

REGISTERED NO. 05598718

CHARITY NO. 1111806

Virunga Foundation

Trustees' Report and Consolidated
Financial Statements for the Year
Ended 31 December 2022

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VIRUNGA FOUNDATION
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TRUSTEES' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

Chairman's Report

2022 represented a particularly challenging year for Virunga Foundation, due to the greatly heightened security challenges, which are at a level not experienced for over a decade. Despite the extreme security challenges faced, thanks to the commitment of Virunga Foundation's staff and partners, Virunga has continued to make substantial progress on its wide ranging objectives.

In the period since the completion of the 2021 audited financial statements and report, eleven ICCN Rangers and one employee tragically lost their lives while in performance of their duties. In July of 2022 two ICCN Rangers lost their lives in a traffic accident while on a service mission. In December 2022 two ICCN Rangers were killed in an attack by an illegal armed militia group and in a subsequent attack in February of 2023 another ICCN Ranger was killed. In early May of 2023 an illegal armed militia attack on a Virunga vehicle resulted in the death of four ICCN Rangers and one Virunga Energies employee, while later that same month another illegal armed militia attack on an ICCN Ranger patrol resulted in the death of two ICCN Rangers. Our thoughts are with the family, friends and colleagues of all these extremely courageous individuals. The loss of these valiant and dedicated professionals who died while serving to defend the Park and support local communities, is deeply mourned and commemorated by their many colleagues, who continue to dedicate themselves to the delivery of Virunga Foundation's vision. Achieving the vision and goals of Virunga Foundation remains, as always, dependent on the commitment and courage of the ICCN Rangers and of Virunga Staff who continue to work in extremely challenging environments.

The security situation in the Park and surrounding territory is extremely challenging, both directly as a result of the activity of the illegal armed M23 group, as well as indirectly, due to the redeployment of national Congolese army (FARDC) forces, in an attempt to halt M23's operations. Commencing in the later part of 2021 M23 have progressively taken control of significant areas of North Kivu, which include much of the Southern sector of Virunga National Park, and extensive areas of the districts adjacent to the Park, extending in places as far as the Ugandan border. With M23 having effective control over the Southern sector of the park, maintaining many regular operations is no longer possible. Specific activities have had to be suspended and the majority of staff, located in the Headquarters and at the Matebe powerplant location, have been relocated to the city of Goma, for security reasons, where they are working remotely. While there have been a number of high level regional political attempts to address the security situation, including sending in a military force from the East African community, there has been no significant improvement on the ground, with M23 continuing to control a significant area of North Kivu. In taking control of this area the M23 have killed and terrorised inhabitants of villages and caused the mass migration of a large percentage of the population in the area under its control, as described in some detail in the June 2023 UN report of the group of experts on the DRC to the Secretary General. In January of 2023 UNHCR estimated that 521,000 people had fled their homes as a direct result of M23 actions and are now homeless. A large percentage of this number are now living on the outskirts of Goma with limited food and water. As a reflection of Virunga Foundation's international reputation the ICRC has approached and engaged the Foundation to manage a project to deliver clean drinking water to the refugees surviving on the outskirts of Goma.

Just as Virunga Foundation's ability to respond rapidly to the major impact of the eruption of Mount Nyiragongo in 2021, VF's resilience has again been proven by its ability, not only to continue with the majority of its regular operations in 2022, but to make significant progress across most of its existing projects, while also initiating new ones.

On conservation activities, the "wildlife corridor" created between the Queen Elizabeth Park in Uganda and Virunga National park continues to be a major contributor to the population growth of many species, including the ungulate populations, notably elephants, but also 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 goals. While the level of encroachment has increased, due to the heightened security challenges, poaching impacts remain below species populations' natural growth rates. Though the mountain gorilla population is in the area controlled by the M23, some monitoring of the habituated gorilla groups, indicates that the population remains in good condition.

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The Trustees report contains detailed information on conservation highlights. Many of the illegal activities within and in the proximity of the Park are directly linked to the current security challenges in all sectors of the Park, which are also detailed in the Trustees Report.

In relation to the Foundation's development goals for the local populations, despite the security challenges significant progress has been made across all areas.

Virunga Energies, with its 4 operational hydropower plants generating and selling increased volumes of electricity to a wide range of enterprises and the public across North Kivu, is central to the development and security objectives. The impact of Virunga Energies continues to be transformational. New businesses continue to be created and established ones grow as a result of the increased access to electricity, with credit and training facilities provided to many small business clients. Construction of a new hydropower plant to meet the increasing demand for power in the largest regional population centre of Goma has continued, despite the security challenges. A new high voltage line to deliver increased power to Goma was completed in 2022.

In the course of 2022 there was continued growth in the number of the Foundation supported agriculture based businesses, which add significantly to small-holder farmers' family income. Initiatives progressed in 2022 include, the chocolate business which now has the capacity to produce 10 to 15 tonnes of chocolate per month to meet international demand, a tenfold production capacity increase. The activities of Sicovir, the soap production entity, which is now controlled by Virunga Foundation, have expanded and there is a key project underway to significantly expand soap production levels, as well as to commence a significant edible oil production activity. The ongoing coffee project working with local coffee cooperatives has resulted in major increases in quality, volume and revenues, benefiting thousands of local farmers, with a significant increase in the percentage of the value chain remaining locally based.

Discussions with the EU have given rise to a major new grant to increase "food security" in reaction to the major adverse effect of the war in Ukraine on food security in Africa. This grant will be used to create a large wheat processing plant in the Lubero area, which has a high density but relatively poor population. The project will address a number of Virunga Foundation's goals, providing increased reliable incomes for farmers, increased employment and increased local food supplies. Industrial bakeries will be built to produce bread for the local population. The energy to power the mill and bakeries will be supplied from the nearby Lubero hydropower plant.

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 in emergency situations. The work and impact of the Virunga Foundation relies on the ongoing generosity of all its supporters, without which it could not operate.

The security challenges of the armed militia groups continues in 2023, 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 take this opportunity to sincerely thank the staff and partners of the Virunga Foundation for their extreme dedication to delivering on the organisation's objectives, at great personal risk, which have allowed for such extraordinary continuing 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

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 2022. 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

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 organisations 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 has one main subsidiary, Virunga SRL, (which itself has a number of subsidiaries) and one related company, Virunga Productions CIC. Virunga Foundation also works in close 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 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 maintain 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 Kenyan entity.

Subsidiary entities

Virunga SRL

Virunga SRL is a 100% owned subsidiary Belgian limited liability company, 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, by means of the double taxation treaty existing between Belgium and the DRC. All of the Virunga Foundation subsidiary entities registered in DRC pay their taxes exclusively in the DRC.

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Virunga Belgique SRL Ltd

In the course of 2021 a Kenyan registered subsidiary, Virunga Belgique SRL Ltd was established, solely to enable the establishment of Virunga Belgique 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. It is foreseen that this account and company will be closed in the near future, as it has been identified that there is adequate financial flow resilience provided by existing Group Equity Bank Kenya accounts held by Virunga Foundation and Virunga Energies.

Virunga Energies SAU

Virunga Energies SAU is a Congolese limited liability company 100% owned by Virunga SRL. Virunga Energies SAU is engaged in the construction, operation and commercialisation of run-of-river hydroelectric projects in the proximity of the Park. These projects include 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 profit generated from these activities will be transferred to Virunga Foundation via Virunga SRL. The company currently utilises surplus energy to generate blockchain code and bitcoin, with limited capital investment, to augment and diversify revenue. The electrical generation activity related to blockchain code creation has additional benefits as it provides a base load resistance which can be used both to test newly commissioned plant, as well as to avoid turbines being static during periods of low demand.

The development of hydro-power projects around the Park has been shown to support 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 for the local population. Over time it is expected to reduce communities' reliance on unsustainable resources from the Park. E.g. illegal charcoal and firewood, as well as land encroachment for farming;
- 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 Kenyan 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 Congolese 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, and agriculture projects, with all energy requirement met by the hydroelectricity generated by Virunga Energies SAU. Another key activity includes the provision of small business loans for sustainable business initiatives.

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Virunga Productions CIC

Virunga Productions CIC was established in 2013. A Community Interest Company (CIC) is a UK 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 sole shareholder and has effective control of Virunga Productions CIC.

Sicovir SARL

Sicovir is a Congolese limited liability company, 56.72% owned by Virunga SRL, which was created in October 2013. Virunga SRL's shareholding in Sicovir was increased from 20% to 56.72% in November 2022. Sicovir produces various soap types 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. There are significant expansion plans for the company, including edible oil production, enabled by EU grants.

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

SPEE-NK is a Congolese 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.

Virunga Origins SRL

Virunga Origins SRL is a Belgian limited liability company, established in 2022 and 40% owned by Virunga SRL. Virunga Origins was established to market cocoa products, grown and produced in the vicinity of the Park by local communities, predominantly to the European market.

Virunga Chocolat SARL

Virunga Chocolat SARL is a Congolese 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, which is marketed and sold, both domestically and in international markets.

Virunga Enzymes SARL

Virunga Enzymes SARL is a successful Congolese 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 which is exported primarily to Europe, where it is used in a wide range of pharmaceutical and health food products.

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 donates all the funds it raises to Virunga Foundation.

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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 and operated by Virunga Foundation. 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 all stages of the coffee, from cultivation to market, value chain. 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.

Others

Virunga Foundation maintains close working relationships with nature conservation organisations such as the United Nations Education Science and Culture Organisation (UNESCO), the Ugandan Wildlife Authority, (UWA), 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, 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 with the revised code. The Charity Governance Code, the Charity Commission Guidance CC3 and the Articles of Association have all been shared with Trustees.

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. Trustees continue to consider the composition of the Board in relation to ensuring the Board comprises individuals with appropriate experience across all key areas of the Charity's operations

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A Finance and Audit Committee was established in 2020 which includes an independent external representative to further strengthen financial oversight, in particular from a UK Charity perspective. The Committee meets regularly and maintains an overview of all material financial matters and key risks based on management reports, on which it reports back on at Board meetings. Additionally notes of all Committee meetings are shared with all Trustees, subsequent to each Committee meeting.

The Charity's Articles were updated in March and September 2021 to clarify Member and Trustee interaction and to expand the grounds for termination of Membership, in order to comply with good governance practice. The Virunga Foundation Board continues to assess whether there are 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.

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 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 both positions of, CEO of Virunga Foundation and Virunga Park Chief Warden, of which the Board and the Charity Commission are cognisant. A specific Board instruction is in place to manage this conflict of interest.

Employees

Virunga Foundation employed 507 staff in 2022 and its main subsidiary Virunga Energies 224 staff, making a total of 731 in 2022, compared to 734 in 2021.

In the course of 2022 Virunga Energies employed between 500 and 2,000 daily/temporary workers on its ongoing projects, (construction and maintenance). The majority of these workers are employed through local agreements, in accordance with the national labour law. These agreements support equitable sharing of the jobs within communities where the underlying level of unemployment is very high. Rotating 22-day contracts permit the provision of additional income to a much wider population base.

Section 172 Statement

Virunga Foundation is governed by its charitable objects, as presented in the Public benefit section of this report. The activities of the charity are assessed on how they contribute to meeting its charitable objectives. Measurement of contribution ranges from metrics on conservation goals, to development goals such as employment creation, delivery of renewable energy and increasing the effectiveness of small farmholdings. 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.

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Key stakeholders to whom the charity are accountable include, local, regional and national authorities, 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 its 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 generates support, as well as creating communication obligations on the Charity.

Managing and delivering on a wide ranging but integrated strategy requires the oversight of multiple interdependencies, political, financial, environmental and security. Trustees are kept apprised of developments across all areas, with specific updates being issued whenever particularly challenging situations arise. Challenges in recent times have included major security challenges in 2022 due to the presence of illegal armed groups, most notably the M23 which occupied significant areas, both in and surrounding the Southern sector of the Park. When appropriate, senior management request Trustee input and approval for remedial or other significant actions.

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 Trustees in the course of 2022 include responsive reactions to, the Rwanguba hydropower plant project and additional investment in a soap factory to become the majority shareholder, as well as in taking a minority stake in a predominantly chocolate, marketing and distribution business, Virunga Origins.

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 and other 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, a national 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 1994, the Park was designated as a, 'World Heritage Site in Danger', by UNESCO, which indicated it was subject to the imminent threat of comprehensive destruction. The loss of the flora and fauna of the Park 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 continues to be plagued by a decades' long period of armed conflict.

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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. These activities include the generation of hydroelectricity, the distribution and delivery of this electricity, the active development of fisheries, agribusiness and other sustainable business activities and tourism.

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;
- 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 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 2022 in line with agreed strategic objectives, as well as future objectives.

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Conservation

Virunga's conservation strategy has three overall objectives: preserving species diversity, restoring and maintaining healthy population numbers and ensuring that appropriate measures are in place to protect critically important and unique ecosystems.

The conservation strategy is delivered through two main processes: 1) the preservation of ecosystem integrity by maintaining effective boundaries and providing stability within those boundaries to guarantee stable or increasing populations and 2) with respect to maintaining the park's uniquely high levels of endemism, an EDGE approach (Ecologically Distinct Globally Endangered) is adopted in order to define the park's critically important species.

These species, including the park's population of great apes and other large mammals including lions, hippos and elephants, are considered keystone species and are the subject of "extreme conservation" strategies that seek to intensify protection, establish zero poaching regimes in areas of active restoration, improve veterinary support, and strengthen monitoring and surveillance.

In 2022, Virunga focused on the implementation and strengthening of this strategy as well as intensifying protection in bio-diverse rich areas considered to be under extreme threat. The priority in these areas is to identify and eliminate threats to keystone species and their habitats. These efforts include the establishment of the following:

- ❖ Zero poaching regimes that seek to limit all human activity in the targeted areas
- ❖ Deployment of camera traps and bioacoustic sensors
- ❖ Active disease monitoring of wildlife
- ❖ Habitat restoration and invasive species management
- ❖ Regular population monitoring of key species
- ❖ Emergency veterinary care for key species
- ❖ Fire management
- ❖ Applied research (invasive species test plots, animal collaring)

Ecologic-al Zone	Park Sector	Habitat Type	Key Species	Known Threats
Ishasha Corridor	Central	Open grasslands and wooded savanna, with gallery forests	-Large herbivores including hippos, elephants, buffalo, topi and Uganda kob -Large carnivores including lions and hyenas -Chimpanzees are also present in the gallery forest along the Ishasha River	Land invasion, poaching, poisoning, armed group movement, human-wildlife conflict, invasive plant species
Lake Edward	Central / North	Wetlands	Hippos, Sitatunga, rare birds such as the Shoebill and fish stock	Armed groups who extort money from legal fishermen, or fish themselves using techniques that cause significant damage to the environment; illegal oil exploitation

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Ecologic -al Zone	Park Sector	Habitat Type	Key Species	Known Threats
Mt. Tshiaberi mu	North	High- montane forest	Eastern lowland gorilla (Graueri), Hamlyn's owl faced monkey	Land invasion, armed group movement, deforestation
Mikeno Sector	South	High- montane forest	Mountain gorilla (G.b.beringei), forest elephant	Armed conflict, deforestation

Great Apes

Virunga National Park is the only national park containing three taxa of great apes.

Mountain Gorillas (*Gorilla beringei beringei*)

Regular monitoring of mountain gorillas was almost fully suspended in 2022 due to active combat in the Mikeno sector, however, some progress was made by drawing on the direct observations of the park's team of community trackers, who are sufficiently integrated into the local community to be able to undertake the work without provoking undue suspicion from belligerent parties in the area. The work remains high risk, and is quite intermittent in order to minimise risks. It nevertheless has enabled the park to establish a reasonable measure of the state of the mountain gorilla population, which does not appear to have suffered any fatalities as a result of combat (one adult male, SB Baraka was found dead, but a necropsy has established that it was a natural death).

Since 2015, the park's population of mountain gorillas has maintained a natural growth rate of around 5% annually. Pending updated census data, the population in 2022 is estimated to be around 350 individuals in the DRC of which 235 are habituated. The global population is approximately 1,075 spread across the Virunga Massif and Bwindi Impenetrable Forest. In 2022, at least 6 new births were registered in Virunga although that actual number is expected to be higher and will be confirmed once it is possible to fully re-access the area.

Eastern Lowland Gorillas (*Gorilla beringei graueri*)

Unlike its close cousin the mountain gorilla, which is found in three countries spanning the Greater Virunga Landscape, the eastern lowland gorilla is found only in the lowland forests of eastern Congo, with the northern limit of their range located at Mt. Tshiaberimu in Virunga National Park. The population on Mt. Tshiaberimu is cut off from the larger global population to the west and southwest of the park. Years of insecurity and encroachment have pushed this population to the brink of extinction. In the 1990s, there were an estimated 25 lowland gorillas in this area. As of 2022, only 7 individuals remain. Primatologists studying Virunga's lowland gorillas have classified the Tshiaberimu population as non-viable, meaning without intervention, it cannot survive.

Given the above, the restoration and protection of Mt. Tshiaberimu's ecosystem and its critically endangered population of eastern lowland gorillas has become a major priority for Virunga. As such, the park has taken the decision to reinforce its resident population with rescued gorillas currently residing at the GRACE sanctuary near Butembo. While the project is still in the preparatory phase, Virunga is making significant efforts to restore the habitat on Mt. Tshiaberimu, to secure the site through the construction of added infrastructure and to gather as much data as possible on the resident gorillas' health status and ranging behaviour.

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As there has never been a successful reintroduction of eastern lowland gorillas careful consideration must be given and all possible risks must be taken into account. Virunga is coordinating with scientists from around the globe who are assisting in this project.

Chimpanzees (*Pan troglodytes schweinfurthii*)

Virunga is home to significant populations of eastern chimpanzees as they are found in all three of the park's sectors.

In the southern sector, they reside in the small forest enclave around Rumangabo, as well as in the Tongo forests to the west. The Tongo chimpanzees were once habituated, however, due to the prolonged presence of FDLR militia in this area, the park is no longer able to monitor them regularly and the population number is unknown. There are believed to be around 40 individuals living around Rumangabo, all of which are habituated and benefit from daily monitoring by park staff.

It was recently observed that a substantial chimpanzee population lives in the gallery forest along the Ishasha River, in the park's central sector. While this has long been expected, the recent deployment of camera traps in this area have confirmed their presence. In the northern sector, chimpanzees are known to be present in the upper and lower Semliki Valley. Exact population figures are not available, however, the park believes their populations are likely stable given the low demographic pressure in this area.

Elephants (*Genus: Loxodonta*)

Virunga is home to two taxonomic groups of elephants: savanna (*Loxodonta africana*) and forest (*Loxodonta cyclotis*). The park's savanna elephants reside mainly around Lake Edward (namely in the Rwindi Plains, Ishasha Valley and the Kasindi Plains) and can therefore be regularly observed and monitored by rangers. The population of forest elephants are mostly found on the slopes of the Virunga Massif as well as the lowland forests of the Semliki Valley. There are also intermittent populations of forest elephants in the gallery forests of the central sector. Due to canopy cover and difficult terrain, monitoring forest elephants proves to be challenging. Camera traps, however, affirm their presence and the park believes the population to be stable.

The park's population of savanna elephants is at its highest for the last 30 years. As of 2022, the total population of savanna elephants in Virunga is estimated to be around 800 individuals. The population received a major boost when nearly 700 individuals from Uganda's Queen Elizabeth National Park migrated into Virunga in 2020, located mainly in the Ishasha Corridor, where they remained throughout 2022. Prior to this major population increase, the park estimated its elephant population at around 120. This increase indicates that security measures undertaken to remove threats to the elephants must be working on some level. Installation of an electric fence on the southern corridor of the Ishasha Valley has played a major role in helping to prevent human wildlife conflict, something which has historically constituted a serious threat to their wellbeing as well as that of the local population. Elephants play an important role in the restoration of the Ishasha Corridor which also has positive impacts on other key wildlife such as lions and their prey.

Four elephant poaching related deaths were reported in 2022 out of a total estimated population of 800 (0.5%). This coincides with an acute period of insecurity in the central sector following the movement of Mai Mai and other armed groups into the Ishasha Valley after they were pushed north by M23 rebels towards the end of 2022. The establishment of a zero poaching zone in this area is hoped to keep poaching numbers at a low level in the coming years.

Hippopotamuses (*Hippopotamus amphibius*)

In comparison to historical numbers reaching upwards of 30,000 individuals (the largest ever recorded on the planet), the park's population of hippopotamus remains threatened. They are hunted by armed groups and the local population, for meat and body parts, such as teeth, considered a lesser valuable form of ivory. Poaching of these animals was at an all time high in the 2000s, however, the park has made significant progress in reducing the threats to their safety and we are slowly starting to see their numbers rebound.

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There are an estimated 1300 - 1500 individuals residing in Virunga National Park today, mostly in Lake Edward and its immediate tributaries.

Twelve hippo poaching related deaths occurred in 2022 (0.75%). It can also be noted that the park lost 15 hippos to an anthrax outbreak in the Ishasha River in the month of April, however, the outbreak was contained by the quick reaction of park management and in coordination with Ugandan Wildlife Authorities.

Lions (*Panthera leo*)

The park's central sector has historically been considered a lion stronghold, however poaching, snaring, retaliatory killings and habitat fragmentation led to a significant population decline over the last two decades in this area. More recently the economic strain put on local communities during the COVID-19 pandemic has contributed to an alarming trend in the poaching of these animals for body parts, (namely fat and paws).

In light of the poaching situation, the park set up a dedicated research and monitoring station in Kinyonzo in 2022, with the goal to intensify monitoring and develop strategies that deal with the threats faced by lions and their prey. Surveillance, through camera traps, drones and foot patrols, has revealed that there are several prides still ranging in the Ishasha Valley. Pending census data, preliminary observations estimate between 30-50 individuals in this area.

Other Unique Fauna

The addition of new surveillance technology, including camera traps and drones, has allowed the park to observe numerous species of rarely seen wildlife including significant numbers of large felines including leopards and African golden cats. Honey badgers, aardvarks, porcupines, and pangolins are also regularly caught on camera traps. For the first time in the park's history, a sitatunga was photographed near Kamandi Bay in late 2022. Shoebills were also observed in the wetlands around Lulimbi and Hamlyn's owl-faced monkey was routinely seen on Mt. Tshiaberimu.

Habitat Protection

Habitat destruction caused through encroachment by humans and invasive vegetation poses the biggest risk to the park's ability to maintain its key ecosystems. In 2022, the estimated percentage of land illegally occupied was 14%, while the preceding measurement in June 2021 had measured this at 13.3%. While there are indications that this percentage is slowly decreasing in certain parts of the central sector, other areas like the southern sector (south and southwest of Rumangabo, extending down towards Goma-Sake) are still under extreme threat of deforestation, due to land invasion for illegal agriculture and the illegal production of charcoal. Sustained long-term efforts are required to significantly and permanently reduce these occupations. Effectively addressing the illegal land invasions requires alternative means of subsistence for the local populations outside the park being identified, which the park is seeking to address through its Virunga Alliance Initiative.

In 2022, the park launched a strategy for the control and eradication of invasive species of plants in the Ishasha Valley. Observations over the past year have indicated the rapid progression of several invasive species in this area, which appear to be causing bush encroachment and displacement of savanna grasses. The species of most concern are *Dichrostachys cinerea* (common name: siko bush) and the non-native species of *Maerua subcordata*. Research plots have been set up around Kinyonzo in order to test best methods of control. In coordination with the Ugandan Wildlife Authority, (UWA), Virunga has started a joint invasive species management program in 2023.

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 July of 2022 two Rangers died in a traffic accident while on duty and in December 2022 two Rangers were killed by an illegal armed militia group.

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In February 2023 one Ranger was killed in an illegal militia attack. In early May of 2023 four Rangers and one Virunga Energies employee died as the result of an attack on their vehicle, then in late May 2023, two Rangers were killed while on patrol. All those Rangers who have lost their lives while working to protect the Park in recent years 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 being killed each year, most often in indiscriminate attacks by these illegal armed groups.

In the course of 2022 levels of insecurity in and around the Park increased greatly. It was assessed that one illegal armed group alone, the ADF, had killed 160 members of the public and kidnapped 66, (of whom most were freed after large ransom payments were paid by families). There have been multiple incidents involving the ADF, 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 increase in recorded armed incidents in the Park, from 33 in 2021 to 96 in 2022, is a measure of the significantly increased security challenge. The re-emergence of the M23 illegal armed group in 2021 has created the major security challenge. The M23 is operating in the southern sector of the Park where they control significant areas of the Park and the adjoining region, including the areas where, the Park Headquarters, Matebe powerplant and Rwanguba powerplant construction site are located. As a result of M23 presence non-essential staff located in occupied areas have been relocated to Goma.

The levels of insecurity and violence in North Kivu are not readily conveyed in figures. Local populations are regularly terrorized and have had to flee their homes to seek safety in other areas. In January of 2023 UNHCR estimated that there were 521 thousand internally displaced persons, many living in makeshift camps on the outskirts of Goma.

While the Park Rangers provide greatly welcomed assistance and security for specific local populations, they are greatly outnumbered by the numerous illegal armed groups and as a result can only provide limited protection. Despite the ICCN Park Rangers often facing and fending off military style attacks, a qualified opinion from the ICRC, affirms that the Rangers are not a military nor a paramilitary force.

While illegal activities of M23, Mai Mai, ADF and other illegal armed groups increased in 2022, Virunga with support of the Rangers, achieved notable success in working with local communities and the Congolese military, (FARDC), to improve security infrastructure and services for a number of communities in the Central and Northern sectors of the Park. This cooperation with communities and FARDC increased the security situation, increasing the law enforcement capabilities and enabled the ongoing development of sustainable businesses and trade.

In the course of 2022 Park Rangers arrested over 2,100 individuals in the Park for a range of offences, with illegal agriculture and fishing activities comprising over two thirds of the arrests.

All employees of Virunga Foundation and its subsidiaries are required to sign the Foundation's 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, 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 a regular basis, in accordance with UN guidelines and is a key element of Virunga Foundation's support for the Rangers. This training enables and ensures that their interventions comply with best practice with regard to observing and implementing 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 invested in excess of \$100m constructing a network of hydro-electric generation and electricity distribution assets with support from, the European Union, the World Bank, BII, 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, development and poverty reduction. Virunga Energies' electricity provides a key resource which supports the drive and ingenuity of the local population in creating new businesses. These businesses provide employment and raise living standards, creating a positive growth cycle.

A Congolese registered commercial subsidiary, 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 2022 had grown to in excess of 9.5 million USD, with 2023 revenue forecast at 11 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 current generating capacity. Key among these projects 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 14.6 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. Despite the ongoing major security issues and disruption in progress caused by the presence and activities of M23, construction of the Rwanguba powerplant continues. Commissioning of the Rwanguba plant is critical, as the demand for energy in Goma is now equivalent or higher than production at peak demand times. The connection of a new area in Goma, Grand Goma, in 2023 has further increased demand and consumption. At present identifying large customers who have energy demands during off peak demand periods are being sought, such as a solar farms which require an alternative power source for customers in the hours of darkness.

By the end of 2022, sustainably generated electricity was being supplied to close to over 26,000 customers, (domestic and small and medium sized enterprises in North Kivu), an increase of 4,000 customers in the course of the 2022. These numbers will have increased significantly by the end of 2023.

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 thirty two 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. Free public street lighting makes a major contribution to public safety, particularly for women, with an estimated 893,000+ individuals now benefiting from public lighting. Areas with street lighting have experienced a measurable increase in evening commercial activity.

While 2021 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, it is expected that a second pump will be connected in the course of 2023 to greatly expand the population with access to this core service.

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Virunga Energies plays a major and essential role in contributing to the charitable development objectives of Virunga Foundation, enabling job creation, increasing quality of life and providing an alternative to joining an illegal armed militia. As described, Virunga Energies can be seen as an engine driving development across multiple sectors, playing a critical role in the development model, with an estimate of over 11,000 sustainable jobs having been created thanks to the provision of reliable environmentally low impact hydropower. Virunga Energies provides an estimated 70% of the power to Goma, the major regional centre, with a population in excess of 2 million. As the customer base has increased, so has the effectiveness of the team supporting the network and providing customer support, with Virunga Energies viewed as the most reliable energy supplier for Goma.

An aligned project has been initiated, based on a successful 2021 pilot scheme, to supply electric pressure cookers to households connected to the network, which enables households to cook meals at a lower cost and much more rapidly than with the traditional charcoal use. This project has the aim of transitioning households from charcoal, (created from trees cut down, often in the park), to sustainable electricity for cooking.

Tourism

Tourism has played a key role in Virunga Foundation's work, both as an effective tool to communicate to an international audience the value of the Park as well as a source of income. Tourism activities have made a meaningful contribution towards Virunga Foundation's operating costs, however, over the past four years successive events have forced the suspension of some or all of tourism activities in the Park. These events included, in sequence, an Ebola outbreak, COVID pandemic, followed by major security issues, largely caused by the insurgency of the M23 illegal armed group.

During 2022, Tchegeza Island Tented Camp on Lake Kivu was the only tourism activity that was able to continue due to the security situation. International visitor numbers to Tchegeza have dropped considerably, but local tourism increased with the introduction of lunch options being introduced. Visitor numbers for 2022 are low, with 369 international visitors. National Visitors that visited the camp either on day trips or overnighting were 3,416, with 70% being Congolese nationals.

During 2022, there were renovations to Tchegeza Island Camp, with the reconstruction of two sleeping tents and the main dining tent. The kitchen was renovated and a small dining room was built for the staff.

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 Tchegeza which remains open, is the security situation within the Park, as management will only reopen a site when it is fully confident it can ensure the safety of customers. The number of local tourists visiting Tchegeza during 2022, is an encouraging sign for the development potential of national tourism at all of the tourist sites when the security situation again permits visitors.

Virunga Development. (VD)

The activities of Virunga Development, (VD), are aligned with the development and poverty reduction objectives of Virunga Foundation. During 2022 key activities were the provision of loans 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, with funding provided by the Schmidt Family 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 other fluctuating activity businesses, repayments will be lower at times of low commercial activity. The loans fund a very wide area of business activities, including, milling, refrigeration, ovens, welding machinery, carpentry machinery, small scale manufacturing, oil presses and agricultural processing.

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At the end of 2022, the amount lent totalled \$1.1 million, provided to 574 small and medium sized enterprises. In addition to receiving the loans, borrowers can access a range of development support services. In the course of 2022 entrepreneurs in receipt of loans received training in marketing, communication, accounting and reporting. This training was given by local providers funded by Virunga Development using grant funding received specifically to develop sustainable local businesses. Initiatives are underway to make the provision of these loans faster and their management more effective.

A key VD 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. Take up of these units has been positive and the construction of four additional warehouses of approximately 800m² is planned.

Support for and promotion of the role of women in enterprise and society is a central objective supported by VD's work. Close to 10% of the SMEs in the Goma and Rutshuru areas where Virunga Energies provides electricity are owned and run by women. The percentage of female employees at male owned SMEs is 15%, compared with 53% at male owned businesses.

There is an existing industrial park in Mutwanga, in the northern sector of the Park, which already houses companies successfully producing coffee and chai seeds, as well as a chocolate manufacturing factory.

Agriculture

A key element of Virunga's development agenda is supporting sustainable agricultural projects to create long term reliable employment for individuals, through the creation of a more stable and higher local value creating agriculture sector. A wide range of projects located adjacent to all the sectors of the Park benefit from Virunga Foundation interventions, ranging from the provision of education and training, to the supply of processing equipment. In total, 10,270 households, 32 farmers' associations and 6 private companies benefit from technical production support. 2,398 farmers now have access to local based, high quality, coffee and oil palm processing plants for their commodities.

Virunga Foundation supports agriculture activities along the, "production to market" value chain across its wide range of products. From 2023, wheat, sugar and vanilla production will be added to the range of supported agriculture products. A planned flour mill funded by the EU as part of its food security programme represents a major development project which will also involve the establishment of two industrial bakeries providing a local supply of bread. Once in operation the flour mill is projected to be able to produce 50 tonnes of flour per day and the two bakeries, up to 300,000 loaves per day.

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. Support in the form of training and education, as well as facilitating small business loans, is provided through Virunga Development's donor funded programmes.

Sustainable Palm Oil

A sustainable palm oil project, "The palms of Kivu" has been replacing 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. Yields have not yet increased, but will do so once the new seedling trees reach maturity which is expected to be reflected in increased yields from the 3rd quarter of 2023. A planned new oil press was installed in Mutwanga and there are plans for the installation of additional palm oil presses across the region. A key consumer of the palm oil is the Sicovir soap factory, of which Virunga Foundation is now a majority shareholder. Despite the insecurity in the region in 2022 the progress made in the year should improve price stability which will increase security for farmers, as well as increasing food security.

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Coffee

The coffee project involves working closely with two partner cooperatives, with over 10,000 participating farmers. Farmers are provided with material and educational support, including on the marketing of their products.

Since Virunga commenced working to support coffee farmers and their cooperatives in recent years the yield increase per hectare has been measured at 75%. The increased yields have been achieved through a combination of, education from Virunga Agronomists, improvement in plant stock and reliable demand. It is expected that yields will continue to increase as plant stock continues to improve and mature. Marketing and selling the coffee under the Virunga Origins brand assists in ensuring demand for the production.

This coffee project 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. Operating the first chocolate factory in DRC, products are sold both nationally as well as internationally, (Burundi, Kenya and Europe). Several hundred small producers sell their ripe cocoa beans to the Cocoa factory, contributing to the legal economy, whereas previously a share of their sales were "diverted" to support the, "conflict economy", facilitating the continuation of the regional insecurity. New developments in 2022 included a solar powered roaster which will increase production, enabling the production of an expanded product range. The purchase of a cocoa press has enabled the production of cocoa butter which will be used in the production of chocolate spread, drinks, cocoa powder and cocoa mass. In terms of output, the expansion of the plant, already completed, will increase production capacity from 1 tonne to between 10 and 15 tonnes per month.

Maize

In the Rutshuru area, support provided to the maize farming sector has transformed the local economy. The creation of 145 mills, many enabled by loans from the Virunga Development loan scheme, enables flour to be produced locally rather than requiring to be imported. In 2022 a 10% yield increase was achieved by farmers working with Virunga. With the war in Ukraine continuing to have a major adverse impact on food supply to Africa, causing major inflation of food prices, improving the capacity to grow and process food locally is critical, and is a key objective of the EU funded food security project.

Chia Seeds

Virunga Foundation has a 15% investment, via its Belgian subsidiary Virunga SRL, in Virunga Enzymes, a company which processes chia seeds at a plant at the Mutwanga business park location. This agricultural business which produces high quality chia seeds for use in the international pharmaceutical industry continues to experience high demand for its products. An investment in a locally based processing plant is underway, which will ensure a larger share of the value chain and hence revenue is captured locally, with the associated benefits for local communities in terms of employment and increased reliable income.

Fish

The fishing projects all relate to fish sourced from Lake Edward, in large part focussed on enabling the creation of a "cold chain" to increase the value of fish caught and reduce waste. A 5th cold storage container was added in 2022 which brought daily ice sales to around 400kg per day, with the ice being critical for the cool boxes required for the transport of the fish within the region. The measured sales of fish from the recognised legitimate fisheries on Lake Edward is in the region of 10 million USD per annum, excluding local sales and illegal fishing operations. A study is underway to identify and describe the economic model which underpins the fishing and natural resource management of Lake Edward.

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Virunga Origins

Virunga Origins is the brand under which agricultural based products from the proximity of the Park, produced in association with one of the Virunga Alliance partners, are sold. A key objective being to achieve international sales at the same or greater level than local sales for Origins products. In the course of 2022 the annual sales target of 45,000 Euro was exceeded, with 17,000 Euro in online sales and 31,000 Euro in business to business sales. A partnership with one of Belgium's best known supermarkets is currently being established. As well as generating increasing funds for Virunga Foundations objectives, the marketing of products increases public awareness of the Park and of the threats it is facing.

Education

VF's environmental education program is now fully operational. The audience has been segmented into adults and children. Messages, topics, and delivery vary extensively between these groups. Weekly radio shows are broadcast around the park targeting the adult group, (in Swahili), which cover a specific topics in each broadcast, with guests invited to share their perspectives and thoughts. Additionally, multiple events and talks are organised to communicate and update on the activities of the Virunga Alliance. School visits to different park installations are organised throughout the year. The island of Tchegeza hosted several groups of children from local schools. The pupils were taken on guided nature walks, watched videos, and, at the end of the day, engaged in discussions on the environment. Another critical aspect of environmental education is supporting school teachers in presenting the topics, as well as providing them with information about the park.

Fundraising

Strategy and approach

Virunga Foundation's long term strategy is for the Park to become self-sufficient through income generated from activities undertaken by its subsidiaries, notably Virunga Energies, rather than being dependent on external 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 2022 generated gross revenue of 9.6 million USD, (2021 7.2 million USD). Virunga Energies has, however, the capacity to generate multiple times this revenue when its 2021 commissioned plant, Luviro, significantly increases its existing customer base and when a new plant currently under construction, Rwanguba, comes on line in 2025, to serve the proven and growing market in Goma.

Other sustainable sources of income include income generated by Virunga Development, as well as from investments in Sicovir, Chocolate, Origins and Chia seed companies, with all of these companies being customers of Virunga Energies. Recent major EU grants to support food processing, under the EU food security programme, have significant potential to increase Virunga Development's revenues in the near future.

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 through on-line giving channels. These online initiatives have generated significant increases in the level of smaller and medium donations, which now exceed 1.5 million USD per annum.

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The increase in co-ordination of on-line giving actions with website content has proven to be an effective very low cost of increasing online generated revenue.

Institutional and Foundation Donors

The major source of Virunga Foundation's income remains institutional and foundation donors. While the composition of these large scale donors has altered over time, large institutional and foundation grants continue to comprise in excess of 90% of total income.

The European Union (EU) remains Virunga's principal donor, and is therefore currently 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. The level of EU support is a reflection of EU confidence in Virunga Foundation as a trusted reliable partner with a well proven track record of delivering on projects, in what is recognised internationally as a very challenging environment.

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 grant of 4.7 million USD was received for 2022. Based on the successful delivery on initial USAID project work, USAID has become the second largest donor and significant efforts are being made to ensure all of their rigorous reporting requirements continue to be met. A further grant of 4.2 million USD has been agreed for 2023, as the second year of a multi-year funding commitment. Another US state body was added to the list of institutional donors in 2021, the INL Bureau, which has now also become a substantial donor.

Major project funding is also raised from a number of Charitable Foundations. The pool of charitable funders includes among others, The World We Want, 11th Hour, The Schmidt Family Foundation, Re:wild and Last Chance for Animals,(LCA). 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 continues to generate a material and increasing revenue stream. 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. In excess of 1.5 million USD was raised through public fundraising in 2022.

Individual donors give through a range of fundraising platforms, largely online, via providers such as Donorbox, The Giving Block, Just Giving and a Friends Fund with CAF America. The CAF Friends Fund has a US charitable equivalency determination which provides US tax paying donors with tax deductibility for their gifts. 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

Fundraising Obligations

The Charity did not receive any complaints in the course of 2022, or up to the end of July 2023, relating to its fundraising activity. The only proactive fundraising undertaken is via a page on the website and occasional emergency appeals, also web based. 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.

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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 frequent independent audits and the provision of tailored financial audit reports, as well as on generating 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.

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 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 for identified risk categories. A risk appetite statement, to frame Virunga Foundation's risk management approach was developed in the first quarter of 2022 and formally adopted by the Foundation Board in June 2022. The risk appetite statement was updated in January 2023 when it was presented to the Finance and Audit Committee.

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.

Virunga Foundation Risk Management Framework

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

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

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

Reviewing any reports from the external auditor on any control issues identified in the course of their work and discussing with the external auditor any areas of interest/concern.

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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.

2022 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, as well as in the potential for fraud.

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 were intended to reduce the activities of illegal armed groups, but have proven ineffective.

The resurgence of the M23 illegal militia group in 2022 has severely exacerbated the security situation making operational activities difficult and hazardous. The M23 group currently controls extensive areas of the southern sector of the Park and forced the evacuation of the majority of the staff from Rumangabo, Matebe and the Rwanguba construction site in the later months of 2022. Construction work at Rwanguba recommenced late in 2022, however, only core staff remain at Rumangabo and Matebe locations. While the security situation in the Southern Sector is the most serious, the relocation of Congolese army resources to the Southern area, lead to an increase of activities of other illegal armed groups in areas north of the southern sector. This development lead to the deployment of a significantly increased number of Park Rangers in the central sector.

Risk 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. Forward operating bases have been constructed in the northern sector, which together with working with local communities and the Congolese army have increased security and hugely reduced incident response times. Emergency transmitters distributed to local communities have also contributed to reduced reaction times. There are a range of standard operating security procedures covering all aspects of operations, from construction 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 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. Electricity generation being the major future income source of Virunga Foundation income, from its sustainable energy subsidiary, Virunga Energies. In 2022 for example a new tax was introduced on the revenue generated by Virunga Energies against which no operating or other costs may be charged.

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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, Scandinavia and the Netherlands. Senior management staff and trustees maintain regular contact with government authorities in Kinshasa and at the provincial level, enabling the maintenance of 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 accurately forecasting the scale and allocation of future funding, beyond a year is challenging.

While the challenge of identifying future funding has grown, the ability of the organisation to manage future revenue has increased. Improvements have involved a range of measures, including among others, the Finance and Audit Committee, established in 2020, closely monitoring cash flow projections and discussing with management the measures to address funding flow risks. Cash flow projections are now regularly updated with a future horizon of over two years, where contracted grants plus conservatively forecast revenue from grants under negotiation plus income from other sources, commonly represent in excess of 80% of forecast funding requirements.

There remains a strong focus on ensuring timely audits of projects to minimize any delay in receipt of subsequent funds, however, there are unavoidable timing differences between expenditure and receipt of funds in many instances. The increase in other sources of income such as, Virunga Energies income and internet donations, as well as short term financing, all contribute to enabling operational continuity

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. The creation of free reserves remains a significant challenge due to the majority of the Charities funding being the form of restricted grants, however, progress has been made on this in 2023, which management have communicated to the Finance and Audit Committee.

Strengthening Underlying Systems

Since 2019, Virunga Foundation has been progressively making improvements to its management and internal control systems. Internal control 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 increases Virunga Foundation's ability to analyze risks and respond to opportunities, as we pursue our strategic objectives. There have been resourcing challenged in the internal control function in part exacerbated by the security situation. In 2023 it is planned to increase the resourcing of the internal control function to meet the growing internal control demands of the expanding scope of operations.

Financial Review

Total income from grants and donations for the year amounted to USD 26.9 million (2022: USD 26.4 million). The most material elements of this income was received in the form of grants from the EU, USAID, Re:wild, Schmidt Philanthropies and INL, (a US state department).

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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. Restrictions are, however, generally quite broad, for example EU grants covering Park operating 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. A grant in the new EU grant category of Food Security has been signed, with an initial instalment of 3.7 million Euro received on a grant totalling 5 million Euro

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 for 2022 was signed in November 2021. A further grant for 2023 of 4.2 million USD has been finalised and it is expected future annual grants will be secured, as part of a longer term statement of intent.

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 7.2 million in 2021 to USD 9.6 million in 2022, an annual increase of 33%. The revenue is generated from a range of customers, both commercial and domestic, comprising 53 and 33% respectively of the total income.

The total spent on charitable activities in 2022 was USD 24.5 million (2021: USD 19.5 million) which relates primarily to the costs of protecting the Virunga National Park and expenditure on supporting ICCN Rangers. Expenditure on trading and raising funds in 2022 amounted to USD 11.6 million (2021: USD 10.32 million), of which 10.9 million is spent on the development and operation of the hydropower infrastructure of Virunga Energies, the remainder, 0.6 million USD being spent on other trading and fundraising activities.

Fixed assets comprise principally of the hydropower plants and electricity distribution networks. Total net tangible fixed assets at 31 December 2022 amounted to USD 105.7 million (2021: USD 84.6 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 0.5 million (2021: USD 4.7 million). The restricted and unrestricted funds at year-end amounted to USD 21.8 million and USD 52.3 million respectively (2021: USD 14.4 million and USD 60.2 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 2022 amounted to USD 46.1 million (2021: USD 38.4 million). At year end 31 December 2022 long-term debt amounted to USD 22.2 million (2021: USD 15.0 million), with the largest lender, in excess of two thirds of total long term debt being the UK-based development bank, British International Investment plc, (BII), formerly known as CDC.

Virunga Energies has a significant USD 89.7 million intercompany debt to Virunga Foundation, based on loans provided to enable the creation of its vertically integrated energy operations. These operations cover 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.

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Reserves

Virunga Foundation receives very low levels of unrestricted funding in relation to its largely restricted grant income. This income pattern, together with the significant resources required for operational activities, typically not funded by unrestricted income, 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 essential activities not specifically covered 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 throughout 2022 continuing into 2023, have included COVID impacts which forced the closure of tourism, a volcanic eruption and a major increase in illegal armed group activity, which lead to illegal militia control of a significant area of the Park and surrounding districts. These events have limited the scope for the establishment of reserves, due to effectively living through a series of emergencies, both natural and human caused. 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, which at current expenditure levels would represent in the region of 8 million USD. Generating this level of free reserves will require a major increase in the level of unrestricted funds raised. Though levels of unrestricted reserves are highly material at 56 million USD at 31 December 2022, they are not free reserves as they represent largely fixed assets which are highly illiquid. Success in increasing fundraising channels has increased the scope for establishing reserves through increased levels of unrestricted income, as well as the significant potential of contributions from Virunga Energies, which is projected to generate in excess of 11 million USD of unrestricted income in 2023.

As at 31 December 2022 the total consolidated funds held by the Group amounted to USD 74.1 million (2021: USD 74.6 million), of which USD 52.3 million are unrestricted (2021: USD 60.2 million), and USD 21.8 million are restricted (2020: USD 14.3 million). As at 31 December 2022 the Group had net current liabilities of USD 10.4 million.

Going concern and uncertainties

Virunga Foundation operates in the North Kivu region of DRC, an area with very high inherent risks, primarily; physical security, political instability and serious public health issues. The combination of these risks regularly places unforeseen demands on the Group and its staff to react immediately in order to preserve lives. The substantial re-emergence of the M23 illegal armed militia in North Kivu since late 2021 after an absence of 10 years has been a critical contributory factor to security risks increasing, both directly and indirectly. As referred to earlier in this report, the activities of the M23 in the southern sector of Virunga National Park and surrounding areas have been catastrophic for the local population. In January 2023 the UN estimated 2.1 million people have fled their homes in North Kivu as a result of the activities of illegal armed militias. There are in excess of half a million internally displaced persons living on the outskirts of the city of Goma, and the WHO has declared a cholera outbreak in the area. It is against this background that 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, for which the mitigations are necessarily limited.

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While severely challenging situations often arise which could have severe adverse impacts on the Charity's financial situation, these situations 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. In recent years examples include significant additional funding provided to address impacts of volcanic eruption, COVID and Ebola impacts and security issues. Specific recent examples include, a major EU "food security" grant as a result of the impact of the Russian invasion of Ukraine on grain supplies to Africa and grants from the US INL state bureau to assist in security enforcement in the Park. 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 process can be protracted and exact finalisation date of the various grants difficult to predict precisely, the track record of attracting consistent and increased funding is well established and proven.

The forecast level of grants and other income is considered adequate to fund operational requirements for beyond the next two years. The timing of finalisation of agreements and receipt of funds can occasionally pose challenges for the Charity in terms of cash flow management. Experience over many years clearly proves that Virunga is well able to manage short term cash flow issues by attracting bridging finances and managing operating and project costs, avoiding material impact on plans.

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. The cash projection horizon has been extended from 18 months to over two years and is presented regularly by the CFO to the Board Finance and Audit sub-committee. The Committee 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 any short term funding "bridges", which may be required to manage cash flows, which though adequate to fund operations on an annual basis, as described, 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 a key identified future mechanism to build up a level of free reserves. Management has though made progress on the establishment of free reserves in the course of 2023 and has communicated to the Finance and Audit Committee its intentions and plans for systematically creating free reserves from the expanded sources of revenue.

In the course of 2022 and in early 2023 management has continued to attract major funding with significant amounts both confirmed as well as in progress towards completion. With the level of funding agreements secured and those nearing completion, management believes that the funding perspective remains strong. For illustration, at the end of 2022 another significant EU grant agreement was signed relating to the EU food security programme, to the value of 5 million Euro, with the initial tranche of 3.66 million Euro being received in January 2023. There are, as indicated, a number of future grants under discussion, including one for 8 million Euro which is expected to be received in the third quarter of 2023, to support the ongoing development of agricultural projects as a key element of the development strategy.

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Conservative revenue 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-2025, 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.

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.

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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 13 September 2023 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 2022

Opinion

We have audited the financial statements of Virunga Foundation ('the charitable company') and its subsidiaries ('the group') for the year ended 31 December 2022 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 2022 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 2022

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 2022**

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 2022**

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.

N. Hashemi

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

London, UK
26 September 2023

VIRUNGA FOUNDATION
(A COMPANY LIMITED BY GUARANTEE)

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Unrestricted funds	Endowment and Restricted Funds	2022	2021
		\$	\$	\$	\$
Income from:					
Grants and donations	2	1,657,672	25,244,974	26,902,646	26,414,274
Income from charitable activities	3	211,875	680	212,555	576,665
Other trading activities	4	10,031,749	-	10,031,749	7,283,474
Investment income		<u>55,859</u>	<u>75,265</u>	<u>131,124</u>	<u>214,139</u>
Total income		<u>11,957,155</u>	<u>25,320,919</u>	<u>37,278,074</u>	<u>34,488,552</u>
Expenditure on:					
Raising funds	5				
- operational costs of hydro power plants		12,969,916	-	12,969,916	10,317,929
- other trading activities		568,156	-	568,156	-
Charitable activities	6	<u>6,371,465</u>	<u>17,775,115</u>	<u>24,146,580</u>	<u>19,505,651</u>
Total expenditure		<u>19,909,537</u>	<u>17,775,115</u>	<u>37,684,652</u>	<u>29,823,580</u>
Net (expenditure)/income	7	(7,952,382)	7,545,804	(406,578)	4,664,972
Transfers between funds	16	<u>151,642</u>	<u>(151,642)</u>	<u>-</u>	<u>-</u>
Net movement in funds		(7,800,740)	7,394,162	(406,578)	4,664,972
Surplus attributable to non-controlling interests		(72,962)	-	(72,962)	-
Net movement in funds attributable to the Group		<u>(7,873,702)</u>	<u>7,394,162</u>	<u>(479,540)</u>	<u>4,664,972</u>
Reconciliation of funds:					
Total funds brought forward		<u>60,160,321</u>	<u>14,408,410</u>	<u>74,568,731</u>	<u>69,903,759</u>
Total funds carried forward	16	<u>52,286,619</u>	<u>21,802,572</u>	<u>74,089,191</u>	<u>74,568,731</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 (2021: \$26k).

The notes on pages 39 to 59 form part of these financial statements

VIRUNGA FOUNDATION
(A COMPANY LIMITED BY GUARANTEE)
CONSOLIDATED BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022		2021	
		\$	\$	\$	\$
Fixed assets					
Intangible assets	9		2,161,853		2,386,525
Tangible assets	10		105,654,331		84,603,375
Investments	11		<u>44,850</u>		<u>1,390,435</u>
			107,861,034		88,380,335
Debtors: amounts falling due after more than one year	12		385,690		433,740
Current assets					
Stock		5,492,841		5,642,946	
Debtors: amounts falling due within one year	13	10,900,431		9,836,488	
Cash at bank and in hand		<u>19,291,659</u>		<u>23,616,536</u>	
		35,684,931		39,095,970	
Creditors: amounts falling due within one year	14	<u>(46,129,114)</u>		<u>(38,378,336)</u>	
Net current assets / (liabilities)			<u>(10,444,183)</u>		<u>717,634</u>
Total assets less current liabilities			97,802,541		89,531,709
Creditors: amounts falling due after more than one year	14		<u>(22,164,917)</u>		<u>(14,962,978)</u>
Net assets			<u>75,637,624</u>		<u>74,568,731</u>
Group Funds					
Endowment funds	16		25,833		25,833
Restricted funds	16		21,776,739		14,382,577
Unrestricted funds	16		<u>52,286,619</u>		<u>60,160,321</u>
Total funds			<u>74,089,191</u>		<u>74,568,731</u>
Non-controlling interest	16		1,548,433		-
			<u>75,637,624</u>		

The deficit for the financial year dealt with in the financial statements of the parent company was \$8,140,715 (2021: surplus \$6,981,330).

The financial statements were approved and authorised by the Trustees on 13 September 2023 and signed on their behalf by: Jan Bonde Nielsen, Chairman



VIRUNGA FOUNDATION
(A COMPANY LIMITED BY GUARANTEE)
COMPANY BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022		2021	
		\$	\$	\$	\$
Fixed assets					
Intangible fixed assets	9		49,713		1,037,688
Investments	11		<u>294,667</u>		<u>294,667</u>
			344,380		1,332,355
Debtors: amounts falling due after more than one year	12		92,177,680		91,440,179
Current assets					
Debtors: amounts falling due within one year	13	18,610,018		15,192,335	
Cash at bank and in hand		<u>17,647,681</u>		<u>22,928,708</u>	
		36,257,699		38,121,043	
Creditors: amounts falling due within one year	14	<u>(41,304,852)</u>		<u>(33,468,601)</u>	
Net current assets			<u>(5,047,153)</u>		<u>4,652,442</u>
Creditors: amounts falling due after more than one year	14		<u>(3,430,825)</u>		<u>(4,901,179)</u>
Net assets			<u>84,044,082</u>		<u>92,523,797</u>
Charity Funds					
Endowment funds	16		25,833		25,833
Restricted funds	16		21,776,739		14,382,577
Unrestricted funds	16		<u>62,241,510</u>		<u>78,115,387</u>
Total funds			<u>84,044,082</u>		<u>92,523,797</u>

The deficit for the financial year dealt with in the financial statements of the parent company was \$8,140,715 (2021: surplus \$6,981,330).

The financial statements were approved by the Trustees on 13 September 2023 and signed on their behalf, by:



Jan Bonde Nielsen, Chairman

Company number: 05598718

The notes on pages 39 to 59 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	2022 \$	2021 \$
Cash flows from operating activities:			
Net cash provided by operating activities	18	11,107,726	24,411,629
Cash flows from investing activities:			
Interest received		131,124	214,139
Acquisition of subsidiary		179,463	
Purchase of intangible fixed assets		(444,979)	(2,180,337)
Disposal of intangible fixed assets		922,930	730,813
Purchase of tangible fixed assets		(23,046,493)	(5,651,207)
Purchase of investments		<u>-</u>	<u>-</u>
Net cash used in investing activities		<u>(22,257,955)</u>	<u>(6,886,592)</u>
Cash flows from financing activities:			
Repayments of borrowings		(713,572)	(2,566,472)
Cash inflows from new borrowing		<u>10,300,000</u>	<u>1,261,963</u>
Net cash provided by financing activities		<u>9,586,428</u>	<u>(1,304,509)</u>
Change in cash and cash equivalents in the year		(1,563,801)	16,220,528
Cash and cash equivalents brought forward		<u>20,855,460</u>	<u>4,634,932</u>
Cash and cash equivalents carried forward	19	<u>19,291,659</u>	<u>20,855,460</u>

VIRUNGA FOUNDATION
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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 global food security crisis being one such example, where a major EU grant has been received to help alleviate the impact of global food shortages in the region by investing in the creation of significant local food production and processing capacity.

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 increasingly diverse 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 developing free reserves, as well as being able to access "bridge" funding, which one substantial lender has indicated a willingness to provide.

The key security challenges as described in the Trustees report relate to the significantly increased illegal armed group activities, in particular those of the M23 illegal armed group which has occupied large areas of North Kivu, including the southern sector of the Virunga National Park. The activities of M23 and other groups has led to the displacement of an estimated 2.1 million persons which exacerbates instability and extreme humanitarian suffering in the region, including high risks of disease outbreaks, such as cholera. In these situations as part of its charitable objectives, Virunga requires to allocate resources in an effort to reduce suffering, such as the construction of a potable water drinking pipeline to the over half a million displaced persons surviving on the outskirts of Goma.

VIRUNGA FOUNDATION
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting Policies (continued)

1.2 Going concern (continued)

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. To date unrestricted income has been required to fund ongoing operations, however plans to establish free reserves are being implemented by management.

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 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 the going concern basis.

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.

Virunga Energies SAU Limited, Virunga Belgique SRL Limited, Virunga Foundation Limited, Société Provinciale d'Eau et d'Electricité du Nord-Kivu and Virunga Origins have been excluded from the consolidation as their inclusion is not material for the purpose of giving a true and fair view individually and in aggregate as permitted by section 405 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.

VIRUNGA FOUNDATION
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting Policies (continued)

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.

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.

VIRUNGA FOUNDATION
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting Policies (continued)

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.

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.

1.10 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.

1.11 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.

1.12 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 2022

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 represent 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 2022

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.

Impairment of stock

On reviewing the stock valuation held at Matebe and Rwanguba, in consideration of extraordinary security situation at these locations, management has taken the view that it is prudent to fully provide against the stock valuation of materials held at these two locations, as at 31 December 2022. While the stock system as at 31 December 2022 recorded stock at cost value held at the two sites totalling \$2.017m, (Matebe \$0.799m and Rwanguba \$1.218m), the security situation was too high risk to undertake a stock count. Furthermore, the ongoing severe security situation means that while construction work continues at the Rwanguba site, the security over stock held at both sites cannot be assured. On the basis that management is not able to ensure the physical security and integrity of the locations where stock is currently stored, management concluded that providing against the full accounting cost value of stock held at these locations was the appropriate action.

There are extensive comments on the security situation as it impacts Virunga Foundation's operations, including incidents and risks, presented in the Chairman and Trustees' reports to the 2022 Audited Accounts. There are multiple references to security impacts throughout the Trustees Report, but most specifically in the "Security / Rule of Law & Human Rights", section of the Report.

2. Voluntary income

	Unrestricted funds	Restricted and Endowment funds	Total funds	<i>Total funds</i>
	2022	2022	2022	<i>2021</i>
	\$	\$	\$	\$
Donations	1,755,465	5,211	1,760,676	4,191,282
Grants	<u>(97,793)</u>	<u>25,239,763</u>	<u>25,141,970</u>	<u>22,222,992</u>
	<u>1,657,672</u>	<u>25,244,974</u>	<u>26,902,646</u>	<u><i>26,414,274</i></u>

In 2021, of the total income from grants and donations, \$5,237,847 was to unrestricted funds and \$19,965,786 was to restricted funds.

VIRUNGA FOUNDATION
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

3. Incoming resources from charitable activities

	Unrestricted funds 2022 \$	Restricted funds 2022 \$	Total funds 2022 \$	Total funds 2021 \$
Tourism income	-	-	-	126,623
Lodge income	191,283	-	191,283	305,651
Other income	<u>20,592</u>	<u>680</u>	<u>21,272</u>	<u>144,391</u>
	<u>211,875</u>	<u>680</u>	<u>212,555</u>	<u>576,665</u>

In 2021, of the total other incoming resources, \$522,904 was to unrestricted funds and \$53,761 was to restricted funds.

4. Trading income

	Unrestricted funds 2022 \$	Restricted funds 2022 \$	Total funds 2022 \$	Total funds 2021 \$
Royalty income	855	-	855	83,333
Provision of electricity	9,237,271	-	9,237,271	7,143,327
Rent received and other trading income	<u>793,623</u>	<u>-</u>	<u>793,623</u>	<u>56,814</u>
	<u>10,031,749</u>	<u>-</u>	<u>10,031,749</u>	<u>7,283,474</u>

In 2021, of the total income from other trading activities, \$7,283,474 was to unrestricted funds and \$nil was to restricted funds.

5. Expenditure on raising funds

	Staff costs 2022 \$	Other direct costs 2022 \$	Total funds 2022 \$	Total funds 2021 \$
Hydro power plant operational costs	5,339,926	7,629,990	12,969,916	10,317,929
Other trading activities	<u>34,113</u>	<u>534,043</u>	<u>568,156</u>	<u>-</u>
	<u>5,374,039</u>	<u>8,164,033</u>	<u>13,538,072</u>	<u>10,317,929</u>

In 2021, of the total expenditure on raising funds, \$10,317,929 was for unrestricted funds and \$nil was for restricted funds.

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6. Analysis of expenditure on charitable activities

	Staff costs 2022 \$	Other direct costs 2022 \$	Support costs 2022 \$	Total 2022 \$	Total 2021 \$
Agriculture and development	269,140	1,919,230	9,274	2,197,644	2,326,254
Protection of Virunga National Park	8,821,206	13,029,067	92,603	21,942,876	17,174,828
Raising awareness	-	6,033	27	6,060	4,569
	<u>9,090,346</u>	<u>14,954,330</u>	<u>101,903</u>	<u>24,146,580</u>	<u>19,505,651</u>

In 2021, of the total expenditure, \$6,571,086 was expenditure from unrestricted funds and \$12,934,565 was expenditure from restricted funds.

Included in support costs are foreign exchange losses of \$31,051 (2021: \$39,538) and governance costs of \$70,852 (2021: \$65,388).

7. Net incoming resources

This is stated after charging:

	2022 \$	2021 \$
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	42,919	46,224
Fees payable to the company's auditor and its associates in respect of:		
- The audit of subsidiaries of the company	23,050	23,492
- Non-audit services	17,596	41,896
Depreciation of tangible fixed assets owned by the charitable group	4,129,528	4,208,271
Amortisation of intangible fixed assets owned by the charitable group	186,486	674,245

During the year, no Trustees received any remuneration for their services as a trustee (2021: \$Nil).

During the year, no Trustees received any benefits in kind (2021: \$Nil). No Trustee received reimbursement of expenses in the current year (2021: No Trustees - \$nil). Other transactions with Trustees are detailed in Note 20.

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8. Staff costs

Staff costs were as follows:

	2022	<i>2021</i>
	\$	\$
Wages and salaries	<u>14,464,385</u>	<u>12,769,127</u>

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

	2022	<i>2021</i>
	No	<i>No</i>
Charitable activities	507	512
Other trading activities	95	-
Hydropower	<u>236</u>	<u>222</u>
	838	734

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:

	2022	<i>2021</i>
	No	<i>No</i>
In the band £60,001 - £70,000 (\$82,506 - \$96,256)	1	1
In the band £70,001 - £80,000 (\$96,257 - \$110,007)	2	1
In the band £80,001 - £90,000 (\$110,008 - \$123,757)	0	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)	1	0

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 \$1,096,411 (2021: \$1,157,485). The trustees receive no remuneration or benefit from the charity for acting as trustees.

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9. Intangible fixed assets

Group	Charity Cryptocurrency \$	Group Goodwill	Group Computer software \$	Group Other fixed assets \$	Group Total \$
Cost					
At 1 January 2022	1,037,688	-	1,190,744	2,691,224	4,919,656
On acquisition	-	54,708	-	639,379	694,087
Additions	-	-	286,762	158,217	444,979
Disposals	(987,975)	-	-	-	(987,975)
At 31 December 2022	<u>49,713</u>	<u>54,708</u>	<u>1,477,506</u>	<u>3,488,820</u>	<u>5,070,747</u>
Depreciation					
At 1 January 2022	-	-	239,883	2,293,248	2,533,131
On acquisition	-	-	-	186,486	186,486
Charge for the year	-	-	-	189,277	189,277
At 31 December 2022	<u>-</u>	<u>-</u>	<u>239,883</u>	<u>2,669,011</u>	<u>2,908,894</u>
Net book value					
At 31 December 2022	<u>49,713</u>	<u>54,708</u>	<u>1,237,623</u>	<u>819,809</u>	<u>2,161,853</u>
At 31 December 2021	<u><u>1,037,688</u></u>	<u><u>-</u></u>	<u><u>950,861</u></u>	<u><u>397,976</u></u>	<u><u>2,386,525</u></u>

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10. Tangible fixed assets

	Land and buildings	Plant and machinery	Motor vehicles	Computer equipment	Other fixed assets	Total
Group	\$	\$	\$	\$	\$	\$
Cost						
At 1 January 2022	67,961,284	29,808,366	5,356,238	409,880	160,695	103,696,463
On acquisition	1,014,117	1,704,741	23,399	7,994	-	2,750,251
Additions	<u>13,119,471</u>	<u>9,729,488</u>	<u>140,617</u>	<u>55,917</u>	<u>1,000</u>	<u>23,046,493</u>
At 31 December 2022	<u>82,094,872</u>	<u>41,242,595</u>	<u>5,520,254</u>	<u>473,791</u>	<u>161,695</u>	<u>129,493,207</u>
Depreciation						
At 1 January 2022	6,273,285	7,499,013	4,816,965	353,330	150,495	19,093,088
On acquisition	139,608	453,780	19,661	3211	-	616,260
Charge for the year	<u>2,487,107</u>	<u>1,509,002</u>	<u>104,740</u>	<u>28,679</u>	<u>-</u>	<u>4,129,528</u>
At 31 December 2022	<u>8,900,000</u>	<u>9,461,795</u>	<u>4,941,366</u>	<u>385,220</u>	<u>150,495</u>	<u>23,838,876</u>
Net book value						
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>
At 31 December 2022	<u>73,194,872</u>	<u>31,780,800</u>	<u>578,888</u>	<u>88,571</u>	<u>11,200</u>	<u>105,654,331</u>

Included in the above are fixed assets under the course of construction of \$20,815,117 (2021: \$12,974,027).

Included in land and buildings is freehold land at cost of \$1,248,176 (2021: \$1,061,387) which is not depreciated.

	Motor Vehicles \$	Other fixed assets \$	Total \$
Company			
Cost			
At 1 January 2022 and 31 December 2022	<u>549,905</u>	<u>150,495</u>	<u>700,400</u>
Depreciation			
At 1 January 2022 and 31 December 2022	<u>549,905</u>	<u>150,495</u>	<u>700,400</u>
Net book value			
At 31 December 2021 and 31 December 2022	<u>-</u>	<u>-</u>	<u>-</u>

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11. Fixed asset investments

Group	Other investments \$
Cost	
At 1 January 2022	1,390,435
Foreign exchange movement	(6)
Acquisition of controlling interest*	(1,345,579)
	<u>44,850</u>
At 31 December 2022	<u><u>44,850</u></u>

* The acquisition resulted in Virunga Foundation obtaining a controlling interest, and therefore the investments are eliminated on consolidation.

Group investments at cost comprise:

	2022 \$	2021 \$
Listed investments at market value	67	73
Other fixed asset investments	<u>44,783</u>	<u>1,390,362</u>
	<u><u>44,850</u></u>	<u><u>1,390,435</u></u>

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

Company	Shares in group undertakings \$
Cost	
At 1 January 2022 and 31 December 2022	<u><u>294,667</u></u>

Company investments at cost comprise:

	2022 \$	2021 \$
Investment in subsidiaries	<u><u>294,667</u></u>	<u><u>294,667</u></u>

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

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12. Debtors due after more than one year

	Group		Company	
	2022 \$	2021 \$	2022 \$	2021 \$
Deferred tax asset	1,245,804	433,740	-	-
Virunga SRL	-	-	1,866,361	1,777,487
Virunga Energies SAU	-	-	89,711,219	89,662,692
Sicovir SARL	-	-	600,100	-
	<u>1,245,804</u>	<u>433,740</u>	<u>92,177,680</u>	<u>91,440,179</u>

The movement in value for the year was as follows:

	\$
Value at 1 January 2022	91,440,179
Additional loans	2,031,700
Repayments	(1,472,839)
Accrued interest	<u>178,640</u>
Value at 31 December 2022	<u>92,177,680</u>

13(a). Current Assets – Stocks

	Group		Company	
	2022 \$	2021 \$	2022 \$	2021 \$
Raw materials and consumables	2,020,968	1,833,846	-	-
Finished goods and goods for resale	<u>3,471,873</u>	<u>3,809,101</u>	-	-
	<u>5,492,841</u>	<u>5,642,947</u>	-	-

13(b). Current Assets - Debtors

	Group		Company	
	2022 \$	2021 \$	2022 \$	2021 \$
Due within one year				
Trade debtors	2,082,626	1,411,053	-	-
Amounts owed by group undertakings	55,720	-	9,971,175	7,716,427
Other debtors	1,489,086	2,825,382	1,366,221	1,120,874
Prepayments and accrued income	<u>7,272,999</u>	<u>5,600,053</u>	<u>7,272,622</u>	<u>5,697,642</u>
	<u>10,900,431</u>	<u>9,836,488</u>	<u>18,610,018</u>	<u>14,534,943</u>

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14. Creditors:
Amounts falling due within one year

	Group		Company	
	2022	2021	2022	2021
	\$	\$	\$	\$
Bank loan and overdrafts	1,593,145	3,339,623	-	-
Other loans	1,470,354	-	1,470,354	-
Trade creditors	2,670,257	2,283,998	67,842	795,142
Social security and other taxes	487,402	91,238	107,977	91,238
Taxation	-	622	-	-
Other creditors	206,107	392,285	172,762	316,451
Accruals and deferred income	<u>39,701,849</u>	<u>32,270,570</u>	<u>39,485,917</u>	<u>32,265,770</u>
	<u>46,129,114</u>	<u>38,378,336</u>	<u>41,304,852</u>	<u>33,468,601</u>

Amounts falling due after one year

	Group		Company	
	2022	2021	2022	2021
	\$	\$	\$	\$
Deferred income	-	-	-	-
Other loans	3,430,825	4,901,179	3,430,825	4,901,179
Bank loans	<u>18,734,092</u>	<u>10,061,799</u>	<u>-</u>	<u>-</u>
	<u>22,164,917</u>	<u>14,962,978</u>	<u>3,430,825</u>	<u>4,901,179</u>

Analysis of loans -

Amounts falling due within 1 year	3,063,499	3,339,623	1,470,354	-
Amounts falling due within 1-2 years	4,525,710	3,062,765	980,236	1,470,354
Amounts falling due within 2-5 years	8,094,822	11,900,213	2,450,589	3,430,825
Amounts falling due after more than 5 years	<u>9,544,385</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>25,228,416</u>	<u>18,302,601</u>	<u>4,901,179</u>	<u>4,901,179</u>

Bank and other loans comprise the following -

- A \$9m loan from BII 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.
- A \$10.3m loan from BII repayable over the period ending 30 June 2031. Interest is charge at 6% 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 2022 the guarantee amounted to \$1,369k, for which a corresponding amount is held in a separate bank account.

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15. Deferred taxation

	Group		Company	
	2022	2021	2022	2021
	\$	\$	\$	\$
At beginning of year	433,740	477,692	-	-
Added/(released) during the year (P&L)	<u>(48,050)</u>	<u>(43,952)</u>	-	-
At end of year	<u><u>385,690</u></u>	<u><u>433,740</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

The deferred taxation balance is made up as follows:

	Group		Company	
	2022	2021	2022	2021
	\$	\$	\$	\$
Accelerated capital allowances	<u><u>385,690</u></u>	<u><u>433,740</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

16. Statement of funds

	Brought forward	Income	Expenditure	Transfers & other gains	Carried forward
	\$	\$	\$	\$	\$
Unrestricted funds					
General funds	<u>60,160,321</u>	<u>11,624,530</u>	<u>(19,649,874)</u>	<u>151,642</u>	<u>52,286,619</u>
Restricted funds					
Protection of Virunga National Park	1,373,600	11,705,856	(15,578,419)	3,538,243	1,039,280
Agriculture and development	34,950	1,619,811	(2,196,696)	464,277	(77,658)
Hydro power plant construction	<u>12,974,027</u>	<u>11,995,252</u>	<u>-</u>	<u>(4,154,162)</u>	<u>20,815,117</u>
	<u>14,382,577</u>	<u>25,320,919</u>	<u>(17,775,115)</u>	<u>(151,642)</u>	<u>21,776,739</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>14,408,410</u>	<u>25,320,919</u>	<u>(17,775,115)</u>	<u>(151,642)</u>	<u>21,802,572</u>
TOTAL GROUP FUNDS	<u>74,568,731</u>	<u>36,945,449</u>	<u>(37,424,989)</u>	<u>-</u>	<u>74,089,191</u>
NON-CONTROLLING INTERESTS	<u>-</u>	<u>332,625</u>	<u>(259,663)</u>	<u>1,475,471</u>	<u>1,548,433</u>
TOTAL	<u>74,568,731</u>	<u>37,278,074</u>	<u>(37,684,652)</u>	<u>1,475,471</u>	<u>75,637,624</u>

Included in Transfers & Other Gains is \$1,475,471 in respect of non-controlling interests on the acquisition of a controlling interest in Sicovir SARL.

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16. Statement of funds (continued)

<i>2021 comparatives</i>	<i>Brought forward</i>	<i>Income</i>	<i>Expenditure</i>	<i>Transfers in/out</i>	<i>Carried forward</i>
	\$	\$	\$	\$	\$
<i>Unrestricted funds</i>					
<i>General funds</i>	<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>
<i>Restricted funds</i>					
<i>Protection of Virunga National Park</i>	1,033,666	9,999,597	(10,619,871)	960,208	1,373,600
<i>Agriculture and development</i>	7,054,697	2,780,673	(2,314,694)	(7,485,726)	34,950
<i>Hydro power plant construction</i>	<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>
<i>Expendable endowment funds</i>					
<i>Fallen rangers fund</i>	<u>25,833</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,833</u>
<i>Total Restricted and Endowment funds</i>	<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><u>69,903,759</u></u>	<u><u>34,488,552</u></u>	<u><u>(29,823,580)</u></u>	<u><u>-</u></u>	<u><u>74,568,731</u></u>

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 towns and 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.

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16. Statement of funds (continued)

ENDOWMENT FUNDS

Fallen Ranger fund – an expendable endowment created to secure the future of the rangers and their families for years to come. Rangers killed in the performance of their duties leave behind families who relied on them as the main breadwinners, and long term injured rangers are a financial burden on their 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.

17. Analysis of net assets between funds

	Endowment funds 2022 \$	Restricted funds 2022 \$	Unrestricted funds 2022 \$	Total funds 2022 \$
Intangible fixed assets	-	-	2,161,853	2,161,853
Tangible fixed assets	-	20,815,117	84,839,214	105,654,331
Fixed asset investments	-	-	44,850	44,850
Debtors due after more than 1 year	-	-	385,690	385,690
Net current assets / (liabilities)	25,833	961,622	(11,431,638)	(10,444,183)
Creditors due in more than one year	-	-	<u>(22,164,917)</u>	<u>(22,164,917)</u>
	<u>25,833</u>	<u>21,776,739</u>	<u>53,835,052</u>	<u>75,637,624</u>
	<i>Endowment funds 2021 \$</i>	<i>Restricted funds 2021 \$</i>	<i>Unrestricted funds 2021 \$</i>	<i>Total funds 2021 \$</i>
Intangible fixed assets	-	-	2,386,525	2,386,525
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	(716,749)	717,634
Creditors due in more than one year	-	-	<u>(14,962,978)</u>	<u>(14,962,978)</u>
	<u>25,833</u>	<u>14,382,577</u>	<u>60,160,321</u>	<u>74,568,731</u>

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

	2022	2021
	\$	\$
Net income for the year (as per Statement of financial activities)	(406,578)	4,664,972
Adjustment for:		
Investment income	(131,124)	(214,139)
Depreciation of tangibles fixed assets	4,129,528	4,208,271
Amortisation of intangible fixed assets	189,277	674,245
Loss on disposal of tangible fixed assets	-	15,122
Loss on disposal of intangible fixed assets	65,045	-
Impairment of intangible fixed assets	-	69,144
Servicing of finance	100,462	-
(Increase)/decrease in stock	(1,867,261)	(807,494)
(Decrease)/increase in debtors	(1,015,893)	(5,507,375)
Increase in creditors	<u>8,026,902</u>	<u>21,308,883</u>
Net cash provided by operating activities	<u>11,107,726</u>	<u>24,411,629</u>

19. Analysis of cash and cash equivalents

	2022	2021
	\$	\$
Cash in hand	19,291,659	23,616,536
Bank overdraft	<u>-</u>	<u>(2,761,076)</u>
Total	<u>19,291,659</u>	<u>20,855,460</u>

20. Analysis of changes in net debt

	At 1 January 2022	Cash flows	Other non-cash changes	At 31 December 2022
	\$	\$	\$	\$
Cash and cash equivalents				
Cash in hand	23,616,536	(4,324,877)	-	19,291,659
Bank overdraft	(2,761,076)	2,761,076	-	-
	20,855,460	(1,563,801)	-	19,291,659
Borrowings				
Debt due within one year	(578,547)	713,572	(3,198,524)	(3,063,499)
Debt due after one year	(14,962,978)	(10,300,000)	3,098,061	(22,164,917)
	(15,541,525)	(9,586,428)	(100,463)	(25,228,416)
TOTAL	<u>5,313,935</u>	<u>(11,150,229)</u>	<u>(100,463)</u>	<u>(5,936,757)</u>

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21. Related party transactions

Key Management Personnel

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.

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 2022 the outstanding amount was \$2.08m (2021: \$2.47m).

During the year Jan Bonde Nielsen made payments of \$nil (2021: \$97,463) 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 \$nil (2021: \$16,500).

Jan Bonde Nielsen is a Trustee of Farm Africa. During the year payments of \$162,379 were made to Farm Africa in respect of consultancy services provided for the Virunga coffee programme. No amounts were outstanding at the year end.

Subsidiary Entities

Company name	Country of registration	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%
SICOVIR SARL*	Democratic Republic of Congo	56.72%
Société Provinciale d'Eau et d'Electricité du Nord-Kivu*^	Democratic Republic of Congo	51%

Other participating interests

Company name	Country of registration	Percentage Shareholding
Virunga Enzymes SARL*	Democratic Republic of Congo	15%
Virunga Origins SRL*	Belgium	40%
Virunga Chocolat SARL*	Democratic Republic of Congo	20%

* held through Virunga SRL ^ dormant

VIRUNGA FOUNDATION
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

21. Related party transactions (continued)

Virunga SRL

During the year, Virunga Foundation provided Virunga SRL with further funding to cover the additional investment in SICOVIR SARL, running costs and paid for expenses on its behalf amounting to \$869,541 (2021 - \$7,693).

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 \$164,238 (2021 - \$144,844).

Virunga Energies SAU

During the year, Virunga Foundation has advanced short-term loans and paid for expenses on behalf of Virunga Energies SAU amounting to \$2,262,711 (2021 - \$563,069). Repayments of \$2,026,613 were made during the period. An amount of \$6,860,615 (2021 - \$6,121,725) 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 \$89,766 (2021 - \$35,764). Additional funds of \$1,431,600 were loaned during the period and repayments of \$1,472,839 were received. The Board has resolved to waive interest charges on the loans until 31 December 2023.

During the year Virunga Energies SAU charged for electricity to Virunga Foundation and Sicovir SARL totalling \$371,229. At the year end \$56,856 was owed by Virunga Foundation and \$17,611 by Sicovir SARL.

Virunga Development SARL

Virunga Foundation has advanced a short term loan to Virunga Development SARL of \$476,807. Interest is accruing at 3% per annum on \$375,000 of this loan and interest received in the year amounted to \$7,818 (2021 - \$11,542). The remaining loan balance is interest free.

Sicovir SARL

On 12 November 2022, Virunga Foundation (via its subsidiary Virunga SRL) acquired an additional 34.78% of the share capital of SICOVIR SARL for consideration of \$600,000, taking Virunga Foundation's holding in the company to 56.72%. At the acquisition date, net assets of \$3.42m were acquired, comprising fixed assets (\$2.59m), stock (\$0.92m), debtors (\$0.35m), cash (\$0.04m) and creditors (\$0.48m). Virunga Foundation's share of the net assets acquired is \$1.99m.

Virunga Foundation has advanced a loan to SICOVIR SARL of \$300,000. Interest is charged at 5% per annum, with capital repayment due by 31 December 2023. A further loan of \$300,000 was advanced to SICOVIR SARL. Interest is charged at 5% per annum, with capital repayment due by 31 December 2024.

Virunga Productions CIC

During the year expenses of \$5,526 were paid on behalf of Virunga Productions C.I.C., to fund media related costs.

Virunga Foundation has advanced a loan to Virunga Productions CIC of \$374,121. Repayment is only required if the conditions regarding repayment occur.

Virunga Origins SRL

During the year \$433 was provided by Virunga Foundation to Virunga Origins SRL.

VIRUNGA FOUNDATION
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

21. Related party transactions (continued)

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

	2022	2021
	\$	\$
Virunga SRL – long term loan	1,866,361	1,777,487
Virunga Energies SAU – long term loan	89,711,219	89,662,692
Virunga Development SARL	476,807	468,988
Virunga Productions C.I.C	374,121	368,595
Virunga SRL – short term loan	2,203,911	1,259,006
Virunga Foundation Limited	433	-
SICOVIR SARL	600,100	-

Subsidiary results for the year

Company name	Net Assets	Result for the year
	\$	\$
Virunga Productions CIC	(364,270)	(5,178)
Virunga SRL	(514,788)	(155,318)
Virunga Energies SAU	(34,683,155)	(1,260,973)
Virunga Development SARL	80,810	(6,383)
Virunga Energies SAU Limited	448	-
Virunga Belgique SRL Limited	2,453	-
Virunga Foundation Limited	97	-
SICOVIR SARL	3,577,710	168,582
Société Provinciale d'Eau et d'Electricité du Nord-Kivu	20,000	-

Other participating interests

Company name	Country of registration	Percentage Shareholding
Virunga Enzymes SARL*	Democratic Republic of Congo	15%
Virunga Origins SRL*	Belgium	40%
Virunga Chocolat SARL*	Democratic Republic of Congo	20%

*held through Virunga SRL