

# 2013 ANNUAL REPORT

# FRES

*foundation* RURAL ENERGY SERVICES



# Focus shift

On a nocturnal satellite image of the earth Africa is a dark continent. About 20% of the world's population has no access to electricity. This means very poor lighting, no mobile telephone, no television, unsafe medical health care, suboptimal education, very limited possibilities to earn a living, and, not to forget, substantial health risks linked to burning candles and kerosene lamps.

Since 2004, FRES has increased the accessibility to electricity in rural areas in the Third World. FRES is a small multinational with a not-for-profit head office in The Netherlands and, by the end of 2013, five small utilities that operate in rural areas in South Africa, Mali, Burkina Faso, Uganda and Guinea-Bissau. During the first ten years since our establishment we have focused on increasing our customer base. In 2013 we evaluated our strategy and decided to shift our focus.

Electricity is more than lighting and mobile phones alone; it also boosts the local economy. Our utilities directly and indirectly create new employment, meaning business opportunities for new products and services, improved health and education services; they improve living conditions and give people local access to modern means of communication. The FRES companies contribute to these developments, and we felt that it is very important that our customers can count on our services not just now but also in the future. We want to live up to our promise of a minimum guarantee of 20 years of secured power supply to those customers that fulfil their commitment of paying the agreed service fee.

For that reason we have decided to make financial sustainability the main priority for FRES. This demands a healthy payment rate to generate sufficient income, limiting costs (OPEX plus replacement costs) to what is needed to efficiently supply the agreed service, and customer growth to provide the necessary critical mass and honour agreements with donors and investors. Once financially sustainable, FRES companies will be able to operate self-reliantly.

Two other elements deserve mention: firstly, the increasing demand for electricity from our customers and, secondly, the large socio-economic impact of both the availability of electricity in a rural area, and a sound company that provides direct and indirect skilled labour in an area where this is a very scarce commodity. The increasing demand for electricity is demonstrated

by the annually increasing amount of Wp provided on average to our customers: starting in 2001 with 50 Wp per customer and reaching 100 Wp per customer in 2013.

We would like to thank all people, many of them high level experts who work for FRES on a pro bono basis, our partners and donors who provide expertise or money essential to make our efforts a success, and our staff in The Netherlands and in Africa; their dedication is essential for our results. We all can be proud of the over 500,000 people whose conditions of life have been improved either directly or indirectly.

The Board  
Annemarie Goedmakers  
Serge Leijten  
Joop Lasseur

# Report from the Supervisory Board

The Supervisory Board of FRES supervises the management policy and general state of affairs in the foundation. With this annual report, the Supervisory Board accounts for the performance of its tasks and responsibilities in the year 2013.

In 2013, the Supervisory Board consisted of Aad Veenman (Chairman) and Peter Smink (Secretary). There was one vacancy. In 2013, the Supervisory Board held two meetings and approved a number of proposed decisions from the board. The Supervisory Board reviewed the strategy and development of the individual FRES companies and the long term financing of FRES.

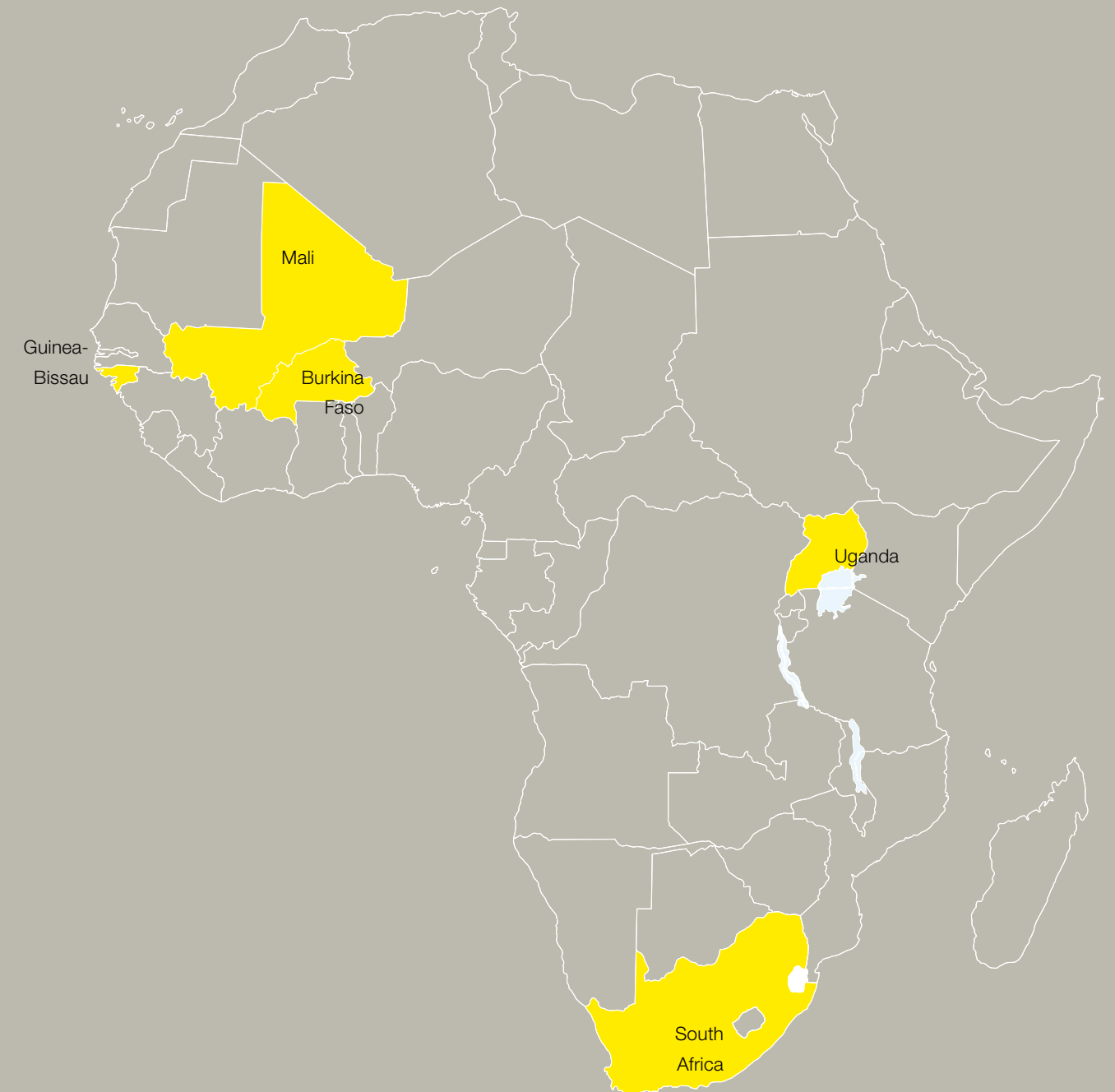
The Supervisory Board and the FRES Board have discussed in detail the current financial sustainability outlook of the FRES companies, the time-table for each company to reach a financial sustainable position, and the key assumptions and sensitivities to achieve these goals.

On April 24, 2014, the Supervisory Board adopted the annual account of 2013 and granted its approval to the 2013 annual report after having been informed of the approval statement issued by the external accountant PWC with regard to 2013.

The Supervisory Board would like to thank all employees, volunteers, the Board of FRES in the Netherlands, the Supervisory Boards of the FRES companies and all other persons involved for their work in 2013.

Aad Veenman  
chairman

# Map of Africa with FRES companies



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# Objectives and results 2013

## 1. Expansion of FRES companies

Almost achieved.

The objective of 2013 was to grow to 32,000 customers within all FRES companies. By the end of 2013, the number of 30,252 costumers had been realised. In 2013, FRES invested € 8.8 million against a planned figure of € 10.8 million.

- NuRa, South Africa: the number of customers increased from 16,500 to 19,398, marginally below the target of 19,500.
- Yeelen Kura, Mali: the number of customers increased from 4,881 to 5,536, falling short of the targeted 6,000 customers. The majority of growth was realised with connections to solar mini-grids, which now account for more than half of Yeelen Kura's customers. The growth of SHS clients has been much slower than expected. Yeelen Ba, Burkina Faso: the company registered minimal growth in 2013, increasing the customer base from 1,372 to 1,643, well below the targeted 3,000 clients. 2013 was a very difficult year for the company. In August, the General Manager was dismissed and he was replaced in October.
- FRES Uganda, Uganda: In its second full year of operation, FRES Uganda registered significant growth, increasing its customer base from 1,019 to 2,655, marginally below the target of 2,800.
- FRES Guiné-Bissau, Guinea-Bissau: In its first full year of operation, FRES Guiné-Bissau continued to build on the solid foundation established in 2012, increasing its customer base from 299 to 1,020, exceeding its year-end target of 1,000 customers.

## 2. Financial sustainability at Yeelen Kura and NuRa

Partly achieved.

Yeelen Kura and NuRa are on course to become financially sustainable by the end of 2014 and the beginning of 2015, respectively.

- Building on the success of the 2012 Non-Payment Action Plan, NuRa has taken significant steps towards achieving financial sustainability in the near future. In 2013, the company implemented a wide-ranging Operational Improvement Programme focused on improving operational efficiency and driving down costs on a per customer basis.
- Yeelen Kura moved one step closer to achieving financial sustainability. The company is operationally cash positive,

whereby revenue is sufficient to cover all operational and replacement costs for the coming years. This is largely due to the reduced costs of diesel as a result of the replacement of diesel generators with solar power plants in 2011 and 2012. In addition, an increase in mini-grid tariff levels has had a positive impact on revenue generation.

## 3. Attracting professional expertise

Achieved.

In 2013, the following experts contributed with their expertise on a voluntary basis to our achievements:

Abo Rassa – Due Diligence SSD SA Korayé Kurumba, Mali  
Achim Lauscher – Photographer, NuRa  
Dick Barnhoorn – EMU Evaluation, NuRa  
Jacco Smit – Research Network Losses, Yeelen Kura  
Nuria Cunha Soares – Socio-economic Impact Study  
Tom van Woerkom – Network Losses Yeelen Kura  
Symon Miedema – LED-Study  
Willem Post – Human Resources Advisor

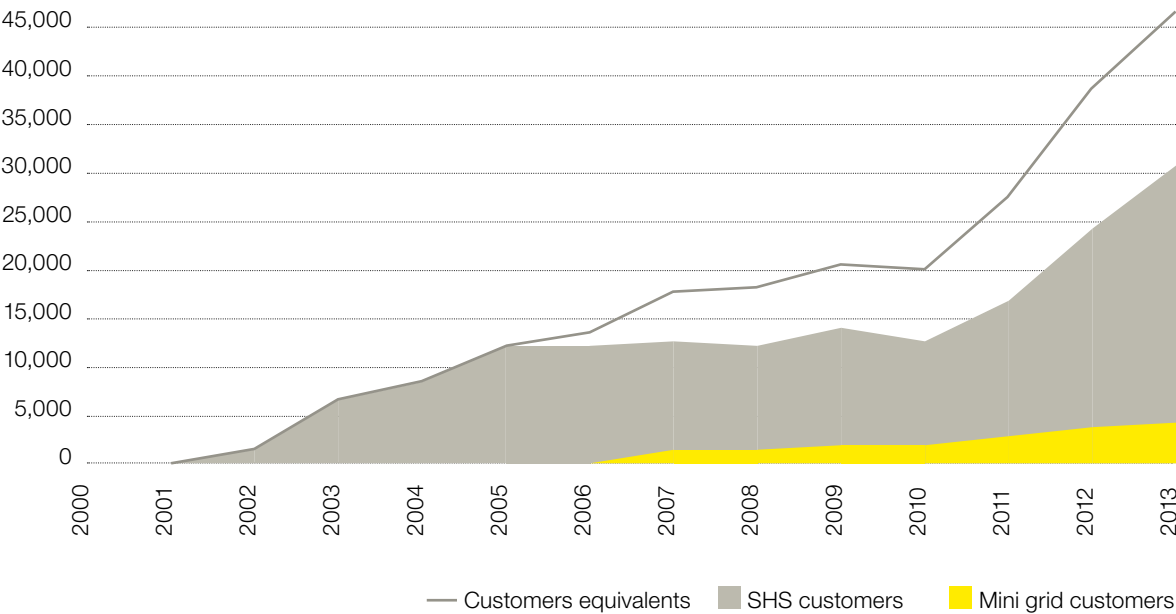
## 4. Attracting € 4 million in subsidies

Over-achieved.

In 2013, a total amount of € 3.0 million was contracted, plus € 1.7 million delayed payments received.

- The South African government (Department of Energy) awarded a new subsidy of € 2.6 million in 2013.
- Uganda's Rural Electrification Agency (REA) approved an extension to the 2012 subsidy agreement under the Energy for Rural Transformation programme (ERT I). In 2013, new contract agreements were signed with a value of € 375,000.
- The decision on the subsidy proposal submitted to the EU in June 2013 is still pending.

Number of customers



Total installed solar capacity for FRES customers (kWp)

Company	2006	2007	2008	2009	2010	2011	2012	2013
SHS								
NuRa	609	570	545	607	541	800	1158	1455
Yeelen Kura	137	115	96	98	103	123	153	194
Yeelen Ba				8	21	39	156	183
FRES Uganda						1	169	430
FRES Guinea-Bissau							36	141
<b>Total SHS (kWp)</b>	<b>746</b>	<b>685</b>	<b>641</b>	<b>713</b>	<b>665</b>	<b>963</b>	<b>1672</b>	<b>2404</b>
<b>Solar mini-grid</b>								
<b>Yeelen Kura</b>			<b>72</b>	<b>72</b>	<b>72</b>	<b>272</b>	<b>622</b>	<b>622</b>





**1. Providing people and companies  
with electricity**



# Outline of FRES

Foundation Rural Energy Services (FRES) advances electrification in rural areas in Africa by establishing small-scale, commercial energy companies. They provide households and small companies with electricity, preferably generated by solar energy, to meet the demand for proper lighting, radio and TV, charging cell phones, and a broad range of commercial activities. In this way they contribute to the social and economic development of rural areas.

FRES is a non-profit, small multinational, founded in 2004, and consists of companies in Mali, South Africa, Burkina Faso, Uganda and Guinea-Bissau and a head office in Amsterdam, the Netherlands. By the end of 2013, approximately 300,000 people were provided with electricity in a sustainable way, paying a fixed amount per month for the level of service they chose themselves, while more than 500,000 people benefitted in some way from our services.

The number of customers (households and small companies) has grown to 30,252 at the end of 2013: a customer growth of more than 25% in one year. At the end of 2013 the five FRES companies had an installed capacity of over 3 MW for their customers: a growth of more than 30% in one year. In Mali FRES

has SHS customers as well as mini-grid customers. On average a mini-grid customer is provided with five times as much electricity as an SHS customer. Taking this into account, the number of SHS customer equivalents was 46,188 at the end of 2013.

On average an SHS customer in 2013 was provided with an SHS that can produce 1.5 times the amount of electricity compared to those in 2009. Since 2011 the number of customers connected to a solar powered mini-grid has increased by almost 400%, while the number of customers connected to a diesel powered grid was almost halved; this way improving both our environmental as well as our financial sustainability.

Our shift in 2013 from a focus on achieving customer growth as the main criterion for success to a broader approach, has meant that we have defined three extra criteria for success. Starting in 2014 we use payment rate, performance on costs (OPEX + replacements costs), customer growth and financial sustainability against set targets to measure the performance of our companies. In order to measure financial sustainability in a similar way for all FRES companies, uniform accounting practices are currently being developed.

# Vision, mission and objectives

**Vision**  
In our vision, development is impossible without electricity and all people should have access to electricity.

In 2000, the member states of the United Nations agreed to make important progress in the field of poverty, education, gender equality, health and environmental sustainability with millennium goals set for 2015. Access to electricity is an essential tool to decrease poverty. In 2012, 1.3 billion people, 20% of the world population, had no access to electricity. For this reason the UN declared 2014-2024 the decade of “Sustainable energy for all”, and aims to mobilise stakeholders with three objectives: to provide universal access; to double the rate of global energy efficiency improvement; and to double the share of renewable energy in the global energy mix.

We help to achieve the millennium goals by providing people in Africa with affordable electricity in a sustainable way, preferably generated with solar energy. Through the provision of electricity, FRES contributes to fighting poverty by increasing employment and improving living conditions in developing countries. FRES companies also create direct and indirect employment. Access to electricity means the opportunity to expand or start-up companies. Health

centres can refrigerate vaccines and women can give birth under improved conditions. Schools and their pupils have access to proper lighting. The use of solar energy to produce electricity means less indoor air pollution, less fire hazard, and less damage to the environment.

**Mission**  
FRES stimulates rural electrification in developing countries by establishing small-scale, commercial electricity companies in areas that have no access to a national or regional electricity network. FRES does so via a market-based approach, which guarantees that electricity (preferably solar-powered) is made structurally available for the long term. FRES is a small multinational with daughter companies in developing countries that actively expand rural electrification.

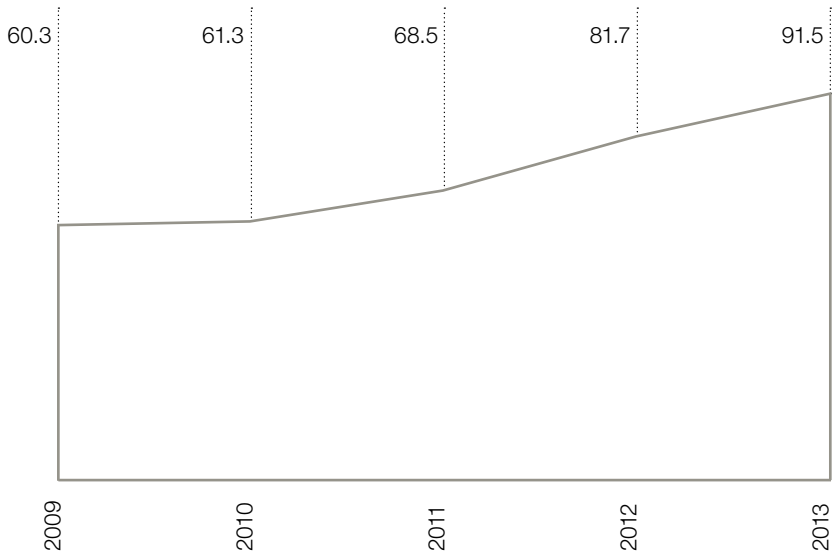
**Objectives**  
FRES companies should become self-reliant after having reached a certain customer base in order to provide a long-term electricity solution to their customers.

## FRES companies

Name company	Yeelen Kura	NuRa	Yeelen Ba	FRES Uganda	FRES Guiné-Bissau
Founded	2001	2001	2008	2010	2011
Customers in 2013	5536	19398	1643	2655	1020
Targeted customers 2015	7500	25500	4000	5500	3600
Province	Sikasso and Ségou	Kwazulu-Natal	Kénédougou	Mbarara, Bushenyi and Isingiro	Gabú
Country	Mali	South Africa	Burkina Faso	Uganda	Guinea Bissau
Technique	SHS, solar and diesel mini grids	SHS*	SHS	SHS	SHS

\* NuRa sells also LPG

## Average Wp per SHS customer for FRES companies



# Strategy

## 1. The sun as energy source

FRES views electricity generation with solar energy as the best way to provide rural areas in Africa with an affordable and sustainable electricity solution. We do so with individual solar power systems (Solar Home Systems) and village power systems (solar mini-grids)

### A. Solar Home System (SHS)

FRES companies work with Solar Home Systems, because it is the cheapest option to provide electricity in rural areas with sparsely populated communities. A standard SHS (see figure) delivers sufficient electricity to power several lamps and/or power sockets for a radio, small ventilator, cell phone charger or television.

### B. Solar mini-grid

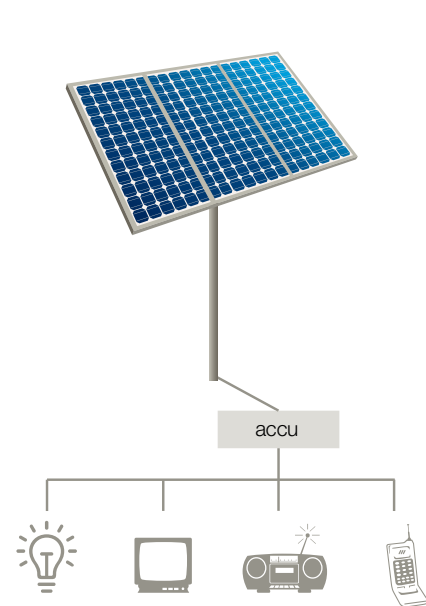
In Mali, FRES has built solar power plants that provide power to the people via a mini-grid. In some cases, the solar power plants replace (polluting and expensive) diesel generators. A mini-grid is a small electricity network which can connect customers within a radius of a few kilometres. If customers have higher energy demands, for instance

for business usage, an SHS does not suffice and a solar mini-grid can provide a suitable solution. A solar mini-grid boosts business activities in rural areas, but can only be realised economically if the distance between clients is relatively small. Currently, only Yeelen Kura in Mali exploits solar mini-grids.

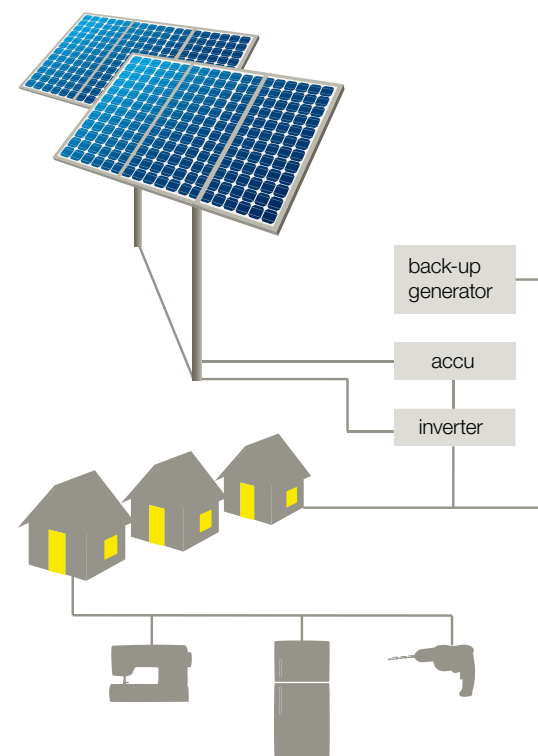
### Electricity use per customer

Since the beginning of FRES (2004), the electricity service provided to clients has increased in response to growth in local demand. At first we started to build mini-grids providing customers with much more electricity than an SHS at that time (a difference of a factor 5). But SHS installations have also grown in capacity: by more than 50% since 2009. Households and small companies can now use a greater number and range of electrical appliances than they could in 2004.

### Solar Home System (SHS)



### Solar Minigrid



## 2. Fee-for-service

FRES is using the fee-for-service concept, a standardised commercial business model that can easily be fine-tuned, replicated and rolled-out. Customers pay a monthly fee for a chosen number of lamps and sockets. FRES companies install and maintain ownership of the installed SHS, and take care of maintenance and replacement investments, thereby ensuring a sustainable long-term electricity solution for the customer.

SHS customers can choose between service levels depending on the number of lamps and power sockets they require, and the affordability of the associated monthly fee. Customers of mini-grids pay a standard fixed fee for the connection as well as an amount per kWh consumed. The costs for customers of the delivered services are on par with or lower than the traditional alternatives (candles, car batteries or lamp oil). Energy shops are set up for customer service needs and payments.

Benefits of the fee-for-service concept are:

- Affordable: no initial capital investment and a cost-effective payment structure for the customer;
- After-sales maintenance and replacement guarantee for at least 20 years, ensuring the client has no (unexpected) expenses for repair and/or replacement;
- Ease of use: clients do not have to install the system themselves;
- Easier access to hard to find, expensive new technologies such as efficient lamps.

### Different service levels (based on Yeelen Kura)

Level	Description	Wh per day
S1A	2 lamps	100
S1B	1 socket 25W	100
S2A	3 lamps	200
S2B	2 lamps and 1 socket 25W	200
S3	3 lamps and 1 socket 62W	400

## 3. Sustainable local FRES companies

FRES believes it is important to achieve its objectives via local entrepreneurship in developing countries, with support from FRES in the Netherlands. A procedure has been developed for starting up new FRES companies (see appendix 1). Local FRES companies are responsible

for the growth of the client base and efficient, sustainable operations. Planning progress and results are supported and monitored by a central management and supervisory structure.

An important principle is that the companies operate financially sustainably without the support of donor financing once they have reached a certain size. The initial investments are borne by external funds (own capital of FRES or subsidies), while income from the sale of electricity should subsequently cover the operational expenses, including maintenance and replacement costs. Depending on the local situation, this can be achieved with a basis of five to eight thousand clients. Every FRES company strives to serve at least ten thousand clients. FRES monitors the financial performance of its companies regularly.

In order to ensure that the tariffs can be set as low as possible, operational excellence is a priority for FRES and its local companies, for instance by increasing market penetration, preventive maintenance and customer retention. Every year, we evaluate our performances in this area to learn from experiences and adjust our multi-year business plans where necessary.

## 4. Sustainability/Corporate social responsibility

Sustainability is in the DNA of FRES. The entire organisation aims to provide the African people with electricity as sustainably as possible. Through local companies with local management and employees, FRES also acts as a key employer in rural regions. Good employment practices are therefore extremely important. We employ a percentage of women that is relatively high for the utilities sector. In our companies the percentage of women is 22% and 28% at the MT level. In the head office the percentages are 60% and 50% respectively.

## 5. Risk management

In order to be able to operate effectively, efficiently, and as long as possible, FRES has a keen eye for opportunities for and threats to the organisation. Based on studies that looked into specific subjects, benchmarks that compare our companies and practical experience, FRES has formulated strengths and weaknesses, opportunities and threats. Subsequently, FRES has formulated a policy for managing internal and external risks. (see also Part 3 Risk management.)



# Outline of the organisation

FRES consists of a small head office in the Netherlands and five FRES companies in developing Sub-Saharan Africa. The head office and companies are connected via a supervisory structure, which anchors cooperation.

### FRES Board

The FRES Board comprises three functions: Chief Executive Officer (CEO/Chairperson), Chief Financial Officer (CFO/Treasurer) and Chief Operations Officer (COO/Board member). The Board functions as a management team and divides the tasks. The Board fulfils its tasks on a voluntary basis and invoices only true costs of expenses necessary for the fulfilment of its tasks.

### FRES Supervisory Board

FRES has a Supervisory Board that supervises the management policy and the general state of affairs within FRES.

### FRES companies

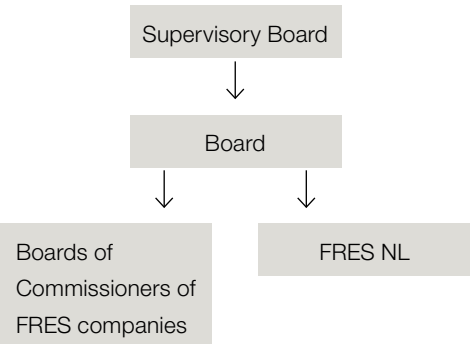
Every FRES company has its own management team and is assisted and controlled by a supervisory board called the Board of Commissioners (BoC). The responsibility for managing the company and achieving the agreed upon objectives lies with the management of the FRES companies. Employees of FRES companies in Africa report to the local management; their functioning is evaluated on an annual basis. The BoC evaluates the performance of the general manager.

Until the end of 2013 every BoC consisted of external commissioners. In 2014 these commissioners will be replaced by two non-executive Board members from FRES-NL and the local General Manager as executive Board member.

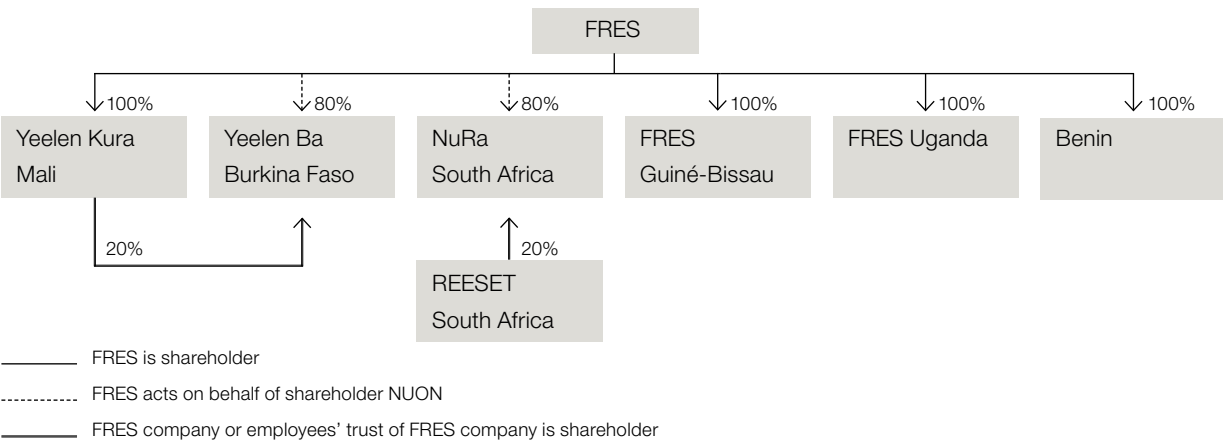
### FRES Netherlands

The FRES head office in Amsterdam offers an interesting, socially relevant work environment with ample possibilities to gain experience in business enterprise in an international work sphere. We work with a small team of paid employees, supplemented with a large number of (highly qualified) volunteers. The employees of FRES Netherlands report to the FRES Board.

### Organizational chart FRES



### Structure shareholders FRES companies



# Results 2013

The main results of FRES in 2013 are:

- The number of clients increased by 25.7% from 24,071 to 30,257.
- SHS client-equivalents increased by 19.9% from 38,519 to 46,188. (An average client of a mini-grid is considered equivalent to five SHS clients).
- Yeelen Kura made significant progress towards achieving financial sustainability. Cost-savings through a shift from diesel to solar in mini-grids, and an increase in mini-grid tariff levels represented the first step towards achieving sustainable tariff structures for mini-grids. Further improvement is needed to generate sufficient revenue for the replacement of the key solar mini-grid infrastructure in the long term.
- FRES Guiné-Bissau achieved its customer targets despite the country still suffering from an economic crisis after the military coup in 2012.
- NuRa, the largest FRES company is slowly closing in on financial sustainability.
- Yeelen Ba had a difficult year during which changes in management and management structure were made in order to turn the company around.
- FRES Uganda almost met its growth target and welcomed its 2,000th customer in August.
- Mutual contact and interaction between FRES compnies has grown. Visits and exchange of knowledge have become regular practice. In May, Managers of all companies met in Amsterdam during a highly successful meeting in which the planning of company activities was improved.
- FRES invested in establishing good relationships with potential new donors, such as UNIDO (UN Industrial Development Organisation) and the Norwegian and US governments. Currently, it is not easy to acquire subsidies; on the one hand this is the result of the difficult international economic situation while on the other hand the pool of projects for energy access has increased substantially and therefore competition increased significantly as well.
- The cooperation with UNIDO is taking shape. UNIDO plans to promote rural electrification via solar mini-grids and would like to cooperate with FRES in Guinea-Bissau. We feel this confirms that FRES is viewed as an important player in West Africa in this field.
- FRES increasingly acts as a serious partner for governments and donors to discuss matters regarding rural electrification and its successful implementation. For example, the governments of Burkina Faso and Cameroon invited FRES to share its successful practical experience in the policy implementation of rural electrification in other countries. The World Resources Institute in Washington and the (Dutch) Doen Foundation invited FRES to share its knowledge and experiences with investors and operators in Africa in a workshop in Uganda.
- Income was higher than budgeted, primarily because of a late payment received from DGIS. Expenses for regular (local FRES) company activities were higher than budget largely because of different definitions used in the budget. Expenses for company expansion were lower than budget; among others, a project in Mali did not materialise and the investments in Uganda were activated rather than expensed. Funds and reserves increased from € 9.318.762 to € 10.422.727

For more extensive information on the results of each FRES company in 2013 see Part 2.



## 2. FRES companies





# Impact of rural electrification by FRES

FRES contributes directly to fighting poverty, increasing employment and improving living conditions in developing countries by providing the availability of power for households and small companies. Our preference for the use of solar energy to generate electricity means that people use fewer fossil fuels, which benefits the environment. Together this leads to the improvement of living standards and boosts local economies in rural areas.

Some concrete examples of improved living conditions:

- More economic activities;
- Longer days thanks to the availability of light, also in the evenings and at night;
- More safety on the streets thanks to (public) lighting;
- Better lighting in hospitals and schools;
- Improved access to means of communication such as radio, television and cell phones;
- Less fire hazard from falling candles or oil lamps;
- Lower costs for the same amount of lumen or kWh compared to the use of candles, oil lamps or private diesel generators.

In all countries where FRES is active it has become one of the large employers in the rural area where it operates by creating stable, well-paid, high-value jobs. Consequently, FRES is able to tie qualified personnel to the region. By the end of 2013 FRES companies provided direct employment to 235 people and indirectly employed about the same number. By using locally provided goods and services a manifold of these numbers are benefitting from FRES activities as suppliers or subcontractors.

FRES asked PWC to investigate the socio-economic impact of the availability of electricity on customers of FRES companies. The study was carried out in cooperation with the Erasmus University Rotterdam (the Netherlands). Baseline studies were conducted in Mali, Uganda and South Africa. They were followed by an impact study in Mali and South Africa. Local organisations, including SNV, held surveys. The final report was presented mid 2013.

The main results are that increased access to light has been shown to enable studying at night, contributing to an observed increase in the amount of time children spend on their education. The quality of life is improved; for example, because people have more optional activities in the evenings, are able to charge their cell phones at home, and have more access to information and communication devices. At the community level the impact is strongly positive with a large number of public buildings being electrified, as well as schools and health centres, municipal buildings, churches and mosques. Healthcare services benefit from increased light and increased power to refrigerate vaccines.

The impact on household incomes was found to be strongly dependent on the regional (or national) context, and is much stronger in Mali, where small businesses are fairly common, than in South Africa, where they are sparse. Electricity enables entrepreneurs to expand their business, work longer hours or set up other small businesses.

# Yeelen Kura in Mali

In terms of surface, Mali is one of the biggest countries in West Africa. The country has over 15 million inhabitants and is 182th on the most recent Human Development Index of UNDP. Approximately 85% of the inhabitants have no access to electricity. The political situation in 2012 was disturbed; the army staged a coup in the capital in March, and rebels were active in the north of the country. The intervention of the French Government in Mali this year meant the end of the political crisis. Democratic elections were held and a new president was elected.

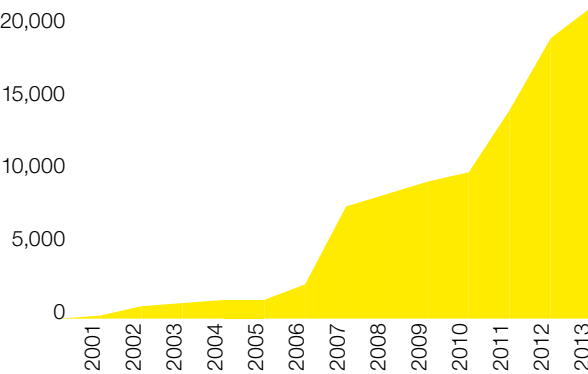
With Yeelen Kura, FRES has been active in the southern provinces Sikasso and Ségou since 2001. The head office is located in Koutiala. Yeelen Kura, which means “New Light” in the local language Bambara, supplies light and electricity to households and small companies via Solar Home Systems (SHS). Furthermore, the company builds mini-grids powered by solar energy and/or diesel.



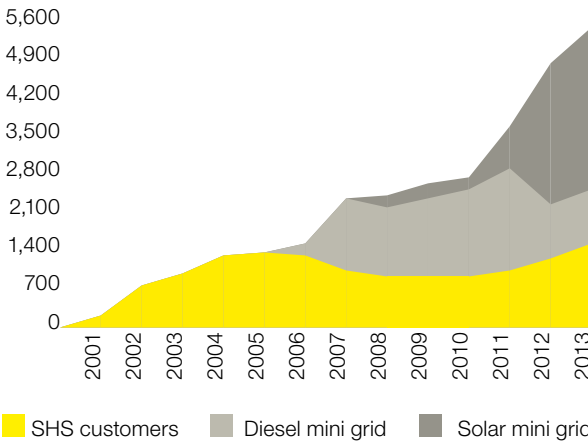
### Basic information

Year founded	2001
Products and services	SHS, solar mini-grids and diesel mini-grids
Number of employees	52
Number of customers	5,536
Number of energy shops	16
Shareholders	100% FRES

### Number of customers equivalents



### Number of customers



### Results 2013

#### Number of customers

At the end of 2013, Yeelen Kura had 5,536 customers, a growth of 600 customers. In the second half of the year Yeelen Kura focused on rectifying the lack of growth in SHS customers in the first semester. Energy store Managers were given sales and customer service performance targets. A new Sales Manager was appointed who focuses exclusively on SHS growth. The growth of 189 new SHS customers between November and December demonstrates the success of this approach.

#### Six new solar mini-grids

Six new solar power stations, with a total capacity of 350 KWp, for which a subsidy agreement of € 1.9 million was signed with AMADER/World bank in 2011, were built in 2012 and became operational in 2013. Some of the solar plants reduce the running hours of existing diesel generators, others supply power to new mini-grids.

#### Research

Hans Provoost and Jacco Smit from Alliander (a grid company in the Netherlands) and Tom van Woerkom (Project Leader) developed an action plan to reduce energy



losses in the mini-grids of Yeelen Kura (starting with Kouri). Salifou Diarra (Technical Coordinator of Yeelen Kura) received practical training on the use of the Fluke measurement equipment in order to be able to measure energy losses in the mini-grids back in Mali. All data will be sent to Alliander for analysis. Tom van Woerkom aims to present his final report with concrete recommendations in 2014.

Prepayment

With the worsening economic climate after the coup, an increasing number of customers built up payment arrears. In order to help customers improve payment discipline a test with prepaid meters was conducted in 2012 targeted at mini-grid customers. After the success of the test Yeelen Kura installed prepaid meters for 1,100 customers in 2013.

**Products, services and rates**

SHS customers paid an amount of between 3,815 FCFA (€ 5.82) and 9,000 FCFA (€ 13.72) a month for the services of Yeelen Kura depending on the chosen service level. Customers of mini-grids pay per kWh. Yeelen Kura submitted an analysis of sustainable tariff structures for its mini-grid activities to Mali’s Rural Electrification Agency AMADER. AMADER accepted a first tariff increase which became effective on the 1st of October 2013 for all mini-grid customers. The tariff has increased from CFA 215 per kWh (€ 0.33) to CFA 250 per kWh (€ 0.38).

Yeelen Kura has started the second phase of tariff negotiations with AMADER in order to reach sustainable tariff levels for the company’s mini-grid activities.

**Organisation, governance and supervision**

On 31 December 2013, Yeelan Kura employed 52 people. One fatal company accident occurred; Adama Sanogo, employee of Yeelen Kura, passed away on December 25th while being on duty. Adama had been employed by Yeelen Kura since 2011 as a Technical/Commercial Operator. FRES impressed once again upon the staff of all five companies to adhere strictly to safety measures and procedures.

Yeelen Kura has recruited for two new senior level management positions: a Sales & Marketing Manager and a Technical Manager joined the company in January 2014 to strengthen the management team.

Salary and terms of employment

In addition to their salary, Yeelen Kura offered its employees pregnancy and maternity leave, pension provisions, life insurance and social security. A FRES employee in an

executive function in Mali earned 50,000 FCFA (€ 76) a month on average, opposed to an average income of an inhabitant of rural Mali of 29,640 FCFA (€ 45) a month. Additionally, performance bonuses were awarded to motivate employees and to technicians who worked nights.

Training

Ten employees were trained in working with prepaid meters. Salifou Diarra, the Technical Coordinator of Yeelen Kura came to Europe for training on the maintenance of solar plants. Asantys trained him on map information and SMA inverters.

Management and Governance

General Manager of Yeelen Kura was Djibril Séméga. He reported to the Board of Commissioners of Yeelen Kura, consisting of:  
Rob Costermans – Chairman  
Liliane de Jager – Member  
Thad Hacker, replaced by Everard Geurtsen during the year – Member

A Board meeting was held in Amsterdam in May as part of the FRES Companies Week. The main topics of discussion were sustained growth of SHS customers and the implementation of mini-grid network improvements following the recommendations from Alliander’s network study. In November FRES Chief Operating Officer Joop Lasseur and Director of Operations Everard Geurtsen conducted an operational review of Yeelen Kura. The outcomes were discussed in December with Yeelen Kura’s management

**Challenges and objectives**

Yeelen Kura’s business plan for the period 2014-2018 focuses on financial sustainability and operational excellence including reducing network losses in mini-grid operations. Yeelen Kura achieved financial sustainability within its SHS activities in 2013 but further work is required for the mini-grids to achieve overall financial sustainability.

**Number of customers per product**

	2011	2012	2013
SHS	1,071	1,269	1,552
solar mini-grid	764	2,584	2,970
diesel mini-grid	1,889	1,028	1,014



**Fatoumata Goïta (Manager of Yeelen Kura’s Energy Store in Koury)**

Madame Goïta is 43 years old and employed by Yeelen Kura since 2001. She is leading a team of three men: Technician, Adama Sanogo; Assistant/watchman Hamadou Dembélé; and trainee Seydou Dembélé. The Energy Store serves more than 600 customers of which 111 SHS and 491 solar mini-gird customers. She is proud to be a member of a team which aims at sustainable national development by offering the population an honest and environmentally-friendly product.

**Moumouni Dembélé (customer of Yeelen Kura)**

Head of a family with one wife and six children, and with an extended family of twelve persons, Dembélé has been a customer of Yeelen Kura since 2007 and Vice President of ‘The Consumers’ Association of YK’s Energy.’ Electricity has made his life easier and he now realises what it means to be deprived of electricity as was the case before. He is less satisfied with the kWh price, which is slightly higher than the national grid price. However he appreciates the investment Yeelen Kura made and the fact that the national grid does not serve his

# NuRa in South Africa

South Africa (1,219,912 km²) has over 50 million inhabitants, of which 50% lives in poverty due to extreme differences in income and a high level of unemployment. The country is 121st on the most recent Human Development Index of UNDP. Of all inhabitants, 75.8% has access to electricity (2010, World Bank). The political situation in the country is generally stable, but there is a lot of political jostling as elections approach in 2014. The non-grid electrification programme in South Africa may be used as an election campaign pawn.

In South Africa, FRES delivers energy to households and small companies via the company NuRa. The head office is located in Mkuze in Kwazulu-Natal, which is one of the least developed provinces in the country. Approximately 70% of the population in this region does not have access to electricity.

## Results 2013

### Number of customers

In 2013, the subsidy agreement with the South African government (Department of Energy – DoE, 80%) and FRES (20%) from 2012 was extended twice to cover an extra 6,000 SHS units till the end of March 2014. During the course of 2013 DoE required new service levels and system specifications which led to a slower customer growth mid 2013 as new equipment had to be purchased before installation could continue. At the end of 2013, NuRa supplied light and electricity to 19,398 customers.

### Payment arrears

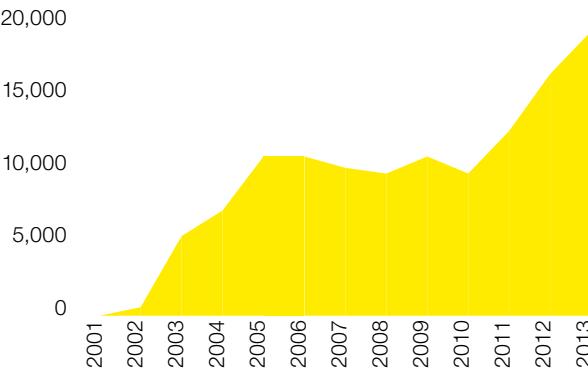
In 2013 NuRa kept focus on non-payment issues by collecting fees while at the same time recovering outstanding debts by improving maintenance lead times through call centre follow-ups and the like. In many cases non-payment is HIV/AIDS related. Although the focus led to initial improvement, maintaining the positive development proved to be challenging. A field survey was conducted towards the end of 2013 which highlighted the need for a specialised non-payment task-force operating at the energy store level. This task-force is planned to be operational in early 2014.



### Basic information

Year founded	2001
Products and services	SHS and LGP
Number of employees	93
Number of customers	19.398 SHS
Number of energy shops	9
Shareholders	80% NUON, 20% REESET

### Number of customers



### Operations

Peter de Wit was on loan from FRES to NuRa to lead the Operations Improvement project. The main objective of the project is to improve operations at NuRa by developing a clear structure for the operations department. Activities were focused on stock logistics, sufficient resourcing and interdepartmental coordination. Also, NuRa's organisation was reviewed as part of this project. The modified organisation will start being effective in the first quarter of 2014.

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### Research

A battery study was conducted at NuRa in order to provide clear recommendations for the most suitable, efficient and cost effective power storage for all FRES companies. The study includes best-practice guidelines for the handling and recycling of batteries. A presentation and draft report were presented to the NuRa Board in March. Some quick wins were already implemented in 2013. Further recommendations will be considered in 2014.

An assessment and review of the metering systems (EMU's) in use at NuRa was made by Dick Barnhoorn. The study included an evaluation of software and hardware issues that can be addressed in order to reduce susceptibility to failure. It has been decided to keep the current EMU as long as the current stock lasts, and implement only minor changes to improve the technical and user functionality. For the longer term an alternative will be considered.

### Products, services and rates

The rates for SHS customers were between ZAR 78 (€ 5.21) and ZAR 250 (€ 16.71) ex. VAT a month, depending on the chosen service level. The levels differ in terms of number of lamps and power outlets. NuRa also sold LPG as alternative to cooking on wood.

### Organisation, governance and supervision

On 31 December 2013, NuRa employed 93 people.

### Salary and terms of employment

In addition to their salary, NuRa offers its employees' pension provisions and life insurance. A FRES employee in an executive function at NuRa earned ZAR 2.178 (€ 145.58) on average a month, about 1,5 the minimum wage level of ZAR 1.492 (€ 99.73) a month in South Africa. Depending on the position or contract, contributions for car or phone, pregnancy leave and stocks are available. Employees were motivated via performance bonuses and stocks. All 93 employees had at least one performance evaluation, and depending on the function some were evaluated quarterly or even monthly. Seven industrial accidents occurred,

mostly motorcycle accidents of maintenance employees. There were 180 sick days as a result of these accidents.

### Education

Fifty-six employees received an extensive technical training by Jean-Paul Louineau, expert in solar photovoltaic systems, and twelve employees were trained as HIV peer facilitator. All trainings were organised and paid for by the company.

### HIV/AIDS programme

South Africa has a significant HIV/AIDS problem. A number of employees have HIV/AIDS which results in absences and sick days. NuRa has created an HIV programme that aims to break the taboos surrounding HIV/AIDS and increase the knowledge regarding the prevention and treatment of HIV/AIDS.

### Management and Governance

General Manager was Sifiso Dlamini. He reported to the Board of Commissioners, consisting of:  
Bart Blokland – Chairman  
Coen de Ronde – Member  
Thad Hacker, who was replaced by Everard Geurtsen during the year – Member

Two commissioners visited NuRa in April for the semi-annual board meeting. A second visit by all three commissioners followed in October. FRES fulfilled the role of shareholder at NuRa on behalf of Nuon.

### Challenges and objectives

NuRa's business plan 2014-2018 focuses on achieving financial sustainability, reducing payment arrears by customers and further professionalising the operational management. NuRa is projected to achieve financial sustainability by the end of 2014.





**Bricilla Muakanas (customer of NuRa)**

I am a customer since more than 10 years. I have seven children: the two youngest still studying , one of the others is working. With the service of NuRa I only spend 98 rand a month, it is much cheaper than in the past with gas or candle lights. Only when it's raining or during the winter we have to use candle lights or something else. We have seven lamps. But we usually use only five lamps to spare energy and save the power from the battery. The less energy you use, the longer the energy from the battery will last. Usually the system doesn't dysfunction, but sometimes there are some noide issues, like a beep. They are very friendly and polite; they fix the problem and explain what to do when a problem occurs.

# Yeelen Ba in Burkina Faso

Burkina Faso is a Sub-Saharan country with 16 million inhabitants. The country ranks 183th in the most recent Human Development Index of UNDP thus belonging to the poorest nations in the world. 86% of the inhabitants have no access to electricity.

In Burkina Faso, FRES supplies light and electricity by installing SHS at households and small companies via the local company Yeelen Ba. Yeelen Ba is active in the province Kénédougou, an area with over 300,000 inhabitants. It lies just across the border from the area in Mali, where Yeelen Kura is active. The living conditions in the adjoining regions are similar.

**Results 2013**

Number of customers

Customer growth was only 17% due to poor management of the company in the first half of the year. Fortunately, Yeelen Ba was able to rebuild itself in the second half of the year. A recovery plan, elaborated and implemented by the whole team, focused on tackling the problems related to the stagnation of sales, cancellation of contracts and non-payment. This plan also served to promote a strong and solid team and to facilitate the work of field agents. By the end of 2013 Yeelen Ba had 1,643 customers. The payment discipline also improved towards the end of the year. Yeelen Ba targeted households (mainly farmers), small entrepreneurs and officials working for the local government.

Contracts and investments

The Director Business Development, Caroline Nijland, renegotiated the contract with the European Union to connect 3,000 households and small companies. The contract was extended with an extra 18 months from end of 2013 to June 2015.

**Products, services and rates**

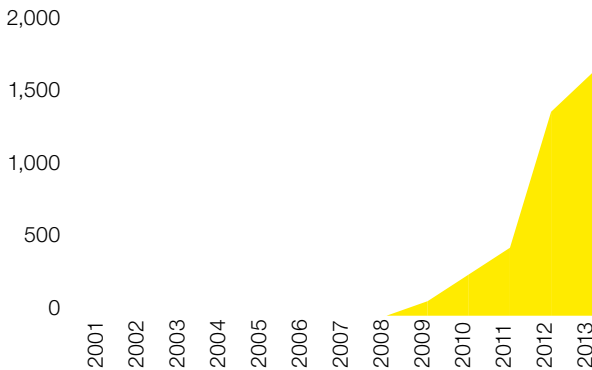
Yeelen Ba provided SHS services at between CFA 3,815 (€ 5.82) and CFA 9,000 (€ 13.72) a month.



**Basic information**

Year founded	2008
Products and services	SHS
Number of employees	29
Number of customers	1,643
Number of energy shops	8
Shareholders	80% Nuon, 20% FRES

**Number of customers**







### Organisation, governance and supervision

On 31 December 2013, Yeelen Ba employed 29 people.

#### Salary and terms of employment

Employees received a fixed salary. The minimum wage in Burkina Faso was FCFA 38,000 (€ 58) a month, compared to a salary of FCFA 57,000 (€ 86.90) a month for a fulltime employee in an executive function at Yeelen Ba. Yeelen Ba provided the employees with health care insurance, social security, disability insurance coverage, pregnancy and maternity (and paternity) leave and pension provisions.

#### Training

Five employees followed a study paid by the company and obtained a diploma.

The management team of Yeelen Ba visited Yeelen Kura in November to learn more about the latter's operating strategies.

#### Management and Governance

In July 2013, Director of Operations Everard Geurtsen travelled to Burkina Faso to monitor the progress made to date in addressing issues of human resources, debt recovery and stagnation of growth of the customer base. On the 31st of August the General Manager was dismissed. As Interim Manager Everard Geurtsen assisted in the

recruitment of a new General Manager and, in the meantime, in restoring effective operations of Yeelen Ba. October marked the first month of operations under the new General Manager, Mr. Bourahima Yameogo. The management team was committed to get the company back on track. There was a focus on rectifying the payment discipline and recovering outstanding debts in order to recommence operations in a sustainable manner. Four technical-commercial employees and an energy centre supervisor were hired and a campaign was started to revitalise the company. Media were used to inform (potential) customers and a report about Yeelen Ba was broadcast on national television.

The new General Manager Mr. Bourahima Yameogo reported to the Board of Commissioners, consisting of:

Rob Costermans – Chairman

Liliane de Jager – Member

Djibril Séméga – Member (on behalf of shareholder Yeelen Kura)

Thad Hacker, replaced by Everard Geurtsen during the year – Member

### Challenges and objectives

The business plan 2014-2018 focuses on achieving financial sustainability with a payment rate of 95% and strict cost control.



### Lamoussa Compaoré (Inspector of the Association of Primary Schools of Djigouera in Burkina Faso)

In the "old days" the office of the Association had electricity supplied by means of a diesel generator, however it did not function very well and because of the ever increasing diesel price, the inspector initiated the idea of solar energy. The monthly fee was paid up front for one year. Life has become much easier since for Mr. Compaoré and his staff: they have a reliable power supply system and can continue to work when it gets dark.

### Antoinette Yameogo (Technician at Yeelen Ba)

Ms Yameogo is 25 years and mother of a four year-old son, has a degree in Technics and has been employed by Yeelen Ba since October 2013. She loves her work, the cooperation with colleagues, being in the field, supplying the population with a service that improves their life, and, of course, earning her own living. As a woman she does not feel different from her male colleagues; she is respected for her drive, input and knowledge in the field of energy.



# FRES Uganda Ltd in Uganda

Uganda, a country of over 240,000 km², is situated on the equator in Southern Africa. 30% of the Ugandan population of more than 34 million lives in poverty. The country is 161st on the most recent Human Development Index of UNDP. Approximately 14% of the inhabitants have access to electricity. For inhabitants in rural areas, this is 7%, often limited to the cities and trading towns along the highway. The country is politically stable. The next elections will be held in 2016.

FRES Uganda was founded in 2010. The company delivers SHS services to the south-west of Uganda in ten districts, in the provinces of Mbarara, Bushenyi, and Isingiro, and will be extended to four more districts in the coming years. The head office is located in Mbarara. There are 400,000 households and small companies in the area in which FRES is active.

### Results 2013

#### Number of customers

After the successful first year of 2012, FRES Uganda held its official Inauguration Ceremony in 2013 and set out to transform the company from a start-up to a more established company with standardised policies and guidelines. As an addition to the four energy stores, it opened its first service centre at Buhweju in May. Service centres are set-up further into the rural areas in order to also reach (potential) customers living farther away from the main population centres. In August, the milestone of the 2,000th customer was reached and at the end of 2013, FRES Uganda had 2,655 customers.

#### Payment rate

Many actions have been taken throughout the year to control payment discipline, including customer bonuses for upfront payment, text message reminders and dedicated debt collectors. These have led to a payment rate of 90% by the end of 2013.

#### Contracts and investments

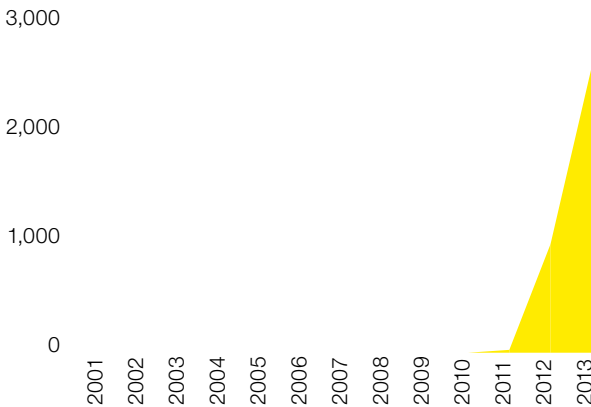
A subsidy agreement for US \$ 550,000 with the Rural Electrification Agency (REA) ran until the end of 2013.



#### Basic information

Year founded	2010
Products and services	SHS
Number of employees	55
Number of customers	2,665 SHS
Number of energy shops	4
Shareholders	100 % FRES

#### Number of customers



Depending on the size of the placed systems, the subsidy had a maximum of US \$ 275 per household (sufficient for a system of 50 Wp) and US \$ 2,000 per company (sufficient for a system of 500 Wp). The total amount for this subsidy was exhausted during the second quarter of 2013. A new contract of US \$ 100,000 was signed in August, and in September another US \$ 400,000 was approved in the REA steering committee. Due to the constant growth in customers of FRES Uganda these amounts were already exhausted in September. REA has indicated that more



money could be allocated upon request as long as there would be budget available under the same REA program.

Doen Foundation contributed € 300,000 to FRES Uganda in 2013, as part of its 3-year commitment (2012-2014). The third and last deposit is anticipated in 2014. Supplier Solar23 delivered 1,500 SHS units in the beginning of 2013, following their successful tender.

#### Products, services and rates

In 2013 FRES Uganda introduced a new, larger service level which supports the use of inverters and will cater to the larger demands of, for example, cinemas and restaurants. The monthly SHS service fee ranges from UGX 23,000 (€ 6.59) to UGX 69,000 (€ 19,78).

#### Organisation, governance and supervision

On 31 December 2013, FRES Uganda employed 55 people.

#### Salary and terms of employment

In addition to a permanent salary, FRES Uganda offers its employees health insurance, pregnancy leave, pension provisions and life insurance. Several minor injuries were reported. There were 38 sick days.

#### Education

45 employees received the basic training in SHS technology from Jean-Peal Louineau and 15 received the advanced training. Additionally, a group of 18 employees followed a Performance Management Training.

#### Management and Governance

General Manager is Allan Asingwire He reported to the Board of Commissioners, consisting of: André Kuiper – Chairperson  
Marjolein Quené – Member and Chairperson (after the resignation of André Kuiper)  
Thad Hacker, replaced by Everard Geurtsen during the year – Member  
After the decision of FRES to shift from external to internal commissioners for its companies Everard Geurtsen became Chairperson and Caroline Nijland became Member of the BoC. Two board meetings were held during the year.

#### Challenges and objectives

The main objectives for the business plan 2014-2018 are maintaining payment discipline, promoting mobile payment, and reducing operational costs in order to reach financial sustainability.



**Godfrey Turyahikayo (Executive Director, REA Uganda)**

The FRES approach uses a utility service model for off-grid services. It allows consumers the benefit of getting a service at a low initial costs, and takes away worries of equipment failure, which may otherwise result into long-term denial of service and equipment replacement costs, if the consumer does not have ready cash to pay for service or replacement.

REA's responsibility is to provide electricity to Ugandans using all possible cost-effective ways. It is not conceivable that grid power will be the solution for all Ugandans in the near future. Therefore, the REA/FRES partnership provides an avenue that will include many Ugandans in the modern energy bracket as soon as possible. As FRES gains more experience, REA would like to see increased investments and further expansion into other areas in Uganda.

# FRES

## Guiné-Bissau

Guinea-Bissau, in West Africa, has 1.6 million inhabitants on more than 36,125 km² and is one of the poorest countries in the world with a 176th place on the most recent Human Development Index of UNDP. A mere 5.7% of the nation's people have access to electricity at irregular intervals. Only 2.6% of the population has access to electricity on a permanent basis. The political situation remains unstable after the military staged a coup in April 2012. National elections were scheduled for November 2013, but have been postponed until April 2014.

FRES Guiné-Bissau was founded in 2011 and provides SHS services. The office is located in the city of Gabú in the eponymous province in the east of Guinea-Bissau, bordering on Senegal and Guinea.

**Result 2013**

Number of customers

The first SHS was connected in Candjufa, 20 kilometres north of Gabú, on April 13, 2012. In just over one year FRES Guiné-Bissau has successfully surpassed its customer target of 1,000. It is relevant to mention that the demand is still larger than the rate at which FRES Guiné-Bissau can install. There is currently a waiting list of 40 customers.

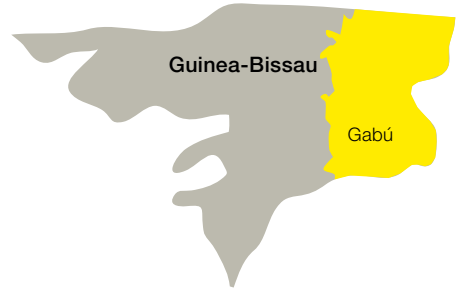
Contracts and investments

A tender was awarded to supplier Solar 23 in March for the supply of the components of 1,000 SHS. The ordered goods arrived in Gabú by the end of June. The subsidy contract with the EU calls for 3,000 households and small companies to be connected by the end of 2015.

FRES Guiné-Bissau invested in two new cars and seven motorbikes. The former are used to transport the technicians to the field and the latter are used by the debt collectors to collect outstanding payments in the field. The company was able to centralise the supply of auxiliary parts for the SHS units (e.g. frames and battery boxes) in the city of Gabú; in this way simplifying logistics.

Research

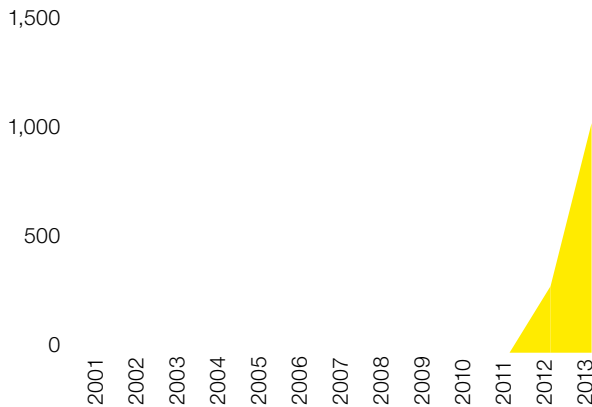
FRES Guiné-Bissau experienced a growing occurrence of non-payment as the customer base continued to grow. To overcome this challenge, fee collection agents have



**Basic information**

Year founded	2011
Products and services	SHS
Number of employees	6
Number of customers	1,020
Number of energy shops	10
Shareholders	100 % FRES

**Number of customers**



been contracted and an electronic device was developed which cuts off the electricity supply at the customer's home when there is a payment delay. This device, called cobrador electrónico, is a timer relay and will be used as of 2014.

Communication

A film was made by Sandra Bouwmeester about the activities of FRES Guiné-Bissau in Gabú. This film is available on YouTube <http://youtu.be/bbkdTjQhWM8>





#### Products, services and rates

FRES Guiné-Bissau provided SHS services on three service levels from CFA 6,500 (€ 9.90) a month to CFA 21,667 (€ 33.03) a month. About 30% of the customers have the low service level, 69% have the medium one, and 1% has chosen the high service level. A customer satisfaction survey was conducted in the second half of 2013. Although some customers complained about the 'high' service fee, most of them stated to be very satisfied.

#### Organisation, governance and supervision

On 31 December 2013, FRES Guiné-Bissau employed six people.

#### Salary and terms of employment

The six employees with a permanent contract have health insurance. An average salary of an employee of FRES in Guinea-Bissau in an executive function was € 114 a month, compared to a minimum wage of € 46 a month.

#### Training

Two employees followed a training in administration at audit firm Audi-Conta in Bissau. The training focused mainly on how to work with the new accounting package which contains an integrated budget and amortisation module.

#### Management and Governance

General Manager of FRES Guiné-Bissau was Reinder Bouwmeester. He reported to the Board of Commissioners of FRES Guiné-Bissau, consisting of:

Thad Hacker who was replaced by Everard Geurtsen – Chairman

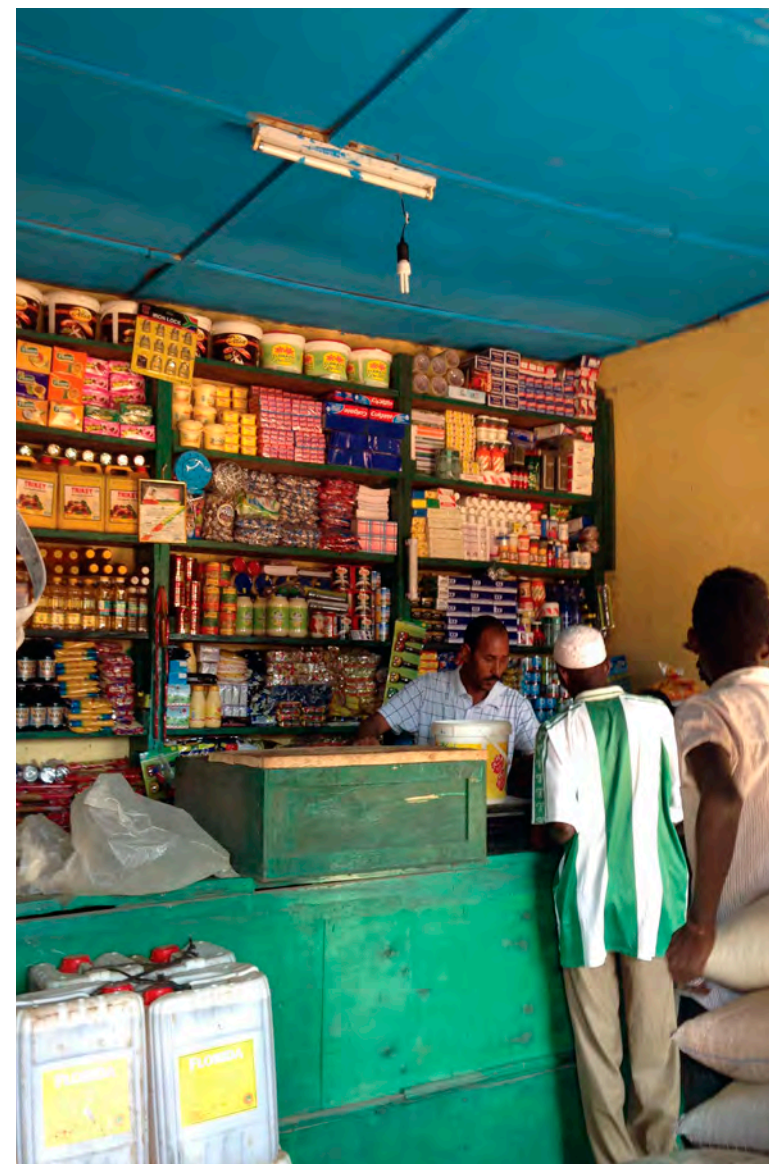
Caroline Nijland - Member

Thad Hacker visited the office in Gabú in January to meet the local authorities and discuss the state of affairs. During a meeting with the Governor and the administrator of Gabú, both representatives expressed their contentment about the work of FRES Guiné-Bissau.

Chairman of the Board of Commissioners and Director of Operations, Everard Geurtsen was in Gabú in September and November supporting FRES Guiné-Bissau with accounting activities and planning and budgeting for 2014.

#### **Challenges and objectives**

The business plan for 2014-2018 aims at a financially sustainable growth. If economically feasible FRES Guiné-Bissau may expand its service to solar mini-grids.



#### **Archives N'bana António Fernandes da Silva (Financial Officer FRES Guiné-Bissau)**

I studied to be a banker but I have been working as a Financial Officer for FRES since 2012. The work of FRES has a very important meaning in Guinea-Bissau: even people in the capital Bissau and elsewhere are asking us to do the same job there. When I talk to the people I hear that the presence of FRES GB in Guinea-Bissau, specifically in the region of Gabú, resulted in a transformation of the Guinean landscape in terms of quality of life.

#### **Joana Maria Cá (customer of FRES Guiné-Bissau)**

Being a customer of FRES is very profitable for me: through the service I am able to charge several mobile phones per day and pay a reasonable price for it, and use the ventilator and follow TV shows whenever I want. With the money I make I am able to cover the fee of FRES GB and reduce my household expenses.





4. FRES corporate



# FRES NL

FRES-NL has ANBI status (which means that it is accepted by the Dutch tax authorities as an institution serving the public interest) and is the head office organisation in the Netherlands whose main activities include:

- Fundraising
- Seeking Partners
- Governance of FRES companies
- Financial supervision
- Risk Management
- Communication

In order to keep the operational expenses in the Netherlands as low as possible, FRES Netherlands works with a small core of paid employees and a large, flexible employable team of unpaid experts. The latter are of great value to the FRES activities. The employees of FRES Netherlands are supervised by the Board. A performance review with each employee takes place annually.

### Paid employees

At the end of 2013, FRES Netherlands had a total of six paid employees. In 2013, some 18 days were spent on training and education.

### Volunteers

In 2013, eight experts worked on specific tasks for FRES on a pro bono basis.

In addition to the aforementioned experts, the Board, the Commissioners of the FRES companies and the members of the Supervisory Board contribute without being paid for their services.

# Fundraising

### Policy, strategy and objectives

FRES aims to obtain subsidies from governments and multilateral international organisations. Additionally, we strive to establish relationships with business donors. We look for parties that match in terms of policy, objectives and work sphere. We only submit subsidy proposals if the subsidy conditions match our strategic decisions to prevent that our policy becomes subsidy-driven. Business donors and sponsors support us in kind or with money.

FRES is a non-profit foundation that looks for external financing to achieve its goals. We attract funds by cooperating closely with our main sponsors Nuon and Alliander, a new multi-year sponsor as of 2012, reinforcing our lobby activities, and building close relationships with governments. FRES has chosen not to have an active private small-donors policy.

The Board of FRES decided in 2013 to maintain a level of € 3 million of its own capital in a reserve fund to be used only for pre-financing new investment programs. As FRES almost reached this threshold in 2013, the Board decided not to use its own capital to finance expansion activities for the time being. The following decisions were made:

- New companies: the investments committed to active projects will be maintained.
- Existing companies together with FRES they will have to find 100% external funding in order to finance the expansion of their activities.

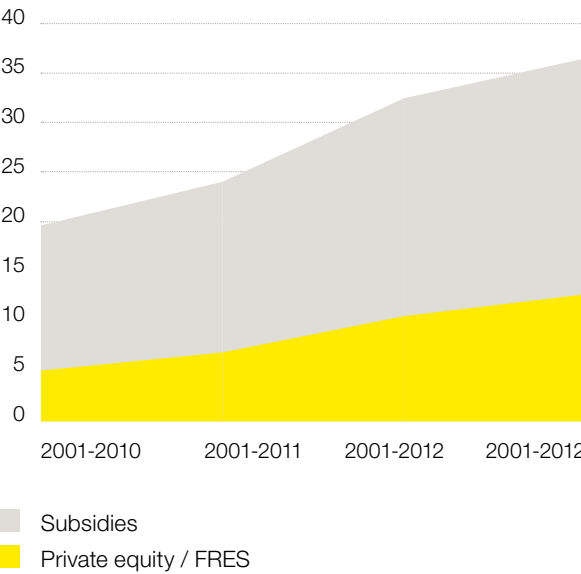
FRES will not make new commitments until these funds are found. To achieve this, FRES will focus on subsidies that do not request co-financing from the applicant, but rather permit co-financing by third parties. FRES is currently exploring such funding partnership opportunities.

### Objectives

FRES currently has running subsidy contracts valid until 2015. Under these contracts € 4.3 million is available which will result in 6,000 customers by the end of 2015. We aim to contract a further € 4.8 million in the coming two years.

### Investments

In the period 2001-2013, FRES invested a total amount of € 36.4 million in FRES companies. € 23.8 million of this amount was financed through various subsidies and € 12.6 million from private funds.



Total investments 2001-2012	South Africa	Mali	Burkina Faso	Uganda	Guinea Bissau	New initiatives	Total
Gov. NL – ORET / MILIEV		760,000					760,000
Gov. NL – PSOM	780,000	543,000					1,323,000
Gov. NL – PPP	1,111,183	734,544	320,904	474,800		170,707	2,812,138
Gov. of South Africa	11,803,124						11,803,124
Gov. of Mali / WB		4,402,562					4,402,562
Gov. of Uganda / WB				521,700			521,700
European Union			1,676,760		1,013,295		2,690,055
Private equity / FRES	5,140,606	3,781,584	1,789,980	871,529	457,028	71,646	12,112,373
Total	18,834,913	10,221,690	3,787,644	1,868,029	1,470,324	242,353	36,424,953





### Subsidies

It has become increasingly difficult to acquire subsidies due to the difficult international economic situation and an increasingly competitive market for a limited number of funding opportunities. In 2013, a significant subsidy opportunity was announced by the European Commission. FRES submitted a proposal for a regional project with a budget of € 10.6 million. A decision is expected from the EC in 2014.

In 2013 FRES also submitted subsidy proposals to the Governments of United States and Norway, which were unsuccessful.

FRES has placed a focus on establishing a good relationship with possible (new) donors, such as UNIDO and the Norwegian and Austrian governments.

The expenses used for acquiring funds were mainly made with regard to realising project subsidies (see Part 4 Annual accounts).

### Business donations

In 2013 FRES received business donations from Allander, which covered our desk expenses and the salary of the Director Business Development. These contributions were part of the agreement that was established in April 2012 and has a duration of four years.

Microsoft supported FRES with a Microsoft software donation; nine packages of Office Professional Plus 2010

will be installed on the desktops and laptops used at FRES Netherlands.

### Private donations

Donations were received from 33 private donors and from employees of Nuon, who chose for FRES instead of receiving a Christmas gift in 2013.

Last year's annual report did not state the destination of the money from private donors. The money received in 2012 was used for the company Yeelen Kura in Mali. The money donated by private donors in 2013 will be used for FRES Uganda in 2014.

If FRES receives a complaint from a private donor, we take action within one (work)day after receiving the complaint by calling the person who submitted the complaint and offering them a solution. We did not receive any complaints in 2013.

# Partners

For FRES, it is extremely important to work with others. We do this in various forms of cooperation. Below you can find an overview of partners in order of the year in which the cooperation started.

**2002** The 'Directorate of Minerals and Energy' (DME) of the **South African government** signed a first agreement with NuRa in 2002. Many contracts followed.

**2004** FRES was founded by **Nuon** in 2004. In 2006, a five-year agreement stipulated that Nuon would make an annual contribution to FRES and make an employee available. In December 2008, Nuon entered into a public-private partnership with FRES and DGIS to support the millennium objectives in Africa for the period 2008-2015.

**2006** The **Mali government** entered into a first agreement with Yeelen Kura via AMADER in 2006. It was the start of a close and successful cooperation.

**2006** In 2006, we entered into a cooperation with the **Van Sandickfonds**; they compensated the travel and accommodation expenses of Dutch students who conducted research into the field of solar energy in Africa.

**2006 PwC** (PricewaterhouseCoopers Accountants N.V.) has been inspecting our annual account and its coherence with the rest of the annual report annually free of charge since 2006. The cooperation between PwC and FRES was further shaped in 2012 through a study (at a reduced rate) into the socio-economic impact of the activities in the FRES countries. The final report was released in June 2013.

**2007** Via the **European Union**, a EU-financing was obtained for starting up an electricity company in Burkina Faso in cooperation with Nuon, Yeelen Kura and two local partners. It concerned the allocation of a subsidy within the framework of the ACP-EU Energy Facility. This cooperation runs until July 2015. Within the same programme, a subsidy was approved for a new FRES company in Guinea-Bissau in December 2010. In June 2013, a subsidy proposal was submitted within the call for a EU ACP Energy Facility. Approval from the EU is pending.

**2008 Dutch government:** Nuon, DGIS (Directorate-General International Cooperation) and FRES entered into a PPP for a rural electrification programme that should ultimately lead to 100,000 customers. Nuon and DGIS each promised € 10 million to finance the investments for 28,000 new SHS customers. In July 2012, DGIS decided unilaterally to terminate the partnership and the connected subsidy agreement with FRES, after having frozen disbursement of the subsidy in 2010. DGIS expressed doubt that FRES would achieve its goals. The outcome of legal proceedings is pending.

**2009** FRES has cooperated with **The Resource** in Amsterdam since 2009. This partner brings together supply and demand in the fiscal labour market. Three specialists work for us unpaid one day a month to advise us in the field of partnership taxes, VAT and wage tax.

**2009** In 2009, we received a subsidy of € 200,000 from **Hivos** for founding a FRES company in Uganda. Hivos strives for an honest, free and sustainable world.

**2010** The **government of Guinea-Bissau** supported FRES in its application for a EU subsidy. This has led to the start-up of FRES Guiné-Bissau in 2012.

**2010** In 2010, various meetings took place with the **World Bank**. For both the FRES company in Uganda and the construction of solar mini-grids in Mali, we were allocated and/or received the requested subsidies via the rural electrification agencies in these countries.

**2010** We investigated the possibilities of cooperating with developing organisation **SNV** in Africa. In 2012, this resulted in a baseline & impact study in Mali (interviews).

**2010** International law firm **Allen & Overy** provided us with legal advice in 2010 and 2011 with regard to the brand name FRES and our statutes.

**2010** In 2010 and 2011, the international law firm **Clifford Chance LLP** supported FRES in the development of an agreement for the delivery, installation and maintenance of two and six solar power stations in Mali. In 2013 Clifford Chance also provided FRES with legal assistance.



**2010** As of 2010, we have been cooperating with **Randstad Payroll Solutions**. They provide support within the field of HR, in which an HR consultant advises us on HR management and administration.

**2010** In September, a cooperation agreement was signed with **REF** (Rural Energy Foundation). We work in the same field and exchange information about the results of desk studies. Moreover, we share information about finding employees in Africa.

**2010 Waterbedrijf Groningen** donated 150 water filters to FRES in 2010. We have distributed them among the FRES companies that used them as Christmas gift for their employees.

**2011** The **Government of Uganda**, through rural electrification agency (REA), provides subsidy from the Energy for Rural Transformation (ERT) programme to FRES Uganda. The scheme disburses consumer subsidies through PV companies to provide financing for acquiring solar electricity. In 2013, the one year contract that ended in June 2013 was extended for another year till the end of June 2014.

**2011 PUM** sends senior experts to companies and organisations in developing countries and upcoming markets that can use their expertise for a period of two to three weeks. In 2011, a two year cooperation agreement was signed for assignments in the countries where FRES operates. In 2013, this agreement was extended for another two years. In 2013, FRES together with PUM started exploring the implementation of a standardised data management system that will enable the simple exchange of information within FRES companies and between FRES companies and FRES-NL.

**2011** As of August 2011, **ING Bank** has been supporting FRES by not charging a fee for the money transfers, both national and international, which has reduced expenses considerably.

**2011 DOEN Foundation** granted a subsidy of € 0.9 million for Uganda in 2011 over a period of 3 years, with the intention to allocate € 0.3 million annually if the planned results are achieved.

**2011** In 2011, FRES made agreements with **Alliander** regarding further cooperation by formalising the availability of expertise and knowledge. The partnership took further

shape in 2012, when Alliander took over the annual contribution of € 75,000 for office costs and the salary of the Director of Business Development from Nuon for a period of four years. In 2013, the cooperation was further intensified. An expert from Alliander conducted a due diligence study into the potential acquisition of a Malian mini-grid operator. Furthermore, two experts from Alliander supported Yeelen Kura in its efforts to reduce (technical and non-technical) losses in mini-grids.

**2011** We entered into a cooperation with **Chimbo Foundation** which provides office space and accommodations to FRES Netherlands in Bissau. In 2013, both parties decided to terminate the cooperation as there was no longer a need for the use of the facilities.

**2012** Together with the local organisation **Daridibó** in Guinea-Bissau, FRES requested a subsidy of € 2.5 million which was received from the ACP EU Energy Facility Programme. An agreement for cooperation for mutual exchange of expertise and support was signed in 2012.

**2013** In the context of the EU subsidy proposal, FRES signed a Letter of Intent (LOI) with the **Government of Cameroon** through the Ministry of Energy for implementing FRES activities. The start of operations in Cameroon depends on whether funding from the EU is secured.



#### **Jeffrey Prins (Programme Manager at Doen Foundation, the Netherlands)**

FRES' strength is offering 'green' electricity at an affordable price. The FRES customer only has to weigh how much he or she is willing and able to pay on a monthly basis. (And often this price is comparable and the performance even better than that of other 'dirty' energy alternatives, such as kerosene.) Then, based on the customer's choice, FRES delivers the service of energy. This 'fee-for-service' model is unique in countries where (renewable) energy access is limited. And more importantly: it works!

We believe that a green, socially-inclusive and creative society is possible through committed entrepreneurs like FRES. FRES has had the courage to put this pioneering concept –'fee-for-service'– into practice. And by doing so, FRES has inspired others. That's why we held a meeting with FRES Uganda: to inspire other entrepreneurs that DOEN supports learning from and building upon FRES' experiences.

#### **Marjolein Quené (Chairperson of the Board of FRES Uganda Ltd)**

Rural electrification is often seen as a luxury, not necessary for the rural population if there is no industry. But the more cities are growing, the more important it is that life in rural areas improves as well. Farmers produce food and fuel for cities like Mbarara and Kampala. Solar energy is the cheapest way of electrification in these areas. Safe and good lighting enlarges the hours suitable for business, household chores and study. I hope that especially girls can use this opportunity, as the education of girls is the most important factor for development.

#### **Sibai Ismail (General Manager of SOLAR23, Germany)**

Since I started working in the solar business in 1995, my main disappointment was that most of the projects did not last for a long period of time. In fact, since these projects were implemented for free, most of them disappeared shortly afterwards (within a few years) because no one was taking care of them. Since I started cooperating with FRES in 2008, I have come to highly appreciate the way FRES does business, in the sense that nothing is given for free and that people have to pay for services so that systems are maintained which leads to sustainable and continuous business.



# Governance

## Board

In 2013, The FRES Board consisted of three members. Annemarie Goedmakers (CEO/President) and Serge Leijten (CFO/Treasurer) have been part of the FRES Board for several years now. Harry Droog (COO/member) resigned on April 30. He was succeeded by Joop Lasseur as of May 1. In principle, the Board of FRES meets every two weeks to discuss policy matters and the progress of the FRES companies based on monthly reports from the local companies and progress reports from the Commissioners.

A total of 19 board meetings took place over the year. The following points were discussed, among others:

- the progress of the FRES companies; evaluation reports, financial reports;
- investment proposals for expansion;
- the annual accounts and annual report 2012;
- the Business Plan 2014-2018 and annual plan/budget 2014;
- composition of Boards of Commissioners;
- legal procedures and a court case on a subsidy contract between FRES and the Dutch Directorate-General International Cooperation (DGIS);
- new partnerships.

The expenses of the board consisted mainly of telephone expenses and travel expenses in the Netherlands.

## Supervisory Board

In 2013, the Supervisory Board consisted of Aad Veenman (Chairman) and Peter Smink (Secretary) and had one vacancy.

The Supervisory Board met twice to discuss:

- the annual accounts and annual report 2012;
- the Business Plan 2014-2018 and annual plan/budget 2014;
- the partnership with and frozen subsidy of DGIS;

A separate meeting was organised to discuss in detail the financial position of FRES companies and their progress towards financial sustainability.

## Code Wijffels

FRES endorses the Wijffels Code, a Dutch code for the good governance of charities. The accountability declaration (see appendix 5 on [www.fres.nl](http://www.fres.nl)) states how we shape the three principles: separation of the supervisory, managerial and executive functions, optimal use of funds and optimal relationships with interested parties.

An overview of employees and Board members, with their additional functions, is listed in Appendix 4 (see [www.fres.nl](http://www.fres.nl)).

## Monitoring and evaluation

The policy goals and starting points are recorded in business plans. They serve as the basis for the annual plans and budgets for the FRES companies and for FRES Netherlands. Monitoring, benchmarking, evaluation and corrections occur regularly.

The local management of the FRES companies held monthly progress meetings with the members of their BoC and their FRES liaison officer via teleconferences. In addition, the Commissioners visited the companies at least twice in 2013.

Managers of all companies attended the FRES Company Week in the Netherlands from May 20 to May 26, 2013, in which business results of 2012 were evaluated, and the future strategy was discussed with the FRES Board and Commissioners.

## Outlook 2014 and beyond

In October, the board adopted the Business Plan 2014-2018. After significant customer growth in recent years, the FRES Board has revised the performance objectives for its local companies to better reflect FRES's objective of creating financially sustainable companies. Customer growth will no longer be the main focus. From 2014, the performance of FRES companies will be assessed on (i) the payment rate; (ii) operating and replacement costs; (iii) customer growth; and (iv) financial sustainability.

For the coming years, operational excellence will be a core objective in the five existing companies, with strategies to control costs and maximise revenue. The companies will have to become financially independent, with income from customer fees that is sufficient to pay for maintenance, operational management and replacement investments. Training and personal development of local staff will be another important point of attention. FRES will work on these goals in cooperation with its partners; such as governments, the World Bank, the EU and other donors.

For further details, see Part 5.

# Financial supervision

## Planning and control

The Board is responsible for the work and quality of the FRES activities and making the necessary adjustments. PwC inspects the annual account and issues an auditor's statement. PwC specifically tests against the guidelines that apply for fundraising institutions.

Moreover, our donors function as inspectors by monitoring and evaluating project results.

All FRES companies are audited annually by an accountant in accordance with the applicable laws and regulations.

## Asset management

As of 2009, the management of funds that are available for a longer time period (Nuon donation) has been allocated to an external asset manager (ING-Bank). In this way, we achieve better results than by placing the funds in a savings account. The objective for the asset manager is achieving an optimal effectiveness within a moderately defensive investment profile, while ensuring they are in line with the ethical and social boundaries that FRES places on asset management. We have an asset management agreement with ING-Bank that includes our investment policy.

The investment horizon is four to eight years.

The portfolio distribution that belongs to this risk profile is that 50-70% of the assets is solidly profitable and that no more than 30-50% is invested in shares. Up to 10% of the funds remain liquid. In order to control the risks, the asset manager works according to a structured investment process within clearly defined frameworks. We invest the funds across a variety of sectors and regions.

Every month FRES receives a report from ING-Bank on the development of the investments. The asset manager accounts for the results of the portfolio to the Board three times a year. The asset manager measures the results of the portfolio, compares them to the chosen benchmark, and analyses the differences in performance. On the basis of these results, it is decided whether or not the investment policy has to be adjusted. The portfolio is on a continuous basis screened on the sustainability that have been set. In 2013 no funds had to be sold for sustainability reasons.

Please see Part 4 (Annual account) for the value development of the investment portfolio.

# Risk management

There are good opportunities for FRES to successfully contribute to rural electrification, but there are also risks and threats. FRES is very aware of these facts and maintains a close eye on risks to respond in a timely fashion. We have mapped the strengths and weaknesses, opportunities and threats for 2013. They are summarised in the SWOT below.

### Strengths

- Long-term experience in electrification of rural areas in Africa
- Extensive and sound research method
- A proper network in the international development and solar energy sector
- A competent team with committed Board members
- A standard business model as blueprint, easily reproducible in various countries
- Two companies have existed for over ten years in a market with very few professional players
- Major experience in acquiring subsidies
- Strong partners in the Netherlands
- A solid Business Plan 2014-2018 and detailed plans for FRES companies for realising their objectives
- Considerable experience in negotiating terms and conditions for concessions and tariff structures with local governments

### Opportunities

- 1.3 billion people have no access to electricity
- Greater priority within governments for rural electrification, among other things to slow down migration from rural areas to the city
- Technological innovation: cheaper solar panels, better batteries, energy efficient lamps, mobile payment, prepaid metering
- The international commitment to the millennium objectives and United Nations 2014-2024 *Decade of Sustainable Energy for All*
- Awareness among (potential) customers that sustainable access to (solar) power is achievable and affordable, contributes to better life standards, and stimulates economic development
- Centralised purchasing agreements
- The growing interest of international donor agencies in solar mini-grid solutions for rural electrification in Sub-Saharan Africa

### Weaknesses

- Companies in (five) different countries with variable local conditions
- Insufficient customer growth at some FRES companies
- Poor performance of Burkina Faso company Yeelen Ba in 2013.
- No FRES company has yet achieved financial sustainability
- Dependence on subsidies

### Threats

- Payment arrears ('non-payment')
- Inadequate legal opportunities to address fraud
- Political instability
- Increasing transport expenses due to higher fuel prices
- Long, bureaucratic procedures among governments and subsidisers
- Insufficient tariff levels for Mali's mini-grids for long-term sustainability
- Introduction of other power solutions in the market



### Utilising opportunities, countering threats and fighting weaknesses

Signalling and controlling risks is part of the responsibility of the Board of FRES. In order to utilise opportunities and counter the impact of threats, we have formulated a number of general strategies:

- We focus on expanding in countries where we are already active, and do not expand too quickly to other countries. Instead we increase the scale of the existing companies and reduce the cost price.
- We keep a close eye on our expenses to ensure that our services remain affordable to our customers. We reduce the expenses as much as possible by providing efficient services, creating scale benefits by connecting customers in clusters, replacing diesel generators with solar power stations, implementing payment via mobile phones, etc.
- We reduce the risk of low purchasing power by selecting regions that have served also markets outside the own region
- We purchase the solar systems centrally, unless local procurement is competitive. We ensure that the systems our companies use are interchangeable, and that we employ a standard format of modules, and battery and regulator capacities.

Some risks that received special attention in 2013 are described below. The other risks and the matching measures are further discussed in the Business Plan for the coming years.

### 1. Financial sustainability

FRES companies must achieve financial sustainability as soon as possible by generating sufficient income to cover all operating expenses and replacement costs in the medium and long term. The financial sustainability of FRES' business model relies on economies of scale, effective collection of payments from customers, and the ability to minimise the costs of operations, maintenance and replacement. Together, FRES and its local companies have set key performance indicators that are monitored regularly via monthly reports. The performance of FRES companies will be assessed on (i) payment rate; (ii) operating and replacement costs; (iii) customer growth; and (iv) financial sustainability.

### 2. Continuing growth

Due to slow customer growth between 2006 and 2009 FRES ran the risk of not achieving its long-term objectives. The situation has improved significantly since 2010, when a multi-year Business Plan was developed, detailing realisation plans for local companies to reach their targets,



with adjustments taking place annually. Additionally, frequent meetings between the Board and local management have improved communication and ensure targeted support. Standardised monthly management reports allow timely action in case of make deviations from plan.

### 3. Payment arrears

Maintaining a high payment rate is an ongoing challenge for all FRES companies and requires constant attention. NuRa in particular has faced high payment arrears for a number of years: a threat to its income and financial sustainability and a bad example to other FRES companies. Since 2012, NuRa has been working on structural improvement, with successful results illustrated by improvements in the payment rates from 66% (December 2011) to 76% (December 2013). In 2014, FRES will facilitate knowledge exchange between its companies with respect to effective strategies to manage payment arrears.

### 4. Political instability

Developments in West Africa show that political stability is a factor that we need to take into account. In 2012 and 2013 political unrest occurred in both Mali and Guinea-Bissau. This may potentially impact both the growth of the number of customers, their ability to pay the fees, and have consequences for the employees. It is one of the screening criteria that FRES employs before deciding to start activities in a particular country. If unrest subsequently arises, the safety of FRES employees is the highest priority.

### 5. Economic climate worldwide

The poor international economic climate also affects FRES activities. It proved to be more difficult to obtain subsidies, because programmes of for instance the EU or World Bank have been delayed or postponed. This may delay FRES activities.

### 6. High fuel price

Due to the high diesel price, a large part of operational expenses consists of transport costs needed to perform installation and maintenance activities. Furthermore, diesel mini-grids are operating at a loss because the high diesel price cannot be passed on to customers at current tariff levels. We expect the diesel price will continue to increase and therefore that expenses for transport will increase as well. As a result, FRES companies aim to optimise transport logistics and work in areas with high customer densities. Concerning diesel mini-grids, FRES has been replacing its diesel generators with solar power plants in

recent years in order to reduce its exposure to the volatile diesel price. Currently, only one power station at Yeelen Kura is running entirely on diesel.

### 7. Tariffs for mini-grids

Tariffs for Yeelen Kura's mini-grids are currently sufficient for covering operational expenses, but insufficient for accumulating the necessary reserve funds to finance the replacement of key mini-grid components in the long term. Yeelen Kura continues to work closely with Mali's Rural Electrification Agency (AMADER) to gradually increase tariffs to financially sustainable levels. Progress to this end was already achieved in 2013.

### 8. Fraud prevention

Sometimes, FRES has to deal with incidents of fraud within local companies. FRES actively attempts to prevent and combat fraud. The associated responsibility lies with local management and its BoC, supervised by the Board of FRES and its Supervisory Board via the established governance structure.

### 9. Continuity reserve

The board has created a continuity reserve of € 250,000, in case the activities of FRES should suddenly stop (either partly or completely) for whatever reason. Should this occur, it would especially have consequences for FRES Netherlands. With the reserves, we can properly complete the remaining activities in Amsterdam.

# Communication

### Policy, strategy and objectives

In addition to the communication for acquiring funds, FRES also communicates with stakeholders for other purposes, such as reputation and brand awareness, support and involvement in rural electrification and FRES companies, and knowledge transfer.

We use several ways of communication:

- partners, employees, and Board members receive a monthly digital Flash Report which keeps them informed of the latest developments;
- two stakeholders meetings for partners, experts, students, volunteers, commissioners, employees and Board members take place annually, focused on the developments of and opportunities for the FRES companies;
- new private donors of FRES receive a confirmation of registration and more information about the results of the previous year and objectives for the new year;
- in case of newsworthy matters, the media receive a press release that occasionally leads to an article in the media;
- all interested parties can find more information on our website;
- we participate in policy setting meetings.

### Activities 2013

- In February, FRES attended the Workshop for Rural Electrification Operators in South Africa, organised by EDF and ADEME. Participants included national rural electrification agencies and local operators.
- In February, the official inauguration of FRES Uganda was held. The ceremony was well attended by representatives of the national and local government, donors, key suppliers and press. Several articles subsequently appeared in the Ugandan press.
- In September, FRES gave a presentation at the Amsterdam Micro-grid Forum, entitled 'Demonstrating Hybrid Micro-grids in Rural Areas in Sub-Sahara Africa'.
- In May and October, two FRES stakeholder meetings took place in Antropia, Driebergen (NL). Both meetings were well attended.
- In November, FRES was invited by the World Resources Institute (U.S) and DOEN Foundation (NL) to share knowledge and experience with regard to donors and operators in Africa and Asia in a workshop in Uganda.

The Dutch version of the FRES 2012 Annual Report was published in May (digital). English and French (print and digital) versions followed in June. The report was positively evaluated in the PwC Transparency Awards, particularly with respect to compliance. Compared to comparable organisations, FRES scored above average.





## 4. Financial report



# Annual accounts 2013

CONSOLIDATED BALANCE AS AT DECEMBER 31, 2013  
(after appropriation of results)

	December 31, 2013		December 31, 2012	
	€		€	
<b>Assets</b>				
1. <u>Fixed Assets</u>				
1.1 Property, plant and equipment	4,849,426		4,268,079	
1.2 Financial assets	-		-	
		4,849,426		4,268,079
2. <u>Current Assets</u>				
2.1 Receivables	972,478		2,982,667	
2.2 Securities	5,318,591		4,035,615	
2.3 Cash and cash equivalents	1,462,127		750,335	
		7,753,196		7,768,617
Total		12,602,622		12,036,696
<b>Equity and liabilities</b>				
3. <u>Reserves</u>				
3.1 Continuity reserve FRES Netherlands	250,000		250,000	
3.2 Reserve for pre-financing future investments FRES Companies	3,000,000		-	
3.3 Reserve for future projects	5,178,830		4,975,335	
3.4 Reserve financing assets	2,832		2,138	
3.5 Reserve currency difference	2,237-		-	
		8,429,425		5,227,473
4. <u>Funds</u>				
4.1 Fund Donation Nuon	1,993,302		4,091,289	
		1,993,302		4,091,289
		10,422,727		9,318,762
5. <u>Current liabilities</u>				
5.1 Payables and other accruals		2,179,896		2,717,934
Total		12,602,623		12,036,696

CONSOLIDATED STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 DECEMBER 2013

	Actual 2013	Budget 2013	Actual 2012
	€	€	€
6. <u>Income</u>			
Income from our own fundraising	191,254	78,000	913,341
Income from our own fundraising - private persons	10,162	3,000	12,380
Income from our own fundraising - companies	181,092	75,000	900,961
Subsidies	3,674,816	1,761,817	1,124,173
Subsidies from governments	3,374,816	1,461,817	824,173
Other subsidies	300,000	300,000	300,000
Return on investments in securities and cash equivalents	278,825	275,000	761,859
Other income	1,790,661	1,650,000	1,187,433
Income Yeelen Kura from regular company activities	1,195,690	900,000	993,246
Income FRES Uganda from regular company activities	436,995	500,000	153,907
Income FRES Guiné-Bissau from regular company activities	157,976	250,000	40,280
Sum of the income	5,935,556	3,764,817	3,986,806
7. <u>Expenses</u>			
Spent on objectives			
Expenses for regular company activities	1,689,822	1,150,000	1,843,273
Yeelen Kura, Mali	632,373	550,000	1,146,731
NuRa, South Africa	77,588	-	35,375
Yeelen Ba, Burkina Faso	60,000	-	-
FRES Uganda, Uganda	771,540	450,000	551,192
FRES Guiné-Bissau, Guinea-Bissau	148,321	150,000	109,975
Expenses for company expansion	2,346,405	4,180,000	2,219,411
Yeelen Kura, Mali	630,531	800,000	210,719
NuRa, South Africa	442,000	680,000	-
Yeelen Ba, Burkina Faso	609,362	800,000	521,149
FRES Uganda, Uganda	-	1,300,000	768,749
FRES Guiné-Bissau, Guinea-Bissau	664,512	600,000	718,794
Expenses for replacements	102,224	250,000	-
Expenses Yeelen Kura replacements	102,224	250,000	-
Expenses for new initiatives	12,776	10,000	-
New initiatives remaining countries (Benin, Cameroon, Somaliland)	12,776	10,000	-
Subtotal	4,151,227	5,590,000	4,062,684

CONSOLIDATED STATEMENT OF INCOME AND EXPENDITURE (CONTINUED)

	Actual 2013	Budget 2013	Actual 2012
	€	€	€
Subtotal	4,151,227	5,590,000	4,062,684
FRES service costs spent on objectives	462,198	300,000	374,163
Direct support existing companies	293,668	100,000	205,277
Direct support expansion companies	159,800	100,000	162,124
Direct support new initiatives	8,730	100,000	6,762
Total spent on objectives	4,613,425	5,890,000	4,436,847
FRES service costs management & administration	215,929	200,000	135,252
Direct costs	209,051	100,000	126,511
Indirect costs and costs from investments	6,878	100,000	8,741
Sum of the expenses	4,829,354	6,090,000	4,572,099
Result	1,106,202	2,325,183-	585,293-

The budget of 2013 that is stated in the annual accounts of 2012 included the budget of entities that are not consolidated in the annual accounts. The budget that is stated above excludes the income and expenses from regular company activities of Yeelen Ba, Burkina Faso and NuRa, South Africa.

	Actual 2013	Budget 2013	Actual 2012
	€	€	€
The result of 2013 is appropriated as follows:			
Continuity reserve FRES Netherlands	-	-	-
Reserve for pre-financing future investments FRES Companies	3,000,000	-	-
Reserve for future projects	203,495	-	1,093,639
Reserve financing assets	694	-	596-
Fund donation Nuon	2,097,987-	2,325,183-	1,283,973-
Fund Hivos	-	-	129,516-
Fund EU Guinea-Bissau	-	-	264,847-
Total	1,106,202	2,325,183-	585,293-

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

		2013	2012
		€	€
Income from private persons, companies, institutions and governments	5,941,944		4,660,067
Payments to supplier, employees and projects	-4,137,151		4,724,376-
Cash generated from operating activities		1,804,793	64,309-
Received interest, realised result investments and balance deposits and withdrawals investments		278,825	5,981,727
Cash flow from operational activities		2,083,618	5,917,418
Investments in property, plant and equipment	1,845,044-		5,108,473-
Investments subsidies	473,218		-
Granted loans	-		442,000-
Cash flow from investment activities		1,371,826-	5,550,473-
Cash flow from financing activities		-	-
Cash flow		711,792	366,945
Exchange rate and conversion differences		-	-
Net cash flow		711,792	366,945
Cash and cash equivalents as at January 1		750,335	383,390
Net cash flow		711,792	366,945
Cash and cash equivalents as at December 31		1,462,127	750,335



General

Activities

FRES was founded in 2004 and is registered in Amsterdam. The foundation is located at Amstel 49 in Amsterdam. The activities of FRES and its group companies consist of realising sustainable rural electrification in developing countries, especially through the placement and management of autonomous solar energy systems. Additionally, FRES aims to participate in subsidiaries and partnerships that perform activities which benefit the goals of the foundation.

Group structure

As from 2013, the group includes three companies: Yeelen Kura S.A., FRES Uganda Limited and FRES Guiné-Bissau. FRES is the 100% owner of all companies, either directly or indirectly. The number of companies changed on November 4th 2013 when SSD-FRES, from which FRES had 80% of the shares and Yeelen Kura S.A. 20%, was dissolved.

ANBI

FRES is since 2007 designated as a ANBI (Public Benefit Organisation). As of January 1st 2014 new conditions apply to ANBIs as they will have to publish various data on an internet site. In 2013 FRES has extended the published data on its internet site to comply with the new ANBI requirements.

Consolidation

Intercompany transactions, intercompany results and intercompany balances among group companies and other consolidated entities are eliminated, insofar as the results were being realised through transactions with third parties outside the group. Unrealised losses on intercompany transactions are also eliminated unless such losses qualify as impairment. Accounting principles of group companies and other consolidated entities have been changed where necessary in order to align them to the prevailing group accounting policies.

The consolidation includes the financial information of FRES, its group companies and other entities in which it exercises control or where it is responsible for the overall management. Group companies are entities in which FRES exercises direct control based on the ownership of more than one half of the voting rights. 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%
FRES Guiné-Bissau S.A	Guinea-Bissau	100%

The participation in Yeelen Kura S.A. was obtained from EDF and Nuon at the end of 2008. FRES acquired this company from the aforementioned parties for an amount of € 1. Yeelen Kura is a 100% subsidiary of FRES. FRES Uganda Limited was founded in 2010 as a 100% subsidiary of FRES. FRES Guiné-Bissau S.A. was formally founded in 2011 as a 100% subsidiary of FRES.

In addition to the aforementioned subsidiaries, FRES has interests in the entity below. It is currently not involved in the consolidation. It is, separately and together, of insignificant importance.

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

SSD-FRES Benin was founded in 2010 as a 100% subsidiary of FRES. The company was formally founded in 2011 to be able to lay claim to a concession area and exemption from taxes. No activities have taken place in Benin in 2013.

General principles for preparing the consolidated annual accounts

General principles

The annual accounts have been prepared in accordance with the Guideline for annual reporting 650 for 'Charity organisations', as issued by the Dutch Accounting Standards Board. The objective of this guideline is to provide insight into the expenses of the organisation and the utilisation of funds in relation to the objectives for which

the funds were collected. The annual accounts have been presented in Euros.

Functional currency

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

Conversion of foreign currency

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. Foreign exchange revenues and expenses resulting from the settlement of such transactions and the conversion at year-end exchange rate are included in the income statement.

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

Assets and liabilities of consolidated subsidiaries with a functional currency different from the presentation currency are converted at the exchange rate prevailing at the balance sheet date. Revenues and expenses are converted at the average exchange rates during the financial year. Any resulting exchange differences are directly charged to the group equity for translation differences.

Cash flow statement

The cash flow statement has been prepared using the direct method. The cash items disclosed in the cash flow statement consist of cash. Cash flows denominated in foreign currencies have been converted at an average estimated exchange rate. 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.

Principles for the valuation of assets and liabilities

Prior-year comparison

The accounting policies have been consistently applied to all the years presented.

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 actual value, and subsequently valued at amortised cost, which equals the nominal value, minus impairment losses.

Impairment of fixed assets

At each balance sheet date, the foundation tests whether there are any indications of assets being subject to impairment. If any such indications exist, the recoverable amount of the asset is determined. If this proves to be impossible, the recoverable amount of the cash generating unit to which the asset belongs is identified. An asset is subject to impairment if its carrying amount exceeds its recoverable amount; the recoverable amount is the highest of an asset's actual value minus costs to sell and working value.

Receivables

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

Securities

Securities that are held for trading are valued at actual value in the initial processing. Changes in the actual value are recognised directly in the profit and loss account. Bought, interest-bearing bonds that will be held to maturity are valued at amortised cost.

Transaction costs are included in the income statement if they are related to securities, which were carried at actual value, are processed directly in the profit and loss account.

Cash and cash equivalents

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

Reserves and funds

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

Other assets and/or liabilities

The remaining assets and liabilities are valued at amortised cost, which is usually equal to the nominal value.

Principles for result determination

Result

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

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

Exchange differences

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

Depreciation of property, plant and equipment

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

Financial income and expenses

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

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

Taxes

The foundation is not obliged to pay company tax or turn-over tax. The foundation obtained and has maintained the ANBI status since 2007.

NOTES TO THE CONSOLIDATED BALANCE SHEET ITEMS

1.1 Property, plant and equipment

	Installations and mate- rials FRES Guiné-Bissau	Installations and materials FRES Uganda	Land and buildings Yeelen Kura and SSD	Installations and materials Yeelen Kura en SSD	Computers, software and office equipment	Total
Historical cost	-	553,813	612,658	5,561,326	19,205	6,747,002
Accumulated depreciation and impairments	-	56,302	172,491	2,233,063	17,067	2,478,923
Balance as at January 1	-	497,511	440,167	3,328,263	2,138	4,268,079
Movements						
Investments	473,218	845,826	-	523,944	2,056	1,845,044
Received subsidies and gifts	473,218	-	-	-	-	473,218
Exchange differences	-	2,238-	-	-	-	2,238-
Depreciation	-	172,041	20,803	594,035	1,362	788,241
Total movements	-	671,547	20,803-	70,091-	694	581,347
Historical cost	-	1,397,401	612,658	6,085,270	21,261	8,116,590
Accumulated depreciation and impairments	-	228,343	193,294	2,827,098	18,429	3,267,164
Balance as at December 31	-	1,169,058	419,364	3,258,172	2,832	4,849,426
Depreciation percentage	10%-33%	0%-20%	20%	20%		

Land and installations of Yeelen Kura relate to the assets that have been obtained as part of the acquisition from EDF and Nuon at the end of 2008, as well as the investments of Yeelen Kura after 2008, among other things, including the solar power stations in Mali.

In 2013, FRES Guiné-Bissau, FRES Uganda and Yeelen Kura invested in buildings, installations, solar equipment, hardware, and office furniture.

2.1 Receivables

	31-12-2013 Total	> 1 year	31-12-2012 Total	> 1 year
Receivables Yeelen Kura	268,927		228,746	
Receivables FRES Uganda	151,441		24,758	
Receivables FRES Guiné-Bissau	9,272		-	
Bridge loan NuRa	-		442,000	
Subsidies Yeelen Kura	-		1,743,433	
Subsidies Fres Uganda	414,994		348,353	
Subsidies	103,246		178,458	
Prepayments	2,300		1,748	
Other receivables and accrued income	22,298		15,171	
Total	972,478	-	2,982,667	-



The actual 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.

FRES provided a short-term bridge loan of € 442,000 with Nuon RAPS Utility (NuRa) on October 16th 2012. The loan was issued to bridge the period between payment from creditors and receipt of the subsidy from DoE. In July 2013, the bridge loan was transformed into a subordinate loan (20% own funding from FRES for new installations).

A subsidy amount of € 414,994 has yet to be received by FRES Uganda from the Rural Electrification Agency (REA) in Uganda. The outstanding amount is due to the delay in verification by the independent auditors of the installed systems in the field and delays at REA.

The remaining loans concern loans to Yeelen Kura for the replacement of systems and the purchase of 500 new SHS systems and a loan to Uganda to bridge the gap regarding cash flow in anticipation of the payment of subsidy funds from the Ugandan government.

The other receivables are advance payments which FRES has issued to employees who are going or have been on a mission, as well as donations from N.V. Nuon Energy staff that had yet to be received on the balance date.

The other receivables and accrued income concern the 2013 interest that had yet to be received at the end of 2013. This was received after the balance date.

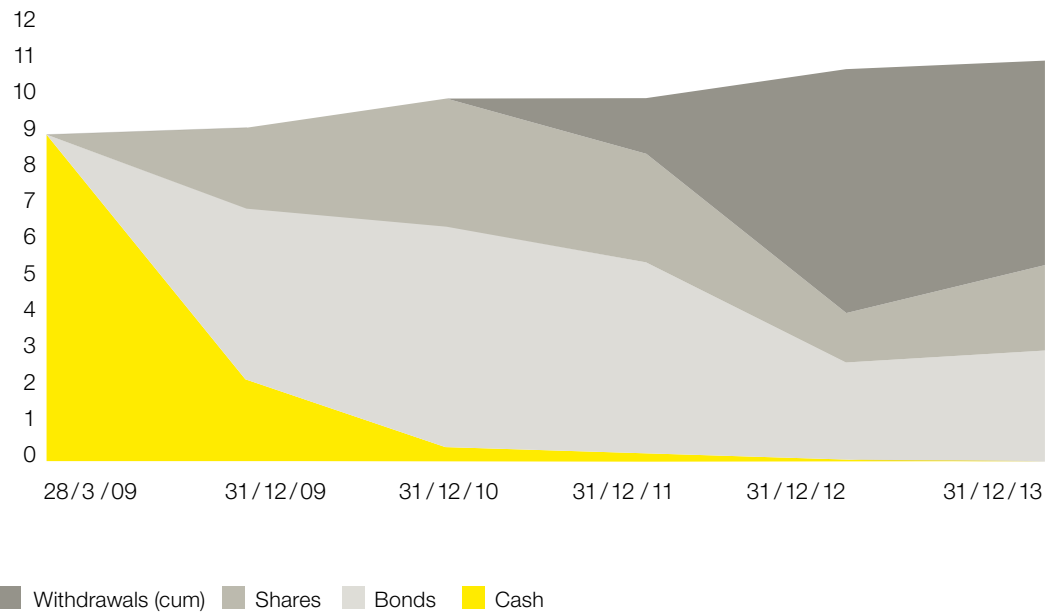
2.2 Securities

	2013	2012
Shares	2,321,001	1,649,288
Bonds	2,952,223	2,348,767
Increased coupon interest bonds	45,367	37,560
Total	5,318,591	4,035,615

All the securities mentioned above are quoted and are freely available to the foundation.

In 2009, the foundation formulated an investment policy. The investment activities are executed by ING and monitored by the FRES Board. The return on the securities amounted to 7.86% in 2013 (12.57% in 2012). The FRES Board evaluated the investment policy and decided not to make any changes.

The graph below displays the value development of the investment portfolio from the start in 2009 until January 1st 2014. In order to illustrate the allocation and development of the funds with time, the graph includes the cumulative cash withdrawals made to invest in the expansion of FRES companies.



2.3 Cash and cash equivalents

	2013	2012
ING Bank	969,901	389,476
ASN Bank	-	31,199
Bank credits Yeelen Kura	317,480	275,442
Bank credits FRES Uganda	161,313	40,874
Bank credits		
FRES Guiné-Bissau	13,134	12,767
Cash	299	577
Total	1,462,127	750,335

The cash and cash equivalents are freely available and being utilised for the operational activities and the objectives of the foundation.

NOTES TO THE RESERVES AND FUNDS

3. Reserves

3.1 Continuity reserve FRES Netherlands

This concerns a continuity reserve for FRES Netherlands. With this reserve, it is possible to shoulder the non-variable part of the expenses of FRES Netherlands for a period of six months.

	2013	2012
Balance as at January 1	250,000	250,000
Appropriation of results	-	-
Balance as at December 31	250,000	250,000

3.2 Reserve for pre-financing future investments FRES companies

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

	2013	2012
Balance as at January 1	-	-
Appropriation of results	3,000,000	-
Balance as at December 31	3,000,000	-

3.3 Reserve for future projects

This reserve is for the benefit of new projects that have not yet been committed.

	2013	2012
Balance as at January 1	4,975,335	3,881,696
Appropriation of results	203,495	1,093,639
Balance as at December 31	5,178,830	4,975,335

3.4 Reserve financing assets

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

	2013	2012
Balance as at January 1	2,138	2,734
Appropriation of results	694	596-
Balance as at December 31	2,832	2,138

3.5 Currency difference

	2013	2012
Balance as at January 1	-	-
Appropriation of results	2,237-	-
Balance as at December 31	2,237-	-

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

4. Funds

4.1 Funds Donation Nuon

This fund concerns the part of the donation of € 10,000,000 by N.V. Nuon Energy that has not yet been spent. The development of this reserve is as follows:

	2013	2012
Balance as at January 1	4,091,289	5,375,262
Appropriation of results	2,097,987-	1,283,973-
Balance as at December 31	1,993,302	4,091,289

The withdrawal from this fund in 2013 relates to the expenses made for FRES Uganda, FRES Guiné-Bissau, Yeelen Kura and Yeelen Ba.

5. Payables and other accruals

All payables and other accruals mentioned below fall due in less than one year. The fair value of the payables and other accruals approximates the book value due to their short-term character.

	2013	2012
Creditors FRES Netherlands	55,813	186,503
Other payables Yeelen Kura	2,025,742	2,487,360
Other payables FRES Uganda	68,894	24,134
Other payables FRES	29,447	19,937
Total	2,179,896	2,717,934

Commitments and contingencies not included in the balance sheet

There is an annual rent obligation for Amstel 49 in Amsterdam at the amount of € 9,600. The rent can be terminated annually.

DGIS (Directorate-General for International Coopera-tion, part of the Dutch Ministry of Foreign Affairs) decided to terminate the subsidy agreement with FRES of 2008 in July 2012. Through legal procedures FRES demands that the decision of DGIS to terminate the subsidy agree-ment is declared void and requests that the subsidy period is extended. Furthermore FRES disagrees with the way DGIS has calculated the subsidy due.

FRES views that it can lay claim to the whole remaining subsidy amount of € 5,370,310.

NOTES TO THE CONSOLIDATED STATEMENT OF INCOME AND EXPENDITURE

General

The donations concern the income from own fundraising activities.

Continuity of the activities

In 2013 new SHS systems were purchased in order to connect new customers in South Africa, Mali, Uganda, Burkina Faso and Guinea Bissau. A total of 6,186 new cus-tomers were connected in 2013. External funds have been secured to connect 4,800 customers in 2014 in Burkina Faso, Guinea-Bissau, Uganda and South Africa.

6. Income and expenses

6.1 Income

Income from own fundraising – private persons		
	2013	2012
Donation christmas gift		
employees Nuon	3,520	3,250
Donation rent office	3,600	3,600
Private donations	3,042	5,530
Total	10,162	12,380

The funds from private donors from 2012 were used in 2013 for the company Yeelen Kura in Mali. The funds received in 2013 will be used in 2014 for FRES Uganda.

Income from own fundraising - companies		
The donations from companies can be specified as follows:		
	2013	2012
Payroll Alliander employment		
Director Business Devel.	106,092	106,095
Project financing		
Burkina Faso (Nuon)	-	709,866
Donation Alliander		
office expenses	75,000	75,000
Donation Greenloans	-	10,000
Total	181,092	900,961

Payroll expenses were paid by Alliander for the employment of the Director Business Development. Alliander donated € 75,000 to FRES to cover office expenses. Microsoft sup-ported FRES with a Microsoft software donation.

Subsidies from governments		
	2013	2012
Burkina Faso (EU)*	440,788	350,824
Guinea-Bissau (EU)*	660,902	-
World Bank/Gov. Mali*	-	107,648
World Bank/Gov. Uganda*	543,436	365,701
DGIS*	1,729,690	-
Total	3,374,816	824,173
*Project financing		

Other subsidies		
	2013	2012
Stichting Doen (Uganda)*	300,000	300,000
Total	300,000	300,000
*Project financing		

Return on investments in securities and cash equivalents		
	2013	2012
Interest bank FRES Uganda	5,998	-
Result interest bonds	104,734	239,662
Dividends	14,136	54,407
Gains/losses shares*	267,848	366,568
Gains/losses bonds*	113,891-	101,222
Total	278,825	761,859
*(Un)realised		

The net return on these investments in securities and cash equivalents has been accounted for under the finan-cial income and expenses. The abovementioned return of € 278,825 included an amount of € -/- 113,891 unreal-ised results on the investments. The return is significantly lower than realised in 2012 because of changes in market conditions.

Cash equivalents were kept on the current account and deposit account at credit institutions with at least an “A” credit rating.

Other income		
	2013	2012
Income Yeelen Kura*	1,195,690	993,246
Income FRES Uganda*	436,995	153,907
Income FRES Guiné-Bissau*	157,976	40,280
Total	1,790,661	1,147,153
* from regular company activities		

6.2 Comparison actual versus budgeted

Comparison Actual 2013 versus Budget 2013

Differences between the actual results of income and expenses and the budget are analysed below.

NuRa and Yeelen Ba are not part of this consolidation and therefore the budget, income and expenses of these companies are not included in the present annual account. Expenses made by FRES Netherlands in support of these companies are included however.

Actual versus Budget 2013 - income

Income from our own fundraising – companies

Alliander donated the pay-roll costs of the Director Business Development and € 75,000 for office expenses. The pay-roll costs are included in the actual expenses; they were not included in the budget.

Income from Subsidies

Subsidies from Governments

Project financing DGIS: end of 2013 DGIS (Directorate-General for International Cooperation, part of the Dutch Ministry of Foreign Affairs) paid € 1,729,690 based on the subsidy agreement between FRES and DGIS of 2008. In the budget of 2013, no allowance was made because DGIS and FRES disagree on the final settlement of the subsidy and payment was unsure at that time. This dispute is subject of two legal procedures: one on the date of ter-mination of the subsidy agreement and one on the way the subsidy is calculated.

Project financing Burkina Faso (EU): The EU project has been extended by 1.5 year. in February 2013 FRES received a delayed payment of € 516,000 from the EU that was formally approved in 2012. Part of this amount (€ 178,458) was related to 2012 and was already recog-nised as income in 2012. At year 2013, a receivable of € 103,246 is recognised for expenses in 2013 which are eligible under the subsidy. Total income in 2013 relating to the EU grant amounts to € 440,788.

Project financing Uganda (World Bank/Government Uganda): Under existing agreements an amount of € 543,436 was received from REA, whereas the out-standing amount of invoiced subsidies per end of 2013 is € 414,994. Part of this outstanding amount (€ 256,344) is not yet covered by a signed subsidy contract. However, the REA steering committee has formally approved an extra € 326,000 for FRES Uganda already and FRES Uganda is now awaiting the signed confirmation.



Return on investments in securities and cash

The return on investments was € 272,759; which is slightly less than budgeted.

Other income

Income Companies – regular company activities

Income Yeelen Kura: The stated income of Yeelen Kura is higher than budgeted. However, the budget did not include investment subsidies and the consolidation corrections regarding this subsidy. If these are excluded, the income of Yeelen Kura is slightly lower than budgeted. Reasons are related to the stagnant growth of new SHS customers and the growing number of unsubscribing and non-paying customers. The income increased, compared with 2012, because of a higher number of customers and increased tariffs for grid customers.

Income FRES Uganda: The income of FRES Uganda is lower than budgeted due to a growing number of non-paying and disconnected customers. The increase compared with 2012 is due to a higher number of customers. Income FRES Guiné-Bissau: the income of FRES Guiné-Bissau is lower than budgeted because the budget was erroneously overestimated. The increase compared with 2012 is due to a higher number of customers.

Actual versus Budget 2013 - Spent on objectives

Expenses for regular company activities

These expenses include the costs made for the operational activities of the companies.

Yeelen Kura, Mali: The expenses for regular activities of Yeelen Kura were slightly higher than the budget. The budget did not include the allowance that was made in 2013 for income taxes that Yeelen Kura had to pay for the first time since the start of the operation.

NuRa, South Africa: The expenses for regular activities exceeded budget because of extra efforts made to improve the quality of NuRa’s operations. The majority was spent on, amongst others, hiring an interim operations manager and an intensive technical training for all personnel.

Yeelen Ba, Burkina Faso: The expenses for regular activities exceeded the budget because of significant additional efforts required to tackle operational issues in the company including payment problems with customers.

FRES Uganda, Uganda: The expenses for regular activities exceeded the budget because some installation materials

were not budgeted for. Also, the costs of transportation (fuel and vehicle maintenance) were much higher than expected due to a slightly bigger fleet, longer distances and a poor road network. The increase relative to 2012 is related to a higher number of customers.

FRES Guiné-Bissau, Guinea-Bissau: The expenses for regular activities of FRES Guiné-Bissau remained within budget. The increase relative to 2012 is related to a higher number of customers.

Expenses for company expansions

Yeelen Kura, Mali: Expenses were below budget because SHS customer growth was lower than planned; moreover, Yeelen Kura had sufficient stock to provide for the new customers that they did attract.

NuRa, South Africa: FRES contribution to SHS investments by NuRa was lower than budgeted as NuRa managed to cover more than the assumed 80% of the expenses for new SHS from the government subsidy received. Yeelen Ba, Burkina Faso: the expenses were well within the budget. The deviation is attributable to the fact that 10% of the contract value is withheld until the supplier fulfils its obligations and to a lower customer growth.

FRES Uganda, Uganda: The actuals are nil due to the fact that the SHS purchased have been activated. The assets acquired for expansion amount to € 853,424. These expenses are lower than budgeted due to the fact that the payment of approved subsidies and new contract extensions were lagging behind. FRES decided therefore to limit its financial risk by limiting investments in expansion.

FRES Guiné-Bissau, Guinea-Bissau: The costs were slightly higher than the budget due to the fact that meters were purchased and installed to address non-payment issues; these were not considered in the budget. As a result of the rapid delivery of the SHS systems by the supplier, the final contractual payment by FRES was brought forward (from 2014).

Expenses for new initiatives

Follow-up research was carried out concerning a potential project in Cameroon and a mission visited to obtain the necessary signatures for an EU application. Furthermore a due diligence was carried out on the company Korayé Kurumba that operates diesel mini-grids in Mali.

FRES service costs

The total service costs amounted to € 678,127, consisting of € 462,198 spent on objectives, and € 215,929 spent on management and administration. The difference compared to the budget of € 500,000 is mainly the result of contracting for one year an interim project coordinator for improving operations at NuRa and an increase in the employee expenses with the appointment of a Director of Operations and a second Liaison Officer based in Amsterdam. Furthermore the salary of the Director Business Development was not included in the budget.

A time allocation system is being used to allocate the service costs. Due to several improvements in the organisation over the last years less time is spent on management and administration than before.

Personnel expenses

The total costs are slightly higher than budgeted as a result of more personnel. The number of FTEs as of December 31st 2013 was 4.6 FTE (2013: 3.8 FTE). Including two freelancers who worked for FRES on December 31st, 2013 the number of FTEs amounted to 6.2 FTEs on December 31st 2013 (2012: 4.8 FTE).

6.3 Financial sustainability

Company	Income (cash)	Operating and replacement costs
Yeelen Kura, Mali	869,839	661,368
NuRa, South-Africa	1,125,608	1,467,457
Yeelen Ba, BF	195,022	298,000
FRES Uganda	436,245	706,831
FRES Guiné-Bissau	110,897	155,513

The financial sustainability of the FRES companies is determined by their ability to generate revenues that are sufficient to cover the expenses for regular operations and replacement. Yeelen Kura revenues were sufficient to cover the costs but not sufficient to build up adequate reserves for future replacements. NuRa revenues were insufficient to cover its cost, primarily due to the payment rate being below target. Yeelen Ba, FRES Uganda and FRES Guiné-Bissau are still building up to reach economies of scale and do not have replacement costs, but will have to address their operating cost level.

6.4 Other notes

Multi-year expense overview

The graph shown below displays the course of the expenses in the past year.

	Plan	Actual
2008	1,073,125	1,138,923
2009	3,270,000	2,437,931
2010	5,042,373	4,075,462
2011	6,348,888	3,900,000
2012	6,380,000	5,942,769
2013	10,820,000	8,820,490

The expenses and investments have been increasing gradually since 2008, with a slight decrease in 2011. In 2013, FRES invested mainly in FRES Uganda and FRES Guiné-Bissau as well as in the expansion of Yeelen Ba and NuRa.

Percentages spent on objectives

In accordance with the Guideline for annual reporting 650 for ‘Charity Organizations’ of the Dutch Foundation for Annual Reporting, the clarification below states several percentages.

Percentage of expenditures spent on objectives

The percentage of expenditures spent on objectives amounted to 96% in 2013 (2012: 97%).

This percentage is calculated as follows: the total of the expenses spent on the objectives divided by the sum of the expenditures.

The percentage is so high, and the overhead percentage is so low, because many volunteers including board members and commissioners execute their activities on a pro bono basis.

The percentage of expenditures spent on management and administration therefore amounts to 4.0%.

Percentage of income spent on objectives

The percentage of income spent on objectives amounted to 99% for 2013 (2012: 291%).

This percentage is calculated as follows: the total of the expenses spent on the objectives divided by the income, received in 2013. These incomes do not include transfers from reserves that were spent on activities in 2013.

Loans

In 2013 and previous years, FRES Netherlands issued several loans to FRES companies. Most of these loans were converted by the FRES Board into gifts.

An overview of the amounts outstanding on loans issued by FRES Netherlands is included below.

When comparing these data with the annual accounts of previous years, one should take into account that some loans have been paid back by the companies.

**Yeelen Kura, Mali**

Granted in:	
2009	247,420
2010	61,623
2011	1,806,444
2012	1,117,718
2013	360,473
Total	3,593,678

The loans mentioned above were, among other things, issued for the purchase of solar plants, replacement batteries, prepaid meters and the expansion of the network. The total aforementioned loan amount was converted into a gift.

In 2013, Yeelen Kura has repaid the loan of € 1,223,902 issued in 2012, not shown in the above table.

**Yeelen Ba, Burkina Faso**

Granted in:	
2008	8,100
2010	72,120
Total	80,220

The loans mentioned above were issued to cover start-up expenses and SHS purchases. The total amount of the loans mentioned above has been converted into a gift.

**NuRa, South Africa**

Granted in:	
2013	2,427,000
Total	2,427,000

The abovementioned loan replaces a number of previous loans that were issued for the expansion of SHS, the non-payment project and replacement of batteries, among other things. The total loan amount was converted into a gift in previous years.

**FRES Guiné-Bissau, Guinea-Bissau**

Granted in:	
2011	1,275
Total	1,275

The loan mentioned above was issued for the benefit of the start-up of the activities in Guinea-Bissau. The total aforementioned loan amount was converted into a gift.

**FRES Uganda, Uganda**

Granted in:	
2012	1,200,000
Total	1,200,000

The loan mentioned above was issued for the benefit of the expenses related to the start-up and expansion of the company. A loan facility was issued for € 1,200,000. Under this facility a total of €1,193,212 has been transferred to Uganda. The total aforementioned loan amount was converted into a gift.

**Remuneration Board members**

The remuneration of the Board members amounted to € 0 in 2013 (2012: € 0). No loans, advances or guarantees were issued to Board members. No employment contract exists between FRES and the Board members.

FOUNDATION'S BALANCE SHEET AS AT DECEMBER 31, 2013  
(after appropriation of results)

	December 31, 2013	December 31, 2012
	€	€
<b>Assets</b>		
1. <u>Non-current Assets</u>		
1.1 Property, plant and equipment	2,832	2,138
1.2 Financial assets	4,088,519	3,204,917
	4,091,351	3,207,055
2. <u>Current Assets</u>		
2.1 Receivables	127,844	637,377
2.2 Receivables from group companies	-	1,223,902
2.3 Securities	5,318,591	4,035,615
2.4 Cash and cash equivalents	970,200	421,253
	6,416,635	6,318,147
Total	10,507,986	9,525,202
<b>Equity and liabilities</b>		
3. <u>Reserves</u>		
3.1 Continuity reserve FRES Netherlands	250,000	250,000
3.2 Reserve for pre-financing future investments		
FRES Companies	3,000,000	-
3.3 Reserve for future projects	5,178,830	4,975,335
3.4 Reserve financing assets	2,832	2,138
3.5 Reserve currency difference	2,237-	-
	8,429,425	5,227,473
4. <u>Funds</u>		
4.1 Fund Donation Nuon	1,993,302	4,091,289
	1,993,302	4,091,289
	10,422,727	9,318,762
5. <u>Current liabilities</u>		
5.1 Payables and other accruals	85,259	206,440
Total	10,507,986	9,525,202



FOUNDATION'S STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED DECEMBER 2013

	Actual 2013	Budget 2013	Actual 2012
	€	€	€
6. <u>Income</u>			
6.1 Income from our own fundraising	191,254	78,000	913,341
6.2 Subsidies	<u>3,131,380</u>	<u>1,761,817</u>	<u>650,824</u>
Sum of the income	3,322,634	1,839,817	1,564,165
7. <u>Expenses</u>			
Spent on objectives (consolidated budget)	2,814,037	5,840,000	4,185,567
<u>FRES service costs spent on objectives</u>			
Direct support existing companies	293,668	100,000	205,277
Direct support company expansions	159,800	100,000	162,124
Direct support new initiatives	8,730	100,000	6,762
<u>Fres service costs management &amp; administration</u>			
Direct costs	91,987	100,000	126,511
Indirect costs and costs from investments	<u>6,876</u>	<u>100,000</u>	<u>8,741</u>
Sum of the expenses	<u>3,375,098</u>	<u>6,340,000</u>	<u>4,694,982</u>
Subtotal	52,464-	4,500,183-	3,130,817-
<b>Financial income</b>	272,827	275,000	761,859
Result subsidiary Yeelen Kura	66,588-	350,000	1,090,378
Result subsidiary FRES Uganda	942,787	50,000	695,721
Result subsidiary FRES Guiné-Bissau	<u>9,640</u>	<u>100,000</u>	<u>2,434-</u>
Result	1,106,202	3,725,183-	585,293-

## NOTES TO THE BALANCE SHEET AND STATEMENT OF INCOME AND EXPENDITURE

		2013	2012
<b>General principles for preparing the annual accounts</b>	Balance as at January 1	3,204,917	2,496,430
	Capital expenditure	-	15,200
<b>General principles</b>	Currency difference	2,237-	-
The foundation's stand-alone annual accounts have been	Result subsidiaries	885,839	693,287
prepared in accordance with the Guideline for annual	Balance as at December 31	4,088,519	3,204,917

Other notes to the foundation's balance sheet

For the other notes, we refer to the notes on the consolidated balance sheet items 2013.

## Notes on the statement of income and expenditure

Other income

For the other notes to the statement of income and expenditure, we refer to the notes on the consolidated income statement 2013.

## General principles for preparing the annual accounts

## General principles

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

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

For the principles of the valuation of assets and liabilities and the result determination, we would like to refer to the notes on the consolidated balance sheet and income on page 56 to page 58.

## Financial assets

Other receivables

Other receivables disclosed under financial fixed assets include issued loans and other receivables that will be held to their maturity date. These receivables are initially measured at actual value, and subsequently valued at amortised costs. Impairment losses are deducted from the amortised costs and included in the income statement.

## 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 if and 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.

### Notes to the balance sheet items

### Financial assets

The movement of the investments in subsidiaries during 2013 is as follows:

Expenses  
Spent on objectives

Destination	Objective									
			Existing companies				Expansion companies			
	Expenditures	Yeelen Kura, Mali	Nura, SA	Yeelen Ba, BF	FRES GNB	FRES Uganda	Yeelen Kura, Mali	Nura, SA		
		€	€	€	€	€	€	€		
	Subsidies and contributions	75,178	77,588	60,000	108,600	73,373	15,693	442,000		
	Remittances									
	Purchases and acquisitions									
	Outsourced work									
	Publicity and communication	10,490	8,342	19,017	9,873	8,318	5,800	6,528		
	Personnel expenses	36,249	28,828	65,716	34,116	28,744	20,043	22,560		
	Accommodation expenses	3,786	3,011	6,863	3,563	3,002	2,093	2,356		
	Office and general expenses	6,247	4,968	11,325	5,879	4,953	3,454	3,888		
	Depreciation and interest	1,801-	1,432-	3,265-	1,695-	1,428-	996-	1,121-		
	Total	130,148	121,304	159,656	160,336	116,962	46,088	476,211		
		3.9%	3.6%	4.7%	4.7%	3.5%	1.4%	14.1%		

					Mgmt. and admin.	Total 2013	Budgeted 2013	Total 2012
	Yeelen Ba, BF	FRES GNB	FRES Uganda	New initiatives	€	€	€	€
	609,362	555,912	783,551	12,776		2,814,033	5,840,000	4,185,568
						-	-	-
						-	-	-
						-	-	-
	5,171	2,814	10,181	1,666	19,057	107,256	95,412	57,061
	17,869	9,724	35,182	5,758	65,854	370,643	329,715	325,478
	1,866	1,016	3,674	601	6,878	38,709	34,435	32,923
	3,079	1,676	6,063	992	11,348	63,871	56,818	76,131
	888-	483-	1,748-	286-	3,272-	18,413-	-16,380	17,819
						-	-	-
	636,459	570,658	836,903	21,508	99,865	3,376,101	6,340,000	4,694,980
	18.9%	16.9%	24.8%	0.6%	3.0%	100%		

The allocation of the expenses to the activities, as they were presented in the consolidated income statement, occurs through a time allocation system.

The expenses for fundraising amount to a total of € 107,256 in 2013. At FRES, the expenses for fundraising mainly consist of the costs that are made for realising project subsidies. The expenses for fundraising amount to 3.6% of acquired funds.

Amsterdam, 24 April 2014

Board FRES  
Annemarie Goedmakers  
Serge Leijten  
Joop Lasseur

Supervisory Board FRES  
Aad Veenman  
Peter Smink



# Other information

Statutory arrangement concerning the appropriation of results

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

Adoption and approval of the annual accounts 2013

The annual accounts 2013 were adopted in a Board meeting held on April 24th 2014, and were approved by the Supervisory Board on April 24th 2014.

Proposed appropriation of results 2013

For the proposed appropriation of the results 2013 amounting to € 1,106,202 positive, we refer to the overview below. The Board has adopted the appropriation of the results in conformity with the proposal.

The proposal has been included in the annual accounts.

	Balance as on January 1, 2013	Appropriation of results 2013	Balance as on December 31, 2013
Continuity reserve FRES Netherlands	250,000	-	250,000
Reserve for pre-financing future investments FRES Companies		3,000,000	3,000,000
Reserve for future projects	4,975,335	203,495	5,977,908
Reserve financing assets	2,138	694	2,832
Fund Donation Nuon	4,091,289	2,097,987-	1,194,224
Total	9,318,762	1,106,202	10,424,964

INDEPENDENT AUDITOR'S REPORT

**To: the Board of Foundation Rural Energy Services**

We have audited the accompanying annual accounts 2013 as set out on pages 52 to 71 of Foundation Rural Energy Services, Amsterdam, which comprise the consolidated and the foundation's balance sheet as at 31 December 2013, the consolidated and the foundation's statement of income and expenditure for the year then ended and the notes, comprising a summary of accounting policies and other explanatory information.

Board's responsibility

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

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the foundation's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the foundation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of Foundation Rural Energy Services as at 31 December 2013, and of its result for the year then ended in accordance with the Guideline for annual reporting 650 "Charity organisations" of the Dutch Accounting Standards Board

Announcement according to the annual report

We have read the annual report in order to identify material inconsistencies, if any, with the audited annual accounts. Based on reading the annual report we established that the annual report is consistent with the information in the annual accounts and that the annual report contains all information required by Guideline for annual reporting 650 "Charity Organisations" of the Dutch Accounting Standards Board. We have not audited or reviewed the information in the annual report.

The Hague, 24 April 2014

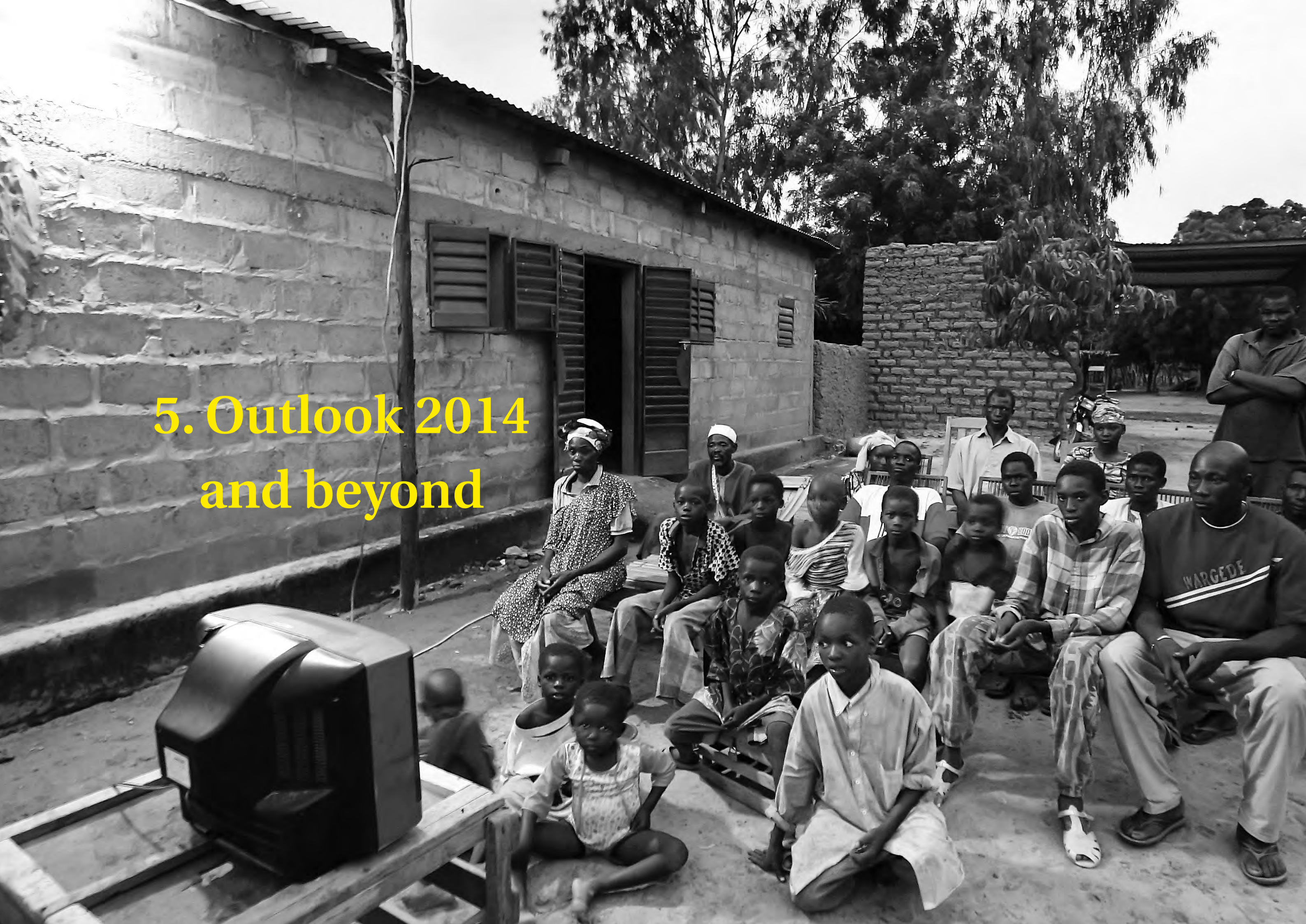
PricewaterhouseCoopers Accountants N.V.

Original has been signed by:

Drs. J. van Hoof RA



## 5. Outlook 2014 and beyond





# Outlook FRES companies

FRES companies have a long-term business horizon and the goal to become financially sustainable. Operational excellence programmes will lay the solid foundations for cost-effective and financially sustainable operations. With five mature companies, FRES is targeting 8,000 new clients in 2014. In line with the Business Plan 2014-2018, all FRES companies will strive to:

- Obtain financial sustainability through (i) improving payment rates, and (ii) reducing operational costs on a per customer basis without compromising quality;
- Institutionalise operational excellence through optimising system maintenance procedures, transportation logistics and customer service;
- Manage customer growth without compromising existing operations, with a focus on customer retention;
- Evaluate and embrace technological advances as they come to market, particular with respect to batteries, SHS control systems, pre-payment systems and mobile payment.

## Yeelen Kura in Mali

Over half of the new customers will be SHS customers. In 2013, the company made significant progress towards financial sustainability with an increase in mini-grid tariffs and a reduced use of diesel fuel. However, key to maintaining this will be to work with Mali's government to build towards sustainable tariff structures for the years ahead. In 2014, Yeelen Kura will continue to work with partner Alliander to improve the performance of its mini-grid networks.

## NuRa in South Africa

NuRa will work towards obtaining financial sustainability by February 2015 by densifying its customer base and optimising the life of its batteries via preventive maintenance and sound stock management. NuRa will continue to focus on results from the Non-Payment Action Plan in order to improve revenue collection.

## Yeelen Ba in Burkina Faso

Sustained customer growth is the key theme for Yeelen Ba in 2014 after the critical non-payment situation and restructuring of the company in 2013. In line with the EU targets, in 2014 Yeelen Ba will grow to 3,000 customers with a payment rate of at 95% by intensifying its marketing activities and implementing sales and collection targets at the energy store level.

## FRES Uganda in Uganda

In 2014, FRES Uganda will increase its customer base to 4,000 by expanding sales into four new districts and establishing one new service centre. Operational excellence and customer service will be a focus in the coming years as the company strives to control its operational costs whilst maintaining high payment rates, and building towards financial sustainability.

## FRES Guiné-Bissau in Guinea-Bissau

After a successful second year FRES Guiné-Bissau will focus on meeting its target of 2,000 customers and upgrading its IT management system in 2014. As a means to improve the payment rate to at least 95%, electronic timers will be installed on all new SHS installations as of January 2014.

## New initiatives

In addition to the five current FRES companies, FRES has the intention to establish a new FRES company in Cameroon. The start of the company will depend on whether funding can be secured.

# Outlook FRES Netherlands

## Focus

In 2014, FRES-NL will focus on supporting its companies in obtaining operational excellence and sourcing the necessary financing for expansion activities in the coming years.

## Organisation

After an organisational evaluation in late 2013, the Directors of Operations and Business Development of FRES NL will assume the role of Non-Executive Directors to the local companies, with the local General Manager assuming the executive function, as of January 2014. FRES will continue to work with a small team of paid staff and a larger team of (pro bono) expert volunteers.

## Partners

We will further increase our network of partners, each with their own contribution in terms of time and/or knowledge, through good relationship management via our network.

## Impact analysis

The impact study carried out by PWC and Erasmus University Rotterdam described in this report provided a lot of information but gave only limited insight into the added value of commercial activities by our customers thanks to the services of FRES. We aim to investigate this effect further in the areas where our companies are active.

## Risk management

One of the main risks for FRES is the sometimes very long periods during which we have to pre-finance very considerable sums. This results from the large upfront costs when investing in solar expansion. After significant investments in recent years, in 2013 the FRES board decided to reserve its remaining funds for supporting the growth of young FRES companies and providing the necessary pre-financing for donor/government investments.

## Fundraising

FRES will continue to support established FRES companies to attract external financing for expansion activities. In 2014, FRES will continue to build relationships with national and international development agencies as well as private sector companies in order to attract the required financing.

## Communication

Our communication aims at strengthening the support of (potential) experts, volunteers, partners and other stakeholders. Our flash reports, stakeholder meetings and website, as well as our annual reports are instruments to achieve this.

# Objectives 2014

FRES has the following objectives for 2014:

**Financial sustainability**

As of 2014, the performance of FRES companies will be assessed on (i) the payment rate; (ii) operating and replacement costs; (iii) customer growth; and (iv) financial sustainability. The financial performance of all companies has to improve through increasing customer density and retention, and improving payment rates. On the cost side it implicates striving for operational excellence and reducing costs.

**Investments**

FRES aims to connect 8,000 new customers to electricity in 2014, which brings the total number of customers to 38,000 at the end of 2014. We estimate that around € 7 million will have to be invested for this purpose in 2014.

**Subsidies**

We are striving to sign contracts for € 4 million in new subsidies.

**Improving organisational effectiveness**

We will improve the effectiveness and control of our organisation by changing the organisational structure and shortening communication lines.

**Strategic partnerships**

FRES will aim to develop strategic partnerships with two new organisations in 2014 in order to leverage expertise and knowledge.

# Operating account 2014

**Revenues**

<u>Revenues from our own funds</u>	<u>595,000</u>
Contribution service costs and employee (Alliander)	160,000
Private and business donations	3,000
Withdrawal from designated funds and reserves	667,000
Net-cashflow from subsidiaries	(485,000)
Profit from investments	250,000
<u>Project subsidies revenues (committed*)</u>	<u>1,670,000</u>
Yeelen Ba, Burkina Faso (EU/Nuon)	200,000
FRES Guine-Bissau, Guinea Bissau (EU)	500,000
FRES Uganda, Uganda (Stichting Doen)	300,000
FRES Uganda, Uganda (REA Uganda/Worldbank)	70,000
NuRa, South Africa (South African government)	600,000
<u>Project subsidies revenues (non-committed*)</u>	<u>4,650,000</u>
Yeelen Kura, Mali (World Bank, EU)	2,800,000
FRES Guiné-Bissau, Guinea-Bissau (UNIDO)	150,000
NuRa, South Africa (South African government)	1,700,000
<u>Revenues from operational activities</u>	<u>3,955,000</u>
Yeelen Kura, Mali	990,000
Yeelen Ba, Burkina Faso	290,000
NuRa, South Africa	1,900,000
FRES Uganda, Uganda	575,000
FRES Guiné-Bissau, Guinea Bissau	200,000
<u>Total revenues</u>	<u>10,870,000</u>

**Clarification of revenues**

The “withdrawal from designated funds and reserves” runs via the balance sheet. It can only be recognized as income if there are actual expenses. In recent years FRES has contributed more of its own funds to various projects than planned, because one of the partners withdrew its support. Therefore the FRES Board has decided for the time being that it will focus on expansion of new activities with 100% external financing. The amount of € 667,000 includes FRES commitments for the running EU projects in Guinea-Bissau and Burkina Faso and possibly FRES Uganda if the REA will completely withdraw its financial support. “Net-cash flow from subsidiaries” relates to the positive financial results of the subsidiaries (operational income minus operational costs and replacement costs)

**Revenues from our own funds**

In line with the above, there will be no withdrawal made in 2014 from the designated funds and reserves.

**Project subsidies (committed\*)**

Yeelen Ba, Burkina Faso (EU)  
FRES expects to receive the fourth advance of € 200,000 in the first quarter of 2014.  
FRES Guiné-Bissau, Guinea-Bissau (EU)  
FRES expects that the second advance of € 500,000 will be paid by the EU in the second quarter of 2014.  
FRES Uganda, Uganda (Stichting Doen)  
The third and final advance of the Stichting Doen subsidy, awarded in 2012, will be paid in March 2014.  
FRES Uganda, Uganda (World Bank)  
The current subsidy programme under ERTII with the government of Uganda/World Bank is exhausted. We expect to receive a small subsidy amount in 2014 from the ERTII program. ERTI III program has not been released yet and thus conditions regarding this subsidy program are not yet known. Payments from the government of Uganda are received by FRES Uganda after an audit of the number of new connected clients.  
NuRa, South Africa (South African government)  
NuRa has a contract with the South African government until the end of March 2014. Payments from the South African government are received by NuRa after an audit of the number of new connected clients



**Project subsidies (non-committed)**

Yeelen Kura, Mali (World Bank, EU)

End 2013, the World Bank approved allocation of subsidies to AMADER for the conversion of diesel mini-grids in solar mini-grids and for expansion with solar mini-grids and Solar Home systems. Yeelen Kura will submit a subsidy application with AMADER in the second trimester of 2014. In 2013, a subsidy application was submitted for Mali to the EU to carry out the necessary investments for 2014 and onwards. FRES expects to receive a reaction from EU in the second trimester of 2014.

NuRa, South Africa (South African government)

From April 2014, a new contract with the South African government for 1 year is expected to be signed in the course of the 2014.

FRES Guiné-Bissau, Guinea-Bissau (UNIDO)

In 2014, FRES expects that FRES Guiné-Bissau will receive subsidy from UNIDO for the implementation of a solar mini-grid that will be exploited in a commercial manner. The award of the subsidy, the design and procurement of the plant will take place in 2014, but the actual implementation of the solar mini-grid will take place at the start of 2015

**Revenues from operational activities**

These revenues consist of income from clients and operating subsidy (if available). Capital subsidies are not included.

**Expenditures**

<u>FRES Service costs</u>	640,000
FRES Service costs – spent on objectives	524,000
FRES Service costs – management and administration	116,000
 <u>Expenditures expansion companies</u>	 6,750,000
Yeelen Kura, Mali	2,800,000
NuRa, South-Africa	2,300,000
FRES Uganda, Uganda	1,000,000
Yeelen Ba, Burkina Faso (EU)	-
FRES Guiné-Bissau, Guinea Bissau (EU)	650,000
 <u>Expenditures operational activities</u>	 3,170,000
Yeelen Kura, Mali	405,000
Yeelen Ba, Burkina Faso	325,000
NuRa, South-Africa	1,700,000
FRES Uganda, Uganda	540,000
FRES Guiné-Bissau, Guinea Bissau	200,000
 <u>Expenditures replacements</u>	 300,000
Yeelen Kura, Mali	100,000
NuRa, South-Africa	150,000
Yeelen Ba, Burkina Faso	50,000
 <u>New initiatives</u>	 10,000
New initiatives other countries (Benin, Cameroon, Somaliland)	10,000
 <b>Total Expenditures</b>	 10,870,000

**Clarification of the expenditures**

**FRES Service costs**

FRES service costs are higher in 2014 because FRES will employ more staff in 2014.

**Expenditures expansion companies**

These expenditures concern capital investments for connection of new clients.

Yeelen Kura, Mali

An investment of € 300,000 is planned for new SHS and € 2.5 million for possibly the conversion of the Bla diesel mini-grid into a solar mini-grid (if a 100% subsidy is secured through AMADER and other donors) and expansion with solar mini-grids in new locations.

NuRa, South Africa

NuRa plan to roll out 4,000 new systems in 2014. The subsidy (for about 1,000 systems) is secured. The subsidy for the period after March 2014 is not yet known, however it is expected that the South African government will subsidize 100% of new installations. Should the South African government not provide 100% financing, then additional funding will need to be secured.

FRES Uganda, Uganda

In 2014, various purchase orders will be issued in preparation for connecting 1,300 new clients in 2014.

Yeelen Ba, Burkina Faso (EU)

There are still 1.500 systems in stock at Yeelen Ba which is sufficient to meet their target to connect 1,400 new clients in 2014.

FRES Guiné-Bissau, Guinea-Bissau

1000 new systems will be purchased through the EU tender process in order to achieve the intended number of clients for 2014.

**Expenditures operational activities**

These expenditures concern the expenses that are made for operational activities in the FRES companies.

**Expenditures replacements**

Yeelen Kura, Mali

Concerns the expenses for replacement of SHS parts and maintenance of the mini-grid networks.

NuRA, South Africa

Concerns the expenses for replacement of SHS parts and the removal of systems from cancelled clients.

Yeelen Ba, Burkina Faso

Concerns the expenses for replacement of SHS parts and the removal of systems from cancelled clients.

New initiatives

In 2014, further market research will be carried out to explore the potential of rural electrification in Cameroon.





Appendixes



# 1. Terminology

**AC/DC:** alternating current is an electric current with periodically altering current direction. Power that is delivered to households and industries via the electricity network is usually alternating current. An inverter can convert direct (DC) current into alternating current (AC).

Direct Current is an electric current with constant current direction. Dry cell batteries, solar panels, and lead batteries are examples of power sources that deliver direct current when a load is connected.

**ANBI:** an organisation for the general benefit that is accepted as such by the Dutch Tax Authorities and is exempt from paying tax on inheritances or gifts it receives within the framework of the general benefit. Moreover, private donors can deduct donations from income taxes.

**Board of Commissioners (BoC):** supervises a FRES company.

**Concession area:** the area for which a FRES company has permission to provide its services from the relevant authorities.

**Corporate Social Responsibility (CSR):** CSR is a form of entrepreneurship that focuses on economic performance (profit), while respecting society (people) within the ecological boundary conditions (planet).

**Fee-for-service:** customers pay a monthly fee for the access to electricity, the amount of which depends upon the chosen service level which guarantees the maintenance of the necessary technical system.

**kWh:** the electrical capacity that is used during one hour.

**Mini-grid:** a small electricity network to which only one village can be connected. The customers are provided with power via a power line from the network to their home.

**Non-payment:** the percentage of customers with payment arrears of (at least) 30 days.

**Payment Rate:** payments received as percentage over payments due.

**Public Private Partnership (PPP):** a cooperation agreement between the government and the corporate sector.

**Rural electrification:** providing rural areas with access to electricity.

**Service level:** every FRES company offers various service levels that offer various degrees of electricity. Per service level, customers have access to a certain number of lamps and power sockets or pay an amount per kWh for electricity consumption.

**SHS (Solar Home System):** a standard SHS consists of a battery, regulator and a solar panel. This system can deliver sufficient electricity for lamps and/or radio, ventilator, cell phone charger or TV for 4-5 hours a day.

**SHS customer equivalent:** customers who are connected to a mini-grid (mostly companies) use more power than customers with an SHS. One mini-grid customer is considered equivalent to five SHS customers.

**Stakeholder:** a person or organisation that is influenced by or has impact on FRES (positively or negatively).

**Supervisory Board (SB):** supervises FRES.

**Watt peak (Wp):** the nominal output capacity of a solar panel, tested in STC (Standard Test Conditions).

# 2. Solar Home System and Solar mini-grid: how does it work?

## How does a Solar Home System (SHS) work?

An SHS consists of a number of solar panels, batteries, a regulator and several lamps and sockets. The solar panel generates power that is stored in the battery. The stored power can be utilised during the day or evening. The regulator ensures a stable (direct) current.

## Advantages of using an SHS

- Access to electricity in areas that have no electricity network in the present or foreseeable future;
- Quick installation and possible disassembly in case of, for instance, the construction of an electricity network;
- Little maintenance;
- The system can be expanded depending on the needs and budget of the customer;
- SHS is a cheaper solution than traditional energy in terms of light quality (lumen) or electricity (kWh) (lamp oil, batteries and/or candles );
- No harmful emissions.

## Limits in using an SHS

- The number of electrical devices that can be connected is limited;
- Devices that require a lot of electrical capacity cannot be connected;
- Cooking, heating and cooling are not possible;
- Relatively high initial investment (borne by FRES).

## How does a Solar mini-grid work?

A solar mini-grid consists of a solar power plant and a small distribution network.

A solar power plant consists of a field of solar panels and a large battery bank. Solar power plants in Mali are modular, consisting of one or several 50 kWp solar arrays, each with over 200 solar panels covering a surface area of 400 m<sup>2</sup>. Each 50 kWp module can produce up to 73,000 kWh of electricity annually. Every individual solar panel produces low voltage direct current (DC). Their combined output results in a high voltage that is subsequently converted into 220 V alternating current (AC) similar to that in urban areas.

The generated electricity is fed into the network of distribution cables and transported to customers within a radius of a few kilometres. One solar power plant of 50 kWp can provide approximately 250 families and companies with power. Many mini-grids of Yeelen Kura were originally powered by a diesel generator, most of which have now been replaced by solar power plants, while the old diesel generator serves as a backup generator. During the day, when a lot of solar electricity is produced but relatively little is used, the excess electricity that is not used by customers is stored in large batteries. At night, when the demand is relatively high and the sun is not available as an energy source, the solar energy stored in the batteries is supplied to customers. The backup diesel generator provides additional power when required.

## The advantages of a solar mini-grid compared to a diesel mini-grid

- Not dependent upon the diesel supply (important for landlocked countries such as Mali, which are dependent on imports);
- Not dependent on volatile fuel prices;
- No particulate emissions, and therefore fewer health risks;
- Clean technology: no oil leakages;
- No CO<sub>2</sub>, NO<sub>x</sub> and SO<sub>2</sub> emissions due to electricity production;
- Low maintenance;
- No noise;
- Lower cost of electricity production

# 3. Procedure for starting up new companies

## Phase 1: Pre-selection of countries based on three options

- Market-potential research;
- Upon requests from governments or NGOs;
- Applying for tenders issued to provide a rural area with electricity.

## Phase 2: Desk research

We collect as much detailed information as possible about laws and regulations with regard to electrification, taxes, concession areas, possible competition and the economic situation per region in a country.

## Phase 3: Market research

Components of market research:

- The level of income and household expenses on traditional energy expenditure (kerosene, candles batteries and charging mobile phones);
- The potential of the area: there have to be at least 10,000 potential customers within 10,000 km2;
- The possibility of cooperating with companies, NGOs and local partners;
- Willingness of governments to work with us, by making arrangements such as exemptions of import duties and concession zone agreements.

## Phase 4: Developing a Business Plan

The Business Plan has to show the viability of the new FRES company. It contains the following components: the number of expected customers, the target market, the time schedule, a financial projection of costs, income and investments, and a well-founded financing plan.

## Phase 5: Decision-making and implementation

Based on the Business Plan, the Board evaluates whether or not a new FRES company can be founded. The Board then presents the decision to the Supervisory Board for approval. When the financing has been arranged, we appoint a General Manager and a Board of Commissioners. Every company begins small to test the local conditions and best practical approach. This way, the financial risks remain limited.

## Phase 6: Monitoring and adjusting

FRES monitors and evaluates the performance of the companies against the milestones defined in the Business Plan. In the first years after start-up particular attention is paid to the number and type of customers, expenses per customer, salary and secondary terms of employment, the number and content of customer complaints, revenue recovery rates, overhead expenses and investment expenditures per new customer. Based on this information, the company's plans and policies are adjusted where necessary.

In addition, FRES conducts assessments of the socio-economic impacts of the local company's activities.

The frequency and nature of our information supply is adjusted to the needs of our partners, financiers and relevant regulators.

# 4. Organisation in detail

FRES, in full Foundation Rural Energy Services, is a foundation according to Dutch legislation. The Dutch tax authorities have granted FRES the ANBI status (ANBI: Algemeen Nut Beogende Instelling: not for profit institution serving the public Interest).

## Board: composition

Who	Function	(Additional) functies	Period	Reappointment possible?
Annemarie Goedmakers	President (CEO)	· Director Goedmakers B.V. · Chairman Stichting Chimbo · Chairman Executive Committee Daridibó	2009/2014	yes
Serge Leijten	Treasurer (CFO)	· Freelance Management Consultant	2010/2015	yes
Harry Droog	Board member (COO)	· Chairman Southern rowing union · Industrial Advisor Stan Ackermann Institute	2009/2013	n/a
Joop Lasseur	Board member (COO)	· Chairman Sambo Foundation	2013/2016	yes

## Supervisory Board: composition

Who	Function	(Additional) functies	Period	Reappointment possible?
Aad Veenman	Chairman	· Chairman Board of Commissioners TenneT BV · Member Board of Commissioners Achmea · Member Board of Commissioners Draka Holding · Member Board of Commissioners Royal Huisman Shipyard BV · Figurehead Economische Topsector Logistiek	2009/2017	yes
Peter Smink (on behalf of Nuon)	Secretary	· CEO/CFO NV Nuon Energy · Head of Staff Function Finance, Business Region Continental/UK Vattenvall AB · Member Supervisory Board Yellow and Blue · Board member Swedish Chamber of Commerce in the Netherlands	2010/2014	yes



Paid staff 2013

FRES Netherlands

Caroline Nijland – Director Business Development (since 2007)  
Frederique Schlicher-Wijtenburg – Liaison Officer (since 2012)  
Conny van der Wilk – Manager of Administration (since May 2012)  
Chris Service – Business Developer (since July 2012)  
Thad Hecker - Director Operations (until February 2013)  
Everard Geurtsen - Director Operations (since May 2013)  
Nuria Cunha Soares - Liaison Officer (since August 2013)  
Sabah el Miloudi – freelance Procurement Officer (since 2011)  
Peter de Wit – freelance Project Leader Special Projects NuRa (until May 2010) thereafter Operations Manager NuRa

General Managers FRES companies

Yeelen Kura, Mali: Djibril Séméga  
NuRa, South Africa: Sifiso Dlamini  
Yeelen Ba, Burkina Faso: Emmanuel Sanou (until August 2013); Bourahima Yameogo (from October 2013)  
FRES Uganda: Allan Asingwire  
FRES Guiné-Bissau: Reinder Bouwmeester

Unpaid staff

Board

Annemarie Goedmakers – Chief Executive Officer (CEO/President)  
Serge Leijten – Chief Financial Officer (CFO/Treasurer)  
Harry Droog – Chief Operations Officer (COO/board member) (until April 2013)  
Joop Lasseur - Chief Operation Officer (COO/board member) (since May 2013)

Board of Commissioners FRES companies

Yeelen Kura, Mali:  
Rob Costermans – Chairman  
Liliane de Jager – Member (since May 2011)  
Thad Hecker – Member (until February 2013)  
Everard Geurtsen – Member (since May 2013)

NuRa, South Africa:

Bart Blokland – Chairman  
Coen de Ronde – Member  
Thad Hecker – Member (until February 2013)  
Everard Geurtsen – Member (since May 2013)

Yeelen Ba, Burkina Faso:

Rob Costermans – Chairman  
Liliane de Jager – Member (since May 2011)  
Djibril Séméga – Member (since July 2011)  
Thad Hecker – Member (until February 2013)  
Everard Geurtsen – Member (since May 2013)

FRES Uganda:

André Kuiper – Chairman (until May 2013)  
Marjolein Quené – Secretary (until November 2013)  
Thad Hecker – Member (until February 2013)  
Everard Geurtsen – Chairman (since June 2013)  
Caroline Nijland – Secretary (since November 2013)

FRES Guiné-Bissau:

André Kuiper - Chairman (until May 2013)  
Everard Geurtsen – Chairman (since June 2013)  
Caroline Nijland - Member (since April 2012)  
Thad Hecker – Member (until February 2013)

Advisors and experts

Abo Rassa – Due Diligence SSD SA Korayé Kurumba, Mali  
Achim Lauscher - Photographer Annual Report 2013, NuRa, South Africa (December 2013)  
Dick Barnhoorn – EMU Evaluation (from May 2013)  
Jacco Smit – Research Network Losses Yeelen Kura, Mali (from August 2012)  
Nuria Cunha Soares – Enrichment Impact Studies 2012 (June till July 2013)  
Tom van Woerkom - Network Losses Yeelen Kura, Mali  
Symon Miedema – LED Study  
Willem Post – Human Resources Advisor (from July 2012)

Board

The FRES Board consists of three functions: Chief Executive Officer (CEO/President), Chief Financial Officer (CFO/Treasurer) and Chief Operations Officer (COO/Board member). The Board functions as a management team. It fulfils its task on a voluntary basis and receives a compensation for the actual expenses made.

Responsibilities

- Determining and supervising the strategy, policy, budget and results;
- Safeguarding the progress;
- Stakeholder management;
- Deciding on the appointment and resignation of (paid and unpaid) employees;
- Fundraising;

- Being aware of conflicts of interest between the foundation and Board members and/or employees.

(Re-)appointment procedure

The Board members are appointed by the Supervisory Board upon the recommendation of the Board. The Board selects new Board members on the basis of specific knowledge and expertise within the fields of FRES. Board members are appointed for a period of five years and can be reappointed after this period has ended.

Supervisory Board

FRES has had a Supervisory Board since 2009. The task of the Supervisory Board is to supervise the management policy and the general state of affairs within FRES. The Supervisory Board advises the Board.

Responsibilities

- Appointing Board members upon the recommendation of the Board and appointing the Chairman of the Board;
- Evaluating individual Board members annually for the benefit of a well-functioning Board;
- Appointing members of the Supervisory Board after consultation of the President of the Board and/or on recommendation of the Board;
- Approving the annual plans presented by the Board,
- including the budget that comprises the investment and financing plans, and the revision thereof;
- Approving decisions of the Board insofar as these are not part of an adopted annual plan;
- Adopting the audited annual accounts.

(Re-)appointment procedure

The Supervisory Board consults with the President of the Board about the profile outline and an intended appointment of a member of the Supervisory Board. The Supervisory Board appoints a candidate as a member, on the recommendation of the Board, unless the recommended candidate is unsuitable or the appointment would not lead to a proper composition of the Supervisory Board. Main sponsors have the right to recommend a candidate for the Supervisory Board. Members are appointed for a period of four years and can only be reappointed once after this period.

Employees FRES Netherlands

FRES strives to keep the operational expenses in the Netherlands as low as possible by working with a small core of permanent (paid) employees and a large, flexible team of (pro bono) experts. The latter are of great value to

the FRES activities. The employees of FRES Netherlands report to the Board. Performance reviews are held with each employee on an annual basis.

The pro bono volunteers and experts have different backgrounds and fields. They practically always work for us on a temporary basis and based on a clearly described assignment. We work with experts, students, interns and other volunteers. Experts support FRES with specific knowledge, experience and networks; interns and students conduct research into various areas; and other volunteers support various activities.

Paid employees FRES Netherlands 2011-2013

	2011	2012	2013
Number of employees	3	5	6
Male / Female ratio	0/3	2/3	2/4
Definite / Indefinite contract	3/0	5/0	5/1
Fulltime / Part-time	1/2	1/4	1/5
Number of FTEs	2.4	3.8	4.6
Average sick leave	5,2%	1%	0.5%
Average age	38	44	42
Influx / Outflow	0/3	3/3	2/1
Number of freelancers	1	1	2
Influx/outflow freelancers	0/3	1/0	1/0

HRM FRES companies

On 31-12-2013, 52 people were employed at Yeelen Kura in the following composition:

	2012	2013
Number of Employees	51	52
Male/Female	46/05	46/6
Definite / Indefinite contract	10/41	17/35
Fulltime / Part time	41/10	40/12
Influx / Outflow men	15/3	4/4*
Influx / Outflow women	0/0	1/0
Employees older than 55 years	0	0
Number of men / women in MT	3/0	3/1
Energy Store Manager	15	16
Managers in total	20	6

\* 1 deceased

On 31-12-2013, 93 people were employed at NuRa in the following composition:

	2012	2013
Number of Employees	88	93
Male/Female	57/31	65/28
Definite / Indefinite contract	0/88	1/92
Fulltime / Part time	88/0	93/0
Influx / Outflow men	21/12	23/15
Infloux / Outflow women	8/5	2/5
Employees older than 55 years	2	0
Number of men / women in MT	6/3	6/3
Energy Store Manager	9	9
Managers in total	23	18

On 31-12-2013, 29 employees were employed at Yeelen Ba in the following composition:

	2012	2013
Number of Employees	23	29
Male/Female	20/3	26/3
Definite / Indefinite contract	23/0	27/2
Fulltime / Part time	23/0	29/0
Influx / Outflow men	11/4	5/4
Infloux / Outflow women	0/0	1/1
Employees older than 55 years	0	0
Number of men / women in MT	3/0	3/1
Energy Store Manager		
Managers in total	4	4

On 31-12-2013, 55 employees were employed at FRES Uganda in the following composition:

	2012	2013
Number of Employees	44	55
Male/Female	34/10	43/12
Definite / Indefinite contract	20/24	54/1
Fulltime / Part time	43/1	55/00
Influx / Outflow men	29/3	10/01
Infloux / Outflow women	9/1	04/02
Employees older than 55 years	00	00
Number of men / women in MT	3/3	3/2
Energy Store Manager	4	4
Managers in total	6	9

On 31-12-2013, six people were employed at FRES Guiné-Bissau in the following composition:

	2012	2013
Number of Employees	5	6
Male/Female	4/1	4/2
Definite / Indefinite contract	0/5	0/6
Fulltime / Part time	5/0	6/0
Influx / Outflow men	4/0	0/0
Infloux / Outflow women	1/0	1/0
Employees older than 55 years	0	0
Number of men / women in MT		3/0
Energy Store Manager	4	1
Managers in total	4	3

## 5. Accountability statement

FRES underwrites the Code of Good Management Practices for Charities (Code Wijffels) and acts in accordance with this code.

**Principle 1: Separation between the functions supervision, management and execution**

FRES is a foundation with a clear separation between the functions of supervision, management and execution. The Supervisory Board supervises the way in which the Board operates and whether this happens within the set policy frameworks. The three Board members function as the management team of FRES; they determine the policy and supervise the execution of the policy by the rest of the organisation. Additionally, the Board supervises FRES-NL and appoints Board members for the Boards of Commissioners of FRES companies. For the local FRES companies in Africa, the Boards of Commissioners of each company provide supervision, and the General Managers handle business management and employee supervision.

External supervision is conducted by PwC (auditing), ING (asset management and sustainable investment portfolio) and our private and business donors and subsidisers (via stakeholder meetings, the annual report and special reporting).

**Principle 2: Optimal spending of resources**

We strive for an optimal level of resource effectiveness. There is a strategic multi-year Business Plan which includes a multi-year budget. We also draw up an annual plan and budget based on this multi-year Business Plan that is evaluated and updated at the end of each year.

**Principle 3: Optimal relationships with interested parties**

FRES cooperates closely with national and local governments, subsidisers, volunteers, universities and businesses. A good, open and reliable communication is extremely important to us. We want to improve international commitment to rural electrification. By means of various meetings and (online and offline) publications, we inform our stakeholders (stakeholder meetings, digital newsletter, website [www.fres.nl](http://www.fres.nl), annual report and social media). The annual report and annual accounts are available on the website.

**Principle 4: Conflict of interest**

Guidelines for situations that could include a conflict of interest (Code Wijffels point 5.5.g) are included in the management procedures.



# 6: GRI-index (Global Reporting Initiative)

FRES publishes the annual report in accordance with the guidelines of The Global Reporting Initiative (GRI) that offers companies and organisations worldwide a coherent system for reporting on sustainability. You can find the GRI-index of FRES for the annual report 2013 [here](#).

# Colophon

This is a publication of  
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