	30%	-89	16	195	-105
Hemmingstad AS	Sandnes	8 000	40%	3 009	0	0	0
Gar-Bo AB	Sweden	2 500	34%	66 077	-776	63 068	-2 590
Total Associates				69 758	621	66 696	-2 694

* Settlement and dividend to shareholders in connection with liquidation of company.

Summary of financial information for associated companies – 100 per cent for 2008:

	REG'D OFFICE	ASSETS	EQUITY	LIABILITIES	OPERATING INCOME	PROFIT/LOSS FOR THE YEAR
Smeheia Utb AS	Sandnes	Liquidated 2008	0	0	0	0
Hetlandsgården AS	Sandnes	809	784	25	400	-395
Lunde Utb AS	Sandnes	Liquidated 2008	0	0	0	0
A4 Bogafjell AS	Sandnes	Liquidated 2008	0	0	0	0
Buggeland Utb AS*	Sandnes	38 317	1 723	36 594	0	-86
Trøåsen Utb AS*	Trondheim	1 288	-419	1 707	0	-117
Skadberg Utb AS	Sandnes	2 851	1 423	1 429	0	-967
Eivindsholen AS	Sandnes	35 946	704	35 242	30 184	52
Hemmingstad AS	Sandnes	7 553	7 524	29	0	-435
Gar-Bo AB	Sweden	696 557	116 286	580 270	88 943	-2 103
Total		783 321	128 025	655 296	119 527	-4 051

* 2007 figure. 2008 accounts not yet available.

16. Other shares

Other companies in which the Group has a holding of less than 20 per cent are valued using the cost method.

(NOK 1 000)	REG'D OFFICE	SHARE CAPITAL	HOLDING	CARRYING AMOUNT 31.12.08	SHARE OF PROFIT 2008	CARRYING AMOUNT 31.12.07	SHARE OF PROFIT 2007
Jåsund Utb AS	Sola	1 000	18%	890	0	890	0
Sørbo Hove AS	Sandnes	2 000	16%	1 105	0	1 105	0
Total				1 995	0	1 995	0

17. Financial instruments

The Group has entered into forward rate agreements of NOK 100 million and SEK 450 million. These are measured at fair value with value changes recognised in profit or loss.

PRODUCT	TRANSACTION DATE	CAPITAL SUM	START DATE	MATURITY DATE	INTEREST RATE	MARKET VAL. 31.12.08 (NOK 1 000)	MARKET VAL. 31.12.07 (NOK 1 000)
Threshold Swap	17.01.06	100 000 TNOK	06.03.06	07.03.11	3.62%	-1 219	3 518
Interest Swap	29.05.07	150 000 TSEK	30.11.07	30.05.12	4.58%	-9 518	46
Extendable Interest Swap	29.05.07	150 000 TSEK	30.11.07	31.05.10	4.33%	-10 382	-251
Interest Swap	29.05.07	150 000 TSEK	30.11.07	30.05.17	4.67%	-16 029	648
Cap*	17.09.08	250 000 TNOK	02.01.09	02.01.14	6.50%	653	0
Extendable Interest Swap**						0	2 044
Total						-36 495	6 005

* The Group has entered into a forward rate agreement of NOK 250 million (Cap) with a ceiling of 6.5 per cent linked to 1 mth Nibor. This relates to Block Watne AS's wish to offer some of its customers an interest guarantee under corresponding conditions.

** The extendable interest rate swap of NOK 150 million matured at the end of the year and was not extended.

The market value was confirmed by the financial institution which was the agreement counterparty. The maturity structure of the market value obligation is as follows:

	2009	2010	2011	2012	2013	2014---->
TNOK	-482	-753	21	150	454	45
TSEK	-9 295	-9 888	-6 836	-3 479	-1 777	-4 653

18. Financial risk and capital management

CREDIT RISK

Credit risk is the risk of the company incurring losses on granted credit. The Group grants credit on the sale of homes, although the risk is reduced by requiring the customer to be able to provide documentary evidence of satisfactory financing before a contract is entered into. In addition, houses are not handed over until full payment has been received. Historically, the Group's bad debt losses/credit losses has been low. Credit risk is considered to be the same in all the Group's segments.

The carrying amount of outstanding receivables represents the maximum credit risk at the balance sheet date. The carrying amount of outstanding receivables at 31 December 2008 was NOK 454.387 million, compared with NOK 632.24 million at the end of 2007.

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will result in fluctuations in future cash flows for the Group's operations. Changes in interest rates will affect the company's markets through their effect on demand for housing, as the borrowing rate is an important factor, perhaps the most important factor, on the house customer's desire and ability to invest. Experience shows that expected interest rate movements, or actual changes in the borrowing rate, cause a slowdown in demand, while a clearer interest picture helps boost demand for homes.

As the Group has considerable interest-bearing liabilities, interest rates and interest trends will have a direct effect on the Group's profitability and earnings. Most of the Group's working capital loans carry floating interest rates. The Group has entered into forward rate agreements of NOK 100 million and SEK 450 million which are shown overleaf. Consequently, approximately 40 per cent of the Group's mortgage loans and 27 per cent of its net interest-bearing liabilities are hedged.

A 1 per cent change in interest rates would change borrowing costs in the company's liabilities by approximately NOK 16 million. Changed interest rates will also affect present value calculations under normal circumstances. Present value calculations are carried out during impairment testing (see note 13) and when calculating pension obligations (see note 7) and the fair value of financial instruments/hedging instruments (see note 17).

CURRENCY RISK

Currency risk is the risk of the company's assets or cash flows being affected by exchange rate movements. The Group's investment in the subsidiary BWG Homes AB is financed by loans in SEK, thereby reducing the Group's net exposure in SEK. A 10 per cent change in the NOK/SEK exchange rate would result in a change of NOK 52 million in the Group's equity.

Distribution of the Group's monetary items by currency:

CURRENCY RISK	NOTE	2008			2007		
		TNOK	TSEK	TPLN	TNOK	TSEK	TPLN
Trade receivables	21, 32	309 768	130 849	0	421 283	198 131	77
Other receivables	19	315	14 862	0	17 321	23 786	56
Non-current liabilities							
to financial institutions	25, 32	-505 200	-984 296	0	-506 500	-890 000	0
Current liabilities							
to financial institutions	26, 32	-675 873	-118 218	0	-310 606	-47 021	0
Trade payables		-121 148	-189 073	-20	-219 241	-228 465	-46
Net balance of exposure		-992 138	-1 145 876	-20	-597 743	-943 569	87

Relevant exchange rates during the year:

	AVERAGE RATE		CLOSING RATE	
	2008	2007	2008	2007
SEK	85.47	86.87	90.42	84.55
PLN	2.34	2.12	2.36	2.22

With the Group having extensive operations in Sweden in SEK, currency risk associated with translation of the Swedish operations' results will arise. NOK 1 713.072 million (54%) of the Group's sales for 2008 was generated in Swedish kronor. NOK 158.133 million (43%) of the Group's operating profit before depreciation/amortisation (EBITDA) was generated in Swedish kronor. A 10 per cent change in the NOK/SEK exchange rate would result in a change of NOK 15 million in the Group's net profit. Only a minor part of the Group's purchases are in foreign currency.

LIQUIDITY RISK

Liquidity risk is the risk of the company being unable to fulfil its current conditions due to a lack of liquidity.

Access to loan financing is crucial to ensure the Group is able to fulfil its current conditions. The Group had net interest-bearing debt of approximately NOK 2 billion at the end of 2008, and any failure on the part of the Group or the lender to comply with the conditions of the loan agreements will result in a lack of liquidity. In January 2009, the Group renegotiated the loan agreements with the largest lender and established a three-year loan agreement which takes into account the difficult market situation which is expected to persist. The Group also has loan financing from two other banks in Norway, SpareBank 1 SR Bank and Fokus Bank.

The Group is also dependent on access to guarantees from banks, insurance companies and other sources, in order to allow it to operate efficiently, and ensuring earnings and profitability, and also as a instrument for releasing liquidity when required. The international financial crisis has had a significant impact on access to financing in Norway and Sweden, and this will to some extent increase the risk of present lenders being unable to fulfil their agreements with the Group. Nevertheless, this risk remains low, and is normally described as minimal.

The Group's ability to fulfil its liabilities is highly dependent on current earnings and sales. The Group has reported good results in recent years and generated considerable cash flows. The Group has scaled down its operations substantially in 2008 and these are now at a level which allows the Group to fulfil its current obligations with much lower production and sales than in previous years. The Group's share issues in the early part of 2009 brought additional liquidity, and the group has a satisfactory liquidity reserve.

The Group constantly monitors liquidity needs and available liquidity. If there is a need for liquidity somewhere in the Group, an internal allocation is made, within available limits. The Group has established working capital loans for operating units, which give flexibility throughout the year. The Group holds regular dialogue with Nordea with regard to capital requirements and liquidity management.

The table below shows the due dates for financial obligations (interest included) in nominal figures.

LIQUIDITY RISK	MATURITY			
	1-3 MTHS	3-6 MTHS	6-12 MTHS	1 YR +
Pension obligations				19 868
Deferred tax				201 831
Total provisions	0	0	0	221 699
Other obligations				
Liabilities to credit institutions	16 361	16 351	72 687	1 476 368
Total other non-current liabilities	16 361	16 351	72 687	1 476 368
Liabilities to credit institutions	110 881	95 771	191 546	425 803
Liabilities to related parties				
Trade payables	281 838	7 500	2 922	
Tax payable			62 217	
Public duties payable	41 201			
Market value of financial instruments				
Other current liabilities, land and projects	71 919	31 205	50 485	79 743
Other current liabilities	43 743	67 998	27 177	94 313
Total current liabilities	549 582	202 474	334 347	599 859

The Group's projected cash flows and liquidity base will fulfil the current financial obligations in each of the intervals.

CAPITAL MANAGEMENT

The main goal for the Group's capital management is to ensure access to capital to allow satisfactory operation and maximise values for the owners. The Group manages its own capital structure and makes adaptations in the light of changes in the underlying economic conditions. Access to loan capital is constantly monitored and the Group maintains regular dialogue with lenders. Good dialogue with lenders is particularly important in establishing competitiveness and securing competitive financing terms.

The Group has established a dividend policy whereby 50–70 per cent of profit for the year is paid to shareholders, provided such payment is not detrimental to the company's growth prospects or inappropriate in relation to the Group's overall financial situation. The renegotiation of the loan agreements in January 2009 included a clause that a dividend cannot be paid without the approval of Nordea.

The Board has a mandate to increase capital by up to 30 million shares. The Group has covenants associated with the majority of its loan debt. Long-term monitoring ensures internal control over compliance with the covenants, and allows any compliance problems to be dealt with as quickly as possible.

As far as short-term liquidity needs are concerned, it is vital to have established adequate project financing for current projects. Drawing and writing-down of project financing is regulated constantly, and is dependent on invoicing/receipts and on projected liquidity trends.

Original covenants were suspended by Nordea in the 4 quarter as Nordea gave a waiver for over 12 months in anticipation of renegotiation of loan terms. In January 2009, the Group renegotiated its loan terms with Nordea. The due date of the acquisition liability relating to the Block Watne purchase has been deferred until 1 January 2012. A binding term sheet is in place, although the final loan agreements are still being drawn up. The renegotiation also involves changed repayment terms and repricing of the loans. Formalisation of loan agreements remain. See further discussion in the Board of Directors' report.

19. Financial assets

(NOK 1 000)	2008	2007
Loans to associates	5 321	5 321
Other non-current receivables		
Long-term loans to customers	191	229
Loans to employees		0
Total other non-current receivables	191	229
Other current receivables		
Prepaid expenses/accrued income	26 448	24 857
Advances to landowners	4 650	4 650
County tax inspector	-6 600	6 389
Other receivables	1 807	1 535
Total other current receivables	26 305	37 432

Financial assets are measured at the lower of nominal and fair value. A concrete assessment of risk of bad debt losses has been made, particularly with regard to debtors' ability to pay. No risk of bad debt losses has been identified.

20. Land and projects under construction

CONSTRUCTION WORK IN PROGRESS (NOK 1 000)	2008	2007
Unsold units capitalised	305 685	179 339
Sold units capitalised	167 108	190 553
Total holding	472 793	369 892
Recognised revenue relating to houses not yet handed over	1 121 038	1 228 110
Costs relating to houses not yet handed over	-821 868	-906 181
Contributions relating to houses not yet handed over	299 170	321 929
Remaining production relating to onerous contracts	0	0
Earned, not invoiced income included in trade receivables	78 647	61 078
Production invoiced in advance included in current liabilities	32 304	52 412
LAND (NOK 1 000)		
Land at cost of acquisition	754 783	670 813
Added value land	78 559	78 559
Accumulated recognition of added value*	-45 317	-29 504
Main plant	269 562	205 672
Total holding	1 057 587	925 540

* In connection with the acquisition of Block Watne AS, added values of NOK 78.559 million arising from land were identified. These are recognised as an expense (cost of goods sold) when the land is taken into use (specified land) and on a straight-line basis (unspecified land).

21. Trade receivables

SPECIFICATION OF CARRYING AMOUNT OF TRADE RECEIVABLES (NOK 1 000)	2008	2007
Trade receivables	379 231	540 475
Accrued income	-91 000	-91 000
Trade receivables with Norwegian Housing Bank financing	146 300	147 000
Provision for bad debts	-6 449	-7 672
Total trade receivables	428 082	588 803

The Group does not have receivables for which payment is delayed due to contractual conditions, and all its trade receivables are due within one year.

Ageing analysis of trade receivables

TRADE RECEIVABLES (NOK 1 000)	2008		2007	
	GROSS	EXPECTED LOSSES	GROSS	EXPECTED LOSSES
Not due	250 495	0	346 088	-1 064
0-30 days	62 529	-64	118 904	0
31-120 days	112 620	-642	120 999	-648
More than 1 year	8 887	-5 743	10 483	-5 960
Total	434 531	-6 449	596 475	-7 672

22. Cash & cash equivalents

(NOK 1 000)	2008	2007
Cash and bank deposits	61 152	82 507
Of which reserved for tax	8 373	7 943

The Group has undrawn credit facilities and other loans totalling NOK 103.947 million.

23. Number of shares, shareholders

The largest shareholders in BWG Homes ASA at 31 December 2008.

SHAREHOLDER	SHARES	% OF TOTAL
Lani Industrier AS	20 210 000	30.62%
Pareto Aksje Norge	3 448 000	5.22%
Lani Development AS	3 339 800	5.06%
Ojada AS	2 331 200	3.53%
Bank of New York, Brussels Branch	2 093 041	3.17%
Pareto Aktiv	1 668 457	2.53%
AB Invest A/S	1 525 183	2.31%
Nordea Securities AB	1 451 349	2.20%
Vital Forsikring ASA	1 424 300	2.16%
Verdipapirfond Odin Norge	1 382 067	2.09%
Verdipapirfond Odin Norden	1 313 800	1.99%
MP Pensjon	1 275 500	1.93%
Folketrygdfondet	1 262 644	1.91%
DnB NOR Norge (IV)	1 247 551	1.89%
BNP Paribas Secs Services Paris	1 205 800	1.83%
Citibank Intl. PLC. (Lux Branch)	1 117 536	1.69%
Swedbank	1 007 197	1.53%
Euroclear Bank S.A./N.V. ('Ba')	991 851	1.50%
Oslo Pensjonsforsikring AS Omløp	985 211	1.49%
JPMorgan Chase Bank	961 400	1.46%
Total 20 largest shareholders	50 241 887	76.12%
Other	15 758 113	23.88%
Total	66 000 000	100.00%

Total number of shareholders	847
Par value of shares	NOK 1.00

24. Equity

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(NOK 1 000)	SHARE CAPITAL	SHARE PREMIUM RESERVE	TRANSLATION DIFFERENCES	RETAINED EARNINGS	TOTAL EQUITY
RECONCILIATION OF CHANGES IN EQUITY					
Balance 01.01.07	9 000	534 884	133	170 731	714 748
Share issue	4 200	955 646			959 846
Share issue expenses		-22 834			-22 834
Bonus issue	52 800	-52 800			0
Dividend				-112 500	-112 500
Profit for the year				201 080	201 080
Translation differences	0	0	-37 626		-37 626
Balance at 31.12.07	66 000	1 414 896	-37 493	259 311	1 702 714
Balance 01.01.08	66 000	1 414 896	-37 493	259 311	1 702 714
Dividend				-132 000	-132 000
Profit for the year				-82 282	-82 282
Equity effect of group contrib. prev. year				10 648	10 648
Translation differences			41 117		41 117
Balance at 31.12.08	66 000	1 414 896	-3 624	55 677	1 540 197
SHARE CAPITAL AND SHARE PREMIUM					
Issued at 01.01				1 480 896	543 884
New share issue (cash)				0	937 012
Issued at 31.12, fully paid				1 480 896	1 480 896

At 31 December 2008, registered share capital consisted of 66 000 000 ordinary shares (31.12.2007: 66 000 000). The par value of the share is NOK 1. Holders of ordinary shares are entitled to receive the adopted dividend and have one vote per share at the Group's annual general meeting. All shares carry equal rights to net assets.

TRANSLATION DIFFERENCES

Translation differences consist of all currency effects arising on translation of foreign subsidiaries in the consolidated accounts.

DIVIDEND

A dividend of NOK 2 per share (total NOK 132 million) was paid in 2008. The dividend paid in 2007 was NOK 112.5 million. The Board will propose to the annual general meeting that no dividend be paid to the company's shareholders for the financial year 2008. In view of the challenging market situation and volatile financial markets, the Board finds it necessary to prioritise strengthening the company's capital ahead of paying a dividend.

25. Non-current liabilities to financial institutions

			2008	2007
Mortgage loan	NOK	499 000	499 000	499 000
	NOK	7 500	6 200	7 500
	SEK	890 000 (converted to NOK)	804 738	752 495
Total			1 309 938	1 258 995
Interest rate at 31.12		Norwegian operations	5.52%	6.53%
		Swedish operations	5.43%	5.79%

The company's long-term debt is secured against shares in its subsidiaries. The loan carries a floating interest rate (3-month NIBOR + margin). See note 17 on forward rate agreements. In addition, the Group has a small mortgage loan on office buildings.

Original covenants were suspended by Nordea in the 4 quarter as Nordea gave a waiver for over 12 months in anticipation of renegotiation of loan terms. In January 2009, the Group renegotiated the loan terms with Nordea. The due date of the acquisition liability relating to the Block Watne purchase has been deferred until 1 January 2012. A binding term sheet is in place, although the final loan agreements are still being drawn up. The renegotiation also involves changed repayment terms and repricing of the loans.

Based on the new term sheet, the repayments are as shown below.

		2009	2010	2011	2012	2013
Repayments	TNOK	41 200	41 200	41 200	380 200	1 200
	TSEK	0	0	0	890 000	0

26. Current liabilities to financial institutions

(NOK 1 000)	2008	2007
Bank overdraft	106 893	39 756
Other working capital loans	75 110	0
Building and land loans	602 337	310 606
Total current liabilities to financial institutions	784 340	350 362
Interest rate, Norwegian operations 31.12	5.34%	6.15%
Interest rate, Swedish operations 31.12	3.07%	3.53%

Building and land loans are secured with collateral in projects and land. More information can be found in note 32, which shows the carrying amounts of collateral.

27. Other current interest-bearing liabilities

The loan consists entirely of the original related party subordinated loan which was converted into an ordinary loan in 2008, with repayments of NOK 55 million during the year. The remaining loan of NOK 40 million was repaid in full after the share issue in February 2009 (see note 35).

28. Product warranty provisions

In its capacity as a construction company, the Group issues product warranties on houses that have been handed over. During the construction period, product warranties are purchased from banks or insurance brokers, although after a house is handed over the Group is required under Norwegian and Swedish law to establish product warranties. The Group has an ongoing provision for its product warranty commitments.

(NOK 1 000)	2008	2007
Product warranty provision, calculated	46 251	56 113
Product warranty provisions, special projects	2 520	4 808
Total product warranty provisions	48 771	60 921

Using reported warranty and claims costs over the last five years and their estimated distribution over five years (warranty period specified in the Norwegian act on construction of buildings), a fair assessment of the warranty provision is made, based on the previous year's turnover. In addition, a specific assessment is made to ascertain whether there is a need for special provisions relating to larger claims.

(NOK 1 000)	2008	2007
Product warranty provision, 01.01	60 921	61 767
Used during year	-12 150	-33 872
Reversed during year	0	0
Allocated during year	0	33 026
Product warranty provision, 31.12	48 771	60 921

29. Land obligations

The Group enters into binding agreements with land owners on allocation, planning and development of sites. When these agreements are drawn up, the company's future payments are defined. The contracts may contain both conditional and unconditional commitments.

Future payments are not normally interest-bearing, although the agreements may in individual cases be adjusted to reflect the consumer price index. For agreements in which the land obligations are not conditional, the land is capitalised. Provision is made for associated payment obligations to the extent that payment has not been made in connection with establishing the agreement.

Other contracts with conditions that must be met before obligations arise often concern land which has not been approved for residential development.

At the end of 2008, conditional contracts totalled NOK 286 million (not balance sheet), and when these are approved for development, the Group's land values and land obligations will increase correspondingly. Conditional contracts at the end of 2007 amounted to NOK 311 million.

It is considered highly likely that the local authorities will approve development.

30. Public duties payable

(NOK 1 000)	2008	2007
Public duties payable	9 252	19 207
Social security tax	23 639	26 107
VAT	8 348	895
Total	41 239	46 210

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31. Other current liabilities

(NOK 1 000)	2008	2007
Accrued salaries, holiday pay etc	69 498	84 393
Accrued interest expense	4 779	4 713
Product warranty provision	48 771	60 291
Provision for accrued expenses	34 665	48 225
Advance payments from customers	63 815	89 342
Restructuring costs	10 137	0
Other current liabilities	1 680	1 538
Total	233 344	288 502

32. Pledged assets and guarantee commitments

CARRYING AMOUNT OF THE COMPANY'S LIABILITIES SECURED AGAINST MORTGAGES (NOK 1 000)	2008	2007
Building and land liabilities, other working capital loans	660 763	310 606
Bank overdraft	106 893	39 756
Mortgage loan	505 200	506 500
Total	1 272 856	856 862

CARRYING AMOUNT OF ASSETS PLEDGED AS COLLATERAL FOR LIABILITIES (NOK 1 000)	2008	2007
Shares in subsidiaries*	1 616 935	1 550 115
Trade receivables	104 458	104 168
Land and buildings under construction	1 248 344	1 039 314
Property, plant & equipment	16 808	26 530
Total	2 986 545	2 720 128

* The long-term liability with Nordea is secured against shares in Block Watne AS, Hetlandhus AS and BWG Homes AB.

Many small projects, in parts of or in the entire construction process, are not pledged as collateral for liabilities. Of the carrying amount of NOK 1 567 million in land and buildings under construction, NOK 233 million relates to land obligations (current liabilities).

The renegotiation of the loan terms with Nordea in January 2009 included an agreement that the liabilities to Nordea are secured by unpledged assets, mainly unpledged land. These collateral arrangements will be established during spring 2009.

GUARANTEES ISSUED BY FINANCIAL INSTITUTIONS (NOK 1 000)	2008	2007
Guarantee for advance payments	737 480	848 951
Contract guarantees for building projects	155 273	133 396
Other guarantees	235 714	244 954
Total	1 128 467	1 227 301

33. Leases

The Group has a number of operating leases relating to offices and warehouses. The leases have variable lease terms, although the average lease term is between 3 and 8 years, with a renewal option. The leases are not based on variable rent conditions. The Group also has operating leases relating to cars and fixtures & fittings. These expire during the period 2008-2010. The Group does not have any finance leases.

ANNUAL LEASE PAYMENTS FOR OFF-BALANCE SHEET ASSETS (NOK 1 000)	2008	2007
Cars, fixtures & fittings	8 013	4 326
Rents	44 652	28 274
Total	52 666	32 600

Lease payments are reported under other operating expenses.

34. Cash flow statement

The cash flow statement has been prepared using the indirect method.

CHANGES IN OTHER ACCRUALS, ITEMISED (NOK 1 000)	2008	2007
Changes in other receivables	11 928	-2 338
Change in social security tax	-5 209	15 159
Change in other current liabilities	-59 279	20 991
Total	-52 560	33 812

35. Events after the balance sheet date

In January 2009, the Group renegotiated its loan terms with Nordea. The due date of the acquisition liability relating to the Block Watne purchase has been deferred until 1 January 2012. A binding term sheet is in place, although the final loan agreements are still being drawn up. Formalisation of loan agreements remain. See further discussion in the Board of Directors' report.

In February 2009, a private placement of NOK 140 million was completed, with a subsequent repurchase issue in March of NOK 21.38 million. The issues were settled in cash and the number of shares issued was 32 276 000. The subscription price was NOK 5.

In January 2009, an agreement was signed for the sale of the ownership stake in the Swedish insurance company Gar-Bo. The sale is conditional on approval by the financial supervisory authorities in Sweden and Luxembourg. The final selling price and settlement structure will be defined on the assumption that the sale will be implemented before the end of April 2009. The total selling price will be on a par with the carrying amount (SEK 65 million).

36. Pro forma income statement 2007 – unaudited

Pro forma figures for 2007 have been prepared as if Prevesta had been acquired on 1 January 2006. These figures have not been audited.

PRO FORMA INCOME STATEMENT – BWG HOMES ASA

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(NOK 1 000)	2008 ACTUAL	2007 PRO FORMA
Sales revenue	3 170 495	3 272 324
Other income	1 030	23
Total income	3 171 525	3 272 346
Cost of materials	-1 906 232	-1 943 185
Payroll and personnel expenses	-599 557	-607 175
Other operating expenses	-297 650	-281 041
Total operating expenses	-2 803 439	-2 831 400
Operating profit before depreciation/amortisation	368 086	440 946
Income from associates	621	9 503
Impairment of goodwill	-226 050	0
Depreciation of property, plant & equipment	-22 061	-21 033
Operating profit	120 596	429 416
Interest income	7 802	8 045
Other finance income	24 830	396
Change in market value of financial instruments	-42 500	-368
Interest expense	-137 562	-74 316
Other finance expense	-5 244	-29 713
Net financial items	-152 674	-95 956
Profit/loss on ordinary activities before tax	-32 078	333 460
Tax on profit	-50 204	91 575
Profit/loss for the period	-82 282	241 885