

Notes Parent

1. Accounting policies

BWG Homes ASA was incorporated on 20 September 2005. The company changed its name from Block Watne Gruppen ASA to BWG Homes ASA on 20 September 2007. The company is the parent company in a Group with operations both in Norway and Sweden. The company's office address is Munke-damsveien 45, 0250 Oslo.

All figures in the tables presented below are in NOK thousands unless otherwise specified.

The annual financial statements comprise the income statement, balance sheet, statement of cash flow, and accompanying notes. The annual financial statements have been drawn up in accordance with the Public Limited Companies Act, the Accounting Act and generally accepted accounting principles in Norway as of 31 December 2008.

BASIC PRINCIPLES, VALUATION AND CLASSIFICATION, OTHER ISSUES

The annual financial statements are based on the basic principles of historical cost, comparability, going concern, matching and prudence. Transactions are recorded at the value of the consideration paid/received at the time the transaction took place. Revenues are recognised when they are earned and costs are matched against accrued revenues.

Assets/liabilities associated with the production and sale of goods and items falling due for payment less than one year after the balance sheet day are classified as current assets/current liabilities. Current assets/current liabilities are valued at the lower/higher of acquisition cost and fair value. Fair value is defined as the estimated future sales price, less estimated sales costs. Other assets are classified as non-current assets. Non-current assets are valued at cost. Non-current assets which have a finite life are depreciated. If the value of a non-current asset changes, and that change is deemed not to be temporary, an impairment loss is recognised for the asset.

ACCOUNTING PRINCIPLES FOR SIGNIFICANT ACCOUNTING ITEMS

Revenue recognition

Revenues are recognised when they accrue.

Cost recognition/matching

Expenses are matched against and recognised at the same time as those revenues with which they are associated. Expenses which cannot be ascribed to specific revenues, are recognised when they accrue.

Property, plant and equipment

Items of property, plant and equipment are carried at acquisition cost, less accumulated depreciation and impairment. If the fair value of an item of property, plant or equipment is less than its carrying amount, and this is due to circumstances which are not expected to be of a temporary nature, the value of the item is written down to fair value. Expenses associated with major replacements or renovations which extend the life of the asset are capitalised.

Depreciation

Depreciation is calculated on a straight line basis over the asset's useful life, based on its historical cost price. Depreciation is classified as an ordinary operating expense.

Financial assets

Subsidiaries: A subsidiary is a company in which the Group holds 50 per cent or more of the shares. The company uses the cost method of accounting for subsidiaries.

Pension liabilities and pension costs

The company has an occupational pension scheme which entitles employees to agreed future pension benefits, ie a defined benefit scheme. The pension obligation is calculated on the basis of linear accrual, with the number of years to retirement, the discount rate, future returns on plan assets, future regulation of salaries, pensions and social security benefits, and actuarial assumptions relating to mortality, voluntary withdrawal, etc, being important factors. Changes in pension liabilities and plan assets which are due to changes in or deviations from previous financial assumptions (estimate changes) are recognised as they arise.

Net pension costs in the income statement are the change in the net pension obligation in the financial year. The change largely comprises the estimated earned pensions during the year less the estimated return on plan assets. Pension costs are classified as ordinary operating expenses and are presented with salaries and other benefits. The company is legally obliged to maintain an occupational pension scheme, and the pension scheme meets the requirements of the Occupational Pension Schemes Act.

Forward rate agreements

The company has entered into forward rate agreements. The agreements are not capitalized, but payments are recorded as interest income in the income statement.

Foreign exchange

Purchases of goods and services in foreign currencies were insignificant.

Deferred tax and tax expenses

Deferred tax liabilities/assets are calculated on the basis of temporary differences between the accounting and taxable value of assets at the end of the financial year. The calculation is based on the nominal rate of tax. Positive and negative differences are offset within the same time period. Deferred tax assets arise if there are temporary differences which may lead to tax deductions in the future. The tax expense for the year comprises changes in deferred tax liabilities and deferred tax assets, as well as the tax payable for the financial year in question, corrected for errors in previous years' calculations.

Cash flow

The cash flow statement is prepared using the indirect method and shows cash flows from operations, cash flow from investing activities and cash flows from financing activities.

Group contributions from subsidiaries to the parent company and from the parent company to subsidiaries during the period are reported under cash flow from financing activities. Long-term loans from subsidiaries to the parent company are reported under cash flow from financing activities.

Short-term intra-group balances with subsidiaries (loans and receivables) are reported under cash flow from investing activities.

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2. Payroll costs and employee benefits

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COSTS RECOGNISED AS PAYROLL COSTS (NOK 1 000)	2008	2007
Salaries and holiday pay	7 351	3 780
Social security tax	1 195	597
Pension costs	701	444
Other payroll costs	109	16
Total	9 356	4 837

NUMBER OF EMPLOYEES		
Average number of full-time equivalents	4.6	2.3
Number of employees at end of year	5.0	3.0

PENSIONS/RETIREMENT BENEFIT OBLIGATIONS

The company is obliged to have mandatory occupational pension arrangements under the Norwegian mandatory occupational pension act. Pension obligations consist of a collective pension plan (funded).

The underlying estimates were reviewed in autumn 2008 and are considered reasonable. On 6 January 2009, the accounts committee released the following pension assumptions as at 31 December 2008:

Discount rate	3.80%
Salary adjustment	approx. 4.00%
Pension adjustment	approx. 3.75%
Expected return	approx. 5.80%

The assumptions which were used to calculate the pension costs/retirement benefit obligation have not changed as a result of the new assumptions, as the effects of any change are not considered to be substantive.

The collective pension schemes had 5 (3) members at the end of the year.

CHANGES IN NET OBLIGATIONS RELATING TO DEFINED BENEFIT (NOK 1 000)	2008	2007
Defined benefit pension obligations 01.01	962	762
Changes to estimates	0	0
Deposits during the year	-757	-278
Cost recognised in income statement	794	478
Defined benefit pension obligations 31.12	999	962

COST RECOGNISED IN INCOME STATEMENT (NOK 1 000)		
Current service cost	506	221
Capital cost of past service cost	95	64
Gross pension expense for the year	601	285
Expected return on plan assets	-92	-46
Administrative expenses	36	29
Accrued employer contributions	77	38
Changes to estimates in profit or loss	0	0
Change to pension obligations due to agreement changes	171	173
Net pension cost for the year	794	478

RECONCILIATION OF BENEFIT PENSION OBLIGATIONS		
Estimated present value of accrued pension liability 31.12	2 739	2 819
Estimated pension assets 31.12	-1 762	-916
Social security tax	137	268
Estimate deviations	-115	-1 210
Net liability for defined benefit pension obligations 31.12	999	961

ASSUMPTIONS USED TO CALCULATE PENSION COSTS		
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%
Expected return	6.30%	5.75%

The company expects to contribute approximately NOK 0.7 (0.7) million in payments to pension plans in 2009.

3. Remuneration of management, board and auditors

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	1 822	0	56	127	0	0	0
Arnt Eriksen	CFO	301	0	24	22	0	0	0 ¹⁾
Ketil Kvalvik	CFO	543	193	101	194	0	0	0 ²⁾
Elisabet Landsend	Director of Communications	1 008	0	133	140	0	0	0
Board								
Harald Walther	Chairman	0	0	0	0	180	0	261 ³⁾
Hege Bømark	Deputy Chairman	0	0	0	0	150	0	0
Petter Neslein	Board member	0	0	0	0	120	0	0
Eva Eriksson	Board member	0	0	0	0	60	0	0
Brit Hagelund	Employee representative	0	0	0	0	50	0	0 ⁴⁾
Tore M. Randen	Employee representative	0	0	0	0	50	0	0 ⁴⁾
Øyvind Wiik	Employee representative	0	0	0	0	50	0	0 ⁴⁾
Torunn Thiemer	Employee representative, deputy	0	0	0	0	3	0	0 ⁴⁾

Comments

- 1) Arnt Eriksen took up his position as CFO on 6 October 2008.
- 2) Ketil Kvalvik left his post on 31 October 2008
- 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.

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

The company paid NOK 663 000 in board fees in 2008. See above.

AUDITORS' FEES EXCL. VAT (NOK 1 000)	2008	2007
The following auditors' fees were paid		
Standard auditing	434	251
Tax advice	0	6
Other	28	375
Total	462	633

4. Income from investment in subsidiaries

(NOK 1 000)	2008	2007
Group contribution from Block Watne AS	32 000	243 468

5. Interest income

THIS ITEM CONSISTS OF (NOK 1 000)	2008	2007
Interest from Block Watne AS	1 858	1 883
Interest from BWG Homes AB	31 495	0
Interest from bank	4 061	5 657
Total interest income	37 414	7 540

6. Interest expense

THIS ITEM CONSISTS OF (NOK 1 000)	2008	2007
Interest to Block Watne AS	2 463	2 142
Interest to bank	39 738	25 730
Total interest expense	42 201	27 872

7. Subsidiaries

(NOK 1 000) SUBSIDIARIES	REG'D OFFICE	SHARE CAPITAL	HOLDING/ VOTING SHARE	SHARES, PAR VALUE (NOK)	COST/ CARRYING AMOUNT	SHARE OF EQUITY 31.12.2008	SHARE OF EQUITY 31.12.2007
Block Watne AS	Oslo	40 000	100%	NOK 10	1 095 000	399 577	293 687
Hetlandhus AS	Oslo	100	100%	NOK 1	5 008	253	110
Boligbygg Prosjekt AS	Oslo	100	100%	NOK 100	115	115	0
BWG Homes AB*	Vetlanda	1 100	100%	SEK 1	516 812	516 812	582 945
Total					1 616 935	916 757	876 742

* Prevesta AB was merged in BWG Homes AB in 2008. In connection with the impairment of goodwill in the Swedish business, (note 13 Intangible assets), the parent company has written down the value of the subsidiary to book equity. The impairment amount to NOK 112.857 million

8. Loans to subsidiaries

THIS ITEM CONSISTS OF (NOK 1 000)	2008	2007
Loans to BWG Homes AB	342 014	0
Loans to Hetlandhus AS	11 100	0
Total loans to subsidiaries	353 114	0

9. Tax

TAX ON PROFIT (NOK 1 000)	2008	2007
Profit before tax	-103 301	209 790
Group contribution without tax effect	0	-16 795
Permanent differences	112 837	-22 834
Temporary differences	-1	70
Group contribution	0	-14 789
Basis of tax payable	9 535	155 443
Tax payable on profit for the year	2 670	43 524
Change in deferred tax	0	-20
Adjustments in tax for previous years	6 394	0
Tax expense in income statement	9 064	43 504

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

CALCULATION OF DEFERRED TAX IN BALANCE SHEET (NOK 1 000)

Offset differences	2008	2007
Net pension obligation	-999	-962
Operating assets	151	130
Other differences	34	18
Basis of deferred tax	-813	-814
Deferred tax asset in balance sheet	-228	-228

INCOME TAX PAYABLE IN BALANCE SHEET (NOK 1 000)

Tax on profit for the year	2 670	43 524
Tax on share issue costs recognised directly in equity	0	-6 394
Income tax payable in balance sheet	2 670	37 130

10. Intangible assets

(NOK 1 000)	2008	2007
At 01.01		
Cost of acquisition	337	0
Accumulated amortisation	11	0
At 01.01	326	0
Carrying amount 01.01	326	0
Purchases during year	0	337
Depreciation during year	67	11
Carrying amount 31.12	259	326
At 31.12		
Cost of acquisition	337	337
Accumulated depreciation	79	11
At 31.12	259	326

Intangible assets consist entirely of purchased software, that is depreciated over 5 years.

11. Tangible fixed assets

(NOK 1 000)	2008	2007
At 01.01		
Cost of acquisition	398	0
Accumulated depreciation	40	0
Carrying amount 01.01	358	0
Purchases during year	435	398
Disposals during year	292	0
Depreciation during year	81	40
Carrying amount 31.12	421	358
At 31.12		
Cost of acquisition	541	398
Accumulated depreciation	120	40
Carrying amount 31.12	421	358

Tangible fixed assets consist entirely of cars that are depreciated over 5 years.

12. Other receivables

THIS ITEM CONSISTS OF (NOK 1 000)	2008	2007
Receivable from Block Watne AS (interest-bearing)	0	243 468
Receivable from BWG Homes AB (interest-bearing)	36 781	163 300
Receivable from Hetlandhus AS (interest-bearing)	0	27
Total other receivables	36 781	406 795

13. Cash & cash equivalents

This item consists of bank deposits and small amounts of cash in hand.

(NOK 1 000)	2008	2007
Cash and bank deposits	1 574	12 610
Of which reserved for deduction for employees	378	278

14. Equity

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(NOK 1 000)	SHARE CAPITAL	SHARE PREMIUM RESERVE	OTHER EQUITY	TOTAL
Equity 01.01.07	9 000	534 884	40 979	584 863
Share issue	4 200	949 253	0	953 453
Share issue expenses	0	-22 834	0	-22 834
Tax effect of share issue expenses	0	6 394	0	6 394
Bonus issue	52 800	-52 800	0	0
Profit for the year	0	0	166 286	166 286
Dividend	0	0	-132 000	-132 000
Group contributions	0	0	-14 789	-14 789
Equity 31.12.07	66 000	1 414 897	60 476	1 541 373
Equity 01.01.08	66 000	1 414 897	60 476	1 541 373
Profit for the year	0	0	-112 365	-112 365
Equity effect of group contribution from prior years	0	0	10 648	10 648
Equity 31.12.08	66 000	1 414 897	-41 241	1 439 656

15. Number of shares, shareholders

The 20 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%
Others	15 758 113	23.88%
Total	66 000 000	100.00%

Total number of shareholders 847

Par value of shares NOK 1.00

Shares owned by management and board at 31 December 2008:

		SHARES
Lars Nilsen	CEO	23 958 000 *
Arnt Eriksen	CFO	38 000
Elisabet Landsend	Director of Communications	10 400
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

16. Liabilities to financial institutions

(NOK 1 000)		2008	2007
Long-term liabilities to financial institutions comprise a mortgage loan secured against shares in subsidiaries		499 000	499 000

At 31 December, the loan carries a floating interest rate (3-month NIBOR + margin). See note 17 on forward rate agreements. The loan agreement was renegotiated in January 2009. See also note 23. Based on the new term sheet (final loan agreements being drawn up), the repayments are as shown below.

(NOK 1 000)	2009	2010	2011	2012
Repayments	40 000	40 000	40 000	379 000

17. Forward rate agreements and financial risk

The Group has entered into forward rate agreements amounting to NOK 350 million. The agreements have not been recognised in the balance sheet.

(NOK 1 000) PRODUCT	TRANSACTION DATE	CAPITAL SUM	START DATE	MATURITY DATE	ACCRUED INTEREST	MARKET VAL. 31.12.08	MARKET VAL. 31.12.07
Threshold Swap	17.01.06	100 000	06.03.06	07.03.11	137	-1 219	3 518
Cap	17.09.08	250 000	02.01.09	02.01.14		653	0
Extendable Interest Swap	24.04.06	150 000	05.09.06	06.06.11	299	0	2 044
Total market value of interest-rate derivative products					436	-566	5 662

Market value has been confirmed by the financial institution which is agreement counterparty.

FINANCIAL RISK (NOK 1 000)	2008	2007
Net interest-bearing liabilities at 31.12	514 284	486 390
Change in net interest expense in the event of a 1-per cent change in interest rates	4 143	2 364

Financial risk is described in more detail earlier in this annual report.

18. Public duties payable

(NOK 1 000)	2008	2007
Tax for employees	339	264
Social security tax	254	127
VAT	-225	0
Total	367	391

19. Current liabilities

The total amount consists of current liabilities to Nordea.

20. Other current liabilities

(NOK 1 000)	2008	2007
Accrued salaries, holiday pay etc.	2 141	1 251
Short-term loans from subsidiaries	32 139	71 146
Liabilities to group companies	14 777	14 789
Total	49 057	87 185

21. Pledged assets and guarantee commitments

CARRYING AMOUNT OF COMPANY'S LIABILITIES SECURED BY PLEDGED ASSETS (NOK 1 000)	2008	2007
Mortgage loan	499 000	499 000
Total	499 000	499 000

CARRYING AMOUNT OF PLEDGED ASSETS (NOK 1 000)		
Shares in Block Watne AS and Hetlandhus AS	1 100 000	1 100 000
Total	1 100 000	1 100 000

The company set itself a surety to Nordea for SEK 1 090 million ensuring BWG Homes AB's lending relationship with Nordea.

COLLATERAL PROVIDED (NOK 1 000)	2008	2007
Collateral for guarantees to subsidiaries	175 000	175 000
Total	175 000	175 000

A guarantee has been issued to a mortgage insurance company on behalf of the subsidiary Block Watne AS.

22. Cash flow statement

Change of current balances with subsidiaries mainly comprise a liquidity loan to BWG Homes AB.

23. Events after the balance sheet date

In January 2009, the Group renegotiated the loan terms with Nordea. The due date of the acquisition liability relating to the Block Watne purchase (cf note 16) 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. See further discussion in the Board of Directors' report.

In February 2009, a private placement of NOK 140 million was completed, with a subsequent repair 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 5.00.