



Gårdstensbostäder AB
Annual Report
for the 2011 financial year



Gårdsten Day 2011
Photo by Viveca Larsson

Gårdstensbostäder AB

Organisation number 556536-0277

Annual Report for the 2011 financial year

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Statement by the CEO

Gårdsten Day in June, mini fair on welfare in October, 164 new jobs, exciting environmental goals and an excellent profit are just some of the events in 2011. After fifteen years of remit to support sustainable development in a city district that presents numerous challenges, we can look proudly at our achievements. But we also look into the future with great caution.

Good financial results

Gårdstensbostäder AB can report a profit from properties of SEK 36.7 million, and our properties have an approximate value of SEK one billion crowns. One of the prerequisites for future development is market oriented and stable financial policy.

Satisfied tenants

In a good company everything starts and ends with satisfied customers. For the fourth year in a row Gårdstensbostäder AB has got no vacant apartments and our overall NBI index came out even higher in the annual Resident Satisfaction Survey than in the previous year. We have got very good ratings in customer care, but also very high ratings in security and influence, to name just some of the factors. Since we strive to develop the area in a positive direction for the benefit of its residents, an on-going dialogue and tenant influence are an integral part of our daily work. The dialogue takes place at various levels and concerns everything, starting from the company strategy for the future and down to patio renovation. Our management model with the housing managers, who make daily patrols, also supports an on-going daily contact and a regular reality check. The company is accessible for the tenants seven days a week, from the early morning till midnight, and its employees speak a total of 23 languages, which is an important factor for good contact and satisfied customers.

Renovations and environmental work

Material renovation of our properties in 2011 focused mainly on Norra Gårdsten, where renovations entered the final stage. Among other things, we renovated the façades of four properties and built new patios.

Our work on development of new environment friendly solutions continued throughout the whole year. At the year end of 2010 all apartments had individualised metering of electricity, heating and water consumption with the possibility of monitoring consumption and costs through the Internet. Electricity consumption decreased

during the year by 4 kWh/m² and district heating decreased by 14 kWh/m². Gårdstensbostäder obviously buys 100% renewable electricity for all its properties, including that from the wind turbine in Gårdsten.

In 2011 it was also decided to integrate solar cells by attaching them to the glass covered balconies in Solar House 3. In the same area there already is a solar panel on the roof that generates energy, which is then fed into the city district heating network. These exciting projects are being done in cooperation with Göteborg Energi and power produced by Gårdstensbostäder represents a green alternative within their power network.

Together in Gårdsten

In addition to a number of dialogues, Gårdsten Day was arranged in June and a mini fair on welfare in October. Gårdsten Day was carried out in cooperation with the associations, the senior citizens' group, the youth recreation centre and external players. Gårdsten always enjoys popularity and in 2011 it was again actively attended by the tenants. The October mini fair was arranged in a large conference centre Idéum in Gårdsten, and was attended by several hundred residents, who had a chance to meet various local welfare players.

An extensive programme for children and youngsters kept developing throughout the year together with the activities that had already proved very popular, such as the movie club and sailing school together with Rotary and GKSS in Långedrag. One of the most important tasks in achieving a stable social environment is to give children and youngsters an opportunity to spend their free time meaningfully. In 2011 a total of 164 jobs were created, mostly for young people, within Gårdstensbostäder's activities.

Order and discipline

The company follows the Public Procurement Act (LOU) in all its procurement practices and we have also increased the internal control and transparency in accordance with the action plan of the City of Gothenburg. The plan resulted from a number of investigations conducted simultaneously and covers five major areas: internal control, common construction process, whistleblowing, training/development and guidelines/policies. Gårdstensbostäder consistently works on these issues and has got a solid basis that supports high level of trust in our way to run business and perform our remit.

Our impeccable work and high long term profits are based on our competent and committed employees. Gårdstensbostäder has got 29 employees and the company continued to provide additional

aspects to their leadership training. The annual employee survey resulted in a fantastic MMI score of 77.

Real challenges

We have come a long way in our work to develop the area, but there is still plenty to be done and many Gårdsten residents face various challenges in their daily lives, such as unemployment, low income, health problems and high school drop-outs. These challenges can be expected to intensify in the times of economic instability and a continuously weak job market.

Another challenge we are currently facing is the public procurement requirement, which threatens some of the local companies, which we have employed so far, which in its turn entails consequences for the local job market. This works in a certain sense against our expanded social remit.

At the same time, we choose to see challenges as opportunities. Our company has got an extensive experience and we will keep building enjoyable life in the area together with its residents. See you in 2012.

8 February 2012



KATARINA AHLQVIST
CEO

Administration report

The Board of Directors and President of Gårdstensbostäder AB (organisation number 556536-0277) hereby present the annual accounts for the 2011 financial 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 its 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 fifteen 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 2011. Work during the period mainly related to Norra Gårdsten, which became part of the company's sphere of operations in 2002, and the final installation of individual metering at Saffransgatan. 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 fifteen 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 2011 that Gårdstensbostäder, in cooperation with others, created 164 jobs for residents of Gårdsten in the district. There are currently over 50 companies in Gårdsten, which has raised the significance of the local job market over the years. At the end of the year a new meat importer, Behdam International AB, started operations as a new branch of the already existing company Babak Kött & Chark.

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 2011 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. The activities of the property management

company shall enhance the development in Gothenburg, the residents shall be able to influence their apartments and immediate environment in the long run, and they should promote their own welfare through increased dedication and responsibility over their residence.

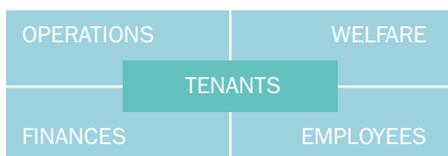
In its capacity as a municipally owned company, Gårdstensbostäder AB additionally has to contribute to attaining a number of municipality-wide goals, such as meeting the needs of elderly people for human contact; increased housing construction; improved energy efficiency; a decrease in the consumption 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 2011 was SEK 36.7 million and exceeds by SEK 4.1 million from the forecast level, most of the difference being accounted for by the operating costs. Lower heating costs and lower costs of snow removal compared to the last two years contributed to the very good results of the company. The value of the property stock is SEK 1,065 million (SEK 998 million).

Business concept, vision and strategies

After its first decade, Gårdstensbostäder entered a new phase as an innovative, successful and respected property management company focusing on social responsibility and sustainable development in all respects. This work continues year after year. 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. After that a number of checks took place in the form of fairs where all residents were invited for feedback on and discussion of Vision 2014. In October 2011 a new check took place in the form of a mini fair/exhibition, where the company invited the welfare players in Gårdsten and Angered area for a conversation with the Gårdsten residents.



Balanced scorecard

To control and evaluate the company's operations and management using the overall objectives as a starting point, Gårdstensbostäder's so called 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 housing managers report directly to the CEO 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 environmental for the company's tenants. Every Wednesday all personnel keep participating in the dialogue meetings with the residents in various ways.

Major events and activities during the financial year

In 2011 the so-called "Broadband of the Future" was introduced everywhere in Gårdsten, so that the customers are now able to order services of the broadband network. Now all the residents and the business space tenant can enjoy the increased speed through the fibre network for broadband, TV and telephone. The project covers the whole group and will go on till 2013.

Refurbishment and maintenance

Property development over the period focused mainly on Norra Gårdsten, where renovations entered the final stage for the area. The façades of four properties have been renovated and four proper-

ties have got new patios.

In Östra Gårdsten, three elevators were renovated. Renovation of the central garage was continued and is going to be performed within two further years in several stages. The heat control and regulation system was exchanged in the building at Muskotgatan in the course of the year. Drafting and planning of the external staircase and patios was performed for youth apartments at Salviagatan 28-30. The construction is expected to take place in 2012.

In Västra Gårdsten two large apartments were transformed into their original form of four two-room apartments. A solar cell project was initiated in one apartment building, where the balcony sides were exchanged for solar cells. Assessment is to be completed before the whole property can have them installed on the balconies in 2012.

Quality measurement

Gårdstensbostäder has again conducted a quality measurement in the form of a Resident Satisfaction Index (NBI), similarly to the previous year. 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 increased in 2011 survey to 66 (65), and the Property Owner Rating remained 69 (69). Gårdstensbostäder in general receives very good ratings on the Property Owner Rating – customer care and influence, but also very high ratings in security.

Influence

The development of Gårdsten should take place on the residents' terms and with active input from them, and therefore the company allows plenty of room for tenants to influence changes in the area. The influence rating in NBI came up to 68 (69) in 2011 and still remains at a high level as a result of a close personal dialogue with the residents.

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 and a group on individual metering, as well as various courtyard, basement and stairwell meetings to reach the residents.
 - Six further parent meetings/seminars were conducted in Gårdsten at the initiative of the parents (similarly to the six parent meetings in 2010), 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 June 2011 and was again carried out in broad cooperation with the association council, the senior citizens' group, the youth recreation centre, the youth club and other important groups such as emergency services and GKSS (the Royal Gothenburg Yacht Club), Konsument Gothenburg and others. Many tenants attended and enjoyed all these events.
 - Committed residents of Gårdsten held again in 2011 a flea market in Dalen in conjunction with the Gårdsten Day event.
 - A new Vision 2014 check for all Gårdsten residents was performed in October. Several hundred Gårdsten residents visited the "mini fair"/ exhibition in Idéum hall in Gårdsten. This time they communicated with the welfare players from the Angered area who exhibited in the hall. The job centre, care centre, Angered local community hospital and school were represented among other providers.



*Gårdsten youngsters at the introductory sailing course.
Photo by Viveca Larsson*

Children and young people

Extensive activities for children and young people under the company's guidance again took place in 2011. For the sixth 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 14(16) young people and a continuation course with 6 (6) young people. In addition to the participants, two youngsters from Gårdsten acted again this year as instructors. A visit to the boat show for youngsters 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 skiing centre.

In 2010 movie viewings moved to the youth recreations centre Diamanten, where they were still shown every Friday in 2011, except during the summer months. A keyboard course for youngsters was run at the Music Studio with the study organisation ABF as a teacher. A recording studio is run from the same location in cooperation with the youth recreations centre Ungdomspalatset. Thanks to Gårdstensbostäder's temporary summer workers it was again pos-

sible to keep the mini golf course open from June to mid-August.

In 2011 a total of 164 jobs were created (183), with 79 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 working life. 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 Angered and Gårdstensbostäder was launched in 2007 to start preparatory restaurant training in Gårdsten. In the course of 2011 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. The cooperation partners in question will continue with the school activities beyond 2011.

In cooperation with the Gårdsten parents, six evening seminars were again held during the year. Invited lecturers, including those from SDF Angered, spoke about domestic violence, school, child upbringing and health issues. The last lecture in autumn concerned security and the new district police spoke about their preventive work in the district. The insurance company IF was also represented and spoke, among other things, about home insurance. Each lecture was attended by 20-30 persons.

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

Letting

Rent negotiations for 2011 led to an average increase of 1.69% (0.96%) on an annualised basis. For the fourth year in a row Gårdsten can report full letting of apartments at 31 December 2011. The turnover rate was 11% (12%), as of 31 December 2011.

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 2011 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 full-time employees. They report systematically and follow up incidents and disruptions in close cooperation with the housing managers. The neighbourhood watch continued and was supported by the company during the year and was joined by further members. 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 2011 in Gårdsten, as in previous years. The housing 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, the upper part of Kanelgatan has now also got composting facilities with soil containers, known as Molok, which opened in spring 2011. Continued 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. 50 young people from Gårdsten obtained summer jobs in Gårdsten in 2011. Cooperation partner was the parks and nature administration (Park & Naturförvaltningen). Improvements to communal areas, keeping the mini golf course open and other outdoor work have been performed in this way. A total of 164 jobs were created through Gårdstensbostäder AB, both holiday jobs and more long-term posts within the company and other companies.

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 remained 75(76), thus staying at a very high level.

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

Daily morning patrols by all the housing managers keep improving availability. 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 housing 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. On the other hand, there is a positive trend with regard to business start-ups. Today there are 58 businesses in Gårdsten, and the total floor space of vacant premises is 2,426 (770) sq.m. The increase of the vacant floor space is mostly due to the fact that SDF Angered largely moved away from Gårdsten. Gårdstensbostäder supports the development of enterprise in various ways, as a vigorous business community creates jobs and development in the area.

The law on public municipal housing companies

The new law on municipal housing companies provides since January 2011 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.

Unit under the Public Procurement Act

In cooperation with the parent company's board, the board of Gårdstensbostäder passed at the end of October 2010 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 practice, while at the time it was established in 1997, the company received a special social responsibility remit. 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, Gårdstenbyrån. 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 an increased risk, and it remained substantial in 2011, 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 in October 2010 that the company shall perform a valuation and live up to and develop its special focus within the framework of the public procurement act. The company is expecting new directives from its owner in 2012.

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 2,736 apartments of 197,751 sq.m (2,734 of 197,734 sq.m), 21,132 sq.m of non-residential premises (20,832 sq.m) and 2,161 parking spaces (2,126).

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 for apartment properties, which are in the range SEK 448-495 per sq.m (SEK 435-455 per sq.m). Additions are made for those properties where the company pays for domestic electricity. The yield requirement is 7.0 % (7.0 %). The valuation of the properties at present is SEK 1,065 million

(998 million). The increase in value is attributable to the increased proceeds. The book value is SEK 518 million (SEK 498 million). The company's adjusted equity/assets ratio is 60% (60%). See Note 14 to the financial reports.

Financing

The company's total loan liability at the end of the year was SEK 328.4 million (SEK 329.7 million). The liability consists of utilised overdraft facility of SEK 3.7 million (SEK 8.0 million) and promissory note liabilities with Nordea totalling SEK 304.7 million (304.7 million). The loans are secured through mortgages on the company's properties. Furthermore, SEK 20 million (SEK 17 million) was further borrowed from the parent company. See also Note 19 to the financial reports.

Increased internal control and transparency

In the course of the year the City of Gothenburg further improved the internal control and transparency in its administration and companies. An action plan resulting from a number of investigations conducted simultaneously in 2010 was approved by the municipal board and the city council in February 2011. The action plan of the city of Gothenburg includes goals within the main five following areas.

Internal control

A mandatory self declaration model has been introduced. Self declaration is based on COSO, the most established internal control framework in the world. The COSO model is based on a structured work with internal control and covers a number of areas: control environment, risk assessment, control activities, information and communications, as well as follow-up and monitoring.

The work starts with the self assessment of the respective administration and company and is followed by an external verification, before the report is submitted to the committees and boards, as well as to the municipal board and the city council. Two processes were assessed in the course of the year, i.e. procurement and the general control. A number of processes are going to be conducted and assessed during the next year.

Self audits were prepared in June for the administrations and the company. Verification of the external auditors was performed from August till October. The first general final report on self declaration was presented in December 2011.



Façade in Östra Gärdsten
Photo by Martin von Brömssen

Common construction process

A common construction process model was presented. It will be implemented starting 2013 and currently covers all construction and installation works. The common construction process is based on the common work processes and routines for the management, follow-ups and controls.

Whistleblowing

A whistleblowing function was introduced in September. The assumption is that each employee should be able to discuss any irregularities and embezzlement suspicions with his supervisor. The function consists of two parts, i.e. an external recipient in the form of a law firm in Gothenburg and an internal investigation within the city management offices.

Training/Development

Starting from 2011 the courses conducted for both politicians and civil servants cover the importance of and responsibility associated with the internal control. Further courses are planned in the areas of ethics, morale, conduct and others.

Guidelines and policies

A working group and a control group work towards creating a clear perception of guidelines and policies concerning contents, nomenclature, responsibility for documents, updating etc. The policy documents have been structured and steps are being taken to limit the number of documents, and decide which ones shall apply to all administrations and companies. The respective administrations and companies can then produce their own guidelines associated with the policy documents.

Risk and sensitivity analysis

Consequences for Gårdstensbostäder

Basically, the new law is not going to affect the company's operations, since the company already works towards the aim of the new law and applies the market principle of yield requirement.

Operations

The operations of Gårdstensbostäder are affected by what happens in the world at large. The Swedish economy gradually improved in 2010-2011. 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 possible inflation pressure due to the environmental consequences in the world.

Another problematic aspect is unemployment and, first of all, 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 also resulted in service changes for the residents of Gårdsten, since the local presence of the municipal district in Gårdsten has reduced dramatically.

Generally speaking, 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.

Rents

Rents represent by far the company's largest revenue item. Rents are negotiated with the tenants' association in Western Sweden and are based on the market and cost trend.

Rent shortfall

The company can report no vacancies as of the year end for the fourth year in a row. Historically, rent shortfall has been a large cost item for the company. A vacancy rate of 1 percent is equivalent to the income shortfall of SEK 1.7 million.

Rental losses

Since the unemployment rate is still high, there is a risk of increased rental losses.

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's borrowing in 2011 remained at the same level as in the previous year and equalled SEK 328.4 million compared to SEK 329.7 million in 2010. The high interest rates in 2011 decreased the company's profits by SEK 4.0 million compared to the previous year. Financing costs in the reporting year came up to SEK -12.2 million compared to SEK 8.2 million in 2010. The liability relates to three loans totalling SEK 304.7 million and a utilised overdraft facility of SEK 3.6 million, plus SEK 20.0 million borrowed from the parent company. 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 23 different languages, which is significant for the service provided to the residents.

In 2011 the Group continued to provide additional aspects to the earlier conducted leadership training based on the principle of promotion. The keywords remain business-like approach, promotional leadership, property economics, assessments and the environment.

The company has also continued working on developing the promotional leadership principles internally. This work will continue in 2012.

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. Steps were taken during the year in cooperation with the company health service, such as health examinations.

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 2011 a new model was introduced with respect to the employee survey, i.e. MMI (Motivated Employee Index). The outcome shows, similarly to the personnel surveys conducted in the previous years, that the company has got very motivated and engaged personnel. The company could report the level of 77 compared to the Group average of 68.

In 2011 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



*Development of Solar House 3 in Gårdsten
Photo by Martin von Brömssen*

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 to the distant heating system of Göteborg Energi.

In 2011 the company board decided to go on with the development of the alternative energy solution in Solar House 3. Therefore, solar cells are going to be integrated in spring 2012 by being attached to all glass covered balconies at Kastanjgården 3 in Western Gårdsten. This is also being done in cooperation with Göteborg Energi and power produced by Gårdstensbostäder will become a green alternative within their power network.

In the spring of 2009 Gårdsten acquired a new landmark when Göteborg Energi commenced operation of a 120 metre high wind turbine in Gårdsten. Gårdstensbostäder has still got 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 metering was 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 the earlier implementation in the area has also led to increasing awareness among the residents. No installation will be performed in 74 apartments in the 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 100% of the 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 2011, and the outcome was as follows: electricity 48 kWh/m² (52), district heating 144 kWh/m² (158) and water 2.1 m³/m² (2.1).

Financial position

Rental income has increased by SEK 4.8 million or 2.8% from SEK 171.0 million in 2010 to SEK 175.8 million in 2011. Most of the increase is attributable to rent negotiations for the year.

Operating expenses decreased by SEK 4.7 million from SEK 99.0 million in 2010 to SEK 94.3 million in 2011. The cost per square metre was SEK 431 in 2011 compared with SEK 453 in 2010. The difference between the years consists of various items, the items described below being the largest ones.

Heating costs decreased by SEK 2.5 million or 9.7%, since 2011 turned out to be milder than 2010. Electricity costs decreased by SEK 0.5 million, which is mostly attributable to the fact that the actual consumption reduced this year. Tariff-based costs account for more than 50% of operating expenses. Property maintenance cost decreased by SEK 3.1 million, which is mostly attributable to lower snow removal costs.

The planned maintenance came up to SEK 30.3 million in 2011 compared to SEK 26.5 million in 2010. The planned maintenance was SEK 138 per square metre in 2011 compared to SEK 121 in 2010. The additional maintenance costs equal SEK 8.3 million and are attributable to improvement measures taken in Norra Gårdsten, where renovation of façades is still in progress. About three façades were fully completed in 2011. In 2010 the additional maintenance costs came up to SEK 10.9 million, which also mostly concerned Norra Gårdsten.

Property taxes and fees equal SEK 4.2 million, which is the same as in 2010.

Net financial items were negatively affected in 2011 by increased interest expenses. The financing costs in 2011 were SEK -12.2 million, which is SEK -4 million higher compared to SEK -8.2 million in 2010. 2010 was the last year for interest grant repayment, which also negatively affected the reporting year. The interest grant in 2010 was SEK 0.5 million.

The company does not pay any corporation tax. The tax deficit, as in the previous year, is covered by the Group contributions. The Group contribution for 2011 is SEK 6.9 million compared with SEK 11.4 million in 2010. The Group contribution is solely a fiscal allocation and should be related to the proposed dividend.

Balance sheet total decreased by SEK 14.1 million from SEK 629.0 million in 2010 to SEK 614.9 million in 2011. On the assets side, the on-going works in 2011 were re-classified into buildings with respect to both individual metering and broadband. As of year-end of 2011, there are no large on-going projects. This means that the planned depreciation taken together with the decreased Group contribution receivable explain the change on the assets side.

On the liabilities side, the interest bearing loans equalled SEK 328.4 million in 2011, which is slightly below the amount of SEK 329.7 million in 2010. The equity has decreased by SEK 3.4 million as the result of profit change and the effect of the fiscal allocations concerning the Group contribution and dividends. The non-interest bearing loans are also lower, in particular, since many on-going projects were completed this year.

Outlook for 2012

Gårdstensbostäder AB has achieved significant success during its fifteen years. The company has therefore entered a continuity phase as a property management company, which is still able to be innovative. The company tenants present strict demands and expectations at the everyday level.

The prospects for 2012 are still good, although they are quite unclear in the long run due to, in particular, the result of the European cooperation and the world economy development.

However, the persisting high unemployment rate poses a major challenge in Gårdsten. The portion of students who graduate from schools with satisfactory grades is another challenge.

Taken together, this will affect Gårdstensbostäder. 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 the 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-like terms.
- To develop forcefully the area as a whole; an example of such approach is the long-term renovation plans for Norra Gårdsten, as well as a continued commitment to Solar House 3.
- 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	244,841,014
Group contribution received, net	5,085,000
Net profit for the year	– 54,469
SEK	249,871,545

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

Payment of dividend to the owner, SEK 508.50/share, total	5,085,000
Carried forward to new account	244,786,545
SEK	249,871,545

Payment of dividend will take place on 5 March 2012.

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 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).

Company distribution is the level of allocation for tax purposes at which the Group, within its ownership of a public housing company, uses the company's loss for tax purposes. Therefore, the proposed distribution corresponds to a Group contribution received, as the result of which no value transfer took place, if the contribution received and proposed distribution are seen as a whole. Therefore, the proposed value transfer can be justified by reference to the provisions of Section 5 of the Law on Public Housing Companies.

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

Summary of operations

Amounts in SEK '000

Income statement

	2011	2010	2009	2008	2007
Rental income	175,851	170,995	168,767	162,885	158,205
Operating costs	-94,296	-99,039	-96,100	-92,456	-88,170
Maintenance costs	-38,559	-37,443	-46,445	-35,047	-32,528
Property tax	-4,213	-4,175	-3,578	-3,472	-2,823
Operating profit	41,003	31,773	23,839	33,068	35,796
Depreciation and writedowns in property administration	-15,588	-14,823	-14,600	-14,066	-13,320
Net operating income	12,213	3,370	-3,487	8,200	12,102
Central costs including depreciation	-7,018	-6,767	-6,662	-6,578	-6,483
Other operating income	-	-	-	205	-
Other operating costs	-6,184	-6,813	-6,064	-4,429	-3,891
Gross profit	25,415	16,950	9,239	19,002	22,476
Financial items attributable to liabilities	-12,237	-8,190	-7,374	-15,031	-13,700
Net financial items	-12,231	-7,698	-6,520	-13,560	-11,567
Income after net financial items	-18	-4,328	-10,007	-5,360	535
Profit before tax	-18	-4,328	-10,007	2,286	535

Balance sheet

Properties	517,637	497,809	497,481	510,962	507,194
Other fixed assets	86,290	117,114	98,845	82,142	88,567
Current assets	8,878	13,792	19,273	5,493	23,881
Equity	251,072	254,443	261,775	258,373	265,758
Provisions	-	-	-	-	146
Interest-bearing liabilities	328,391	329,746	312,574	307,459	309,430
Operating liabilities	35,424	44,812	41,495	32,765	36,662
Balance sheet total	614,887	629,001	615,844	598,597	619,642

Properties

Residential floor space, sq.m	197,751	197,734	197,373	197,373	195,763
Business floor space, sq.m	21,132	20,832	21,079	21,079	22,695
Apartments, number	2,736	2,734	2,726	2,726	2,698
Parking spaces, number	2,161	2,126	2,136	2,136	2,114
Investments	8,338	35,483	19,998	18,403	11,618
Taxable values	998,329	998,329	811,331	803,731	803,731
Yield value	1,064,900	997,600	912,600	938,400	1,065,400

Amounts in SEK '000**Financing**

	2011	2010	2009	2008	2007
Equity/assets ratio (%)	41	40	43	43	43
Adjusted equity/assets ratio (%)	59	59	60	60	62
Interest coverage ratio (multiple)	2	2	2	2	2
Debt/equity ratio (multiple)	1	1	1	1	1
Interest grant	0	479	847	1,217	1,828
Interest grant (SEK/sq.m)	0	2	4	6	8
Average interest rate (%)	4	3	2	5	4
Cash flow, excluding investments	15,570	10,588	4,686	8,806	13,955

Profitability

Yield, including interest grant (%)	8	6	5	7	7
Yield, excluding interest grant (%)	8	6	5	6	7
Return on total capital, %	2	1	0	2	2
Return on equity, %	0	-2	-4	-2	0

Personnel

Average number of employees	45	45	42	42	37
Absence due to sickness (%)	3,6	3,6	2,3	4,0	4,4

Financial position

Average rent, residential, gross (SEK/sq.m)	814	791	781	757	739
Rent shortfall, residential (SEK/sq.m)	-7	-9	-12	-10	-8
Average rent, non-residential, gross (SEK/sq.m)	462	462	469	493	467
Rent shortfall, non-residential (SEK/sq.m)	-90	-108	-96	-150	-159
Operating costs (SEK/sq.m)	-431	-453	-440	-423	-404
Maintenance costs (SEK/sq.m)	-176	-171	-213	-160	-149
Central costs (SEK/sq.m)	-32	-31	-30	-30	-30
Operating profit (SEK/sq.m)	187	145	109	151	164
Vacancy rate, residential, %	0	0	0	0	0
Vacancy rate, non-residential, %	18	7	9	5	4

Outcome, balanced scorecard

NBI, Resident Satisfaction Index	66	65	65	63	62
NMI, Employee Satisfaction Index	-	73	73	79	81
MMI, Motivated Employee Index	77	-	-	-	-
Influence	68	69	67	66	63
Environment	74	74	71	71	68
Profit on properties (excl. expanded maintenance)	36,679	29,821	30,513	31,483	33,214

Definitions

Properties

Completed buildings plus land and land improvements.

Residential/business floor space

Lettable floor space at year-end.

Equity/assets ratio

Reported equity in relation to balance sheet total.

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, business properties

Unlet business floor space as a percentage of total business 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	Business, 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	39,650	767	40,417	198,514	Ownership
Gårdsten 10:10 Salviagatan	1980	446	32,832	3,826	36,658	171,401	Ownership
Gårdsten 12:15 Kanelgatan/Peppargatan	1971	736	52,827	5,731	58,558	249,351	Ownership
Gårdsten 3:13 Saffransgatan/Timjansgatan	1971	734	52,441	1,294	53,735	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	8,154	9,438	37,293	Ownership
Gårdsten 7:2 Business premises Salviagatan 1	2000			930	930	4,074	Leasehold
Gårdsten 45:9 Parking spaces	1971					-	Ownership
		2,736	197,751	21,132	218,883	998,329	



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