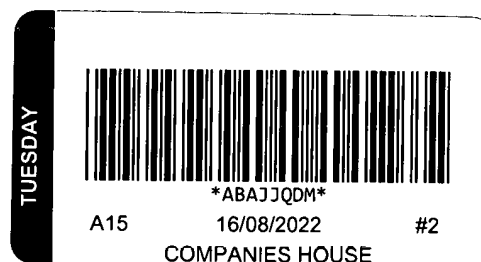


REGISTERED NO. 05598718

CHARITY NO. 1111806

Virunga Foundation

Trustees' Report and Consolidated Financial Statements for the Year Ended 31 December 2021



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VIRUNGA FOUNDATION
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TRUSTEES' REPORT
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Chairman's Report

2021 was another challenging year for Virunga Foundation, yet despite the challenges faced, the Foundation continued to make progress on many of its objectives, as presented in the Trustees' report.

During 2021, violent militia attacks in the Central and Southern Sectors of the Park cost the lives of eight ICCN Rangers. Our thoughts are with the family, friends and colleagues of all these extremely courageous individuals. Their sacrifices are deeply mourned and commemorated by their many colleagues, who continue to dedicate themselves to the delivery of Virunga Foundation's vision. The work of Virunga Foundation in pursuit of its charitable objectives remains as always, dependent on the commitment and courage of the ICCN Rangers.

The security situation in the Park remains extremely challenging as several illegal armed groups attempt to increase their presence in and around the Park. These groups prey on the local populations, where they extort money through various extortion activities, including frequent kidnappings, too often associated with extreme violence. The assassination of the Italian ambassador as he travelled through Virunga drew world attention, but only adds to existing list of terrible tragedies affecting the people of North Kivu. Virunga Foundation has worked closely with the Congolese wildlife agency, the Institut Congolais pour la Conservation de la Nature, (ICCN), and other state security agencies, as well as the UN mission in Congo, to increase protection for the civilian population living around the Park. In its efforts to uphold the rule of law, the Foundation's work has included dialogue with local communities and strengthening civilian protection efforts. Several initiatives have been implemented, including the construction of forward operating bases and provision of escorted convoys for dangerous areas. Despite these initiatives the threat of violence remains a daily reality for many of the population, as highlighted by the significant re-emergence of the M23 militias in the southern sector of the Park. M23's attacks have provoked tens of thousands of internally displaced and international refugees.

With the official notification of the end of the 2-year Ebola outbreak in May of 2021, the public health priority was rapidly replaced by the need to address the global COVID 19 Pandemic, where Virunga Foundation was able to draw on its expertise and experience gained in its role in supporting the Ebola campaign, including as part of the Ebola Response Committee. The Covid-19 response effort focussed on staff security, protection of the great ape populations, as well as on public health in general. The Foundation hired expert medical officers specifically to support staff and to define and implement the wildlife protection measures, while also adapting its development efforts to support community resilience. Although direct COVID19 mortality rates continue to appear relatively low compared with many areas of the world, the indirect impact on the economy has been very significant, increasing poverty and violence.

The most significant unforeseen event of 2021 was the major volcanic eruption on the flank of Mount Nyiragongo on 21 May. While the number of fatalities was thankfully relatively low, the impacts on the wellbeing of the population were significant. A series of violent aftershocks in the days after the eruption lead to large scale population displacements, including an evacuation of Goma for several days. Critical infrastructure, water and electricity were cut off to over 2 million people in the city of Goma. An emergency response was immediately initiated, with teams working in shifts, 24 hours a day. Virunga staff were able to restore power within a week and water within a month of the eruption, thereby averting a severe health threat to the Goma population (the WHO issued a warning of a serious risk cholera outbreak if clean water supplies were not restored). The major contribution of the Virunga Foundation to managing the impacts of the eruption were widely recognised, including by the DRC's Prime Minister, who specifically acknowledged the Foundation's contribution during a visit to the area. While the impact of the eruption inevitably affected progress on some of the Virunga Foundation's planned projects, the speed and effectiveness of the response reflected the depth of experience and capability of the Foundation and its staff in limiting the potentially extremely adverse impact of this natural disaster.

In another challenging year from a security and public health perspective, progress on conservation work has continued, with several positive developments. The mountain gorilla population continues to grow at its

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natural rate, while there has been some growth of the critically endangered lowland gorilla population and continued rapid growth in the large savannah mammal populations, especially the elephant and other herbivore species.

The "wildlife corridor" created between the Queen Elizabeth Park in Uganda and Virunga National park in recent years has been a major contributor to many of the species population growth, including the ongoing increase in ungulate populations, which has also led to the increase in predator populations, such as lion, leopard and hyena. Encroachment into the Park, principally for illegal charcoal production and farming, remains an ongoing threat to the conservation and other goals of the Foundation. While the overall level of encroachment has not increased significantly, it remains an important management concern. The illegal activities within the Park are directly linked to addressing the complex rule of law and development challenges, at the core of Virunga's vision of creating a vibrant sustainable economy which supports the local populations living around the Park.

In relation to the goal of developing opportunities for the local populations, the Foundation has initiated a significant range of successful projects. The most important are the activities of Virunga Energies, a subsidiary of the Foundation, with its 4 operational hydropower plants which generate and sell electricity to a wide range of enterprises and the public in North Kivu. The impact of Virunga Energies has been transformational, ranging from being the first provider of electricity in a number of localities, to the provision of free electricity to a range of social structures such as schools and hospitals. The supply of electricity to a water pumping operation in Goma has improved the lives of hundreds of thousands of individuals who previously did not have access to potable water. A wide range of new businesses have started as a result of the increased access to electricity, with credit and training facilities available to many small business clients. In 2021 there was continued and increased success of a number of the Foundation supported agriculture based businesses, which add significantly to small-holder farmers' family income. One such initiative is a chocolate business which is currently scaling up to 15 tons of chocolate per month to meet international demand. Another key project involves working with local coffee cooperatives, which has resulted in major increases in quality, volume and revenues, benefiting thousands of local farmers.

Virunga Foundation continues to receive grants, loans and donations from its many donors and lenders, ranging from large institutions, foundations and major donors, to individual public donations. The European Union continues to underpin both the conservation and the developments efforts, but is joined by other institutions donors including USAID / INL and the World Bank which also make major contributions. Private Foundations provide key support, with both long term support from partners such as the Schmidt Family Foundation and World We Want Foundation, as well as critical support for emergencies. The work and impact of the Virunga Foundation relies on the ongoing generosity of all its supporters, without which it could not operate.

2021 was to a degree dominated by the unpredictable eruption of Mount Nyiragongo, which added significantly to the scale of the challenges faced. The eruption was, however, a challenge Virunga's staff embraced, showing the resilience of the organisation under exceptionally difficult circumstances.

The security challenges of the armed militia groups continues in 2022, a reality which the management, staff and partners have had to navigate and manage for many years. It remains, however, the conviction of Virunga Foundation that the only way of addressing these risks is by continuing to pursue the organisation's key strategic goals which are to support Congolese institutions in their efforts to strengthen rule of law, sustainable development and conservation.

I would like to sincerely thank the staff and partners of the Virunga Foundation for their extreme dedication at significant personal risk, which have allowed for such extraordinary progress towards the Charity's conservation and development goals.

Jan Bonde Nielsen, Chairman

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Legal and Administrative Details

Trustees

Jan Bonde Nielsen (Chairman)

François Xavier de Donnea

Clare Back (Resigned 16 March 2021)

Joanna Natasegara

Michael Joseph

Paul Leander Engström

Annette Lanjouw

Dr Antoine Kesia-Mbe Mindua (Appointed 26 June 2022)

| | |
|------------------------------|--|
| Company registration number: | 05598718 |
| Legal Form | Company limited by guarantee |
| Date of incorporation | 20 October 2005 |
| Charity registration number: | 1111806 |
| Registered Address: | 48 Chancery Lane, London, WC2A 1JF |
| Company Secretary: | Keystone Law Limited, London. |
| Chief Executive Officer: | Emmanuel de Merode |
| Auditors: | Crowe U.K. LLP, 55 Ludgate Hill, London, EC4M 7JY. |
| Bankers: | KBC Bank N.V., 111 Old Broad Street, London, EC2N 1BR Trust Merchant Bank S.A, 1223 Avenue Lumumba, Lubumbashi, Democratic Republic of Congo Equity Bank Kenya Ltd, 9th Floor, Equity Centre, Hospital Road, Upper Hill. P.O. Box 75104-00200, Nairobi, Kenya |
| Solicitors: | Keystone Law Limited, London. |

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Trustees' Report

The Trustees (who are also directors of the charity for the purposes of the Companies Act) present their report and the audited consolidated financial statements of Virunga Foundation (the Charity) for the year ended 31 December 2021. The Trustees have adopted the provisions of the Charities SORP (FRS 102) in preparing the annual report and financial statements of the Charity.

Structure, Governance and Management

Structure

Virunga Foundation is a charitable company limited by guarantee, incorporated on 20th October 2005, and registered as a charity in England and Wales, with registered charity number 1111806.

Virunga Foundation's key partnership is with the Institut Congolais pour la Conservation de la Nature, (ICCN), the national Congolese nature conservation organisation, an institution of the Democratic Republic of Congo responsible for managing protected areas throughout the country. With a relationship going back to 2006, in 2015 the ICCN and Virunga Foundation signed a 25 year cooperation agreement, establishing a public-private partnership, which runs until 12 April 2040. On the basis of this agreement with the Congolese Government, a major element of the charity's resources and efforts are dedicated to supporting the ICCN in protecting and re-establishing Virunga National Park and to provide support for communities around the Park.

In order to meet its objectives Virunga Foundation has established a number of subsidiary organisation and works closely with other partner organisations, as presented in the following paragraphs.

Under its Memorandum of Association, Virunga Foundation has the power to incorporate subsidiary companies to carry on any trade, which would, in the opinion of the trustees, promote or assist in furthering the Objects of the charity. Virunga Foundation Limited has one main subsidiary, Virunga SRL, (which itself has subsidiaries), one related company, Virunga Productions CIC and works in cooperation with a Belgian charity, Fonds Virunga Belgique and two US legal entities which own the aircraft operated by Virunga Foundation. The formal objects of all limited liability companies in the group are of social purpose in nature. In addition to Virunga SRL, there is only one other directly held and controlled subsidiary, a Kenyan Limited liability company, whose sole purpose is to enable Virunga Foundation to have banking facilities in Kenya, for reasons of increased financial resilience. As at the time of signing of the audited accounts there had been no activity in this entity.

Subsidiary entities

Virunga SRL

Virunga SRL is a 100% owned subsidiary limited liability company, registered in Belgium, incorporated by Virunga Foundation in August 2013, to act as a holding company for limited companies, (Société Anonyme), registered in the Democratic Republic of Congo, (DRC). Virunga SRL ensures any profits generated by its subsidiary companies will not be taxed twice, due to the double taxation treaty existing between Belgium and the DRC. All entities of the Virunga Foundation Entities registered in DRC pay their taxes exclusively in the DRC.

Virunga Belgique SRL Ltd

In the course of 2021 a Kenyan registered subsidiary, Virunga Belgique SRL Ltd, which was established, solely to enable the establishment of SRL bank accounts in Kenya, in order to increase financial resilience. At the time of the signing of the audited accounts there has been no activity in this entity.

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Virunga Energies SAU

Virunga Energies SAU is a limited liability company 100% owned by Virunga SRL. Virunga Energies SAU is engaged in the development, construction, operation and commercialisation of run-of-river hydroelectric projects in the proximity of the Park. These projects encompass the construction of generating plant, operation of the plant, construction and operating distribution networks and the sale of electricity to end customers, commercial and domestic. Any surplus generated from these activities is transferred to Virunga Foundation via Virunga SRL. The company has been operating a trial scheme to generate blockchain code and bitcoin, to augment and diversify revenue with limited capital investment. This activity is likely to be increased in future based on the positive assessment of the model, which is based on the utilisation of unused surplus hydropower generation capacity, which would otherwise be lost. The generation activity has additional benefits as it creates a base load resistance which can be used both to test newly commissioned plant as well as avoiding having turbines being static in periods of low demand.

The Trustees determined that the development of hydro-power projects around the Park would promote the conservation and protection of the Park in two key ways:

- i. by providing communities living around the Park with access to electricity and jobs, resulting in development opportunities which will enable the Park to be and to be seen as, a source of beneficial change and opportunity. Over time it is expected to reduce communities' reliance on unsustainable resources of the Park (e.g. illegal charcoal and firewood);
- ii. by providing an unrestricted revenue stream that can be used by Virunga Foundation to support its charitable objects.

Virunga Energies SAU Ltd

Virunga Energies SAU Ltd is a private limited company established on 23 Aug 2021 in Kenya. The sole purpose of this entity is to act as the beneficial owner of Virunga Foundation bank accounts established with Equity Bank in Kenya. The Company and its Equity Bank accounts are under the full control and management of Virunga Foundation, being established to reduce risks, by increasing the number of active banking facilities in Africa. At the time of signing of the audited accounts there had been no activity in this entity.

Virunga Development SARL

Virunga Development is a limited liability company, a 100% subsidiary of Virunga SRL, established in 2013 to contribute to Virunga Foundation's overall charitable objectives through the management and support of sustainable development opportunities around the Park. These opportunities include the development & operation of industrial parks in the proximity of the Park, with all energy requirement met by the hydroelectricity generated by Virunga Energies SAU.

Société Provinciale d'Eau et d'Electricité, North Kivu, (SPEE-NK)

SPEE-NK is a joint venture organisation, formed together with the provincial Governor for North Kivu to provide clean water to areas of Goma. This joint venture entity is 51% owned by Virunga Development SARL, (a 100% subsidiary of Virunga SRL), with the remainder held by the provincial government. As at the time of the signing of the audited accounts there had been no activity in this entity.

Sicovir SARL

Sicovir is a limited liability company, 20% owned by Virunga SRL, which was created in October 2013. Sicovir produces various sorts of soap from sustainable palm oil purchased from producers located in the proximity of the Park. The commercial products of Sicovir, are sold at lower prices than non-local alternatives, with their production being enabled by energy from Virunga Energies SAU.

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Virunga Enzymes SARL

Virunga Enzymes SARL is a limited liability company, 15% owned by Virunga SRL, established in 2015. It produces the plant-based enzyme ("papain") extracted from the latex of Papaya trees.

Virunga Chocolat SARL

Virunga Chocolat SARL is a limited liability company, 20% owned by Virunga SRL established in 2020. Virunga Chocolat SARL produces high quality chocolate products from cocoa grown by local farmers, for sale both domestically and in multiple international markets.

Virunga Productions CIC

Virunga Productions CIC was established in 2013. A Community Interest Company (CIC) is a limited liability company that must use its profits and assets for the public good. The objects of Virunga Productions CIC are to carry on any activities, including TV and movie productions, which support and promote the conservation, protection and improvement of the wildlife and habitat in and around Virunga National Park. Virunga Foundation is the majority shareholder and has effective control of Virunga Productions CIC.

Related Entities

Fonds Virunga Belgique

Fonds Virunga Belgique is a non-profit association, (ASBL/VZW), based in Belgium. It undertakes fundraising and awareness campaigns for the benefit of the Park (through Virunga Foundation). While Fonds Virunga Belgique has no formal legal relationship with Virunga Foundation, it maintains strong co-operation with the Foundation and contributes all funds raised to Virunga Foundation.

Virunga Foundation USA Inc. & Virunga Airwing LLC

Virunga Foundation USA Inc. & Virunga Airwing LLC are two USA registered entities which own the aircraft leased to Virunga Foundation to support of its operations. Virunga Foundation retains US registration for the aircraft, which it leases from Virunga Airwing LLC, to ensure compliance with the highest international operating standards. These two USA registered entities are treated as one single entity from a US tax perspective, and are legally independent of Virunga Foundation.

Partnerships etc.

US CAF Friends Fund

In December 2019, a formal contract was established with CAF America, which manages a US Equivalency Determined, Friends Fund, for the sole benefit of Virunga Foundation. This Fund enables tax effective donations from legal persons subject to US, (individual or corporate), to be made to Virunga Foundation

Farm Africa

Commencing in 2018, Virunga Foundation has worked closely with Farm Africa, another England and Wales registered charity, to harness their expertise on the improvement of coffee cultivation. Joint activities with Farm Africa are focussed on improving the cultivation, production and marketing of coffee grown by two independent farming co-operatives operating in the vicinity of the Park.

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Others

Virunga Foundation maintains close working relationships with nature conservation organisations such as the United Nations Education Science and Culture Organisation (UNESCO), the Zoological Society of London, the Frankfurt Zoological Society, the Wildlife Conservation Society, the International Union for the Conservation of Nature, (IUCN), Meise Botanic Garden and the World Wildlife Fund, (WWF).

Governance

Virunga Foundation is a charity registered with the Charity Commission of England and Wales having the legal form of a company limited by guarantee. Virunga Foundation is managed by its trustees, in accordance with, all relevant legislation and guidance published by the Charity Commission of England and Wales, (CC,) as well as with UK corporate legislation governing the operation of limited companies. The Trustees are all members of the Board of Trustees of Virunga Foundation, being the governing body of the Charity.

Charity Governance Code

The revised charity governance code was refreshed in December 2020. The Trustees view is that the Board complies substantially with the revised code, however, a more detailed review is required to identify potential areas for improvement in relation to the current code. The Charity Governance Code, the Charity Commission Guidance CC3 and the Articles of Association have all been shared with Trustees. The Board is comprised of a highly experienced group of individuals with a wide range of skills.

Trustees continue to consider the composition of the Board in relation to ensuring the Board comprises individuals with experience across all key areas of the Charity's operations. There are currently seven trustees, with a diverse range of professional skills and experience, enabling them to contribute substantively to the governance oversight of the wide range of activities undertaken by the Charity.

One Trustee resigned in the first quarter of 2021. An extensive recruitment process was undertaken in the late 2021 and the first part of 2022 to identify a suitable new Trustee who will be formally appointed in 2022.

A Finance and Audit Committee was established in 2020 which includes an external representative to further strengthen financial oversight, in particular from a UK Charity perspective, as well as to provide objective input. The Committee meets regularly and maintains an overview of all financial and key risks based on management reports.

The Charity's Articles were updated in March and September 2021 to clarify Member and Trustee interaction and to expand grounds for termination of Membership to meet good governance practice. The Virunga Foundation Board continues to assess and identify ways in which it can improve its performance in relation to the Charity Governance Code.

Strategic Report

The disclosure of strategic report activities as required under the Charities SORP (FRS 102) registered in England and Wales are met through various disclosures within this Trustees Report.

Management

The senior executive of the Virunga Foundation is its Chief Executive Officer, (CEO), who is appointed by and responsible to the Board.

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The CEO has executive responsibility and authority to manage and operate Virunga Foundation as defined in the articles of association, which were most recently updated in 2021 to comply with all relevant legislative obligations and good governance practice.

In order to deliver on the objectives of the Charity, the CEO oversees a team of managers, employed to manage and co-ordinate the wide-ranging operations of the Charity in and around the Virunga National Park.

The CEO reports formally to the Chairman of the Board.

The CEO also holds a formal position with the ICCN, being that of the Chief Warden of the Virunga National Park. There is a potential conflict of interest related to the holding of both positions of, CEO of Virunga Foundation and Virunga Park Chief Warden, of which the Board and the Charity Commission are aware. A specific Board instruction is in place to manage this conflict of interest.

Employees

Virunga Foundation employed 512 staff in 2021 and its main subsidiary Virunga Energies 222 staff making a total 734 in 2021, compared to 736 in 2020.

Virunga Energies employs between 1,200 and 1,800 daily workers on its ongoing projects, (construction and maintenance). These workers are employed in accordance with the national labour law, through local agreements, which support a fair sharing of the jobs within communities where the underlying level of unemployment is very high. These rotating 22-day contracts permit the provision of additional income to a much wider population base, than would otherwise be achievable.

Section 172 Statement

Virunga Foundation is governed by its charitable objects, as presented in the Public benefit section of this report. These charitable objects set out the purpose of the charity. The activities of the charity are assessed on how they achieve progress towards meeting the charitable objectives, which ranges from metrics on conservation goals and achievements, to development goals such as employment creation and delivery of potable water. As a charity with a wide ranging, but integrated, conservation, development and rule of law strategy, Virunga Foundation has a very broad range of stakeholders. Key stakeholders to whom the charity are accountable include, local, regional and national authorities, including the national nature conservation body, employees and local populations benefiting from the Charity's work. Other key stakeholder groups include funders, who have a significant ongoing commitment in supporting the Charity's work and require regular and detailed reporting on projects, activities and outcomes. As one of the world's pre-eminent national parks and Africa's oldest, there is significant public interest in Virunga National Park which provides support, but also creates communication obligations on the Charity as the official Park managing entity.

Managing and delivering on wide ranging but integrated strategy requires oversight of multiple interdependencies, political, financial, and environmental and security. The Board is kept apprised of developments across all areas, with specific updates being issued when particularly challenging situations arise, regardless of the nature. Challenges in recent times have ranged from the impact of a volcanic eruption to ongoing high levels of illegal armed group activities. When appropriate, senior management request Board input and approval for remedial or other actions.

With a very wide and diverse range of stakeholders the Charity has to meet the expectations of very different groupings, which it achieves through maintaining strong relationships, ranging from those with the local communities among whom employment opportunities are shared to ensure equitable practice, to regular and close communication with major funding partners on the impact of their grants.

Trustees are kept updated on developments, often unpredictable, so as to be in a position to support management as required in taking appropriate action. Decisions taken by the Board in the course of 2021

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include responsive reactions to, eruption, new hydropower plant and the creation of a new public / private water company partnership.

Trustees are aware of the complex range of relationships and partnerships which the Charity's management has to manage in order to deliver on its strategy. The Board composition reflects the need for a divergent set of skills, experience and contacts to be present among Board members, in order to support management in a variety of contexts, local, national and international, across a range of functional areas.

The Board has approved a set of organisation policies which help ensure it provides appropriate oversight, both directly, as well as through its Finance and Audit sub-committee. These policies include; Staff code of conduct and ethics policy, Anti bribery and corruption policy, Conflicts of Interest policy, Procurement Policy, Risk Management Policy and Complaints and Whistleblowing policy (supported by confidential email and phone complaints access).

It is by means of these policies, as well as through reporting, both proactive and reactive, from senior management, that the Trustees are enabled to fulfil their section 172 obligations.

Public Benefit

In carrying out their activities, the Trustees ensure that Virunga Foundation activities are in accordance with the Charity Commission's guidance on public benefit.

Virunga National Park is part of the territory under the control of the ICCN, the national Congolese nature conservation organisation, an institution of the Democratic Republic of Congo responsible for managing protected areas countrywide.

As background to the public benefit objectives, Virunga Foundation's contract to manage the Virunga National Park, which runs until 12 April 2040, is central to its charitable public benefit objectives. Located in North Kivu in the east of the Democratic Republic of Congo, (DRC), Virunga National Park is Africa's oldest national park, founded in 1925 and was designated a World Heritage Site in 1979. In 1992, the Park was designated as a, 'World Heritage Site in Danger', by UNESCO, which indicated, being subject to the imminent threat of comprehensive destruction. Its loss would represent an irreversible loss to humanity, therefore actions taken to save and restore the Park are for the public benefit. Virunga Foundation's primary purpose is to prevent the loss or destruction of the Park, working with the Congolese authorities to do so. Virunga Foundation is the only organisation providing direct support for the management and protection of the Park, providing over 90% of the Park's funding.

As part of its charitable objectives, Virunga Foundation also plays a key role in the economic and social development of a region which is recovering from a catastrophic decades' long period of armed conflict. In 2013 Virunga Foundation launched the Virunga Alliance, an extensive multi-faceted programme dedicated to creating a healthy and peaceful post conflict economy through the sustainable development of resources in and around the Park, including tourism; the generation of hydroelectricity and the active development of fisheries and agribusiness.

The Charity's Objects, all considered to be for the public benefit are set out in the Articles of Association as follows:

- i. the promotion for the benefit of the public of the conservation, protection and improvement of the physical and natural environment and biodiversity of the Protected Areas of Africa including Virunga National Park in the Democratic Republic of Congo, and the wildlife within the Protected Areas of Africa including Virunga National Park, including by means of the promotion of effective management;
- ii. the relief of financial need, hardship or poverty of people living and/or working in and around the Virunga National Park;

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iii. the promotion for the benefit of the public of sustainable development that supports the conservation of the physical and natural environment and biodiversity of the Virunga National Park including through,

iv. the preservation, conservation and the protection of the environment and the sustainable use of natural resources;

v. the relief of poverty and the improvement of the conditions of life in socially and economically disadvantaged communities living in and around the Virunga National Park; and

vi. the promotion of sustainable means of achieving economic growth and regeneration;

vii. to facilitate the administration of the law and the preservation of public order for the benefit of the public;

viii. to promote conflict resolution and reconciliation for the public benefit between institutions, organisations, groups and people in and around the Virunga National Park; and

ix. the education of the public on environmental issues including biodiversity, conservation, sustainability, and management of the wildlife Parks, reserves and protected conservation areas of Africa and the wildlife within them, including Virunga National Park, and in subjects relating to sustainable development.

Objectives, Progress and Achievements

In order to deliver on its charitable objects Virunga Foundation has initiated and manages an extensive and diverse range of projects, which together have as their objective, the establishment of a sustainable social and natural environment in North Kivu, with the goal, among others, of supporting the conservation of the Virunga National Park.

The individual projects often contribute to simultaneously progressing on several charitable objectives.

The project objectives are categorised under the headings of, conservation, security and rule of law, sustainable development, poverty reduction and education, (across all of the aforementioned objectives).

The following sections of the Report present a summary of Virunga Foundation's achievements during 2021 in line with agreed strategic objectives, as well as future objectives.

Conservation

Virunga National Park is one of the World's most important conservation areas as reflected by its UNESCO World Heritage Site classification, as well as its recognition by multiple international nature and conservation organisations. Virunga National Park is critical for biodiversity conservation due to the unique role it plays linking distinct and very different areas in the Albertine Rift, from the glaciers of the Rwenzori Mountains, active and extinct volcanoes, to the dense forests of the Congo Basin and the Savannah. The continuity between these habitats remains due to the past and present efforts of the ICCN Rangers. Conservation efforts in 2021 continued to make progress across the Park with the overall aims of achieving ecosystem integrity and achieving increased or stable wildlife populations.

Gorillas

During 2021 the population of mountain gorilla continued to grow, being counted at 229 individuals in the ten 10 family groups habituated to human presence, being around double the number of those estimated in the non-habituated groups. 17 births and 5 deaths were recorded in the population in the course of 2021, with no cases of poaching. The continuing growth of the population underlines the transition of the species status from, "critically endangered" to, "endangered", status in 2018. The threats to the population, however, remain high and in 2021 the high level of activity of the M23 illegal armed group within the area occupied by

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mountain gorillas created a significant risk, both directly, as well as in reducing the ability of Park Rangers to patrol in the sector. Tourism was suspended in the gorilla sector throughout 2021 due to COVID exposure risk and also due to the M23 presence.

The lowland gorilla population remains threatened, however, individual births in 2020 and 2021 indicates the potential recovery of the population. A human habituation process is hoped to enable the presence of a veterinarian in future. The relatively safe security situation in the area of the lowland gorillas is hoped to enable the introduction of a group of lowland gorillas from another location to increase the local population.

Elephant

The increase in the savannah elephant population in 2020 continued in 2021, with the population now estimated at 700 individuals, has been a very positive development. Their natural migration from the adjoining Queen Elizabeth National Park in Uganda reflects the success of a "Wildlife corridor" between the two parks. The creation of an electric fence on the edge of the park extending 35 kilometres, (19 kilometres constructed in 2021), has contributed towards the success of this project. The fence provides security for the elephants as well as protection for local residents against any incursions and also for the Park Rangers against illegal armed groups. The population increase has also contributed to an increase in poaching with six recorded instances in 2021. Discussions with the Ugandan Wildlife Authority have taken place with a view to introducing tracking collars to assist monitoring.

The forest elephant population, a critically endangered species, is present in the Mikeno sector, but is difficult to monitor. Camera traps, however, affirm their regular movement in the area. Their population is believed to be stable.

Other conservation projects

Multiple groups of chimpanzees comprising 44 individuals were monitored on an almost daily basis with no poaching being observed in this group. Tension was noticed in a family group located by Rumangabo, due to the cutting down of trees within their territory. A local community forest project was initiated to address the issue and to enable the continuing growth of this family group.

The population of hippopotamus around Lake Edward remains threatened. They are hunted by illegal armed groups for meat and for their tusks. The instances of poaching were reduced in 2021 due to the creation of a secure zone to the south west of the lake and additionally they are relatively secure in the southern parts of the lake and adjoining rivers. A recent aerial and ground based census estimated the population at 1,280 individuals.

Large carnivores, lions, hyenas and leopards are increasingly present in the central sector of the Park, in part due to migration from Uganda. This increase is attributable to the reductions in insecurity and poaching and in the increase in food sources, notably the increase in ungulate populations. The increase in ungulate populations is attributable to improved pasture resulting from Park initiatives.

Habitat Protection

The overall area of Park land being illegally occupied remains stable, even if the deforestation and illegal occupations increase in multiple Park sectors. In November of 2021 the estimated percentage of land illegally occupied was 14%, while the preceding measurement in June 2021 had measured this at 13.3%.

The loss of forest cover results principally from charcoal production and the expansion of illegal farming. In 2021 there was a significant increase identified in deforestation of several areas in the southern and central sectors of the Park, which are used to produce charcoal sold in Goma. Conversely there was regrowth of

forest cover in the central and northern sectors due to the fence construction at the Park boundary and to a certain extent, particularly in the northern sector, due to the deterioration of the security situation for local populations.

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A wide range of initiatives continue to minimise illegal occupation of Park, including; community education, participatory Park demarcation projects, fence construction, working with local authorities and deployment of Rangers. If required stronger measures are implemented involving, informing those who have illegally occupied Park lands, recovering the land and initiating legal procedures. In 2021 efforts were concentrated in areas on the periphery of Goma where areas of the Park are illegally marketed and sold by individuals with the support of some local authorities.

Security / Rule of Law & Human Rights

The ICCN Rangers are the key resource enforcing the rule of law within the Park boundaries, a task which they perform to high standards and at very high levels of personal risk. In the course of 2021 six Rangers losing their lives while performing their duties during an attack by an illegal armed group in January 2021, with a further two Rangers being killed in two separate attacks in October and November of 2021. All those Rangers who gave their lives working to protect the Park were killed by members of the numerous illegal armed groups, which operate in and around the Park. Members of the general population living in the proximity of the Park also pay the highest price, with many lose their lives each year, most often in indiscriminate attacks by these illegal armed groups.

In the course of 2021 levels of insecurity in and around the Park have increased greatly. In operations against one illegal armed group alone, the ADF, it was assessed that there were 160 members of the public killed and 66 kidnappings, (of whom most freed after relatively large ransom payments). The levels of insecurity and violence in North Kivu where the Park is situated, are not readily conveyed in figures. Local populations are regularly terrorized and have to flee their homes to seek safety in other areas. While the Park Rangers provide greatly welcomed assistance and often security for specific local populations, they are greatly outnumbered by the numerous illegal armed groups and can only provide limited protection as a result.

The re-emergence of the M23 illegal armed group in 2021 has created significant challenge in the southern sector of the Park. There have been multiple incidents, including clashes with the Congolese army and also with the Ugandan army which has entered DRC in pursuit of the group which also operates in Uganda.

The operation of two daily convoys on the major road route which traverses the Park, with the protection of Park Rangers, has greatly reduced the number of security incidents. In 2021 not a single armed incident occurred on the 70 kilometres of road crossing the Park, compared to approximately 300 in 2016 prior to the introduction of the convoys.

Security remains a top priority for Virunga Foundation with significant resources expended in supporting the Rangers in their law enforcement activities, as well as continually investing to increase the security environment. These investments include, among others, establishing protected bases for Rangers in high risk locations, as well as in the gathering of intelligence to support targeted security initiatives. A significant expansion of Rangers is underway with 149 newly Rangers recruited in 2021, expected to be fully operational by 2022, bringing the total number to close to 800 individuals.

All employees of Virunga Foundation and its subsidiaries are required to sign the code of conduct and ethics, which sets high standards for personal responsibility and behaviours. The code specifically precludes any acts of corruption, or breaches of the prevailing laws of, as well as requiring compliance with Virunga Foundation's own rules and regulations.

Virunga Foundation operates a complaints phone line and email address by which complaints about any aspect of the work of the organization or the behaviour of its employees can be reported. The number of this line and email address are highly publicized in all of the areas where Virunga Foundation is present, either directly or through partner organisations.

Human Rights training is provided to all Rangers on an agreed regular basis, in accordance with UN guidelines and is a key element of Virunga Foundation's support for the Rangers, to enable and ensure that their interventions comply with best practice with regard to observing best human rights practices.

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Sustainable Development & Poverty reduction

Virunga Energies

Providing access to reliable and affordable energy is one of Virunga Foundation's key commitments to the 5 million people living in the proximity of the Virunga National Park. Virunga Energies was established in 2013 and has already invested over 100m USD in a network of hydro-electric generation and electricity distribution assets with the support of, the European Union, the World Bank, CDC, USAID, The Howard Buffett Foundation, The Schmidt Family Foundation, and The World We Want Foundation. The provision of sustainable and reliable electricity directly supports one of Virunga Foundation's primary charitable objectives, that of development and poverty reduction. Virunga Energies' electricity provides a key resource which enables the drive and ingenuity of the local population to create new businesses. These businesses provide employment and raise living standards, creating a positive growth cycle.

A Congolese registered commercial entity, Virunga Energies SAU, is run as a social enterprise, where dividends will eventually be re-invested to support both, the goal of poverty alleviation in the region and the conservation activities of the Park.

Revenue has grown significantly in recent years. In 2017 revenue was just over 1 million USD, but by 2021 had grown to in excess of 7.2 million USD, with 2022 revenue forecast at 10.4 million USD.

The growth in revenue is expected to increase substantially once a number of projects are completed which will increase the capacity to deliver all of the generating capacity, among these being the completion of a new 45 km high voltage transmission line to Goma, as well as expansion of the customer distribution network for the Luviro 15.4 MW powerplant which became operational in 2021. The Luviro distribution area includes a 100 hectare business park on the edge of Butembo, the largest town in the area. The construction site for a new major hydropower plant, Rwanguba, has commenced and is predicted to have a generating capacity of 13 MW in its first phase and 26 MW in its second phase. The completion of this project, forecast for completion, end 2024, will double the energy which can be delivered to Goma, along with the existing Matebe plant.

By the end of 2021, sustainably generated electricity was being supplied to around 22,000 customers, (domestic and small and medium sized enterprises in North Kivu), an increase of over 6,000 customers in the course of the year. New connections continue at a rate of approximately 17 domestic customers per day and 19 small or medium sized enterprises per month. One new model of connection was initiated in 2021, "mutual connections", which allows five households, (typically with low incomes), to share a connection, each household having their own prepaid meter.

In addition to commercial and domestic customers Virunga Energies delivers free electricity with a range of social benefits to the communities in proximity of its transmission network. Free electricity is provided to around 40 public service institutions, including schools and hospitals. There are major benefits for hospitals and dispensaries which are able to keep medication in refrigeration 24/7. Public lighting makes a major contribution to public safety, particularly for women, with an estimated 565,000 individuals now benefiting from public lighting. In 2021 approximately 300 new street lights were installed in poorer sectors of Goma.

2021 also saw the connection of a water pump in Goma powered by Virunga Energies which ensures the distribution of clean drinking water to around 300,000 individuals in Goma. This initiative may be followed by others, if the formal management structures around the distribution of water becomes more transparent and public service oriented.

The generation of energy from hydropower avoids the carbon dioxide emissions which would otherwise be generated from burning fossil fuels and represents a saving of over 63 thousand tonnes of carbon emissions in the period from 2016. With the increase in production as Luviro generation and transmission increase and

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the eventual commissioning of the Rwanguba plant, there will be a more than doubling of the carbon offsetting capacity.

The eruption of Nyiragongo in May of 2021 and the associated lava flows, which extended to the edge of Goma damaged the transmission line to Goma. The efforts of the staff in addressing this unpredictable event were beyond what could have been expected, with power being re-established promptly by creating a connection to a Rwandan network. This was followed by teams working 24/7 over three weeks to re-establish power delivery to Goma, including critically, power to water pumping equipment, reducing the risk of a cholera outbreak, which was warned by the WHO. The performance of the team was widely recognised, including by the DRC Prime Minister, who visited the workplace to congratulate the team for their achievements.

Virunga Energies plays a major and essential role in contributing to the charitable development objectives of Virunga Foundation, with its impact growing annually.

Tourism

Tourism plays a key role in Virunga Foundation's work, both as an effective tool to communicate to an international audience the value of the Park and as a source of income. Tourism activities make a meaningful contribution towards Virunga Foundation's operating costs, however, over the past three years there have been successive events which have caused the suspension of some or all of tourism activities in the Park.

At the start of 2021, after COVID restrictions were lifted, tourism activities in the southern sector of the Park had a promising reopening, however, the eruption of the Nyiragongo volcano, as well as activity of the illegal armed group M23 in the gorilla sector caused the suspension of tourism in the southern sector. In the central and northern sector illegal armed group activity also meant that tourism activities there had to be suspended. The Tchequera Island tented camp on Lake Kivu was however open all year. Visitor numbers in 2021 were therefore low, with 221 tourists having visited Mount Nyiragongo and 350 visited a habituated gorilla group. In total there were 2,350 tourist nights in Virunga accommodation, compared to slightly over 1,500 nights in 2020 and 3,800 nights in 2019.

The potential for tourist activity remains high, with tourist lodges being renovated and the opening of a café-restaurant in Goma underway. The key obstacle to reopening of the tourist activities, other than Tchequera which remains open, is the security situation within the Park, as management will only reopen any particular site when it is fully confident it can ensure the safety of customers.

Virunga Development, (VD)

The activities of Virunga Development, (VD), are aligned with the development and poverty reduction objectives of Virunga Foundation. During 2021 the key activities were the provision of loan financing to local entrepreneurs in association with Equity Bank and the development of business parks. The loans are provided by Equity bank, but backed with a guarantee from Virunga Foundation, These loans are provided in an innovative manner whereby the borrower repays the loan via a small surcharge on their unit electricity cost. This repayment technique means that businesses will only be repaying loans when they are

consuming electricity, and therefore for seasonal or fluctuating business activities, repayments will be lower in times of low activity. There are a wide range of business activities, including, milling, refrigeration, ovens, welding machinery, carpentry machinery, oil presses and various electric machines.

At the end of 2021, 411 small and medium sized businesses had received loans totalling 3.9 million USD. In addition to receiving the loans borrowers can access a range of development support services. In the course of 2021 219 entrepreneurs received over 1,900 hours of training in, marketing, communication and finance. This training was given by local providers funded by Virunga Development using grant funding received specifically to develop sustainable local businesses.

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A key Virunga Development project is the establishment of business parks, which aim to provide an infrastructure to support and enable entrepreneurs to establish and grow their businesses in a secure and supported environment. 2021 saw the establishment of a business park on the edge of Goma on an area of 6 hectares with capacity for up to 120 small or medium sized enterprises located in units constructed. This industrial park will provide a supportive environment for businesses which includes physical space and security not readily available in the city, in addition access to water, power and pre-constructed buildings.

There is already an existing industrial park in Mutwanga, in the northern sector of the Park, which already processes coffee and chai seeds, as well as having a chocolate factory.

Agriculture

A key element of Virunga's development agenda is in supporting sustainable agricultural projects to create long term reliable employment for individuals through the creation of a more stable agriculture sector. A number of projects located adjacent to all the sectors of the Park benefit from Virunga Foundation interventions, which range from the provision of education and training to the supply of processing equipment.

In the Northern sector coffee, cocoa and palm oil are the main projects, while in the Southern and Central sectors the projects include, vegetables, maize and fish. At the end of 2021 Virunga Foundation, most notably through its Virunga Development subsidiary, supported projects employing 1,500 individuals and indirectly supporting 15,000 individuals through farming co-operatives and farmers associations. This support in the form of training and education, as well as facilitating small business loans, is predominantly provided through Virunga Development's programmes which are donor funded.

Sustainable Palm Oil

A sustainable palm oil project, "The palms of Kivu" aims to replace the old palm trees in the Mutwanga region with 74,000 seedling trees of an improved variety which has already been planted in around twenty villages. The preparations for the installation of modern palm oil presses are underway. A key consumer of the palm oil is the Sicovir soap factory, partly owned by Virunga Foundation. 2021 was a very challenging year for Sicovir due to insecurity in the region, the increase in material prices and the challenges of getting product to market in a time of insecurity, however, the business has survived and hopes for a much improved 2021.

Coffee

The coffee project in 2021 involved working closely with two partner cooperatives with over 10,000 participating farmers to achieve major progress towards, Organic, Rainforest Alliance and Fair Trade certification. Farmers are provided with material and educational support, including around marketing of their products. Co-operative representatives participated at international fairs in Portland, Warsaw and Dubai, where the Park Logo enabled the productions of special "Virunga" products. In the course of the year 40 containers of coffee were exported, with a sales value for the local Co-operatives in excess of 2 million USD. The creation of a coffee roasting facility is currently under assessment, the establishment of which would enable the retention of a much higher share of the value, with associated increase in local revenue. This work is supported by Virunga Development as part of the larger development agenda for local communities and is not a revenue generating activity for the company.

Cocoa

The "Virunga Origins", Cocoa project which commenced commercial operations in September 2020, continues to develop very successfully. The first chocolate factory in DRC, products are sold both nationally as well as internationally, (Burundi, Kenya and Europe). After less than two years of trading, demand for the chocolate products is so high that work is underway to increase production tenfold. Several hundred small producer sell their ripe cocoa beans to the Cocoa factory, contributing to the legal economy, whereas

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previously a share of their sales would be diverted to support the, "conflict economy" which enables the continuation of the regional insecurity.

Maize

In the Rutshuru area, support provided to the maize farming sector has transformed the local economy. The creation of 145 mills, for many enabled by loans from the Virunga Development loan scheme, enables flour now to be produced locally rather than requiring to be imported. Further down the production chain, work with 13 farmer associations comprising over 1,000 small producers receive education and training which will enable them to further increase their revenues, by enabling them to operate modern post-harvest equipment such as dryers.

Chia Seeds

Virunga Foundation has a 15% investment via its Belgian subsidiary Virunga SRL in a company, Virunga Enzymes, which processes chia seeds at a plant on the Mutwanga business park location. This agricultural business which produces high quality chia seeds for use in the international pharmaceutical industry has experienced a high level of demand, which has supported the creation of papaya nurseries to increase the potential for increased revenues for farmers.

Fish

The fishing projects all relate to fish sourced from Lake Edouard, in large part focussed on enabling the creation of a "cold chain" to increase the value of fish caught and reduce waste. In 2020, an Industrial ice machine for fish preservation was put into operation, a solar powered cold storage facility installed by the lake and a consultation with the local community held with various stakeholders in the fish value chain on the management of "cold chain" investments. In 2021 Virunga distributed 100 cool boxes to local women who work as fish sellers, to whom Virunga provide the ice required for their operation, enabling them to increase their incomes.

Education

Education on sustainable development to the population living in the vicinity of the park is considered an imperative and receives continuous awareness-raising efforts.

Market garden education and training was provided to 4 women's organisations and 8 farmer associations in the Kibumba region, representing 1,000 households. These training courses combined practical and theoretical elements including on how to practice organic farming techniques and thereby reduce the use of chemical fertilizers. These activities, in association with other Virunga activities, provide education to local populations on the principles of sustainable development.

A reforestation programme with the Botanic Garden of Meise is underway, with the aim of reforesting an area of 1,500 hectares, both in and adjacent to the Park. Approximately 100,000 plants being grown in 2021 with the assistance of local associations with over 400 members. These activities, in association with other Virunga activities, provide education to local populations on the principles of sustainable development

In 2021 COVID restrictions, the volcanic eruption and tense security situation limited the opportunities for schoolchildren and members of both associations and local authorities to visit Park locations as well as VE hydropower installations. However, by the end of 2021 visits to the Park in the vicinity of Rumangabo, to Tchegeza Island and to the Matebe powerplant, had recommenced.

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Fundraising

Strategy and approach

Virunga Foundation's long term strategy is for the Park to become self-sufficient in income generated from activities undertaken by its subsidiaries, notably Virunga Energies, rather than being dependent on grant funding.

Significant resources, grant and loan funds are therefore invested in creating the means to generate long term reliable income sources. The major investment for income generation to date has been Virunga Energies where over 100 million USD has been invested in creating a fully vertically integrated hydro based power utility, which in 2021 generated gross revenue of 7.2 million USD. Virunga Energies has, however, the capacity to generate multiple times this revenue when a recently commissioned plant, Luviro, increases its customer base and when a new plant, Rwanguba, comes on line in 2025, to serve an already relatively mature established customer market in Goma.

Other sustainable sources of income include income generated by Virunga Development and from investments in Chocolate, Soap and Chia seed companies, with all of these being customers of Virunga Energies.

Fundraising Channels

While the long term strategy to achieve financial independence remains, in the medium term Virunga Foundation continues to invest in a range of fundraising activities. In recent years there has been increased investment in fundraising with the addition of resourcing, to support in particular on-line giving channels and other initiatives, such as the successful sale of NFTs in 2021.

In the later stages of 2020 and throughout 2021 there was a concerted effort to increase the co-ordination and alignment of the Fundraising resources of Virunga Foundation. This work recognised that maximising the fundraising opportunities requires involvement of a range of internal stakeholders and for this reason there has been a focus on identifying the key internal stakeholders in Virunga Foundation's fundraising work, historical and future. There has been a significant increase in co-ordination of on-line giving, linking website content with the various existing on-line donation tools utilised by the Charity, described below.

Institutional and Foundation Donors

The major source of Virunga Foundation's income remains institutional and foundation donors, which has been the case since the Foundation was created. While the composition of the specific donors has altered over time, large institutional and foundation grants comprise in excess of 75% of total income.

The European Union (EU) remains Virunga's principal donor, and is therefore the key partner in the supporting the charity's activities including the conservation and development of Virunga National Park. The EU supports major projects with a range of objectives including the preservation of the flora and fauna of the Park, as well as improving the quality of life for people living in the proximity of the Park. The EU support encompasses all programs: Park operations, tourism, electricity, agriculture, entrepreneurship support, etc.

Other institutional donors include the World Bank and USAID. USAID signed its first grant contract with a value of 1.6 million USD in 2019. A new contract for 4.7 million USD was signed with USAID on 17 November 2021, payable on submission of expenditure reports and is expected to commence payments early in 2022 as qualifying expenditure already incurred. This contract also indicates USAID's intention to provide a further 10.3 million USD in funding based on their funds availability. Assuming progress as expected with USAID funding, it will become the second largest donor and significant efforts are being made to ensure all of their rigorous reporting requirements are met. Another US state body which has been added to the list of institutional donors, is the INL Bureau.

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Major project funding is also raised from a number of Charitable Foundations. The growing pool of charitable funders includes among others, Re:wild, The World We Want, 11th Hour, and The Schmidt Family Foundation. Virunga Foundation holds an "Equivalency Determination" with the Schmidt Family Foundation, which recognises Virunga Foundation as being equivalent to a US charitable organisation from the perspective of a US donor, in relation to taxable deductibility of donations.

Public Fundraising

The proportion of funds raised from the general public, as indicated, is not a major fundraising mechanism but is the most rapidly growing. As well as contributing valuable largely unrestricted funds, public fundraising plays a major role in increasing public awareness of the unique nature of the Park and the risks it is constantly facing.

Individual donors give through a range of fundraising platforms, largely online, through providers such as Donorbox, The Giving Block, Just Giving and a Friends Fund with CAF America. Supporters also contribute to the Park via alternative channels such as workplace giving programs, Virunga's online stores and directly to Virunga Bank accounts in the UK and Belgium. In 2021, approximately 2 million USD was raised via these various mechanisms. In addition, in 2021, a Christie's NFT auction raised approximately 1 million USD for the charity.

Income from Subsidiaries

Income generated by subsidiaries has in general been limited, as most of these are highly focussed on the development and poverty reduction goals. The rapid growth of the sustainable energy business of Virunga Energies SAU, has, however, made it a key source of income, with 7.2 million USD of sales income being achieved in 2021, which is expected to be significantly exceeded in 2022.

Fundraising Obligations

The Charity did not receive any complaints in the course of 2021, or up to May 2022, relating to its fundraising activity. The only proactive fundraising undertaken is via a page on the website and occasional emergency appeals. Individual donations arise from general public awareness of the work of the Charity, which is created through both conventional and social media channels, as well as word of mouth. The charity does not make any unsolicited fundraising approaches to individuals via marketing tools such as, email, text, or cold calling by any method and does not engage third party fundraisers, or fundraising volunteers. Due to the international scope and nature of the Charity's operations, there are no fundraising staff employed in the UK.

Virunga Foundation is registered with the UK Fundraising Regulator. Due to the predominance of institutional and Foundation grant funding Virunga Foundation is very focussed on meeting the exacting reporting and review requirements of donors through the performance of independent audits and provision of tailored financial audit reports, as well as monitoring and evaluation reports.

Investment Policy and Performance

In accordance with its Articles of Association, the charity has the power to invest funds in any manner the Trustees deem appropriate, but only after obtaining such advice, as the Trustees consider necessary, and having regard to the suitability of investments and the need for diversification.

The Trustees, taking into account liquidity required to operate the charity, have operated the practice of maintaining funds in current accounts in order to make funds available for operations at short notice. There are therefore no investments of cash made with a view to long term value growth. Available funds are rather allocated to covering operating costs and own investments in projects to increase long term sustainable income generation.

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Risk Management

In October 2019, the Trustees formally adopted a Risk Management Policy for Virunga Foundation. This policy defines the risk management approach adopted by the Trustees, as well as the relative responsibilities of the Trustees and Senior Management in implementing procedures to ensure compliance with this policy. The planned development of a more structured organization risk management process, and risk register was initiated in the course of 2020, subsequent to the recruitment of a head of internal control to lead on risk management. The output from the risk management process is a risk register summarizing the key areas of organization risk, identifying current and proposed mitigations, to provide a post mitigation risk rating. A risk appetite document, to frame Virunga Foundation's risk management approach has been drafted and is now in consultation, having initially been presented to the Finance and Audit Committee, which approved it being taken forward to the Trustees for discussion.

Responsibility

Responsibility for risk management is shared among the Board of Trustees and the Management of the Foundation. The Board has the overall responsibility for reviewing and maintaining sound and effective risk management and internal control systems.

Management's role is to design and implement these systems; and to report to the Board, and Finance & Audit Committee on the risks identified and how they are managed, which are essential for the Foundation to achieve its strategic objectives.

Virunga Foundation Risk Management Framework

The Finance & Audit Committee supports the Board in monitoring risk exposures, the design and operating effectiveness of the underlying risk management and internal control systems. Acting on behalf of the Board, it oversees the following process on a regular basis:

Reviewing the principal organizational risks and control measures in order to mitigate, reduce or transfer such risks, the strengths and weaknesses of the overall risk management and internal control systems, and action plans to address the weaknesses or improve the assessment process;

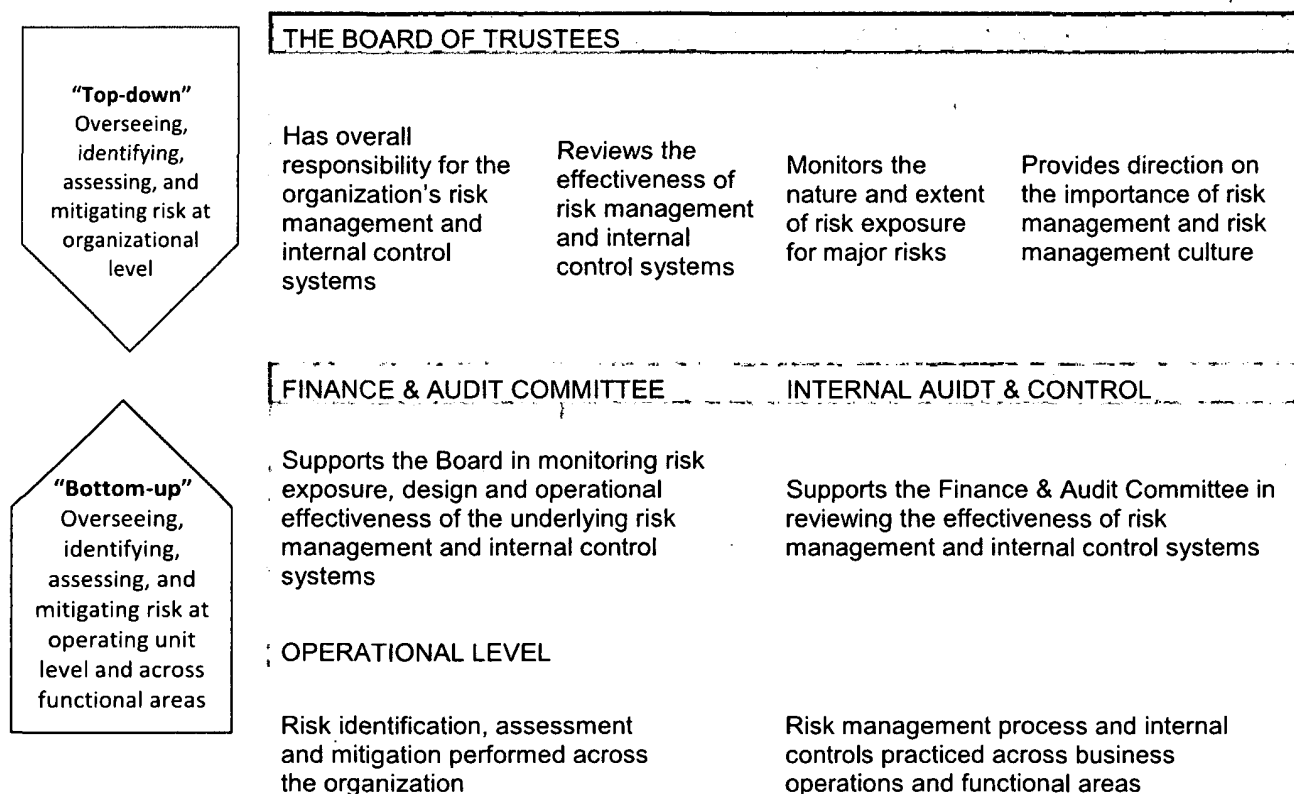
Reviewing the business process and operations reported by Internal Audit & Control, including action plans to address the identified control weaknesses, as well as status updates and monitoring the implementation of audit recommendations; and

Reporting by the external auditor of any control issues identified in the course of their work and discussion with the external auditor of the scope of their respective review and findings.

The Finance & Audit Committee reports its findings to the Board, which then considers these findings in forming its own view on the effectiveness of the Foundation's risk management systems.

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Risk Management framework



2021 Review of Risk Management

Virunga Foundation's activities take place in the North Kivu Province of the Democratic Republic of Congo, which is a high-risk environment both in terms of physical security and in the challenges in maintaining the highest levels of financial control.

The critical risks to operational continuity and the measures in place to manage such risks are the following:

Security Risk

North Kivu is a region with an inherently high security risk due to the combination of limited law enforcement resources and a significant presence of illegal armed groups. These groups survive from a range of illegal activities, including extortion, poaching and kidnapping. Fatal attacks on the local population and ICCN Park Rangers often occur due to the activities of these groups.

The allocation of resources to protect people and the Park from the activities of these illegal groups is a main activity of the Park Rangers, who receive support from Virunga Foundation in their work. The institution of the DRC military control in 2021, and the intervention of Uganda People's Defense Force represented an increase in military operations against armed groups.

Mitigation measures include regular intelligence gathering, co-operation with military forces, both national and the UN, and the implementation of detailed security procedures, which are regularly reviewed. There are a range of standard operating security procedures covering all aspects of operations, from construction

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sites to tourism activities. Despite the significant resources allocated to security and all the mitigations in place, security is and will remain the major risk facing the Charity's operations.

Political and Regulatory instability

The political and related regulatory instability present in the DRC and North Kivu presents a significant risk for Virunga Foundation in its potential to influence operations in unpredictable ways. There is a relatively high degree of regulatory and legislative intervention leading to significant compliance requirements, which increase costs, directly and indirectly, through new or revised legislation.

Examples of specific risks include dependency on the support of the ICCN, exposure to shifting political agendas, as well as the Government regulation of the electricity sector, with electricity generation being the major future source of Virunga Foundation income from its sustainable energy subsidiary, Virunga Energies.

While Virunga Foundation has 15 years of experience in managing these risks, changes in the political and regulatory environment cannot be predicted. Specific mitigation actions include integrating contracts and activities across a wide array of supportive and influential partners such as Congolese Government institutions, the European Union, United Nations agencies and development institutions in the UK, Belgium, US, and Netherlands. Senior management staff and trustees maintain regular contact with government authorities in Kinshasa and at the provincial level enabling it to maintain largely constructive and harmonious relationships.

Solvency and Liquidity Risk

The nature and location of Virunga Foundation's work, combined with its funding model (based largely on restricted project grants), means that the scale and allocation of reliable future funding, much beyond a year at present, is challenging. As the Charity and its subsidiaries have grown, in particular Virunga Energies, the challenges of obtaining adequate funding, via both grants and loans, has increased.

Addressing the funding challenges has involved a range of measures, including, the Finance and Audit Committee, established in 2020, closely monitoring cash flow projections and discussing with management the measures to address funding flow risks.

While there is a strong focus on ensuring timely audits of projects to minimize any delay in receipt of subsequent funds, there are unavoidable timing differences between expenditure and receipt of funds in many instances.

Discussions at the Finance and Audit Committee have increased the focus at a governance level on the need to establish free reserves to manage better fluctuating fund flows from grants and loans. The requirement to establish free reserves as a priority has been identified at Board level. Establishing a level of free reserves being critical to avoid having to manage any adverse cashflow developments, by delaying investments and expenditure, with the associated adverse impacts on delivery of organization objectives.

Health, Safety, and Environment (HSE) Risk

In recent years, Ebola and COVID-19 have presented a new level of challenge for the Foundation's tourism operations, which were completely suspended. In the Ebola outbreak, which was officially declared ended in June 2020 by the WHO, Virunga Foundation played a key role in working with the local authorities and the WHO in working to end the outbreak. A single case of Ebola was identified in North Kivu in February 2021; however, it is not currently considered likely to lead to another major outbreak.

The eruption of Mount Nyirangongo in May 2021 led to significant damage to the electricity network, and obliged the Foundation to evacuate its personnel and families from the City of Goma to its headquarters in Rumangabo. The restoration of the electricity, and City's water network in record time and ability to protect its staff in the face of a natural disaster of such magnitude, was evidence of the Foundation's business continuity and recovery capabilities.

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The Foundation has continued to deal with the global COVID pandemic. The Medical Services and Welfare department has been at the forefront of the fight against COVID in the Park and around its locations through constant sensitization, testing and treatment, and leading vaccination campaigns.

There are multiple diseases present in North Kivu, which have a much higher mortality rate than COVID and the majority of the population are directly exposed to several of these on an ongoing basis.

The increase in electricity operations have also presented new safety concerns for the organization especially in ensuring the safety of the frontline network staff, customers, and the community. Appropriately resourcing the Health Safety and Environment, (HSE), department, continues to be challenging given the scale of tasks. The organization is currently revising its HSE activities with the creation of a HSE committee at management level and the location of HSE Officers in all camp locations. Efforts are also being made with the improvement of, Water, Sanitation and Hygiene activities, (WASH), across the Park locations, following the training of WASH officers with primary responsibility to oversee occupational health and safety, and improve water quality.

Having worked for many years in an inherently unstable operating environment Virunga Foundation has a range of procedures in place to enable it to reallocate resources as well as to work with existing partners and bring in new ones when emergencies arise. Both the capacity to react and to generate large new funding flows in times of emergency was exemplified in the response to the eruption and subsequent major disruption caused by the eruption of Nyiragongo in May of 2021. Virunga Foundation's response to this natural disaster illustrated the organization's preparedness for even such a relatively rare event. In the hours following, the eruption staff monitored developments, communicated with partners and commenced preparations for emergency response. With the evacuation of Goma, accommodation was provided for staff and their families forced to evacuate. Within a few days, an electricity agreement was signed the Rwandan power company and a new connection established to compensate for power lines destroyed by lava flows. Teams of technical staff worked 24/7 for over three weeks in order to construct interim power lines across the solidified lava flows to deliver Virunga Foundation's electricity to Goma. The WHO had warned of the high risk of a cholera outbreak. However, this was effectively mitigated when electricity was reconnected to key water pumping stations in Goma. The eruption response illustrates how the combination of flexibility, reactivity, strong technical and logistic capability and intelligence, together with local and international partnerships provide the base for highly effective emergency response capability. In this and other emergencies, highly material unbudgeted funding was received from major institutional and foundation funders, as well as from the public, in response to appeals for additional support. In the case of the eruption, these fundraising results offset all the short and medium term costs of the disaster

Strengthening Underlying Systems

Since 2019, we have been progressively making improvements to our risk management and internal control systems, as well as strengthening internal audit as a key element. The internal audit work has resulted in identifying areas to be addressed and in initiating mitigating actions. The initial phase focused on adopting a more risk-based approach to risk identification and assessment. This new approach enriches our ability to analyze risks and respond to opportunities as we pursue our strategic objectives.

We have also made improvements in Management reporting to the Finance & Audit Committee, including the presentation of separate reports on fund raising, short term borrowing, and emerging projects. Our goal is to integrate further risk management and internal control perspectives into our business processes, including improving annual objective setting, automation of processes, budgeting and planning

VIRUNGA FOUNDATION
(A COMPANY LIMITED BY GUARANTEE)
TRUSTEES' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

Financial Review

Total income from grants and donations for the year amounted to USD 26.4 million (2020: USD 28.9 million). The most material elements of this income was received in the form of grants from, EU, USAID, Re:wild, Schmidt Philanthropies and INL, (a US state department).

Grants received are principally of a restricted nature, though all include a limited unrestricted percentage intended to cover the recognised need to contribute to general costs.

The EU is the largest single provider of donor funding to Virunga Foundation and has provided several large multi-year grants, across all key areas of operation and development, including. Park Support, Lake protection, Agricultural development, Wildlife trafficking, Transboundary conservation, as well as multiple grants to support the sustainable energy project managed by VE. These grants cover periods of between 2 and 7 years, with grants totalling in excess of 100 million USD having been awarded in recent years. Grants in two new EU grant categories, Emergency support and Green Economy are currently being finalised, amounting to in excess of USD 3 million and USD 4 million respectively.

USAID's first grant to Virunga Foundation was for 1.6 million USD, signed in 2019. The relationship with USAID has proven positive and a second grant valued at 4.7 million USD was signed in November 2021. This initial 4.7 million USD is part of a larger contract which confirmed USAID's intention to provide a further 10 million USD based on USAID's having the funds available, which is assumed highly probable.

The main source of income apart from charitable grants and donations is the commercial revenue generated by Virunga Energies, whose activities are described earlier in the report. Revenue growth in Virunga Energies continues a strong upward trajectory, having increased from USD 1.1 million in 2017 to USD 7.2 million in 2021, with the increase from 2020's USD 5.4 million representing an annual growth of 34%. The revenue is generated from a range of customers, both commercial and domestic, comprising 53 and 33% respectively of the total income. Virunga Energies operations now generate a substantial contribution, being a normalised annual figure of in excess of USD 3 million USD in 2021. Expansion of production capacity continues to meet customer demand, facilitated significantly by the finalisation of a USD 23 million EU grant for a new hydropower plant and a USD 10 million USD loan from CDC to cover a range of capital investment costs.

The total spent on charitable activities in 2021 was USD 19.5 million (2020: USD 18.1 million) which relates primarily to the costs of protecting the Virunga National Park and expenditure on supporting ICCN Rangers. Expenditure on raising funds in 2021 amounted to USD 10.32 million (2020: USD 5.5 million), which is all spent on the development and operation of the hydropower infrastructure of Virunga Energies, which generates increasing levels of unrestricted income.

Fixed assets comprise principally of the hydropower plants and electricity distribution networks. Total net tangible fixed assets at 31 December 2021 amounted to USD 87.3 million (2020: USD 86.2 million). In accordance with UK accounting standards construction costs have been capitalised and are disclosed as fixed assets.

The net surplus for the year was USD 4.7 million (2020: USD 11.5 million). The restricted and unrestricted funds at year-end amounted to USD 14.4 million and USD 60.2 million respectively (2020: USD 17.2 million and USD 52.7 million respectively).

In addition to grants and donations, Virunga Foundation uses short-term and long-term debt facilities to fund its operations. Creditors falling due within one year at 31 December 2021 amounted to USD 36.6 million (2020: USD 18.3 million). The significant increase being due to deferred income arising from EU grants received in the end of December 2021, comprising the Grant for the Rwanguba hydropower plant construction and a new grant named Green Economy to support a range of Virunga Foundation activities.

VIRUNGA FOUNDATION
(A COMPANY LIMITED BY GUARANTEE)
TRUSTEES' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

Long-term debt amounted to USD 15.0 million (2020: USD 14.1 million) and is principally with the UK-based development bank CDC Group PLC.

Virunga Energies has a significant USD 90 million intercompany debt to Virunga Foundation, based on loans to enable the creation of its vertically integrated energy operations, which covers the entire value chain, from power plant construction, through generation and distribution to customer sales. With Virunga Energies operations now generating positive cashflows, it is expected that repayments towards this debt will commence in the short to medium term. However, there is no short term pressure on Virunga Foundation to receive material repayments on this debt, due to its ongoing strong external fundraising performance.

Reserves

Virunga Foundation receives relatively low levels of unrestricted funding in relation to its restricted income. This income pattern, together with the significant resources required for operational activities, typically not funded by unrestricted income, which are necessary to support the restricted projects, has made it very challenging to establish unrestricted reserves.

As an illustration, all of the material projects and activities of Virunga Foundation require a substantial security infrastructure, the costs of which are not all covered by restricted project income, which effectively means a significant percentage of unrestricted income is required to support projects funded by restricted funding.

While the Trustees continue to review how Virunga can in future generate unrestricted cash reserves, to a level acceptable to beneficiaries and partners, as well as in line with good practice, this remains a major challenge. Events in 2021 and the first months of 2022, including COVID impacts which forced the closure of tourism, a volcanic eruption and substantially increased illegal armed group activity have limited the scope for the establishment of reserves. While the ultimate aim remains to develop free reserves over time for Virunga Foundation, sufficient to cover the value of at least half a year of operational costs, i.e. in the region of USD 5m, this will require an increase in the unrestricted funds raised. The efforts to increase fundraising channels will be key to creating the opportunity for establishing reserves through unrestricted income, as well as significantly by continuing to grow Virunga Energies, which is projected to generate 10.4 million USD of income in 2022.

As at 31 December 2021 the total consolidated funds held by the Group amounted to USD 73.4m (2020: USD 69.9m), of which USD 53.4m are unrestricted (2020: USD 52.7m), and USD 19.9m are restricted (2020: USD 17.2). As at 31 December 2021 the Group had net current assets of USD 1.9m.

Going concern and uncertainties

Virunga Foundation operates in the North Kivu region of DRC, an area with very high inherent risks, specifically; physical security, political uncertainty, serious public health issues and geological threats of volcanic eruption and earthquakes. The combination of these risks regularly places unforeseen demands on the Group and its staff to react immediately in order to preserve lives. Unpredictable events therefore occur which create resource demands, as well as reducing income generating activities. 2021 saw the eruption of the Nyiragongo volcano in May 2021 which led to the immediate requirement to make unbudgeted expenditure to support the local population, as well as to urgently restore power and water utilities. Illegal armed group activities also significantly increased at several locations during the period, both in and adjacent to the Park, resulting in the death of many citizens, despite the best efforts of ICCN Rangers and the national armed forces. The operating risk environment of Virunga Foundation is recognised as one of the most challenging in the world and as such there are multiple risks outside the control of the Group, which the mitigations for are necessarily limited.

VIRUNGA FOUNDATION
(A COMPANY LIMITED BY GUARANTEE)
TRUSTEES' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

While severely challenging situations often arise which could have severe adverse impacts on the Charity's financial situation, as described, these situations fortunately most often also result in rapid new financial resources being made available to the Foundation. Many of the Charity's large donors, institutional and charitable, regularly react to challenging situations which arise. Recent examples include significant additional funding provided to address impacts of volcanic eruption, COVID and Ebola impacts and security issues. Therefore, in assessing any going concern risk in the context of unforeseen adverse developments, the Charity's history of being able to attract additional funding in emergency situations needs to be taken into account.

From financial liquidity perspective, a number of project activities require to be pre-financed before funding is received, often on the basis of the completion of an audit to confirm past expenditure was valid. The complex negotiation and approval processes often mean that even after initial agreement for new grants has been achieved, it can take several months to receive the funds, on dates which are difficult to forecast. For example, whilst Virunga's relationship with its largest funder, the EU is good, the EU is a complex organisation requiring the careful managing of relationships and co-ordination with representatives in both Brussels and Kinshasa. Additionally, EU funding often requires approval by DRC authorities before remittance.

While the forecast level of grants and other income is considered adequate to fund operational requirements for the coming two years, or more, the timing of finalisation of agreements and receipt of funds can pose significant challenges for the Charity in terms of cash flow.

In order to mitigate risks associated with the timing of funding, there has been an increase in the detail and regularity of cash flow projection preparation. 18 month forward looking cash projections are prepared by management, which are presented monthly by the CFO to the Board Finance and Audit sub-committee. The Committee regularly challenges assumptions and projections in order to enable the early identification of potential future liquidity issues. The Committee is also actively engaged with management on the development of short term funding "bridges", which may be required to manage cash flows, which though adequate to fund operations on an annual basis, may potentially face short term challenges

The establishment of mechanisms to raise short term bridge funding, as described above, is in part to address the absence of any material free reserves, which is recognised as an ongoing challenge. The generation of unrestricted income from among others, the sale of sustainably generated electricity is one of the identified future mechanisms to build up a level of free reserves. However, to date, unrestricted income has been required to fund ongoing operations. The creation of reserves remains a priority for the Board.

At the end of 2021 an EU grant for the construction of the Rwanguba powerplant was signed in December for Euro 20 million, (USD 22 million). A CDC USD 10.3 million loan facility to support network and related expansion costs was signed in December 2021. On 17 November 2021 a grant contract for USD 4.7 million was signed with USAID, (effective date 22 July 2021), as part of an intended USD 16.6 million overall grant, with USD 6.3 million contractually secured. This is of particular significance as this grant may be applied as co-financing for existing major contract co-financing obligations.

In the course of 2022 management has continued to attract major funding with significant amounts both confirmed as well as in progress towards completion. With the level of new funding agreements now secured and those nearing completion, management believes that the funding perspective is stronger than it has been for many years. Conservative projections based on secured and almost secured grants, public fundraising and own revenue generation indicate that revenue levels are adequate to secure planned activities through to mid-2024, by which time it is expected own revenue generation will have increased materially.

In addition to multiple major funding agreements and projected own income generation management has also developed contingency plans identifying where expenditure can be reduced should projected income targets not be met.

VIRUNGA FOUNDATION
(A COMPANY LIMITED BY GUARANTEE)

TRUSTEES' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

While the reduction in planned expenditure would impact on planned development objectives, management is confident it would be able to maintain core operations and ensure the viability of the Foundation.

The Trustees are therefore satisfied that under foreseeable scenarios the Group will have sufficient funds to continue with its operations for the foreseeable future, being the period of at least twelve months from the date of approval of these financial statements and therefore it is appropriate to prepare these financial statements on a going concern basis.

Disclosure of Information to Auditors

Each of the persons who are Trustees at the time when this Trustees' report is approved has confirmed that:

- so far as that Trustee is aware, there is no relevant audit information of which the charitable group's auditors are unaware, and
- that Trustee has taken all the steps that ought to have been taken as a Trustee in order to be aware of any relevant audit information and to establish that the charitable group's auditors are aware of that information.

Auditors

Crowe U.K. LLP has indicated its willingness to be reappointed as statutory auditor.

VIRUNGA FOUNDATION
(A COMPANY LIMITED BY GUARANTEE)
TRUSTEES' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

Trustees' Responsibilities Statement

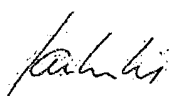
The Trustees (who are also directors of Virunga Foundation for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial year. Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards (FRS 102) have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable group will continue in operation.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company and the group's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In approving this report, the Board of Trustees is also approving the Strategic Report included here in their capacity as company directors. This report was approved by the Trustees on 2 August 2022 and signed on their behalf by:



Jan Bonde Nielsen,
Chairman.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIRUNGA FOUNDATION FOR THE YEAR ENDED 31 DECEMBER 2021

Opinion

We have audited the financial statements of Virunga Foundation ('the charitable company') and its subsidiaries ('the group') for the year ended 31 December 2021 which comprise the Consolidated Statement of Financial Activities, and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charitable company's affairs as at 31 December 2021 and of the group's income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. 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 group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's or the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The trustees are responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIRUNGA FOUNDATION FOR THE YEAR ENDED 31 DECEMBER 2021

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit

- the information given in the trustees' report, which includes the directors' report and the strategic report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the trustees' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report included within the trustees' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate and proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 26 the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the 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 (UK) 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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
VIRUNGA FOUNDATION FOR THE YEAR ENDED 31 DECEMBER 2021**

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members and significant component audit teams. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the charitable company and group operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006, the Charities Act 2011 and taxation legislation, together with the Charities SORP (FRS102) 2019. We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the charitable company's and the group's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the charitable company and the group for fraud. The laws and regulations we considered in this context for the UK operations were the General Data Protection Regulation (GDPR), Anti-fraud, bribery and corruption legislation and Employment legislation. We also considered compliance with local legislation for the group's overseas operating segments.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustees and other management and inspection of regulatory and legal correspondence, if any.

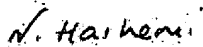
We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing of recognition of grant and donation income and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management, internal audit, and the Finance and Audit Committee about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, sample testing of grant and donation income, reviewing regulatory correspondence with the Charity Commission, and reading minutes of meetings of those charged with governance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
VIRUNGA FOUNDATION FOR THE YEAR ENDED 31 DECEMBER 2021**

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Naziar Hashemi
Senior Statutory Auditor
For and on behalf of
Crowe U.K. LLP
Statutory Auditor

London, UK

Date: 10th August 2022

VIRUNGA FOUNDATION
(A COMPANY LIMITED BY GUARANTEE)
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 DECEMBER 2021

| | Notes | Unrestricted funds | Endowment and Restricted Funds | 2021 | 2020 |
|---|-------|-----------------------|---|--------------------------|-------------------|
| | | \$ | \$ | \$ | \$ |
| Income from: | | | | | |
| Grants and donations | 2 | 6,448,488 | 19,965,786 | 26,414,274 | 28,928,602 |
| Income from charitable activities | 3 | 522,904 | 53,761 | 576,665 | 492,015 |
| Other trading activities | 4 | 7,283,474 | - | 7,283,474 | 5,521,637 |
| Investment income | | <u>214,139</u> | <u>-</u> | <u>214,139</u> | <u>217,094</u> |
| Total income | | <u>14,469,005</u> | <u>20,019,547</u> | <u>34,488,552</u> | <u>35,159,348</u> |
| Expenditure on: | | | | | |
| Raising funds | | | | | |
| - operational costs of hydro power plants | 5 | 10,317,929 | - | 10,317,929 | 5,527,409 |
| Charitable activities | 6 | <u>6,571,086</u> | <u>12,934,565</u> | <u>19,505,651</u> | <u>18,085,546</u> |
| Total expenditure | | <u>16,889,015</u> | <u>12,934,565</u> | <u>29,823,580</u> | <u>23,612,955</u> |
| Net (expenditure)/income | 7 | (2,420,010) | 7,084,982 | 4,664,972 | 11,546,393 |
| Transfers between funds | 16 | <u>9,897,177</u> | <u>(9,897,177)</u> | <u>-</u> | <u>-</u> |
| Net movement in funds | | 7,477,167 | (2,812,195) | 4,664,972 | 11,546,393 |
| Reconciliation of funds: | | | | | |
| Total funds brought forward | | <u>52,683,154</u> | <u>17,220,605</u> | <u>69,903,759</u> | <u>58,357,366</u> |
| Total funds carried forward | 16 | <u>60,160,321</u> | <u>14,408,410</u> | <u>74,568,731</u> | <u>69,903,759</u> |

All activities relate to continuing operations.

Included within endowments and restricted funds is \$26k relating to an endowment fund set up for Fallen Rangers (2020: \$26k).

The notes on pages 38 to 54 form part of these financial statements

VIRUNGA FOUNDATION
(A COMPANY LIMITED BY GUARANTEE)
CONSOLIDATED BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2021

| | Notes | 2021 | 2020 |
|--|-------|----------------------------|----------------------------|
| | | \$ | \$ |
| Fixed assets | | | |
| Intangible assets | 9 | 2,386,524 | 1,680,389 |
| Tangible assets | 10 | 84,603,375 | 83,175,561 |
| Investments | 11 | <u>1,390,435</u> | <u>1,390,435</u> |
| | | 88,380,334 | 86,246,385 |
| Debtors: amounts falling due after more than one year | 12 | 433,740 | 477,692 |
| Current assets | | | |
| Stock | | 5,642,947 | 4,835,453 |
| Debtors: amounts falling due within one year | 13 | 9,836,488 | 4,285,161 |
| Cash at bank and in hand | | <u>23,616,536</u> | <u>6,515,577</u> |
| | | 39,095,971 | 15,636,191 |
| Creditors: amounts falling due within one year | 14 | <u>(38,378,336)</u> | <u>(18,308,391)</u> |
| Net current assets / (liabilities) | | <u>717,635</u> | <u>(2,672,200)</u> |
| Total assets less current liabilities | | 88,494,022 | 84,051,877 |
| Creditors: amounts falling due after more than one year | 14 | <u>(14,962,978)</u> | <u>(14,148,118)</u> |
| Net assets | | <u>74,568,731</u> | <u>69,903,759</u> |
| Group Funds | | | |
| Endowment funds | 16 | 25,833 | 25,833 |
| Restricted funds | 16 | 14,382,577 | 17,194,772 |
| Unrestricted funds | 16 | <u>60,160,321</u> | <u>52,683,154</u> |
| Total funds | | <u>74,568,731</u> | <u>69,903,759</u> |

The surplus for the financial year dealt with in the financial statements of the parent company was \$6,981,330 (2020: \$16,487,949).

The financial statements were approved and authorised by the Trustees on 2 August 2022 and signed on their behalf by:



Jan Bonde Nielsen, Chairman


The notes on pages 37 to 55 form part of these financial statements

VIRUNGA FOUNDATION
(A COMPANY LIMITED BY GUARANTEE)
COMPANY BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2021

| | Notes | 2021 | 2020 |
|--|-------|---------------------------|---------------------------|
| | | \$ | \$ |
| Fixed assets | | | |
| Intangible fixed assets | 9 | 1,037,688 | - |
| Investments | 11 | <u>294,667</u> | <u>294,667</u> |
| | | 1,332,354 | 294,667 |
| Debtors: amounts falling due after more than one year | 12 | 91,440,179 | 87,745,735 |
| Current assets | | | |
| Debtors: amounts falling due within one year | 13 | 15,192,335 | 12,226,805 |
| Cash at bank and in hand | | <u>22,928,709</u> | <u>4,841,783</u> |
| | | 38,121,044 | 17,068,588 |
| Creditors: amounts falling due within one year | 14 | <u>(33,468,601)</u> | <u>(15,846,688)</u> |
| Net current assets | | <u>4,652,443</u> | <u>1,221,900</u> |
| Creditors: amounts falling due after more than one year | 14 | <u>(4,901,179)</u> | <u>(3,719,835)</u> |
| Net assets | | <u>92,523,797</u> | <u>85,542,467</u> |
| Charity Funds | | | |
| Endowment funds | 16 | 25,833 | 25,833 |
| Restricted funds | 16 | 14,382,576 | 35,422,127 |
| Unrestricted funds | 16 | <u>77,077,701</u> | <u>50,094,506</u> |
| Total funds | | <u>92,523,797</u> | <u>85,542,467</u> |

The surplus for the financial year dealt with in the financial statements of the parent company was \$6,981,330 (2020: \$16,487,949).

The financial statements were approved by the Trustees on 2 August 2022 and signed on their behalf, by:



Jan Bonde Nielsen, Chairman

Company number: 05598718

The notes on pages 37 to 55 form part of these financial statements

VIRUNGA FOUNDATION
(A COMPANY LIMITED BY GUARANTEE)
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

| | Notes | 2021 \$ | 2020 \$ |
|--|-------|---------------------------|----------------------------|
| Cash flows from operating activities: | | | |
| Net cash provided by operating activities | 18 | 24,411,629 | 16,455,880 |
| Cash flows from investing activities: | | | |
| Interest received | | 214,139 | 217,094 |
| Purchase of intangible fixed assets | | (2,180,337) | (394,617) |
| Disposal of intangible fixed assets | | 730,813 | - |
| Purchase of tangible fixed assets | | (5,651,207) | (15,173,703) |
| Purchase of investments | | - | - |
| Net cash used in investing activities | | <u>(6,886,592)</u> | <u>(15,351,226)</u> |
| Cash flows from financing activities: | | | |
| Repayments of borrowings | | (2,566,472) | (3,498,002) |
| Cash inflows from new borrowing | | <u>1,261,963</u> | <u>4,644,550</u> |
| Net cash provided by financing activities | | <u>(1,304,509)</u> | <u>1,146,548</u> |
| Change in cash and cash equivalents in the year | | 16,220,528 | 2,251,202 |
| Cash and cash equivalents brought forward | | <u>4,634,932</u> | <u>2,380,730</u> |
| Cash and cash equivalents carried forward | 19 | <u>20,855,460</u> | <u>4,634,932</u> |

VIRUNGA FOUNDATION
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1. Accounting Policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The company has adapted its balance sheet, as permitted by the regulations, to show debtors greater than one year as a separate line and not within current assets.

Virunga Foundation meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy.

1.2 Going concern

Virunga Foundation operates in North Kivu, a region with very high inherent risks, specifically; physical security, political uncertainty, serious public health issues and geological threats of volcanic eruption and earthquakes. The combination of these risks regularly places unforeseen demands on the Group and its staff to react immediately in order to preserve lives. Unpredictable events therefore occur which create resource demands, as well as reducing income generating activities, however, it is the reality that when emergency situations arise, unbudgeted material donations from established funders are invariably received.

The operating risk environment of Virunga Foundation is recognised as one of the most challenging in the world and as such there are multiple risks outside the control of the Group, the mitigations for which are necessarily limited.

The physical and political risk environments overlap and interact with the financial and funding risk environments, though as indicated above, material unbudgeted funding is frequently received when unforeseen events arise, be they environmental, health or security related. Virunga Foundation is highly dependent on a limited, though increasing number of large grants to fund its operations. The timing of the initial receipt of these grants and subsequent tranches, is critical in ensuring there is adequate funding to support operations and to maintain ongoing operations, as well as to enable the implementation of key projects. Work has been done by management, with the support of the finance and audit committee, to increase the level of scrutiny and planning, to minimise risks of liquidity issues. This includes being able to access "bridge" funding, which one substantial lender has indicated a willingness to provide.

The forecast level of grants and other income is considered adequate to fund operational requirements for the coming two years, based on the already existing secured and almost secured grants. The forecast level of grant income is considered conservative, not including grants still to be negotiated in the course of the next two years. In addition management has prepared an austerity scenario budget which could be implemented with reduced expenditure, in case of an unforeseen emergency situation arising. The requirement to implement such a budget is considered unlikely, but provides confidence in the capacity of the Charity to survive an emergency event.

The establishment of mechanisms to raise short term bridge funding, as described above, is in part to address the absence of any material free reserves. The generation of unrestricted income from among others, the sale of sustainably generated electricity is one of the future mechanisms identified to build up a level of free reserves. However, to date unrestricted income has been required to fund ongoing operations. The creation of reserves remains a priority for the Trustees.

VIRUNGA FOUNDATION
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1. Accounting Policies (continued)

1.2 Going concern (continued)

The Trustees are satisfied that under foreseeable scenarios the Charity will have adequate funds to continue with its operations for the longer term, but specifically for the period of at least twelve months from the date of approval of these financial statements and therefore it is appropriate to prepare these financial statements on a going concern basis.

Management has also developed contingency plans identifying where expenditure can be reduced should projected income targets not be met. While reduction in planned expenditure would impact on planned development objectives, management is confident it would be able to maintain core operations and ensure the viability of the Foundation.

The Trustees are therefore satisfied that in most scenarios the Group will have sufficient funds to continue with its operations for the foreseeable future, being the period of at least twelve months from the date of approval of these financial statements and therefore it is appropriate to prepare these financial statements on the going concern basis.

However, there are inherent uncertainties in the operating context of the Group which may impact the Group's ability to raise funds and generate revenue, to mitigate sufficiently the impact of events arising from those uncertainties. These circumstances represent a material uncertainty that may raise doubt on the company's ability to continue as a going concern.

1.3 Basis of consolidation

The Statement of Financial Activities (SOFA) and Balance Sheet consolidate the financial statements of the company and its subsidiary undertakings. The results of the subsidiaries are consolidated on a line by line basis. No separate SOFA has been presented for the company alone as permitted by section 408 of the Companies Act 2006.

The results of subsidiaries acquired during the year are included from the effective date of acquisition.

The company has taken advantage of the exemption contained within 408 of the Companies Act 2006 not to present its own Income and Expenditure Account.

1.4 Group status

The company is a company limited by guarantee. The members of the company are certain of the Trustees named on page 1. In the event of the company being wound up, the liability in respect of the guarantee is limited to £10 in total.

1.5 Reporting Currency

The functional and reporting currency used by the charity and group is United States Dollars and hence these accounts are reported in this currency.

VIRUNGA FOUNDATION
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1. Accounting Policies (continued)

1.6 Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the Trustees in furtherance of the general objectives of the company and which have not been designated for other purposes.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the company for particular purposes. The costs of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

Endowment funds represent assets retained for the benefit of the charity as a capital fund. Details of the nature and purpose of each endowment fund is set out in note 16. The expendable endowment fund represents a fund from which capital and interest can be drawn down for unrestricted use.

1.7 Incoming resources

Income is recognised once the company has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

Donations of cash, which include regular giving, public donations and appeals, are recognised as income once the company has the right to receive the donation, it is probable that the economic benefits will be received, and the amount of the donation can be measured reliably.

Incoming resources are deferred only when the donor has imposed preconditions on the expenditure of resources. Income from government and other grants is recognised when the charity has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received, and the amount can be measured reliably and is not deferred.

Trading and other income is recognised in the period in which it is receivable and to the extent the goods have been provided or on completion of the service.

1.8 Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably.

Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use.

Charitable activities and Governance costs are costs incurred on the company's operations, including support costs and costs relating to the governance of the company apportioned to charitable activities.

1.9 Intangible and tangible fixed assets

Expenditure on capital items for the parent charity is generally written off to the SOFA on the basis that the items acquired/constructed are for the benefit of the community/specific project and therefore they will not generate any future economic benefit for the charity.

VIRUNGA FOUNDATION
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1. Accounting Policies (continued)

1.10 Intangible and tangible fixed assets (continued)

Intangible and tangible fixed assets in respect of the subsidiary entities are carried at cost, net of depreciation and any provision for impairment. Depreciation is not charged on freehold land. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

| | | |
|--|---|-----------------------|
| Buildings | - | 0-5% straight line |
| Plant, machinery and equipment | - | 4% straight line |
| Motor vehicles | - | 25% straight line |
| Computer equipment | - | 20-33% straight line |
| Other fixed assets | - | 20% straight line |
| Intangible fixed assets (excl. cryptocurrencies) | - | 20%-33% straight line |

Impairment reviews are conducted when events and changes in circumstances indicate that an impairment may have occurred. If any asset is found to have a carrying value materially higher than its recoverable amount, it is written down accordingly.

Cryptocurrencies are held on the balance sheet as intangible assets, and are accounted for under the revaluation model, and are initially recognised at cost. They are subsequently carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated amortisation and subsequent accumulated impairment losses.

1.11 Investments

Investments are a form of financial instrument and are initially recognised at their transaction cost and subsequently measured at fair value at the Balance Sheet date, unless fair value cannot be measured reliably in which case it is measured at cost less impairment. Investment gains and losses, whether realised or unrealised, are combined and shown in the heading 'Gains/(losses) on investments' in the Statement of Financial Activities.

- (i) **Subsidiary undertakings**
Investments in subsidiaries are valued at cost less provision for impairment.
- (ii) **Associated undertakings**
Investments in associates are valued at cost less provision for impairment.
- (ii) **Social investments**
Social investments are initially recognised at cost, with the carrying amount adjusted each year to reflect additional amounts invested, any repayments and accrued interest, and are assessed for impairment on an annual basis.

1.12 Interest receivable

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the company; this is normally upon notification of the interest paid or payable by the Bank.

1.13 Debtors

Trade and other debtors are recognised at the settlement amount after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

VIRUNGA FOUNDATION
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1. Accounting Policies (continued)

1.14 Cash at Bank and In hand

Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

1.15 Liabilities

Liabilities are recognised when there is an obligation at the Balance Sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the company anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide.

1.16 Financial instruments

The company only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

1.17 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

1.18 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into dollars at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into dollars at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Statement of Financial Activities.

1.19 Loans and borrowings

Loans and borrowings are initially recognised at the transaction price including transaction costs. Subsequently, they are measured at amortised cost using the effective interest rate method, less impairment. If an arrangement constitutes a finance transaction it is measured at present value.

1.20 Stocks

Stocks represents parts and consumables held in respect of the hydropower stations, and are measured at the lower of cost adjusted, when applicable, for any loss of service potential and replacement cost.

VIRUNGA FOUNDATION
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1. Accounting Policies (continued)

1.21 Accounting estimates and key judgements

In the application of the charity's accounting policies, Trustees are required to make judgements, estimates, and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects the current and future periods.

The significant areas of estimate and judgement include the remaining useful life of assets, impairment of assets and the recognition of grant income. Related accounting policies for these items are noted above.

2. Voluntary income

| | Restricted and Endowment funds 2021 \$ | Unrestricted funds 2021 \$ | Total funds 2021 \$ | Total funds 2020 \$ |
|-----------|---|---|--|--|
| Donations | 198,489 | 3,992,792 | 4,191,281 | 2,376,868 |
| Grants | <u>19,767,297</u> | <u>2,455,695</u> | <u>22,222,992</u> | <u>26,551,734</u> |
| | <u>19,965,786</u> | <u>5,237,847</u> | <u>26,414,274</u> | <u>28,928,602</u> |

In 2020, of the total income from grants and donations, \$3,837,630 was to unrestricted funds and \$25,090,972 was to restricted funds.

3. Incoming resources from charitable activities

| | Restricted funds 2021 \$ | Unrestricted funds 2021 \$ | Total funds 2021 \$ | Total funds 2020 \$ |
|----------------|---|---|--|--|
| Tourism income | - | 126,623 | 126,623 | 188,298 |
| Lodge income | - | 305,651 | 305,651 | 224,793 |
| Other income | <u>53,761</u> | <u>90,630</u> | <u>144,391</u> | <u>78,924</u> |
| | <u>53,761</u> | <u>522,904</u> | <u>576,665</u> | <u>492,015</u> |

In 2020, of the total other incoming resources, \$492,015 was to unrestricted funds and \$nil was to restricted funds.

VIRUNGA FOUNDATION
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

4. Trading income

| | Restricted funds 2021 \$ | Unrestricted funds 2021 \$ | Total funds 2021 \$ | Total funds 2020 \$ |
|--|---|---|--|--|
| Royalty income | - | 83,333 | 83,333 | 52,310 |
| Provision of electricity | - | 7,143,327 | 7,143,327 | 5,423,345 |
| Rent received and other trading income | - | 56,814 | 56,814 | 45,982 |
| | <u>-</u> | <u>7,283,474</u> | <u>7,283,474</u> | <u>5,521,637</u> |

In 2020, of the total income from other trading activities, \$5,521,637 was to unrestricted funds and \$nil was to restricted funds.

5. Hydro power plant operational costs

| | Staff costs 2021 \$ | Other direct costs 2021 \$ | Total funds 2021 \$ | Total funds 2020 \$ |
|-------------------------------------|------------------------------------|---|--|--|
| Hydro power plant operational costs | <u>2,899,649</u> | <u>7,418,280</u> | <u>10,317,929</u> | <u>5,527,409</u> |

In 2020, of the total expenditure on raising funds, \$5,527,409 was for unrestricted funds and \$nil was for restricted funds.

6. Analysis of expenditure on charitable activities

| | Staff costs 2021 \$ | Other direct costs 2021 \$ | Support costs 2021 \$ | Total 2021 \$ | Total 2020 \$ |
|-------------------------------------|--|---|--|------------------------------|------------------------------|
| Agriculture and development | 556,254 | 1,757,130 | 12,870 | 2,326,254 | 2,091,363 |
| Protection of Virunga National Park | 9,313,224 | 7,766,584 | 95,020 | 17,174,828 | 15,965,462 |
| Raising awareness | - | 4,543 | 26 | 4,569 | 28,721 |
| | <u>9,869,478</u> | <u>9,528,257</u> | <u>107,916</u> | <u>19,505,561</u> | <u>18,085,546</u> |

In 2020, of the total expenditure, \$12,774,305 was expenditure from unrestricted funds and \$10,838,650 was expenditure from restricted funds.

Included in support costs are foreign exchange losses of \$39,538 (2020: gains of \$3,837) and governance costs of \$65,388 (2020: \$60,482).

VIRUNGA FOUNDATION
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

7. Net incoming resources

This is stated after charging:

| | 2021 \$ | 2020 \$ |
|---|------------|------------|
| Fees payable to the company's auditor and its associates for the audit of the company's annual accounts | 46,224 | 41,075 |
| Fees payable to the company's auditor and its associates in respect of: | | |
| - The audit of subsidiaries of the company | 23,492 | 26,177 |
| - Non-audit services | 41,896 | 18,811 |
| Depreciation of tangible fixed assets owned by the charitable group | 4,208,271 | 2,818,334 |
| Amortisation of intangible fixed assets owned by the charitable group | 674,245 | 561,588 |

During the year, no Trustees received any remuneration for their services as a trustee (2020: \$Nil).

During the year, no Trustees received any benefits in kind (2020: \$Nil). No Trustee received reimbursement of expenses in the current year (2020: No Trustees - \$nil). Other transactions with Trustees are detailed in Note 20.

8. Staff costs

Staff costs were as follows:

| | 2021 \$ | 2020 \$ |
|--------------------|-------------------|-------------------|
| Wages and salaries | <u>12,769,127</u> | <u>13,045,645</u> |

The average number of persons employed by the company during the year was as follows:

| | 2021 No | 2020 No |
|-----------------------|------------|------------|
| Charitable activities | 512 | 489 |
| Hydropower | <u>222</u> | <u>247</u> |
| | 734 | 736 |

Staff costs above are inclusive of amounts paid by the Charity to the Park Rangers, who are employed by ICCN (the DRC governmental department in charge of the Park). As they are not employees of the Charity the Rangers are not included in the average number of staff figures above.

The number of higher paid employees was:

| | 2021 No | 2020 No |
|---|------------|------------|
| In the band £60,001 - £70,000 (\$82,506 - \$96,256) | 1 | 1 |
| In the band £70,001 - £80,000 (\$96,257 - \$110,007) | 1 | 1 |
| In the band £80,001 - £90,000 (\$110,008 - \$123,757) | 1 | 1 |
| In the band £100,001 - £110,000 (\$137,509 - \$151,259) | 1 | 1 |
| In the band £110,001 - £120,000 (\$151,260 - \$165,010) | 0 | 1 |

VIRUNGA FOUNDATION
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

8. Staff costs (continued)

The key management personnel of the charity comprise the trustees and the senior management team. The total amount of employee benefits received by the senior management team for their services to the charity was \$1,157,485 (2020: \$1,234,256). The trustees receive no remuneration or benefit from the charity for acting as trustees.

9. Intangible fixed assets

| Group | Charity Cryptocurrency \$ | Group Computer software \$ | Group Other fixed assets \$ | Group Total \$ |
|-----------------------|--|---|--|-------------------------------|
| Cost | | | | |
| At 1 January 2021 | - | 1,066,236 | 2,473,039 | 3,539,275 |
| Additions | 1,837,644 | 124,508 | 218,185 | 342,693 |
| Disposals | (730,813) | - | - | (730,813) |
| Impairment | (69,114) | - | - | (69,114) |
| At 31 December 2021 | <u>1,037,688</u> | <u>1,190,744</u> | <u>2,691,224</u> | <u>4,919,656</u> |
| Depreciation | | | | |
| At 1 January 2021 | - | 207,084 | 1,651,802 | 1,858,886 |
| Charge for the year | - | 32,799 | 641,446 | 674,245 |
| At 31 December 2021 | - | <u>239,883</u> | <u>2,293,248</u> | <u>2,533,131</u> |
| Net book value | | | | |
| At 31 December 2021 | <u>1,037,688</u> | <u>950,861</u> | <u>397,976</u> | <u>2,386,524</u> |
| At 31 December 2020 | - | <u>859,152</u> | <u>821,237</u> | <u>1,680,389</u> |

VIRUNGA FOUNDATION
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

10. Tangible fixed assets

| | Land and buildings | Plant and machinery | Motor vehicles | Computer equipment | Other fixed assets | Total |
|-------------------------------|-----------------------|------------------------|-------------------|-----------------------|--------------------------|--------------------|
| Group | \$ | \$ | \$ | \$ | \$ | \$ |
| Cost | | | | | | |
| At 1 January 2021 | 62,394,947 | 29,742,075 | 5,371,360 | 398,284 | 150,495 | 98,057,161 |
| Foreign exchange movements | 4,398 | 28 | - | 48 | - | 4,474 |
| Additions | 5,561,939 | 66,263 | - | 12,805 | 10,200 | 5,651,207 |
| Disposals | - | - | (15,122) | (1,257) | - | (16,379) |
| At 31 December 2021 | <u>67,961,284</u> | <u>29,808,366</u> | <u>5,356,238</u> | <u>409,880</u> | <u>160,695</u> | <u>103,696,463</u> |
| Depreciation | | | | | | |
| At 1 January 2021 | 4,006,004 | 5,898,132 | 4,498,941 | 324,870 | 150,495 | 14,878,442 |
| Foreign exchange movements | 7,520 | 38 | - | 74 | - | 7,632 |
| Charge for the year | 2,259,761 | 1,600,843 | 318,024 | 29,643 | - | 4,208,271 |
| Disposals | - | - | - | (1,257) | - | (1,257) |
| At 31 December 2021 | <u>6,273,285</u> | <u>7,499,013</u> | <u>4,816,965</u> | <u>353,330</u> | <u>150,495</u> | <u>19,093,088</u> |
| Net book value | | | | | | |
| At 31 December 2020 | <u>58,385,821</u> | <u>23,843,933</u> | <u>872,419</u> | <u>73,388</u> | <u>-</u> | <u>83,175,561</u> |
| At 31 December 2021 | <u>61,687,999</u> | <u>22,309,353</u> | <u>539,273</u> | <u>56,550</u> | <u>10,200</u> | <u>84,603,375</u> |

Included in the above are fixed assets under the course of construction of \$12,974,027 (2020: \$9,106,409).

Included in land and buildings is freehold land at cost of \$886,514 (2020: \$886,514) which is not depreciated.

| | Motor Vehicles \$ | Other fixed assets \$ | Total \$ |
|--|-------------------------|-----------------------------|----------------|
| Company | | | |
| Cost | | | |
| At 1 January 2021 and 31 December 2021 | <u>549,905</u> | <u>150,495</u> | <u>700,400</u> |
| Depreciation | | | |
| At 1 January 2021 and 31 December 2021 | <u>549,905</u> | <u>150,495</u> | <u>700,400</u> |
| Net book value | | | |
| At 31 December 2020 and 31 December 2021 | <u>-</u> | <u>-</u> | <u>-</u> |

VIRUNGA FOUNDATION
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

11. Fixed asset investments

| Group | Other investments \$ |
|---------------------------|-------------------------------------|
| Cost | |
| At 1 January 2021 | 1,390,435 |
| Foreign exchange movement | - |
| Purchases | - |
| | <u>1,390,435</u> |
| At 31 December 2021 | <u>1,390,435</u> |

Group investments at cost comprise:

| | 2021 \$ | 2020 \$ |
|------------------------------------|--------------------|--------------------|
| Listed investments at market value | 73 | 73 |
| Other fixed asset investments | <u>1,390,362</u> | <u>1,390,362</u> |
| | <u>1,390,435</u> | <u>1,390,435</u> |

All the other fixed asset investments are held in Belgium by Virunga SRL, the fully owned subsidiary of Virunga Foundation.

| | Shares in group undertakings \$ |
|--|--|
| Company | |
| Cost | |
| At 1 January 2021 and 31 December 2021 | <u>294,667</u> |

Company investments at cost comprise:

| | 2021 \$ | 2020 \$ |
|-----------------------------------|--------------------|--------------------|
| Investment in subsidiaries | <u>294,667</u> | <u>294,667</u> |

Details of the principal subsidiaries and associates can be found under note number 21.

VIRUNGA FOUNDATION
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

12. Debtors due after more than one year

| | Group | | Company | |
|----------------------|----------------|----------------|-------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 |
| | \$ | \$ | \$ | \$ |
| Deferred tax asset | 433,740 | 477,692 | - | - |
| Virunga SRL | - | - | 1,777,487 | 1,692,844 |
| Virunga Energies SAU | - | - | 89,662,692 | 86,052,891 |
| | <u>433,740</u> | <u>477,692</u> | <u>91,440,179</u> | <u>87,745,735</u> |

The movement in value for the year was as follows:

| | |
|----------------------------------|--------------------------|
| | \$ |
| Value at 1 January 2021 | 87,745,735 |
| Additional loans | 3,574,038 |
| Accrued interest | 120,406 |
| Value at 31 December 2021 | <u>91,440,179</u> |

13. Debtors

| | Group | | Company | |
|------------------------------------|------------------|------------------|-------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 |
| | \$ | \$ | \$ | \$ |
| Due within one year | | | | |
| Trade debtors | 1,411,053 | 1,146,723 | - | - |
| Amounts owed by group undertakings | - | - | 7,716,427 | 9,118,059 |
| Other debtors | 2,825,381 | 473,063 | 1,120,874 | 444,193 |
| Prepayments and accrued income | 5,600,053 | 2,665,374 | 5,697,642 | 2,664,553 |
| | <u>9,836,488</u> | <u>4,285,161</u> | <u>14,534,943</u> | <u>12,226,805</u> |

14. Creditors:
Amounts falling due within one year

| | Group | | Company | |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 |
| | \$ | \$ | \$ | \$ |
| Bank loan and overdrafts | 3,339,623 | 2,378,561 | - | - |
| Other loans | - | 2,200,000 | - | 2,200,000 |
| Trade creditors | 2,283,998 | 2,528,177 | 795,142 | 512,796 |
| Other taxation and social security | 91,238 | 90,897 | 91,238 | 90,769 |
| Taxation | 622 | - | - | - |
| Other creditors | 392,285 | 103,140 | 316,451 | 88,257 |
| Accruals and deferred income | 32,270,570 | 12,961,036 | 32,265,770 | 12,954,865 |
| | <u>38,378,336</u> | <u>18,308,391</u> | <u>33,468,601</u> | <u>15,846,688</u> |

VIRUNGA FOUNDATION
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14. Creditors (continued):

Amounts falling due after one year

| | Group | | Company | |
|---|-------------------|-------------------|------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 |
| | \$ | \$ | \$ | \$ |
| Deferred income | - | - | - | - |
| Other loans | 4,901,179 | 3,719,835 | 4,901,179 | 3,719,835 |
| Bank loans | 10,061,799 | 10,428,283 | - | - |
| | <u>14,962,978</u> | <u>14,148,118</u> | <u>4,901,179</u> | <u>3,719,835</u> |
| Analysis of loans - | | | | |
| Amounts falling due within 1-2 years | 3,062,765 | 537,744 | 1,470,354 | - |
| Amounts falling due within 2-5 years | 11,900,213 | 13,610,374 | 3,430,825 | 3,719,835 |
| Amounts falling due after more than 5 years | - | - | - | - |
| | <u>14,962,978</u> | <u>14,148,118</u> | <u>4,901,179</u> | <u>3,719,835</u> |

Bank and other loans comprise the following -

- A \$9m loan from CDC repayable over the period ending 31 December 2025. Interest is charged at 5% per annum interest plus an additional 1% per annum commitment fee interest.
- A \$2.5m loan from Illeros Limited repayable over the period ending 31 December 2025. Interest is charged at 2% per annum.
- A \$4.9m loan from Schmidt Family Foundation repayable over the period ending 31 December 2025. Interest is charged at 0.25% per annum.

Virunga Foundation has also provided a guarantee to Equity Bank in respect of development loans previously issued by Virunga Developments which were purchased by Equity Bank in 2020. At 31 December 2021 the guarantee amounted to \$799k, for which a corresponding amount is held in a separate bank account.

On 15 December 2021 Virunga Foundation entered into a financing agreement with CDC for a new loan facility of \$10.3m. The loan is repayable over 10 years with interest charged at a rate of 6% per annum.

15. Deferred taxation

| | Group | | Company | |
|--|-----------------|-----------------|----------------|-------------|
| | 2021 | 2020 | 2021 | 2020 |
| | \$ | \$ | \$ | \$ |
| At beginning of year | 477,692 | 552,938 | - | - |
| Added/(released) during the year (P&L) | <u>(43,952)</u> | <u>(75,246)</u> | <u>-</u> | <u>-</u> |
| At end of year | <u>433,740</u> | <u>477,692</u> | <u>-</u> | <u>-</u> |

The deferred taxation balance is made up as follows:

| | Group | | Company | |
|--------------------------------|----------------|----------------|----------------|-------------|
| | 2021 | 2020 | 2021 | 2020 |
| | \$ | \$ | \$ | \$ |
| Accelerated capital allowances | <u>433,740</u> | <u>477,692</u> | <u>-</u> | <u>-</u> |

VIRUNGA FOUNDATION
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

16. Statement of funds

| | Brought forward | Income | Expenditure | Transfers in/out | Carried forward |
|---|------------------------|-------------------|---------------------|-------------------------|------------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Unrestricted funds | | | | | |
| General funds | <u>52,683,154</u> | <u>14,469,005</u> | <u>(16,889,015)</u> | <u>9,897,177</u> | <u>60,160,321</u> |
| Restricted funds | | | | | |
| Protection of Virunga National Park | 1,033,666 | 9,999,597 | (10,619,871) | 960,208 | 1,373,600 |
| Agriculture and development | 7,054,697 | 2,780,673 | (2,314,694) | (7,485,726) | 34,950 |
| Hydro power plant construction | <u>9,106,409</u> | <u>7,239,277</u> | <u>-</u> | <u>(3,371,659)</u> | <u>12,974,027</u> |
| | <u>17,194,772</u> | <u>20,019,547</u> | <u>(12,934,565)</u> | <u>(9,897,177)</u> | <u>14,382,577</u> |
| Expendable endowment funds | | | | | |
| Fallen rangers fund | <u>25,833</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>25,833</u> |
| Total Restricted and Endowment funds | <u>17,220,605</u> | <u>20,019,547</u> | <u>(12,934,565)</u> | <u>(9,897,177)</u> | <u>14,408,410</u> |
| TOTAL OF FUNDS | <u>69,903,759</u> | <u>34,488,552</u> | <u>(29,823,580)</u> | <u>-</u> | <u>74,568,731</u> |
| <i>2020 comparatives</i> | <i>Brought forward</i> | <i>Income</i> | <i>Expenditure</i> | <i>Transfers in/out</i> | <i>Carried forward</i> |
| | <i>\$</i> | <i>\$</i> | <i>\$</i> | <i>\$</i> | <i>\$</i> |
| <i>Unrestricted funds</i> | | | | | |
| General funds | <u>30,874,617</u> | <u>10,068,376</u> | <u>12,774,305</u> | <u>24,514,466</u> | <u>52,683,154</u> |
| <i>Restricted funds</i> | | | | | |
| Protection of Virunga National Park | 537,531 | 9,064,698 | 8,568,563 | - | 1,033,666 |
| Agriculture and development | 156,909 | 8,978,669 | 2,080,881 | - | 7,054,597 |
| Hydro power plant construction | <u>26,573,270</u> | <u>7,047,605</u> | <u>-</u> | <u>(24,514,466)</u> | <u>9,106,409</u> |
| | <u>27,267,710</u> | <u>25,090,972</u> | <u>10,649,444</u> | <u>(24,514,466)</u> | <u>17,194,772</u> |
| <i>Expendable endowment funds</i> | | | | | |
| Fallen rangers fund | <u>215,039</u> | <u>-</u> | <u>189,206</u> | <u>-</u> | <u>25,833</u> |
| <i>Total Restricted and Endowment funds</i> | <u>27,482,749</u> | <u>25,090,972</u> | <u>10,838,650</u> | <u>(24,514,466)</u> | <u>17,220,605</u> |
| <i>Total of funds</i> | <u>58,357,366</u> | <u>35,159,348</u> | <u>23,612,955</u> | <u>-</u> | <u>69,903,759</u> |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

16. Statement of funds (continued)

UNRESTRICTED FUNDS

The unrestricted funds in these consolidated accounts are, as can be seen above, an amalgamation of the individual charity's unrestricted funds plus those of its subsidiaries.

RESTRICTED FUNDS

- 1) **Agriculture and development** – This consists of funding received for agricultural development around the Park, including the construction of feeder roads and cold storage facilities, as well as facilities to produce and sell, amongst others, coffee, chocolate and chia seeds. The fund is currently in deficit as expenditure has been incurred for which the charity is not currently entitled to recognise the income. Income is expected to be recognised in the subsequent financial year. Transfers represent projects for which the restriction has been fulfilled and the funds have been released to unrestricted funds.
- 2) **Protection of Virunga National Park (PVNP)** -This consists of protecting and conserving the wildlife and natural resources of the Virunga National Park and emergency support for rangers by means of providing food and shelter to Park rangers and their families who have been displaced by the current civil conflict in the Democratic Republic of Congo. Another part is the charity developing their websites for marketing purposes to increase public awareness and online donation income. Transfers represent projects for which the restriction has been fulfilled and the funds have been released to unrestricted funds, or for projects which have overspent and the deficit is funded by unrestricted funds.
- 3) **Hydro Power Plants** - Funding was received for the design and building of hydro power plants to provide electricity to villages surrounding Virunga National Park. Transfers from the fund during the year relate to the completed hydro power plants being transferred into unrestricted funds as the restriction on the associated income has been extinguished.

ENDOWMENT FUNDS

Fallen Ranger fund – an expendable endowment created to secure the future of the rangers and their families for years to come. Fallen rangers leave behind families who relied on them as the main breadwinners, and an injured ranger poses a financial burden on a family. The fund will be used to not only pay for pensions for those widows and retired rangers, but also help pay for medical treatment for rangers injured in the line of duty.

VIRUNGA FOUNDATION
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

17. Analysis of net assets between funds

| | Endowment funds 2021 \$ | Restricted funds 2021 \$ | Unrestricted funds 2021 \$ | Total funds 2021 \$ |
|-------------------------------------|----------------------------------|-----------------------------------|-------------------------------------|------------------------------|
| Intangible fixed assets | - | - | 2,386,524 | 1,348,837 |
| Tangible fixed assets | - | 12,974,027 | 71,629,348 | 84,603,375 |
| Fixed asset investments | - | - | 1,390,435 | 1,390,435 |
| Debtors due after more than 1 year | - | - | 433,740 | 433,740 |
| Net current assets / (liabilities) | 25,833 | 1,408,550 | (716,748) | 717,635 |
| Creditors due in more than one year | - | - | (14,962,978) | (14,962,978) |
| | <u>25,833</u> | <u>14,382,577</u> | <u>60,160,321</u> | <u>74,568,731</u> |
| | Endowment funds 2020 \$ | Restricted funds 2020 \$ | Unrestricted funds 2020 \$ | Total funds 2020 \$ |
| Intangible fixed assets | - | - | 1,680,389 | 1,680,389 |
| Tangible fixed assets | - | 9,106,409 | 74,069,152 | 83,175,561 |
| Fixed asset investments | - | - | 1,390,435 | 1,390,435 |
| Debtors due after more than 1 year | - | - | 477,692 | 477,692 |
| Net current assets / (liabilities) | 25,833 | 8,088,363 | (10,786,396) | (2,672,200) |
| Creditors due in more than one year | - | - | (14,148,118) | (14,148,118) |
| | <u>25,833</u> | <u>17,194,772</u> | <u>52,683,154</u> | <u>69,903,759</u> |

18. Reconciliation of net movement in funds to net cash flow from operating activities

| | 2021 \$ | 2020 \$ |
|--|-------------------|-------------------|
| Net income for the year (as per Statement of financial activities) | 4,664,972 | 11,546,393 |
| Adjustment for: | | |
| Investment income | (214,139) | (217,094) |
| Depreciation of tangibles fixed assets | 4,208,271 | 3,269,929 |
| Amortisation of intangible fixed assets | 674,245 | 665,509 |
| Loss on disposal of tangible fixed assets | 15,122 | - |
| Impairment of intangible fixed assets | 69,144 | - |
| (Increase)/decrease in stock | (807,494) | 207,393 |
| (Decrease)/increase in debtors | (5,507,375) | 847,343 |
| Increase in creditors | 21,308,883 | 135,807 |
| Net cash provided by operating activities | <u>24,411,629</u> | <u>16,455,880</u> |

VIRUNGA FOUNDATION
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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19. Analysis of cash and cash equivalents

| | 2021 \$ | 2020 \$ |
|----------------|--------------------|--------------------|
| Cash in hand | 23,616,536 | 6,515,577 |
| Bank overdraft | <u>(2,761,076)</u> | <u>(1,880,645)</u> |
| Total | <u>20,855,460</u> | <u>4,634,932</u> |

20. Analysis of changes in net debt

| | At 1 January 2021 \$ | Cash flows \$ | Other non-cash changes \$ | At 31 December 2021 \$ |
|----------------------------------|----------------------------|--------------------------|---------------------------------|---------------------------------|
| Cash and cash equivalents | | | | |
| Cash in hand | 6,515,577 | 17,100,959 | - | 23,616,536 |
| Bank overdraft | (1,880,645) | (880,431) | - | (2,761,076) |
| | 4,634,932 | 16,220,528 | - | |
| Borrowings | | | | |
| Debt due within one year | (2,697,916) | 2,697,916 | (578,547) | (578,547) |
| Debt due after one year | (14,148,118) | (1,393,407) | 578,547 | (14,962,978) |
| | (16,846,034) | 1,304,909 | - | (15,541,525) |
| TOTAL | <u>(12,211,102)</u> | <u>17,525,037</u> | <u>-</u> | <u>5,313,935</u> |

21. Related party transactions

In order to fulfil VF's mandate as manager of Virunga National Park, Emmanuel de Merode has been appointed as a director of the Virunga Park (in which role he is sworn in as a Public official), which is separate from his role as CEO of the Charity.

Emmanuel holds a senior rank within the ICCN as Park Director in order to be able to command the Rangers, as well as being the CEO of VF. The Rangers, who Emmanuel oversees in his role as Park Director, are fundamental to the protection of the Park, as well as to the provision of security to the civilian population living in the vicinity of the Park, and to the staff and operations of VF. Though not a financial transaction, as no remuneration is provided by ICCN, this related party relationship is highlighted due to its significance for the operation of VF. In the event of conflicts arising from holding these two roles, Emmanuel will recuse himself from any discussions.

During the year transactions with the following related parties occurred:

| | | |
|----------------------------|---|--|
| Virunga SRL | - | Wholly owned subsidiary of VF |
| Virunga Energies SAU | - | Wholly owned subsidiary of Virunga SRL |
| Virunga Productions C.I.C. | - | Wholly owned subsidiary of VF |
| Virunga Development SARL | - | Wholly owned subsidiary of Virunga SRL |
| Virunga Fund Inc. | - | Sister company |

The charity is the only subscriber and a director of the social enterprise - Virunga Productions C.I.C.

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21. Related party transactions (continued)

Virunga Foundation previously had a relationship with Virunga Fund Inc., a US based "Not-for-Profit" organisation which raised funds for projects delivered by Virunga Foundation in advancement of the Foundation's objectives. The directors of VFI formally decided to dissolve the entity in October of 2019. In the dissolution process the last funds raised by VFI for Virunga Foundation projects, \$181,000 were transferred to Virunga Foundation in 2020. No further amounts were, or will be received from VFI. VFI was dissolved as it was considered more effective for Virunga Foundation to raise funds directly in the USA, through a combination of an equivalency determinations for large institutional donors and the operation of a "Friends Fund".

During the year, Virunga Foundation provided Virunga SRL with further funding to cover running costs and paid for expenses on its behalf amounting to \$7,693 (2020 - \$nil) and provided Virunga Development SARL with further funding to cover running costs amounting to \$15,218 (2020 - \$37,450).

During the year, Virunga Foundation has advanced short-term loans and paid for expenses on behalf of Virunga Energies SAU amounting to \$563,069 (2020 - \$195,567). Repayments of \$1,390,440 were made during the period. An amount of \$6,121,725 (2020 - \$6,949,096) was outstanding at the year end.

Virunga Foundation has advanced a long term loan to Virunga Energies SAU. The main terms of this loan are that interest will be paid on an annual basis, with capital repayment only required if the conditions regarding repayment occur. Interest is accruing at 6% per annum on this loan and interest received in the year amounted to \$35,764 (2020 - \$4,541,669). Additional funds of \$3,574,038 were loaned during the period. The Board has resolved to waive interest charges on the loans until 31 December 2023.

Virunga Foundation has advanced a long term loan to Virunga SRL. The main terms of this loan are that interest will be paid on an annual basis, with capital repayment only required if the conditions regarding repayment occur. Interest is accruing at 6% per annum on this loan and interest received in the year amounted to \$144,844 (2020 - \$141,675).

During the year expenses of \$4,508 paid on behalf of Virunga Productions C.I.C., to fund media related costs.

During the year Jan Bonde Nielsen made payments of \$97,463 (2020: \$74,878) to a consultant on behalf of the Virunga Foundation for fundraising consultancy services. The consultancy engaged Birgitte Kleftakis, a daughter of Jan Bonde Nielsen, for which she received \$16,500 (2020: \$7,702).

Jan Bonde Nielsen is a Trustee of Farm Africa. During the year payments of \$68,843 were made to Farm Africa in respect of consultancy services provided for the Virunga coffee programme. No amounts were outstanding at the year end.

In 2017 The World We Want Foundation of which Paul Leander Engström, a Virunga Foundation trustee, is founder and Chairman, provided Virunga Energies SAU with a loan of \$2.5m with a 10-year duration, at a 2% per annum interest rate. As at 31 December 2021 the outstanding amount was \$2.47m (2020: \$2.47m). From time to time The World We Want Foundation also provides short term loan facilities to Virunga Foundation. At 31 December 2021 the outstanding short-term loan amount was \$nil (2020: \$2.2 million). During the period The World We Want Foundation agreed to convert \$1million of the loan to a grant.

At the year end the following amounts were due from/(to) the related parties:

| | 2021 | 2020 |
|---------------------------------------|------------|------------|
| | \$ | \$ |
| Virunga SRL – long term loan | 1,777,487 | 1,692,844 |
| Virunga Energies SAU – long term loan | 89,662,692 | 86,052,891 |
| Virunga Development SARL | 468,988 | 498,806 |
| Virunga Productions C.I.C | 368,595 | 479,044 |
| Virunga SRL – short term loan | 1,259,006 | 1,191,112 |

VIRUNGA FOUNDATION
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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21. Principal subsidiaries, joint ventures and associates

a. Principal subsidiaries

| Company name | Registered Office | Percentage Shareholding |
|-------------------------------|------------------------------|--------------------------------|
| Virunga Productions CIC | United Kingdom | 100% |
| Virunga SRL | Belgium | 100% |
| Virunga Energies SAU* | Democratic Republic of Congo | 100% |
| Virunga Development SARL* | Democratic Republic of Congo | 100% |
| Virunga Energies SAU Limited* | Kenya | 100% |
| Virunga Belgique SRL Limited* | Kenya | 100% |
| Virunga Foundation Limited | Kenya | 100% |

*held through Virunga SRL

b. Other participating interests

| Company name | Country | Percentage Shareholding |
|------------------------|------------------------------|--------------------------------|
| Virunga Enzymes SARL* | Democratic Republic of Congo | 15% |
| SICOVIR SARL* | Democratic Republic of Congo | 20% |
| Virunga Chocolat SARL* | Democratic Republic of Congo | 20% |

*held through Virunga SRL