



FRES annual report 2019

Stepping up
rural
electrification
to leave
no one behind





Diadiari Thiombiano, Alain, Nikilema, Julien Sane and Mohamed Coulibaly show the work clothing of FRES Yeelen Ba technical sales representatives in Burkina Faso. Visibility and representativeness are important for a service brand.

Previous page: Ayesigamukama Pison and Namanya Osbert, a technician and intern at FRES Uganda's Isingiro energy store, installing a solar system for a Somali family of eight in Nakivale Refugee Settlement. In 2019, FRES Uganda serviced 650 customers in three refugee camps in the southwest of the country.

We are FRES

A Dutch not for profit foundation powering a group of African companies supplying solar electricity to over 20,000 customers in off-grid rural areas.

With over 150 technicians and service agents in the field, we maintain regional networks of solar home systems, nano grids, mini grids, village lighting, solar water pumping and productive use platforms.

We service customers on the African continent, specifically in Mali, Burkina Faso, Uganda and Guinea-Bissau. We are gearing up to add new countries to our network as we are on a mission to leave no one behind.

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Introduction

The year 2019 marked the 20th anniversary of Foundation Rural Energy Services (FRES) bringing solar energy to the most challenging rural off-grid areas of Africa that run the risk of being left behind.

What has powered FRES during this 20-year journey is its local field staff. Every day, over 150 technicians and service agents maintain what have become regional networks of solar home systems, nano grids, village mini grids and lighting, solar water pumping and productive use platforms.

This annual report pays a special tribute to our local staff, with portraits by local photographers depicting the daily activities that have built our 20-year track record.

As the photos show, continual maintenance of panels, batteries, wiring and lighting comes with the job at a FRES company. It is the basic rule of any utility. Keeping customers satisfied with a secure supply of affordable electricity is

what pays our bills and ensures we can keep the solar systems running, including in the long run. The results of these ongoing efforts, as well as other highlights from this milestone year, are presented in this report.

FRES' first two decades read like a young boy's storybook. As a pioneer in the first decade, our vision was to set up local utilities to advance rural electrification through solar energy, from under the wings of a Dutch utility.

We continued in the second decade as an independent foundation with a mission to guide African rural utilities on a path to long-term sustainability. It became a decade of steep customer growth in which two new FRES companies were launched.

Our mission will continue in the coming decade. The world is not on track to achieve SDG 7. At the current pace of electrification, half a billion people, predominantly in rural Africa, will still be without access to affordable, reliable, sustainable

and modern energy by 2030. For a foundation with the words 'rural energy services' in its name, the call to action could not be louder.

In preparation, we spun off our company in South Africa to sharpen our focus on countries and regions that run the risk of being left behind. We decided to switch to a pay-as-you-go (PAYG) platform to improve payment rates and the sustainability of our operations. And we broadened the scope of our offering to include productive use and solar water pumping.

At proven growth rates and with the continued commitment of our local staff, we aim to increase our impact and reach our goal of reaching 100,000 customers and half a million beneficiaries by 2030. By combining forces, we can extend our reach even further. On behalf of our local staff and everybody else involved, I invite you to join us!

Ido Verhagen
Managing Director, FRES

Message from the Board

As Board of the Foundation Rural Energy Services (FRES) we are proud to present to you our annual report over 2019.

In 2019, we made notable progress toward achieving our strategic objectives in support of the UN Sustainable Development Goals. Chief among these was realizing the financial sustainability of our operating companies, next to providing superior customer service, following a period of expansion. Although we are not there yet, we took significant steps to improve our payment rate and fee collection without compromising our valued customer relations.

Attaining an acceptable payment rate is a major challenge for all FRES companies. The reasons for this vary between countries and are not always within our control. In Guinea-Bissau, for instance, many customers have their energy services paid for by relatives who work for the government. Following contested elections in late 2019, government salaries were not paid, and many customers were unable to afford their monthly dues.

What we can control are our internal processes. We are currently implementing mobile payment across our companies. The technology is easy for customers to use, helps us enhance payment discipline while driving down operational costs and supports the prevention of fraude. In Uganda, over 50% of payments are now received via mobile money thanks to this technology.

Equally important in managing operational costs is reducing customer churn. FRES Uganda has made encouraging progress in this area. Although a large number of accounts were suspended because of non-payment, the company ended the year with net customer growth.

Yeelen Ba in Burkina Faso also reported customer growth despite a clean-up of the customer base. In addition, it has had a consistent payment rate of 92%. We expect improved customer acceptance procedures, in combination with mobile payment, to increase customer retention and sustain this growth trend.

Yeelen Kura in Mali started the development of four new mini grids in 2019. These mini grids will each serve a rural village, with street lighting and around 400 connections for households and businesses. As a result, a big step in customer growth is expected for 2021, when all connections will have been realized.

Across the companies, customer numbers exceeded 20,000, which means that more than 100,000 people now benefit from access to renewable electricity. These numbers exclude NuRa, the South African business. By the end of 2019, NuRa was at an advanced stage of being sold by Vattenfall, its majority shareholder, to a private entrepreneur who will continue the company's activities and expand its offerings.

Looking ahead, we are seeking new investment opportunities in the countries where we currently operate. We also aim to replicate our model in at least two new countries in the coming five years. In 2019, we conducted studies in Benin, Burundi, and Zambia to assess the viability of these markets. We will continue to improve the

efficiency and effectiveness of our operations to support these expansion plans.

Much of the progress we achieved was made possible by the hard work of our employees, to whom we extend our sincere thanks. This was despite several staff changes at the senior level, mainly in the head office and FRES Guinea-Bissau. These changes demanded additional dedication from many staff to ensure business continuity while replacements were found. The new members of the team bring a wealth of experience to the organization, which will strengthen our overall capability. More details can be found in the leadership and governance section.

We also extend our thanks to our volunteers, partners and donors. Their unfailing support has been all the more crucial since the emergence

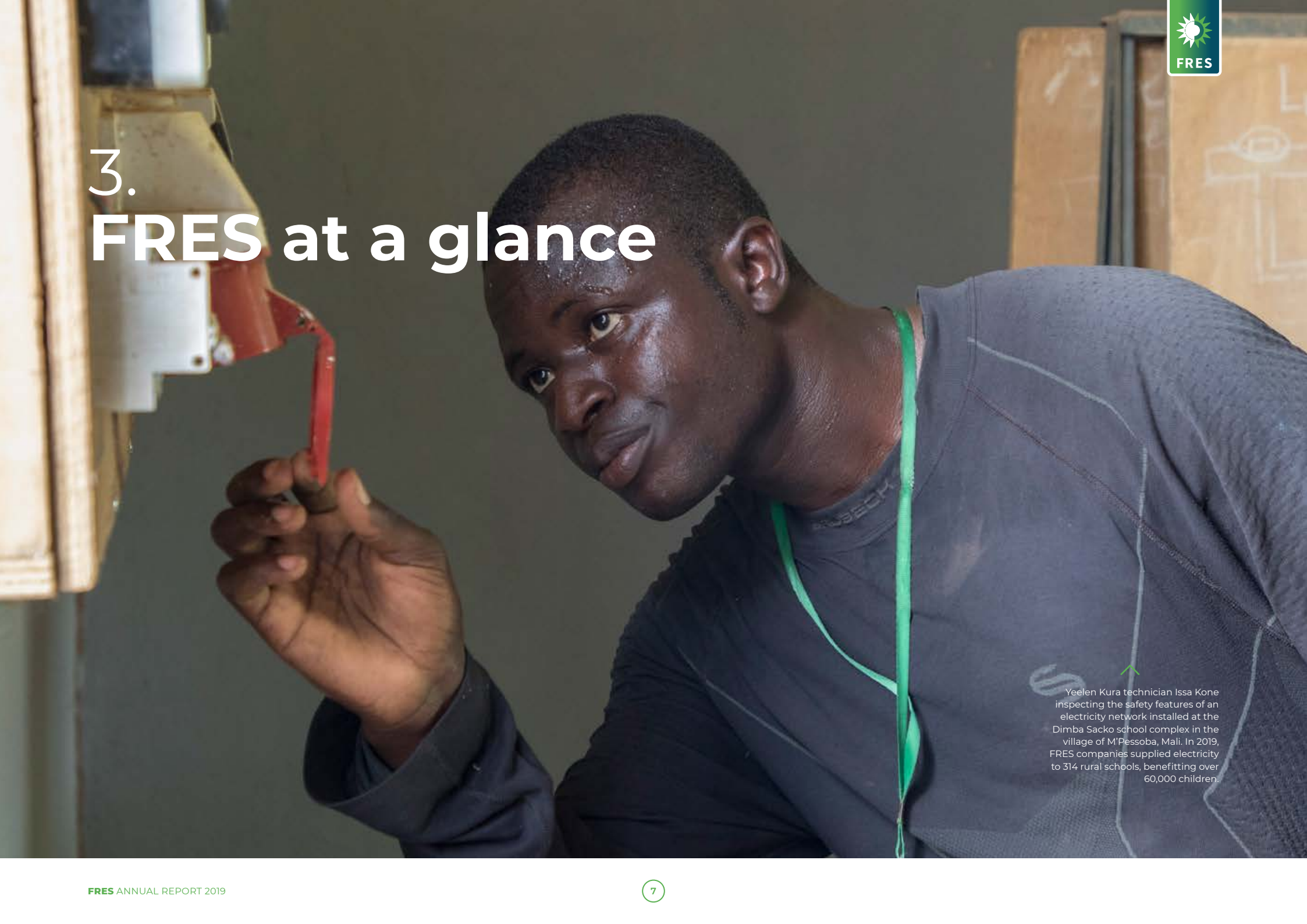
of the COVID-19 virus. Although the pandemic had no impact on our operations in 2019, its effects have been widely and deeply felt in the year since, particularly in countries that were already vulnerable to shocks. We are monitoring the situation closely, as detailed in the outlook section. However, we strongly believe that our products and services will be needed more than ever as the world looks to recover in ways that are more sustainable and resilient.

*Wim Plaizier
Paul Gaalman
Serge Leijten
Sophie Dingenen
Paul Hol
Wim Sinke
Lidwien Schils
Femke Smeets*

Technician Mamadou Doumbia installing electric cables for Yeelen Kura's mini grid in the village of Dogoni, Mali. The mini grid, which connects 400 people and provides village lighting to the whole community, became operational in 2020, with support from EuropeAid.



3. **FRES at a glance**

A photograph of a man, Issa Kone, a technician at Yeelen Kura, inspecting an electricity network. He is wearing a dark blue long-sleeved shirt and a green lanyard. He is holding a red tool, possibly a wire cutter or pliers, and looking intently at the device he is working on. The background shows a wooden structure and a chalkboard with some drawings.

Yeelen Kura technician Issa Kone inspecting the safety features of an electricity network installed at the Dimba Sacko school complex in the village of M'Pessoba, Mali. In 2019, FRES companies supplied electricity to 314 rural schools, benefitting over 60,000 children.

3.1 FRES at a glance

Stepping up

With ten years left to achieve the United Nations Sustainable Development Goals (SDGs), the 2020s have been called the decade of delivery. As a key driver of sustainable development, access to clean, renewable energy is crucial for realizing not only the SDGs but also the core promise of the 2030 agenda to leave no one behind.

At the current pace of electrification, however, half a billion people – primarily living in rural areas of sub-Saharan Africa and the Sahel – will still be unserved in 2030. The urgency of the challenge and the need to obtain long-term results that truly fulfil the promise of leaving no one behind, means we must step up our efforts.

As a pioneer in bringing off-grid solar energy solutions to rural Africa, FRES proves it can be done. Even in the most challenging areas that are at greatest risk of being left behind, FRES has become a trusted supplier of solar energy to businesses, communities and households.

Central to our success is our belief in local entrepreneurship. FRES establishes commercial electricity companies under local management that gradually extend their reach from village to village and district to district. Our aim is for our companies to become financially sustainable in the long term. Expenses are kept to a minimum, and any profits our companies generate are reinvested locally to support relevant expansion and finance future asset replacements without subsidies. This proven growth strategy and our ‘boots on the ground’ approach set us apart and allow us to combine affordable

premium technology with ongoing professional maintenance.

From a single company in KwaZulu Natal, South Africa in 1999 that recently became self-reliant, we have replicated and further developed our model in Mali, Burkina Faso, Uganda and Guinea-Bissau.

Building on this 20-year track record, we are currently gearing up to add new countries to our network. We are looking for partners and donors to support and accelerate our work.

Our vision

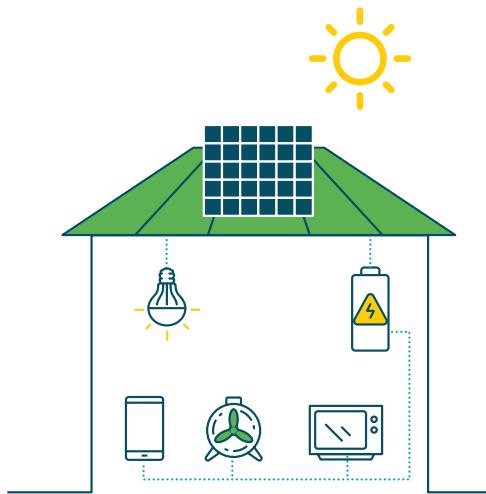
Rural electrification that leaves no one behind. We envision universal clean energy access as an enabler for all other social and development goals and key to achieving these goals sustainably.

Our mission

Our mission is to advance electrification in rural Africa. We do this by establishing small-scale commercial electricity companies under local management in areas that have no access to a national or regional electricity grid and that are not or hardly served by commercial solar energy providers.

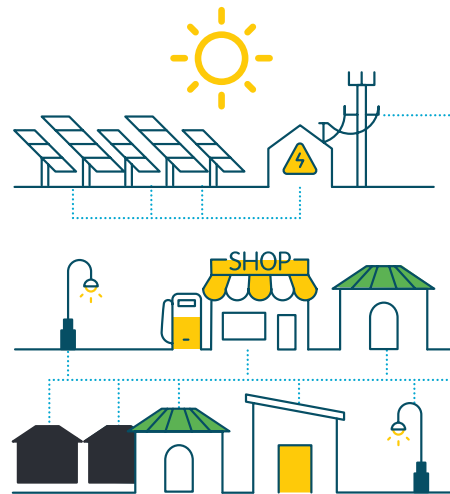
What we do

With solar home systems (SHS), mini grids and multifunctional platforms in our portfolio, we can meet all the energy needs of individual households, communities and businesses in off-grid rural areas.



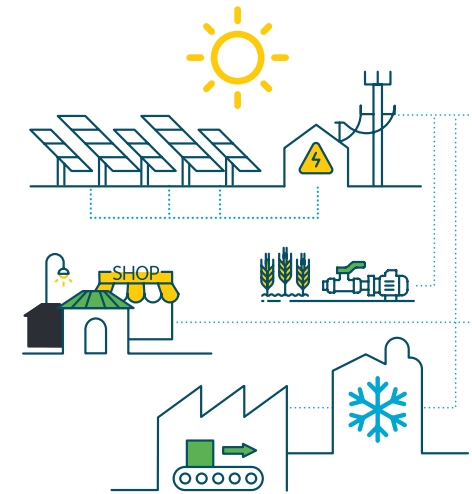
Solar home systems

SHS customers can choose between several pre-set service levels depending on their individual energy needs. Installing multiple SHS systems can meet the energy needs of small businesses, such as bars or shops, as well as clinics, religious centers and schools.



Mini grids

A mini grid is a small electricity network that can connect domestic, commercial and community customers within a radius of a few kilometers with a solar power plant. This is composed of a field of solar panels, a large set of batteries and a backup generator.



Multifunctional platforms

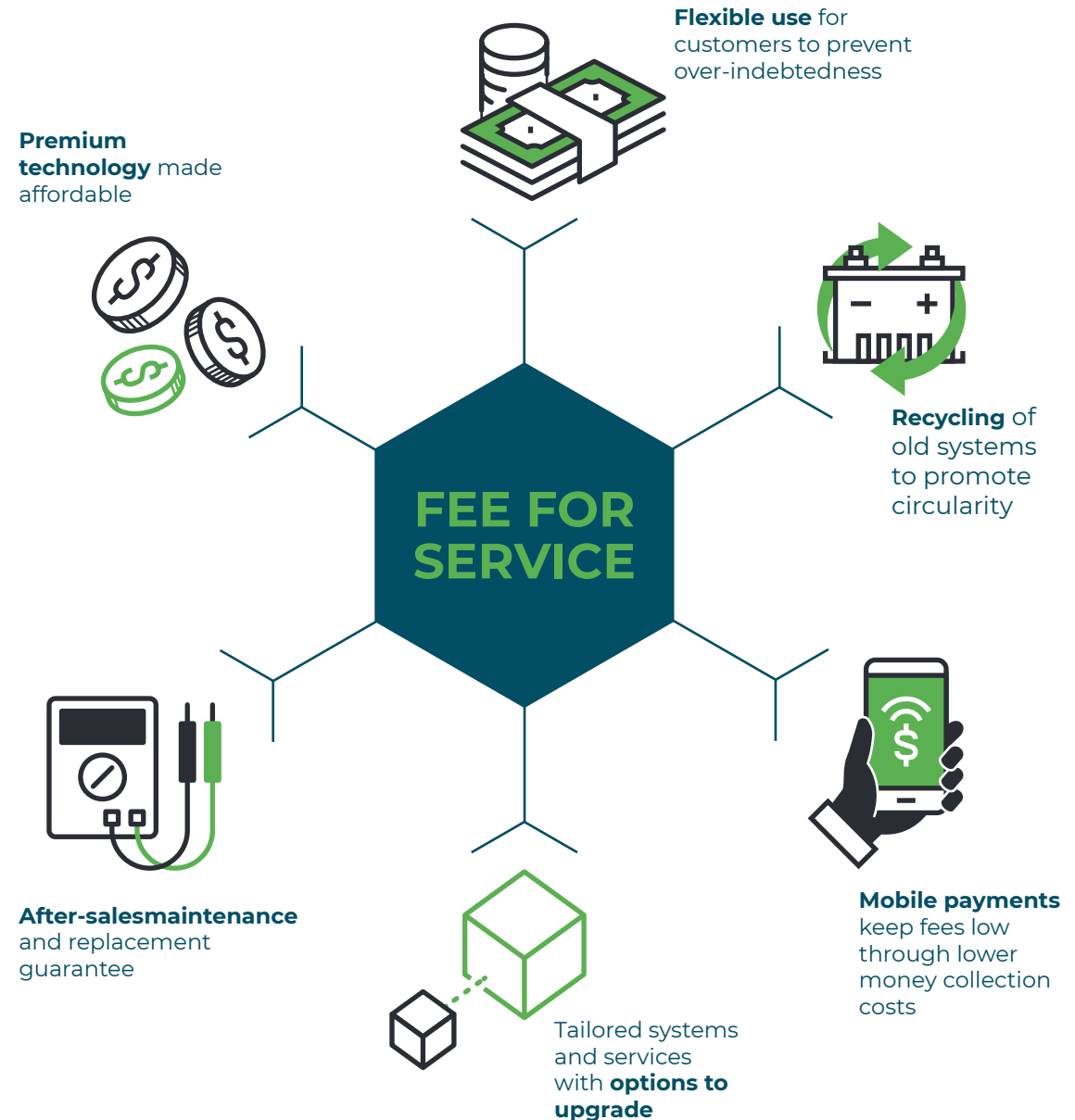
FRES can build multifunctional platforms that provide a tailored energy supply for a whole regional ecosystem of businesses and households. With partners, this can be combined with productive use offerings such as solar-powered water pumps, irrigation, processing equipment and cold storage.

3.3 FRES at a glance

Unique fee-for-service model

FRES provides electricity on the basis of a fee-for-service model. Customers pay a monthly fee using mobile payment and can upgrade systems when needed. FRES companies install and retain ownership of these systems, taking care of all after-sales maintenance and replacement investments. This ensures long-term, sustained use of the assets. FRES is also responsible for collecting and recycling old systems, reducing waste and promoting circularity.

This model makes premium technology affordable to our more than 20,000 customers and 100,000 beneficiaries. To ensure our service levels remain high, we are currently upgrading the solar systems of our current customer base and converting to next-generation batteries with faster charging speeds and greater durability.



3.4 FRES at a glance

Our contribution to the Sustainable Development Goals

SDG 7

Affordable and clean energy

Explicitly recognizes renewable energy as a key enabler for development. However, energy is crucial for achieving almost all of the 17 SDGs, from its role in eradicating poverty through to advancements in health, education and water supply to combatting climate change. FRES' specific contribution to nine SDGs besides SDG 7 is detailed below.

SDG 1

No poverty

Access to energy services is a pre-requisite for economic development and makes entrepreneurial activities possible beyond daylight hours. FRES contributes to fighting poverty by creating jobs in its own operations and by enabling small businesses to start up or expand.



3.4 FRES at a glance

SDG 2

End hunger

Access to efficient technologies and fuels is vital for the preparation of many staple foods. In addition, energy can improve agricultural productivity through irrigation and reduce food waste through activities such as cooling. FRES company Yeelen Kura operates a solar water pumping station serving a farmers' cooperative in Mali's Sikasso region. In Burkina Faso, Yeelen Ba started developing solar-powered agro-processing plants for cooperatives in 2020.

SDG 3

Good health and well-being

Energy is a key component of functioning health systems, allowing vaccines to be refrigerated and equipment sterilized, for instance. Nearly 150 health clinics in rural areas rely on solar energy from FRES, benefitting 12,000 patients. Furthermore, replacing traditional lighting technologies such as kerosene lamps with clean fuel reduces the risk of respiratory diseases, especially in women and young children.

SDG 4

Quality education

Effective learning environments include access to electricity. FRES companies provide lighting to schools and homes, making classes and home study possible, including in the evenings. Electrification also enables the use of computers and laptops for educational purposes.

SDG 5

Gender equality

FRES explicitly supports gender equality in its own companies. FRES Uganda currently leads the way, with a third of management positions filled by women. In 2021, FRES will initiate a project to explore how its services can support gender equality in rural areas, where gender norms often affect access to energy services and the benefits that women, in particular, derive from them.

SDG 8

Decent work and economic growth

Closely linked to SDG 1 (no poverty), the production and commercialization of energy products and services creates jobs and allows businesses to flourish. In 2019, FRES employed 194 people in its four companies and had 3,969 businesses as customers.

SDG 9

Industry, innovation and infrastructure

Promoting sustainable industries and investing in innovation are key to finding lasting solutions to economic and environmental challenges, such as new jobs and energy efficiency. FRES creates rural entrepreneurial hubs around solar power plants that connect businesses and manufacturers via mini grids.

SDG 12

Responsible consumption and production


Energy is crucial to reduce food losses along food supply and value chains via cooling, drying, milling and so on. FRES' solar systems support these postharvest processes. In addition, the energy produced is renewable and does not contribute to global warming.

SDG 13

Climate action

Fossil fuel use is the primary source of carbon dioxide, which accounts for two thirds of all global greenhouse gas emissions. By generating a reliable supply of renewable energy, FRES is helping to combat climate change.

4. Operational report

A woman, Mariam Niaré, is shown in profile, working on a solar home system. She is wearing a dark headwrap and a blue shirt. She is using a screwdriver to work on a wooden box mounted on a green wall. The box contains electrical components. The background is a green wall with some peeling paint.

Yeelen Kura technician Mariam Niaré checking the charge controller of a solar home system in the village of Nimbougou, Mali. FRES installs and maintains complete solar-powered electricity systems for its customers, including wiring, lighting and sockets.

Local roots, global connections

FRES advances electrification in rural areas of Africa by setting up commercial electricity companies under local management. We target remote and sometimes challenging areas that are at greatest risk of being left behind. We have operations in Burkina Faso, Guinea-Bissau, Mali and Uganda. We aim to replicate our model in at least two new countries in the coming five years.

FRES' small head office in Amsterdam, The Netherlands oversees and supports the activities of local companies in Africa. It provides the expertise and investments needed for them to start- up, grow and, most importantly, become self-reliant. The head office is also responsible for the international procurement of hardware, maintaining relationships with donors, partners and suppliers and planning for expansion in new countries.

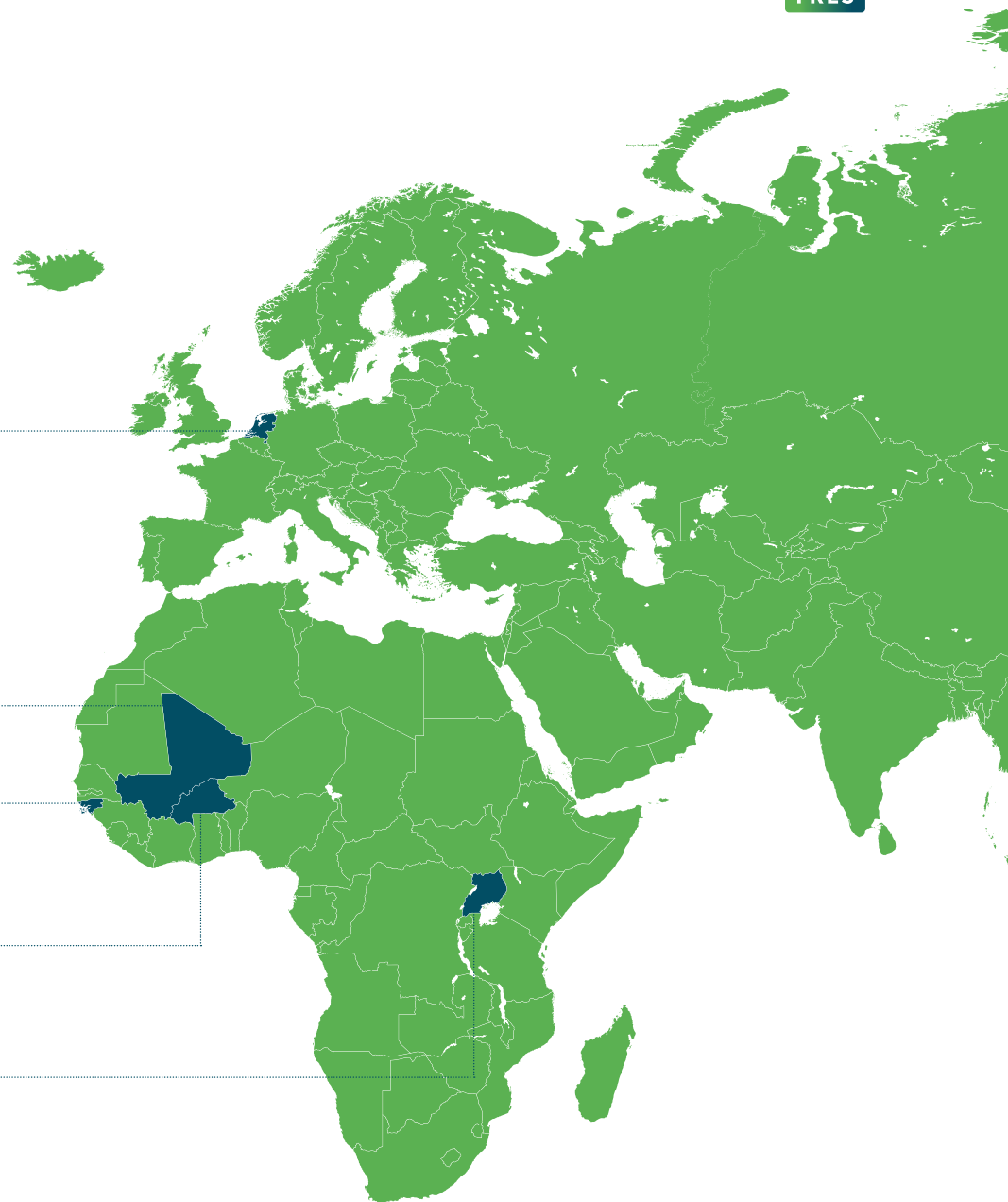
The Netherlands
Amsterdam

Mali
Koutiala

Guinea-Bissau
Gabú

Burkina Faso
Orodara

Uganda
Mbarara




4.2 Operational report

FRES in numbers

Company	FRES Mali	FRES Burkina Faso	FRES Uganda	FRES Guinea-Bissau	FRES total
Founded	2001	2008	2010	2011	
Number of clients	7,184	2,842	5,975	4,372	20,373
Solar energy capacity (kWp)	1,149	242	933	496	2,820
CO2 savings (tCO2/yr)	2,532	1,174	3,020	1,796	8,522
Energy stores	17	14	5	13	49
Rural villages served	158	280	320	693	1,451
Installation types					
SHS	3,950	2,842	5,975	3,975	16,742
Mini grids	14	0	0	1	15
Village lighting	14	0	0	1	15
Solar water pumping	1	0	0	0	1
Client segments					
Households	6,594	6,594	2,777	3,251	19,216
Businesses	590	590	65	2,724	3,969
Schools	15	21	266	12	314
Clinics	32	85	19	9	145
Places of worship	31	35	96	24	186
Government	182	6	0	32	220
Staff					
Direct employment	63	23	61	47	194
Indirect employment	69	58	203	110	440
Percentage women	6%	18%	22%	34%	20%
Women in management	9%	21%	36%	6%	16%
Staff below 35 years old	49%	82%	83%	55%	66%

This overview is excluding NuRa

4.3 FRES Mali – Yeelen Kura

A photograph of a man, identified as Yeelen Kura technician Youssouf Berthe, working on a light fixture. He is standing in front of a light blue wall, looking up at a light fixture. He is wearing a dark blue shirt. The wall has some exposed wiring and a light fixture. The ceiling is made of corrugated metal. The overall scene is dimly lit, with the light from the fixture illuminating the technician and the wall.

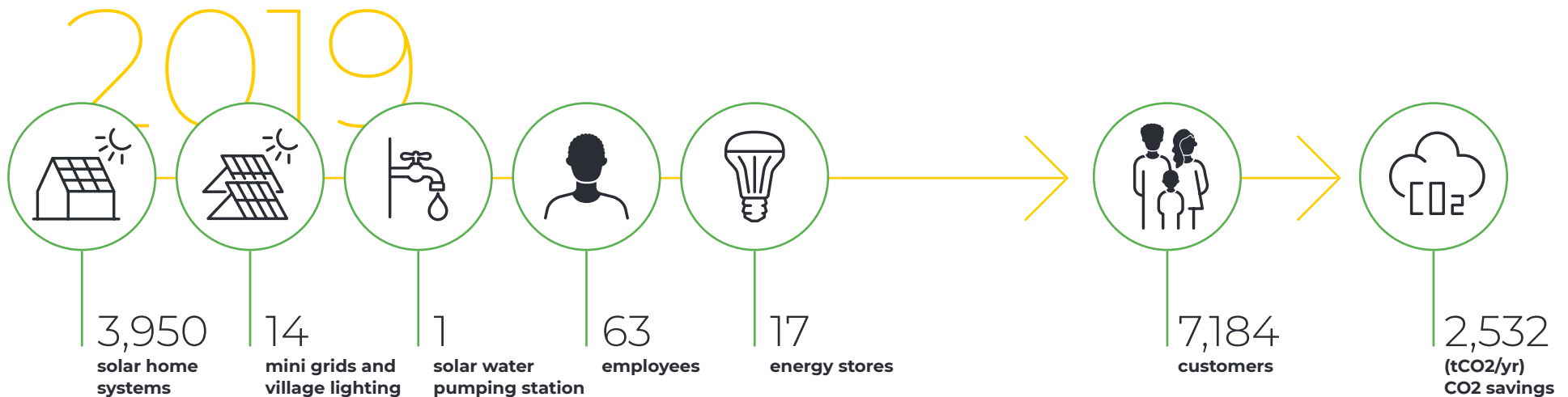
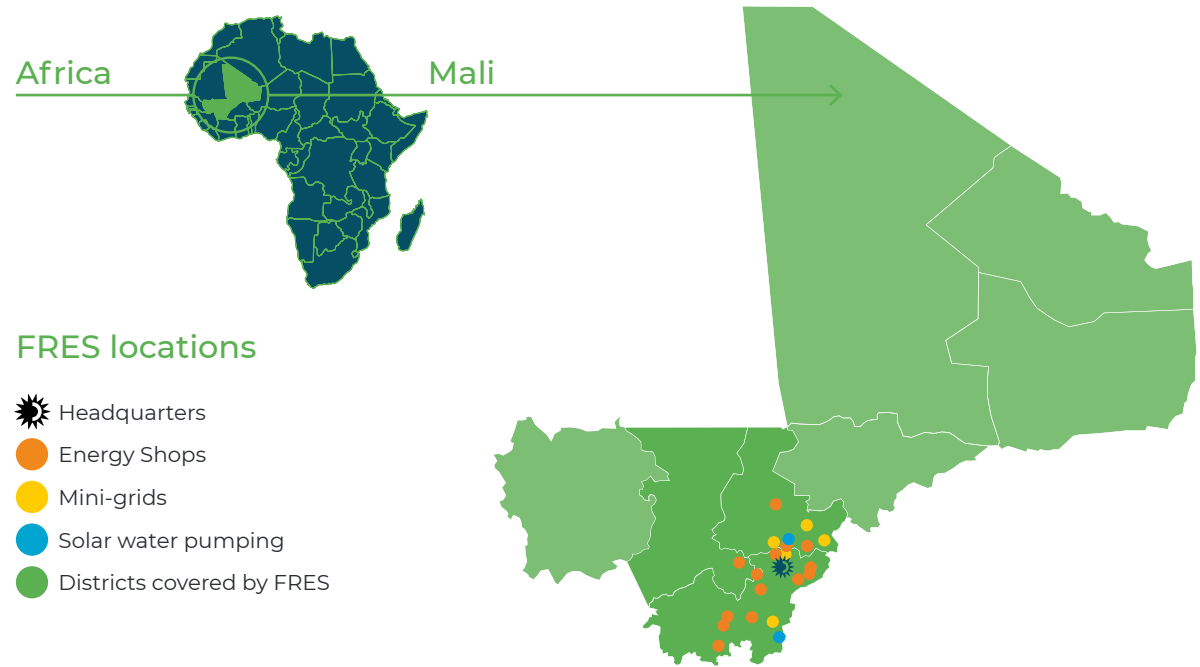
Yeelen Kura technician Youssouf Berthe checking the lights after changing a bulb at a mosque in Sikasso, Mali. In 2019, FRES supplied electricity to 186 rural places of worship, benefitting an estimated 24,620 visitors to churches and mosques.

4.3 FRES Mali – Yeelen Kura

Overview

Yeelen Kura, meaning ‘new light’ in Bambara, was established in the Sikasso region in 2001. It has since expanded to the neighboring regions of Ségou and Koulikoro. Besides solar home systems (SHS), it operates 11 mini grids and a solar water pumping station.

In 2019, Yeelen Kura employed 63 people. At the end of the year, it had 7,184 customers (3,950 SHS customers and 3,234 solar mini grid customers) and 17 energy stores.



Highlights 2019

Although the electrification rate in Mali is increasing, only 18% of the rural population has access to electricity, compared to 55% in urban centers. Most rural households meet their energy needs by using kerosene and batteries, which are expensive and unreliable.

Four new minigrids added

In 2019, Yeelen Kura had 14 solar and/or hybrid mini grids. This included the 75-kWh solar power plant in Diaramana, which became operational at the end of 2018. Four new mini grids have been added in 2020, providing electricity for domestic and productive use (see page 19).

Five of the existing mini grids are still under consideration of being transferred to EDM. This follows a decision by the Malian government

in 2016 to nationalize several FRES-owned assets. Yeelen Kura received compensation in 2020 for one mini grid that was transferred in 2018. A decision about the other five mini grids is expected in mid-2021. Until then, new investments in these minigrids are on hold. As a result, diesel consumption is increasing for a number of the mini grids because batteries are reaching the end of their life.

Supporting financial sustainability

Non-paying customers remain a challenge to long-term financial sustainability. The average rate of suspended customers – customers with their service put on hold due to non-payment of service fees – was high at 25% in 2019, but had dropped to 18% by the end of year. In Q4, Yeelen Kura was obliged to remove SHS from

approximately 500 customers unable to pay the monthly fees. The systems were transferred to new customers in the first half of 2020.

Priority will also be given to building a stronger customer portfolio. This will be done by tightening customer acceptance procedures as well as applying strict debt monitoring and service termination policies in the event of non-payment. The installation of pre-paid meters for mini grid customers has learned that pre-payment has a positive effect on payment rates and revenue.

First solar water pumping station

Yeelen Kura constructed its first solar water pumping station in 2019. The facility consists of a deep well, a solar-powered water pumping station, a water storage tank and a water distribution network. It replaces traditional hand pumps and diesel-powered pumps, enabling sustainable crop irrigation throughout the year for a 1.5-hectare plot cultivated by a farmers' cooperative in Nimbougou village, Sikasso region. A site was identified for a second solar water pumping station for installation in 2021.



“With financial support from the European Union, Yeelen Kura is building four new mini grids. This is an exciting step in the company’s growth and will positively contribute to social and economic development in four rural villages after becoming operational in 2020.”

Djibril Séméga

General Manager Yeelen Kura, Mali



Yeelen Kura technician Kassoum Coulibaly inspecting the solar panel field at the FRES solar power plant in Beléko, Mali. The mini grid, which connects 400 people and provides village lighting to the whole community, became operational in 2020, with support from EuropeAid.

SUCCESS STORY

FRES builds four new mini grids

In July 2019, FRES published a call for tenders for the supply, delivery and commissioning of two solar mini grids in the municipalities of Dogoni and Diéna in southeastern Mali.

The mini grids will each serve a rural village with around 400 connections, households and businesses, providing access to renewable energy for 2,000 beneficiaries.

Tendering also commenced for a further two mini grids serving around 600 customers in Beleko and Fakola. All four mini grids, which were financed through the European Commission's ACE-EU Partnership, will have a capacity of 80 kWp. After finalizing the installation in 2020, all customers will be connected by mid-2021.

4.4 FRES Burkina Faso – Yeelen Ba

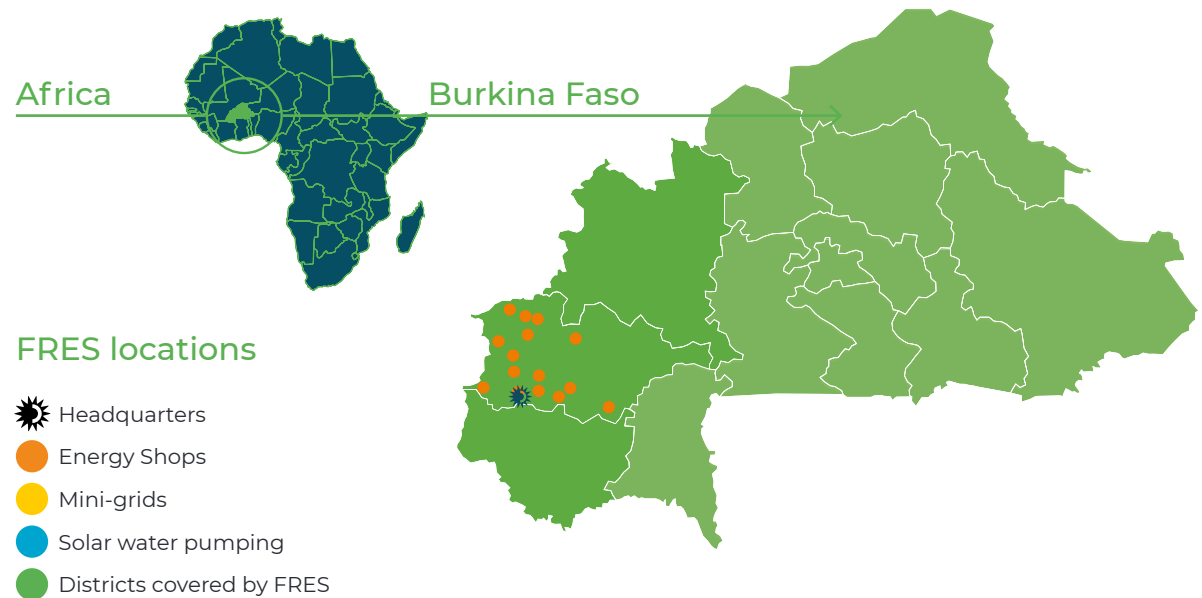


Yeelen Ba technicians preparing getting ready for customer visits to install a solar panel in Orodara, Burkina Faso. In 2021, FRES will connect 500 new customers in the Hauts-Bassins and Cascades regions, with support from EuropeAid.

Overview

Yeelen Ba, meaning ‘great light’ in Bambara, was established in 2008 in Kénédougou, the eastern province of the Hauts-Bassins region. After expanding to Houet, the company is now extending its service to the neighboring regions of Boucle du Mouhoun and Cascades.

In 2019, Yeelen Ba employed 23 people. At the end of the year, the company had 2,842 SHS customers and 14 energy stores.



Highlights 2019

Recurring droughts and political unrest have greatly impacted the security and economy of Burkina Faso, which has one of the lowest electrification rates in the world. To date, Yeelen Ba has not faced any threats to its headquarters or the villages where it operates. However, safety and security protocols are in place and staff remain vigilant.

Health and safety procedures

General health and safety are also a priority. Every month, the management team organizes a one-day training focusing on increasing staff sensitization to health and safety procedures. For instance, it is compulsory for staff to wear helmets on motorbikes, which significantly

reduces the gravity of injuries in the event of an accident. Other topics covered during these sessions include handling customer complaints, providing technical assistance and maintenance.

Focus on customer numbers

Yeelen Ba offers SHS, supplying lighting and electricity to households and small businesses. At the end of 2019, the company had 2,842 customers, a slight increase from 2,623 customers the previous year. The company also had a consistently high payment rate of 92% (see page 23).

Despite this positive progress, business continuity is a challenge. Yeelen Ba suffers an extensive cashflow issue, which is mainly due

to the low number of customers. At least 6,000 customers and a steady payment rate of 95% are needed to ensure financial sustainability. Yeelen Ba was not able to invest in new SHS systems during the year, due to a lack of donor funds. Investments were limited to IT and motorbikes and vehicles to replace the aging fleet and improve agent safety in the field.

EuropeAid investments

In 2020, FRES received approval from the European Union to include investments in Burkina Faso in an existing EuropeAid contract that runs until mid-2021. This will enable Yeelen Ba to increase the customer base to the level needed to operate.



“Yeelen Ba has pioneered rural electrification in the Hauts-Bassins region since 2008. Our ambition for the coming years is to expand to the Cascades and Boucle du Mouhoun regions, bringing light to schools and health-care centers, supplying clean energy to homes and facilitating income-generating activities.”

Bourama Keita

General Manager Yeelen Ba, Burkina Faso

4.4 FRES Burkina Faso – Yeelen Ba



Yeelen Ba technical sales agent Florentine Traore taking payment from a customer in Badara, Burkina Faso. While customers are increasingly using mobile money, cash payments are also accepted at FRES energy stores. The customer receives a token to enter into the PAYG meter at home.

SUCCESS STORY

Laying the foundations for reliable revenues

Concerted efforts initiated in 2018 by Yeelen Ba's new management to improve customer service and internal administrative procedures bore fruit in 2019 with a consistent payment rate of 92%. This high number is due to hard work throughout

the company, especially relating to fee collection processes and strict adherence to procedures for suspending non-paying customers.

In addition, the company ended the year with a

small increase in customer numbers. This was despite a clean-up of the customer base in 2018 that resulted in the write-off of more than 700 non-paying customers. Although the operating environment in Burkina Faso remains difficult, these measures have laid the foundation for more reliable revenues and a stronger financial position going forward.

4.5 FRES Uganda

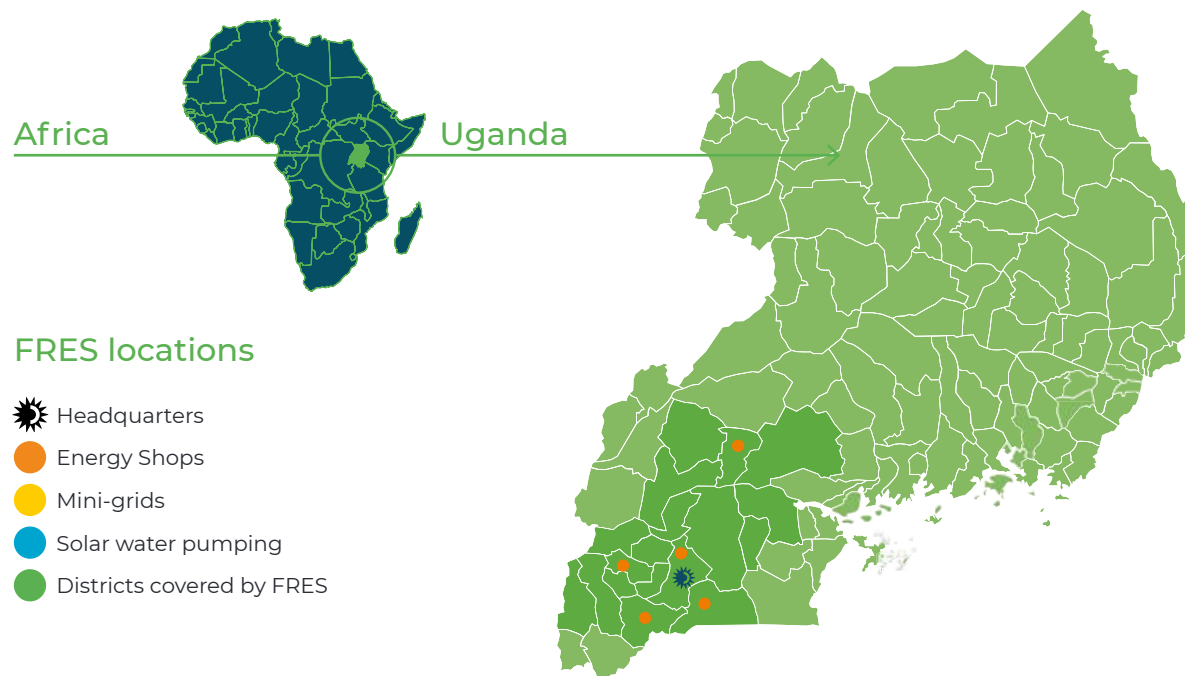


FRES Uganda technician Mugume Anthony installs a solar system at a pub in Rwamwanja. With nearly half of its customer base made up of professional customers such as small businesses, manufacturers and schools, FRES Uganda has become a major player driving economic development in the southwest of the country.

Overview

From its beginnings in Mbarara district in 2010, FRES Uganda has grown rapidly and now covers 18 districts in southwestern Uganda. Two thirds of the company's SHS users are businesses while one third is households. It also serves customers living in three refugee camps.

In 2019, FRES Uganda employed 61 people. At the end of the year, the company had 5,975 SHS customers and five energy stores.



Highlights 2019

At just under 30%, the average percentage of people in Uganda with access to electricity is relatively high, although this number drops to 19% in rural areas. Political stability and economic growth in recent years have helped to accelerate the rate of electrification by the national grid.

While a positive development for the country as a whole, this acceleration presents challenges to our business. FRES Uganda is encountering grid encroachment, especially in the southern parts of its operational area. This has compelled the company to look for new opportunities to expand, which is pushing up operating costs.

Expanding SHS customer base

To counter this, company objectives for 2019 focused on expanding the SHS customer base and reinstalling repossessed systems. An updated marketing strategy was also devised to increase the scale of operations.

A digital client relationship management system was implemented in Q2 to replace the



“With nearly half of our customer base made up of professional customers such as small businesses, manufacturers and schools, FRES Uganda is proud to have become a major player driving the economic development of southwest Uganda, where we are active.”

Joselyne Musiime

General Manager FRES Uganda

paper-based system. Field staff were trained in the use of palmtop devices to capture all new customer data and responded well to the technology. The company also strengthened its internal control procedures with the adoption of mobile payments. Around 50% of payments are now received via mobile money, which has significantly reduced cash handling and the prevalence of fraud.

Improving service, reducing churn

The call centre’s handling of complaints substantially improved the level of customer service offered. The call centre handled more

than 6,300 service jobs during the year. These are registered in a database, and a concerted effort is being made to improve customer satisfaction and reduce complaints in the future. The majority of complaints related to blown bulbs (45%) and fuses (10%), weak batteries (25%) and tampering.

Throughout the year, 1,280 customer accounts were cancelled and the systems repossessed. At the same time, 1,550 new customers were acquired. Although the net result was customer growth from 5,703 in 2018 to 5,975 in 2019, these figures highlight a very high churn rate. As such, reducing churn became a key focus area in 2020.

FRES Uganda sales and marketing representative Mujuni Brian making a service visit to customers in the Nakivale Refugee Settlement. In 2019, FRES Uganda serviced 650 customers in three refugee camps in the southwest of the country.

SUCCESS STORY

Fueling enterprise in refugee camps

Lying at a sensitive crossroads in East Africa, Uganda hosts 1.4 million refugees, mainly from the Democratic Republic of Congo, South Sudan and Burundi. In contrast to many other countries, Uganda allows refugees to set up businesses, find jobs and move freely around the country. The majority of refugees live in rural settlements but several hundred thousand live in camps.

Electrification of these communities is unfeasible for commercial solar companies and by grid extension. Consequently, refugees remain largely unserved. In line with FRES' vision of rural electrification that leaves no one behind, we supply SHS to a total of 650 customers and 3,250 beneficiaries in three refugee camps. We specifically target small businesses that

can afford the monthly service fees. These businesses often play an essential role in the camps by providing employment or supplying key services such as education or health care. In all three camps, kiosks that offer phone-charging facilities are among our largest customer groups, underlining the importance for displaced communities of staying connected.

4.6 FRES Guinea-Bissau



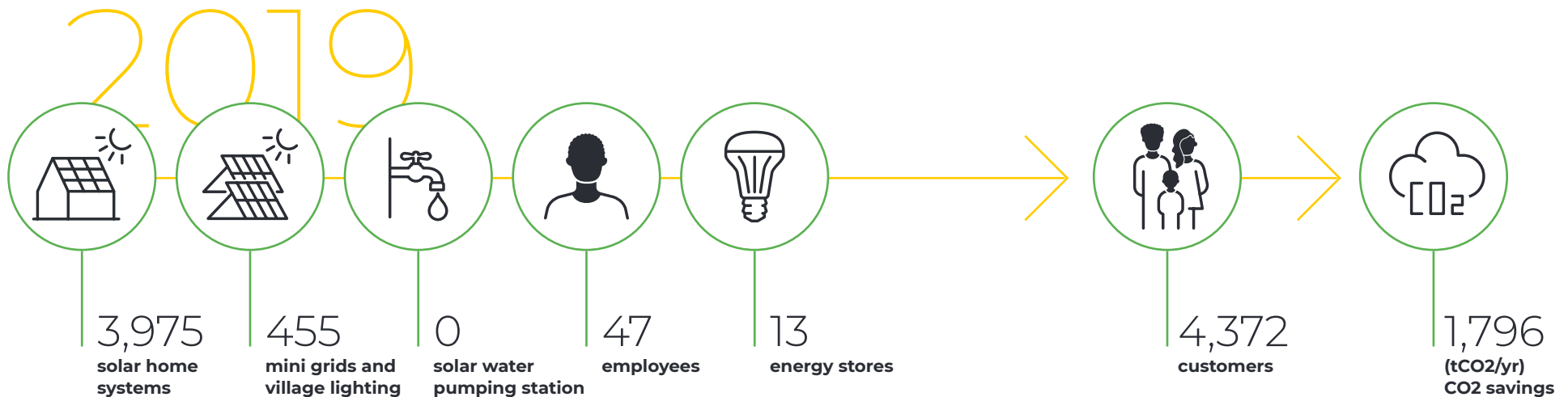
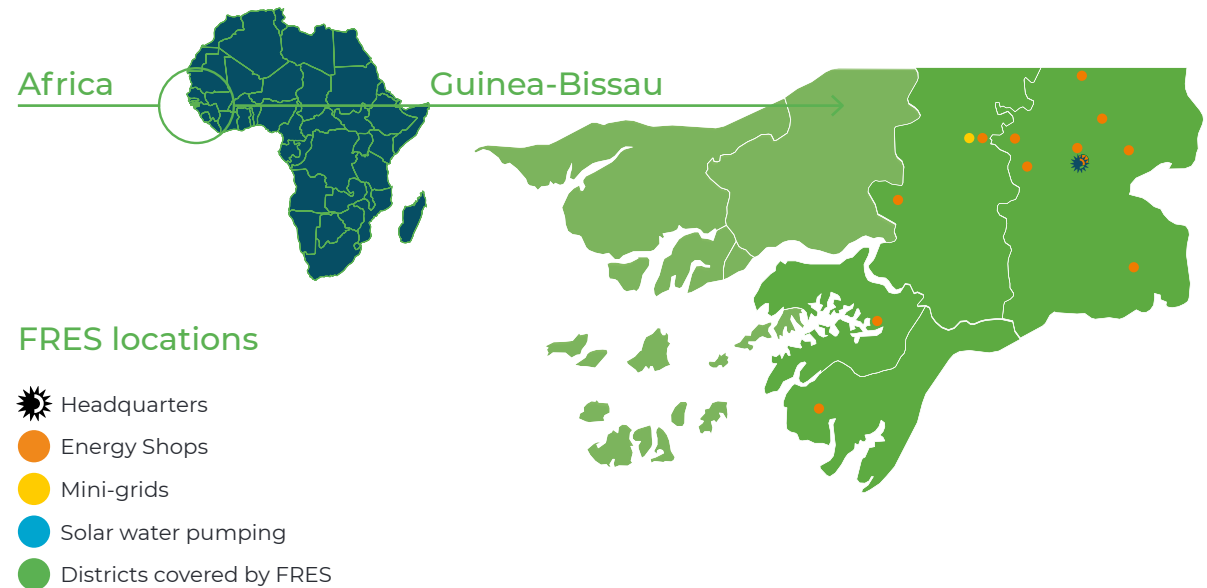
Technicians Lizandro Erasmo Costa, Wilson Nhaga, Namir Alberto Mango and Herberto Marques Vieira and driver Janu de Barros preparing switchboards for installation at FRES Guinea-Bissau's headquarters in Gabú. With 157 direct and indirect staff, the company is one of the larger local commercial employers.

4.6 FRES Guinea-Bissau

Overview

FRES Guinea-Bissau was founded in 2011 and initially operated in the eastern Gabú region. Following expansion in recent years, the company now covers the whole southwest of the country. Since 2017, it has operated a multifunctional mini grid in Contuboe, Bafatá.

In 2019, FRES Guinea-Bissau employed 47 people. At the end of the year, it had 4,372 SHS and mini grid customers and 13 energy stores.



Highlights 2019

Guinea-Bissau has approximately 1.9 million inhabitants, of which 67% live below the poverty line. Despite high demand, only 12% of the population has access to electricity. The country has a long history of political instability. Following contested presidential elections in late 2019, widespread protests, strikes and non-payment of government salaries effectively paralyzed the nation.

Payment rates affected

This had a knock-on effect for FRES Guinea-Bissau. A large number of customers have their energy services paid for by relatives who work for the government. When payment of government salaries stopped, many customers could no longer afford their monthly dues. Moreover, customers in the agricultural sector faced the double blow of a bad harvest and limited options to sell their produce as buyers had no means to pay for it.

These factors in combination with key vacancies in the management team for most of the year led



“With the opening of two new energy stores in Quinara and Tombali, FRES Guinea-Bissau has taken the first steps to servicing customers in the south of the country. We aim to connect thousands of new customers in these regions in the coming years.”

Archives Fernandes

General Manager FRES Guinea-Bissau

to a drop in the average payment rate from 83% in 2018 to 72% in 2019. The number of suspended customers also increased.

New management team appointed

A new management team – composed of a finance, a marketing and a technical manager – were appointed at the end of the year.

Customer numbers fell from 5,409 at the beginning of 2019 to 4,372 at the end of the year. This is in part due to the delayed exploitation of the new concession areas in Quinara and Tombali, in the south of the country. Strikes at the port authorities in 2019 meant FRES Guinea-Bissau was unable to clear 500 SHS through customs. These systems have been installed in 2020.



Guardian Ussumane Baldé at the FRES mini grid in Contuboel, Guinea-Bissau. Established with support from OFID and EuropeAid, the plant has consistently serviced 445 villagers since 2017.

SUCCESS STORY

Contuboel mini grid experiences sustained demand

When the mini grid in the village of Contuboel was commissioned in 2017, customers were lining up – literally – for a connection and some had to be wait-listed. Since then, FRES Guinea-Bissau has maintained a very steady customer base

of 445 households, businesses and community institutions. This achievement underlines both the demand for affordable energy access and the level of service offered. Prior to the installation of the power plant, the only access to energy for

the village's inhabitants was a diesel generator that supplied electricity to 150 people for four hours a day. The FRES mini grid has a capacity of 106 kWp and produces nearly 200 MWh per year. This is sufficient to supply electricity for 14 hours per day. The plant does not have a diesel backup generator, making it 100% renewable, and an on-site technical team ensures the components are fully maintained and functioning.

4.7 FRES The Netherlands



Yeelen Kura technician Moussa Koné conducting a routine checkup of the solar-powered electricity system at Pâtisserie Fanta Faye in Kolondieba, Mali. FRES provides solar home systems at four service levels. The power supply of service level four is often used by small businesses and schools.

Highlights 2019

FRES' small head office in Amsterdam, The Netherlands oversees and supports the activities of local companies in Africa, providing the expertise and investments needed for them to start up, grow and, most importantly, become self-reliant. The head office is also responsible for the international procurement of hardware, maintaining relationships with donors, partners and suppliers and planning for expansion in new countries.

In 2019, FRES NL had seven paid employees and worked with three freelance contractors who offered their expertise upon request.

Members of the FRES NL team regularly visit our operations. However, travel restrictions due to the security situation in Mali and Burkina Faso prevented team members from visiting those countries in 2019. Digital conferencing was used extensively to stay updated.

In October 2019, the general managers of our companies met in Amsterdam for the annual



"FRES is gearing up for the decade of delivery. At proven growth rates, we are aiming for reaching 100,000 customers by 2030"

Ido Verhagen

Managing Director FRES

FRES Company Week to discuss results and strategy and to set targets and objectives for the next planning period.

Two existing contracts with the European Union were renegotiated to free up funding for Yeelen Kura to build four solar mini grids in new locations in Mali (see page 19). Once complete, the mini grids will supply energy to approximately 1,000 customers and thousands more beneficiaries.

Staff changes

Four members of the FRES NL team left the organization. Their replacements bring a wealth of experience in sustainable energy, international development and business management, which will strengthen the team's overall capability.

End of 2019, Managing Director Coen de Ronde announced that he would not extend his contract beyond March 2020. Ido Verhagen was appointed as his successor in June 2020.

4.7 FRES The Netherlands

Yeelen Ba technical sales agent Brama Barro explaining the PAYG meter to a customer in Bobo-Dioulasso, Burkina Faso. FRES began migrating to a PAYG platform in 2019 to improve payment rates and prevent customer over-indebtedness. The platform will also ensure a reliable income stream for our companies, which is necessary to maintain the quality of our installations and secure customers' electricity supply.



SUCCESS STORY

PAYG integration a major step for processes and costs

In 2019, FRES made a strategic decision to migrate all customer data from Excel, where it had previously been stored, to PaygOps, a cloud-based customer resource management platform. PaygOps automatically records payments, allows for new customers to be added and enables better planning of customer after-care. The

platform also helps to standardize processes and limit the risk of data errors and loss. This will help to reduce operational costs and support FRES' expansion plans.

The move to a pay-as-you-go (PAYG) platform was also precipitated by the growing size and

complexity of customer databases as well as increasing reporting requirements. In addition, the platform will facilitate the transition from cash-based payments to mobile money and allow for the seamless integration of customer accounts and accounting software. Taking the lessons learned from the migration in Burkina Faso and Uganda in 2020, FRES will roll out PAYG integration in Mali and Guinea-Bissau in 2021.

5. Governance report

Ussumande Sidibe Culubali, manager of the FRES energy store in Embalocunda St Djulde in the city of Gabú, Guinea-Bissau. In 2019, 16% of FRES' management positions were held by women, with FRES Uganda leading the way at 36%. >

Our partners

FRES works with a variety of partners who provide financial support as well as goods and services. Up until now, main partners have included the World Bank, the Government of The Netherlands, the Energy and Environment Partnership (EEP) and DOEN Foundation. We also work with national governments and local nongovernmental organizations in the countries where we operate.

Subsidies

FRES has running subsidy contracts valid until 2021. Chief among them are two contracts subsidized by the EU Regional and EU Fragile States programs with a combined subsidy value of €9.9 million. This money is being used to scale up SHS and mini grid activities in all four operating countries over four years.

In Guinea-Bissau, FRES' activities are also supported by a subsidy of €450,000 granted by the OPEC Fund for International Development (OFID) in 2015 over a period of four years. The

main deliverable was the mini grid in the village of Contuboel connecting 445 customers (see page 31).

A Dutch family foundation has been our partner since 2018, when it enabled us to bring electricity to a small agricultural community in Bakaridougou, Burkina Faso. In 2019, the foundation supported FRES' first solar water pumping station in Mali. A second water pumping station followed in 2020.

Vattenfall NL (formerly Nuon) has supported FRES since 2004 with seed money, facilities and access to knowledge when and where needed. In 2009 Vattenfall and FRES engaged in a 10-year partnership agreement that ended on December 31, 2019.

In 2011, FRES partnered with Alliander, a Dutch energy network operator, to share knowledge and expertise. The partnership took further shape in 2012, when Alliander took over the annual

contribution of €75,000 toward FRES NL's office costs from Nuon. This longstanding commitment ended on 1 February 2019.

Goods, services and other support

Strategy Development Partners, a consultancy group, assists FRES on a pro bono basis in developing a targeted strategy to leverage abilities, positions and assets.

PUM, which sends senior experts to companies and organizations in developing countries and upcoming markets for a period of two to three weeks, entered a cooperation agreement with FRES in 2011. In 2017, the agreement was extended for another two years, covering eight further assignments.

ING Bank has supported FRES since 2011 by waiving its fees for national and international money transfers, considerably reducing our expenses.

5.2 Governance report

Leadership and governance

Foundation Rural Energy Services is a Dutch not-for-profit establishing commercial electricity companies under local management to advance rural electrification in Africa.

FRES is recognized as a public benefit organization (ANBI) by the Dutch tax authority and endorses the Wijffels Code, the Dutch code for good governance of charities.

Our leadership team is a diverse group of people who bring years of experience in sustainable energy, international development and business management.

FRES Board

The FRES Board consists of three executive and four non-executive members. It approves FRES' long-term strategy, annual business plans and budgets, monitors progress toward the achievement of organizational targets, exercises oversight of investment and risk management, and ensures compliance with relevant legal and regulatory requirements. Board members work on a voluntary basis.

- Wim Plaizier, Chairperson
- Paul Gaalman, Board Member and Treasurer
- Serge Leijten, Board Member and Operations Focal Point
- Sophie Dingenen, Board Member
- Paul Hol, Board Member
- Wim Sinke, Board Member
- Lidwien Schils, Board Member
- Femke Smeets, Board Member

Lidwien Schils and Sophie Dingenen were appointed as member of the board in 2019. Peter Smink stepped down as board member in 2020 and was succeeded by Femke Smeets.

FRES companies

Operational excellence is a core objective for our companies. To achieve this, we aim for effective and efficient local operations that manage costs and maximize revenues. FRES companies are headed by general managers who lead all local operations and are responsible for daily affairs.

The management team of each company holds monthly progress meetings with their respective board of directors via teleconference. Twice a year, each company holds a physical board meeting. In addition, the general managers attend the annual FRES Company Week in The Netherlands to evaluate results and discuss future strategy and business plans.

- Djibril Séméga, General Manager Yeelen Kura, Mali
- Archives Fernandes, General Manager FRES Guinea-Bissau, Guinea Bissau
- Bourama Keita, General Manager Yeelen Ba, Burkina Faso
- Joselyne Musiime, General Manager FRES Uganda, Uganda

5.2 Governance report

FRES The Netherlands

Our small head office in Amsterdam, The Netherlands oversees and supports the activities of local companies in Africa. It is also responsible for procurement, fundraising and expansion in new countries.

- Ido Verhagen, Managing Director
- Michelle Makoni, Group Controller
- Mark van Niekerk, Regional Operations Manager
- Joelle Nzambimana, Regional Operations Manager
- Martijn Schootstra, Technical Advisor
- Cynthia Kpozuxe, Business Advisor and Community Manager
- Ralya Wais, Contract and Procurement Manager

Mark van Niekerk, Martijn Schootstra joined the team in 2019. Ido Verhagen was appointed as managing director in 2020. Michelle Makoni transferred in 2020 from South Africa, where she was GM of NuRa, to The Netherlands. Joelle Nzambimana, Cynthia Kpozuxe and Ralya Wais joined FRES beginning of 2021.

Risk management

The aim of FRES' risk management activities is to ensure the long-term resilience of the organization. FRES regularly assesses its strengths, weaknesses, opportunities and threats (SWOT) with the aim of managing internal and external risks. Although robust opportunities exist for FRES to contribute to and benefit from rural electrification, there are also risks and threats involved. FRES is very aware of these and undertakes to maximize opportunities while mitigating risks.

Maximizing opportunities, countering threats and fighting weaknesses

Identifying and controlling risks is one of the responsibilities of the FRES Board. To use opportunities and counter threats, we have formulated a number of general strategies:

- We build strong relationships with our stakeholders via a dedicated strategy for each type of stakeholder (donor, volunteer, employee, customer, etc.).
- We focus on expanding in countries where we are already active by increasing the scale of our existing companies to reduce unit

costs; expansion in new countries is carefully considered.

- We create scale benefits by connecting customers in clusters.
- We continually improve our customer service as we believe that satisfied customers are a prerequisite for higher payment rates.
- We centralize purchasing activities (i.e. solar systems) when relevant.
- We invest in IT for our companies that is interchangeable and standardized.
- We minimize our expenses to ensure that our services remain affordable for our customers.
- We maintain an adequately implemented health, safety and environment policy in all companies.
- We have a FRES code of conduct in place with direct access to one of our board members.

Financial sustainability

FRES companies must achieve financial sustainability by generating sufficient income and driving down operational and replacement costs. In FRES' business model, financial sustainability depends on economies of scale

(number of customers), effective collection of payments from customers and the ability to minimize the costs of operations and replacements. Together, FRES and its companies have set key performance indicators that are monitored via monthly reports. The performance of FRES companies is assessed on payment rate, operating and replacement costs, customer retention/growth and financial sustainability.

Payment arrears

Achieving an acceptable payment rate is a major challenge for all FRES companies. We employ prepaid meters for day/night mini grid tariffs in Guinea-Bissau and Mali. In 2019, we began organization-wide implementation of pay-as-you-go software and hardware to facilitate the transition to mobile money, which should significantly improve payment rates.

Political instability and threats of terrorism

Political instability, in particular in Mali and Burkina Faso continues to influence the economies of these countries. This affects the growth of the number of customers and their

5.3 Governance report



ability to pay the fees. It also has consequences for our employees. The safety of FRES employees is our highest priority. We have an emergency response plan in place for crisis management in our companies, and we take all precautions possible to counter threats to our local operations.

Rates for mini grids

The rates for Yeelen Kura's solar mini grids are just sufficient to cover operating costs but insufficient to build a financial reserve for replacing key components in the long term. Yeelen Kura continues to work with Mali's Agency for the Development of Domestic Energy and Rural Electrification to increase rates but has not yet succeeded in reaching financially sustainable levels.

Fraud prevention

FRES companies in Africa face incidents of fraud. On principle, we try to prevent and combat fraud and aim to make fraud unrewarding. Since 2018, we have had an anti-fraud policy in place. Improving control mechanisms continues to be a priority. As internet-related fraud is intensifying, we have evaluated the FRES NL procurement and payment procedures.

Asset management

Since 2009, FRES-owned funds that are available for a longer period have been managed by a professional asset manager (ING Bank). The asset manager is tasked

5.3 Governance report

with achieving optimal effectiveness within a moderately defensive investment profile, while respecting ethical and social boundaries set by FRES. We have an asset management agreement with ING Bank that includes our investment policy. The policy excludes investments in activities that are associated with a number of specified themes such as corruption, environmental offenses, weapons, violation of social laws and codes or human rights, child labor, tobacco and alcohol.

Continuity reserve

FRES maintains a continuity reserve of €250,000 that can be used in the event FRES' activities suddenly stop (either partially or completely) for whatever reason. The reserved amount covers proper completion of the necessary activities in Amsterdam in such an event.

Covid-19 uncertainties

Throughout 2020, the number of registered cases of COVID-19 in the African countries

where FRES operates was relatively low compared to Europe. Nevertheless, business continuity measures were introduced and communicated to employees. Employees were allowed to work from home (where possible) and to set up replacement schemes in the event of quarantine. The travel policy was also amended and international travel to FRES companies was restricted (more on page 64).

Outlook 2020 and beyond

With the outbreak of the COVID-19 pandemic, 2020 has turned out to be a very different year from the one we anticipated. In all four countries where FRES is active, we were confronted with a lockdown in the spring. This directly impacted payment rates as customers lost their income and debt collectors were not able to make their visits.

In Guinea-Bissau, Burkina Faso and Mali, the lockdown was lifted before the summer, enabling the companies to clear their backlog. In Uganda, however, the lockdown has continued for the rest of 2020. For professional customers, such as schools and bars that had to remain closed, this means that they have been unable to generate income and have struggled to pay the monthly service fees. FRES is considering waiving part of the outstanding fees, using the donor facilities that have become available for this purpose, to ensure that we can retain these categories of customers in the years to come.

On a positive note, the pandemic and resulting lockdown and travel restrictions have demonstrated the added value of having boots on the ground in rural areas. Our companies have been able to continue servicing their customers and even installing new solar systems that were scheduled for 2020.

Although confronted with a small delay in the supply of materials, Yeelen Kura in Mali has successfully commissioned four new mini grids connecting around 1,000 customers in four villages by mid-2021. A total of 1,500 new SHS have also been installed in Mali and Guinea-Bissau – all investments made possible by running contracts with the European Union.

With these new investments and efforts to control the impact of COVID-19 on our customers and service, FRES expects that the number of customers serviced by the end of 2020 will

increase, contributing to the sustainability of our local companies in the long run.

Investment portfolio for 2021

While all planned investments for 2020 will be realized during that year, we have also focused on fundraising for 2021. The investment portfolio that had been secured at the time of publication of this report includes the realization of five nano grids each in Mali, Guinea-Bissau and Burkina Faso, the development of two multifunctional platforms for productive use in Burkina Faso and 1,000 new SHS connections, of which half will be created in Uganda and half in Burkina Faso. In addition, an existing mini grid in Mali will be extended to meet the increasing demand, and nearly 7,000 existing SHS systems will be upgraded to PAYG (see page 34).

6 Financial Report 2019

Consolidated Annual Accounts

Yeelen Ba technician Marc Bognini checking PAYG meters before installing them in Badara, Burkina Faso. FRES began migrating to a PAYG platform in 2019 to improve payment rates and prevent customer over-indebtedness. The platform will also ensure a reliable income stream for our companies, which is necessary to maintain the quality of our installations and secure customers' electricity supply.

We are committed to managing our finances efficiently and transparently. This section provides details of our financial position for the year ended December 31, 2019. It is an consolidated overview of (1) the operational results of the FRES companies, (2) funds and reserves and (3) the expenses of FRES The Netherlands.

The consolidated revenues include incoming

funds for investments in solar systems that are added to the assets of the local companies. In 2019, these investments included four mini grids in Mali and 2,049 new SHS connections in Mali, Guinea-Bissau and Uganda. The investments were realized in 2020.

The funds and reserves include a minimum reserve of FRES' own funds that can be used

to pre-finance new investments. Reserves for replacement of assets are intended to ensure the sustainability of installed systems and are maintained separately.

FRES The Netherlands works with an annual budget of €700,000 that is partly covered by grants and partly charged to investment projects.

6 Financial Report 2019

CONSOLIDATED BALANCE AS ON DECEMBER 31, 2019 (after appropriation of results)

(amounts in euros)

	December 31, 2019	December 31, 2018
Assets		
1. Fixed Assets		
1.1 Property, plant and equipment	7,313,205	5,744,722
	7,313,205	5,744,722
2. Current Assets		
2.1 Receivables	995,184	1,049,840
2.2 Inventory	23,493	62,392
2.3 Securities	5,058,333	5,163,865
2.4 Cash and cash equivalents	1,961,468	3,349,939
	8,038,477	9,626,036
Total	15,351,682	15,370,758
Equity and liabilities		
3. Reserves		
3.1 Continuity reserve FRES Netherlands	250,000	250,000
3.2 Reserve for pre-financing future investments FRES Companies	3,000,000	3,000,000
3.3 Reserve for financing assets FRES Companies	8,648,998	10,101,944
3.4 Reserve for financing assets FRES Netherlands	15,388	18,625
3.5 Reserve currency difference	27,023-	67,416-
	11,887,363	13,303,153
4. Current liabilities		
4.1 Payables and other accruals	3,464,319	2,067,605
Total	15,351,682	15,370,758

6 Financial Report 2019

CONSOLIDATED STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 DECEMBER 2019

(amounts in euros)

	Actual 2019	Actual 2018	Budget 2019
6. Income			
Income from fundraising	190.977	498.658	768.000
Income from our own fundraising - private persons	24.597	106.988	1.000
Income from our own fundraising - companies	36.667	163.000	20.000
Income from subsidies from governments	129.713	228.670	747.000
Income from other subsidies	-	-	-
Income from benefits in return for service	3.560.251	3.244.251	2.888.000
Other income (FRES companies)	3.560.251	3.244.251	2.888.000
Sum of the income	3.751.228	3.742.909	3.656.000
7. Expenses			
Spent on objectives			
Expenses for regular company activities	2.539.006	3.560.283	2.494.000
Yeelen Kura, Mali	701.577	664.969	596.000
NuRa, South Africa	16.430	47.116	510.000
Yeelen Ba, Burkina Faso	370.160	1.004.506	368.000
FRES Uganda, Uganda	928.452	1.317.810	645.000
FRES Guinée-Bissau, Guinea-Bissau	522.387	525.882	375.000
Expenses for company expansion	2.990.563	1.718.441	4.285.000
Yeelen Kura, Mali	2.683.111	1.349.618	2.783.000
Yeelen Ba, Burkina Faso	120.185	64.263	325.000
FRES Uganda, Uganda	109.129	124.133	310.000
FRES Guinée-Bissau, Guinea-Bissau	78.138	179.167	273.000
FRES Cameroon, Cameroon	-	1.260	594.000
Expenses for new initiatives	-	5.566	-
New initiatives remaining countries	-	5.566	-
Subtotal	5.529.569	5.284.290	6.779.000

6 Financial Report 2019

CONSOLIDATED STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

	Actual 2019	Actual 2018	Budget 2019
Subtotal	5.529.569	5.284.290	6.779.000
FRES service costs spent on objectives	405.922	329.723	520.000
Direct support existing companies	312.981	258.166	301.000
Direct support expansion companies	68.719	65.344	215.000
Direct support new initiatives	24.222	6.213	4.000
Total spent on objectives	5.935.491	5.614.013	7.299.000
FRES service costs management & administration	112.248	120.326	160.000
Direct costs	10.477	16.692	44.000
Indirect costs and costs from investments	101.771	103.634	116.000
Sum of the expenses	6.047.739	5.734.339	7.459.000
Financial income and expenses	740.955	193.518-	13.000
Release negative goodwill	99.375	99.374	-
Result	1.456.181-	2.085.574-	3.790.000-

The budget of 2019 that is stated in the annual account of 2018 included the budget of entities that are not consolidated in the annual accounts. The budget that is stated above excludes the income and expenses from regular company activities of NuRa, South Africa.

	Actual 2019	Actual 2018	Budget 2019
The result of 2019 is appropriated as follows:			
Reserve financing assets FRES companies	1.452.945-	2.101.531-	3.790.000-
Reserve financing assets FRES Netherlands	3.236-	15.957	
	1.456.181-	2.085.574-	3.790.000-

6 Financial Report 2019

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

(amounts in euros)

	2019	2018
Income from private persons, companies, institutions and governments	3.911.416	4.270.463
Payments to suppliers, employees and projects	-3.506.354	4.427.163-
Cash generated from operating activities	405.062	156.700-
Received interest, realised result investments and balance deposits and withdrawals investments	740.955	193.518-
Cash flow from operational activities	1.146.017	350.218-
Investments in property, plant and equipment	2.525.006-	882.125-
Cash flow from investment activities	2.525.006-	882.125-
Cash flow from financing activities	-	-
Cash flow	1.378.989-	1.232.343-
Exchange rate and conversion differences	9.485-	12.545
Net cash flow	1.388.474-	1.219.798-
Cash as on January 1	3.349.939	4.569.738
Net cash flow	1.388.474-	1.219.799-
Cash as on December 31	1.961.465	3.349.939

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS

General notes

Activities

Stichting Rural Energy Services (“FRES”) was founded in 2004 and is registered at the Chamber of Commerce in Amsterdam with number 34201011. The foundation is located at Plantage Middelaan 2G in Amsterdam. The activities of FRES and its group companies consist of realising sustainable rural electrification in developing countries, especially through the placement and management of autonomous solar energy systems.

Additionally, FRES aims to participate in subsidiaries and partnerships that perform activities which benefit the goals of the foundation.

Public Benefit Organization

In 2007 FRES was designated as a ANBI (Public Benefit Organisation). FRES complies with the ANBI requirements and publishes various data on its website.

Group structure

At the date of this report and on December 31, 2019 the group includes four operating companies:

Yeelen Kura S.A., FRES Uganda Limited, FRES Guinea-Bissau and Yeelen Ba SA. FRES is the 100% owner of these companies.

Judgements, estimates and uncertainties

In applying the principles and policies for preparing the financial statements, the board of FRES makes different estimates and judgments that may be essential to the amounts disclosed in the financial statements. In order to provide the true and fair view of the financial position, the nature of these estimates and judgments, including assumptions related to uncertainties, are disclosed in the notes to the financial statement items.

Consolidation

Intercompany transactions, intercompany results and intercompany balances among group companies and other consolidated entities are eliminated, insofar as the results were being realised through transactions with third parties outside the group. Unrealised losses on intercompany transactions are also eliminated unless such losses qualify as impairment. Accounting principles of group companies and

other consolidated entities have been changed where necessary to align them to the prevailing group accounting policies.

The consolidation includes the financial information of FRES, its group companies and other entities in which it exercises control or where it is responsible for the overall management. Group companies are entities in which FRES exercises direct control, based on ownership of more than one half of the voting rights or statutory rules. Potential voting rights that can be directly exercised on the balance sheet date are also taken into account. Within this policy, the companies below are included in the consolidation of FRES:

Name	Statutory Seat	Share in the issued capital
SSD Yeelen Kura S.A.	Mali	100%
FRES Uganda Ltd.	Uganda	100%
SSD FRES Guinée-Bissau S.A	GNB	100%
SSD Yeelen Ba	Burkina Faso	100%

6 Financial Report 2019

The participation in Yeelen Kura S.A. was obtained at the end of 2008 and the company is a 100% subsidiary of FRES since. FRES Uganda Limited was founded in 2010 as a 100% subsidiary of FRES. FRES Guinea-Bissau S.A. was founded in 2011 as a 100% subsidiary of FRES. Yeelen Ba S.A is a 100% subsidiary of FRES since the 4th of January 2017. An asset valuation was performed in respect with this acquisition in 2017.

In addition to the aforementioned subsidiaries, FRES has interests in the entities mentioned below. These entities are currently not consolidated as they are, separately and together, of insignificant importance.

Name	Statutory Seat	Share in the issued capital
SSD-FRES Benin S.A.	Benin	100%
FRES Cameroon	Cameroon	100%

SSD-FRES Benin was founded in 2010 as a 100% subsidiary of FRES to be able to lay claim to a concession area and exemption from taxes. No activities have taken place in Benin during 2019. In May 2020 FRES Board decided to update all Entity Mandates and bring all statutory obligations to compliance.

FRES Cameroon was founded in 2015 as a 100% subsidiary of FRES to be able to lay claim to a concession area and exemption from taxes. In 2016 negotiations with the government of Cameroon were going on regarding securing the authorisation for operation and exemption from taxes. As a consequence, no operational activities took place in Cameroon. As per 11 April 2017 FRES has decided to halt the process of setting up its operations in Cameroon and to officially withdraw from any application procedure that is pending with the Ministry of Energy and the Rural Electrification Agency. This means that the operations as contemplated in Cameroon under the EU Contract will no longer take place. With no future plans for Cameroon, a dissolution exercise began in May 2020 and all proceedings with the courts have so far been granted for full Liquidation with no pending obligations to date. Final filing of the Liquidation still in progress.

As FRES is not a shareholder of the company NuRa nor has control over this company, NuRa activities are not consolidated and therefore the balance sheet and the income statement of this company are not included in the annual accounts. Expenses incurred by FRES

Netherlands in support of the nonconsolidated companies are included in the consolidated annual accounts.

Related parties

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. In addition, board members, other key management of FRES and close relatives are regarded as related parties. Transactions with related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. The nature, extent and other information is disclosed if this is necessary in order to provide the required insight.

Acquisition of group companies

Identifiable assets acquired and liabilities assumed in a business combination are recognised in the consolidated financial statements from the acquisition date, being the moment that control can be exercised over the acquired company.

The acquisition price consists of the cash consideration, or equivalent, agreed for acquiring the company plus any directly attributable expenses. If the acquisition price

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exceeds the net amount of the fair value of the identifiable assets and liabilities, the excess is capitalised as goodwill under intangible assets. If the acquisition price is lower than the net amount of the fair value of the identifiable assets and liabilities, the difference (i.e. negative goodwill) is disclosed under accruals. During 2019 no acquisitions took place.

Accounting policies for the cash flow statement

The cash flow statement has been prepared using the direct method. The cash items disclosed in the cash flow statement consist of cash. Cash flows denominated in foreign currencies have been converted at an average estimated exchange rate following Euro foreign exchange reference rates. Exchange differences affecting cash items are shown separately in the cash flow statement.

Interest paid and received, dividends received and income taxes are included under cash from operating activities. Dividends paid are included as cash used in financing activities. The purchase consideration paid for the acquired group company is included as cash used in investing activities insofar as it was settled in cash.

General principles for preparing the consolidated annual accounts

General principles

The annual accounts have been prepared in accordance with the revised Guideline for annual reporting 650 for 'Fundraising organisations', as issued by the Dutch Accounting standards Board and applicable for the financial year starting as of January 1st 2019. The objective of this guideline is to provide insight into the expenses of the organisation and the utilisation of funds in relation to the objectives for which the funds were collected. FRES did not apply for early adoption of the revised Guideline 650. The annual accounts have been presented in Euros.

Assets and liabilities are generally valued at historical cost, production cost or at fair value at the time of acquisition. If no specific valuation principle has been stated, valuation is at historical cost. In the balance sheet, statement of income and expenditure and the cash flow statement, references are made to the notes.

Prior-year comparison

The accounting policies have been consistently applied to all the years presented. During the year 2019 and up to the date of this annual report there were no policy changes.

Functional currency

Items included in the annual accounts of the individual group companies are measured using the currency of the primary economic environment in which the respective group company operates (the functional currency). The consolidated annual accounts are presented in Euros, which is the functional and presentation currency of FRES.

Foreign exchange

Monetary assets and liabilities denominated in foreign currencies are converted into the functional currency at the exchange rate prevailing at the balance sheet date. Foreign currency transactions in the reporting period are converted into the functional currency using the exchange rate prevailing at the dates of the transactions.

Conversion differences on non-monetary assets held at cost are recognised using the exchange rate prevailing at the dates of the transactions.

Assets and liabilities of consolidated subsidiaries with a functional currency different from the presentation currency, are converted at the exchange rate prevailing at the balance sheet date. Revenues and expenses are converted at

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the average exchange rates during the financial year. Any resulting exchange differences are directly charged to the group equity for translation differences.

Financial instruments

Securities included in current assets are stated at fair value, if these are related to securities held for trading or if they relate to equity instruments not held for trading. All other on-balance financial instruments are carried at (amortised) cost.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. If no fair value can be readily and reliably established, fair value is approximated by deriving it from the fair value of components or of a comparable financial instrument, or by approximating fair value using valuation models and valuation techniques.

Criteria for no longer recognising assets & liabilities

An asset or liability included in the balance sheet remains recognised in the balance sheet, when a transaction does not lead to a significant change in the economic reality, with regard to

this balance sheet item. For such transactions no results are recorded. An important change in the economic reality is assessed on the basis of the economic benefits and risks that are likely to occur in practice.

An asset or liability item included in the balance sheet is derecognised from the balance sheet when a transaction results in all or substantially all rights to economic benefits and all or substantially all risks related to the asset or liability item being transferred to a third party.

Principles for the valuation of assets and liabilities

Property, plant and equipment

Property, plant and equipment are stated at historical cost, minus cumulative depreciation and, if applicable, impairment losses.

Depreciation is based on the estimated useful lives of tangible fixed assets, and is calculated based on a fixed percentage of the historical cost, taking into account the possible residual value. Depreciation occurs from the tangible fixed assets' moment of implementation.

Investment subsidies are deducted from the historical cost or manufacturing price of the

assets to which the subsidies relate.

No provision for major repairs to buildings has been formed for future repairs. When they occur, the costs of repair will be included in the results.

Financial assets

The issued loans to subsidiaries and other receivables are initially measured at fair value, and subsequently valued at amortised cost, which equals the nominal value, minus impairment losses.

Impairment of fixed assets

At each balance sheet date, the foundation tests whether there are any indications of assets being subject to impairment. If any such indications exist, the recoverable amount of the asset is determined. If this proves to be impossible, the recoverable amount of the cash generating unit to which the asset belongs is identified.

An impairment occurs when the carrying amount of an asset is higher than the realisable value; the realisable value is the higher of the realisable value and the value in use. An impairment loss is directly recognised in the statement of income and expenditure, while the carrying amount of the asset concerned is concurrently reduced.

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Receivables

Receivables are initially included at fair value and subsequently measured at amortised cost, which equals the nominal value, minus a provision for impairment for receivables. The provision is determined based on the individual evaluation of the receivables.

Inventory

Inventories (stocks) are valued at historical price based on the FIFO method (first in, first out) or lower realisable value. The historical cost consists of all costs relating to the acquisition and the costs incurred in order to bring the inventory to its current location and current condition. The realisable value is the estimated sales price less directly attributable sales costs. In determining the realisable value the obsolescence of the inventories is taken into account.

Securities

Securities that are held for trading are valued at fair value in the initial processing. Changes in the actual value are recognised directly in the statement of income and expenditure. Bought, interest-bearing bonds that will be held to maturity are valued at amortised cost.

Transaction costs are included in the statement

and expenditure if they are related to securities, which were carried at actual value.

Cash and cash equivalents

Cash and cash equivalents are stated at nominal value and are at free disposal of the foundation, unless stated otherwise.

Reserves and funds

The reserve financing asset matches the property, plant and equipment of FRES Netherlands. For a more detailed disclosure of the reserves and funds, we refer to the notes on equity.

Negative goodwill

Negative goodwill resulting from acquisitions and calculated in accordance with section “Acquisition of group companies”, is released in the statement of income and expenditure, based on the weighted average of the remaining life of the acquired amortisable assets. Insofar as the negative goodwill exceeds the fair value of the non-monetary assets identified, the surplus is recognised directly in the statement of income and expenditure.

Other assets and/or liabilities

The remaining assets and liabilities are valued at

amortised cost, which is usually equal to the nominal value.

Principles for result determination

Result

Profit or loss is determined by income from our own fundraising activities and other income, minus the incurred expenses on the objectives. Donations are accounted for in the year in which these were received. Proceeds from inheritances are recognised in the year in which the size is reliably determined.

Operating expenses for which a contribution in kind is received are accounted for in gross if and insofar as they can be quantified.

Subsidies

Operating subsidies are recorded as income in the statement of income and expenditure in the year in which the subsidised costs were incurred or income was lost or when there was a subsidised operation deficit. Income is recognised when it is probable that it will be received.

Subsidies related to investments in tangible fixed assets are deducted from the asset to

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which they relate and recorded in the statement of income and expenditure as part of the amortisation costs.

Exchange differences

Exchange differences arising upon the settlement or conversion of monetary items are processed in the statement of income and expenditure in the period that they occur, unless they are hedged.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated over their estimated useful lives as from the inception of their use. Land is not depreciated.

Financial income and expenses

Interest paid and received is processed on a time-weighted basis, taking account of the effective interest rate of the assets and liabilities concerned. When processing the paid interest, the transaction costs on loans received as part of the calculation of effective interest are taken into account.

Dividends receivable from associates not carried at net asset value and securities are recognised as soon as FRES acquires the right to them.

Changes in the value of financial assets and liabilities that are held for trading are recognised

directly in the statement of income and expenditure.

Taxes

The foundation is not obliged to pay company tax or turnover tax as reiterated in 2017 by the tax authorities. The foundation obtained and has maintained the ANBI status since 2007.

Financial instruments and risk management

Market risk

Currency risk

FRES mainly operates in Africa and in the European Union.

The currency risk for FRES largely concerns positions and transactions of our subsidiary FRES Uganda in Uganda Shilling (UGX). The currencies of Mali, Burkina Faso and Guinea-Bissau have a fixed exchange rate to the euro. The currency risk is not hedged.

Price risk

FRES incurs risk regarding the valuation of securities within current assets. The foundation manages market risk by stratifying the portfolio and imposing limits.

Interest rate and cash flow risk

FRES incurs limited interest rate and cash flow risk as the foundation does not have long term interest-bearing receivables or long-term interest-bearing liabilities (including borrowings).

Credit risk

FRES incurs credit risk as customers pay a fee for-service on a monthly basis. The payment period may differ per country and generally ranges between 30 and 60 days. FRES is improving payment rates and fee collection by enabling mobile payment. In addition, FRES is implementing proven technology with regard to prepayment systems

Liquidity risk

FRES incurs only limited liquidity risk. FRES has sufficient funds freely available and there is no need for bank overdrafts. The EBITDA and cash flow from our operations were at a level that FRES Netherlands did not have to provide funding for the current operations in the FRESco's.

NOTES TO THE CONSOLIDATED BALANCE SHEET ITEMS

1. FIXED ASSETS

1.1 PROPERTY, PLANT AND EQUIPMENT	Installations and materials FRES Guiné-Bissau	Installations and materials FRES Uganda	Land and buildings Yeelen Kura	Installations and materials Yeelen Kura	Installations and materials Yeelen Ba	Furniture Office	Computers, software and office equipment	Total
Historical cost		2.799.498	573.981	8.931.922	1.284.199	10.840	32.032	13.632.472
Accumulated depreciation and impairments		1.576.934	165.298	5.099.469	1.021.802	362	23.885	7.887.750
Balance as on January 1		1.222.564	408.683	3.832.453	262.397	10.478	8.147	5.744.722
Movements								
Investments/disposal		12.245	148.019	2.290.417	73.302	-	1.022	2.525.005
Exchange differences		46.482	-	3.396	-	-	-	49.878
Depreciation		242.795	25.359	717.909	16.079	2.168	2.090	1.006.400
Total movements		184.068-	122.660	1.575.904	57.223	2.168-	1.068-	1.568.483
Historical cost		2.858.225	722.000	11.225.735	1.357.501	10.840	33.054	16.207.355
Accumulated depreciation and impairments		1.819.729	190.657	5.817.378	1.037.881	2.530	25.975	8.894.150
Balance as on December 31		1.038.496	531.343	5.408.357	319.620	8.310	7.079	7.313.205

1.2 DEPRECIATION PERCENTAGES

	%
Motor vehicle	20
Motor cycles	20-33
Computer and accessories	7-25
Furniture and fittings	10-20
Land and buildings	4
Solar panels	5
Solar regulators	10
Solar batteries	33

The investments during 2019 consisted of the acquisition of 4 Mini grids in Yeelen Kura 2049 SHS systems for FRES Guinee Bissau, FRES Uganda and Yeelen Kura and Burkina Faso.

The installations and materials of FRES Guinea Bissau are fully compensated by received grants and subsidies. Therefore, the historical cost is nil.

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2. CURRENT ASSETS

2.1 RECEIVABLES

	31-12-2019 Total	31-12-2018 Total
Receivables FRES	0	156.667
Receivables Yeelen Kura	383.089	420.098
Receivables FRES Uganda	48.190	58.233
Receivables FRES Guiné-Bissau	52.960	84.772
Receivables Yeelen Ba	195.581	176.210
Prepayments FRES	8.197	2.669
Prepayments FRES Uganda	3.470	7.135
Prepayments FRES Guiné-Bissau	11.999	60.784
Other receivables and accrued income FRES	253.574	6.272
Other receivables and accrued income Yeelen Kura	17.914	13.778
Other receivables and accrued income Uganda	915	1.273
Other receivables and accrued income FRES Guiné-Bissau	12.309	8.527
Other receivables and accrued income Yeelen Ba	6.986	53.422
Total	995.184	1.049.840

The fair value of the receivables approaches their book value, given the short-term character and the fact that provisions for recoverability have been established where necessary.

The receivables of the FRES companies are from regular company activities such as debtors and other receivables.

2.2 INVENTORY

	31-12-2019	31-12-2018
Inventory FRES Uganda	15.212	18.953
Inventory Yeelen Ba	8.281	43.439
Total	23.493	62.392

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2.3 SECURITIES

	31-12-2019	31-12-2018
Shares	2.874.496	2.603.106
Bonds	2.168.645	2.541.476
Increased coupon interest bonds	15.192	19.283
Total	5.058.333	5.163.865

All the securities mentioned above are quoted and are freely available to the foundation. The investment activities are executed by ING and monitored by the FRES Board. FRES and ING agreed upon a defensive investment profile.

This profile also excludes activities connected to alcohol, fur, gambling, nuclear industries, child labour, pornography, tobacco, weapons, or misconduct regarding the environment, (social) laws / codes and human rights.

The return on the securities amounted to 14,53% in 2019 (-3,1% in 2018). The FRES Board evaluated the investment policy in 2019 and decided not to make any changes to the existing investment policy.

2.4 CASH AND CASH EQUIVALENTS

	31-12-2019	31-12-2018
ING Bank	79.350	131.924
ING Bank, investment account	266.826	210.596
ING Bank, saving account	1.190.734	2.745.218
Bank credits Yeelen Kura	338.737	167.311
Bank credits FRES Uganda	20.391	56.532
Bank credits FRES Guiné-Bissau	39.695	22.173
Bank credits Yeelen Ba	24.502	16.017
Other	1.233	167
Total	1.961.468	3.349.939

Cash and other cash equivalents generally are freely available unless stated otherwise and are being utilised for the operational activities and the objectives of FRES. The amount of ING Bank saving account includes a guarantee of € 1,036,927 for an EU related project and is therefore not freely available. The decrease in 2019 in comparison to 2018 is amongst others due to investments in property, plant and equipment at our subsidiaries in Mali, Burkina, Guinea-Bissau and Uganda.

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3. RESERVES

3.1 CONTINUITY RESERVE FRES NETHERLANDS

	2019	2018
Balance as on January 1	250.000	250.000
Appropriation of results	-	-
Balance as on December 31	250.000	250.000

This continuity reserve is intended to cover cost of laying-off people, office costs, delayed payments. Additions are taken into account when necessary and are submitted for approval to the FRES Board. With this reserve, it is possible to shoulder the non-variable part of the expenses of FRES Netherlands for a period of six months.

3.2 RESERVE FOR PRE-FINANCING FUTURE INVESTMENTS FRES COMPANIES

	2019	2018
Balance as on January 1	3.000.000	3.000.000
Appropriation of results	-	-
Balance as on December 31	3.000.000	3.000.000

This reserve is intended to ensure that FRES maintains a minimum reserve of own funds that can be used to pre-finance new, future investments, when awaiting first payments by the sponsors. It will only be used for projects where there are signed agreements with sponsors.

3.3 RESERVE FOR FINANCING ASSETS FRES COMPANIES

	2019	2018
Balance as on January 1	10.101.943	12.203.474
Appropriation of results	1.452.945-	2.101.531-
Balance as on December 31	8.648.998	10.101.943

This reserve is based on appropriation of results and is for the benefit of new projects that have not yet been planned and committed.

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3.4 RESERVE FOR FINANCING ASSETS FRES NETHERLANDS

	2019	2018
Balance as on January 1	18.625	2.668
Appropriation of results	3.236-	15.957
Balance as on December 31	15.389	18.625

This reserve is based on the Guideline for annual reporting 650 for 'Fundraising organisations' and equals the total book value of the property, plant and equipment of FRES Netherlands. Because this guideline is not applicable to Yeelen Kura, FRES Uganda, Yeelen Ba and FRES Guinée-Bissau, the amount of tangible fixed assets of these companies has not been included in the reserve.

3.5 CURRENCY DIFFERENCE

	2019	2018
Balance as on January 1	67.416-	94.740-
Currency changes UGX	40.393	27.324
Balance as on December 31	27.023-	67.416-

This currency difference relates to the exchange differences between Uganda's shillings (UGX) and euro.

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4. PAYABLES AND OTHER ACCRUALS

4.1. SHORT-TERM DEBTS AND ACCRUED INCOME

	31-12-2019	31-12-2018
Creditors FRES Netherlands	106.193	48.655
Other payables Yeelen Kura	1.682.920	444.298
Other payables FRES Uganda	95.181	192.443
Other payables FRES Guinea-Bissau	15.337	7.557
Other payables Yeelen Ba	81.314	82.249
Other payables FRES	1.483.374	1.193.030
Negative goodwill Yeelen Ba	-	99.373
Total	3.464.319	2.067.605

All payables and other accruals mentioned above fall due in less than one year. The fair value of the payables and other accruals approximates the book value due to their short-term character. The financial obligations towards FRES companies are funds that FRES holds for FRES Companies to pay for future replacement investments.

Commitments and contingencies not included in the balance sheet

There is an annual rent obligation for our Amsterdam office at the Plantage Middenlaan 2G in Amsterdam, at an amount of € 15,600.

NOTES TO THE CONSOLIDATED STATEMENT OF INCOME AND EXPENDITURE

General

The donations relate to income from own fundraising activities.

Continuity of the activities

In 2019, a tender was issued for 2049 SHS systems to be installed in Uganda, Mali and Guinea-Bissau. Also a tender for four minigrids was issued in 2019. All installations have been finalized in 2020. Excluding NuRa, which figures are not consolidated, the customer base decreased slightly in 2019 from 21,084 in 2018 to 20,373 in 2019.

Percentages spent on objectives

In accordance with the Guideline for annual reporting 650 for 'Fundraising Organisations' of the Dutch Foundation for Annual Reporting, the clarification (table page 68) states several percentages.

Percentage of expenditures spent on objectives

This percentage is calculated as follows: the total of the expenses spent on the objectives divided by the sum of the expenditures. The percentage of expenditures spent on objectives amounted to 98% in 2019 (2018: 98%). The percentage of expenditures spent on management and administration therefore amounts to 2 %.

The percentage relating to overhead costs is low because many volunteers including board members and commissioners execute their activities on a pro bono basis.

Percentage of income spent on objectives

This percentage is calculated as follows: the total of the expenses spent on the objectives divided by the income, received in 2019. These incomes do not include transfers from reserves that were spent on activities in 2019. The percentage of income spent on objectives amounted to 161% for 2019 (2018: 150%). The percentage has increased because less income was received from the EU in 2019 and a higher amount was used from the reserves.

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5. INCOME AND EXPENSES

5.1 INCOME

INCOME FROM OWN FUNDRAISING – PRIVATE PERSONS

	2019	2018
Private donations	24.597	106.988
Total	24.597	106.988

INCOME FROM OWN FUNDRAISING - COMPANIES

	2019	2018
Donation payroll costs Alliander for employment Director Business Development	-	92.000
Donation Alliander office expenses	6.667	70.000
Donation Vattenfall	15.000	-
Donation Voltiq	-	1.000
Donation Vivace	15.000	-
Total	36.667	163.000

SUBSIDIES FROM GOVERNMENTS

	2019	2018
Project financing EU Regional	129.713	228.670
Total	129.713	228.670

OTHER INCOME

	2019	2018
Income Yeelen Kura regular company activities	2.108.835	1.555.331
Income FRES Uganda regular company activities	672.867	845.041
Income FRES Guinea-Bissau regular company activities	437.804	397.004
Income FRES Yeelen Ba regular company activities	340.745	446.875
Total	3.560.251	3.244.251

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FINANCIAL INCOME AND EXPENSES

	2019	2018
Interest bank	39.900-	39.051-
Result interest bonds	4.091-	4.116-
Dividends	87.860	113.871
Realised gains/losses shares & bonds	211.539	54.082-
Unrealised gains/losses shares	537.639	296.672-
Unrealised gains/losses bonds	52.092-	86.532
Total	740.955	193.518-

LOANS TO FRES COMPANIES

	31-12-2019	31-12-2018
Total	7.720.435	9.673.701

The net return on investments in securities and cash equivalents has been accounted for under the financial income and expenses. The return of € 740.955,- also included an amount of € 537.639,- unrealised results on the investments. Cash equivalents were kept on the current account and deposit account at credit institutions with at least an “A” credit rating.

Loans

FRES Netherlands issued several loans to FRES companies. These loans were recognised as expenses spent on objectives. The principal amount of the issued loans by FRES Netherlands is presented here in total.

Employees

The number of FTEs as of December 31st 2019 amounted to 3,4 FTE (2018: 5 FTE). Including one freelancer who worked for FRES the number of FTEs amounted to 4,2 FTEs on December 31st 2019. There were no freelancers as of February 2020.

Remuneration Board members

The remuneration of the Supervisory Board members and FRES Board members amounted to € 0 in 2019 (2018: € 0). No loans, advances or guarantees were issued to Board members. No employment contract exists between FRES and the Board members.

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6. SUBSEQUENT EVENTS

In February 2020 FRES and Vattenfall agreed to terminate activities in South Africa as the national grid expanded rapidly and the customer base declined. Consequently, Vattenfall sold the shares in Nura. As a result of this transaction the agreement between Vattenfall and FRES on operational management of the company was terminated as well.

In 2019, Serge Leijten, Lidwien Schils and Sophie Dingenen were appointed as members of the board. In May 2020 Peter Smink left the FRES Board. In November 2020 Femke Smeets was appointed as a his successor in the board. In March 2020 Coen de Ronde left FRES. In June 2020 Ido Verhagen started as managing director.

As for the FRES companies in 2020, one Minigrid in Mali has been nationalized. The FRES Cameroon legal entity is in the process of being liquidated as FRES does not intend to start up operations in that country.

Five of the minigrids of Yeelen Kura in Mali are still under consideration of being transferred to EDM. This follows a decision by the Malian government in 2016 to nationalize several FRES-owned assets. FRES has performed an asset evaluation and is still negotiating further financial details and timelines. As Yeelen Kura will be reimbursed for the net book value of the assets and any other losses no impairment or provision was recognized. The COVID-19 outbreak is considered to be a non-adjusting event. This is discussed in the following section.

7. UNCERTAINTY WITH REGARDS TO THE COVID-19 MEASURES

Late in 2019 news emerged from China about the COVID-19 virus (the “Coronavirus” or the “COVID-19”). The situation at year end, was that a limited number of cases of an unknown virus had been reported to the World Health Organisation. In the first months of 2020 the virus had spread globally and since then its negative impact has gained momentum.

Throughout 2020, the number of registered cases of COVID-19 in the African countries where FRES operates is relatively low compared to Europe. Nevertheless, business continuity measures have been taken and communicated to the employees by the FRESco’s, allowing employees to work from home (where possible) and to set up replacement schemes in the event of an eventual quarantine. In case of expansion of the number of cases of COVID-19 and restrictions on daily life, the impact for the FRESco’s is expected to be a:

- Decline in payment rates, resulting in less liquidity and higher credit risk for the companies and eventually;
- Decline in the number of customers
- Decrease in installing new systems at new customers and reclaiming systems from former customers;
- Decrease in delivery and construction of new assets, like mini grids, solar home systems and batteries.

The Netherlands went into lockdown in spring of 2020 and again in December 2020. Business continuity measures have been taken and communicated to the employees, allowing the foundation to provide the necessary access for employees to work from home and to set up a replacement scheme in the event of quarantine. The travel policy was also amended; international travel to the FRESco’s was restricted.

Based on the facts and circumstances known at this moment and the possible scenarios about how the COVID-19 virus and resulting government measures in the various countries could evolve, the Board has determined that the use of the going concern assumption is warranted, but that there is a material uncertainty resulting from COVID-19 that may cast significant doubt upon the group’s ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The foundation has sufficient reserves available, partly in cash at banks. The securities are impacted by the currently lower market prices. However, these investments are for the longer term and the Board expects the financial markets to recover eventually.

The Board will continue to monitor the situation closely and take necessary precautions and / or actions where and when needed.

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FOUNDATION'S BALANCE SHEET AS AT DECEMBER 31, 2019 (after appropriation of results)

(amounts in euros)

	December 31, 2019	December 31, 2018
Assets		
1. Non-current Assets		
1.1 Property, plant and equipment	15.389	18.625
1.2 Financial assets	6.497.105	6.060.177
	6.512.494	6.078.802
2. Current Assets		
2.1 Receivables	261.771	165.608
2.2 Securities	5.058.333	5.163.865
2.3 Cash and cash equivalents	1.538.140	3.087.905
	6.858.243	8.417.378
Total	13.370.737	14.496.180
3. Reserves		
3.1 Continuity reserve FRES Netherlands	250.000	250.000
3.2 Reserve for pre-financing future investments FRES Companies	3.000.000	3.000.000
3.3 Reserve for financing assets FRES Companies	8.648.997	10.101.942
3.4 Reserve for financing assets FRES Netherlands	15.389	18.625
3.5 Reserve currency difference	-27.023	-67.416
	11.887.363	13.303.151
4. Current liabilities		
4.1 Payables and other accruals	1.483.374	1.193.029
Total	13.370.737	14.496.180

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FOUNDATION'S STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED DECEMBER 2019

(amounts in euros)

	Actual 2019	Actual 2018	Budget 2019
6. Income			
Income from private persons	702	17.096	1.000
Income from companies	36.667	163.000	20.000
Income from subsidies	129.713	228.670	747.000
Sum of the income	167.082	408.766	768.000
7. Expenses			
Spent on objectives (consolidated budget)	2.350.983	1.261.100	6.779.000
FRES service costs spent on objectives			
Direct support existing companies	312.981	258.166	301.000
Direct support company expansions	68.719	65.344	215.000
Direct support new initiatives	24.222	6.213	4.000
Fres service costs management & administration			
Direct costs	10.477	16.692	44.000
Indirect costs and costs from investments	101.771	103.634	116.000
Sum of the expenses	2.869.153	1.711.149	5.751.000
Subtotal	2.702.071-	1.302.383-	4.922.731-
Financial income	749.979	183.840-	13.000
Result subsidiaries			
Result subsidiary Yeelen Kura	640.334	171.689	-
Result subsidiary FRES Uganda	181.146-	323.091-	-
Result subsidiary FRES Guiné-Bissau	67.072-	31.887-	-
Result subsidiary Yeelen Ba	4.420	515.436-	-
Release negative goodwill Yeelen Ba	99.375	99.374	-
Result	1.456.181-	2.085.574-	4.742.113-

(1) the overall budget of € 6,779,000 includes an amount of € 1,262,000 from operational companies

NOTES TO THE BALANCE SHEET AND STATEMENT OF INCOME AND EXPENDITURE

General principles for preparing the annual accounts

General principles

The foundation's stand-alone annual accounts have been prepared in accordance with the revised Guideline for annual reporting 650 for 'Fundraising Organisations', as issued by the Dutch Foundation for Annual Reporting and applicable as of January 1st 2019. The objective of this guideline is to provide insight into the expenses of the organisation and the utilisation of funds in relation to the objectives for which the funds were collected. The annual accounts are presented in Euros.

The principles of valuation and result determination for the foundation's stand-alone annual accounts and the consolidated annual accounts are the same.

For the principles of the valuation of assets and liabilities and the result determination, we would like to refer to the notes on the consolidated balance sheet and statement of income and expenditure on pages 54 to 63.

Financial assets

Subsidiaries

Group companies, in which FRES exercises significant influence, generally accompanying an ownership of 20% or more of the voting rights, are stated at net asset value.

Subsidiaries with an equity deficit are valued at nil. A provision is included when FRES is fully or partially liable for the debts of the subsidiary, or has the firm intention to enable the subsidiary to pay its debts.

Result from subsidiaries (valued at net asset value)

The result is the amount by which the carrying amount of the subsidiaries has changed since the previous financial statements as a result of the earnings achieved by the subsidiaries to the extent that this can be attributed to FRES.

Notes to the balance sheet items

Financial assets

The movement of the investments in subsidiaries during 2019 is as follows:

	2019	2018
Balance as on January 1	6.060.177	6.772.372
Currency difference	40.392	35.234-
Result subsidiaries	396.536	676.961-
Balance as on December 31	6.497.105	6.060.177

Other notes to the foundation's balance sheet
For the other notes, we refer to the notes on the consolidated balance sheet items 2019.

6 Financial Report 2019

Notes on the statement of income and expenditure

For the other notes to the statement of income and expenditure, we refer to the notes on the consolidated statement of income and expenditure 2019.

Destination	Objective															
	Existing companies					Expansion companies							Mgmt. & admin	Total 2019	Budgeted 2019	Total 2018
	Yeelen Kura, Mali	NuRa, South Africa	Yeelen Ba, Burkina Faso	FRES Guinée-Bissau, Guinee Bissau	FRES Uganda, Uganda	Yeelen Kura, Mali	NuRa, South Africa	Yeelen Ba, Burkina Faso	FRES Guinée-Bissau, Guinee Bissau	FRES Uganda, Uganda	Cameroon	New initiatives				
Expenditures																
Subsidies and contributions	45.508	16.430	33.835	17.511	57.489	1.872.758	-	120.185	78.138	109.129	-	-		2.350.983	6.779.000	1.261.100
Remittances																
Purchases and acquisitions																
Outsourced work																
Publicity and communication	1.506	322	435	1.307	1.497	862	-	115	99	37	-	392	1.818	8.390	11.010	26.501
Personnel expenses	71.713	15.317	20.732	62.198	71.275	41.027	-	5.466	4.719	1.753	-	18.670	86.517	399.389	524.122	273.410
Accommodation expenses	8.684	1.855	2.511	7.532	8.631	4.968	-	662	571	212	-	2.261	10.477	48.365	63.470	62.432
Office and general expenses	11.256	2.404	3.254	9.762	11.187	6.439	-	858	741	275	-	2.930	13.579	62.685	82.262	88.995
Depreciation and interest	118-	25-	34-	103-	118-	68-	-	9-	8-	3-	-	31-	143-	659-	(865)	1.287-
Total	138.549	36.303	60.733	98.208	149.961	1.925.987	-	127.277	84.261	111.403	-	24.222	112.248	2.869.153	7.459.000	1.711.149
	4,8%	1,3%	2,1%	3,4%	5,2%	67,1%	0,0%	4,4%	2,9%	3,9%	0,0%	0,8%	3,9%	100%		

6 Financial Report 2019

Notes to the balance sheet items

The subsidies and contributions actuals of € 2,673,974 represent the costs made by FRES NL whereas the budget of € 6,779,000 represent the consolidated costs including an amount of € 1,262,000 from operating companies.

The increase in personnel expenses from € 273,410 (2018) to € 399,389 (2019) can be explained by Payment of HR related costs to the operating countries.

The decrease in accommodation expenses from € 62,432 (2018) to € 48,365 (2019) can be explained by lesser costs incurred during the Annual Company week and lower re-imbursements to the operating countries.

The decrease in office and general expenses from € 88,995 (2019) to € 62,685 (2019) can be explained by reduced costs incurred for the existing operations

Proposed appropriation of results 2019

For the proposed appropriation of the results 2019 amounting to – € -1.456.181, we refer to the overview below.

Amsterdam, 19 February, 2021

Board FRES

Wim Plaizier

Serge Leijten

Paul Gaalman

Sophie Dingenen

Paul Hol

Lidwien Schils

Wim Sinke

Femke Smeenk

	Balance as on 1-1-2019	Appropriation of results 2019	Balance as on 31-12-2019
Continuity reserve FRES Netherlands	250.000	-	250.000
Reserve for pre-financing future investments FRES Companies	3.000.000	-	3.000.000
Reserve for financing assets FRES Companies	10.101.942	1.452.945-	8.648.997
Reserve for financing assets FRES Netherlands	18.625	3.236-	15.389
Total	13.370.567	1.456.181-	11.914.386

OTHER INFORMATION

No auditor's report included

The foundation has an idealistic objective and is a charity organisation (not-for-profit). In accordance with article 297a, subsection 1, and with article 360, subsection 3, Book 2 of the Dutch Civil Code, the annual accounts of the foundation are not audited. Consequently, no auditor's report is included.

Statutory arrangement concerning the appropriation of results

No provision regarding the appropriation of results has been included in the Articles of Association.

Adoption and approval of the annual accounts 2019

The annual accounts 2019 were adopted in a Board meeting held on 19 February, 2021.

Changes in the Board

Lidwien Schils and Sophie Dingenen were appointed as member of the board in 2019. In May 2020 Peter Smink left the FRES Board. In November 2020 Femke Smeets was appointed as a his successor.

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

We have reviewed the accompanying annual accounts 2019 of Stichting Rural Energy Services, Amsterdam, which comprise the consolidated and foundation balance sheet as at 31 December 2019, the consolidated and foundation statement of income and expenditure for the year then ended, the consolidated cash flow statement and the notes, comprising a summary of accounting policies and other explanatory information.

Responsibility of the board

The board is responsible for the preparation and fair presentation of these annual accounts in accordance with the Standard for annual reporting 650 'Charity organisations' of the Dutch Accounting Standards Board. Furthermore, the board is responsible for such internal control as it determines is necessary to enable the preparation of the annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the accountant

Our responsibility is to express a conclusion on the accompanying annual accounts. We conducted our review in accordance with Dutch law, including the Dutch Standard 2400 'Engagements to Review Annual accounts'. This requires that we comply with ethical requirements and that

we plan and perform the review to be able to conclude whether anything has come to our attention that causes us to believe that the annual accounts are not prepared in all material respects in accordance with the applicable financial reporting framework, including the Standard for annual reporting 650 'Charity organisations' of the Dutch Accounting Standards Board.

A review of annual accounts in accordance with the Dutch Standard 2400 is a limited assurance engagement. The performed procedures consisted primarily of making inquiries of the board and others within the foundation, as appropriate, applying analytical procedures and evaluating the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with the Dutch Standards on Auditing. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying annual accounts do not give a true and fair view of the financial position of

Stichting Rural Energy Services as at 31 December 2019, and of its results for the year then ended in accordance with the Standard for annual reporting 650 'Charity organisations' of the Dutch Accounting Standards Board.

Emphasis of uncertainty with respect to the going concern assumption

We draw attention to note 7 in the consolidated annual accounts in which the Board has described the possible impact and consequences of COVID 19 (corona virus) as well as the measures taken and planned to deal with these events and circumstances. This note also indicates that significant uncertainties remain and that currently it is not reasonably possible to estimate the impact and consequences of COVID-19 on the going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the foundation's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Utrecht, 19 February 2021

PricewaterhouseCoopers Accountants N.V.
Original has been signed by: K. Hofstede RA

ACRONYMS

AMADER	Agency for the Development of Domestic Energy and Rural Electrification
EDM	Energie du Mali
EEP	Energy and Environment Partnership
FRES	Foundation Rural Energy Services
kWh	kilowatt hour
kWp	kilowatt peak
MWh	megawatt hour
OFID	OPEC Fund for International Development
SDG	Sustainable Development Goal
SHS	solar home system

BENEFICIARIES CALCULATIONS

For the calculation of beneficiaries reached by FRES, FRES applies the industry-wide excepted multiplier of 5 times the total number of connections.

For references made to the beneficiaries of business segments, such as schools, hospitals and places of worship, FRES basis these calculations on the data collection of the FRES companies.

Colophon

**This is a publication of FRES
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Yeelen Ba technical sales agent
Julienne Sane cleaning a solar
panel on a customer's roof in
Orodara, Burkina Faso. Continuous
maintenance of panels, batteries,
wiring and lighting comes with
the job at a FRES company. After
all, keeping customers satisfied
with a reliable electricity supply is
what pays the bills.