



GEORG

Rannsóknarklasi í jarðhita

Financial Statements
1.1.2022-31.12.2022

kt: 430412-0350
Bjargargötu 1
102 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.

Due to Covid-19, very special circumstances arose. Beginning of the year 2020, there was significant uncertainty about what effect it would have on the organization, but as the year progressed it turned out that it would be insignificant. It is the managers' assessment that Covid-19 will not affect the going concern of the organization.

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 1st of January 2022 - 31st of December 2022 with our signatures.

Reykjavík, February 28th 2023

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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 31st of December 2022, 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 31st of December 2022, 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditor's Report, continued.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Reykjavík, February 28th 2023

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Sveinbjörn Sveinbjörnsson
lögiltur endurskoðandi


Gæðaendurskoðun slf
Bíldshöfða 14, 110 Reykjavík

Statement of Activities 1st of January 2022 - 31st of December 2022

	Note	2022	2021
Income			
Sales		21.430.525	52.501.027
Grants		82.099.007	41.594.530
Other revenues		3.353.301	0
		106.882.833	94.095.557
Expenses			
Cost of conference		203.066	377.925
Salaries and related expenses	6	85.104.501	75.688.153
Grants awarded		0	733.795
Other expenses		24.776.476	13.553.899
		110.084.043	90.353.772
Profits (losses) from operation		(3.201.210)	3.741.785
Financial income and (expenses)			
Interest revenues		1.180.959	31.196
Interest expenses and bank related service fees		(310.817)	(87.053)
Exchange rate differences		2.331.068	(3.685.928)
		3.201.210	(3.741.785)
Net income		0	0

Statement of Financial Position

Assets

	Note	31.12.2022	31.12.2021
Fixed assets			
Investments:			
Shares in companies	7	1.861.955	1.861.955
Fixed assets		1.861.955	1.861.955
 Current assets			
Receivables:			
Accounts receivable		12.797.968	33.461.915
Unclaimed Grants	9	11.765.793	0
Cash and cash equivalents		196.967.306	140.746.139
Current assets		221.531.067	174.208.054
Total assets		223.393.022	176.070.009

31st of December 2022

Liabilities

	Note	31.12.2022	31.12.2021
Current liabilities			
Deferred income - Horizon 2020	8,9	73.569.930	19.984.784
Deferred income - KMT	10,11	97.410.403	87.059.574
Deferred income - Other grants		46.550.760	59.704.475
Accounts payable		617.378	361.755
Other payables		5.244.551	8.959.421
		<u>223.393.022</u>	<u>176.070.009</u>
Current liabilities		223.393.022	176.070.009
		<u>223.393.022</u>	<u>176.070.009</u>
Total liabilities		223.393.022	176.070.009
		<u>223.393.022</u>	<u>176.070.009</u>
		<u>223.393.022</u>	<u>176.070.009</u>

Statement of cash flows

	Note	2022	2021
Net income (loss)		0	0
		0	0
Short term receivables, change		20.663.947	(17.299.688)
Short term payables, change		(3.459.247)	(1.808.324)
		17.204.700	(19.108.012)
Changes in operating assets and liabilities			
Net cash from operating activities		17.204.700	(19.108.012)
 Financing activities			
Deferred income and Grants payable, change		39.016.467	64.087.449
Net cash flow from financing activities		39.016.467	64.087.449
Increase in cash		56.221.167	44.979.437
Cash at beginning of year		140.746.139	95.766.702
Cash at year end		196.967.306	140.746.139

Notes

Accounting principles

1. GEORG-Rannsóknarklasi í jarðhita is based in Iceland. The registered address of the company is Bjargargötu 1, 102 Reykjavík.
2. The Financial Statements of GEORG-Rannsóknarklasi í jarðhita for the financial period January 1st 2022 - December 31st 2022 have been prepared in accordance with applicable Icelandic laws and regulations and in accordance with generally accepted accounting principles pertaining to not-for-profit organizations.
3. Revenues are recorded at the time of grant decisions made.
4. All grants received in another currency are registered in ISK using the exchange rate on the date of the grant payments received.
5. Assets and liabilities at the end of financial year 2022 which are subject to changes in price indexes are restated based on the price index in the beginning of year 2023. Assets and liabilities which are subject to changes in currency exchange rates are translated into ISK based on the most recent rates in January 2023.

Statement of Activities

6. Salaries and related expenses for the year are as follows:

	2022	2021
Salaries	69.491.402	62.397.008
Related Expenses	15.613.099	13.291.145
	<u>85.104.501</u>	<u>75.688.153</u>
The annual working units for the year was	6	6

Investments in shares in other company

7. 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 written off 90%.

	Nominal value	Estimated value
SER eignarhaldsfélag ehf.	18.619.547	1.861.955
Shares owned at 31.12.2022	<u>18.619.547</u>	<u>1.861.955</u>

Notes, continued:

Deferred income and Grants payable

8. GEORG-Rannsóknarklasi í jarðhita is a partner in three projects sponsored by the Horizon 2020 funding schema (these projects are GECO, Crowdthermal and SU-DG-IWG) and three projects sponsored by the Horizon Europe funding schema (these projects are COMPASS, GEOTHERMAL FORA, CETPartnership)Both of these funding schemas are under EU Framework Programme for Research and Innovation. The grants are partly paid in advance but it will be treated as the projects will be funded 100% by the respectable programmes.

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.

9. At year end the deferred income was recognised as follows:

	Deferred Income 1.1.2022	Payments received 2022	Eligible cost 2022	Deferred Income 31.12.2022	Unclaimed Grants 31.12.2022
GECO	13.864.858	16.283.475	(25.135.030)	5.013.303	
Crowdthermal	5.770.068	0	(7.498.864)		1.728.796
SU-DG-IWG	349.858	0	(10.386.855)		10.036.997
COMPASS	0	43.826.390	(2.286.783)	41.539.607	
GEOTHERM-FORA	0	21.388.644	(1.536.289)	19.852.355	
CEPT	0	17.934.465	(10.769.800)	7.164.665	
Total 2022	19.984.784	99.432.974	(57.613.621)	73.569.930	11.765.793

10. GEORG runs the project office for the project Krafla Magma Testbed (KMT). The project aims to create the world's first magma research facility providing unparalleled opportunities for both basic and applied research in several fields, such as volcanology, basic science, geothermal energy, technology, and innovation. KMT is, without a doubt, the most ambitious project GEORG is coordinating and holds enormous promise. There was a certain breakthrough point in KMT fundraising at the end of 2020 when the Icelandic Parliament accepted 100 million ISK for the year 2021 to the KMT project. This was a part of the National Budget. In addition to the support of the Government, the ICDP awarded the project with a grant of 1,5 million USD in 2021. The funding of ICDP is twofold (i) ICDP will join KMT preparation Phase to a level of \$300,000 and (ii) in the drilling phase (probably 2024 or 2025) ICDP will provide a contribution of \$1.2 million. The grant will be paid out through two grant contracts, one for each phase.

Therefore, the grant is registered as income at the same rate as the cost that belongs to this project.

Notes, continued:

11. At year end the deferred income was recognised as follows:

	Deferred Income 1.1.2022	Payments received 2022	Eligible cost 2022	Deferred Income 31.12.2022
KMT	87.059.574	21.682.500	(11.331.671)	97.410.403
Total 2022	<u>87.059.574</u>	<u>21.682.500</u>	<u>(11.331.671)</u>	<u>97.410.403</u>

Other information

12. The company has an indefinite contract for the rental of premises in which the company operates. This contract commits the company to 2,3 million ISK to a basic amount per year, but the contract is tied to the consumer price index.

Itemizations

	2022	2021
Operational Grants		
DEEPEGS grant	0	1.092.700
GECO grant	25.135.030	30.155.625
GEOENVI grant	0	11.477.877
Crowdthermal grant	7.498.864	6.430.107
SU-DG-IWG grant	10.386.855	4.336.882
KMT grant	11.331.671	12.940.426
COMPASS grant	2.286.783	0
CEOTHERMAL FORA grant	1.536.289	0
CEPT grant	10.769.800	0
Other grants	0	1.080.000
Deferred income, change in year	13.153.715	(25.919.087)
	82.099.007	41.594.530
Salaries and related expenditures		
Salaries	69.491.402	62.397.008
Pension funds	8.692.144	7.712.578
Sickness- and vacation funds	1.108.601	994.133
Compensations for driving costs	0	0
Mandatory social security contribution	5.000.216	4.310.844
Other staff costs	812.138	273.590
	85.104.501	75.688.153
Other expenses		
Rent	3.329.143	1.478.474
Maintainence - Housing	0	189.375
Conference fee	390.843	5.350.580
Renting of tools and equipment	100.425	0
Tools and equipment, charged	2.396.941	902.292
Maintainance - Macinery and equipment	0	140.453
Accounting services	1.786.350	1.416.554
Other services purchased	4.167.019	1.107.724
Computerized IT systems	731.001	668.554
Paper, printing and other office supplies	8.895	162.580
Per diem payments	3.009.940	600.686
Transportation costs	30.339	11.720
Phones and internet connection	381.370	325.007
Meetings and conferences	26.050	363.981
Travel expenses	5.909.684	492.044
Membership fees	6.293	0
Advertisement	422.720	0
Coffee and related reception expenses	2.048.867	659.639
Service fee from Banks	18.289	33.084
Charged VAT	0	(411.345)
Other costs	12.307	62.497
	24.776.476	13.553.899