



Gårdstensbostäder AB
Annual Report
for the 2010 financial year



*Terasshus på Salviagatan i östra Gärdsten.
Photo: Martin von Brömssen*

Gårdstensbostäder AB

Org.nr. 556536-0277

Annual Report for the 2010 financial year

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Statement by the President

Gårdstensbostäder AB has developed over its thirteen-year history to a respected and financially sound property management company. The company's remit though goes far beyond simply providing the financial value for its owners. Since our start in 1997, we have been demonstrating that a committed landlord can take significant responsibility for social development in a vulnerable city area. It is also gratifying that independent research attests that the company is profitable for the society in general.

In cooperation with our tenants we formulated the following vision for 2014: "Gårdsten is our home and a good place to live in. We care for each other. We are committed. Gårdsten is a part of Gothenburg, and we are proud of it. We continue developing a healthy, safe and sustainable environment in Gårdsten with functioning welfare. The kids and youngsters from the area believe in their future."

We are definitely on the right track, but there is still plenty to be done. The residents of Gårdsten are mostly people who support themselves and have good life standards, and yet there many of those who are dependent on the support from their environment. Sustainable social development presumes a number of positive powers and factors, but the two most important ones are the high employment rate and the minimum possible number of school drop-outs. Gårdstensbostäder shall continue to contribute to the creation of an enjoyable and confident world in Gårdsten.

For the tenants – with the tenants

The vision for 2014 was developed in 2009 in intensive dialogue with our tenants. In 2010 the commitment of our tenants was further demonstrated, when some 300 people visited the exhibition "On the right track" in Idéum, which marked the review point in our visionary work. The fact that our tenants have and use the opportunity to influence the process was demonstrated in 2010 by the well attended so-called Wednesday dialogues, parent meetings, the dialogues in Norra Gårdsten on reconstruction and maintenance, Gårdsten Day and many other events. The real change was only made possible by the commitment and influence of our tenants.

World class property development

The property refurbishment in 2010 again concentrated on Norra Gårdsten, providing extensive façade renovations, introduction of complete individual metering and investments into the new waste processing system. New patios are one of the other things we continue to work on.

Introduction of individual metering of the tenants' power, heating and water consumption means that the company's tenants are now in the position to control their expenses.

Our Solar House 1 and 2 are a vivid example of property development with energy solutions largely based on solar energy. A test house was introduced in Västra Gårdsten in the course of the year. It is a development project in cooperation with Göteborg Energi, which feeds solar energy into the municipal district heating network. The Solar House 3 area is now underway and the company's development towards world class environmental sustainability is making another important step.

Gårdstensbostäder also invests significant amounts into broadband development for its tenants and IT-based solutions for such services, as tracking of power, heating and water consumption, problem reporting, laundry time booking and other residential information.

Satisfied tenants

All companies in the Framtiden Group run residential satisfaction surveys to find out how the tenants rate different aspects of the accommodation. Resident Satisfaction Index is measured on the scale of 1 to 100, where grades over 60 are good and over 70 are very good. Our Resident Satisfaction Index remains at the good level of 65, but our so-called Property Owner Rating increased from 68 to 69 and we have even increased our Influence Rating to 69.

We are the proud holders of the best ratings of all Gothenburg public property management companies for our environmental work. Gårdstensbostäder in general has got satisfied tenants, who value the opportunity to affect their residential environment.

Gårdsten – a central suburb

The delegation of Hållbara Städer (“Sustainable Cities”) arranged a large seminar on November 16 in the House of Sweden in cooperation with the Swedish Embassy in Washington. Gårdstensbostäder was one of the three carefully chosen Swedish examples that took part in the event. The other two were ByggVesta AB from Malmö and Miljö & Hälsa from the City of Stockholm. It turned out to be a great time with lecturers and new ideas from the whole world.

It is a very gratifying experience – to be able to present the specific Swedish experience in urban development. Gårdstensbostäder is on the cutting edge with its sustainable solutions, such as solar houses, wind energy and individual energy metering. This was another one of those occasions when we present our work in the international context and the interest further increases, when we explain that our success is attributable to the intensive dialogue with our tenants and our committed employees.

Continued positive attitude

Surely there is still plenty of work out there. Surely there are problems and great challenges. But the decisiveness and influence by tenants brought us forward and resulted in the success recipe for the future. In 2011 we are going to actively work on physical development of our properties and neighbourhood. But we are also going to be actively involved in increased employment and help our teenagers to graduate from school with diplomas. The kids and teenagers of Gårdsten have got a good reason to be confident in their future!

We are looking forward to contacts with all of you and will gladly tell you more about our company.

KATARINA AHLQVIST
President



Administration report

The Board of Directors and President of Gårdstensbostäder AB (organisation number 556536-0277) hereby present the annual accounts for the 2010 fiscal year.

Operations

Gårdstensbostäder AB conducts property management and development in the district of Gårdsten in north-east Gothenburg. The company is a wholly owned subsidiary of Förvaltnings AB Framtiden, which is in turn a group of companies wholly owned by the City of Gothenburg.

Operations commenced in 1997, when the newly established company acquired properties in the district previously owned by Göteborgs stads bostadsaktiebolag and Bostads AB Poseidon. The remit presented by the owners fourteen years ago was to create a sustainable Gårdsten, and that remit remains equally applicable today.

The housing stock has undergone extensive changes over the years, and this process continued in 2010. Work during the period mainly related to Norra Gårdsten, which became part of the company's sphere of operations in 2002, and the installation of individual metering at Peppargatan, Övre Kanelgatan, Timjansgatan, Saffransgatan and in low-rises at Muskotgatan and Salviagatan. The company has been working towards switching completely to individual metering by the end of 2010. Exception was made for the senior citizen residences at Muskotgatan 10 and Akaciagården 11 and 18, which comprise the total of 74 apartments, since they represent housing under a certain programme.

Since 2009 the company has been covering its electricity needs entirely through wind power.

The remit from the owner, in addition to the physical alteration of Gårdsten, also signifies extensive and systematic work to improve the district as a residential environment. During its fourteen years, the company has taken a whole series of initiatives to create jobs and meet the many different needs that exist in a district which for many years was previously neglected. It can be mentioned as an example from 2010 that Gårdstensbostäder, in cooperation with others, created 183 jobs for residents of Gårdsten in the district and also helped develop services in Gårdsten through a new company located at Gårdsten Centrum, i.e. Indien Livsmedel. There are currently some 50 companies in Gårdsten, which has raised the significance of the local job market over the years.

The objectives in the management of operations are gradually changing from achieving ambitious targets to maintaining and developing levels that are already high and continuing to generate a high rate of development.

The basis for the company's operations in 2010 was the goals and the policy documents drawn up by the owners and the Board of Directors and the financial requirements and frameworks the company has received.

In its capacity as a municipally owned company, Gårdstensbostäder AB additionally has to contribute to attaining a number of municipality-wide goals, such as meeting the needs of elderly people for human contact; increased housing construction; improved energy efficiency; a decrease in the consumption of fossil fuels and increased travel by public transport and cycling. The company works actively on fulfilling these goals.

The financial position of Gårdstensbostäder AB is increasingly stable. The profit on property for 2010 was SEK 29.8 million and exceeds by SEK 2 million from the forecast level, most of the difference being accounted for by the planned maintenance, which had to be postponed due to the cold and snowy end of 2010. The value of the property stock is SEK 998 million (SEK 913 million).

Business concept, vision and strategies

Gårdstensbostäder entered a new phase in 2007 as an innovative, successful and respected property management company focusing on social responsibility and sustainable development in all respects. This work continued in 2010. By mobilising the tenants, the company has been able to work efficiently to create a good residential environment in the district. Gårdsten is an example of an area where housing companies can drive social development forward.

In close cooperation between employees, management and the Board of Directors, work commenced in 2007 to formulate the company's vision through to 2014, as well as a five-year business plan. In 2008 all the company's tenants had an opportunity to take part in vision-related work at what are known as café dialogues. In May 2009 all the residents and everyone else involved received feedback during a vision presentation held in the new, large and modern conference room Idéum at Kaneltorget in western Gårdsten. The decision on the new vision for 2014 and a five-year plan towards it were adopted by the Board of Directors of Gårdstensbostäder in December 2009. In October 2010 the company was ready to sit down and take a look at what had been done and what was still in the process. This was made in the form of a new exhibition with activities under the motto "On the right track", which was well attended.

Balanced scorecard

To control and evaluate the company's operations and management using the overall objectives as a starting point, Gårdstensbostäder's balanced scorecard includes five central areas of measurement: Tenants, Operations, Employees, Welfare and Finances.



Organisation

The company's organisation is characterised by decentralisation and short lines of communication. Proximity to, and a dialogue with, the tenants has always been the most important starting point for the organisation. As a result, the company's nine building managers report directly to the President and have far-reaching authority and responsibility.

Motivated employees, organisational consensus and a clear link between business plan and day-to-day activity are essential if the organisation is to be able to continue to develop housing and the residential environment for the company's tenants. Evening opening was introduced with effect from April 2009 for all employees every Wednesday, and continuing into 2010, where everyone now participates in the dialogue meetings with the residents in various ways.

Major events and activities during the fiscal year

A major event during the year was installation of individual metering in all the apartments that had not had it previously, with the exception of 74 apartments for senior citizens, which fall under a special programme. Besides, installation of the so-called "Broadband of the Future" has been going on since May, so that all apartments have got a media box installed and purchase of services through the broadband will be available starting from May 2011.

Refurbishment and maintenance

Property development over the period focused mainly on Norra Gårdsten, where, among other things, the façades of almost five properties have been renovated. Renovation of the area's laundries has been completed and a new refuse collection system with soil containers was completed and implemented in January 2010, and was accompanied by a massive information campaign in connection with the switch to the new system. Work was started on the new patios in the area and individual metering was installed during the year.

In Östra Gårdsten, the elevator was renovated in Gårdstenshuset. The building in Salviagatan that previously served as a day care centre was turned into twelve Ungahem apartments and will be ready for letting by the beginning of 2011. The staircase between the low-rises of Muskotgatan was renovated and the low-rises received individual metering. Renovation of the central garage was started, which is going to be performed within three years in several stages.

In Västra Gårdsten a test house was built for Solar House 3. It is a development project in cooperation with Göteborg Energi, which feed solar energy into the municipal district heating network through a substation. Solar House 3 was thus started as a continuation of Solar House 1 and 2.

The large conference facility Idéum in Gårdsten was further equipped with a staircase and an elevator, which now connect the facility with the cafeteria and other rooms at the lower storey. Individual metering was also completed in the whole area and is going to be switched on from the beginning of 2011.



Ground containers for waste on Muskotgatan.
Photo: Martin von Brömssen

Administration report (cont.)

Quality measurement

All companies in the Framtiden Group run annual quality surveys to find out how the tenants rate different aspects of the accommodation. The results are presented in the form of a Resident Satisfaction Index (NBI). This is a collective rating which scores a number of sub-factors (indices), including a rating of the service provided by the property owner – the Property Owner Rating. The scale for index values is 1-100, where > 60 is good and > 70 is very good. The NBI remained unchanged in 2010 survey at 65 (65), and the Property Owner Rating increased by one point to 69 (68). Gårdstensbostäder in general receives good and rising ratings on the Property Owner Rating – customer care and influence, but also improving ratings in security, disturbances and communications, which far exceeded targets for 2010.

Influence

The development of Gårdsten should take place on the residents' terms and with active input from them, and the company allows plenty of room for tenants to influence changes in the area. The influence rating in NBI increased to 69 (67) in 2010 as a result of a clear focus on the day-to-day lives of residents in close personal dialogue. The following can be mentioned as examples of areas where there was particular involvement:

- Regular Wednesday dialogues have continued throughout the year in various areas, partly as “get to know your neighbour” sessions, and also relating to other issues. Examples are a dialogue on cooperation among neighbours, groups for senior citizens, a Polish speaking group and a group on individual metering, as well as various courtyard, basement and stairwell meetings to reach the residents.
- Six parent meetings/seminars were conducted in Gårdsten at the initiative of the parents, three in spring and three in fall to provide additional support to the parents and their role in the lives of their small and teenage children.
- In Norra Gårdsten many dialogue meetings have taken place for instance on renovation of patios, refuse management systems and individual metering.
- Gårdsten Day (Gårdstensdagen) was held in May 2010 and was again carried out in broad cooperation with the association

council, the senior citizens' group, the youth recreation centre, the youth club, football clubs and other important groups such as emergency services and GKSS (the Royal Gothenburg Yacht Club). Many guests attended and enjoyed all these events in sunny weather.

- Committed residents of Gårdsten held a flea market in Dalen in conjunction with the Gårdsten Day event.
- In October the vision for 2014 was displayed to all Gårdsten residents. About 300 Gårdsten residents visited the presentation “On the right track” in Idéum, which also offered a guided train tour around Gårdsten.

Children and young people

Extensive activities for children and young people under the company's guidance again took place in 2010. For the fifth year in a row, a sailing school was run together with GKSS and the Rotary Club in Långedrag. A total of 22 young people from Gårdsten took part in two courses for beginners with 16 young people and a continuation course with 6 young people. In addition to the participants, two youngsters from Gårdsten acted for the first time as instructors. A visit to the boat show for children and their parents was also arranged in February. During the half-term break in February nearly 50 young people went on the skiing trip, which this year again took place at the Ulricehamn ski centre.

Movies were shown every Friday, except during the summer months, which activity moved this year to the youth recreation centre Diamanten. A keyboard course was run at the Music Studio in cooperation with the study organisation ABF, in which eight young people took part. A recording studio is run from the same location in cooperation with the youth recreation centre Ungdomspalatset. Thanks to Gårdstensbostäder's temporary summer workers it was again possible to keep the mini golf course open from June to mid-August.

In 2010 a total of 183 jobs were created (162), with 91 people, mostly young ones, working in both longer-term and shorter-term positions during the year. Some of them also had an opportunity to gain other positions around Gothenburg. The jobs are part of the company's expanded remit. It is important to give young people experience of the world of work. This is essential if they are to have a chance in the job market in the future. The report “Affären Gårdsten” (“The Gårdsten Affair”) from 2008 shows that one of the great gains

for society is that people get into work.

A collaborative project between the Study Preparation Centre (the Vinga gymnasium), SDF Gunnared and Gårdstensbostäder was launched in 2007 to start preparatory restaurant training in Gårdsten. In the course of 2010 new places became available to young people between the ages of 16 and 19, who had not continued on any upper secondary school programme. After completing their education, planned for one year, these students were authorised to apply for example for the hotel and restaurant programme. A highly successful one day seminar was conducted in November, under an EU project, focused on the importance of passion, engagement and systematic work to help young people.

In cooperation with the Gårdsten parents, six evening seminars were held during the year. Both the Resource Unit Children & Youth and the Social Resource Administration were engaged as lecturers.

In June, in connection with the end of school, Gårdstensbostäder for the third year in a row awarded scholarships to students who had performed well at the municipal school ISG Gårdstensskolan.

Letting

Rent negotiations for 2010 led to an average increase of 0.96% (2.70%) on an annualised basis. For the third year in a row Gårdsten can report full letting of apartments at 31 December 2010. The turnover rate was 13%, as of 31 December 2010.

Secure, clean and attractive accommodation

Gårdstensbostäder AB works actively and with commitment on security issues on the basis of broad cooperation with various bodies such as the urban district, police, associations, social services and schools. With the aim of establishing a secure environment in Gårdsten the company in 2010 continued initiating and holding meetings between the company, tenants and the parties mentioned above. In addition there is the Security Group in the company which consists of six (five) full-time employees. They report systematically and follow up incidents and disruptions in close cooperation with the building managers. The neighbourhood watch continued and was supported by the company during the year. However, cooperation with, dialogue with and participation from the residents are without doubt the most important factor in strengthening security.

In cooperation with the school and "Trygg och vacker stad" ("Secure and attractive city"), spring cleaning was carried out in 2010, as in previous years. The building managers' daily morning patrols play an important role in the general increase of quality in the outdoor

environment. Individual cleaning and planting days in the areas have also contributed to raising the quality of the outdoor environment. In addition, Norra Gårdsten for example now has composting facilities with soil containers, known as Molok, which opened in January 2010. Work on the new patio areas in Norra Gårdsten also contributes to the quality increase.

Residential service

Extended Wednesday hours were maintained as part of an expanded dialogue with the residents. Unemployed tenants have also received help in finding employment. 53 young people from Gårdsten obtained summer jobs in Gårdsten in 2010. Cooperation partner was the parks and nature administration (Park & Naturförvaltningen). Improvements to communal areas, keeping the mini golf range open and other outdoor work have been performed in this way. A total of 183 jobs were created through Gårdstensbostäder AB, both holiday jobs and more long-term posts.

The company endeavours to achieve a high level of service in all respects with its own employees and availability seven days a week, from early morning to midnight. The customer care rating by tenants in the NBI survey increased from 74 to 76.

All residents were invited to the Gårdsten Day event in May. Many committed residents and associations assisted in planning the day. Ball games, flea market, lottery, coffee and performances were the highlights of the programme.

An example of improved availability is the daily morning patrols by all the building managers. This creates greater visibility in the courtyards and has meant that more opinions, suggestions and reports of faults have been received in spontaneous conversations. The number of people choosing to report faults on the Internet has risen, but so has that of people making such reports through the security staff – which is easy for both residents and building managers.

Local centre

The tenants express continued dissatisfaction with the public institutions in the NBI survey, and the range of public services (care services, pharmacy etc.) receives low ratings in comparison with the Group. On the other hand, there is a positive trend with regard to business start-ups. Today there are 57 businesses in Gårdsten, and the total floor space of vacant premises is 770 (1,846) sq.m. Gårdstensbostäder supports the development of enterprise, as a vigorous business community creates jobs and development in the area.

Administration report (cont.)

The properties

Gårdstensbostäder's properties are all located in the district of Gårdsten in the municipality of Gothenburg. The property stock at the end of the year totalled 2,734 apartments of 197,734 sq.m (2,726 of 197,373 sq.m), 20,832 sq.m of non-residential premises (21,079 sq.m) and 2,126 parking spaces (2,136).

An internal valuation was made of each property at year-end. The valuation model is based on discounting of estimated payment flows, taking into account the rent level, occupancy rate, the interest subsidy situation etc. Actual operating and maintenance costs are replaced by standardised costs, which are in the range SEK 435-455 per sq.m (SEK 426-446 per sq.m). Additions are made for those properties where the company pays for domestic electricity. The yield requirement is 7.00 % (7.25 %). The valuation of the properties at present is SEK 998 million (913 million). The increase in value is attributable to the lower yield requirement and lower costs and consumption of electricity. The book value is SEK 498 million (SEK 497 million). The company's adjusted equity/assets ratio is 59% (60%).

See Note 14 to the financial reports.



View from Salviaterassen towards Salviagatan.
Photo: Martin von Brömssen

Financing

The company's total loan liability at the end of the year was SEK 329.7 million (SEK 312.6 million). The liability consists of utilised overdraft facility of SEK 8.0 million (SEK 7.8 million) and promissory note liabilities totalling SEK 304.7 million (304.7 million). The lending institution is Nordea. The loans are secured through mortgages on the company's properties. Furthermore, SEK 17.0 million was further borrowed from the parent company.

See also Notes 19, 20 and 24 to the financial reports.

Risk and sensitivity analysis New law on public municipal housing companies

The new law on municipal housing companies provides the definition of the company and imposes new requirements on its operations, namely:

- The main purpose of a municipal housing company is to manage rental properties for the public benefit, promote care of apartments in the municipality and offer the lessees the opportunity to participate in the process.
- Companies shall operate according to the business principles with market level yield requirements. The current distribution limit is replaced with a limit on value transfer from municipal housing companies.

Changes in the rental legislation

- Not all rents in public municipal housing companies shall from now on be subject to tariffs. Instead of that, the collectively bargained rents shall be subject to tariffs, regardless of the parties to the agreement.
- A protection is introduced to alleviate the effect of strong rent increases in case the rent was previously too low compared to the normal value. This means that, if the new rent becomes much higher than the old one, then the rent tribunal shall fix a lower rent for a certain period of time.

Consequences for Gårdstensbostäder

Basically, the new law is not going to affect the company's operations, since the company already works in accordance with the new law's spirit and applies the market principle of yield requirement. However, the priorities of various projects and the choice of measures may change along with market conditions.

Unit under the Public Procurement Act

In cooperation with the parent company's board, the board of Gårdstensbostäder passed at the end of October a resolution that the company is a unit under the Public Procurement Act (LOU).

Over the years, the company complied with LOU in its procurement practices, while at the time it was established in 1997, the company received a special social responsibility remitt. This involved, among other things, provision of jobs to the tenants, assisting start-ups and engaging Gårdsten companies on market terms in accordance with the company needs. This assignment was performed through the company's own employment office, Gårdsbyrå. The local job market has risen from some twenty jobs in 1997 to several hundred at this time. This has helped to generate further jobs through the network outside the local job market.

Therefore, there is a risk that the currently employed local companies may lose to new enterprises under the pure market conditions. This may entail consequences for the "local society". The board decided that the company shall perform a valuation and live up to and develop its special focus within the framework of the public procurement act.

Operations

The operations of Gårdstensbostäder are affected by what happens in the world at large. The market has changed during the year. The Swedish economy gradually improved in 2010. However, there are still plenty of negative factors in Sweden and internationally. The volatility, for example, within the Euro zone persists and the outcome is uncertain. Recovery of the European economy is going to take a number of years.

The instability factors in Sweden include interest rate development, the risk of the "mortgage bubble" and inflation pressure due to the environmental consequences in the world.

Another problematic aspect is unemployment and, first of all,



Outdoor work at Kaneltorget.
Photo: Martin von Brömssen

Administration report (cont.)

unemployment among the young people. This is a severe reality for the young residents of Gårdsten.

There are still plenty of lessees in Gårdsten, who have to deal with plenty of problems in their everyday lives, such as unemployment, low disposable income, absences due to illness, temporary disability and completion of school studies. The everyday lives of the residents also becomes the reality our company lives and works in.

The new municipal district reform of 2011 may result in service changes for the residents of Gårdsten, since the commercial space must be reviewed in order to provide effective support of the new district distribution in the city.

Gårdstensbostäder looks confidently towards the changes in the world and keeps working, taking them and the opportunities they present into account, striving to improve and develop the area.

Internal control

Gårdstensbostäder takes part, through its participation in the Group, in the work performed by the city of Gothenburg to improve the internal control and transparency in the administration and companies of the city of Gothenburg. Plenty of work within the company and the Group this year was devoted to the internal control, follow-up and management. The boards of the Group companies drafted in 2009 the internal control plans for the respective companies, which were being performed during 2010.

Various Group companies have closely cooperated with the city. The Group has used various external competencies to support its previous and future work.

In summer and fall, KPMG performed a number of audits in the Group, which provided a basis for the continued work for the improved internal control, policies and guidelines, as well as trainings.

In 2009 the board adopted the internal control guidelines. These guidelines shall ensure that there is a functioning internal control system within the company, which ensures that

- the company is operating towards its stated purposes;
- financial satisfactory results are achieved;
- quality is maintained with respect to reporting on the company, finance and internal control;
- the company's risks are assessed.

A detailed internal control plan for the coming year shall be annually approved by the board. This was most recently done at the end of 2010 for the fiscal year 2011. The plan identifies the most important processes, procedures and systems, which are subject to control. It states the control timing, responsibility, method and reporting.

Rents

Rents represent by far the company's largest revenue item. Rents are negotiated with the tenants' associations in Gårdsten and are based on the trend in costs.

Rent shortfall

Historically, rent shortfall has been a large cost item for the company. A vacancy rate of 1 percent is equivalent to a rent shortfall of SEK 1.7 million. Therefore, it is a good news that the vacancy rate, which at one point exceeded 800 apartments, has been 0 as of the year end for three years in a row.

Rental losses

Since the unemployment rate is still high, there is a risk of rental losses. An increase in rental loss of 1 percent is equivalent to SEK 1.7 million.

Maintenance costs and investments

Maintenance costs to protect and develop the technical and economic value of the properties, are a large single item in the income statement. On-going maintenance is important, as it makes the homes more attractive to our existing and future tenants.

Financial risks

The company increased its borrowing during the year, which is mostly attributable to the on-going projects in the company, as well as to broadband installation and pointed maintenance in Norra Gårdsten. The outstanding loan liability at the end of the year was SEK 329.7 million. The liability relates to three loans totalling SEK 304.7 million and a utilised overdraft facility of SEK 8.0 million, plus SEK 17.0 million borrowed from the parent company. There is a substantial risk of a rise in interest rates in 2011. In 2010 the Central Bank of Sweden increased interest rates by 1%. An increase in interest rate of 1% results in a cost increase of SEK 3.3 million. See Note 1 and Note 24.

Personnel

The company had 29 employees at the end of the period (13 women and 16 men). The employees speak a total of 26 different languages, which is significant for the service provided to the residents.

Absence due to sickness in 2010 was 3.6%. This represents an increase of 1.3% compare to the previous year. The 2.3% rate reported in 2009 did not cover any long term disability, but only included short term disability. The short term disability this year is 1.4%, i.e. it reduced by 0.9%. The increase in 2010 is attributable to long term disability.

The Group has continued its leadership training in 2010, the guiding principles for the programme being business-like approach, promotional leadership (the principle of promotion), property economics, valuations and the world at large and the environment. The company started working on developing the promotional leadership principles internally. This work will continue in 2011.

Another training course which those responsible for the company's financial results have to attend is UGL (Development of Group and Manager). UGL is a training course on the phenomena concerned with how a Group is developed and matures over time and what promotes and inhibits positive development.

Health relates to long-term healthiness. The individual's own responsibility is self-evident, but the employer also has an important role to play in promoting habits for good health. The company has a good company health service. Regular health examinations are carried out, for example once every two years for all employees. In 2009 the company also started an individual "health programme" for each employee together with the company health service. This programme was completed in the second half of 2010 and received a positive feedback.

The company additionally supports the employees in the area of health and fitness. Office-based massage and vouchers for health and fitness activities are encouraged and reimbursed during the year on the basis of a set amount per employee.

Motivated and committed employees are essential in enabling the targets the company sets to be met. In 2010 the employees also attended various contentment groups, which resulted in joint activities.

See also Note 25.

Environment

The company's long-term and extensive environmental efforts have been made through a commitment to alternative energy solutions such as our solar-powered buildings. They have attracted attention both nationally and abroad.

The company has now entered a third phase with the solar-powered buildings. A number of various solar energy solutions have been discussed. At the first stage, which was completed in 2010, a test house was built in cooperation with Göteborg Energi. A solar panel on the roof generates energy, which is then fed into the city distant heating network through a substation. The company produced energy thus contributes a green alternative in the distant heating system of Göteborg Energi.

In the spring of 2009 Gårdsten acquired a new landmark when Göteborg Energi commenced operation of a 120 metre high wind



Photo: Anna von Brömssen

Administration report (cont.)

turbine in Gårdsten. Gårdstensbostäder now has 100% renewable electricity for all its properties.

At the year end 100% (46%) of the apartments had individualised metering of electricity, heating and water consumption with the possibility of monitoring consumption and costs through the Internet. The additional expansion of individual metering will be tested during the first half of 2011 on some portions of the stock. As well as the opportunity to influence their living costs, information regarding implementation has also led to increasing awareness among the residents. No installation will be performed in senior citizen residences at Akaciagården 11 and 18 and at Muskotgatan 10, since they represent housing under a certain programme.

At the end of the year 87% of apartments could separate their biological household waste. 70% were close to a recycling site. All households, 100%, were able to separate their waste into at least two fractions.

The company's consumption figures have been reconciled for 2010, and the outcome was as follows: electricity 52 kWh/m² (56), district heating 158 kWh/m² (159) and water 2.1 m³/m² (2.2).

Financial position

Revenue has increased by SEK 2.4 million or 1.4% from SEK 170.0 million in 2009 to SEK 172.4 million in 2010. Most of the increase is attributable to rent negotiations for the year. There were no vacant properties at the end of the year.

Operating expenses increased by SEK 2.9 million from SEK 96.1 million in 2009 to SEK 99.0 million in 2010. The cost per square metre was SEK 453 in 2010 compared with SEK 440 in 2009. The difference between the years consists of various items, the items described below being the largest ones.

Heating costs increased by SEK 3.0 million or 13.4%, since 2010 was clearly colder than 2009. Electricity costs, on the other hand, decreased by SEK 3.2 million, which is mostly attributable to lower prices, although reduced consumption has also contributed to this situation. Tariff-based costs account for more than 50% of operating expenses. Property maintenance cost increased by SEK 3.9 million, and mostly consisted of snow removal costs.

The planned maintenance came up to SEK 26.5 in 2010 compared to SEK 27.7 million in 2009. Both the beginning and the end of 2010 turned out to be cold and snowy, which postponed maintenance works on the roofs and façades. The planned maintenance was SEK 121 per square metre in 2010 compared to SEK 126 in 2009.

The additional maintenance costs equal SEK 10.9 million and are attributable to improvement measures taken in Norra Gårdsten, where renovation of façades is still in progress. Four façades were fully completed in 2010. In 2009 the additional maintenance costs came up to SEK 18.8 million, which also mostly concerned Norra Gårdsten.

Property tax rose by SEK 0.6 million from SEK -3.6 million in 2009 to SEK -4.2 million in 2010. The increase was caused by the new property taxation.

Net financial items were negatively affected in 2010 by increased interest expenses and lower interest grant. The financing costs in 2010 were SEK -8.2 million compared to SEK -7.4 million in 2009. The difference equals SEK -0.8 million. The interest grant was SEK 0.5 million compared to SEK 0.8 million in 2009.

The company does not pay any corporation tax. The tax deficit, as in the previous year, is covered by Group contributions. The Group contribution for 2010 is SEK 11.4 million compared with SEK 17.0 million in 2009. The Group contribution is solely a fiscal allocation and should be related to the proposed dividend.

Total assets increased by SEK 13.2 million from SEK 615.8 million in 2009 to SEK 629.0 million in 2010. This is attributable to various items. The volume of ongoing projects increased in 2010 by SEK 20 million, the installation of broadband internet and individual metering being the largest projects. The ongoing projects account for SEK 39.0 million compared with SEK 18.4 million in 2009. This is balanced by the Group contribution receivable, which decreased by SEK 5.6 million.

On the liabilities side, the interest bearing loan increased by SEK 17.0 million, which represents a loan from the parent company. The total amount of loans is SEK 329.7 million compared with SEK 312.6 million in 2009. The equity has decreased by SEK 7.3 million as the result of profit change and the effect of the fiscal allocations concerning the Group contribution and dividends.

Outlook for 2011

Gårdstensbostäder AB has achieved significant success during its fourteen years. The company has therefore entered a continuity phase as an innovative property management company, where every day the tenants present strict demands and expectations.

The prospects for 2011 are still the beginnings of an upturn, while interest rates are expected to rise.

However, the persisting high unemployment rate poses a major

challenge, particularly in Gårdsten. The portion of students who graduate from schools with satisfactory grades is another challenge.

Taken together, this will affect Gårdsten housing. It will make new demands on organisation and management by objectives, and involvement thus continues to be the key to success for the future.

The company still faces three principal challenges:

- Preserving and reinforcing the position which Gårdsten has achieved. This will be done by continuing to adopt an all-embracing view through cooperation among the employees, the company management and the residents. The company must continue to focus on day-to-day issues and with innovative thinking, hard work and thrift develop Gårdsten on business terms.
- To develop forcefully the area as a whole; an example of such approach is the long-term renovation plans for Norra Gårdsten, expansion of broadband, the introduction of individual
- energy metering in all apartments, as well as a continued commitment to Solar House 3. Solar House 3 is a development project in cooperation with Göteborg Energi, which feeds solar power into the city district heating network.
- To work in close collaboration with the municipal authority, the business community and other stakeholders to integrate Gårdsten with the life and conditions of the rest of the city.

Proposed appropriation of profits

The following earnings are at the disposal of the Annual General Meeting:

Profit brought forward	248 046 446
Group contribution received, net	8 402 000
Net profit for the year	<u>- 3 205 432</u>
	SEK 253 243 014

The Board of Directors proposes that the profit be appropriated as follows:

Payment of dividend to the owner, SEK 840.20/share, total SEK	8 402 000
Carried forward to new account	<u>244 841 014</u>
	SEK 253 243 014

Payment of dividend will take place on 7 March 2011.

Statement of the Board of Directors on the proposed dividend

The view of the Board of Directors is that the proposed dividend does not prevent the company from fulfilling its obligations in the short and long terms, or from completing necessary investments. The dividend is offset by the Group contribution received.

The proposed dividend can therefore be justified by reference to the provisions of Chapter 17, Section 3, Items 2-3 of the Companies Act (the precautionary principle).

Regarding the profit on the company's operations and the company's financial position at the end of the financial year, please see the following financial reports. All these amounts are in SEK '000, unless otherwise stated.



View of Gårdstendalen.
Photo: Martin von Brömssen

Summary of operations

Amounts in SEK '000

Income statement

	2010	2009	2008	2007	2006
Rental income	170 995	168 767	162 885	158 205	152 693
Operating costs	-99 039	-96 100	-92 456	-88 170	-90 374
Maintenance costs	-37 443	-46 445	-35 047	-32 528	-29 510
Property tax	-4 175	-3 578	-3 472	-2 823	-3 297
Operating profit	31 773	23 839	33 068	35 796	30 497
Depreciation and writedowns in property administration	-14 823	-14 600	-14 066	-13 320	-2 004
Net operating income	3 370	-3 487	8 200	12 102	18 145
Central costs including depreciation	-6 767	-6 662	-6 578	-6 483	-7 222
Other operating income	-	-	205	-	157
Other operating costs	-6 813	-6 064	-4 429	-3 891	-3 283
Gross profit	16 950	9 239	19 002	22 476	28 493
Financial items attributable to liabilities	-8 190	-7 374	-15 031	-13 700	-11 189
Net financial items	-7 698	-6 520	-13 560	-11 567	-6 980
Income after net financial items	-4 328	-10 007	-5 360	535	11 165
Profit before tax	-4 328	-10 007	2 286	535	11 165

Balance sheet

Properties	497 809	497 481	510 962	507 194	507 533
Other fixed assets	117 114	98 885	82 142	88 567	92 033
Current assets	13 792	19 273	5 493	23 881	45 746
Equity	254 443	261 775	258 373	265 758	291 744
Provisions	-	-	-	146	1 644
Interest-bearing liabilities	329 746	312 574	307 459	309 430	300 368
Operating liabilities	44 812	41 495	32 765	36 662	43 910
Total assets	629 001	615 844	598 597	619 642	645 312

Properties

Residential floor space, sq.m	197 734	197 373	197 373	195 763	195 828
Non-residential floor space, sq.m	20 832	21 079	21 079	22 695	22 438
Apartments, number	2 734	2 726	2 726	2 698	2 696
Parking spaces, number	2 126	2 136	2 136	2 114	2 112
Investments	35 483	19 998	18 403	11 618	12 366
Taxable values	998 329	811 331	803 731	803 731	643 205
Yield value	997 600	912 600	938 400	1 065 400	922 000

Summary of operations (cont.)

Amounts in SEK '000	2010	2009	2008	2007	2006
Financing					
Equity/assets ratio (%)	40	43	43	43	45
Adjusted equity/assets ratio (%)	59	60	60	62	61
Interest coverage ratio (multiple)	2	2	2	2	2
Debt/equity ratio (multiple)	1	1	1	1	1
Interest grant	479	847	1 217	1 828	4 196
Interest grant (SEK/sq.m)	2	4	6	8	19
Average interest rate (%)	3	2	5	4	4
Cash flow, excluding investments	10 588	4 686	8 806	13 955	13 269
Profitability					
Yield, including interest grant (%)	6	5	7	7	7
Yield, excluding interest grant (%)	6	5	6	7	6
Return on total capital, %	1	0	2	2	4
Return on equity, %	-2	-4	-2	0	4
Personnel					
Average number of employees	45	42	42	37	34
Absence due to sickness (%)	3,6	2,3	4,0	4,4	2,6
Financial position					
Average rent, residential, gross (SEK/sq.m)	791	781	757	739	729
Rent shortfall, residential (SEK/sq.m)	-9	-12	-10	-8	-20
Average rent, non-residential, gross (SEK/sq.m)	462	469	493	467	593
Rent shortfall, non-residential (SEK/sq.m)	-108	-96	-150	-159	-153
Operating costs (SEK/sq.m)	-453	-440	-423	-404	-414
Maintenance costs (SEK/sq.m)	-171	-213	-160	-149	-135
Central costs (SEK/sq.m)	-31	-30	-30	-30	-33
Operating profit (SEK/sq.m)	145	109	151	164	140
Vacancy rate, residential, %	0	0	0	0	1
Vacancy rate, non-residential, %	7	9	5	4	13
Outcome, balanced scorecard					
NBI, Resident Satisfaction Index	65	65	63	62	62
NMI, Employee Satisfaction Index	73	73	79	81	74
Influence	69	67	66	63	61
Environment	74	71	71	68	62
Profit on properties (excl. expanded maintenance)	29 821	30 513	31 483	33 214	26 996

Definitions

Properties

Completed buildings plus land and land improvements.

Residential/non-residential floor space

Lettable floor space at year-end.

Equity/assets ratio

Reported equity in relation to total assets.

Adjusted equity/assets ratio

Equity plus 73.7% of untaxed reserves plus 73.7% of the surplus value of properties divided by total assets plus surplus value of properties.

Interest coverage ratio

Income after financial items plus financial expenses pertaining to the company's liabilities excluding depreciation and writedowns and reversed writedowns in relation to financial expenses pertaining to the company's liabilities.

Debt/equity ratio

Interest-bearing liabilities in relation to equity.

Cash flow, excluding investments

Income after financial items, excluding depreciation, writedowns and reversed writedowns.

Yield

Gross profit, excluding depreciation and writedowns and reversed writedowns in relation to the average book value of the properties.

Return on total capital

Income after financial items, plus financial items attributable to the company's liabilities, in relation to average balance sheet total.

Return on equity

Income after net financial items in relation to average equity.

Operating profit

Gross profit, excluding depreciation and writedowns and reversed writedowns.

Vacancy rate, residential properties

Number of unlet apartments as a percentage of lettable apartments.

Vacancy rate, non-residential properties

Unlet non-residential floor space as a percentage of total non-residential floor space

Profit on properties

Operating profit plus other income/expense less central costs, excluding expanded maintenance.

Property stock

Property	Year of valuation	Residential, number	area	Non-residential, area	Total area	Taxable value	Form of tenancy
Gårdsten 1:4 Kanelgatan/Solar House 1	1984	255	18 717		18 717	95 600	Ownership
Gårdsten 4:16 Muskotgatan	1980	538	39 652	767	40 419	198 514	Ownership
Gårdsten 10:10 Salviagatan	1980	446	32 830	3 826	36 656	171 401	Ownership
Gårdsten 12:15 Kanelgatan/Peppargatan	1971	734	52 424	5 701	58 125	249 351	Ownership
Gårdsten 3:13 Saffransgatan/Timjansgatan	1971	734	52 827	1 294	54 121	241 002	Land leasehold
Gårdsten 2:1 Business premises	1971			430	430	1 094	Land leasehold
Gårdsten 6:3 Gårdstens Centrum	1989	27	1 284	7 884	9 168	37 293	Ownership
Gårdsten 7:2 Business premises Salviagatan 1	2000			930	930	4 074	Leasehold
Gårdsten 45:9 Parking spaces	1971					-	Ownership
		2 734	197 734	20 832	218 566	998 329	



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