



**GEORG-
Rannsóknarklasi í
jarðhita**

Financial Statements
1.1.2018-31.12.2018

Audited

GEORG-Rannsóknarklasi í jarðhita
kt: 430412-0350
Grensásvegi 9
108 Reykjavík

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Report of the Board of Directors and Operational Manager


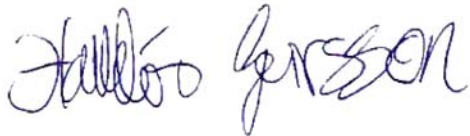

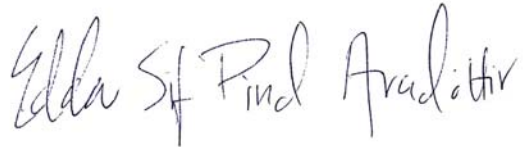



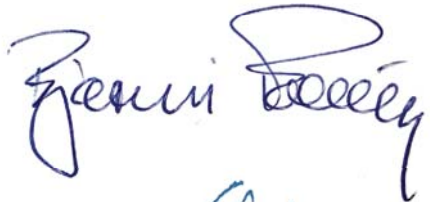


GEORG-Rannsóknarklasi í jarðhita was founded in the year 2012 as an International Geothermal Cluster Cooperation. GEORG is a non-for-profit organisation with the purpose of bringing together players in the geothermal field and creating a strong force for rapid progress and added value in geothermal research, engineering and design. GEORG achieves its purpose by: 1) Supporting and promoting projects among the Cluster members, in the field of geothermal research and development. 2) Service its members by organizing workshops and seminars addressing the most urgent issues and challenges of each time. The members will also maintain a strong contact network among the members. 3.) Systematically promote geothermal energy and geothermal research, both domestically and abroad.

These financial statements are compiled in accordance with Icelandic laws and regulations regarding preparing and presenting financial statements and in accordance with other applicable laws and regulations.

Total Income for the period 1 January 2018 - 31 December 2018 amounted to ISK 83.555.491 and changes in deferred revenues amounted to ISK 56.338.361. Total revenues over expenditures for the financial year amounted to ISK 0. Assets total were ISK 90.956.593 at year end.

We, the board of directors and operational manager, of GEORG-Rannsóknarklasi í jarðhita hereby confirm that we are responsible for the preparation and presentation of these financial statements and we hereby ratify these financial statements for the financial year of 1 January 2018 - 31 December 2018 with our signatures.

Reykjavík, 29. mars 2019

Independent Auditor's Report

To the board of directors of GEORG-Rannsóknarklasi í jarðhita.

Opinion

We have audited the financial statements of GEORG-Rannsóknarklasi í jarðhita, which comprise the Statement of financial position as at 31 December 2018, and the Statement of activities, the Statement of cash flows for the fiscal year then ended, and notes to the financial statements which include a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with applicable Icelandic laws and regulations regarding preparing and presenting financial statements.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of GEORG-Rannsóknarklasi í jarðhita in accordance with the ethical requirements that are relevant to our audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management and those charged with governance are responsible for the preparation of financial statements that give true and fair view in accordance with applicable Icelandic laws and regulations regarding preparing and presenting financial statements, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

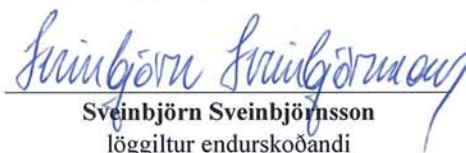
In preparing the financial statements, management is responsible for assessing the organisation's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organisation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organisation's financial reporting process.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users take on the basis of the financial statements.

Reykjavík, 29. mars 2019


Sveinbjörn Sveinbjörnsson
lögiltur endurskoðandi



Íslenskir endurskoðendur Bíldshöfða slf
Bíldshöfða 14, 110 Reykjavík

Statement of Activities 1 January 2018 - 31 December 2018

	Note	1.1.2018- 31.12.2018	1.1.2017- 31.12.2017
Income			
Grants		75.153.115	72.180.523
Conference GGW2018		7.490.000	0
Other revenue		912.376	852.990
		83.555.491	73.033.513
Expenses			
Cost of conference GGW2018		6.964.815	0
Salaries and related expenses		51.337.290	43.132.263
Grants awarded		12.172.099	20.545.517
Other expenses		13.257.951	9.742.320
		83.732.155	73.420.100
Profits (losses) from operation		(176.664)	(386.587)
Financial income and (expenses)			
Interest revenues		48.340	428.105
Interest expenses and bank related service fees		(187.615)	(49.001)
Exchange rate differences		315.939	7.483
		176.664	386.587
Net income		0	0

31 December 2018

Liabilities

	Note	31.12.2018	31.12.2017
Current liabilities			
Deferred income - DEEPEGS	6	9.640.118	29.282.655
Deferred income - GECO	6	45.563.613	0
Deferred income - GEOENVI	6	16.553.011	0
Deferred income - Other grants	6	15.010.744	49.133.723
Accounts payable		290.927	4.215.496
Other payables		3.898.180	2.282.949
		<u>90.956.593</u>	<u>84.914.823</u>
Current liabilities			
		<u>90.956.593</u>	<u>84.914.823</u>
Total liabilities		<u>90.956.593</u>	<u>84.914.823</u>
		<u>90.956.593</u>	<u>84.914.823</u>

Statement of cash flows

	Note	1.1.2018- 31.12.2018	1.1.2017- 31.12.2017
Short term receivables, change		19.862.862	(21.284.200)
Short term payables, change		(2.309.338)	5.337.273
Changes in operating assets and liabilities		<u>17.553.524</u>	<u>(15.946.927)</u>
Net cash from operating activities		<u>17.553.524</u>	<u>(15.946.927)</u>
Financing activities			
Deferred income and Grants payable, change		8.351.108	3.443.560
Net cash flow from financing activities		<u>8.351.108</u>	<u>3.443.560</u>
Increase in cash		25.904.632	(12.503.367)
Cash at beginning of year		<u>44.760.827</u>	<u>57.264.194</u>
Cash at year end		<u><u>70.665.459</u></u>	<u><u>44.760.827</u></u>

Notes

Accounting principles

1. These Financial Statements of GEORG-Rannsóknarklasi í jarðhita for the financial period 1 January 2018 - 31 December 2018 have been prepared in accordance with applicable Icelandic laws and regulations and in accordance with generally accepted accounting principles pertaining to non-for-profit organizations.
2. Revenues are recorded at the time of grant decisions made.
3. All grants received in another currency are registered in ISK using the exchange rate on the date of the grant payments received.
4. Assets and liabilities at the end of financial year 2018 which are subject to changes in price indexes are restated based on the price index in the beginning of year 2019. Assets and liabilities which are subject to changes in currency exchange rates are translated into ISK based on the most recent rates in January 2019.

Investments in shares in other company

5. GEORG - Rannsóknarklasi í jarðhita supports innovation in the Geothermal field and encourages the startup of companies in that field. This has mainly been achieved by partnering up with companies and other organisations that are also willing to support innovation, research and development in the Geothermal field. Shares owned at year end have been acquired with these objectives in mind. The shares owned at year end are valued at cost.

	Nominal value	Value at cost
SER eignarhaldsfélag ehf.	18.643.938	18.619.547
Shares owned at 31.12.2018	18.643.938	18.619.547

Deferred income and Grants payable

6. GEORG-Rannsóknarklasi í jarðhita is a partner in 3 projects (called DEEPEGS, GECO, GEOENVI) which is sponsored by the Horizon 2020 Programme which is the EU Framework Programme for Research and Innovation. The grant is partly paid in advance but it will be treated as the projects will be funded 100% by the Horizon 2020 programme.
Therefore, the grant is registered as income at the same rate as the cost that belongs to this project.

A number of parties have committed themselves to fund the operations of GEORG as well as funding grants that GEORG is to pay out to beneficiaries. All payments received are registered as deferred income until grant awarding decisions have been made and as the operational costs are registered.

At year end the deferred income was recognised as follows:

	GECO	GEOENVI	DEEPEGS	Other
Deferred income at 1.1.2018	0	0	29.282.655	49.133.723
Payments received	48.946.438	17.689.036	0	0
Net. Changes in deferred income	(2.244.869)	(537.235)	(19.433.278)	(34.122.979)
Currency diff.	(1.137.956)	(598.790)	(209.259)	0
Deferred Income at 31.12.2018	45.563.613	16.553.011	9.640.118	15.010.744

Notes, continued:

7. GEORG-Rannsóknarklasi í jarðhita has commitments regarding grant payments to beneficiaries. The Grants payable at year end are not recorded in the statement of Financial Position due to the fact that they only become payable if and when the Beneficiary meets certain conditions. Grants payable at year end are recognised as follows:

	SPESIA, DRG and others	Total
Grant commitments total at 1.1.2018	108.054.000	108.054.000
Grant payments paid at beginning of fiscal year	(91.707.000)	(91.707.000)
Grants payable at 1.1.2018	16.347.000	16.347.000
Grant commitments total in year	0	0
Grant payments made	(11.847.000)	(11.847.000)
Grants payable at 31.12.2018	4.500.000	4.500.000