

Reykjavíkurborg

(City of Reykjavik)

Financial Statements

2021



Reykjavíkurborg
(City of Reykjavik)
Reg. no. 530269-7609
City hall
Tjarnargötu 11
101 Reykjavík

Reykjavíkurborg

(City of Reykjavik)

Financial Statements 2021

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Please note:

This is an English translation of the Icelandic Financial Statements of Reykjavíkurborg (the City of Reykjavik). In the event of any discrepancy between the English and Icelandic versions the original Icelandic text shall prevail.

Mayor and Executive Committee's report and endorsement

The audited annual financial report of the City of Reykjavik for the year 2021 was prepared in accordance with the Local Government Act, the Annual Accounts Act and the Government regulation on accounting, budgeting and the annual financial statements of municipalities. Details of accounting policies are provided in the financial statements.

The activities of the City of Reykjavik are divided into Sections A and B. Section A comprises activities which are funded in part or in full through tax revenues, while Section B comprises enterprises where the City holds half of the shares or more and which are operated as financially independent units.

Results for Sections A and B in 2021 were positive by 23,402 million ISK. The total assets of Sections A and B according to the condensed balance sheet at year-end amounted to 790,566 million ISK, while total liabilities amounted to 407,302 million ISK. Equity amounted to 383,264 million ISK, of which minority interests amounted to 14,259 million ISK. The results of Sections A and B were better than projected in the budget by 26,705 million ISK, primarily as a result of a change in valuation of investment assets of Félagsbústaðir (social housing) in the amount of 19,392 million ISK, fair value adjustments of embedded derivatives in the power purchase agreements of Orkuveita Reykjavíkur (Reykjavik Energy) amounting to 6,573 million ISK and increased operating revenue. Total operating income for Sections A and B amounted to ISK 202,599 over the year.

Investments in current assets and intangible assets amounted to 40,497 million ISK, 15,427 million below the budget figures. The principal reasons for the lower investments are a delay in projects within Section A, accounting for 9,314 million ISK, a delay in the reconstruction of Reykjavik Energy's premises at Bæjarháls 1, and a reduced number of production wells as a result of the improved position of steam reserves in power stations.

The result for Section A in 2021 was negative by 3,850 million ISK. The total assets of Sections A and B according to the balance sheet at year-end amounted to 236,480 million ISK, while total liabilities amounted to 144,585 million ISK. Equity amounted to 91,895 million ISK. The results of the operation of Section A was better than budget projections by 8,097 million ISK. The improved result of Section A was partly a result of a higher return of municipal tax and improved growth of the assets of the LsRb Pension Fund; this was offset by increased wage costs, which can be partly attributed to COVID-19 actions, the implementation of improved working hours and an increased demand for welfare services. Operating revenue of Section A was 7,685 million ISK above budget projections. Municipal tax revenue was 6,338 million ISK above the budget projection. Wages and related expenses were 4,781 million ISK above budget allocations. The reduction in the City's pension liabilities to LsRb accounted for a 212 million ISK capitalisation, 3,712 million below the budgeted amount

The rate of municipal tax was 14.52%, the statutory maximum. The rate of property tax was 0.18% in Category A, 1.32% in Category B and 1.60% in Category C. The maximum statutory rates, respectively, are 0.625%, 1.32% and 1.65% for categories A, B and C.

The average number of full-time equivalent positions in 2021 was 9,721 for Sections A and B, of which 8,401 were employed in Section A.

On 1 December 2021 the population of the City of Reykjavik was 135,681.

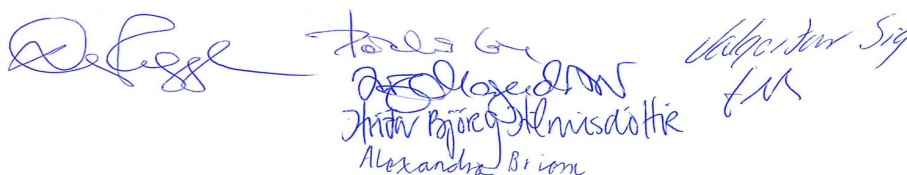
The COVID-19 pandemic which has raged since March 2020 is now receding. The pandemic was persistent for all of 2021, with a significant impact on the operation of the City. The financial policy of the City has been followed, providing for vigorous responses and actions to prevent recession, in addition to defending the City's services despite the temporary loss of revenue relative to projections. The result in the annual financial statement for 2021 and the City's budgets for the coming five years fall within the limits of the financial policy. The City of Reykjavik's financial position is strong and the City possess the financial strength to take on significant setbacks resulting from the consequences of the pandemic. An act of law, Act No. 22/2021, has been passed in Parliament aimed at enabling municipalities to cope with the problem in the short and medium term by relaxing financial regulations in the Local Government Act No. 138/2011 with effect to 2025. See Note No. 56 for further discussion.

Information necessary to assess the development, scope, position and impact of the City of Reykjavik relating to environmental, social and human resource matters etc. is disclosed in the Statement on Governance and Non-financial information, which is attached to the Annual Financial statement

To the best knowledge of the Mayor and the Executive Committee, the financial statements have been prepared in accordance with law and give a true and fair view of assets and liabilities, financial status and operating results of Reykjavik Municipal and Reykjavik Group and that the report of the Mayor and Executive Committee includes all required information.
Reykjavik, 22 April 2022.

Mayor

City Council



The image shows several handwritten signatures in blue ink. On the left is a large signature, likely the Mayor's. To its right are several smaller signatures, some with names written below them: 'Alexandra Brion', 'Alexandra Brion', and 'Alexandra Brion'. There is also a signature that appears to be 'Sigrún'.

Endorsement by the City Council

The financial statements of Reykjavíkurborg (the City of Reykjavík) for 2021 have been addressed by the City Council in accordance with Article 61 of the Local Government Act no. 138/2011 and were confirmed and endorsed at the second reading in the City Council.

Reykjavík, 3 May 2022

City Council:

Alexandra Bræn
Elin Oddbjörg Sigurðsdóttir
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S. S. J. J.
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P. J. J. J. J.
R. J. J. J. J.

Endorsement by the City Council, cont.

Endorsement with the following reservations

The group accounts of the City of Reykjavik are not in compliance with Article 61 of the Local Government Act, the Annual Accounts Act and Chapter 5 of Regulation 696/2019 on the presentation and content of annual accounts and consolidated accounts. Nevertheless, this regulation is cited in Note 2 to the annual financial statement. The Ministry of Infrastructure has confirmed this in its response to Parliament. Reference in that regard is made to parliamentary document 626 - Item 302 of legislative session 152, 2021-2022. Accordingly, the submission of condensed consolidated financial statements instead of consolidated financial statements has no basis in law.

Entering as income in the consolidated financial statements an amount of 20,521,219,000 ISK resulting from a value adjustment of assets that are used to fulfil statutory obligations of the municipality is not in compliance international financial reporting standards. And if a subsidiary in a consolidation uses different valuation methods in its own annual financial statement than the parent company, new accounts shall be prepared for the subsidiary, as provided in Article 75 of the Annual Accounts Act where valuation methods are consistent with the consolidated financial statement. Reference is also made to a letter from the Supervisory Committee on Municipal Finances, dated 3 December 2021, to the City Council of Reykjavik regarding this matter, which reveals that the assets of Félagsbústaðir hf. (social housing) is for its own use to fulfil the statutory obligations of the City and that there are therefore no grounds for using the reporting policies used by Félagsbústaðir hf.

Also, the actual results of the Municipal Treasury are such that if this situation continues the City of Reykjavík will be unable to meet its obligations. It is irresponsible not to account for this uncertainty in the annual financial statement, as there are no signs of any turnaround in the operation of the Municipal Treasury. We therefore sign this annual financial statement with the above reservations.

Endorsement by the City Council, cont.

Reservation

In my opinion there are material errors in the conclusions of the City of Reykjavik's consolidated accounts. The overestimation relates to the assets of Félagsbústaðir and Orkuveita Reykjavíkur. These errors have a significant impact on any assessment of the conclusions of the City's consolidated statement, which does not, therefore, give a correct picture of the City's financial situation. The ratio of assets and liabilities is thus significantly skewed. No conclusion has been reached in the case between the ESA and the Ministry of Infrastructure, whether the group's accounting methods are in compliance with law. I therefore sign the annual statement with the above reservation.

A handwritten signature in blue ink, reading "Vigdís Árnúsdóttir".

Endorsement by the City Council, cont.

Reservation

The City Council member for the People's Party endorses the annual statement for 2021 with a reservation regarding whether there may be material misstatements due to fraud or error that the auditors were unaware of.

The annual financial statement reveals the irresponsibility of the City's financial management and that proper care is not being taken with the citizens' funds. It does not appear that the majority of the City Council has a grip on the City's operations and its companies. If the City's deficit is met with more loans on top of loans for development projects, then the future is not bright.

The City Council Member for the People's Party endorses the annual statement for 2021 with a reservation as the results of ESA's investigation of the financial statements of Félagsbústaðir are not yet available.



Independent auditor's report

To the City Council of the City of Reykjavik

Opinion

We have audited the accompanying Financial Statements of Reykjavíkurborg for the year 2021 which comprise the financial statements of A operations and the financial statements of A and B operations. The Financial Statements comprise the Statement of the Mayor and the City Council, the Statement of Income, the Statement of Financial Position, the Statement of Cash Flows, a summary of significant accounting policies and other explanatory information.

In our opinion, the Financial Statements present fairly, in all material respects, the municipality's financial performance in the year 2020, its financial position as at December 31, 2020, and its cash flow for the year then ended in accordance with the Icelandic Financial Statement Act and the Local Government Act.

Emphasis of matter due to COVID-19

Without modifying our opinion, we would like to draw attention to the report of the Statement of the Mayor and the City Council and in note 55 in these Financial Statements of events after the reporting date due to the possible impact of COVID-19 epidemic on the city's operations.

Basis for 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 the municipality in accordance with the Code of Ethics for Professional Accountants in Iceland, and we have fulfilled all ethical requirements therein. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the municipality's Financial Statement for the year 2021. These matters were addressed in the context of our audit of the Financial Statement and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In our opinion, the following matters were key audit matters:

Valuation of production and distribution systems Orkuveita Reykjavíkur *See note 30 and note 7 on significant accounting policies*

Explanation:

We have defined the valuation of production and distribution systems as a key audit matter in our audit. Orkuveita Reykjavíkur's production and distribution systems are carried at revalued amount in accordance with the provisions of IAS 16. An assessment is made of the changes in construction costs of similar types of assets and both cost and accumulated depreciation are revalued accordingly. Orkuveita Reykjavíkur performs impairment tests on the reporting date and recognises impairment loss if value in use is lower than book value of an asset. Revalued amount will also not be higher than value in use.

The assumptions used for revaluation and impairment tests are based on management assessments and are partly subjective. With production and distribution systems being a significant part of the consolidated financial statements of A- and B- operations, any change in assumptions can have significant effect on the income statement and balance sheet. Our work both included estimates of the revaluation assessments and the impairment tests of the production and distribution systems.

Audit procedures:

As part of our audit, we reviewed the Orkuveita Reykjavíkur's methodology for valuing the production and distribution systems and its consistency with international financial reporting standards.

We reviewed Orkuveita Reykjavíkur's processes for the revaluation and impairment tests. We also reviewed the functionality of models used in the assessments.

We evaluated management assumptions by comparing to public information where applicable. Where assumptions are not based on public information, we made our own evaluation on management assumptions.

We used the work of a valuation specialist to assist in this evaluation.

Independent auditor's report, cont.

Valuation of embedded derivatives Orkuveita Reykjavíkur *See note 38 on embedded derivatives*

Explanation:

Because prices of specific electricity sales contracts with large counterparties are tied to aluminium prices, Orkuveita Reykjavíkur recognises embedded derivatives on the balance sheet. As electricity and aluminium prices are generally not closely related, financial reporting standards require the risk relating to this relationship to be evaluated specifically.

The valuation of embedded derivatives is dependant on managements assumptions as well as other exterior inputs. Because of the vulnerability of the estimate regarding changes in assumptions we assume the risk is significant regarding embedded derivatives. Furthermore, the extent of the derivative is such that changes in fair value have a material effect on the consolidated Financial Statement of A- and B- operation.

Audit procedures:

We have reviewed Orkuveita Reykjavíkur's process. We reviewed the methodology of Orkuveita Reykjavíkur and compared the managements assumptions to public information where available. Where assumptions are not based on public information, we made our own evaluation on management assumptions.

We recalculated derivative valuations and reviewed the functionality of models used in the valuation. We used the work of a valuation specialist to assist with this review.

Accuracy and existance of property, plant and equipment *See note 30 and note 7 on significant accounting policies*

Explanation:

Property, plant and equipment are the largest single balance sheet component amounting to ISK 682,3bn in 2021 compared to ISK 618,8bn in 2019 for A- and B-operations combined. PPE amounted to ISK 174,3bn in 2021 and ISK 161,3bn in 2020 for A-operation alone. Particular emphasis is placed on the audit of property, plant and equipment of City's Real Estate Fund and Orkuveita Reykjavíkur.

Audit procedures:

We reviewed the process of capitalization of property, plant and equipemnt, including cost allocations. We have tested selected control activities related to capitalization and we have reviewed the City's internal audits on capital expenditures performed by the Internal Audit function. We performed substantive analytical procedures related to the depreciation report as well as recalculate depreciation.

We confirmed the additions of the year with sample testing. We were in direct contact við employees responsible for execution of work, both at Orkuveita Reykjavíkur and the City of Reykjavík, and reviewed the nature and purpose of the work along with approvals for individual work items.

Revenue recognition

See note 24 and note 3 on significant accounting policies

Explanation:

In our audit of the municipality's Financial Statement we have placed a special emphasis on revenue recognition. A- and B- operation income can be roughly divided into three seperate income stream, that is tax revenues, contribution from the local equalization fund and other income. Revenue recognition may depend on management estimate and issues may arise regarding revenue recognition for long-term contracts and sold construction rights or allocated land. As these issues or valuation assumptions can have a significant impact on the Consolidated Financial Statement for A- and B-operations, we have defined the audit of revenues as a key audit matter.

Audit procedures:

During our audit, we have assessed control activities of each business unit's revenue system. We have also tested certain controls relating to revenue recognition. We have reviewed and evaluated the IT control environment of each business unit, including review of how access to finance and accounting related IT system is controlled and incorporated into the financial system and subsystems related to revenue recognition.

We have used substantive testing methods where we have for example received third party confirmation of turnover and outstanding balances at year-end from specific customers or confirmed outstanding balances by other means.

We have also performed analytical procedures where we have compared our expectations to actual revenue recognition based on changes in quantity and price.

Independent auditor's report, cont.

Other Information

The City Council and the Mayor are responsible for all information presented by the municipality, both the Financial Statements as well as other information. Our opinion on the Financial Statement does not cover other information issued by the municipality than is discussed above. Other information are for example Statement of the Mayor and the City Council (not in excess of what our opinion states below), the municipal unaudited governance statement and report of the city's finance and risk management department. We do not confirm the information contained therein. In connection with our audit of the Financial Statements, our responsibility is to read the other information identified above when it becomes available, and in doing so, consider whether the other information is materially inconsistent with the Financial Statements

In accordance with the provisions of Article 104, paragraph 2 of the Icelandic Financial Statements Act no. 3/2006, we confirm that the report of the Mayor and the City Council accompanying the Financial Statements includes at least the information required by the Financial Statements Act if not disclosed elsewhere in the Financial Statements.

The City Council and the Mayor's Responsibility for the Financial Statements

The City Council and the Mayor are responsible for the preparation and fair presentation of the Financial Statements in accordance with the Icelandic Financial Statement Act and the Local Government. The City Council and the Mayor are also responsible for such internal control as management determines is necessary to enable the preparation of Financial Statements that are free from material misstatements whether due to fraud or error.

In preparing the Financial Statements, the City Council and the Mayor are responsible for assessing the municipality's ability to continue as a going concern. If there are any material uncertainties relating to the going concern assumption, then there should be adequate going concern disclosures in the Financial Statements and the reason why it was decided to apply the assumption of a going concern in the preparation and presentation of the Financial Statements.

The City Council and Reykjavik's Audit Committee are responsible for overseeing the municipality's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements.

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 ISAs 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 taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism 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.
- 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 municipality'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 exist related to events or conditions that may cast significant doubt on the municipality'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 conclusion are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the municipality 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the municipality to express an opinion on the Financial Statements. We are responsible for the direction, supervision and performance of the municipality's audit. We remain solely responsible for our audit opinion.

Independent auditor's report, contd.

We communicate with the City Council and the Audit Committee 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 identified during our audit.

We have delivered an report containing the conclusion of the audit to the City Council and the Audit Committee outlining these issues and it is in accordance with this independent auditor's report.

We have not provided the municipality with any services that are considered unauthorized to provide in parallel with the audit in accordance with Act no 94/2019. We also provided the City Council and the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the City Council and the Audit Committee, we determine those matters that are of most significance in the audit of the Financial Statements of the current year and are therefore the key audit matters. We describe these matters in our Auditor's report unless law or regulations precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our Report because the adverse consequences of doing so would resonably be expected to outweigh the public interest benefits of such communication.

We were appointed auditors by the City Council following a tender for auditing services in July 2018, and this is the fourth consecutive financial year in which we are the City's auditors.

For and on behalf of Grant Thornton endurskoðun ehf.
Reykjavík, 3 May 2022

J. Sturla Jónsson
State Authorized Public Accountant

Theodór S. Sigurbergsson
State Authorized Public Accountant

Income Statement for the year 2021

	Notes	Reykjavik Municipal (Section A)			Reykjavik Group (Sections A and B)				
		2021	2021	2020	2021	2021	2020		
		Financial Statements	Budget with Annexes	Financial Statements	Financial Statements	Budget with Annexes	Financial Statements		
Operating revenue	4,25								
Tax revenues		110.501.161	104.215.475	102.775.287	109.819.197	103.525.456	102.127.039		
Contributions from Municipal Equalisation Fund		8.761.951	7.656.192	8.031.222	8.761.951	7.656.192	8.031.222		
Other revenues		23.003.307	22.710.178	17.861.446	84.017.515	84.025.548	76.011.220		
Total operating revenues		142.266.419	134.581.844	128.667.956	202.598.663	195.207.195	186.169.481		
Operating expenses	5								
Wage cost and wage-related expenses	26	85.880.728	81.099.583	76.349.060	99.466.329	95.418.925	89.825.295		
Changes in pension obligations, LsRb*	26,45	(211.906)	3.500.000	3.316.618	(202.906)	3.500.000	3.347.116		
Other operating expenses		52.563.871	54.138.925	48.955.525	61.495.585	66.193.023	60.083.947		
Total operating expenses		138.232.694	138.738.508	128.621.203	160.759.009	165.111.948	153.256.358		
Operating result before depreciation, EBITDA		<u>4.033.725</u>	<u>(4.156.664)</u>	<u>46.753</u>	<u>41.839.654</u>	<u>30.095.248</u>	<u>32.913.123</u>		
Depreciation	10,11,33	(6.528.867)	(6.402.461)	(5.876.920)	(21.052.234)	(21.228.989)	(20.125.000)		
Operating result before financial items.....		<u>(2.495.142)</u>	<u>(10.559.125)</u>	<u>(5.830.168)</u>	<u>20.787.420</u>	<u>8.866.258</u>	<u>12.788.123</u>		
Net financial items	6,27	(1.354.457)	(1.388.015)	(13.119)	(12.899.248)	(9.603.118)	(16.855.090)		
Operating result before tax, adjustments and effects of associated companies		<u>(3.849.599)</u>	<u>(11.947.140)</u>	<u>(5.843.286)</u>	<u>7.888.172</u>	<u>(736.860)</u>	<u>(4.066.967)</u>		
Income tax	20,48	0	0	0	(4.168.956)	(3.008.888)	63.173		
Value adjustment of investment properties	8,31	0	0	0	20.521.219	1.129.922	1.773.543		
Share in associated companies' operating results	12,29	0	0	0	(32.254)	0	(290.573)		
Minority interests		0	0	0	(805.786)	(686.514)	(272.389)		
Operating results.....	44	<u>(3.849.599)</u>	<u>(11.947.140)</u>	<u>(5.843.286)</u>	<u>23.402.394</u>	<u>(3.302.339)</u>	<u>(2.793.213)</u>		

Statement of Financial Position 31 December 2021

Assets	Notes	Reykjavik Municipal (Section A)		Reykjavik Group (Sections A and B)	
		31.12.2021 Financial Statements	31.12.2020 Financial Statements	31.12.2021 Financial Statements	31.12.2020 Financial Statements
Fixed assets					
Intangible assets	7,30	2.044.271	1.223.367	5.010.752	4.060.500
Fixed tangible assets:	8,10,11				
Real estate	31	134.340.046	126.229.613	158.788.230	149.740.298
Utilities	31	0	0	352.484.348	327.722.589
Investment properties	31	0	0	123.732.218	99.050.188
Road systems	31	28.973.357	24.829.305	29.420.701	25.294.716
Machinery and equipment	31	5.930.242	4.751.858	11.217.087	9.764.873
Lease properties	32	5.034.105	5.534.792	6.703.370	7.199.429
		<u>174.277.749</u>	<u>161.345.569</u>	<u>682.345.953</u>	<u>618.772.093</u>
Investments and long-term receivables:					
Capital contributions and shares in companies	12,38	13.893.257	12.636.016	5.278.285	10.906.010
Pre-paid costs	13	8.859.995	9.233.481	9.300.456	9.692.533
Derivative contracts	9	0	0	73.264	509.904
Deferred tax assets	20,48	0	0	3.812.930	6.675.003
Other long-term receivables	14,15,40	903.126	1.895.218	1.097.335	2.115.165
		<u>23.656.378</u>	<u>23.764.715</u>	<u>19.562.270</u>	<u>29.898.615</u>
Total fixed assets		<u>199.978.398</u>	<u>186.333.650</u>	<u>706.918.975</u>	<u>652.731.208</u>
Current assets					
Inventories	16,41	0	0	1.690.650	1.658.508
Short-term receivables:	17,42				
Unclaimed revenues and receivables		17.634.471	13.229.684	24.034.299	19.774.810
Next year's paym. of own comp. long-term receivab.	40	0	3.321.522	0	0
Next year's payment of other long-term receivables	40	686.596	302.076	779.724	406.764
Receivables from own companies		340.375	294.580	25.611	15.602
Pre-paid costs	13	388.081	388.081	732.588	631.496
Embedded derivatives	39	0	0	1.548.338	0
Derivative contracts	9	0	0	17.036	45.399
Other receivables	42	2.176.026	3.599.651	9.737.971	4.318.903
Bank deposits and marketable securities	43	0	0	14.657.369	14.866.902
Cash and cash equivalents	18,43	15.276.111	8.110.912	30.423.739	26.318.982
Total current assets		<u>36.501.660</u>	<u>29.246.505</u>	<u>83.647.325</u>	<u>68.037.367</u>
Total assets		<u>236.480.058</u>	<u>215.580.155</u>	<u>790.566.300</u>	<u>720.768.575</u>

Statement of Financial Position 31 December 2021

Equity and liabilities

	Notes	Reykjavik Municipal (Section A)		Reykjavik Group (Sections A and B)	
		31.12.2021 Financial Statements	31.12.2020 Financial Statements	31.12.2021 Financial Statements	31.12.2020 Financial Statements
Equity					
Equity account	44	91.894.777	91.823.088	369.004.546	325.268.859
Minority interest		0	0	14.259.431	12.525.975
Total equity		91.894.777	91.823.088	383.263.977	337.794.835
Obligations					
Pension obligations	19,45	34.394.045	36.934.152	35.024.924	37.593.179
Deferred tax liabilities	20,48	0	0	17.256.418	14.943.963
Capital contributions from state		0	0	3.697.625	1.960.151
Other obligations		0	0	69.047	242.335
Total obligations		34.394.045	36.934.152	56.048.014	54.739.627
Long-term liabilities					
Long-term debts	21,46	75.120.045	53.675.949	280.562.920	256.769.617
Current liabilities, own companies	46	0	3.189	0	780
Lease liabilities	22,47	9.961.099	10.330.342	11.536.136	11.892.725
Embedded derivatives in electricity contracts	9,39	0	0	931.389	4.907.730
Derivative contracts	9	0	0	332.279	571.981
Total long-term liabilities		85.081.144	64.009.479	293.362.724	274.142.833
Current liabilities					
Debts to credit institutions		40.128	535.606	40.433	953.930
Accounts payable		5.326.413	5.637.810	10.082.642	10.311.061
Embedded derivatives in electricity contracts	9,39	0	0	0	1.048.651
Next year's payments on long-term debts	46	3.125.701	2.124.277	19.778.861	19.419.176
Next year's payments on current liabilities, own companies	46	3.343	8.887	817	2.173
Next year's payments on lease liabilities	47	1.121.881	1.023.612	1.266.769	1.157.053
Pension obligations, short-term	45	2.309.000	2.250.000	2.344.000	2.283.000
Accounts payable to own companies		554.575	727.835	101.800	136.044
Prepayments		87.060	114.972	1.950.979	656.260
Derivative contracts	9	0	0	1.584.188	846.690
Other payables		12.541.992	10.390.437	20.741.094	17.277.242
Total current liabilities		25.110.092	22.813.436	57.891.584	54.091.281
Total liabilities and obligations		144.585.281	123.757.067	407.302.323	382.973.741
Total equity and liabilities		236.480.058	215.580.155	790.566.300	720.768.575
Obligations off the Statement of Financial Position	45,52				

Statement of Cash Flows for the year 2021

Notes	Reykjavik Municipal (Section A)			Reykjavik Group (Sections A and B)		
	2021 Financial statements	2021 Budget with annexes	2020 Financial statements	2021 Financial statements	2021 Budget with annexes	2020 Financial statements
Cash flows from operating activities						
Operating results.....	(3.849.599)	(11.947.140)	(5.843.286)	23.402.394	(3.302.339)	(2.793.213)
Adjustments not affecting cash flow:						
Gain on sold assets	(4.321.419)	(4.109.614)	(1.237.112)	(4.115.959)	(4.109.614)	(1.589.183)
Depreciation	33 6.528.867	6.402.461	5.876.920	21.052.234	21.228.989	20.125.000
Indexation, discounts and exch.rate differences	6 2.935.045	1.669.599	1.422.833	8.102.438	2.889.767	8.152.155
Embedded derivatives, change	39 0	0	0	(4.101.758)	(1.222.705)	(722.948)
Value adjustment of investment properties	31 0	0	0	(20.521.219)	(1.129.922)	(1.773.543)
Effect of own companies and minority interests	0	0	0	838.040	686.514	562.962
Changes in pension obligations	45 (211.906)	3.500.000	3.316.618	(202.739)	3.534.894	3.289.044
Changes in deferred taxes	48 0	0	0	(42.106)	628.132	(62.293)
Write-down, long-term assets	(712.297)	(208.614)	1.556.186	(712.297)	(208.614)	1.556.186
Write-down, government capital contribution	0	0	0	17.252	0	(5.861)
Working capital provided by operating activities	368.691	(4.693.308)	5.092.159	23.716.281	18.995.101	26.738.307
Changes in operating assets and liabilities:						
Inventories decrease (increase)	0	0	0	(32.075)	35.440	(82.488)
Current receivables (increase) decrease	(3.960.144)	(500.000)	(3.303.233)	(4.360.146)	(295.454)	(3.783.079)
Current liabilities (decrease) increase	1.492.206	342.159	1.832.165	4.192.049	314.269	2.213.280
Contributions to pension payments	45 (2.269.201)	(2.000.000)	(2.907.784)	(2.304.516)	(2.000.000)	(2.941.267)
Prepaid contribution to Brú pension fund, changes	373.486	384.445	384.445	392.614	387.845	403.550
Change in operating assets and liabilities	(4.363.653)	(1.773.396)	(3.994.408)	(2.112.075)	(1.557.900)	(4.190.004)
Net cash provided by operating activities	(3.994.962)	(6.466.704)	1.097.751	21.604.207	17.437.200	22.548.303
Investment activities						
Investments in fixed tangible assets	31 (17.105.648)	(25.971.000)	(14.176.895)	(35.830.050)	(48.717.987)	(32.251.944)
Investment in investment properties	31 0	0	0	(2.952.453)	(4.915.180)	(4.993.383)
Investments in intangible assets	30 (1.194.947)	(1.644.000)	(513.514)	(1.714.813)	(2.292.000)	(1.212.736)
Paid road construction fees	31 1.964.804	3.100.000	804.337	1.964.804	3.100.000	804.337
Sales of building rights	3.926.031	3.708.614	1.182.896	3.926.031	3.708.614	1.306.950
Proceeds from sale of fixed tangible assets	1.613.975	401.000	321.498	791.816	486.377	727.702
Change in shareholdings	(1.257.240)	(2.697.039)	(1.361.009)	(271.339)	(1.726.477)	(572.520)
Short-term investments	44.388	0	(1.401.743)	1.001.280	0	(5.247.418)
Restricted bank deposits	0	0	0	0	0	(37.693)
Long-term receivables, change	4.531.256	3.852.096	6.324.891	1.252.309	623.300	(312.085)
Investment activities	(7.477.381)	(19.250.330)	(8.819.540)	(31.832.414)	(49.733.353)	(41.788.790)
Financing activities						
Capital contributions from state	0	0	0	823.771	1.032.792	774.963
New long-term borrowings	46 22.873.321	34.400.000	9.421.367	41.124.681	51.463.883	42.824.793
Repayments of long-term liabilities	46 (2.750.660)	(2.834.187)	(1.826.451)	(25.027.190)	(20.310.432)	(18.959.492)
Payments on lease liabilities	47 (1.052.709)	(1.036.800)	(964.139)	(1.116.383)	(1.036.800)	(1.022.839)
Derivative contracts paid	0	0	0	0	(162.253)	(37.743)
Paid-in capital	0	0	0	325	(125.197)	5.628
Short-term borrowings, change	(495.479)	0	344.678	(1.265.517)	22.543	819.526
Dividends paid	0	0	0	(258.440)	(195.000)	(193.915)
Other financing activities	63.069	(0)	16.922	63.069	(0)	(2.778)
Financing activities	18.637.543	30.529.013	6.992.377	14.344.315	30.689.536	24.208.142
(Decrease) Increase in cash and cash equivalents.....	7.165.199	4.811.980	(729.412)	4.116.107	(1.606.616)	4.967.656
Cash and cash equivalents at beginning of year.....	8.110.912	1.314.436	8.840.324	26.318.982	17.211.812	21.125.297
Effect of changes in proportion of holdings on cash.....				459	163	(1.814)
Effect of currency fluctuations on cash.....	0	0	0	(11.809)	(548)	227.842
Cash and cash equivalents at year-end.....	18 15.276.111	6.126.415	8.110.912	30.423.739	15.604.811	26.318.982
Investment and financing activities without cash flow effect						
New lease assets	32 (143.944)	0	(941.326)	(211.781)	0	(994.780)
New lease liabilities	47 143.944	0	941.326	211.781	0	994.780

Notes

1. Information on the Municipality

Reykjavíkurborg (the City of Reykjavík), the capital city of Iceland, is a municipality with a population of 135,681 as at 1 December 2021. The municipality's offices are located in Reykjavík City Hall.

The principles of administration and operation of local governments are provided for in the Local Government Act No. 138/2011.

2. Basis of preparation

The financial statements of Reykjavíkurborg (the City of Reykjavík) include annual accounts for the operating units pertaining to Reykjavík Municipal (Section A) and a consolidated statement for the City's entire operations, Reykjavík Group (i.e. consolidated Sections A and B), as stipulated in Article 60 of the Local Government Act No. 138/2011.

Reykjavík Municipal comprises activities which are partly or entirely funded by tax revenues. These include Aðalsjóður (the City's Operations Fund) and Eignasjóður (Real Estate Fund). Section B comprise financially independent companies where the City holds 50% of the shares or more. These companies are largely funded by income generated by the services they provide. The companies in Section B are Afvaki hf. (development/investment agency), Faxaflóahafnir sf. (Associated Icelandic Ports), Félagsbústaðir hf. (Reykjavík Social Housing), Íþróttá- og sýningahöllin hf. (Sport and Exhibition Centre), Malbikunarstöðin Höfði hf. (Asphalt Station Hofdi), Jafnlaunastofa sf. (Equal Wage Office) Orkuveita Reykjavíkur (Reykjavík Energy), Slökkvilið höfuðborgarsvæðisins bs. (Capital District Fire and Rescue Service), Sorpa bs. (Capital Area Waste Disposal Company) and Strætó bs. (Metropolitan Bus Transportation Company) and Thjodarleikvangur ehf. (National stadium).

The financial statements have been prepared on the historical cost basis and comply with the Local Government Act, the Financial Statements Act No. 3/2006, Regulation No. 696/2019 on the presentation and contents of financial statements and consolidated financial statements, and Regulation No. 1212/2015 on the accounting, budgeting and financial statements of municipalities.

Included in the consolidated financial statements for Reykjavík Group are the financial statements of Orkuveita Reykjavíkur and Félagsbústaðir hf., which have been prepared in accordance with International Financial Reporting Standards (IFRS). The most significant deviations from the accounting policies for municipalities are:

- a part of fixed tangible assets has been restated at fair market value;
- embedded derivatives are stated at fair market value;
- shares in companies are stated at fair market value;
- other assets and liabilities are stated at fair market value.

The financial statements are largely based on the same accounting policies as the previous year.

Balances between Reykjavík Municipal entities and inter-unit transactions are eliminated in the financial statements for Reykjavík Municipal. Balances between Section A and Section B entities and inter-unit transactions are eliminated in the consolidated financial statements. Balances between operating entities and inter-unit transactions include real estate tax levies, rent collected by the Real Estate Fund and other inter-unit transactions relating to purchases of goods and services. They also include interest calculated on balances and long-term liabilities resulting from transfers of assets and investments.

3. Changes in accounting policies

The financial reporting of jointly owned municipal entities and partnership companies where the City of Reykjavík is a majority holder is in this annual financial statement included in the condensed accounts of the City of Reykjavík based on the proportional liability of the City according to Regulation 1212/2015, as amended by Regulation 230/2021. The amendments took effect as of 1 January 2021. Previously, the accounts of these jointly owned municipal entities and partnerships were included fully in the condensed financial statements of the City of Reykjavík. The change has no impact on financial results, but turnover figures are reduced. The impact on the condensed balance sheet is that total assets and total liabilities are reduced, as the total assets and liabilities of these entities were included in full in the condensed balance sheet. Total equity is reduced by the amount of the minority share in the equity of the subsidiaries of the above entities. Comparison figures have been changed accordingly with the changed presentation.

	Financial Statements 31.12.2020 <u>before the change</u>	Financial Statements 31.12.2020 <u>after the change</u>	Impact of amendment of Regulation 1212
Assets	730.430	720.769	-9.661
Equity account	325.412	325.269	-143
Minority interest	19.176	12.526	-6.650
Total liabilities and obligations	385.842	382.974	-2.868

3. Changes in accounting policies, cont.

Software in Section A are categorised as intangible assets but previously formed a part of machinery and equipment. Estimates and comparison figures have been changed accordingly. The book value of Section as at 31.12.2020 was 1,223 million ISK, see Note 30 for further information.

Accounting policies

4. Income recognition

Tax revenues are recognised on the date of levying, but balancing provisions are made for uncollected tax revenues. Tax revenues include municipal income tax, property tax and contributions to and from the Municipal Equalisation Fund, in addition to other revenues which are equivalent to taxes, such as plot rents.

Capital expenditure and collection of construction fees are recognised in the Income Statement as decrease in construction costs and are recognised as a deduction from depreciation over the assets' anticipated useful life. Proceeds from sales of goods and services are generally recognised in the Income Statement at the time that ownership and the right to claim have been transferred to the buyer. The same applies to grants.

Accrued interest income is recognised in the Income Statement based on the principal of debt and the terms of interest-bearing claims. Dividends are recognised in the Income Statement on the date of dividend declaration.

Profit or loss on the sale of fixed tangible assets is the calculated difference between their selling price and book value. The difference is recognised in the Income Statement as operating revenues or expenses accordingly.

Notes

5. Expense recognition

Expenses are recognised in the Income Statement at the time that they are incurred and the seller's right to claim has been established.

6. Indexation and exchange-rate criteria

Assets and liabilities which are indexed or denominated in foreign currency are recognised in the financial statements at the indexation or exchange rate applying at year-end 2021. Accrued indexation and exchange-rate differences are recognised in the Income Statement.

7. Intangible assets

Geothermal rights are capitalised in the Statement of Financial Position as an intangible asset at their depreciated cost price. Geothermal rights are separated from land on acquisition. Preparation costs are capitalised in the Statement of Financial Position as intangible assets if there is a reasonable probability that the work will generate revenues later. Cost is expensed over the projected utilisation time. Other intangible assets are assessed at cost value, net of accrued depreciation and impairment.

8. Capitalisation of fixed tangible assets

Fixed tangible assets, other than plots and land for which the municipality receives lease income, are recognised as assets at cost, net of depreciation, based on their estimated useful life. The cost of operational assets consists of their purchasing price and the costs incurred from their acquisition and improvements. Purchases of tools and equipment for Reykjavik Section A under ISK 2.5 million are expensed, with the exception that equipment which is subject to compulsory registration is capitalised.

Leased assets are real estate that the municipality leases pursuant to lease agreements with a minimum term of three years and no option of termination by the municipality within a year from their starting date.

The cost of a leased asset is regarded as its fair value on the date of the contract or the net present value of the minimum lease payments under the lease agreement, if lower.

Plots and land for which the municipality receives lease income are entered at fair value or net present value of future revenues pursuant to the current lease agreements, if lower. Plots and land are revalued on a regular basis. Revaluation of plots and land is recognised as equity.

The distribution and production systems of Orkuveita Reykjavíkur and operational assets of Íþróttá- og sýningahöllin hf. are recognised at restated value in the Statement of Financial Position for Reykjavik Group, which is their fair market value on the restatement date, net of any additional depreciation from that time. Revaluation of these assets is undertaken on a regular basis. All increases in valuation are recognised as equity. Depreciation of the restated value is recognised in the Income Statement.

Investment properties are properties owned by Félagsbústaðir hf. with the object of generating rent revenue. Investment properties are recognised at fair value in accordance with International Financial Reporting Standards (IFRS). The evaluation of investment properties is based on the official real estate evaluation of the Icelandic National Registry. According to information from the National Registry, the official real estate evaluation is fair value estimated in real estate market transactions. The evaluation is performed in May each year based on pricing in February of the same year. The new evaluation comes into effect at the end of the year. The real estate evaluation covers both the buildings and the plots and is divided into building evaluation and plot evaluation. The real estate evaluation is extrapolated based on the building cost index until the end of the year. However, real estate valuation is adjusted take account of encumbrances on the assets. Changes in the evaluation of investment properties are recognised under the item value adjustment of investment properties in the Income Statement. Investment properties are not amortised.

9. Financial instruments

A financial instrument is categorised as a financial asset or liability at fair value in the Income Statement in the case of trading assets or trading liabilities, or if they are recognised as financial instruments at fair value in the Income Statement at their initial entry in the accounts. Financial assets and liabilities at fair value in Orkuveita Reykjavíkur's Income Statement are recognised at fair value in the Statement of Financial Position. Changes in fair value are recognised in the Income Statement.

Embedded derivatives are separated from the host contract and recognised separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, or if another instrument with the same provisions as the embedded derivative would be defined as a derivative, and the mixed contract is not recognised at fair value in the income statement. Orkuveita Reykjavíkur uses derivatives to hedge against currency, interest and aluminium price risk. Derivative contracts are recognised at fair value in the Statement of Financial Position, and changes in fair value are recognised in the Income Statement.

Notes

10. Depreciation of fixed tangible assets, other than leased assets

Depreciation is calculated as a fixed percentage based on the estimated useful life of the asset until scrap value is reached. In general, scrap value corresponds to one-year's depreciation, not exceeding 10% of the original price. Plots and land from which the municipality generates lease revenue are not depreciated. The estimated useful life of fixed assets is as follows:

General purpose buildings, offices and schools.....	25-50 years
Other buildings.....	25-50 years
Plots and land for planning.....	25 years
Road system.....	25 years
Orkuveita Reykjavíkur, distribution systems.....	9-90 years
Orkuveita Reykjavíkur, production systems.....	7-60 years
Orkuveita Reykjavíkur, geothermal rights.....	100 years
Vehicles, machinery and equipment.....	3-25 years

11. Depreciation of leased assets

The depreciation of leased assets is calculated as a fixed percentage based on lease period or estimated useful life, if shorter. If it is known that the municipality will acquire the leased asset at the end of the lease period, the useful life of the asset in question is used. The estimated useful life of leased assets is as follows:

Real estate.....	2-26 years
Land.....	10-99 years

12. Capital contributions and shares in companies

Capital contributions in accordance with Act No. 52/2016 on general apartments, which municipalities are permitted to allocate for the construction and purchase of general apartments in order to encourage the supply of affordable rental apartments, are capitalised at cost, if reimbursement has been required. If reimbursement is not required, they are expensed at payment date.

In the financial statements of Reykjavík Municipal, shares in companies, jointly owned municipal agencies and own enterprises are entered at cost, although the book value at year-end 2001 remains unchanged in the financial statements. The financial statements of Reykjavík Municipal focus primarily on the use of tax revenues, and therefore shares in the results of other companies are not recognised. Contributions from Reykjavík Municipal to the operations of jointly owned B operations companies constitute part of the cost of the respective segments of Reykjavík Municipal.

In the consolidated financial statements of Reykjavík Group, shares in associated companies are recognised according to the equity method. The equity method entails that the City's share in the results and equity of associated companies is recognised in the financial statements. The fair value of shares categorised as financial assets for sale is determined through recognised evaluation methods, except in cases where the price in recent transactions is used as a reference. Other equity shares are recognised at cost.

The write-down of shares in companies that have suffered impairment is calculated and entered in the annual financial statement following assessment.

13. Pre-paid cost

Pre-paid cost due to settlement with Brú Pension Fund, cf. Act No. 127/2016, is divided into supplementary pension fund, which is expensed over 30 years, and contribution to prudential fund, which is expensed over 20 years, from the 1st of July 2017.

14. Long-term receivables

Long-term receivables are recognised in the Statement of Financial Position in accordance with their credit terms, less a provision for losses. Current maturities and payments in arrears are recognised among current assets in the Statement of Financial Position.

15. Provision for losses

Long-term receivables, outstanding tax revenue and other short-term receivables have been evaluated with regard to risk of loss and a provision is made in the financial statements with an indirect depreciation. This provision does not represent a final write-off but a reserve is created to meet possible losses. Changes in the provision based on actual losses during the year are recognised in the Income Statement.

Notes

16. Inventories

Inventories are valued at cost price or day trade price, if lower.

17. Short-term receivables

Short-term receivables are recognised at nominal value, less exchange rate difference and accrued interest in the case of interest-bearing receivables. A provision has been made to meet possible losses.

18. Cash and cash equivalents

Cash and cash equivalents consist of cash, demand deposits with banks and market securities.

19. Obligations

Pension obligations for the benefit of the City's employees are recognised as a long-term liability in the Balance Sheet based on actuarial assessment. Changes in the liability during the year are recognised in the Income Statement. Projected next year's payments due to pension obligations are recognised among short term liabilities. See further note 45.

20. Deferred income tax liability and assets

The deferred income tax liability and assets of entities in Section B which are subject to income tax have been calculated and recognised in the financial statements. The calculation is based on the temporary difference between the tax return on the one hand, and the financial statements, on the other hand. This difference is due to the fact that tax assessments are based on rules which differ from those governing financial statements.

Calculation of deferred tax assets and liabilities is based on the expected tax rate in effect when temporary differences are to be reversed, based on the legislation in effect at the reporting date.

According to the current tax legislation, transferable tax losses can be used against taxable revenues 10 years from their formation. The application of transferable tax loss has been assessed and calculations have been made regarding taxable revenues for the next few years. The income tax balance for transferable loss is recognised to the extent that it is believed to be of use.

21. Long-term liabilities

Long-term liabilities are recognised in the Statement of Financial Position at year-end in accordance with the applicable credit terms. Next year's instalments are recognised as short-term liabilities.

22. Lease debts

At the original recognition of an obligation relating to lease agreements, the lease debt is entered at the fair value of the leased asset or the net present value of the lease agreement, if lower. Minimum lease payments are divided into interest costs and instalments on the balance of debts. The interest costs are spread over the lease period based on effective interest.

Minimum lease payments are the payments that a lessee is required to pay during the contract term, excluding conditional rent, as well as maintenance, service costs, insurance and taxes, which are paid by the lessor.

Calculation of the net present value of minimum lease payments is based on the lessor's required rate of return when it can be determined; if not, the net present value is based on the credit terms of the municipality for new capital at the date of the contract.

23. Budget

The budget with annexes is a part of the financial statements and is included in the Income Statement, the Statement of Cash Flows and the Notes.

24. Statement of Cash Flows

Investments affecting net cash are recognised among investment activities in the Statement of Cash Flows.

Notes

25. Operating revenue

Operating revenue is specified as follows:

	Section A		Section A and B	
	2021 Financial Statements	2021 Budget with Annexes	2021 Financial Statements	2021 Financial Statements
Tax revenues				
Municipal income tax:				
Paid municipal income tax	95.883.499	89.715.665	95.883.499	89.715.665
Share of Municipal Equalisation Fund in income tax	(5.347.196)	(4.757.649)	(5.347.196)	(4.757.649)
Share of Mun.Eq.Fund in tax relating to the disabled	(6.874.966)	(6.116.977)	(6.874.966)	(6.116.977)
	83.661.337	78.841.039	83.661.337	78.841.039
Postpaid municipal income tax	6.415.560	2.938.899	6.415.560	2.938.899
Tax changes	(683.204)	0	(683.204)	0
Amortisation of tax revenues	(726.169)	0	(726.169)	0
Changes to write-offs	(550.000)	0	(550.000)	0
	88.117.525	81.779.938	88.117.525	81.779.938
Property tax				
Property tax	20.538.817	20.586.886	19.918.870	19.958.268
Plot rent	1.839.819	1.848.651	1.777.802	1.787.250
Write-off/depreciation of property tax revenues, change	5.000	0	5.000	0
	22.383.636	22.435.537	21.701.672	21.745.517
Total tax revenues.....	110.501.161	104.215.475	109.819.197	103.525.456
Contributions from Municipal Equalisation Fund				
Contribution for the disabled	6.793.960	5.725.632	6.793.960	5.725.632
Municipal Equalisation Fund, other contributions	1.967.991	1.930.560	1.967.991	1.930.560
	8.761.951	7.656.192	8.761.951	7.656.192
Other income				
Fees for services provided	11.304.804	10.974.946	21.104.676	20.415.843
Income from assets	25.771.955	25.663.197	27.313.105	26.726.364
Other repayments	6.494.029	4.939.071	10.105.376	8.400.524
Other income	3.053.129	2.633.769	59.684.697	58.128.453
Sales of building rights	3.926.031	3.708.614	3.926.031	3.708.614
Gain from sale of assets	395.388	401.000	189.928	401.000
Inter-unit transactions eliminated	(27.942.029)	(25.610.419)	(38.306.298)	(33.755.250)
	23.003.307	22.710.178	84.017.515	84.025.548
Total operating revenue	142.266.419	134.581.844	202.598.663	195.207.195

Notes

26. Wage cost and wage-related expenses

	Section A		Section A and B	
	2021	2021	2021	2021
	Statements	Budget with Annexes	Statements	Financial Annexes
Operating revenue is itemised as follows:				
Wages	69.290.654	65.868.066	81.226.520	79.241.281
Wage-related expenses	16.250.083	15.022.058	19.049.309	15.950.050
	85.540.737	80.890.123	100.275.829	95.191.331
Changes in accrued vacation obligations	1.342.910	511.474	1.358.803	529.609
Capitalised and refunded wages	(1.002.918)	(302.015)	(2.168.303)	(302.015)
Wages and wage related exp. less charged pens. contrib.	85.880.728	81.099.583	99.466.329	95.418.925
Changes in pension obligations LsRb	(211.906)	3.500.000	(202.906)	3.500.000
Total wage cost and wage-related expenses	85.668.823	84.599.583	99.263.424	98.918.925
Average full-time equivalent positions	8.401		9.721	

The salaries of the City of Reykjavik's senior management are itemised in note 58.

27. Financial income and financial expenses

	Section A	Section A and B
Financial income and (expenses) are specified as follows:		
Dividends on equity shares	3.820.145	121.735
Profit from sale of holdings in companies	42.778	47.856
Risk charge for guarantees	493.084	(36.835)
Interest income and indexation	619.184	825.686
Interest expenses and indexation	(6.025.172)	(20.161.749)
Financial income tax	(304.338)	(308.070)
Hedge contracts	0	(1.408.740)
Exchange rate difference	(137)	1.738.533
Changes in fair value	0	6.282.336
Total financial income and (expenses)	(1.354.457)	(12.899.248)

28. Municipal Fund

	Financial Statements			2021
	2021			Budget with Annexes
	Expenses	Revenues	Balance	Net
Tax revenue		121.392.989	(121.392.989)	(113.959.758)
Department of Finance and Risk Management	1.397.806	59.080	1.338.726	1.373.559
Contribution to B operation companies	3.863.928	0	3.863.928	3.920.577
Department of Sports and Leisure	11.198.518	1.756.740	9.441.778	9.492.689
Department of Culture and Tourism	6.224.305	302.700	5.921.605	5.937.755
Department of Human Resources	380.530	39.423	341.107	348.553
Department of Education and Recreation	68.490.246	4.789.035	63.701.212	60.244.705
Central administration offices	1.772.216	111.827	1.660.389	1.728.423
Department of Environment and Planning	14.875.344	4.257.493	10.617.851	10.352.314
Department of Welfare	42.985.331	7.637.827	35.347.504	35.935.261
Department of Service and Innovation	4.085.177	1.592.848	2.492.330	2.486.422
Joint expenses	4.673.601	128.126	4.545.474	7.857.983
	159.947.002	142.068.089	17.878.913	25.718.484
Financial income and financial expenses	417.251	8.423.922	(8.006.671)	(6.048.289)
Municipal Fund total	160.364.253	150.492.011	9.872.242	19.670.195

Notes

28. Municipal Fund, continued:

	Financial Statements			2021
	2021			Budget with
	Expenses	Revenues	Balance	Annexes
Reykjavík Municipal (Section A) organisations				
Real Estate Fund	24.289.624	30.312.268	(6.022.643)	(7.723.055)
Internal transactions in A operation	(33.866.755)	(33.866.755)	0	
Section A total	150.787.123	146.937.524	3.849.599	11.947.140
Section B companies				
Aflvaki hf.	18	0	18	19
Faxaflóahafnir sf.	2.495.632	3.138.750	(643.118)	(34.143)
Félagsbústaðir hf.	6.280.938	24.771.988	(18.491.050)	(870.563)
Íþróttá- og sýningahöllin hf.	634.892	695.931	(61.039)	45.153
Jafnlaunastofa sf.	257	0	257	0
Malbikunarstöðin Höfði hf.	1.167.350	1.181.411	(14.061)	(12.690)
Orkuveita Reykjavíkur	40.149.855	52.193.652	(12.043.796)	(10.974.865)
Slökkvilið höfuðborgarsvæðisins bs.	2.103.018	2.312.897	(209.879)	(733)
Sorpa bs.	2.402.405	2.589.007	(186.602)	(123.335)
Strætó bs.	5.100.502	4.852.810	247.692	(165.158)
Þjóðarleikvangur ehf.	10.155	4.890	5.265	0
	60.345.023	91.741.336	(31.396.313)	(12.136.314)
Share in associated companies' results	0	(32.254)	32.254	0
Minority interest	0	(805.786)	805.786	687
Section B total	60.345.023	90.903.296	(30.558.274)	(11.449.800)
Internal transactions in section B	(11.068.534)	(14.374.814)	3.306.280	2.805.000
Reykjavík Group (Section A and B) total	200.063.612	223.466.006	(23.402.394)	3.302.340

The results of financial income and expenses of Reykjavík Group organisations and section B companies are recognised as income or expenses, as applicable.

29. Share in the results of associated companies

Shares in the results of associated companies are itemised as follows:

	Section A and B
Minjavernd hf.	(28.351)
Orkuveita Reykjavíkur - associated companies	(3.967)
Sorpa - associated company	64
	(32.254)

30. Intangible assets

Intangible assets are itemised as follows:

	Section A	Section A and B
Total value		
Balance at the beginning of the year	3.067.044	8.158.145
Additions during the year	1.194.947	1.717.509
Re-categorisation of assets	0	(126.916)
Sold or disposed of during the year	(837.209)	(837.209)
	3.424.781	8.911.528
Depreciations		
Opening balance	1.843.677	4.097.644
Depreciations during the year	374.043	767.257
Re-categorisation of assets	0	(126.916)
Sold or disposed of during the year	(837.209)	(837.209)
	1.380.510	3.900.776
Book value at year-end	2.044.271	5.010.752

Notes

31. Fixed tangible assets

Section A are itemised as follows:

	Section A			
	Real estate	Road system	Machinery and equipment	Total
Total value				
Balance at the beginning of the year	187.601.758	32.497.764	10.474.660	230.574.182
Re-classification of assets	(27.135)	1.126.651	0	1.099.516
Revaluation of plots and land at year-end	3.921.287	0	0	3.921.287
Additions during the year	8.648.769	6.342.406	2.114.472	17.105.648
Road construction fees	0	(1.964.804)	0	(1.964.804)
Sold or disposed of during the year	(1.306.269)	0	(18.161)	(1.324.430)
Balance at year-end	<u>198.838.411</u>	<u>38.002.017</u>	<u>12.570.971</u>	<u>249.411.399</u>
Depreciations				
Balance at the beginning of the year	61.372.145	7.668.458	5.722.802	74.763.406
Depreciations during the year	3.216.103	1.360.202	933.888	5.510.193
Sold or disposed of during the year	(89.882)	0	(15.961)	(105.843)
Balance at year-end	<u>64.498.366</u>	<u>9.028.660</u>	<u>6.640.729</u>	<u>80.167.755</u>
Book value at year-end	134.340.046	28.973.357	5.930.242	169.243.644
Depreciation rate	2% - 13%	4%	5% - 25%	

	Section A and B			
	Real estate	Utilities	Road system, mach. & equipm.	Total
Section A and B are specified as follows:				
Total value				
Balance at the beginning of the year	227.741.693	639.524.652	55.010.938	922.277.283
Effect of holding changes in jointly owned entities	6.988	0	5.184	12.173
Re-classification of assets	(1.315.189)	(175.801)	1.151.926	(339.063)
Revaluation	3.847.457	40.414.598	0	44.262.054
Additions during the year	10.635.070	16.026.481	9.569.431	36.230.982
Translation difference	0	3.152.458	0	3.152.458
Road construction fees	0	0	(1.964.804)	(1.964.804)
Sold or disposed of during the year	(168.324)	0	(280.631)	(448.956)
Balance at year-end	<u>240.747.695</u>	<u>698.942.389</u>	<u>63.492.044</u>	<u>1.003.182.127</u>
Depreciations				
Balance at the beginning of the year	78.001.395	311.802.064	19.951.349	409.754.807
Effect of holding changes in jointly owned entities	1.421	0	3.024	4.445
Re-categorisation of assets	(204.263)	(149.681)	(877)	(354.821)
Revaluation	0	21.902.018	0	21.902.018
Depreciations during the year	4.179.462	12.220.189	3.141.979	19.541.630
Translation difference	0	683.451	0	683.451
Sold or disposed of during the year	(18.549)	0	(241.218)	(259.767)
Balance at year-end	<u>81.959.465</u>	<u>346.458.041</u>	<u>22.854.257</u>	<u>451.271.763</u>
Book value at year-end	158.788.230	352.484.348	40.637.787	551.910.365
Depreciation rate	2% - 33%	1% - 14%	4% - 33,3%	

In 2020 the City of Reykjavik paid a total of 1,127 million ISK to Betri samgöngur ohf. (Capital Area Transport) in accordance with an agreement between the State, City of Reykjavik, Kópavogsbær, Hafnarfjarðarkaupstaður, Garðabær, Mosfellsbær and Seltjarnarnesbær on transport in the metropolitan area of the capital. An insignificant part of the figure was paid as paid-in share capital, see Note 38; a total of about 1,127 million ISK were capitalised as transport infrastructure under fixed assets in 2021.

Mortgages:

The properties of Félagsbústaðir hf. are mortgaged to secure the balance of debts amounting to ISK 21,782 million at year-end. In addition, the company has signed two bonds with its commercial bank in the aggregate amount of ISK 2,620 million, which are also secured by a mortgage on the company's properties. A long-term loan to Félagsbústaðir hf. guaranteed by Reykjavíkurborg amounted to ISK 29,745 million at the end of the year. The debts of Íþrótt- og sýningarhöllin hf. (Sports and Exhibition Hall) in the amount of ISK 2,136 million are secured by a mortgage on the company's property and a lease contract with the City of Reykjavik.

Notes

31. Fixed tangible assets, continued:

Investment properties are itemised as follows:

	Section A	Section A and B
Total amount		
Balance at the beginning of the year	0	99.050.188
Revaluation during the year	0	21.058.519
Additions during the year	0	2.952.453
Re-classification of assets	0	1.083.758
Sold during the year	0	(412.700)
Balance at year-end	0	123.732.218

The presentation of Félagsbústaðir hf. in the consolidated financial statements is based on fair value measurement. Valuation changes resulting from fair value measurements are recognised in the Income Statement.

Orkuveita Reykjavíkur performs a special re-evaluation of its production systems and the re-evaluation extends to assets used for the production of electricity, hot water and cold water. The fair value of production assets is determined by the depreciated and restated cost price. This entails that changes in the building cost of similar assets are assessed and both the cost price and accumulated depreciation are re-assessed in accordance with those changes. The same method is applied in determining the fair value of Orkuveita Reykjavíkur's distribution systems, which have been subject to a special re-evaluation. Re-evaluated distribution systems are used for operations that require special permits, and the income limit is primarily based on changes in the building cost index. This is taken into consideration when determining fair value.

The permanent fixed assets of Íþróttá- og sýningahöllin hf. are recognised at the re-evaluated cost price, net of depreciation.

32. Leased properties

Leased properties are specified as follows:

	Section A	Section A and B
Balance at the beginning of the year	12.160.962	14.056.276
Additions during the year	143.944	211.781
Indexation	0	44.370
	12.304.907	14.312.427
Depreciation at the beginning of the year	6.626.170	6.856.848
Depreciation during the year	644.632	752.210
	7.270.802	7.609.058
Book value at year-end	5.034.105	6.703.370
Depreciation rate	4% - 17%	1% - 50%

33. Depreciation and impairment

Depreciation and impairment in the income statement are specified as follows:

	Section A	Section A and B
Depreciation of fixed tangible assets, see note 31	5.510.193	19.541.630
Depreciation of intangible assets, see note 30	374.043	767.257
Depreciation of leased properties, see note 32	644.632	752.210
Depreciation during the year	6.528.867	21.061.096
Recognised in the income statement	6.528.867	21.052.234
Recognised as a reduction of obligations	0	8.862
	6.528.867	21.061.096

Notes

34. Investments in fixed tangible assets

Investments of section A during the year are itemised as follows:

	2021 Financial Statements	2021 Budget with annexes
Intangible assets:		
Software	1.194.947	1.664.000
Intangible assets total	1.194.947	1.664.000
Property, machinery and equipment:		
Culture	483.427	903.000
Education	3.543.159	6.655.000
Sports and leisure	4.468.259	5.150.000
Social Services	170.069	767.000
Bílastæðasjóður (Reykjavík Parking Services)	86.074	0
Other properties	88.918	440.000
Reimbursed Value-added Tax	0	(1.000.000)
Machinery and equipment	1.381.415	2.050.000
Building plots, land and planning properties	118.860	219.000
Renovation and major maintenance of buildings	211.273	380.000
Total property, machinery and equipment	10.551.454	15.564.000
Road construction	6.554.194	10.387.000
Road construction fees over the year	(1.964.804)	(3.100.000)
Road system total	4.589.389	7.287.000
Total capitalised investment	16.335.791	24.515.000
Road construction fees over the year	1.964.804	3.100.000
Gross investment section A	18.300.595	27.615.000

Investments of section B during the year are itemised as follows:

Faxaflóahafnir sf.	233.774	736.662
Félagsbústaðir hf.	4.435.620	4.915.180
Orkuveita Reykjavíkur	18.118.414	21.176.416
Slökkvilið höfuðborgarsvæðisins bs.	14.462	69.378
Strætó bs	152.714	394.835
Sorpa bs	225.126	421.921
Other section B companies	490.910	595.775
Investments of section B	23.671.021	28.310.167
Inter-unit transactions eliminated	(1.474.300)	0
Total investment of Reykjavík Group in fixed tangible assets during the year	40.497.316	55.925.167

35. Selling price of building rights, plots and road construction fees are itemised as follows:

	2021 Financial Statements	2021 Budget with annexes
Selling price of fixed assets:		
Road construction fees section A	1.964.804	3.100.000
Sold building rights section A	3.926.031	3.708.614
	5.890.835	6.808.614
Selling price of fixed assets:		
Selling price of fixed assets of section A	1.613.975	401.000
Selling price of fixed assets of section B	652.141	85.377
Inter-unit transactions eliminated	(1.474.300)	0
	791.816	486.377

Notes

36. Official value and insurance value of buildings

Fire insurance valuation, the official property valuation and book value of real estate are itemised as follows at year-end 2021:

	Section A	Section A and B
Official property valuation of buildings	121.503.859	173.108.911
Official property valuation of plots	32.889.065	65.061.558
Fire insurance valuation	210.181.401	275.387.118
Book value	134.340.046	158.788.230
Book value of investment property	0	123.732.218

Fire insurance valuation, official property value and book value of properties owned by jointly owned companies are based on the liability share of the City of Reykjavik at year-end 2021.

37. Insurance value of liquid assets

According to a resolution of the City Council, liquid assets of section A are not specifically insured, except in the case of statutory liability insurance. The insurance value of liquid assets of Section B amounted to ISK 460,640 million at year end 2021 based on the liability share of the City of Reykjavik in jointly owned entities.

38. Shares in companies

Shares in companies are itemised as follows:

	Share in		Section A	Section A and B
	A-op.	A&B op.	Book value	Book value
Subsidiaries				
Aflvaki hf.	54.5%	95.7%	4.363	
Félagsbústaðir hf.	100.0%	100.0%	3.240.267	
Íþrótt- og sýningahöllin hf.	50.0%	50.0%	50.000	
Jafnlaunastofa sf.	50.0%	50.0%	500	
Malbikunarstöðin Höfði hf.	99.0%	100.0%	190.575	
Slökkvilið höfuðborgarsvæðisins bs.	60.8%	60.8%	1.027.526	
Sorpa bs.	59.0%	59.0%	1.361.109	
Strætó bs.	60.3%	60.3%	514.504	
Orkuveita Reykjavíkur	93.5%	93.5%	0	
Faxaflóahafnir sf.	75.6%	75.6%	59.111	
Þjóðarleikvangur ehf.	50.0%	50.0%	5.882	
Subsidiaries total			6.453.837	
Associated companies				
Betri samgöngur ohf.	14.1%	14.1%	563	563
Harpa tónlistar- og ráðstefnuhús ohf.	46.0%	46.0%	788.085	0
Situs ehf.	46.0%	46.0%	1.885	1.885
Minjavernd hf.	38.3%	38.3%	107.839	92.887
Metan hf.		100.0%		11.981
Íslensk Nýorka		29.46%		32.758
Netorka hf.		38.41%		44.411
Orkuskólinn REYST hf.		45.0%		3.753
Associated companies total			898.372	188.239
Other companies				
Lánasjóður sveitarfélaga ohf.	17.47%	17.47%	1.547.831	1.547.831
Galantaterm		3.8%		13.082
Keilir		12.1%		18.500
Landskerfi bókasafna hf.	20.60%	20.60%	29.524	29.524
Rekstrarfélagið Stæði ehf.	22.97%	22.97%	919	919
DMM lausnir ehf.		13.41%		23.898
Vísindagarðar Háskóla Íslands ehf.	5.44%	5.44%	11.688	11.688
Halakot ehf.		100.0%		1.511
Vatnsveita Hvalfjarðarsveitar sf.		50.0%		57.030
Próunarfélag Grundatanga ehf.	16.67%	33.33%	750	1.317
Other companies			40	537
Other companies total			1.590.751	1.705.836
Capital contributions				
Þjarg íbúðafélag hses.			2.332.290	2.332.290
Brynja, hússjóður Öryrkjabandalags Íslands			248.580	248.580
Arnrún íbúðarfélag hses			50.210	50.210
Félagsbústaðir hf.			1.566.088	0
Stakkahlíð hses.			343.912	343.912
Andrastaðir hses			27.992	27.992
Leigufélag aldraðra hses.			203.714	203.714
Byggingarfélag námsmanna ses			177.511	177.511
			4.950.297	3.384.209
Total shares			13.893.257	5.278.284

Notes

39. Embedded derivatives

At the accounting date Orkuveita Reykjavíkur had two aluminium-linked electricity sales contracts in effect: one with Norðurál relating to the aluminium smelter at Grundartangi and a second with Norðurál Helgúvík relating to Helgúvík. As regards the agreement with Norðurál Helgúvík, delivery has begun in part through delivery to Grundartangi. These power sale agreements are made in USD, with the power price linked to the world market price of aluminium. Revenue from power sales agreements linked to aluminium prices accounted for 16.1% of Orkuveita Reykjavíkur total revenue in 2021.

In order to reduce the aluminium price risk, Orkuveita Reykjavíkur has entered into derivative agreements to reduce fluctuations in revenues linked to aluminium prices. The risk management department of Orkuveita Reykjavíkur is authorised to hedge the aluminium price risk and minimum/maximum defense ratios have been approved for the next 5 financial years. At the accounting date the hedging amounted to 89% of the estimated sales linked to the price of aluminium for the next 12 months.

Power sale agreements linked to aluminium prices entail embedded derivatives, as their revenues are subject to future changes in the world market price of aluminium. In accordance with the provisions of international financial reporting standards regarding financial instruments, the fair value of embedded derivatives concerning Grundartangi, and partially concerning Helgúvík, has been evaluated and recognised in the financial statements.

Embedded derivatives in power sale agreements that are recognised in the financial statements are recorded as assets or liabilities in the balance sheet at fair value on the accounting date, and the changes to the fair value over the year are recognised in the income statement as income and expenses on financial assets and financial liabilities.

Fair value of embedded derivatives in electricity sales contracts is itemised as follows:	2021	2020
Fair value of embedded derivatives in electricity sales contracts at the beginning of the year	(5.956.381)	(6.679.329)
Fair value changes during the year	6.573.330	722.948
Fair value of embedded derivatives in electricity sales contracts at the end of the year (liability)	616.949	(5.956.381)

The allocation of embedded derivatives in electricity sales contracts is itemised as follows:

Non-current embedded derivatives (liability)	(931.389)	(4.907.730)
Current embedded derivatives assets	1.548.338	(1.048.651)
Total embedded derivatives	616.949	(5.956.381)

40. Long-term receivables

Long-term receivables are itemised as follows:

	Indexed	Non-indexed	Total
Long-term receivables from own companies			
Balance at the beginning of the year	3.321.522	0	3.321.522
Payment over the year	(3.325.369)	0	(3.325.369)
Indexation	3.847	0	3.847
	0	0	0
Other long-term receivables (section A)			
Balance at the beginning of the year	321.400	7.880.826	8.202.226
Re-classification of assets	0	(127.008)	(127.008)
New loans	0	1.369.898	1.369.898
Payments	(200.711)	(2.375.074)	(2.575.785)
Indexation	13.026	0	13.026
	133.715	6.748.642	6.882.357
Provision for losses	0	(5.292.635)	(5.292.635)
	133.715	1.456.007	1.589.722
Next year's payments on long-term receivables	(44.572)	(642.025)	(686.596)
	89.144	813.983	903.126

Notes

40. Long-term receivables, continued:

	Indexed	Non-indexed	Total
Other long-term receivables (section A and B)			
Balance at the beginning of the year	646.035	7.880.826	8.526.861
Effect of change in holdings in jointly owned entities	71		71
New loans	43.523	1.369.898	1.413.421
Re-classification of assets	0	(127.008)	(127.008)
Payments	(290.657)	(2.375.074)	(2.665.730)
Indexation	22.079	0	22.079
	421.052	6.748.642	7.169.694
Provision for losses	0	(5.292.635)	(5.292.635)
	421.052	1.456.007	1.877.059
Next year's payments on long-term receivables	(137.699)	(642.025)	(779.724)
	283.353	813.983	1.097.335

Annual maturities are itemised as follows:

	Section A	Section A and B
Year 2022	686.596	779.724
Year 2023	166.926	224.419
Year 2024	79.703	98.062
Year 2025	0	7.353
Year 2026	0	0
Later	656.497	767.501
	1.589.722	1.877.059

41. Inventories

Inventories are itemised as follows:

	Section A	Section A and B
Inventory of materials	0	1.337.505
Raw material	0	211.752
Supplies in stock	0	58.759
Products ready for use	0	82.633
	0	1.690.650

42. Current receivables

Investments available for sale are itemised as follows:

	Section A	Section A and B
Investments available for sale	0	6.095.000
	0	6.095.000

The change in the fair value of Landsnet hf. amounted to 228 million ISK over the year; the increase was entered under equity. A provision of law on changed ownership of power transmission companies will take effect on 1 July 2022 in accordance with Article 19 of Act No. 74/2021 The Act provides for a changed ownership of Landsnet, bringing the company into the direct ownership of the State and/or municipalities. There are understandings in place on negotiations among all the owners of Landsnet, including Orkuveita Reykjavíkur (Reykjavik Energy) regarding the price for the share of each owner and payment arrangements prior to 1 July 2022. Reykjavik Energy's 6.78% share in Landsnet at year-end 2021 is therefore entered under current assets.

Provisions for current receivables are itemised as follows:

	Section A	Section A and B
Provision for receivables other than tax revenue at the beginning of the year	334.442	601.912
Actual losses during the year	(73.508)	(138.747)
Provision for losses during the year	114.236	114.235
Provision for receivables other than tax revenue at year-end	375.170	577.400

Outstanding tax revenue, excluding default interest and provisions, amounted to ISK 15,649 million at year-end. The total provision for tax revenue at year-end amounted to ISK 6,150 million.

Notes

43. Cash and bank deposits

Cash and bank deposits are itemised as follows:

	Section A	Section A and B
Bank deposits with three to twelve month maturities	0	6.500.000
Marketable securities	0	8.157.369
	0	14.657.369
Bank deposits and short-term securities, redeemable without notice	15.276.111	30.423.739
	<u>15.276.111</u>	<u>45.081.108</u>

44. Equity

Changes in equity:

	Section A	Section A and B
Balance at the beginning of the year	91.823.091	325.268.859
Effect of change in holdings in jointly owned entities		4.928
Revaluation of plots and land at year-end	3.921.284	18.593.942
Changes in the market value of equity shares	0	213.269
Translation differences of Orkuveita Reykjavíkur	0	1.313.265
Other changes	0	207.889
Operating results	<u>(3.849.599)</u>	<u>23.402.394</u>
	<u>91.894.777</u>	<u>369.004.547</u>

Changes in fair value of the share in Landsnet hf. is recognised among equity. Translation difference is the exchange rate difference resulting from the conversion of financial statements in operations that use a functional currency other than the Icelandic króna.

45. Pension obligations due to LsRb

The net present value of the pension obligations of Sections A due to LsRb (Reykjavik employees' pension fund) amounted to ISK 36,703 million at the end of 2021, while the net present value of Sections A and B amounted to ISK 37,369 million, taking into consideration the share in the pension fund's net assets. The benefit rights largely follow wage changes and are adjusted based on a 2% interest rate, but in other respects a 3.5% interest rate is used for adjustment.

Actuarial surveys of LsRb use the calculation base of the Association of Icelandic Actuaries of 2019, in addition to the projection of the Association of a reduction in the frequency of age-related mortality as advertised by the Ministry of Finance at year-end 2021 as a part of the standard assumptions used in the accounts of pension funds. The basis for life expectancy is based on pension fund's experience in 2014-2018. The assessment of the pension liability of Section A was done by LsRb's actuary.

The obligations are itemised as follows:

	Section A	Section A and B
Pension obligations 1.1.2021	39.184.152	39.876.179
Contributions to pension payments during the year	(211.906)	(202.739)
Change in pension obligations during the year	<u>(2.269.201)</u>	<u>(2.304.516)</u>
	36.703.045	37.368.924
Pension obligations, short-term	2.309.000	2.344.000
Pension obligations, long-term	<u>34.394.045</u>	<u>35.024.924</u>
	<u>36.703.045</u>	<u>37.368.924</u>

Estimated participation in the payment of pensions next year is recognised among current liabilities in the balance sheet.

Notes

45. Pension obligations due to LsRb, continued:

Estimated future pension payments for Reykjavik Municipal by period:	
Payments 2022-2026	9.428.731
Payments 2027-2031	8.338.270
Payments 2032-2036	6.848.108
Payments 2037 and later	12.087.936
	<u>36.703.045</u>

46. Long-term liabilities

Section A	Exchange rate	Indexed	Non-indexed	Total
Balance at the beginning of the year	0	41.873.933	13.926.293	55.800.226
Additions during the year	0	8.357.319	14.516.002	22.873.321
Payments over the year	0	(1.622.408)	(1.119.250)	(2.741.658)
Indexation and discounts of the year	0	2.406.312	(92.455)	2.313.857
	0	51.015.156	27.230.590	78.245.746
Next year's payments	0	(1.658.985)	(1.466.716)	(3.125.701)
	0	49.356.171	25.763.874	75.120.045

Section A and B

Long-term liabilities are itemised as follows:	Exchange rate	Indexed	Non-indexed	Total
Balance at the beginning of the year	70.788.101	175.109.834	30.290.858	276.188.794
Effect of change in holdings in jointly owned entities		2.556		2.556
Additions during the year	2.938.800	18.275.479	19.910.401	41.124.680
Payments over the year	(8.361.792)	(12.761.350)	(3.901.847)	(25.024.990)
Indexation and discounts of the year	(678.424)	8.821.619	(92.455)	8.050.741
	64.686.686	189.448.138	46.206.957	300.341.781
Next year's payments	(7.299.297)	(7.676.392)	(4.803.172)	(19.778.861)
	57.387.389	181.771.746	41.403.785	280.562.920

Estimated annual maturities of long-term liabilities are itemised as follows:

	Section A	Section A and B
Year 2022	3.125.701	19.778.861
Year 2023	3.169.272	23.850.911
Year 2024	8.006.652	24.596.818
Year 2025	3.291.893	20.790.215
Year 2026	3.348.764	19.139.024
Later	57.303.464	192.185.952
	78.245.746	300.341.781

Long-term liabilities section A with section B

	Section A	Section A and B
Balance at the beginning of the year	12.076	2.953
Payments over the year	(9.002)	(2.200)
Indexation of the year	269	65
	3.343	817
Next year's payments	(3.343)	(817)
	(0)	0

Estimated annual maturities of long-term liabilities to own companies are itemised as follows:

Year 2022	3.343	817
	3.343	817

Notes

47. Lease liabilities

The Real Estate Fund has made lease contracts for real estate which are recognised as liabilities, see note 22. Lease contracts are indexed.

	Section A	Section A and B
Balance at the beginning of the year	11.353.953	13.049.778
Addition over the year	143.944	211.781
Payments over the year	(1.052.709)	(1.116.383)
Indexation of the year	637.791	657.729
	<u>11.082.980</u>	<u>12.802.905</u>
Next year's payments	(1.121.881)	(1.266.769)
	<u>9.961.099</u>	<u>11.536.136</u>

Annual lease liabilities are specified as follows:

Year 2022	1.121.881	1.266.769
Year 2023	1.167.848	1.297.889
Year 2024	1.165.863	1.259.624
Year 2025	1.179.046	1.255.880
Year 2026	1.173.691	1.245.408
Later	5.274.650	6.477.336
	<u>11.082.980</u>	<u>12.802.905</u>

Other informations about lease contracts:

	Lease term	Book value at year-end	
		Section A	Section A and B
Sports facilities	15 - 25 ár	3.603.934	3.603.934
Office buildings	2 - 22 ár	5.566.964	5.685.454
Other facilities	2 - 26 ár	1.912.081	2.573.886
Plots	10 - 99 ár	0	939.631
		<u>11.082.980</u>	<u>12.802.905</u>

Minimum payments on lease contracts are itemised as follows, not at net present value:

	Sports	Office	Other	Total
	facilities	buildings	facilities	
Year 2022	975.289	825.491	403.252	2.204.032
Year 2023	975.289	811.586	399.360	2.186.235
Year 2024	975.289	767.445	341.859	2.084.593
Year 2025	975.289	749.690	295.272	2.020.250
Year 2026	873.267	749.690	288.504	1.911.460
Later	1.977.653	4.248.242	2.413.870	8.639.764
Total	<u>6.752.075</u>	<u>8.152.143</u>	<u>4.142.115</u>	<u>19.046.334</u>

Total payments on lease contracts in 2021 are itemised as follows in the financial statements:

	Section A	Section A and B
Payments reducing lease liabilities	1.052.709	1.116.383
Interest payments	494.409	545.620
	<u>1.547.117</u>	<u>1.662.003</u>
Operating expenses	438.659	584.975
Total lease payments	<u>1.985.777</u>	<u>2.246.978</u>

Notes

48. Taxes

Section B companies are partially or wholly subject to payment of income tax, and income tax for these companies is calculated and recognised in the financial statements. The balance of financial items in the tax return, on the one hand, and the financial statements, on the other hand, results in the formation of either deferred income tax assets or liabilities.

Companies in Section B for which income tax is calculated are: Orkuveita Reykjavíkur, Íþróttá- og sýningarhöllin hf. and Malbikunarstöðin Höfði hf.

Changes in the calculated deferred income tax assets are itemised as follows:	Deferred tax assets	Deferred tax liabilities
Balance at the beginning of the year	6.675.003	14.943.963
Effect of special revaluation of fixed assets	0	2.682.420
Calculated income tax during the year	(2.888.687)	1.281.320
Other changes	0	76.050
Income tax payable	26.614	(1.727.336)
Balance at year-end	3.812.930	17.256.418

Deferred income tax assets and liabilities are itemised as follows in separate items in the Statement on Financial Position:

	Deferred tax assets	Deferred tax liabilities
Fixed tangible assets	840.820	17.766.008
Embedded derivatives	(231.973)	0
Other items	635.223	(419.249)
Impact of carry-forward loss	2.568.859	(90.342)
Balance at year-end	3.812.930	17.256.418

49. Obligations and guarantees off the Balance Sheet

	Section A	Section A and B
Overview of grants, contracts, property lease agreements and operation lease agreements	45.848.695	51.847.672
Overview of Section A guarantee obligations against a third party due to long term bonds	198.217	198.217
Obligations of Section A of the City of Reykjavik for Section B companies not included in the balance sheet	97.091.932	0
	143.138.844	52.045.889

50. Grants, work contracts, asset and operational lease agreements

	Total obligations	Obligations due in 2022
Section A:		
City Executive Committee grants	109.550	16.350
Cultural grants	4.868.304	2.265.563
Grants and service contracts, Sports and Leisure	2.970.000	1.640.000
Grants and service contracts, Social Services	15.359.906	5.351.291
Grants and service contracts, Education and Recreation	172.667	78.022
Concert and Conference Hall	8.335.737	591.441
Operational agreements for Real Estate Fund	467.305	466.505
Operational Investment agreements for Real Estate Fund	4.565.305	4.564.505
Agreement with Betri Samgöngur ohf. regarding transport pact	7.417.101	646.289
Obligations of Reykjavik Parking Services	316.357	70.110
Contract for the purchase of a pre-school and 20 apartments under construction at Hallgerðargata	745.263	745.263
Agreement on the purchase of Tryggvagata 17, Hafnarhús	521.200	275.000
Grants, work contracts, asset and operational lease agreements	45.848.695	16.710.339
Section B:		
Faxaflóahafnir sf.	132.977	132.977
Félagsbústaðir hf.	722.000	700.000
Orkuveita Reykjavíkur	5.144.000	5.144.000
Work contracts and other liabilities of Section A at year-end	5.998.977	5.976.977
Grants, work contracts, asset and operational lease agreements of Sections A&B at year-end	51.847.672	22.687.316

Notes

51. Guarantees

Summary of guarantee obligations of Reykjavík Municipal to third parties in respect of bond loans:	Section A
Churches	198.217
Guarantee obligations of A operations against a third party	<u>198.217</u>

52. Liabilities

Liabilities of Section A off the Balance Sheet are as follows:

	City's share in liabilities	Section A balance
Orkuveita Reykjavíkur	93,5%	65.067.069
Slökkvilið höfuðborgarsvæðisins bs.	56,4%	121.332
Sorpa bs.	56,4%	1.396.248
Strætó bs.	56,4%	762.605
Félagsbústaðir hf.	100,0%	<u>29.744.677</u>
Liabilities of Section A off the Balance Sheet in respect Section B companies		<u>97.091.932</u>

53. Statement of financial position at year-end

The City's assets, liabilities and equity are itemised as follows:

	Share	Assets	Liabilities	Equity
Reykjavík Municipal (Section A)	100,0%	236.480.058	144.585.281	91.894.777
Aflvaki hf.	95,7%	10.323	0	10.323
Faxaflóahafnir sf.	75,6%	12.219.542	414.351	11.805.191
Félagsbústaðir hf.	100,0%	126.446.925	59.136.329	67.310.597
Íþróttá og sýningahöllin hf.	50,0%	1.721.459	1.262.108	459.351
Jafnlaunastofa sf.	50,0%	243	0	243
Malbikunarstöðin Höfði hf.	100,0%	1.846.703	342.527	1.504.176
Orkuveita Reykjavíkur	93,5%	387.141.239	187.292.286	199.848.953
Slökkvilið höfuðborgarsvæðisins bs.	60,8%	1.772.760	416.632	1.356.128
Sorpa bs.	59,0%	5.066.686	2.248.488	2.818.199
Strætó bs.	60,3%	1.839.151	1.363.347	475.804
Þjóðarleikvangur ehf.	50,0%	758	5.916	(5.158)
Internal transactions		<u>(12.443.952)</u>	<u>(3.969.915)</u>	<u>(8.474.038)</u>
Total		762.101.896	393.097.350	369.004.546
Minority share		<u>28.464.404</u>	<u>14.204.973</u>	<u>14.259.431</u>
Balance according to the financial statements		790.566.300	407.302.323	383.263.977

The financial reporting of jointly owned municipal entities and partnership companies where the City of Reykjavík is a majority holder is in this annual financial statement included in the condensed accounts of the City of Reykjavík based on the proportional liability of the City according to Regulation 1212/2015, as amended by Regulation 230/2021 and not holding

Other

Water and Wastewater (W&W) was engaged in construction work at Suðurgata, which included renewal of pipes. On the night before 21 January 2021 the water main broke with the consequence that water entered the buildings of the University of Iceland. The damage has been reported to the insurance companies of W&W and its contractors. The entity that suffered damage appointed assessors to assess the extent of the damage and they returned a report in January 2022. The damaged party submitted a petition to the District Court of Reykjavík on 4 March 2022 requesting appointment by the Court of assessors to conduct a reassessment. W&W has no information on the conclusion of the first assessment, and the estimated extent of the damage is as yet unknown. W&W has independent liability insurance that covers the company's liability for damage. The terms of that insurance provide for a 5 million ISK deductible and then 50% of the amount of the damage. The maximum coverage of the insurance is ISK 300 million.

54. Sales tax

The Property Fund is a stakeholder in the Harpa parking lot. The Parking lot is recorded with a special registration pursuant to Art. 6(4) of Act no. 50/1988 on Value Added Tax. The unpaid VAT at the end of 2021 amounted to ISK 241 million.

Notes

55. Litigation

Due derivative contracts

On 28 January 2022 the Supreme Court of Iceland denied Orkuveita Reykjavíkur (Reykjavik Energy) permission to appeal the decision of the Court of Appeals in the case of the bankruptcy estate of Glitnir Bank relating to the settlement of foreign-exchange contracts made shortly before the financial collapse of 2008. This means that Orkuveita Reykjavíkur needs to pay to the bankruptcy estate the sum of approximately 3.4 billion ISK, which is entered under other short term debts. In earlier years, the company had made provisions for 740 million ISK in respect of the matter and at year-end the balance of the claim was expensed.

Dispute on a contractual payment regarding development plans

The contracting company Sérverk ehf. has sued the City of Reykjavík, claiming a payment of 120 million ISK with interest. The dispute between the parties concerns the legal validity of a contractual charge in respect of development plans. The City of Reykjavík is sued primarily to obtain reimbursement of the above charge; an alternative claim is that the charge in question is unlawful. By a judgment of the District Court of Reykjavík in the case pronounced on 26 June 2020, the City of Reykjavík was absolved of all claims. Sérverk ehf. appealed the case to the Court of Appeal, where the case is pending. In the event that the courts of law uphold Sérverk's claims in the case it may be anticipated that claims against the City of Reykjavík for reimbursement of similar contractual payments could amount to hundreds of millions of krónur.

Dispute concerning violation of the Media Act

Gagnaveita Reykjavíkur (a data transmission company), a subsidiary of Reykjavík Energy submitted to Síminn hf. in March of 2019 a claim for pecuniary damages for losses suffered by that company from violation of the Media Act; the Post and Telecom Administration issued a decision on the matter in 3 July 2018. The claim is in the amount of 1.3 billion ISK for loss of income, cost and interest. A formal response was requested from Síminn. The letter was responded to by a letter from Síminn's lawyers dated 19 March 2019, where Síminn categorically rejected the claim. Síminn hf. initiated legal proceedings against the Post and Telecom Administration, Gagnaveita Reykjavíkur ehf., Sýn hf. and Míla hf. to contest the Administration's decision of the breach of law. The District Court of Reykjavík returned a decision on 1 July 2020 which confirmed the decision of the Post and Telecom Administration, but with some alteration of the underlying premises. The case was appealed to the Court of Appeal by Síminn hf., the Post and Telecom Administration and Sýn hf. and a decision is now pending. No provision has been made for this matter in the company's annual financial statement nor in the condensed annual financial statement of the City of Reykjavík for 2021.

The City of Reykjavík and separate B-Section entities are parties to various court cases and other disputes apart from those mentioned above which could have financial significance for the entities in question nor the condensed annual financial statement for Sections A and B.

56. COVID-19 Epidemic

The COVID-19 pandemic which has raged since March 2020 is now receding. The pandemic persisted for all of 2021 and restrictions on gatherings and other government actions made their mark on citizens' lives. Vaccinations began early in the year and mitigated the impact of the virus until a new variant of the SARS-CoV-2 virus, Omicron, arrived in Iceland in December 2021 and spread rapidly. Up to 50% of the population has now been infected by the virus according to official figures, but the rate of infection is now falling following rapid growth in January and February of 2022.

There was significant pressure on the institutions of the City throughout 2021, where restrictions on gatherings were met with partitioning and other measures to observe aseptic precautions in line with regulations and instructions from disease prevention authorities. The year was characterised by the imposition and subsequent lifting of disease prevention measures to combat the spread and new variants of the virus.

The financial impact of the pandemic on Section A operations last year was significant, mostly manifested in the form of increased cost of preschools, primary schools and welfare services. However, municipal tax revenues have been stronger than anticipated in the City's budgets and the negative impact on operations has receded. Strætó bs. experienced a considerable loss of revenue due to a reduction in the number of passengers, while the increase in world market price of aluminium had a positive impact on the operation of Reykjavík Energy, and the income of the Reykjavík Harbour Authority was significantly higher than anticipated.

The financial policy of the City, which was presented in the fall of 2020, has been followed; it provides for vigorous responses and actions to prevent economic recession, and in addition the services of the City were defended in spite of the temporary decrease of income from budget projections. The result in the annual financial statement for 2021 and the City's budgets for the coming five years fall within the limits of the financial policy.

The City of Reykjavík's financial position is strong and the City has the financial strength to take on significant setbacks resulting from the consequences of the pandemic. An act of law, Act No. 22/2021, has been passed in Parliament aimed at enabling municipalities to cope with the problem in the short and medium term by relaxing financial regulations in the Local Government Act No. 138/2011 with effect to 2025.

Notes

57. Related parties

Principal and alternate members of the City Council, as well as the Mayor and his deputies, are defined as parties related to the municipality. The spouses of these parties, financially dependent children and other financially dependent parties also fall within this definition. In addition, companies subject to the control of the above parties are also considered related parties.

The municipality has engaged in business with related parties during the year. Business with related parties included normal services provided by the Municipality and public charges levied on related parties. Other business conducted between the Municipality and related parties involves contracts on purchases of goods or services. The transactions are carried out on the same basis as in the case of unrelated parties and the terms and conditions of the transactions are similar as in the case of unrelated parties. The determination of business between related parties is subject to the competence rules of Art. 20 of the Local Government Act. Also, related parties are prohibited in accordance with agreed codes of ethics from taking advantage of their positions for the benefit of their own personal interests or those of their related parties.

58. Top management salaries

These wages are the total wages paid by the City of Reykjavik to the persons in question.

	Year 2021	
	Wages	Contribution
Mayor and deputies		
Mayor	24.968	1.476
Mayor's First Deputy, Chief Executive Officer	23.061	0
Mayor's Second Deputy, Chief Legal Counsel	21.830	0
Salaries of elected representatives		
Executive Committee Chairman January-May 2021	6.384	300
Executive Committee Chairman June-December 2021	9.473	439
City Council President	16.866	738
Elected representatives	288.753	14.386
Elected deputy councillors	73.676	5.902
Committee members	92.100	360
Top management salaries, total	557.111	23.600

Notes

59. Comparison of operating budgets

The overview below explains the operating budget for 2021 pursuant to the originally approved budget of the municipality, approved annexes and original budget with annexes. The budget with annexes is shown in the Income Statement and other notes to the financial statements for comparison with the year's actual figures. The originally approved budget for Sections A and B in 2021 has been amended in compliance with an amendment of Regulation No. 1212/2015, where jointly owned municipal entities and partnerships where the City of Reykjavik is a majority owner are entered in the condensed financial statement based on the proportional liability of the City rather than its share of ownership.

	Reykjavík Municipal Section A			Reykjavík Group Section A and B		
	2021 Original Budget	2021 Annexes to Budget	2021 Original Budget with annexes	2021 Original Budget	2021 Annexes to Budget	2021 Original Budget with annexes
Operating revenue						
Tax revenues.....	104.215.475	0	104.215.475	103.525.456	0	103.525.456
Contributions to Municipal Equalisation Fund.....	7.648.853	7.339	7.656.192	7.648.853	7.339	7.656.192
Other revenues.....	21.794.266	915.911	22.710.178	83.109.636	915.911	84.025.548
	<u>133.658.594</u>	<u>923.250</u>	<u>134.581.844</u>	<u>194.283.945</u>	<u>923.250</u>	<u>195.207.195</u>
Operating expenses						
Wage cost and wage-related expenses.....	80.249.389	850.194	81.099.583	94.568.732	850.194	95.418.925
Changes in pension obligations.....	3.108.000	392.000	3.500.000	3.108.000	392.000	3.500.000
Other operating expenses.....	53.831.662	307.263	54.138.925	65.885.760	307.263	66.193.023
Depreciation.....	6.402.461	0	6.402.461	21.228.989	0	21.228.989
	<u>143.591.513</u>	<u>1.549.457</u>	<u>145.140.969</u>	<u>184.791.481</u>	<u>1.549.457</u>	<u>186.340.937</u>
Operating result before financial items.....	(9.932.919)	(626.206)	(10.559.125)	9.492.465	(626.206)	8.866.258
Financial income and (financial expenses).....	(1.388.015)	0	(1.388.015)	(9.603.118)	0	(9.603.118)
Operating result before tax	(11.320.934)	(626.206)	(11.947.140)	(110.654)	(626.206)	(736.860)
Income tax.....	0	0	0	(3.008.888)	0	(3.008.888)
Changes in valuation of investment properties.....	0	0	0	1.129.922	0	1.129.922
Share in associated companies' operating results.....	0	0	0	(686.514)	0	(686.514)
Operating result.....	<u>(11.320.934)</u>	<u>(626.206)</u>	<u>(11.947.140)</u>	<u>(2.676.133)</u>	<u>(626.206)</u>	<u>(3.302.339)</u>

Notes

60. Comparison of cash flow budgets

The overview below shows the cash flow budget for 2021 pursuant to the originally approved budget of the municipality, approved annexes and original budget with annexes. The budget with annexes is shown in the cash flow statement and other notes to the financial statements for comparison with the year's actual figures. The originally approved budget for Sections A and B in 2021 has been amended in compliance with an amendment of Regulation No. 1212/2015, where jointly owned municipal entities and partnerships where the City of Reykjavik is a majority owner are entered in the condensed financial statement based on the proportional liability of the City rather than its share of ownership.

	Reykjavík Municipal Section A			Reykjavík Group Section A and B		
	2021 Original Budget	2021 Annexes to Budget	2021 Original Budget with annexes	2021 Original Budget	2021 Annexes to Budget	2021 Original Budget with annexes
Cash flows from operating activities						
Operating result	(11.320.934)	(626.206)	(11.947.140)	(2.676.133)	(626.206)	(3.302.339)
Adjustments not affecting cash flow:						
Profit from sales of assets	(4.109.614)	0	(4.109.614)	(4.109.614)	0	(4.109.614)
Depreciation.....	6.402.461	0	6.402.461	21.228.989	0	21.228.989
Indexation, discounts and translation diff.	1.669.599	0	1.669.599	2.889.767	0	2.889.767
Embedded derivatives, change	0	0	0	(1.222.705)	0	(1.222.705)
Value adjustment of investment properties.....	0	0	0	(1.129.922)	0	(1.129.922)
Impact of subsidiaries and minority interests	0	0	0	686.514	0	686.514
Changes in pension obligations.....	3.500.000	0	3.500.000	3.534.894	0	3.534.894
Changes in deferred income tax liability.....	0	0	0	628.132	0	628.132
Write-down, long-term assets.....	(208.614)	0	(208.614)	(208.614)	0	(208.614)
Working capital provided by operating activities	(4.067.102)	(626.206)	(4.693.308)	19.621.307	(626.206)	18.995.101
Changes in operating assets and liabilities:						
Inventories, decrease (increase).....	0	0	0	35.440	0	35.440
Unrecovered revenues, decrease (increase)	(500.000)	0	(500.000)	(295.454)	0	(295.454)
Current receivables, decrease (increase)	342.159	0	342.159	314.269	0	314.269
Current liabilities, increase (decrease).....	(2.000.000)	(0)	(2.000.000)	(2.000.000)	(0)	(2.000.000)
Contribution to pension obligations.....	384.445	0	384.445	387.845	0	387.845
Changes in operating assets and liabilities	(1.773.396)	0	(1.773.396)	(1.557.900)	(0)	(1.557.900)
Net cash provided by operating activities	(5.840.498)	(626.206)	(6.466.704)	18.063.407	(626.206)	17.437.200
Investment activities						
Investments in fixed tangible assets.....	(26.971.000)	1.000.000	(25.971.000)	(49.717.987)	1.000.000	(48.717.987)
Investments in investment assets	0	0	0	(4.915.180)	0	(4.915.180)
Investments in intangible assets	(1.644.000)	0	(1.644.000)	(2.292.000)	0	(2.292.000)
Paid road construction fees	3.100.000	0	3.100.000	3.100.000	0	3.100.000
Sales of building rights.....	3.708.614	0	3.708.614	3.708.614	0	3.708.614
Proceeds from sale of fixed tangible assets.....	401.000	0	401.000	486.377	0	486.377
Share holdings, change	(2.697.039)	(0)	(2.697.039)	(1.726.477)	(0)	(1.726.477)
Short-term financing, change	1.000.000	(1.000.000)	0	1.000.000	(1.000.000)	0
Long-term receivables, change.....	3.852.096	0	3.852.096	623.300	0	623.300
Investment activities	(19.250.330)	(0)	(19.250.330)	(49.733.353)	(0)	(49.733.353)
Financing activities						
Capital contributions from state	0	0	0	1.032.792	0	1.032.792
New long-term borrowings.....	34.400.000	0	34.400.000	51.463.883	0	51.463.883
Repayment of long-term borrowings.....	(2.834.187)	0	(2.834.187)	(20.310.432)	0	(20.310.432)
Payments on lease liabilities	(1.036.800)	(0)	(1.036.800)	(1.036.800)	(0)	(1.036.800)
Derivative contracts paid	0	0	0	(162.253)	0	(162.253)
Paid-in capital	0	0	0	(125.197)	0	(125.197)
Short-term borrowings, change	0	0	0	22.543	0	22.543
Dividends paid	0	0	0	(195.000)	0	(195.000)
Financing activities	30.529.013	(0)	30.529.013	30.689.536	(0)	30.689.536
Increase (decrease) in cash and cash equivalents.....	5.438.186	(626.206)	4.811.980	(980.410)	(626.206)	(1.606.616)
Cash and cash equivalents at beginning of year.....	1.314.436	0	1.314.436	17.211.812	0	17.211.812
Effect of changes in ownership ratio on cash.....	0	0	0	163	0	163
Effect of currency fluctuations on cash.....	0	0	0	(548)	0	(548)
Cash and cash equivalents at year-end.....	6.752.621	(626.206)	6.126.415	16.231.017	(626.206)	15.604.811

Notes

61. Financial ratios

Overview of financial ratios:

Ratio of operating income:

	Reykjavík Municipal Section A		Reykjavík Group Section A and B	
	2021 Financial Statements	2021 Budget with annexes	2021 Financial Statements	2021 Budget with annexes
Municipal income tax	61,9%	60,8%	43,5%	41,9%
Property taxes	15,7%	16,7%	10,7%	11,1%
Total tax revenues	77,7%	77,4%	54,2%	53,0%
Contribution from Municipal Equalisation Fund	6,2%	5,7%	4,3%	3,9%
Other revenues	16,2%	16,9%	41,5%	43,0%
Total operating revenues	100,0%	100,0%	100,0%	100,0%
Wage cost and wage-related expenses	60,4%	60,3%	49,1%	48,9%
Increase in pension obligations	(0,1%)	2,6%	(0,1%)	1,8%
Other operating expenses	36,9%	40,2%	30,4%	33,9%
Total operating expenses	97,2%	103,1%	79,3%	84,6%
Contribution margin (EBITDA)	2,8%	(3,1%)	20,7%	15,4%
Depreciation	4,6%	4,8%	10,4%	10,9%
Operating result before financial income (expenses)	(1,8%)	(7,8%)	10,3%	4,5%
Financial income and (expenses)	(1,0%)	(1,0%)	(6,4%)	(4,9%)
Income tax	0,0%	0,0%	(2,1%)	(1,5%)
Value adjustment of investment properties	0,0%	0,0%	10,1%	0,6%
Effects of minority interest and subsidiaries	0,0%	0,0%	(0,0%)	0,0%
Operating results	(2,7%)	(8,9%)	11,9%	(1,3%)
Working capital provided by operations	0,3%	(3,5%)	12,9%	9,7%
Investments in fixed tangible assets	(12,9%)	(20,5%)	(20,0%)	(28,6%)
Total liabilities and obligations	101,6%	-	201,0%	-

In ISK thousand per inhabitant:

Operations:

Tax revenue	814	768	809	763
Contributions from Municipal Equalisation Fund	65	56	65	56
Other revenue	170	167	619	619
Total operating revenue	1.049	992	1.493	1.439
Wage cost and wage-related expenses	(633)	(598)	(733)	(703)
Changes in pension obligations	2	(26)	1	(26)
Other operating expenses and depreciation	(436)	(446)	(608)	(644)
Financial income and (expenses)	(10)	(10)	(95)	(71)
Other	0	0	120	(14)
Operating result	(28)	(88)	178	(19)

Cash flow:

Working capital provided by operating activities	3	(35)	192	140
Cash and cash equiv. provided by operating activities	(29)	(48)	159	129

Other ratios:	Section A		Section A and B	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Current ratio - curr. assets/curr. liabilities	1,45	1,28	1,44	1,26
Equity ratio - equity/total assets	0,39	0,43	0,48	0,47
Population (source: Statistics Iceland):	2021	2020	2019	2018
Population on 1 December	135.681	133.181	131.146	128.724
Change from previous year	2.500	2.035	2.422	2.615

Notes

62. Reykjavík Municipal financial ratios

Summary of Reykjavík Municipal financial ratios over the past 5 years:

	2021 Budget with annexes	Financial Statements				
		2021	2020	2019	2018	2017
Financial thresholds according to Local Government Act						
Operating result for the last three years in ISK million	-	(8.335)	241	11.055	12.334	(6.027)
Liabilities thresholds.....	-	61%	56%	52%	49%	44%
Total liabilities and obligations - debt ratio	-	100%	96%	91%	90%	85%
Other ratios:						
Long-term liabilities and obligations in proportion to working capital provided by operations (in years)	(28,11)	324,05	19,82	7,40	6,39	8,76
Equity ratio - equity/total assets	34%	39%	43%	47%	47%	46%
Working capital provided by operations in proportion to payment of liabilities	(1,21)	0,10	1,82	4,85	5,07	4,11
Current asset ratio - current assets/current liabilities	0,98	1,45	1,28	1,17	1,23	1,29
As a ratio of operating revenue:						
Tax revenue	77,4%	77,7%	79,9%	80,5%	77,4%	73,4%
Contributions from Municipal Equalisation Fund	5,7%	6,2%	6,2%	6,1%	6,2%	6,2%
Other revenue	16,9%	16,2%	13,9%	13,4%	16,5%	20,4%
Total operating revenue	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
Wage cost and wage-related expenses	60,3%	60,4%	59,3%	55,3%	52,7%	52,7%
Increase in pension obligations	2,6%	(0,1%)	2,6%	2,6%	3,9%	6,0%
Other operating expenses	40,2%	36,9%	38,1%	37,1%	34,9%	33,3%
Depreciation	4,8%	4,6%	4,6%	4,3%	4,1%	4,0%
Total operating expenses	107,8%	101,8%	104,6%	99,2%	95,7%	96,1%
Operating result before financial items	(7,8%)	(1,8%)	(4,6%)	0,8%	4,3%	3,9%
Financial income and (expenses)	(1,0%)	(1,0%)	0,1%	0,3%	(0,4%)	0,4%
Operating result (negative)	(8,9%)	(2,7%)	(4,5%)	1,1%	3,9%	4,3%
Contribution margin (EBITDA)	-3,1%	2,8%	0,0%	5,1%	8,4%	7,9%
Working capital provided by operations	(3,5%)	0,3%	4,0%	10,1%	11,5%	8,0%
Investments in fixed tangible assets	(20,5%)	(12,9%)	(11,4%)	(13,0%)	(16,2%)	(13,3%)
In ISK thousand per inhabitant						
Operation:						
Tax revenue	768	814	772	757	720	674
Contributions from Municipal Equalisation Fund	56	65	60	57	57	57
Other revenue	167	170	134	126	153	187
Total operating revenue	992	1.049	966	941	931	918
Wage cost and wage-related expenses	(598)	(633)	(573)	(520)	(491)	(484)
Increase in pension obligations	(26)	2	(25)	(24)	(37)	(56)
Other operating expenses and depreciation	(446)	(436)	(413)	(389)	(363)	(343)
Financial income and (expenses)	(10)	(10)	1	3	(4)	4
Operating result (negative)	(88)	(28)	(44)	10	37	39
Cash flow:						
Working capital provided by operations	(35)	3	38	95	107	73
Cash and cash equivalents provided by operations	(48)	(29)	8	84	96	(8)
Investments in fixed tangible assets	(204)	(135)	(110)	(122)	(150)	(122)
Balance Sheet:						
Assets	1.720	1.743	1.619	1.600	1.588	1.460
Equity	579	677	689	745	748	678
Liabilities	1.141	1.066	929	856	840	782
Tax rates:						
Municipal income tax	14,52%	14,52%	14,52%	14,52%	14,52%	14,52%
Property tax, class A	0,18%	0,18%	0,18%	0,18%	0,18%	0,20%
Property tax, class B	1,32%	1,32%	1,32%	1,32%	1,32%	1,32%
Property tax, class C	1,60%	1,60%	1,65%	1,65%	1,65%	1,65%
Population (source: Statistics Iceland):						
Population on 1 December	135.681	135.681	133.181	131.146	128.724	126.109
Change from previous year		2.500	2.035	2.422	2.615	2.976
Change from previous year (ratio)		1,9%	1,6%	1,9%	2,1%	2,4%

Notes

63. Reykjavík Group financial ratios

Summary of Reykjavík Group
financial ratios over the past 5 years:

	2021 Budget with annexes	Financial Statements					
		2021	2020	2019	2018	2017	
Financial thresholds according to Local Government Act**							
Operating result for the last three years in ISK million	*	-	16.726	8.778	27.493	35.246	18.442
Liabilities thresholds less Orkuveita Reykjavíkur (OR).....	*	-	93%	88%	79%	73%	67%
Total liabilities and obligations. - debt ratio less OR		-	136%	126%	119%	114%	108%
Other ratios:							
Long-term liabilities and obligations in proportion to working capital provided by operations (years)		18,87	13,39	12,30	8,18	6,58	7,49
Equity ratio - equity/total assets		45%	48%	47%	50%	49%	49%
Working capital provided by operations in proportion to payment of liabilities		0,89	1,00	1,34	1,68	1,70	2,04
Current asset ratio - current assets/current liabilities		1,02	1,44	1,26	1,14	1,12	1,10
As a ratio of operating revenue:							
Tax revenue		53,0%	54,2%	54,9%	53,3%	51,2%	48,9%
Contributions from Municipal Equalisation Fund		3,9%	4,3%	4,3%	4,0%	4,1%	4,2%
Other revenue		43,0%	41,5%	40,8%	42,7%	44,7%	47,0%
Total operating revenue		100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
Wage cost and wage-related expenses		48,9%	49,1%	48,2%	45,0%	42,8%	43,5%
Increase in pension obligations		1,8%	(0,1%)	1,8%	1,8%	2,7%	4,1%
Other operating expenses		33,9%	30,4%	32,3%	32,0%	30,2%	29,5%
Depreciation		10,9%	10,4%	10,8%	10,3%	9,3%	8,7%
Total operating expenses		95,5%	89,7%	93,2%	89,0%	84,9%	85,8%
Operating result before financial items		4,5%	10,3%	6,8%	11,0%	15,1%	14,2%
Financial income and (expenses)		(4,9%)	(6,4%)	(9,0%)	(6,9%)	(10,1%)	1,2%
Other		(1,0%)	8,1%	0,8%	2,4%	2,4%	1,7%
Operating result (negative)		(1,3%)	11,9%	(1,4%)	6,4%	7,4%	17,1%
Contribution margin (EBITDA)		15,4%	20,7%	17,6%	21,3%	24,3%	22,9%
Working capital provided by operations		9,7%	12,9%	14,4%	19,5%	23,1%	19,3%
Investments in fixed tangible assets		(28,6%)	(20,0%)	(20,7%)	(26,1%)	(22,7%)	(23,0%)
In ISK thousand per inhabitant							
Operation:							
Tax revenue		763	809	767	752	715	670
Contributions from Municipal Equalisation Fund		56	65	60	57	57	57
Other revenue		619	619	571	603	625	644
Total operating revenue		1.439	1.493	1.398	1.412	1.398	1.371
Wage cost and wage-related expenses		(703)	(733)	(674)	(635)	(599)	(596)
Increase in pension obligations		(26)	1	(25)	(25)	(37)	(56)
Other operating expenses and depreciation		(644)	(608)	(603)	(597)	(551)	(525)
Financial income and (expenses)		(71)	(95)	(126)	(98)	(141)	16
Other		(14)	120	12	33	34	24
Operating result (negative)		(19)	178	(19)	91	104	234
Cash flow:							
Working capital provided by operations		140	192	201	276	323	265
Cash and cash equivalents provided by operations		129	159	169	276	268	178
Investments in fixed tangible assets		(412)	(298)	(289)	(369)	(317)	(316)
Balance Sheet:							
Assets		5.510	5.827	5.412	5.253	4.984	4.621
Equity		2.503	2.825	2.536	2.622	2.464	2.263
Liabilities		3.007	3.002	2.876	2.631	2.520	2.358
Tax rates:							
Municipal income tax		14,52%	14,52%	14,52%	14,52%	14,52%	14,52%
Property tax, class A		0,18%	0,18%	0,18%	0,18%	0,18%	0,20%
Property tax, class B		1,32%	1,32%	1,32%	1,32%	1,32%	1,32%
Property tax, class C		1,60%	1,60%	1,65%	1,65%	1,65%	1,65%
Population (source: Statistics Iceland):							
Population on 1 December		135.681	135.681	133.181	131.146	128.724	126.109
Change from previous year			2.500	2.035	2.422	2.615	2.976
Change from previous year (ratio)			1,9%	1,6%	1,9%	2,1%	2,4%

* With article 13 of act no. 25/2020 and article 2 of act no. 22/2021, the parliament has set aside the financial rules of the local governments in the provision of the article no. 64 of the local government act until the end of the year 2025.

** Comparison figures from 2017-2020 as regards financial criteria are unchanged and based on Regulation 1212 prior to its amendment, which took effect in 2021.

Statement on governance and non-financial information

Statement on governance and non-financial information

The City council of Reykjavik places great emphasis on maintaining good governance. The governance of the municipality is subject to the provisions of the Act on Local Authorities no. 138/2011 with amendments and resolution no. 1020/2019 on the governance of Reykjavik and points of order, with amendments. The city of Reykjavik has registered bonds in the Iceland Stock Exchange and is therefore subject to rules on issuers of financial instruments, issued by the Iceland Stock Exchange.

The form of the declaration of governance 2021 takes into consideration Guidelines for corporate governance issued by the Icelandic Chamber of Commerce, Nasdaq Iceland hf., and the Confederation of Icelandic Enterprise in May 2015. The City of Reykjavik does however deviate partially from the guidelines, especially where the contents of the guidelines do not apply to municipalities.

The mission of Reykjavík

The mission of Reykjavik is to provide quality services for the people of Reykjavik in the most economical way possible and lay the foundations for increased quality of life for the people of the City for the long and the short term. In accordance with the Act on Local Authorities no. 138/2011 municipalities are independent governments, governed by local councils democratically elected by the residents of the municipality. The municipality handles the tasks assigned to it under the Act, e.g. educational policies, social services, youth and sport affairs, cultural affairs, sanitation, planning affairs and environmental affairs. It moreover abides by the requirements made to its operation under other laws, e.g. the Administrative Procedures Act, the Act on Equal Rights of Women and Men, and the Act on Public Procurement.

Section B of the City of Reykjavik grants services to companies and the public inter alia in the field of utilities, harbors, social housing, waste disposal, fire prevention, and public transport.

No serious deviations have been reported by any supervisory body or public reviewers in regards to the municipality's operation relating to environmental, social and human resource issues, human rights issues, or corruption and bribery issues.

Laws, regulations and guidelines

The City of Reykjavik operates under the Act on Local Authorities no. 138/2011. The City's obligations are moreover subject to laws and regulations that apply to the City's operations and services in specific fields. An overview of legitimate tasks of municipalities and references to the applicable laws can be found on the website of the Government of Iceland.

The City of Reykjavik has adopted resolutions and general internal rules on the governance of the City and by fields, a list of which can be found on the City's website, www.reykjavik.is. The main solutions and internal rules are the following:

- Resolution on the governance of the City of Reykjavik and points of order for the City Council with amendments.
- Resolution of the cultural, sports and recreation council
- Resolution of the Council for human rights, innovation and democracy.
- Resolution of the Council for education and leisure issues
- Resolution of the Council for planning and transport issues
- Resolution of the Council for environmental and health issues
- Resolution of the Council for welfare issues
- Resolution on wages and working facilities of elected officials
- Rules on the registration of financial interests of City Council members and confidentiality positions outside the City Council
- Code of ethics for elected officials for the City of Reykjavik
- Code of ethics for employees of the City of Reykjavik
- Rules on grants awarded by the City of Reykjavik
- Procurement rules for the City of Reykjavik
- Rules on the preparation of the City budget
- Rules on City treasury
- Rules on collections
- Working procedure for the Audit board

The City of Reykjavik has implemented a policy across the board which is to be found on the City's website. The main policies are:

- Housing policy
- Equal pay policy
- Human resource policy
- Human rights policy
- Personal data policy
- Information safety policy
- Service policy

Statement on governance and non-financial information

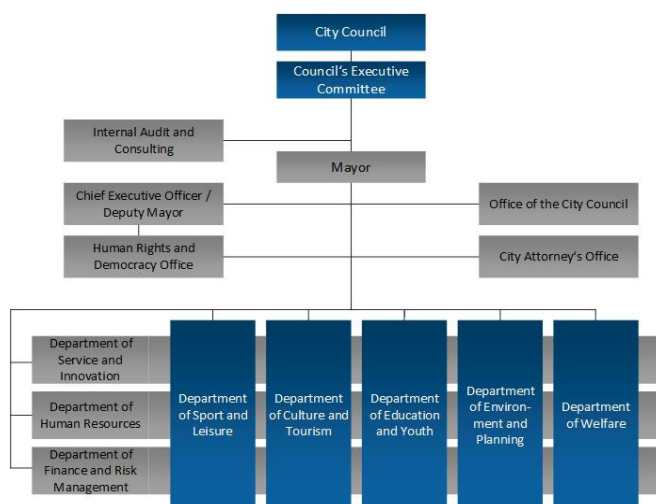
The City of Reykjavik has moreover implanted policies in various fields, also to be found on the City’s website. The main policies are:

- Policies in the field of sports and recreation
- Policies in the field of culture and tourism
- Policies in the field of school and recreation
- Policies in the field of environmental and planning affairs
- Policies in the field of welfare

The City of Reykjavik has moreover implemented owner policies for section B companies, inter alia for Félagsbústaðir hf., Harpa – Tónlistar- og ráðstefnuhús ohf., SORPA bs., Strætó bs., and Reykjavik Energy.

City of Reykjavik’s form of government

The form for section A of Reykjavik was changed in 2019 and a new organization chart came into effect on June 1. Three new core fields were established that are responsible for tasks in the field of finance and risk management, human resources and work development, and service and innovation and their coordination across the City’s working fields.



City Council

The City Council operates pursuant to chapter II of the Act on Local Authorities no. 138/2011 and Resolution on the governance of the City of Reykjavik and points of order for the City Council no. 1020/2019, cf. Art. 9 of the Act. The mission and sphere of activity of the City Council according to Art. 8 of the Act on Local Authorities is to govern the City of Reykjavik pursuant to the provisions of the Act on Local Authorities and other Acts.

The City Council has the power of decision in regards to the utilization of the city’s sources of income and the execution of the tasks handled by the municipality. It shall ensure that all provisions of the Act on Local Authorities and regulations and resolutions of the city are adhered to. The City Council can moreover make resolutions on any issue it deems to concern the City of Reykjavik.

The City Council has twenty-three City Council members and the same number of reserve members, all of whom are elected democratically by the residents of the municipality in accordance with the Act on Municipal Elections. The City Council elects a president for the City Council and four vice presidents from the group of council members for a duration of one year. The City Council elects from its members seven primary members for the City Board for a duration of one year and the same number of reserve members. The City Council elects a chairman and vice chairman for the City Board from its elected members. Information on elected members of the City Council, confidentiality positions for the City Council and their financial interests are to be found on the City’s website.

The number of City Council members and representatives in committees, councils and boards on behalf of the City is determined by the provisions of the Act on Local Authorities and in the Resolution on the governance of the City of Reykjavik and points of order for the City Council, published in the Government Gazette and can be found there and on the City’s website. The City’s website also contains information on the members of individual committees, councils and boards.

Item 2 of Art. 44 of the Act on Local Authorities states a rule on gender ratio in committees appointed by the City. The Municipality adheres to these rules when appointing committee members. In regards to the City Council the composition of councilmembers is decided by the composition on the ballots and election results. The City Council currently has members of eight political parties, 14 women and 9 men, with diverse backgrounds and educations.

Statement on governance and non-financial information

In 2021 there were 18 City Council sessions, including one session with the Youth Reykjavik Council.

City Board

The City Board has, along with the Mayor, the executive power for the City of Reykjavik and the financial management, to the extent that these powers are not delegated to others. The Board handles the administration of the City and its financial management specifically, prepares the City budget and addendums to it and presents it before the City Council. The City Board is responsible for the City's annual statements being prepared in accordance with rules and that they, along with the annual statements of institutions and companies on behalf of the City, are presented before the City Council for processing in accordance with the Act on Local Authorities. The City Board has the power of final decision on issues that do not concern major financial impacts for the city treasury or its institutions, provided that there is no disagreement within the Board or with the Mayor.

The City Board has seven City Council members elected by the council. A political party that has representatives on the City Council, but not on the City Board, may nominate a City Council member to sit in on the Board's sessions with the right to speak and make proposals. There are currently three audience members on the City Board.

In 2021 there were 39 sessions of the City Board.

Mayor

The Mayor of Reykjavik is the top superior of all employees of the City of Reykjavik. The Mayor is hired by the City Council and may be a member of the City Council. If he is a member of the City Council he is also bound by his obligation as such. The Mayor is the Chief Executive Officer for the City of Reykjavik, the City's official representative and the political leader of the majority. He is the authorized signatory for the City treasury. He signs documents concerning the purchase and sale of City real estate, loans and other obligations as well as any measures that require the approval of the City Council. The Mayor may, with the City Council's approval, grant authorized signatory to other employees of the City. The Mayor manages the City's stake in section B companies.

The Mayor of Reykjavik is Dagur B. Eggertsson, member of the City Council.

Internal control, risk management and auditing

The City Council is responsible for maintaining an active system of internal control of the City's operation and that it is formal, documented and verified on a regular basis. The internal control shall be suited to confirming that; the municipality achieves success and efficiency in its operation, in accordance with the municipality's goals; reliability and validity of financial information given to external parties and that all laws and regulations that apply to the operation are adhered to. The structure of Reykjavik's internal control is based on the COSO framework, which is an internationally recognized framework for internal control.

Risk management

Risk management is an integrated process that aims to control and run the operation of a company or a municipality with regards to risk. Risks in the operation of the City of Reykjavik may relate to the environment, processes, internal organization and governance.

Risk management is a networked responsibility of the daily operation of the City and a regular part of individual fields' operations is to supervise certain risk factors and thus ensure a continuance of operation and minimize risk.

With a new organizational chart, that came into effect on June 1, 2019, and the establishment of a new financial- and risk management department, a policy has been formed regarding a comprehensive risk management for the City's operation. This entails that the main risks are identified and assessed in a standardized fashion for all main processes of the City and other factors that are considered important to achieve goals in the field of operation and service. On 15 June 2021 the City Council adopted a Risk Policy for the City of Reykjavik. The Risk Policy is established for the City's Section A and covers all respective enterprise. The Office of Risk Management of the Department of Finance and Risk Management is working on the implementation of a comprehensive risk management system in line with objectives of the Policy.

In regards to financial risk management references made to the provisions of chapter VII of the Act on Local Authorities, i.e. on the power of financial management, binding decision on the annual budget, responsible management of funds, major investments and obligations and limitations concerning hypothecation and guarantees. The City of Reykjavik acts in accordance with the Act on Local Authorities in this regard.

The financial- and risk management department submitted with the quarter annual statements before the City Council in 2021 risk reports with an assessment of the development of main economic factors and the premises for the budget. The department moreover evaluates the main risks in the operation and presents them in a report attached to the budget, as well as preparing thorough scenarios as required when evaluating the main economic factors and their impact on the City's operation.

In order to ensure that the municipal account statements are in accordance with the Act on Local Authorities and the current accounting rules, the municipality has emphasized well defined areas of responsibility, proper distinction of jobs, regular reporting and clear operating procedures and processes that are maintained in a special operating manual accessible to the City's employees.

Statement on governance and non-financial information

Monthly reporting, along with scrutinization of the operation of departments and institutions, is an important factor of supervision and adherence with the approved budget. The financial- and risk management department prepares thorough monthly and quarterly statements and presents them before the City Council.

Audit Board

The Audit Board of the City of Reykjavik operates under the City Council pursuant to chapter IX of Act no. 3/2006 on Annual Statements and works on the basis of the Resolution on the governance of the City of Reykjavik and points of order for the City Council no. 1020/2019 and pursuant to law. The Audit Board has four appointed representatives, three appointed by the City Council and one appointed pursuant to a nomination made by the board of Reykjavik Energy. The members of the board are: Lárus Finnbogason, chartered accountant, chairman, Sigrún Guðmundsdóttir, chartered accountant, Sunna Jóhannsdóttir, business administration, as well as Einar S. Hálfánarson, District Court Lawyer and chartered accountant. A resolution made by the City Council regarding the Audit Board is to be found on the City's website.

Internal Auditing and Consultancy

Internal Auditing and Consultancy handles the City's financial and administrative auditing with the authority of the City Council. This entails that Internal Auditing evaluates and improves risk management, supervisory methods and governance of institutions and companies in which the City is a majority shareholder. The operating procedure of Internal Auditing, approved by the City Council, is accessible on the City's website. In 2020 the tasks of the City's Internal Audit, the Citizens' Ombudsman and Data Protection Officer were merged under the management of Internal Audit with the objective of streamlining, and at the same time strengthening, the work and organisation of the entities entrusted with supervision of the City's operations and administration. The combined activities are subject to the management of the City's Internal Auditor. The Internal Auditor of the City of Reykjavik is Hallur Símonarson.

Social responsibilities and code of ethics

Code of ethics and proper procedure is addressed in Art. 29 of the Act on Local Authorities. The code of ethics for elected officials was approved on June 18, 2019 and is accessible on the City's website. The code of ethics for employees was approved on October 22, 2009.

Social responsibilities are addressed in the policies of the City of Reykjavik, inter alia in the environmental- and resource and climate policy. Emphasis is placed on ensuring the quality of life of current and future residents by appreciating the value entailed in service to nature and clean environment. The City of Reykjavik places emphasis on sustainable exploitation of resources and the policy will be enforced in the following nine fields: Resources, transportation, planning, quality of the environment, climate, education for sustainability, nature and outdoor activities, consumption and waste, and the operation of the City of Reykjavik.

In 2018 the green framework of the City of Reykjavik was approved, which is presented in accordance with the international standards of the ICMA, the International Capital Market Association, so called Green Bond Principle, with reference to the sustainability benchmark of the United Nations. The Green framework is based on four pillars; (i) definition of green task groups; (ii) selection process of green projects, (iii) handling of funds and (iv) reporting to investors. According to the assessment of CICERO (Center for International Climate Research) which gives independent opinions of the framework, gave Reykjavik's green framework the top score, "dark green", and all sub-categories and projects are thus given the "dark green" score. Special attention is given to the administrative arrangement, which also gets the top score "excellent".

In 2019 a green framework was moreover approved for Reykjavik Energy and the first green bonds were issued in June 2019. CICERO has given an independent assessment of the framework and gives it the top score, "dark green", for the positive impact of the projects and "excellent" for the casing of the bonds by the company. In 2021 Reykjavik Energy issued a new framework, a Green Financing Framework, covering all financing by the company. Under the amended framework, green assets of the group are financed, but not specific projects of individual companies within the group. All financing by the group in 2021 fell within the scope of the new Green Financing Framework, including the independent bond issue of the Reykjavik Fibre Network, Ljósleiðarinn ehf.

Félagsbústaðir has issued a framework for social bonds pursuant to international standards of the ICMA, the so called Social Bond Principle. The framework has received a certification from Sustainalytics, an independent certifier. The certificate states inter alia that the framework of Félagsbústaðir is solid, trustworthy and impressive, and that it conforms to all four main factors of international standards for social bonds. The first social bonds were issued in November 2019.

The City of Reykjavik is a member of Festi, an association for social responsibilities.

Statement on governance and non-financial information

Non-financial information

Pursuant to the Act on Local Authorities no. 138/2011 municipalities are independent authorities, governed by local councils democratically elected by the residents of the municipality. The Municipality manages the tasks entailed to it under the Act, inter alia in regards to education affairs, social services, youth and sports affairs, cultural affairs, sanitation affairs, planning affairs, and environmental affairs. It moreover abides by the requirements made to its operation under other laws, e.g. the Administrative Procedures Act, the Act on Equal Rights of Women and Men, and the Act on Public Procurement.

Information on court cases directed against the City of Reykjavik is to be found in the notes of the annual accounts of the City of Reykjavik.

No significant deviations have been reported by any supervisory body or public reviewers in regards to the municipality's operation relating to environmental, social and human resource issues, human rights issues, or corruption and bribery issues.