

FRES annual report 2020

Stepping up
rural
electrification
to leave
no one behind





From left to right: Racif Abu Iaia Sanha, Nelito José Quadé, Nafi Satu Bari and Sene Sambu modeling the new uniform worn by FRES Guiné-Bissau technical sales representatives. Visibility and neatness of appearance are important for a service brand.

Photo previous page: Lead technician Atumanya Posiano (left) and FRES Uganda technical manager Francis Twesigye installing a solar home system at a restaurant in Kazo, Uganda. During the COVID-19 pandemic, FRES continued connecting new customers while observing hygiene measures such as wearing a face mask.

We are FRES

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

With over 200 technicians and service agents in the field, we maintain regional networks of solar home systems, nano grids, mini grids and village lighting, solar water pumping and productive use platforms.

We service customers across Africa, specifically in Mali, Burkina Faso, Uganda and Guinea-Bissau. We are on a mission to leave no one behind!

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Message from the Board

Gearing up to accelerate rural electrification

As the board of the Foundation Rural Energy Services (FRES), we are proud to present our 2020 annual report.

Despite the global outbreak of COVID-19, 2020 was anything but a slow year for FRES. Rather, it was a year in which our four companies and FRES as a whole made significant progress. We believe our strong performance during what was a particularly challenging time is a harbinger of what we can achieve in the final decade of delivery for the 2030 Sustainable Development Goals (SDGs).

The relevance of our ambition to accelerate rural electrification over the next ten years was underlined by the World Bank's 2020 Energy Progress Report. It highlighted that at the current pace of electrification, half a billion people – primarily living in rural areas of sub-Saharan Africa and the Sahel – will remain unserved in 2030. Although national grids are expanding in most African countries, complementary off-grid solutions are needed to fill the energy gap.

Broadening our portfolio

In 2020, we concentrated on four key areas: increasing our solutions offering to clients; strengthening operational oversight of our portfolio of companies; improving the core performance of our companies; and regenerating the Amsterdam office with new hires.

In early 2020, NuRa Energy (Pty) Ltd. in South Africa was transferred to new owners. Vattenfall had been the owner, with FRES as its management agent. In 2019, it became clear that with continuous grid expansion, FRES' involvement in the company was less pertinent. When an offer for the purchase of all shares was made, the opportunity arose for the company to stand on its own. The transaction was ultimately concluded in February 2020. The share transfer does not have an impact on our financial statements because FRES was not the owner. The outstanding loan has been repaid to FRES.

In 2020, FRES took significant steps to broaden its portfolio to meet any energy demand in off-

grid areas. FRES Guinée-Bissau launched a pilot project offering solar systems with a capacity beyond FRES' current four preset service levels. FRES Burkina Faso started developing two multifunctional platforms combining micro grids and agro-processing centers. FRES Mali introduced two solar water pumping installations, and the European Union (EU) agreed to support the establishment of 15 nano grids in Mali, Burkina Faso and Guinea-Bissau.

While continuing to offer our premium quality solutions that are affordable for households living on \$2-3 a day, our extended portfolio will enable us to meet the demands of households and entrepreneurs in rural areas that are climbing the energy ladder and require greater capacity and more tailored solutions. In addition, our extended offering makes FRES services more relevant for productive use customers such as cooperatives, small and medium enterprises and offices.

Improving operational performance

To improve our operational performance, FRES

began implementing a new customer relationship management system in collaboration with our partner Solaris Offgrid. The system allows for closer monitoring of payment rates, customer service and maintenance. It also leverages the opportunities of mobile money and prepayment. Following a successful pilot with solar home systems (SHS) enabled with pay-as-you-go (PayGo) in Burkina Faso in 2020, we decided to upgrade all SHS systems in the field to PayGo, starting with 6,700 systems in Uganda and Mali in 2021.

As part of this exercise, all companies screened their customer base. As a result, service contracts with customers with a bad payment record and high outstanding debts were terminated. This resulted in the write-off of irrecoverable debts at the end of 2020. Mali and Burkina Faso completed this screening exercise in 2020 and have had significantly lower suspension and termination rates in 2021. The same outcome is expected for Uganda and Guinea-Bissau, where the screening of the customer base will be completed in 2021.

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.



This clean-up saw FRES' overall customer base drop just below 20,000 to 19,911 at year-end, although the impact of the COVID-19 pandemic on our operations also played a role. Delays in deliveries meant the connection of 1,400 customers to four new mini grids in Mali only commenced in November 2020 and will be completed in mid-2021. The countrywide lockdown in Uganda between March and September resulted in a high number of contract terminations by business customers, despite FRES' mitigation efforts to partially waive accumulating debts.

Despite these unforeseen circumstances, we would still have experienced a small amount of customer growth in 2020, had we not been forced to reduce FRES Guinée-Bissau's customer numbers by 600. In the process of reviewing the customer base, payment rates and outstanding debts, questions arose at the end of 2020 about the reported customer numbers. The board took immediate actions. An external audit in March 2021 revealed that the customer numbers FRES



Guiné-Bissau that had been reported to FRES The Netherlands indeed required adjustment. The overall financial reporting however was found to be correct. Following the audit, the general manager's contract was terminated. An interim general manager was appointed while we pursued recruitment for a permanent replacement.

Progress achieved

The team in our head office in Amsterdam underwent significant changes. In late 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. The same year, Michelle Makoni transferred to The Netherlands from South Africa, where she was general manager of the FRES company NuRa, to act as group controller. Joelle Nzambimana, Ralya Wais and Cynthia Kpozuxe joined FRES at the beginning of 2021 as regional operations manager, contracts and procurement manager, and business advisor and community manager, respectively.

We have updated our look. A main asset of FRES is our proximity to our clients, providing them with high quality services by our field staff. As a testimonial, photos of our local field staff active providing customer service, feature prominently

not only in this annual report but also on our brand-new website. The redesign allows us to showcase our strength as a group with local roots and a global network. It also serves as a platform for us to present new investment plans and funding requests from our beneficiaries as well as report on the impact and long-term sustainability of each investment.

Looking ahead, we continue to seek new investment opportunities in the countries where we currently operate. Fundraising efforts in 2020 were promising. The EU extended an existing contract to July 2021. This will enable us to create 500 SHS connections in Burkina Faso, add five nano grids each in Mali, Guinea-Bissau and Burkina Faso and extend one of our mini grids in Mali. We were also awarded new contracts by PREO and the UN Capital Development Fund (UNCDF) to develop two multifunctional platforms in Burkina Faso. In collaboration with Mercy Corps, FRES Uganda developed a solar shared space center for refugees, for which joint fundraising activities were started.

Much of the progress we achieved in 2020 was made possible by the hard work of our employees, to whom we extend our sincere thanks and pay tribute to with the photos in this report. We also

extend our thanks to our volunteers, partners and donors. Only by joining forces will we be able to accelerate rural electrification and achieve the SDGs. This has become even more apparent since the COVID-19 crisis, the effects of which were widely and deeply felt in 2020, particularly in countries that were already vulnerable to shocks, and are continuing to impact our efforts in 2021. 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 sustainable and resilient.

Steady financial performance

The annual financial statements have been prepared following RJ650 principles for fundraising organizations. Financial performance is steady as we continue to focus on growth of our customer base on the one hand and strict control of operational cost on the other. To achieve growth, we require investments in new solar systems to place at our customers. FRES will continue with the “fee for service” business model, in which customers pay for the use of our systems, including all maintenance required and in which FRES will remain the asset owner.

Looking at our income from operations, we see a stable income level despite a slight decrease in



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 2020, FRES Uganda serviced 650 customers in three refugee camps in the southwest of the country.

the number of customers as mentioned earlier. In general terms minimizing churn, although strongly influenced by general economic factors, remains a focus point in our operations. Within the portfolio of customers, we have focused on enhancing payment rates and creating a more diverse customer base, therewith having a more stable base for our future income from operations.

Operational income exceeded operational expenses, which makes our operations short term sustainable. We nonetheless have a continuous focus on reducing costs, for instance by restructuring of local operations on the ground. Since operational income does not cover all investments required for future growth, FRES will continue to attract income from fundraising to cover investments required for growth.

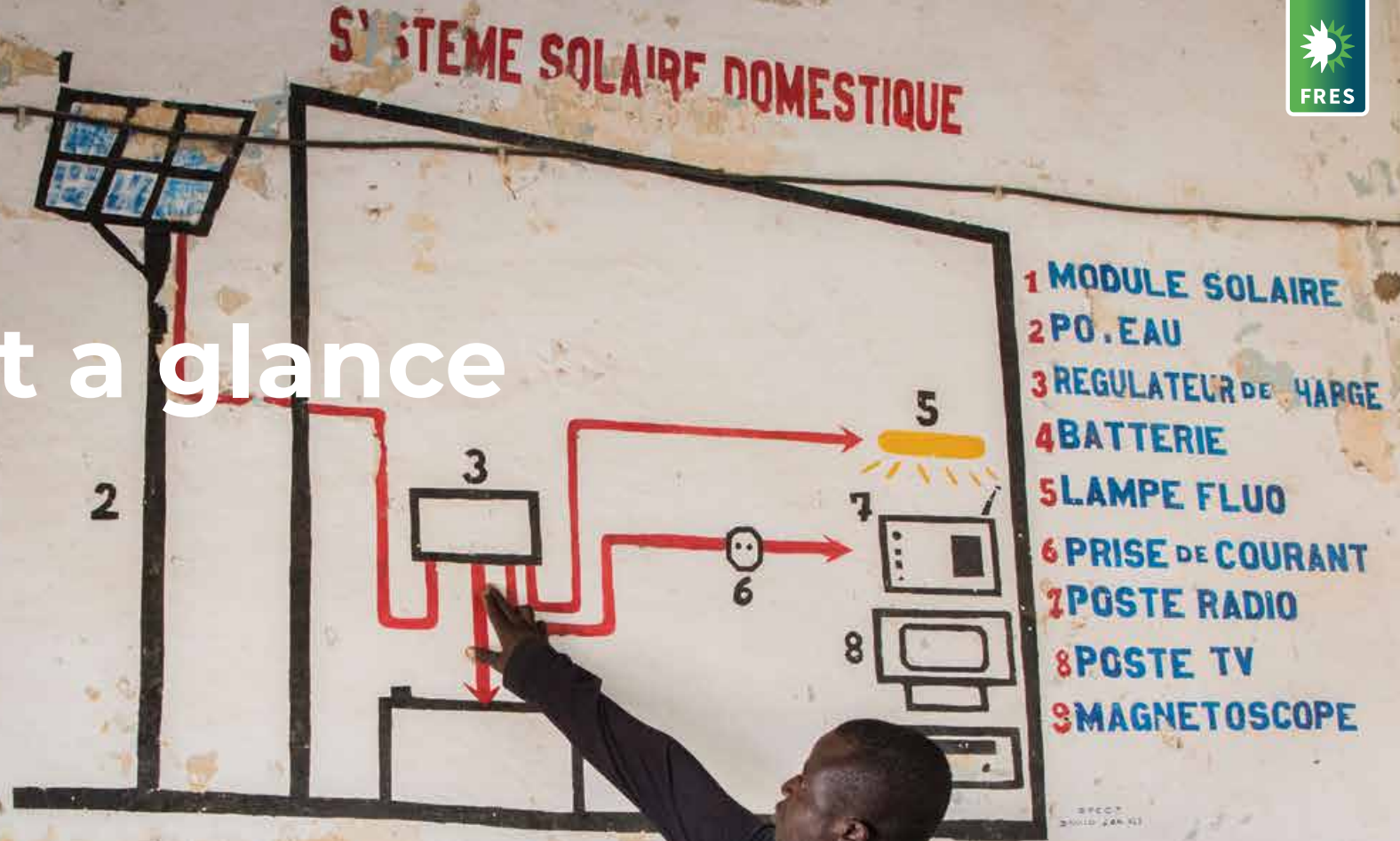
Despite the effects of COVID, revenues remained stable at € 3,526 million (2019: € 3,560 million). OPEX decreased to € 5,859 million (2019: € 6,047 million), included also in the costs are liquidation costs for the dormant Cameroon entity. As at end of year 2020 the liquidation process was in its final stages. As our income from fundraising was at a lower level at € 0,081 million than 2019 (€ 0,190 million), our EBITDA over 2020 decreased.

There has also been significant improvement in the ICT infrastructure and maintenance of the data base through the implementation of an online CRM database for all our FRES entities. The reserves for financing assets of the FRES companies were limited due to the financial result of 2020, a decrease in the reserves by € 2 million.

Over and above the already implemented strategies the main objective for the Frescos is to make their organizations “fit for the future” develop scenarios on how to anticipate on potential risks and adapt to a changing environment. How the companies have maintained and improved operations in 2020, despite limitations imposed because of COVID is truly impressive and enhances our trust in the future development of FRES companies in Africa.

Wim Plaizier
 Roland van der Pouw
 Serge Leijten
 Sophie Dingenen
 Paul Hol
 Wim Sinke
 Lidwien Schils
 Femke Smeets
 Ido Verhagen

1. FRES at a glance



Yeelen Kura technician Issa Kone demonstrating the setup of a solar home system at the FRES energy store in the village of M'Pessoba, Mali. SHS customers can choose between four preset capacity levels based on their energy demands and budget. FRES installs and maintains the systems.

1.1 Accelerating rural electrification to leave no one behind

With ten years left to achieve the 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 Guinée-Bissau. Building on this 20-year track record, we are currently gearing up to increase our presence in the current countries and 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.

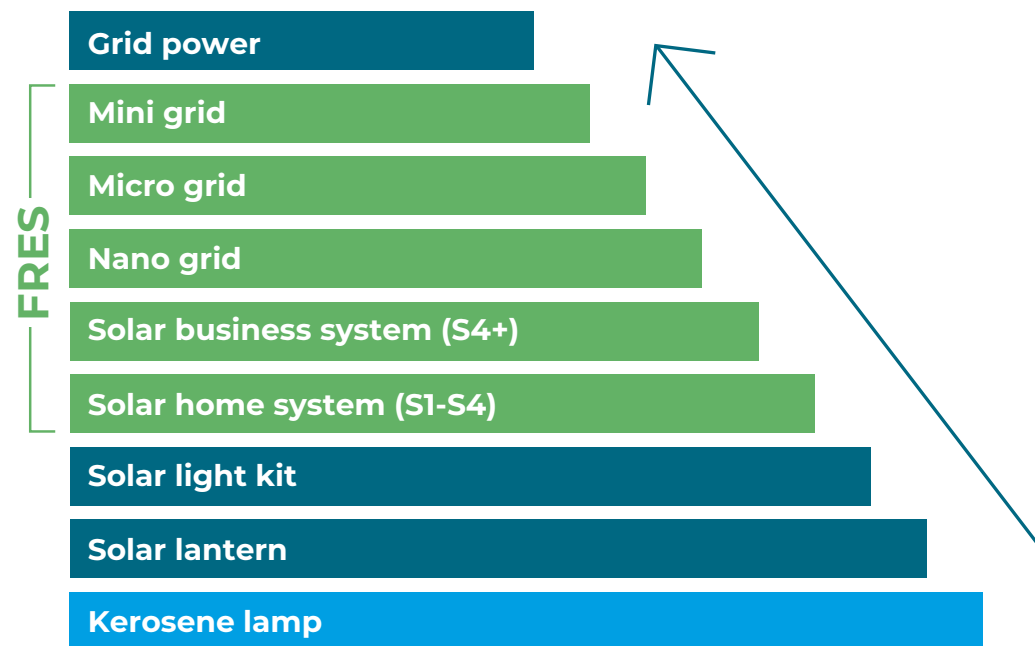
Our mission

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 insufficiently served by commercial solar energy providers.

1.2 Climbing the energy ladder

FRES provides premium quality electricity services for household, commercial and productive use in rural areas not reached by the national grid. We focus on affordability for households living on \$2–3 a day and for customers who are ‘climbing the energy ladder’ and require more capacity.

Our smallest SHS (S1) can power a small television while our largest SHS (S4) is suitable for refrigeration. Beyond the four preset levels, our technical teams can build fully customized solar business solutions and neighborhood networks (nano grids). For business hubs or villages, we can design, build and operate micro grids or mini grids.

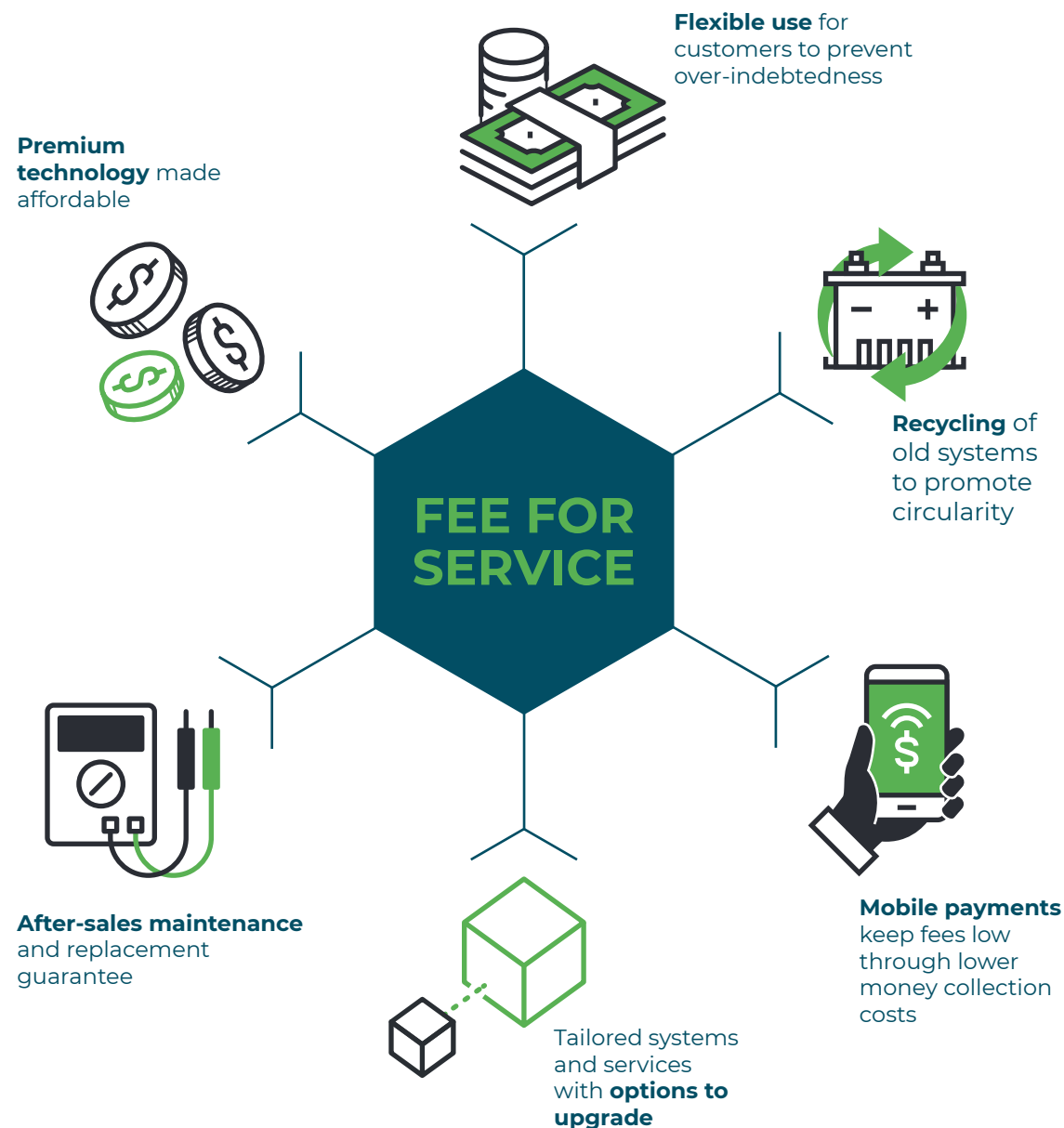


1.3 Providing energy as a service

FRES sees energy as a service. Our companies provide electricity based on a fee-for-service model. This means quick installation and no worries about maintenance for a fee that is generally cheaper than the cost of candles, batteries, paraffin or kerosine. Plus: no emissions, harmful substances or the risk of fires. Customers pay a monthly fee increasingly 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 customers and 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.



1 FRES at a glance

1.4 Contributing 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 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 the nine SDGs is detailed below.

SDG 1

No poverty

Access to energy services is a prerequisite 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.



1 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 is developing solar-powered agro-processing plants for local cooperatives.

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. Over 160 health clinics in rural areas rely on solar energy from FRES, benefitting 120,000 patients. Furthermore, replacing traditional lighting technologies such as kerosene lamps with clean fuel reduces the risk of respiratory diseases.

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 promotes gender equality in its own companies. Yeelen Ba currently leads the way, with 20% of management positions filled by women. In FRES The Netherlands, four out of seven team members are women, and FRES Uganda is led by a female general manager. Through its projects, such as solar water pumping and agro-processing centers for women's cooperatives, FRES contributes to women's social and economic empowerment.

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 2020, FRES employed 223 people in its four companies and had 3,231 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 solar-powered entrepreneurial hubs that connect businesses and manufacturers via micro 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. FRES' total carbon dioxide (CO₂) savings in 2020 accounted for 8,163 tCO₂.

2. Operational report

Yeelen Ba technical sales agent Brama Barro (left) demonstrating mobile payment using a PayGo meter to a customer in Bobo-Dioulasso, Burkina Faso. Following a successful pilot with PayGo meters in Burkina Faso in 2020, we decided to upgrade all systems in the field to PayGo.



2 Operational report

2.1 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.

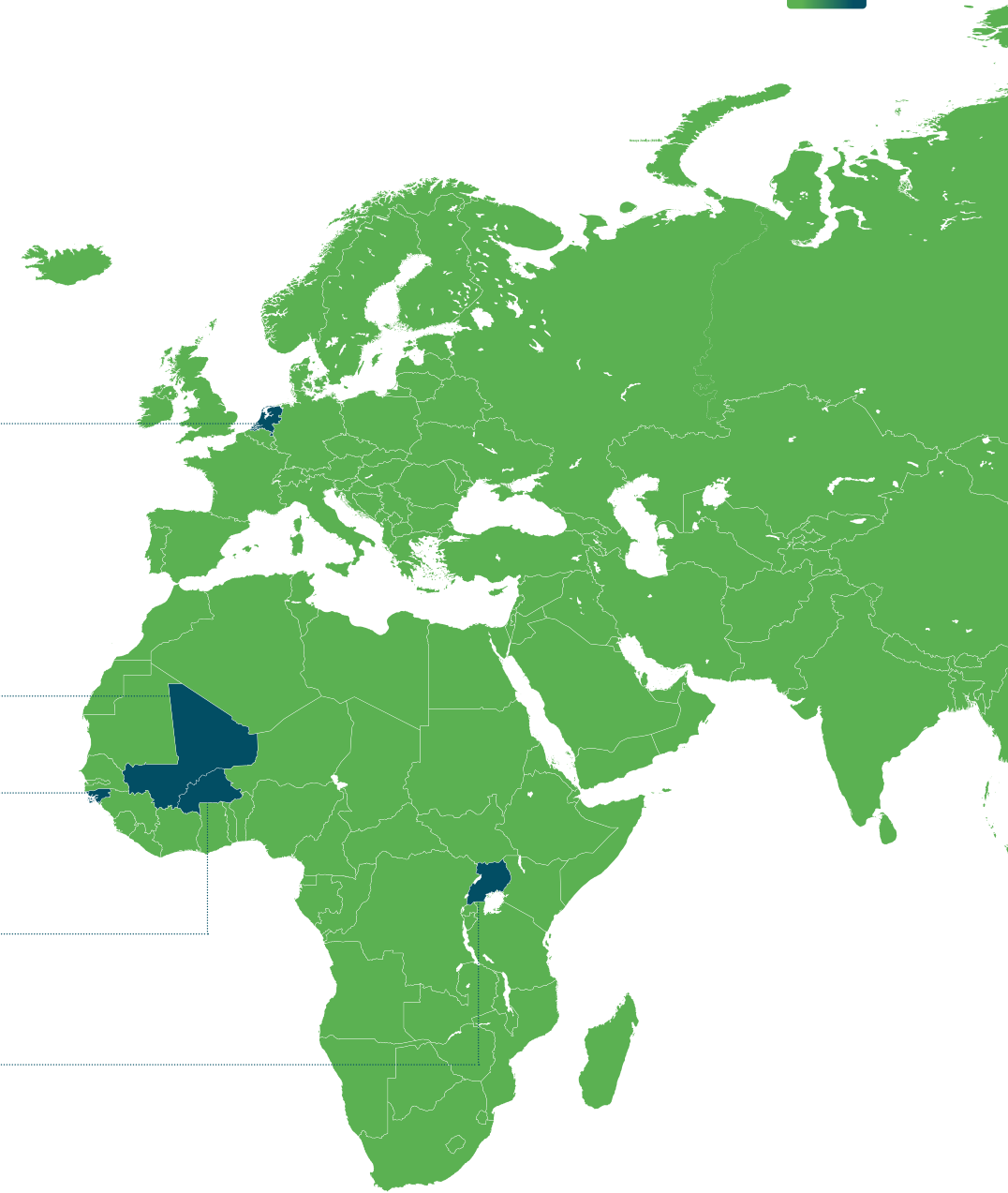
The Netherlands
Amsterdam

Mali
Koutiala

Guinea-Bissau
Gabú

Burkina Faso
Orodara

Uganda
Mbarara



2 Operational report

2.2 FRES in numbers

Company	FRES Mali	FRES Burkina Faso	FRES Uganda	FRES Guiné-Bissau	FRES total
Founded	2001	2008	2010	2011	
Number of customers	7,941	2,472	5,805	3,693	19,911
Installed solar capacity (kWp)	1,098	226	912	451	2,687
CO2 savings (tCO2/yr)	2,451	1,102	3,048	1,562	8,163
Energy stores	20	14	5	13	52
Rural villages served	158	285	320	624	1,387
Installation types					
Solar home systems	3,867	2,472	5,805	3,248	15,392
Nano grids	0	0	0	1	1
Mini grids	14	0	0	1	15
Village lighting	14	0	0	10	24
Solar water pumping	2	0	0	0	2
Customer segments					
Households	7,382	2,262	2,303	3,432	15,762
Businesses	328	70	2,651	182	3,231
Schools	8	10	299	15	332
Health clinics	19	81	51	10	161
Places of worship	22	35	126	31	214
Government	182	5	1	23	211
Staff					
Direct employment	71	26	80	46	223
Indirect employment	50	18	52	26	146
Percentage that are women	7%	19%	21%	13%	15%
Women in management	15%	22%	17%	18%	18%
Staff below 35 years old	46%	19%	18%	78%	39%

This overview is excluding NuRa

2.3 FRES Mali – Yeelen Kura

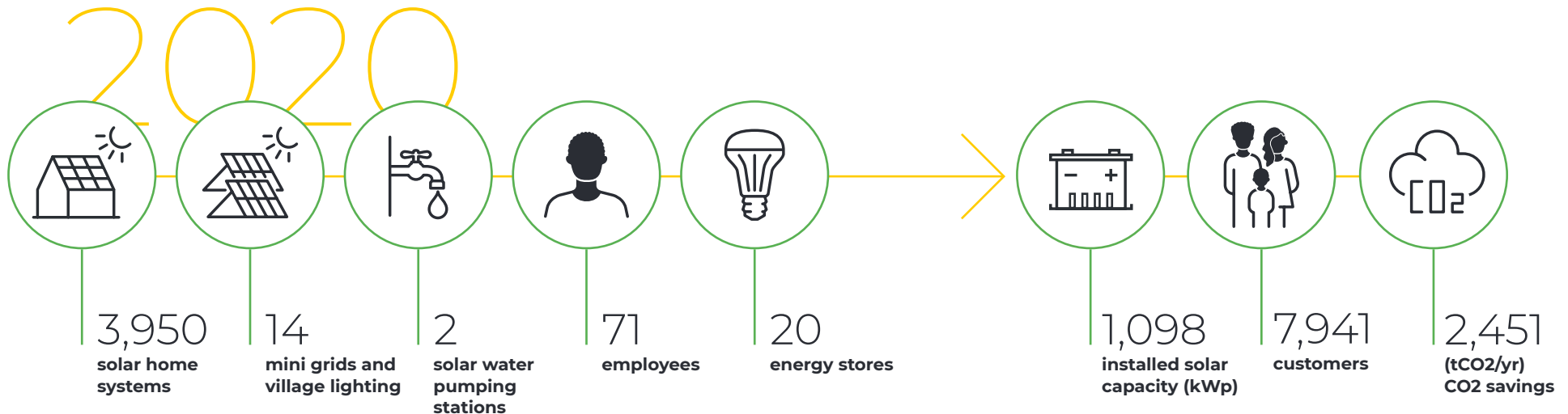
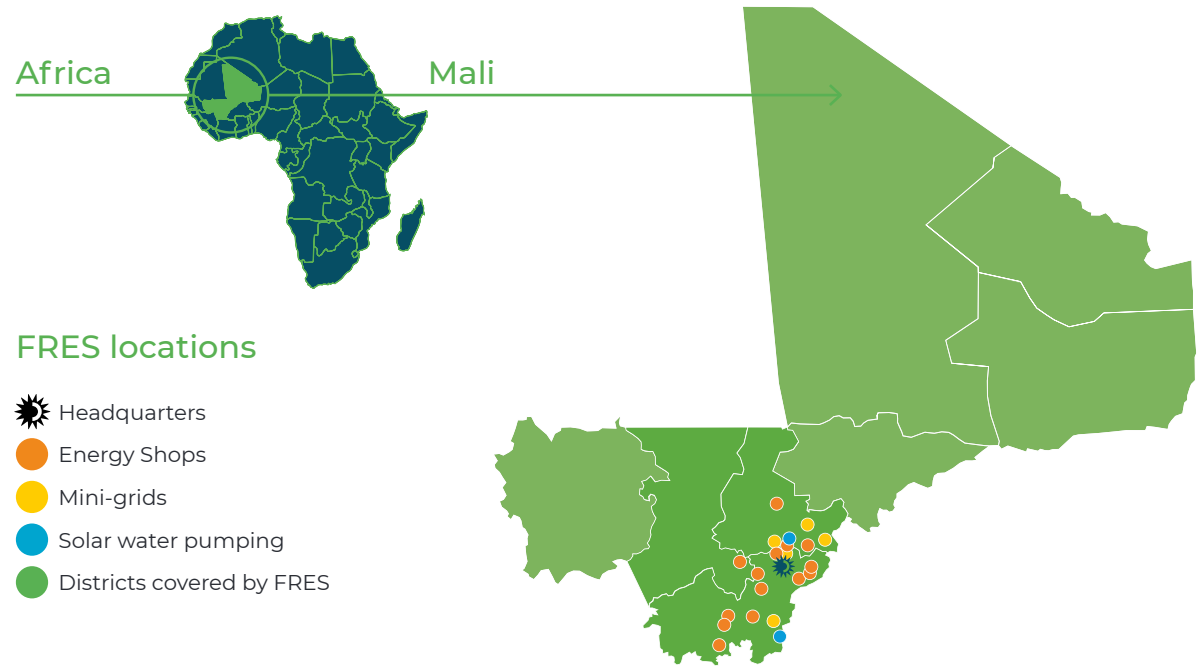
Yeelen Kura technician Sidiki Kondé checking the newly installed solar panels at the Diéna solar center in Mali. Yeelen Kura put four new mini grids into service in 2020, which together supply 7,000 beneficiaries. >

2.3 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 SHS, it operates 14 mini grids and two solar water pumping stations.

In 2020, Yeelen Kura employed 71 people. At the end of the year, it had 7,941 customers (3,867 SHS customers and 4,074 solar mini grid customers) and 20 energy stores.



Highlights 2020

The COVID-19 pandemic and local unrest made 2020 a challenging year. However, it was also a year in which Yeelen Kura proved the strength of being a local company with well-trained local staff. Despite the challenges, we were able to put four new mini grids into service, establish solar water pumping for two cooperatives and connect the Kolondieba health center to our solar network in that village. Our customer base grew by more than 10% to 7,941 connections at year-end.

For 2021, we envision further growth as we finalize the connection of 350 customers for each of the four new mini grids and complete an extension of our network in Beléko for an additional 100 customers. We also aim to install five nano grids.

To improve payment rates, we finished screening our existing customer base and cancelling the contracts of customers with a bad payment record. In combination with the implementation of stricter customer acceptance procedures, debt monitoring and service termination policies in the event of non-payment, we expect the average payment rate of 90% achieved in 2020 will be even higher in 2021.

As Lamine Seydou Traoré, Minister of Mines, Energy and Water, stated in his opening remarks at our workshop on accelerating rural electrification in Bamako in July 2021, the challenge to improve rural electrification is enormous, with a connection rate in rural Mali of just 25%. Yeelen Kura is fully committed

to contributing to the government’s rural electrification plans, which include the transfer of five FRES mini grids in villages that will be connected to the national grid. These plans were announced in 2016, but implementation has been delayed.

Uncertainty about the transfer has limited Yeelen Kura’s ability to invest in these mini grids and respond to the growing energy demand in the affected villages. As a result, diesel consumption is increasing as batteries reach the end of their lives. Moreover, hundreds of potential customers have been wait-listed, unsure about a connection in the near future. Yeelen Kura welcomed the minister’s willingness to look into this matter and hopes that more clarity will enable us to continue to serve the villages with clean, affordable energy until the grid arrives.



“With financial support from the European Union, Yeelen Kura has put four new minigrids into service in 2020 with a capacity to service 1400 customers. This will positively contribute to social and economic development in the four rural villages.”

Djibril Séméga

General Manager Yeelen Kura, Mali

2.3 FRES Mali – Yeelen Kura



Yeelen Kura technician Mariam Niaré putting the final touches to the solar water pumping installation in the village of Nimbougou, Mali. Two solar water pumping installations became operational in 2020 and will be used by women's cooperatives to irrigate their crops.

SUCCESS STORY

Adapting to climate change with solar irrigation

With the support of a Dutch family foundation, Yeelen Kura constructed two solar water pumping installations for women's cooperatives in the villages of Nimbougou and Diaramana. Like elsewhere in the Sahel, the villages face water scarcity during the growing season.

Ironically, the construction was delayed by the heaviest rainfall rural Mali had experienced during the wet season in decades. The roads were impassable for the drilling rig for months. Not long after, however, the ground was just as dry, hard and unworkable as before, and the

groundwater level had once again dropped to a depth of about 30 meters.

The solar water pumping installations are equipped with water meters. FRES delivers the water for a fee per volume. This not only encourages sustainable use of water. The revenues also cover maintenance of the installations and contribute to a replacement reserve, ensuring that the installations will continue to supply water for the next 25 years.

2.4

FRES Burkina Faso – Yeelen Ba



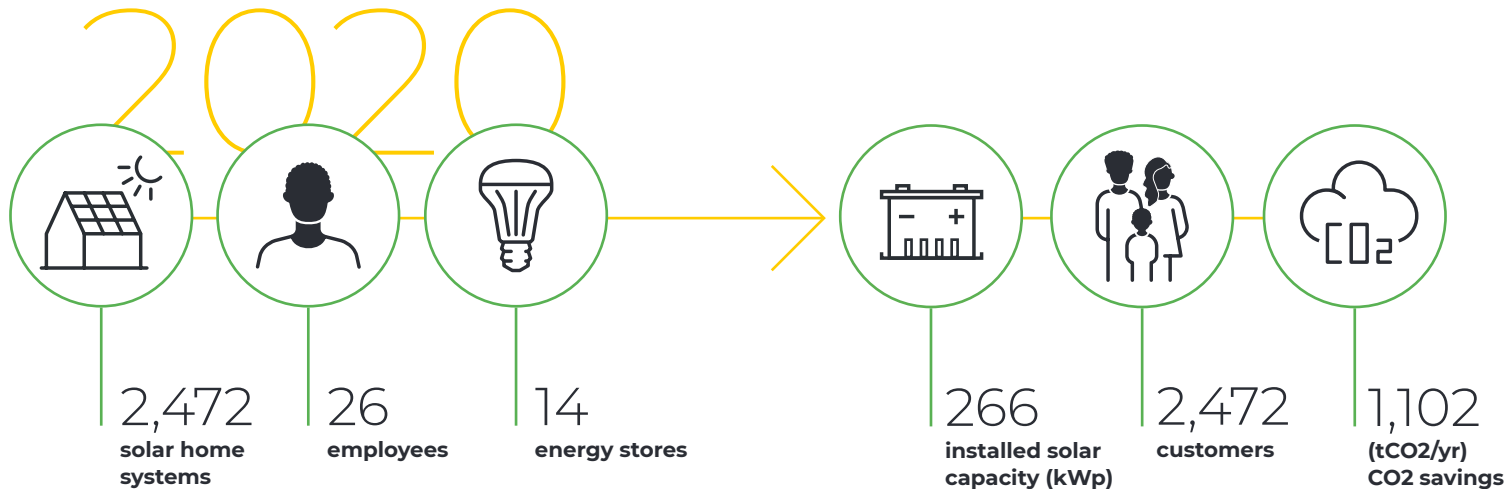
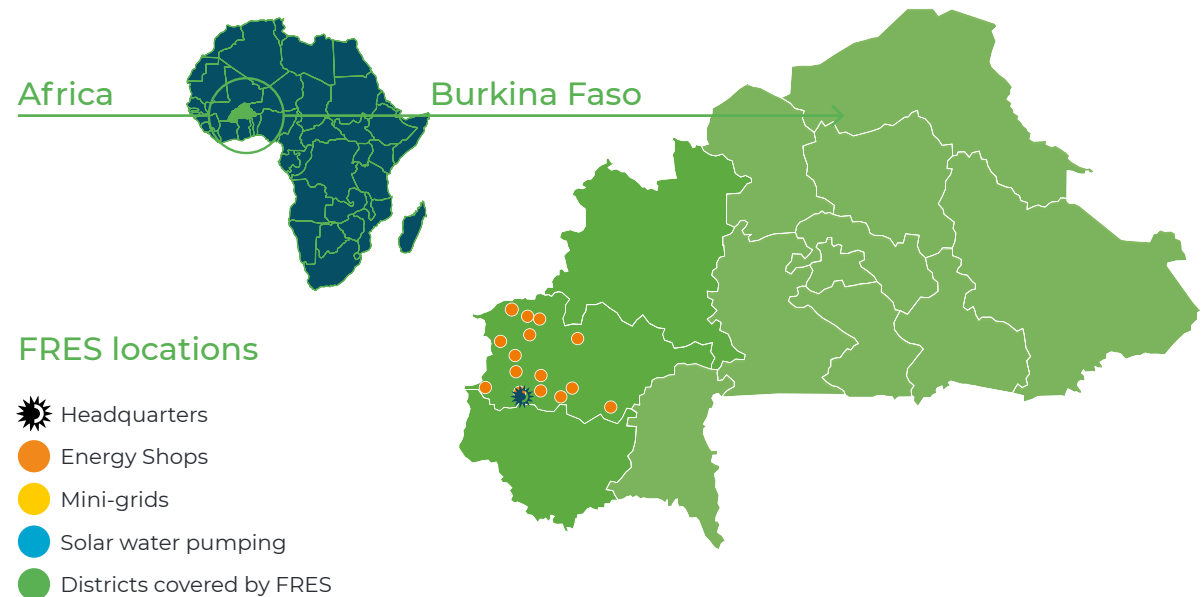
Julienne Sane, Yeelen Ba technical sales agent, cleaning a solar panel on a customer's roof in Orodara, Burkina Faso. In 2020, 18% of FRES employees were women, with Burkina Faso leading the way at 22%.

2.4 FRES Burkina Faso – Yeelen Ba

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 2020, Yeelen Ba employed 26 people. At the end of the year, the company had 2,472 SHS customers and 14 energy stores.



Highlights 2020

Yeelen Ba kicked off its expansion strategy in 2020. Since 2008, we have supplied SHS to customers in Kénédougou. Our offering of premium quality solar electricity services at affordable prices has also attracted attention in Houet and the neighboring regions Cascades and Boucle du Mouhoun.

By the end of 2020, we were in the final phases of securing support from the EU to expand to these new regions. In 2021, this support will allow us to create 500 new SHS connections as well as five new nano grids: small neighborhood networks supplying solar electricity to up to eight connections. In addition, we are developing two solar-powered multifunctional agro-processing platforms for productive use by cooperatives.

This means we are not only expanding but diversifying as well. With a portfolio of SHS, nano grids and multifunctional platforms, we can meet all the electricity needs of households, businesses and institutions in the regions where we work. We aim to add mini grids to our portfolio in the coming years. We have also been invited by the government to submit plans for available concession areas.

Expansion to new zones is critical for Yeelen Ba to maintain a sustainable customer base for our SHS. We lost nearly 400 customers to the national grid, which is reaching villages where Yeelen Ba has traditionally been active. Although the government has ambitious expansion plans for the national grid, it acknowledges that it will

not be able to cover all rural areas and off-grid solutions will remain relevant over the coming decade to fill the gaps.

The year 2020 marked a break with the past, with new investments to realize future growth. Lack of donor funds due to political instability in Burkina Faso in recent years has prevented Yeelen Ba from investing in new SHS systems and replacements. However, thanks to a battery replacement investment in 2020 by FRES The Netherlands, however, Yeelen Ba has been able to keep its quality service promise to its customers. And with the new EU investments secured this year, Yeelen Ba is on course to achieve long term sustainability in the coming years.



“With support of UNCDF and the productive use program PREO of the IKEA Foundation and UKAID, Yeelen Ba kicked off the development of two solar powered agroprocessing platforms for women cooperatives in 2020, underlining our role as an enabler of economic development with renewable energy.”

Bourama Keita

General Manager Yeelen Ba, Burkina Faso

Two FRES Yeelen Ba technicians leaving the headquarters in Orodara, Burkina Faso to install new solar home systems at customers' homes. In 2020, Yeelen Ba obtained EU support to realize 500 new SHS connections.

SUCCESS STORY

Expanding to new zones with SHS, micro and nano grids

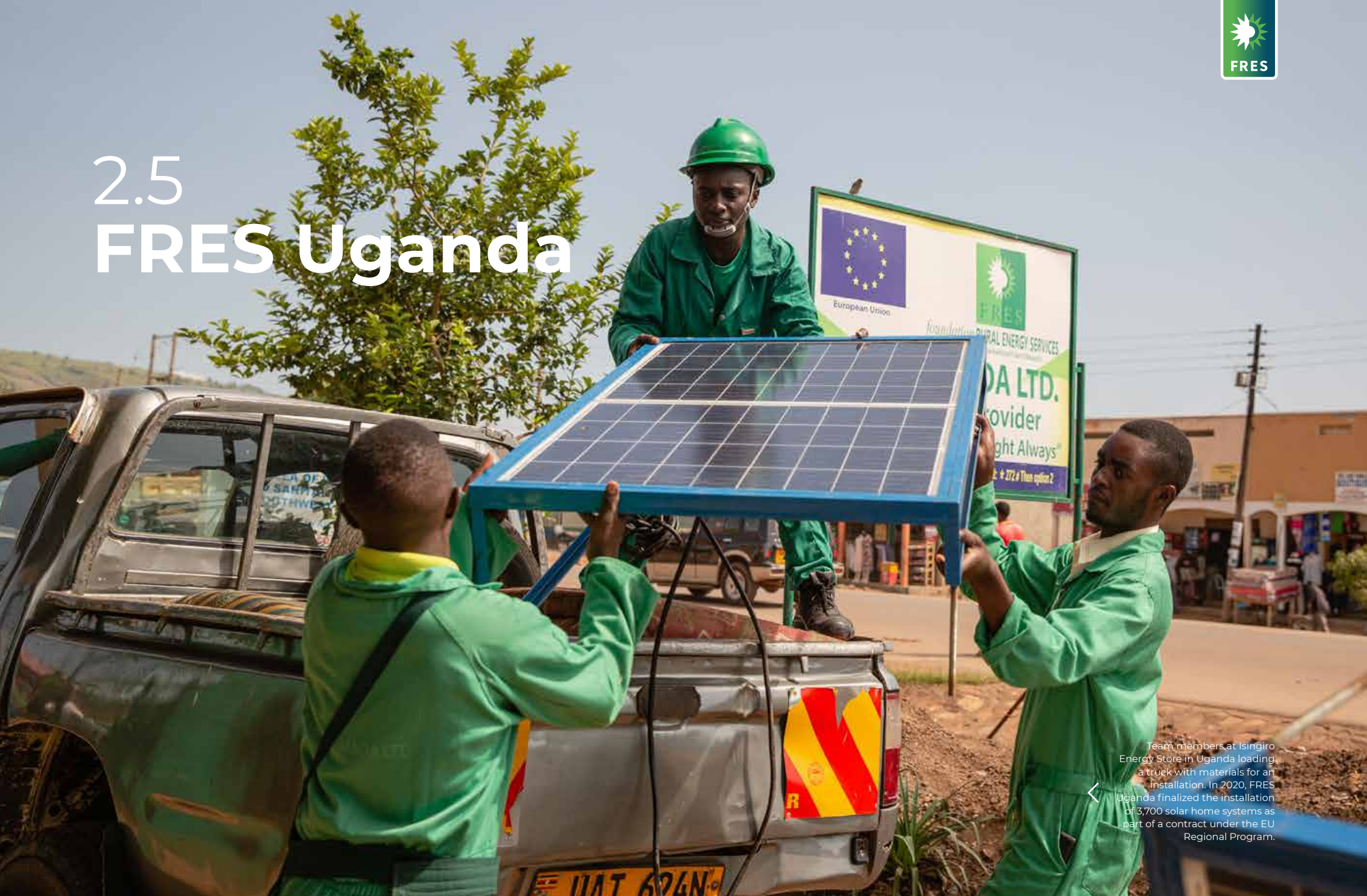
In 2020, the odds turned in Burkina Faso's favor. After a long period of political instability that limited donor funds, the country has regained the confidence of the international donor community. Yeelen Ba also benefited from new commitments to invest in rural electrification.

As part of a FRES contract under the EU Regional Program, the EU approved an investment in 500 SHS connections and five nano grids that will be realized in the course of 2021. In addition, Yeelen Ba successfully secured funding for two micro grids that will provide renewable energy for

productive users: small and medium enterprises and cooperative agro-processing centers in two villages.

The investments will not only allow Yeelen Ba, traditionally active in the Hauts-Bassins region, to expand to the neighboring regions of Boucle du Mouhoun and Cascades. They will also broaden Yeelen Ba's portfolio, enabling it to meet any energy demand – for productive or consumptive use – in off-grid areas.

2.5 FRES Uganda

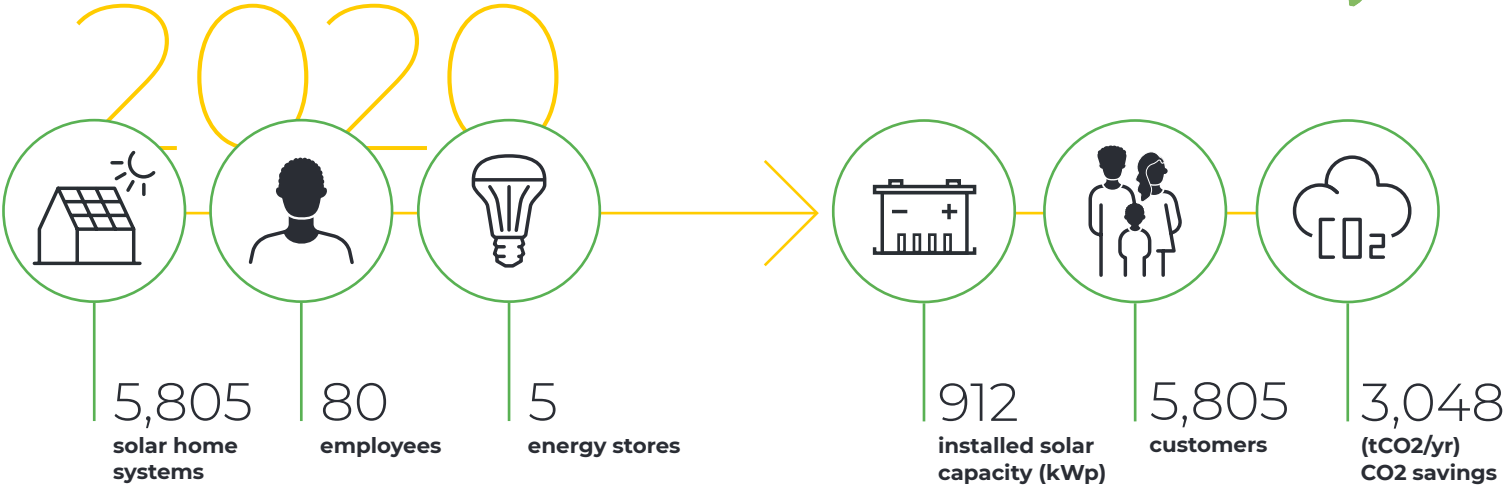
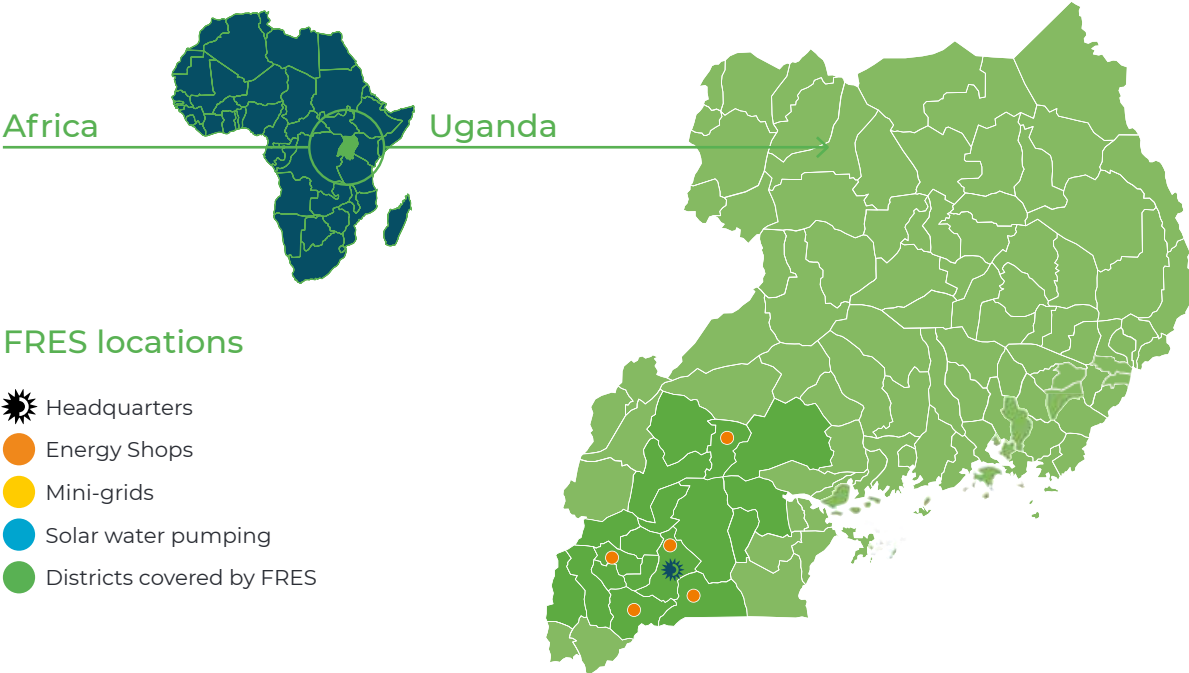


Team members at Isingiro Energy Store in Uganda loading a truck with materials for an installation. In 2020, FRES Uganda finalized the installation of 3,700 solar home systems as part of a contract under the EU Regional Program.

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 2020, FRES Uganda employed 80 people. At the end of the year, the company had 5,805 SHS customers and five energy stores.



Highlights 2020

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 southwestern Uganda, where we are active.

The year 2020 was challenging for many of our customers, who saw their revenues shrink due to the restrictions imposed to prevent the spread of COVID-19. Consequently, many were unable to pay their energy bills. Although FRES Uganda is a for-profit company, we also have a social mission. I am proud that we have been able to provide many of our customers with tailored solutions to help them through this period. As a result, our customer base remained relatively stable, decreasing by only 3% to 5,805 at year-end.

Although Uganda was under a countrywide lockdown for most of 2020, the year was anything but slow. Thanks to customer care and sales training for our field staff, cleaning up our customer base and closer monitoring of payments, we achieved a 100% payment



“Nearly 50% of our customer base are businesses that were affected by the COVID-19 related lockdown in 2020. Being a company with a social mission, I am proud that we have been able to provide many of them with tailored solutions to help them through this period”.

Joselyne Musiime

General Manager FRES Uganda

rate in the last five months of 2020. This trend has continued into 2021 and will significantly contribute to the long-term sustainability of our operations.

We also used the year to cultivate new partnerships for the post-COVID period. Together with Mercy Corps, we have developed a solar-powered shared space concept for refugee settlements where refugees can start up new businesses. And we are developing service packages with cooperative agricultural unions to

provide their members with reliable electricity services and reduce their environmental impact.

Although the national grid is expanding in the southwest of Uganda, the demand for off-grid solutions remains high in villages out of reach of the grid and among entrepreneurs who use our solar solutions as a backup when the grid fails. At the same time, we are discussing with the Ugandan authorities the possibility of expanding our services to the north of the country where grid access remains limited and energy demand is growing.



Local field staff and FRES Uganda management team members outside the service center in Bukuya, Uganda. The center opened in 2019, had built a customer base of 500 customers by 2020 and is on track to reach 700 customers by the end of 2021, when it will be promoted to a regional energy store.

SUCCESS STORY

Internal talent development to promote growth

With our focus on rural areas, attracting talent can be a challenge. Therefore, FRES Uganda actively promotes internal talent development. The company structure, which comprises a head office, regional energy stores and local service centers, allows talent to develop and rise through the ranks. As an illustration: three of the current

management team members started their careers as field agents.

To meet the growing demand for SHS in the Kibaale district, FRES Uganda opened a new service center in Bukuya in 2019 under the leadership of Kenneth, a promising former field

agent from the regional energy store in nearby Kyegegwa. As a service center, Bukuya reports to Kyegegwa. However, as soon as Bukuya has a customer base of 700 customers, it will be promoted to a regional energy store.

This triggered the ambition of Kenneth and his team. Within a year, they had built a customer base of 500 customers and are on track to reach 700 by the end of 2021.

2.6 FRES Guiné-Bissau

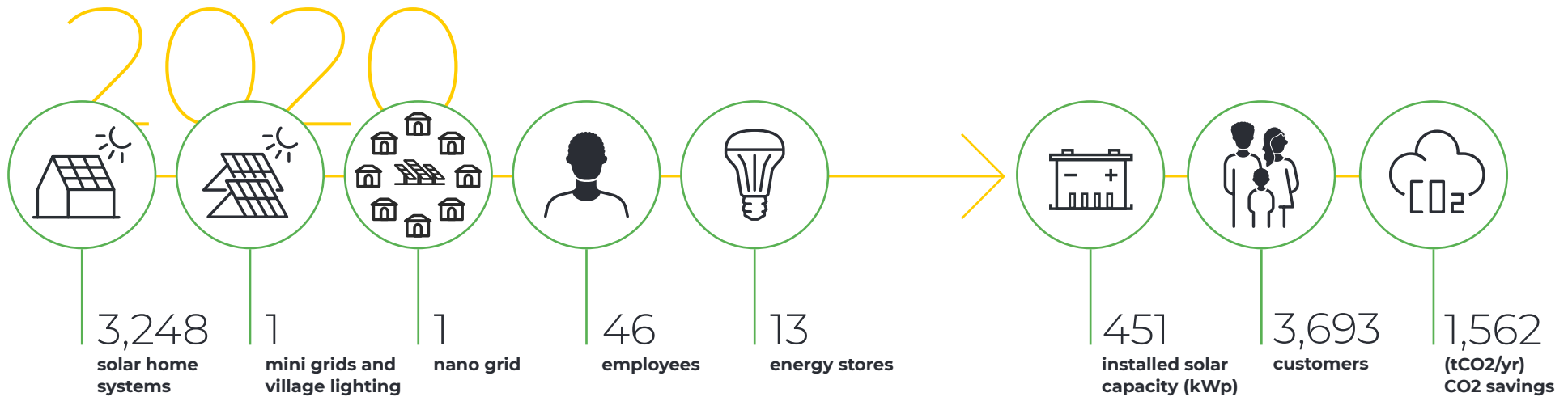
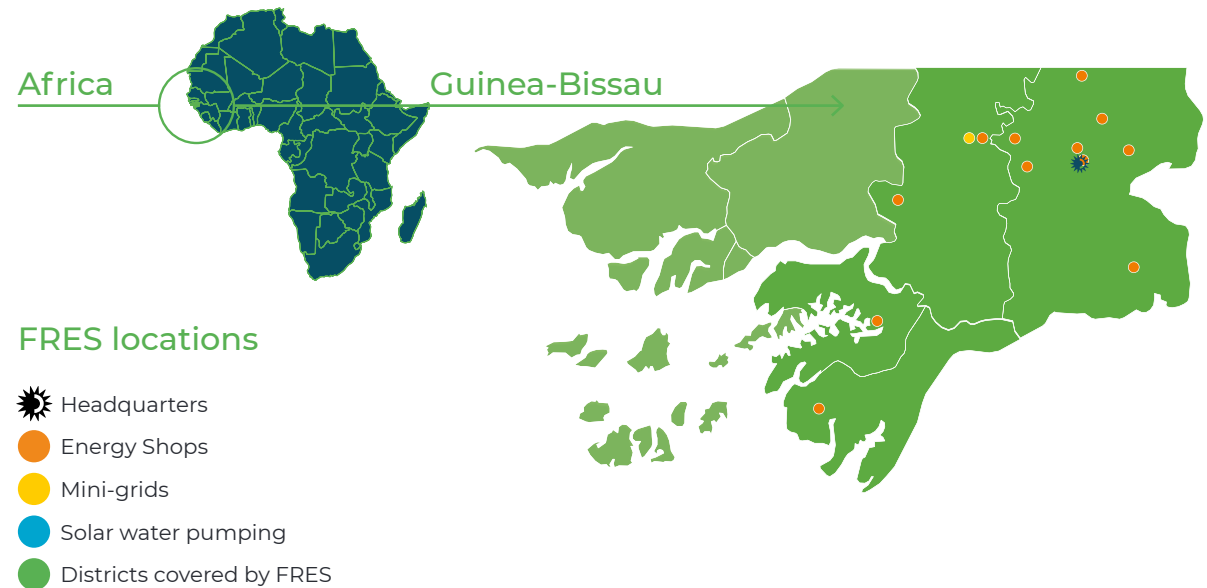


FRES Guiné-Bissau technicians Cassum Sané (left) and Namir Alberto Mango checking and charging batteries at the headquarters in Gabú, Guinea-Bissau. As part of its energy-as-a-service promise to customers, FRES provides continuous maintenance of batteries and replaces and recycles batteries when they reach the end of their lives.

Overview

FRES Guiné-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 2020, FRES Guinea-Bissau employed 46 people. At the end of the year, it had 3,693 SHS, nano and mini grid customers and 13 energy stores.



Highlights 2020

The year began promisingly with the appointment of a new management team, our expansion to the regions of Quinara and Tombali and the development of a service line offering tailor-made large solar systems to entrepreneurs requiring more capacity than our four preset service levels. We also introduced street lighting in five rural villages through stand-alone solar lanterns. By the end of 2020, we had realized over 500 new SHS connections in Quinara and Tombali and installed nearly 20 large systems for a new group of customers: video halls, restaurants, traders and offices.

However, at year-end that an external audit commissioned by FRES The Netherlands showed reclassifications of customers in FRES Guiné-Bissau's internal reporting to the head office. This resulted in the departure of FRES Guiné-Bissau's general manager and a downward correction of the customer base by 600 customers to reflect the actual numbers in our internal bookkeeping. With many years of experience at FRES in various senior roles, I was appointed as interim general manager while a permanent replacement for the position is sought.

Although this annual report covers 2020, we are happy to report that since March 2021, the payment rate has been steady at 100%, operational revenues are exceeding targets and customer growth is picking up again.

To prevent future reporting issues, we are reviewing all our internal reporting procedures and introducing the four-eyes principle, meaning that all reporting must be approved by at least two people. We are also implementing an online customer relationship management system that allows for daily monitoring of all customer processes. In parallel, we are implementing a new enterprise resource planning system that will include internal accounting and stocktaking.

Looking ahead, FRES Guiné-Bissau's prospects are good. We have built a strong position in rural centers like Gabú, Bafatá, Buba and Catió, where we are increasingly approached by entrepreneurs who have heard about our new product line of large systems supplying 500-1,000 Wp. At the same time, the demand for smaller systems from households living on around \$3 a day remains steady.



"In 2020, FRES Guiné-Bissau successfully launched our new product line of large solar systems supplying 500-1,000 Wpa for rural entrepreneurs that are climbing the energy ladder. We are sharing our lessons learned with FRES companies in other countries that aim to extend their service portfolio as well".

Everard Geurtsen

General Manager FRES Guiné-Bissau (interim)



FRES Guiné-Bissau technician Sabino Bidante in front of the panels of the solar mini grid in Contuboel. Established with support from the OPEC Fund for International Development and EuropeAid, the plant has consistently serviced 445 customers since 2017 and aims to reach 480 in 2021.

SUCCESS STORY

Contuboel sets an example for mini grid management

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 mini grid customer base of 445 households, businesses and community institutions. In 2021, an additional 30

customers will be connected to use the available capacity.

Even five years after it was commissioned, the Contuboel plant looks as good as new and has built a reputation for providing uninterrupted service. This has not gone unnoticed in Guinea-

Bissau, where various mini grids are struggling to maintain their solar plants and village network and secure business continuity.

Guinea-Bissau's Ministry of Energy and donors the EU and United Nations Industrial Development Organization (UNIDO) have approached FRES Guiné-Bissau to explore whether we can share our expertise to help achieve long-term sustainability for these struggling mini grids.

2.7 FRES The Netherlands



Mini grid manager Paulo Bidefa (left) accompanied by Cynthia Kpozuxe (center) and Ido Verhagen (right) from FRES The Netherlands during a consultation of women farmers in Contuboe, Guinea-Bissau. In all the villages where FRES operates mini grids, we maintain close relationships with local communities to explore how we can accommodate growing and changing energy demands.

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.

The year 2020 can justifiably be called a year of new beginnings for FRES The Netherlands. An almost completely new team took office, bringing a wealth of experience in sustainable energy, international development and business management that will strengthen the team's overall capability. At the same time, Michelle Makoni's appointment as group controller after years of managing the FRES company in South Africa helped to ensure continuity and bring on-the-ground operational knowledge to the Amsterdam team.

We initiated several new fundraising activities, resulting in the extension of an existing EU

contract. This will enable us to create 500 new SHS connections and 15 nano grids and expand one mini grid in 2021. PREO – a productive use program supported by the IKEA Foundation and UK Aid – and UNCDF awarded two contracts to develop multifunctional platforms. We also established a partnership with the Young Expert Programme, a coaching and learning initiative supported by the Dutch Ministry of Foreign Affairs that provides African talents interested in becoming rural electrification experts with a two-year traineeship at a FRES company.

Our focus in the coming years will be on helping the FRES companies to improve their operational performance, optimize the use of existing assets and diversify their portfolios to be able to address any off-grid energy demand. We will further intensify our fundraising activities in order to realize the growth plans of our companies as well as FRES The Netherlands' mission to set our companies on a road map to long-term (financial) sustainability. At the same time, we will pursue our goal of establishing rural electrification companies under local management in new countries, with special attention paid to those countries and regions that are at greatest risk of being left behind.



“An almost completely new team took office at FRES The Netherlands in 2020, bringing a wealth of experience in sustainable energy, international development and business management. We are gearing up to support further growth of FRES towards 2030.”

Ido Verhagen

Managing Director FRES The Netherlands



FRES' first Young Expert Programme trainee Lassina Davou (left) and Agriterra business advisor Minata Coulibaly attending a co-creation session with members of a women's cooperative in Koutoura, Burkina Faso. To ensure that the new multifunctional platform meets the cooperative's demands, the women are involved in every step of the design process.

SUCCESS STORY

New partnerships to accelerate rural electrification

Across sub-Saharan Africa, professional farmer-led cooperatives produce and process commodity crops that form the starting point of global supply chains. The increasing pressure on these supply chains to reduce their environmental impact is serving as a driver for cooperatives to switch to renewable energy. The diverse nature of this challenge provides an opportunity to accelerate rural electrification by engaging in partnerships.

In collaboration with Agriterra, a Dutch organization that supports cooperatives in developing farmer-led business models, and Bunge Lodders Croklaan, a leading global supplier of sustainable vegetable oils for the food manufacturing industry, FRES launched a project to develop a solar-powered shea production platform for a women's cooperative in Burkina Faso's Cascades region.

Funding was provided by PREO, a joint initiative of the IKEA Foundation and UK Aid that supports ventures powering productive use activities with renewable energy. Additional support came from the Dutch Ministry of Foreign Affairs in the form of a traineeship for a young energy professional who will act as lead engineer in the local project team. The partners and cooperatives will co-create the platform, which will become operational in mid-2022.

3. Governance report

Warehouse keeper Mamadou Keita at Yeelen Kura's headquarters in Koutiala, Mali with a stock of used batteries. As part of FRES' environmental responsibility and energy-as-a-service promise, we have partnered with accredited e-waste recyclers in Rwanda, Ghana and Senegal to ensure all batteries used in our solar systems are properly recycled at the end of their lives.

3.1 Our partners

FRES works with a variety of partners who provide financial support as well as goods and services. Our main partners in the past 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

In 2020, FRES concluded the activities under a contract subsidized by the EU Fragile States Program with the commissioning of two mini grids in the villages of Fakola and Beléko in Mali. The EU agreed to extend the contract under the EU Regional Program until July 2021. This will enable us to finalize the construction of two mini grids in Mali that experienced a small delay due to COVID related restrictions, establish 500 SHS connections and 15 nano grids in Mali, Burkina Faso and Guinea-Bissau and to extend an existing mini grid in Mali.

PREO – a productive use program supported by the IKEA Foundation and UK Aid – and UNCDF awarded two contracts to develop solar-

powered agro-processing platforms for women's cooperatives in Burkina Faso. The platforms will be co-created with the cooperatives, with support from Agriterra, and are expected to be operational by mid-2022, subject to approval of the plans that result from the co-creation process. A Dutch family foundation, a FRES partner since 2018, supported two solar water pumping installations in Mali, which became operational at the end of 2020.

Also in 2020, FRES partnered with the Young Expert Programme (YEP Energy), a coaching and learning initiative supported by the Dutch Ministry of Foreign Affairs that encourages young professionals to pursue a career in the energy sector. Our first YEP trainee joined the Burkina Faso team in 2021. We are in the process of creating two additional YEP positions in Uganda and Mali.

Goods, services and other support

We also initiated a partnership with Agriterra to collaborate on solarizing and decarbonizing the agro-processing activities of farmers' cooperatives. The first project will see the

creation of a multifunctional platform for a shea-producing cooperative in Burkina Faso, for which Dutch company Bunge Lodders Crokiaan also provides support.

As part of our environmental responsibility, FRES renewed its battery recycling strategy in 2020. A search for accredited e-waste recycling partners in Africa resulted in contracts with Enviroserve in Rwanda and Gravita in Ghana and Senegal.

To improve customer service, financial accounting and internal monitoring and control, we began implementing a new customer relationship management system with our partner Solaris Offgrid. In parallel, we started looking into a suitable FRES-wide enterprise resource planning system. Our research identified a preference for a Microsoft solution. Microsoft recognized FRES' NGO status in early 2021, which will significantly reduce implementation costs.

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

3.2 Leadership and governance

FRES is a Dutch not-for-profit organization that establishes 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, five non-executive members and the managing director. The board 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. The executive board meets monthly to review operational reports. The full board

convenes four times a year to review financial and operational overviews. The principles, planning and control cycle of FRES' governance are laid down in our Governance Guide available on our website. Board members work on a voluntary basis.

Executive members

- Wim Plaizier, Chairperson
- Roland van der Pouw, Treasurer
- Serge Leijten, Operations Focal Point

Non-executive members

- Sophie Dingenen, Board Member
- Paul Hol, Board Member
- Wim Sinke, Board Member
- Lidwien Schils, Board Member
- Femke Smeets, Board Member

Managing Director

- Ido Verhagen

Peter Smink stepped down as a board member in 2020 and was succeeded by Femke Smeets. Paul Gaalman stepped down as treasurer at the beginning of 2021 and was succeeded by Roland van der Pouw.

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
- Everard Geurtsen,
General Manager FRES Guinée-Bissau (interim),
Guinea-Bissau
- Bourama Keita,
General Manager Yeelen Ba, Burkina Faso
- Joselyne Musiime,
General Manager FRES Uganda, Uganda

3 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,
Contracts and Procurement Manager

At the 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. Regional Operations Manager Symon Miedema and Contracts and Procurement Manager Marion Sinha left FRES in the summer of 2020. Michelle Makoni transferred from South Africa, where she was general manager of NuRa, to The Netherlands in 2020 to become group controller. Joelle Nzambimana, Cynthia Kpozuxe and Ralya Wais joined FRES at the beginning of 2021.

3.3 Risk management

The aim of FRES' risk management activities is to ensure the long-term resilience of the organization. We regularly assess our strengths, weaknesses, opportunities and threats (see the SWOT analysis on page XX) to ensure we adequately manage internal and external risks. Although robust opportunities exist for us to contribute to and benefit from rural electrification, there are also risks and threats involved. We are very aware of these and undertake to maximize opportunities while mitigating risks.

Maximizing opportunities, countering threats and overcoming weaknesses

Identifying and controlling risks is one of the responsibilities of the FRES Board. To maximize opportunities and counter threats, we have formulated several 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 because 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 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 2020, 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 Mali and Burkina Faso continues to influence the economies of these countries. This affects the acquisition of new customers and the ability of existing customers to pay the fees. It also impacts our employees. The

3 Governance report

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, including of terrorism, 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 to replace 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 FRES The Netherlands' 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 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 several 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.

3 Governance report



3.4 Outlook 2021 and beyond

With the global outbreak of COVID-19, 2020 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 lockdowns in the spring. This directly impacted payment rates as customers lost their incomes and debt collectors were not able to make their visits. The rise of the delta variant triggered a second lockdown in Uganda in mid-2021, indicating that the effects of the pandemic are far from over.

On a positive note, the pandemic and resulting lockdowns 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. As a result, payment rates have increased over the course of 2021. Although we have not achieved the customer growth we envisioned, the loss of customers due to COVID-19 restrictions has been limited.

Despite the ongoing uncertainties brought about by the pandemic, FRES is preparing for growth by focusing on five areas:

1. Digitalizing our customer processes and financial accounting to improve oversight and real-time monitoring and reduce manual transfer of data and handling of cash.
2. Improving operational excellence by sharing successful lessons learned between companies – such as FRES Uganda’s structured field presence and stricter customer selection procedures implemented in Mali.
3. Diversifying our portfolio to ensure we can meet all energy demands in off-grid areas. We started supplying large systems in Guinea-Bissau, solar water pumping installations in Mali and multifunctional platforms in Burkina Faso.
4. Fostering relationships with local governments, authorities and partners to ensure that our growth plans align with and are complementary to national priorities, allowing us to benefit from funds that are increasingly allocated via local channels.
5. Intensifying fundraising efforts for new investments in our operating countries but also for FRES The Netherlands’ role in helping our local companies to become self-reliant.

The 2021 investment portfolio consists of 500 SHS connections in Burkina Faso, five nano grids each in Mali, Burkina Faso and Guinea-Bissau and an extension to one of the mini grids in Mali. Further customer growth will come from remaining stock, most notably in Uganda and Mali, and the realization of the planned connections of four mini grids that were commissioned in Mali at the end of 2020. The development of two multifunctional platforms in Burkina Faso will begin in 2021 but is scheduled for completion in 2022.

4 Financial Report 2020

Consolidated Annual Accounts

Yeelen Kura technician Kassoum Coulibaly registering a new customer for the FRES solar power plant in Beléko, Mali. The mini grid, which connects 400 people and provides village lighting to the whole community, will be extended to connect another 100 customers, thanks to funding received from the European Union in 2020.

We are committed to managing our finances efficiently and transparently. This section provides details of our financial position for the year ended December 31, 2020. It is a 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 2020, investments that started in 2019 were finalized and included four mini grids in Mali, two solar water pumping installations in Mali and 2,049 new SHS connections in Mali, Guinea-Bissau and Uganda.

The funds and reserves include a minimum

reserve of FRES' own funds that can be used to pre-finance new investments. Reserves for replacing assets are intended to ensure the sustainability of installed systems and are maintained separately.

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

4 Annual accounts 2020

CONSOLIDATED BALANCE AS ON DECEMBER 31, 2020 (after appropriation of results)

(amounts in euros)

	December 31, 2020	December 31, 2019
Assets		
1. Fixed Assets		
1.1 Property, plant and equipment	7,367,406	7,313,205
	7,367,406	7,313,205
2. Current Assets		
2.1 Receivables	757,644	995,184
2.2 Inventory	22,744	23,493
2.3 Securities	2,963,429	5,058,333
2.4 Cash and cash equivalents	1,845,335	1,961,468
	5,589,152	8,038,477
Total	12,956,558	15,351,682
Equity and liabilities		
3. Reserves		
3.1 Continuity reserve FRES The 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	6,215,241	8,648,998
3.4 Reserve for financing assets FRES The Netherlands	11,004	15,388
3.5 Reserve currency difference	121,387	27,023-
	9,597,632	11,887,363
4. Current liabilities		
4.1 Payables and other accruals	3,358,926	3,464,319
Total	12,956,558	15,351,682

4 Annual accounts 2020

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

(amounts in euros)

	Actual 2020	Actual 2019	Budget 2020
5. Income			
Income from fundraising	81,792	190,977	-
Income from our own fundraising - private persons	672	24,597	-
Income from our own fundraising - companies	81,120	36,667	-
Income from subsidies from governments	-	129,713	-
Income from other subsidies	-	-	-
Income from benefits in return for service	3,526,565	3,560,251	2,436,000
Other income (FRES companies)	3,526,565	3,560,251	2,436,000
Sum of the income	3,608,357	3,751,228	2,436,000

4 Annual accounts 2020

	Actual 2020	Actual 2019	Budget 2020
6. Expenses			
Spent on objectives			
Expenses company activities	5,314,229	5,529,569	4,610,000
Expenses for regular company activities	2,556,026	2,539,006	1,502,000
Expenses for company expansion	2,747,122	2,990,563	3,108,000
Expenses for new initiatives remaining countries	11,081	-	-
FRES service costs spent on objectives	241,151	405,922	602,000
Direct support existing companies	90,193	312,981	346,000
Direct support expansion companies	92,748	68,719	252,000
Direct support new initiatives	58,210	24,222	4,000
Total spent on objectives	5,555,380	5,935,491	5,212,000
FRES service costs management & administration	382,496	112,248	160,000
Direct costs	27,571	10,477	44,000
Indirect costs and costs from investments	354,925	101,771	116,000
Sum of the expenses	5,937,876	6,047,739	5,372,000
Financial income and expenses	108,622-	740,955	-
Release negative goodwill	-	99,374	-
Result	2,438,141-	1,456,182-	2,936,000-
The result of 2020 is appropriated as follows:			
Reserve for future projects	2,433,757-	1,452,945-	2,936,000-
Reserve for replacement of assets	4,384-	3,236-	
	2,438,141-	1,456,181-	2,936,000-

4 Annual accounts 2020

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2020

(amounts in euros)

	2020	2019
Income from private persons, companies, institutions and governments	5,940,804	3,911,416
Payments to suppliers, employees and projects	4,978,778-	3,506,354-
Cash generated from operating activities	962,026	405,062
Received interest, realised result investments and balance deposits and withdrawals investments	108,622-	740,955
Cash flow from operational activities	853,404	1,146,017
Investments in property, plant and equipment	1,212,083-	2,525,006-
Cash flow from investment activities	1,212,083-	2,525,006-
Cash flow from financing activities	-	-
Cash flow	358,679-	1,378,989-
Exchange rate and conversion differences	242,549	9,485-
Net cash flow	116,130-	1,388,474-
Cash as on January 1	1,961,465	3,349,939
Net cash flow	116,130-	1,388,474-
Cash as on December 31	1,845,335	1,961,465

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 realizing 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 (ANBI)

In 2007, FRES was designated as an ANBI (public benefit organization) by the Dutch tax authority. FRES complies with the ANBI requirements and publishes various data on the internet.

Group structure

As at December 31, 2020, the group includes four operating companies: Yeelen Kura S.A., FRES Uganda Limited, FRES Guiné-Bissau S.A. and

Yeelen Ba S.A. FRES is the 100% owner of these companies.

Judgements, estimates and uncertainties

In applying the principles and policies for preparing the financial statements, the FRES Board makes different estimates and judgments that may be essential to the amounts disclosed in the financial statements. In order to provide a 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 realized through transactions with third parties outside the group. Unrealized 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 with 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 Guiné-Bissau S.A	GNB	100%
SSD Yeelen Ba	Burkina Faso	100%

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The participation in Yeelen Kura S.A. was obtained at the end of 2008, and the company has been a 100% subsidiary of FRES since. FRES Uganda Limited was founded in 2010 as a 100% subsidiary of FRES. FRES Guinée-Bissau S.A. was founded in 2011 as a 100% subsidiary of FRES. Yeelen Ba S.A. has been a 100% subsidiary of FRES since January 4, 2017. An asset valuation was performed in respect of 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 took place in Benin during 2020. In May 2020, the FRES Board decided to update

all entity mandates and bring all statutory obligations into 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 initiated to secure authorization to operate and exemption from taxes. As a consequence, no operational activities took place in Cameroon. As per April 11, 2017, FRES decided to halt the process of setting up its operations in Cameroon and to officially withdraw from any application procedure pending with the Ministry of Energy and 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. All proceedings with the courts have so far been granted for full liquidation, with no pending obligations to date. Final filing of the liquidation is still in progress.

As FRES is not a shareholder of the South African company NuRa, nor has control over this company, NuRa's activities are not consolidated. Therefore, the balance sheet

and income statement of this company are not included in the annual accounts. Expenses incurred by FRES The Netherlands in support of the non-consolidated 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 regarding such transactions is disclosed, if this is necessary to provide the required insight.

Acquisition of group companies

Identifiable assets acquired and liabilities assumed in a business combination are recognized 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

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acquiring the company plus any directly attributable expenses. If the acquisition price exceeds the net amount of the fair value of the identifiable assets and liabilities, the excess is capitalized 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 2020, no acquisitions took place.

Accounting policies for the cash flow statement
The cash flow statement was prepared using the direct method. The cash items disclosed in the cash flow statement consist of cash. Cash flows denominated in foreign currencies were 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 were prepared in accordance with the revised Dutch Accounting Standard 650 for the annual reporting of Fundraising Institutions, applicable for the financial year starting on January 1, 2020.

The objective of this standard is to provide insight into the expenses of the organization and the utilization of funds in relation to the objectives for which the funds were collected. FRES did not apply for early adoption of the revised standard. The annual accounts are 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 is 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 were consistently applied to all the years presented. During the year 2020, and up to the publication 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 FRES' functional and presentation currency.

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 recognized 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 the average exchange rates during the financial year. Any resulting exchange differences are

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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 (amortized) 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 recognizing assets and liabilities

An asset or liability included in the balance sheet remains recognized 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 derecognized 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 amortized cost, which equals the nominal value, minus impairment losses.

Impairment of fixed assets

At each balance sheet date, the foundation checks 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 realizable value; the realizable value is the higher of the realizable value and the value in use. An impairment loss is directly recognized in the statement of income and expenditure, while the carrying amount of the asset concerned is concurrently reduced.

Receivables

Receivables are initially included at fair value

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and subsequently measured at amortized 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 realizable 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 realizable value is the estimated sales price less directly attributable sales costs. In determining the realizable 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 recognized directly in the statement of income and expenditure. Bought, interest-bearing bonds that will be held to maturity are valued at amortized 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 The Netherlands. For 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 amortizable assets. Insofar as the negative goodwill exceeds the fair value of the non-monetary assets identified, the surplus is recognized directly in the statement of income and expenditure.

Other assets and/or liabilities

The remaining assets and liabilities are valued at amortized 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 recognized 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 subsidized costs were incurred or income was lost or when there was a subsidized operation deficit. Income is recognized when it is probable that it will be received.

Subsidies related to investments in tangible fixed assets are deducted from the asset to which they relate and recorded in the statement of income and expenditure as part of the amortization costs.

Exchange differences

Exchange differences arising upon the settlement

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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 recognized as soon as FRES acquires the right to them. Changes in the value of financial assets and liabilities that are held for trading are recognized 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 ANBI status since 2007.

Financial instruments and risk management

Currency risk

FRES mainly operates in Africa and the European Union. The currency risk for FRES largely concerns the positions and transactions of our subsidiary FRES Uganda in Ugandan shillings (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 in 2020 that FRES The Netherlands did not have to provide funding for the current operations in the FRES companies.

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NOTES TO THE CONSOLIDATED BALANCE SHEET ITEMS

1. FIXED ASSETS

1.1 PROPERTY, PLANT AND EQUIPMENT

	Installations and materials FRES Companies	Land and buildings FRES Companies	Furniture Office	Computers, software and office equipment	Total
Historical cost	15,441,461	722,000	10,840	33,054	16,207,355
Accumulated depreciation and impairments	8,674,988	190,657	2,530	25,975	8,894,150
Balance at January 1	6,766,473	531,343	8,310	7,079	7,313,205
Movements					
Investments/disposal	1,083,035	129,047	-	-	1,212,082
Exchange differences	94,139-	-	-	-	94,139-
Depreciation	1,029,677	29,681	2,168	2,216	1,063,742
Total movements	40,781-	99,366	2,168-	2,216-	54,201
Historical cost	16,430,357	851,047	10,840	33,054	17,325,298
Accumulated depreciation and impairments	9,704,655	220,338	4,698	28,191	9,957,892
Balance at December 31	6,725,692	630,709	6,142	4,863	7,367,406

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

Investments during 2020 consisted of the acquisition of four mini grids for Yeelen Kura and finalization of an investment program of a total of 2,049 solar home systems for FRES Guiné-Bissau, FRES Uganda, Yeelen Kura

and Yeelen Ba. The installations and materials of FRES Guiné-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

	31-12-2020 Total	31-12-2019 Total
Receivables	573,489	679,820
Prepayments	29,970	23,666
Other receivables and accrued income	154,185	291,698
Total	757,644	995,184

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 SECURITIES

	31-12-2020 Total	31-12-2019 Total
Shares	1,562,871	2,874,496
Bonds	1,394,669	2,168,645
Increased coupon interest bonds	5,889	15,192
Total	2,963,429	5,058,333

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

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

securities amounted to 1.42% in 2020 (14.53% in 2019). The FRES Board evaluated the investment policy in 2020 and decided not to make any changes to the existing investment policy.

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2.3 CASH AND CASH EQUIVALENTS

	31-12-2020	31-12-2019
ING Bank	315,055	79,350
ING Bank, investment account	97,652	266,826
ING Bank, saving account	1,101,781	1,190,734
Cash	710	1,233
Bank credits FRES companies	330,137	423,325
Total	1,845,335	1,961,470

Cash and other cash equivalents are generally freely available, unless stated otherwise, and are used for FRES' operational activities and objectives. The amount in the ING Bank savings account includes a guarantee of €1,036,927 for an EU-related project and is therefore not freely

available. The decrease in 2020 in comparison to 2019 is, among others, due to investments in property, plant and equipment at our subsidiaries in Mali, Burkina Faso, Guinea-Bissau and Uganda.

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3. RESERVES

3.1 CONTINUITY RESERVE FRES NETHERLANDS

	2020	2019
Balance at January 1	250,000	250,000
Appropriation of results	-	-
Balance at December 31	250,000	250,000

This continuity reserve is intended to cover the cost of laying off staff, office costs and 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 FRES The Netherlands' expenses for a period of six months.

3.2 RESERVE FOR PRE-FINANCING FUTURE INVESTMENTS FRES COMPANIES

	2020	2019
Balance at January 1	3,000,000	3,000,000
Appropriation of results	-	-
Balance at 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 while awaiting first payments by donors. It will only be used for projects where there are signed agreements with donors.

3.3 RESERVE FOR FINANCING ASSETS – FRES COMPANIES

	2020	2019
Balance at January 1	8,648,998	10,101,943
Appropriation of results	2,355,115	1,452,945
Balance at December 31	6,293,883	8,648,998

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

	2020	2019
Balance at January 1	15,389	18,625
Appropriation of results	4,384-	3,236-
Balance at December 31	11,005	15,389

This reserve is based on Dutch Accounting Standard 650 for the annual reporting of Fundraising Institutions and equals the total book value of the property, plant and equipment of FRES The Netherlands. Because this standard is not applicable to Yeelen Kura, FRES Uganda, Yeelen Ba and FRES Guiné-Bissau, the amount of tangible fixed assets of these companies is not included in the reserve.

3.5 CURRENCY DIFFERENCE

	2020	2019
Balance at January 1	27,023-	67,416-
Currency changes UGX	148,410	40,393
Balance at December 31	121,387	27,023-

This currency difference relates to the exchange differences between Ugandan shillings (UGX) and euros.

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4. PAYABLES AND OTHER ACCRUALS

4.1. SHORT-TERM DEBTS AND ACCRUED INCOME

	31-12-2020	31-12-2019
Creditors	237,870	393,739
Other payables	3,121,057	3,070,580
Total	3,358,927	3,464,319

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 because of 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 office at Plantage Middenlaan 2G in Amsterdam, in the 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

Mid 2020, FRES decided to invest in a battery replacement plan. Due to COVID-related delays, battery batches arrived in Mali, Burkina Faso and Guinea-Bissau in the beginning of 2021. Furthermore, four new minigrids were put in services in Mali end of 2020 after which connecting of new customers could start. The final commissioning of these minigrids took place in 2021. Excluding NuRa, whose figures are not consolidated, the customer base decreased slightly from 20,873 in 2019 to 19,911 in 2020.

Percentages spent on objectives

In accordance with Dutch Accounting Standard 650 for the annual reporting of Fundraising Institutions, the clarification below 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 93% in 2020 (2019: 98%). The percentage of expenditures spent on management and administration therefore amounts to 7%. The percentage relating to overhead costs is low because 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 2020. These incomes do not include transfers from reserves that were spent on activities in 2020. The percentage of income spent on objectives amounted to 152% for 2020 (2019: 158%). The percentage has decreased because less income was received from the EU in 2020 and a lower amount was used from the reserves.

5. INCOME AND EXPENSES

INCOME FROM OWN FUNDRAISING – PRIVATE PERSONS

	2020	2019
Private donations	672	24,597
Total	672	24,597

INCOME FROM OWN FUNDRAISING - COMPANIES

The donations from companies can be specified as follows:

	2020	2019
Donation companies	81,120	36,667
Total	81,120	36,667

SUBSIDIES FROM GOVERNMENTS

	2020	2019
Project financing EU Regional	-	129,713
Total	-	129,713

OTHER INCOME

	2020	2019
Income FRES companies	3,526,565	3,560,251
Total	3,526,565	3,560,251

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FINANCIAL INCOME AND EXPENSES

	2020	2019
Interest bank	20,725-	39,900-
Exchange rate difference Uganda	165,565-	-
Result interest bonds	17,966	4,091-
Dividends	31,479	87,860
Realised gains/losses shares & bonds	141,516-	211,539
Unrealised gains/losses shares	108,642	537,639
Unrealised gains/losses bonds	61,097	52,092-
Total	108,622-	740,955

The net return on investments in securities and cash equivalents is accounted for under the financial income and expenses. The above-mentioned return of € - 108.622,- also included an amount of €108.642,- unrealized results on the investments. Cash equivalents were kept in a current account and deposit account at credit institutions with at least an 'A' credit rating.

Loans

FRES The Netherlands issued several loans to FRES companies. These loans were recognized as expenses spent on objectives. The principal amount of the loans issued by FRES The Netherlands is indicated below:

Employees

The number of FTEs at FRES The Netherlands as at December 31, 2020 amounted to 4 FTE (2019: 3.4 FTE). The total number of FTEs for FRES a whole, including the staff of the four companies, amounted to 227 as at December 31, 2020.

Remuneration board members

The remuneration of FRES board members amounted to €0 in 2020 (2019: €0). No loans, advances or guarantees were issued to board members. No employment contract exists between FRES and the board members.

Subsequent events

The COVID-19 outbreak is considered to be a non-adjusting event which is further discussed in the outlook section below.

LOANS TO FRES COMPANIES

	31-12-2019	31-12-2018
Total	7,720,435	9,673,701

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 Organization. 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 FREScos, 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 FREScos 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 FREScos 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 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 realize 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, 2020 (after appropriation of results)

(amounts in euros)

	December 31, 2020	December 31, 2019
Assets		
1. Non-current Assets		
1.1 Property, plant and equipment	11,005	15,389
1.2 Financial assets	6,747,180	6,497,105
	6,758,185	6,512,494
2. Current Assets		
2.1 Receivables	108,384	261,771
2.2 Securities	2,963,429	5,058,333
2.3 Cash and cash equivalents	1,515,198	1,538,140
	4,587,011	6,858,243
Total	11,345,196	13,370,737
3. Reserves		
3.1 Continuity reserve FRES The 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	6,215,240	8,648,997
3.4 Reserve for financing assets FRES The Netherlands	11,005	15,389
3.5 Reserve currency difference	121,387	-27,023
	9,597,632	11,887,363
4. Current liabilities		
4.1 Payables and other accruals	1,668,922	1,483,374
Total	11,266,554	13,370,737

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FOUNDATION'S STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED DECEMBER 2020

(amounts in euros)

	Actual 2020	Actual 2019	Budget 2020
6. Income			
Income from private persons	672	702	-
Income from companies	347,962	36,667	-
Income from subsidies	-	129,713	-
Sum of the income	348,634	167,082	-
7. Expenses			
Spent on objectives (consolidated budget)	2,240,167	2,350,983	4,610,000 ¹
FRES service costs spent on objectives			
Direct support existing companies	90,193	312,981	346,000
Direct support company expansions	92,748	68,719	252,000
Direct support new initiatives	58,210	24,222	4,000
Fres service costs management & administration			
Direct costs	27,571	10,477	44,000
Indirect costs and costs from investments	354,925	101,771	116,000
Sum of the expenses	2,863,814	2,869,153	5,372,000
Subtotal	2,515,180-	2,702,071-	5,372,000-
Financial income	54,016	749,979	13,000
Result subsidiaries	23,023	495,911	
Result	2,438,141-	1,456,181-	5,372,000-

¹ The overall budget of €4,610,000 includes an amount of €1,502,000 from operational activities from the FRES companies.

NOTES TO THE BALANCE SHEET AND STATEMENT OF INCOME AND EXPENDITURE

General principles for preparing the annual accounts

General principles

The foundation's standalone annual accounts were prepared in accordance with the revised Dutch Accounting Standard 650 for the annual reporting of Fundraising Institutions, applicable for the financial year starting on January 1, 2020. The objective of this standard is to provide insight into the expenses of the organization and the utilization 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 standalone 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 refer to the notes to the consolidated balance sheet and statement of income and expenditure on page ##.

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, insofar as this can be attributed to FRES.

Notes to the balance sheet items

Financial assets

The movement of the investments in subsidiaries during 2020 is as follows:

	2020	2019
Balance at January 1	6,497,105	6,060,177
Currency difference	148,410	40,392
Result subsidiaries	23,023	396,536
Balance at December 31	6,668,538	6,497,105

For the other notes, we refer to the notes to the consolidated balance sheet items 2020

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Notes to the statement of income and expenditure

For the other notes to the statement of income and expenditure, we refer to the notes to the consolidated statement of income and expenditure 2020.

Destination	Objective												Mgmt. & admin	Total 2020	Budgeted 2020	Total 2019
	Existing companies					Expansion companies										
	Yeelen Kura, Mali	NuRa, South Africa	Yeelen Ba, Burkina Faso	FRES Guinée-Bissau, Guinée Bissau	FRES Uganda, Uganda	Yeelen Kura, Mali	NuRa, South Africa	Yeelen Ba, Burkina Faso	FRES Guinée-Bissau, Guinée Bissau	FRES Uganda, Uganda	Cameroon	New initiatives				
Expenditures																
Subsidies and contributions	30,220	2,870	47,520	68,904	129,455	1,375,438	-	118,841	210,462	245,378	-	11,081		2,240,167	4,610,000	2,350,983
Remittances														-	-	-
Purchases and acquisitions														-	-	-
Outsourced work														-	-	-
Publicity and communication	1,876	1,076	1,807	3,198	822	4,538	-	2,921	1,076	491	-	5,665	37,227	60,697	66,182	8,390
Personnel expenses	11,099	6,369	10,690	18,922	4,861	26,854	-	17,282	6,369	2,905	-	33,523	220,272	359,146	391,600	399,389
Accommodation expenses	1,389	797	1,338	2,368	608	3,361	-	2,163	797	364	-	4,196	27,571	44,953	49,015	48,365
Office and general expenses	4,840	2,777	4,661	8,251	2,120	11,710	-	7,536	2,777	1,267	-	14,618	96,049	156,607	170,759	62,685
Depreciation and interest	69	40	67	118	30	167	-	108	40	18	-	209	1,375	2,241	2,444	659-
													-	-	-	
Total	49,494	13,929	66,082	101,761	137,896		-	148,850	221,521	250,423	-	69,292	382,494	2,863,814	5,290,000	2,869,153
	1,7%	0,5%	2,3%	3,6%	4,8%	49,7%	0,0%	5,2%	7,7%	8,7%	0,0%	2,4%	13,4%	100%		

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Notes to the balance sheet items

The subsidies and contributions actuals of €2,240,167 represent the costs made by FRES The Netherlands whereas the budget of €4,610,000 represents the consolidated costs, including an amount of €1,502,000 from the operating activities from the FRES companies.

The decrease in personnel expenses from €399,389 (2019) to €359,146 (2020) can be explained by the departure of three members of the FRES The Netherlands staff in 2020, including the managing director. The new managing director started in June 2020. Two other positions were filled in 2021.

The decrease in accommodation expenses from €48,365 (2019) to €44,953 (2020) can be explained by lower costs as due to COVID restrictions the annual company week was organized online and due to lower reimbursements to the operating countries.

The increase in office and general expenses from €62,685 (2019) to €156,607 (2020) can be explained by higher costs incurred for the existing operations.

Proposed appropriation of the 2020 results

For the proposed appropriation of the 2020 results amounting to -€2,359,499, we refer to the overview below.

Amsterdam, 25 October 2021

Board FRES

Wim Plaizier	Lidwien Schils
Serge Leijten	Wim Sinke
Paul Gaalman	Femke Smeenk
Sophie Dingenen	Ido Verhagen
Paul Hol	

	Balance as on 1-1-2020	Appropriation of results 2020	Balance as on 31-12-2020
Continuity reserve FRES The 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	8,648,997	2,433,757-	6,515,240
Reserve for financing assets FRES The Netherlands	15,389	4,384-	11,005
Total	11,914,386	2,438,141-	9,476,245

4.2 OTHER INFORMATION

No auditor's report included

The foundation has a social mission and is a charitable organization (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 2020 annual accounts

The 2020 annual accounts were adopted at a board meeting held 25 October 2021.

Changes to the board

Femke Smeets and Roland van der Pouw were appointed as members of the board in 2020. Ido Verhagen was appointed as Managing Director in 2020.

4 Annual accounts 2020

4.3 ANNEX TO THE ANNUAL ACCOUNTS 2020

Expenses split per subsidiary

	Actual 2020	Actual 2019	Budget 2020
Expenses for regular company activities	2,556,026	2,539,006	1,502,000
Yeelen Kura, Mali	831,861	701,577	439,000
NuRa, South Africa	345,092-	16,430	-
Yeelen Ba, Burkina Faso	385,086	370,160	200,000
FRES Uganda, Uganda	1,093,299	928,452	528,000
FRES Guinée-Bissau, Guinea-Bissau	590,872	522,387	335,000
Expenses for company expansion	2,747,122	2,990,563	3,108,000
Yeelen Kura, Mali	2,172,442	2,683,111	2,211,000
Yeelen Ba, Burkina Faso	118,841	120,185	229,000
FRES Uganda, Uganda	245,377	109,129	437,000
FRES Guinée-Bissau, Guinea-Bissau	210,462	78,138	231,000
Expenses for new initiatives	11,081	-	-
New initiatives remaining countries	11,081	-	-
Subtotal	5,314,229	5,529,569	4,610,000

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Tangible fixed assets split per subsidiary

	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	-	2,858,225	722,000	11,225,735	1,357,501	10,840	33,054	16,207,355
	-	1,819,729	190,657	5,817,378	1,037,881	2,530	25,975	8,894,150
Balance as on January 1	-	1,038,496	531,343	5,408,357	319,620	8,310	7,079	7,313,205
Movements								
Investments/disposal	-	244,688	129,047	665,661	172,686	0	-	1,212,082
Exchange differences	-	94,139-	-	-	-	0	-	94,139-
Depreciation	-	196,197	29,681	750,249	83,231	2,168	2,216	1,063,742
Total movements	-	45,648-	99,366	84,588-	89,455	2,168-	2,216-	54,201
Historical cost	-	3,008,774	851,047	11,891,396	1,530,187	10,840	33,054	17,325,298
Accumulated depreciation and impairments	-	2,015,926	220,338	6,567,627	1,121,112	4,698	28,191	9,957,892
Balance as on December 31	-	992,848	630,709	5,323,769	409,075	6,142	4,863	7,367,406

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Tangible fixed assets split per subsidiary

	31-12-2020 Total	31-12-2019 Total
Receivables FRES	0	0
Receivables FRES companies	573,489	679,820
Prepayments FRES	8,486	8,197
Prepayments FRES companies	21,484	15,469
Other receivables and accrued income	99,898	253,574
Other receivables and accrued income FRES companies	54,287	38,124
Total	757,644	995,184

Short-term debts and accrued income split

	31-12-2020	31-12-2019
Creditors	119,333	106,193
Creditors Fresco's	118,537	287,546
Other payables	59,784	76,746
Other payables Fresco's	3,061,273	2,993,834
Total	3,358,927	3,464,319

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Result subsidiaries split

	Actual 2020	Actual 2019
Result subsidiary Yeelen Kura	117,979	640,334
Result subsidiary FRES Uganda	143,861-	181,146-
Result subsidiary FRES Guinée-Bissau	105,046-	67,072-
Result subsidiary Yeelen Ba	143,009	4,420
Release Yeelen Ba	10,942	99,375
Total	23,023	495,911

4.4 Independent accountant's review report

To: Stichting Rural Energy Services

We have reviewed the accompanying annual accounts 2020 of Stichting Rural Energy Services based in Amsterdam.

These annual accounts comprise:

1. the balance sheet as at 31 December 2020;
2. the profit and loss account for the year then ended; and
3. the notes comprising of a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these annual accounts and for the preparation of the management report, both in accordance with Standard for annual reporting 650 'Charity organisations' of the Dutch Accounting Standards Board. Furthermore management 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.

Auditor's responsibility

Our responsibility is to express a conclusion on the annual accounts. We conducted our review in accordance with Dutch law, including the Dutch Standard 2400, 'Opdrachten tot het beoordelen van financiële overzichten' (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 free from material misstatement.

A review in accordance with the Dutch Standard 2400 is a limited assurance engagement. The performed procedures consisted primarily of making inquiries of management and others within the entity, 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 annual accounts do not give a true and fair view of the financial position of Stichting Rural Energy Services as at 31 December 2020 and of its result for the year then ended in accordance with Standard for annual reporting 650 'Charity organisations' of the Dutch Accounting Standards Board.

Rotterdam, 25-10-2021

Baker Tilly (Netherlands) N.V.
L. den Boer RA
KvK: 24425560

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
(Foundation Rural Energy
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Yeelen Kura technician
Moussa Koné wearing his
safety gear during a routine
inspection of the electricity
network in Kolondieba, Mali.
The network was extended
in 2020, allowing the
village health center to be
connected to solar
electricity.