

A woman with a joyful expression is looking upwards towards a bright light source, possibly a solar panel, mounted on a wall. She is wearing a vibrant, multi-colored patterned headwrap and a matching long-sleeved dress. The background is a simple, textured wall, suggesting a rural or semi-rural environment.

FRES

Annual Report 2012



foundation RURAL ENERGY SERVICES

Perseverance

Here in Europe, power comes from our sockets. But there are still 1.3 billion people who do not yet have electricity. That means poor lighting, no TV and no possibility to charge a mobile phone, to name a few things. Doing homework or running a store in the evening is difficult by the limited light of a candle or oil lamp. And they also tend to cause fires and health issues because of air pollution indoors.

This has to change, and the topic is currently high on the political agenda. The United Nations has designated 2012 as the year of “*Sustainable energy for all*”. Sustainable energy is one of the most urgent challenges, according to the authoritative international GEA-report (Global Energy Assessment 2012).

For over ten years, FRES has been working on this challenge. Over 190 thousand people in five African countries have already gained access to (sustainable) electricity, provided by Yeelen Kura in Mali, NuRa in South Africa, Yeelen Ba in Burkina Faso, FRES Uganda and FRES Guiné-Bissau.

Electricity is more than lighting and TV alone; it also boosts the local economy, creates new employment, improves living circumstances and gives people local access to modern means of communication. FRES companies contribute to this.

In 2012 we have again achieved good results. But it wasn't easy. In Mali, six new solar power stations became operational, despite a military coup and a war in the north of the country. FRES started up in Guinea-Bissau and managed to provide the first 250 customers with power, despite the political unrest after a military coup. FRES Uganda welcomed its thousandth customer after the bureaucratic obstacles had been overcome. Yeelen Ba experienced a spurt in the development of the company. Despite the economic crisis, which also affects the work of FRES, we acquired 7,200 new customers in 2012, which means that over 50 thousand additional people now have access to electricity, families can now do homework in the evening, and small companies can improve their income.

With over 24 thousand customers and a total electricity production of over 40 thousand SHS-customer equivalents* at the end of 2012, FRES is going full steam ahead. But we are not yet there. FRES wants to have at least 100 thousand customers by 2020, as a modest, but important step on the road to (sustainable) power for all. It is therefore necessary that the local companies become financially sustainable. This will take effort, and without doubt, barriers and obstacles will have to be overcome. In these conditions, it comes to perseverance, and FRES is determined to persevere, as we have shown this past year.

Last but not least, many experts work for FRES on a voluntary basis. Their work is of great value to us. This is also true for the contributions of our partners and our donors. Their effort is essential in achieving results. We would like to thank everyone who has helped us in the past year.

The Board,
Annemarie Goedmakers
Serge Leijten
Harry Droog

* Customers who are connected to a (Solar) Minigrid (usually small companies) consume more power than customers with a Solar Home System (SHS). One (Solar) Minigrid customer is equivalent to five SHS-customers.

Report from the Super- visory Board

The Supervisory Board of FRES supervises the management policy and the general state of affairs in the foundation. With this annual report, the Board accounts for the performance of its tasks and responsibilities in the year 2012.

In 2012, the Supervisory Board consisted of Aad Veenman (chairman) and Peter Smink (secretary). There was one outstanding vacancy. In 2012, the Supervisory Board met twice and approved a number of decisions made by the Board that were urgent but did not require a meeting via e-mail.

The Supervisory Board has aided the Board in developments regarding the Directorate-General for International Cooperation (DGIS). DGIS broke the contracted cooperation unilaterally, and a legal procedure is pending.

On April 25, 2013, the Supervisory Board drew up and discussed the annual report and the annual accounts for 2012, as they were established by the Board, in the presence of the external accountant PwC. The Board drew up the annual accounts for 2012 and granted its approval to the 2012 annual report after having been informed of the approval statement issued by the accountant with regard to 2012.

The Supervisory Board would like to thank all employees and volunteers, the Board of FRES in the Netherlands, the Supervisory Boards of the FRES companies and all other persons involved for their work in 2012.

Aad Veenman
Chairman

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For Appendices 2 to 6 see www.fres.nl

Objectives and results 2012

The objective of 2012 was to grow to 24,000 customers within all FRES companies. At the end of 2012, the number of 24,071 customers was realised. NuRa, FRES Uganda and the starting company FRES Guiné-Bissau realised a higher number of customers than planned.

FRES planned to invest € 6.3 million. In reality, it was € 5.9 million.

1. Expansion of the FRES companies in South Africa, Mali and Burkina Faso.

Partly achieved

NuRa, South Africa: the number of customers increased from 12,520 to 16,500, more than the planned net growth of 2,980 customers. 6,042 new SHS were installed instead of the planned 4,792.

Yeelen Kura, Mali: the number of customers increased from 3,742 to 4,881. During the course of the year, the objective for the end of 2012 was adjusted from 6,128 to 5,242. The reason for this was the coup in March 2012. This number also proved to be too optimistic. Although the construction of six new solar power stations was slowed down by the coup, they became operational in August. The number of customers who were connected to a Solar Minigrid increased from 764 to 2,584.

Yeelen Ba, Burkina Faso: the number of customers increased from 468 to 1,372, slightly less than the planned number of 1,500. The acquisition of the one thousandth customer was celebrated in October.

2. FRES Uganda acquires 850 customers.

Achieved

In the first year that the company was actually operational, FRES Uganda realised 1,019 customers instead of the planned 850. Achieving the thousandth customer was celebrated on October 20.

3. In Guinea-Bissau, the FRES company connects the first 250 customers in 2012.

Achieved

FRES Guiné-Bissau got off to a great start and entered into contracts with 299 customers instead of the planned 250 in the first year.

4. The financial performances of the existing FRES companies improves through customer growth and the improvement of the operational performance, such as reducing nonpayment and improving customer retention.

Achieved

NuRa implemented the action plan to handle nonpayment and was successful. Nonpayment was reduced from 34% to 17% (at the end of 2011 / 2012).

Yeelen Kura lowered its dependence on the loss-making diesel minigrids by installing six new solar power stations.

NuRa and Yeelen Kura are on course to become financially and economically sustainable.

5. Attracting additional professional experts who work for FRES on a voluntary basis with a wide range of expert knowledge.

Achieved

In 2012, ten people worked for FRES voluntarily. They gave advice on how to approach the payment arrears in South Africa, made a financial analysis of the South African Solar vision concession as a new business opportunity, drew up a communication plan for the use of the six new solar power systems in Mali, and investigated the potential for solar/hydro power minigrid systems in Southwest Uganda. In Mali, an Alliander employee investigated the (too) high grid losses. Two students travelled to Uganda and South Africa to work on a socio-economic impact study.

6. Attracting € 4 million in subsidies.

Achieved

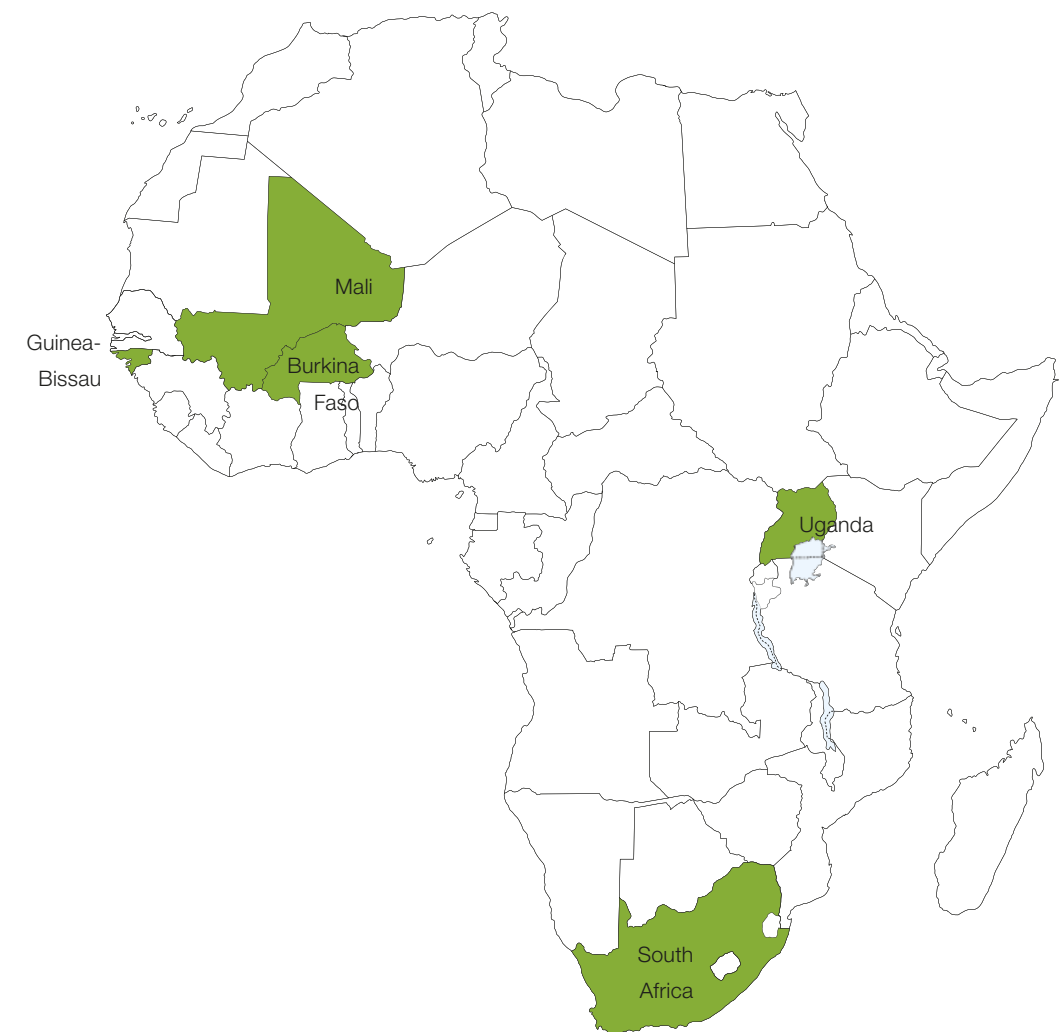
The South African government (Department of Energy) awarded a new subsidy of € 3.6 million in 2012 (this was confirmed in writing in January 2013) for the connection of another 2,000 SHS before April 2013 and 4,000 SHS until April 2014.

7. Conducting research into the impact of electrification in the rural areas where FRES operates.

Achieved

In cooperation with the Erasmus University, PwC conducted a study into the socio-economic impact on the availability of electricity for customers of FRES companies in October. In Mali, Uganda and South Africa, baseline studies were conducted. These were followed by an impact study in Mali and South Africa. Local organisations, including SNV, held surveys. The final report is expected in May 2013.

Map of Africa (with FRES countries)



Part 1

FRES: Providing people and companies with sustainable electricity



Outline of FRES

The Foundation Rural Energy Services (FRES) promotes electrification in rural areas in Africa by opening local, small-scale, commercial energy companies. They provide households and small companies with power, preferably generated by means of solar energy to meet the demand for proper lighting, radio and TV, charging cell phones, etc. In addition, they contribute to regional, social and economical development.

FRES was founded in 2004 and, as a small multinational, now has companies in Mali, South Africa, Burkina Faso, Uganda and Guinea-Bissau. By the end of 2012, over 190 thousand people were provided with sustainable electricity, paying a fixed monthly amount for the use of the installation (fee-for-service).

The number of customers, households and small companies is over 24 thousand. However, customers who are connected to a (Solar) Minigrid purchase five times as much power on average compared to customers with a Solar Home System (SHS). Consequently, the total electricity production matches 40 thousand SHS-customer equivalents at the end of 2012.

The FRES head office is located in Amsterdam.

Vision, mission and objectives

increasing employment and improving living conditions in developing countries. Opening FRES companies means employment; the availability of power means that (more) small companies get a better business opportunity and that people get proper lighting; and the use of solar power means less air pollution.

Mission

FRES stimulates rural electrification in developing countries by opening small-scale, commercial electricity companies in areas that have no national electricity network. FRES does so via a business approach which guarantees that electricity is made structurally available. FRES is a small multinational with daughter companies in developing countries that actively expand rural electrification.

Objectives

FRES aims to stimulate rural electrification in developing countries, especially through the employment of solar energy. We have the ambition to provide over 67 thousand customers with sustainable electricity in 2017, as a step on the road to 100 thousand customers in 2020.

Vision

In 2000, the member states of the United Nations agreed to make important progress in the field of poverty, education, health and the environment before 2015. In these matters access to electricity is essential. In 2012, 1.3 billion people, 20% of the world population, had no access to electricity. For this reason the UN declared 2012 as the year of “Sustainable energy for all”.

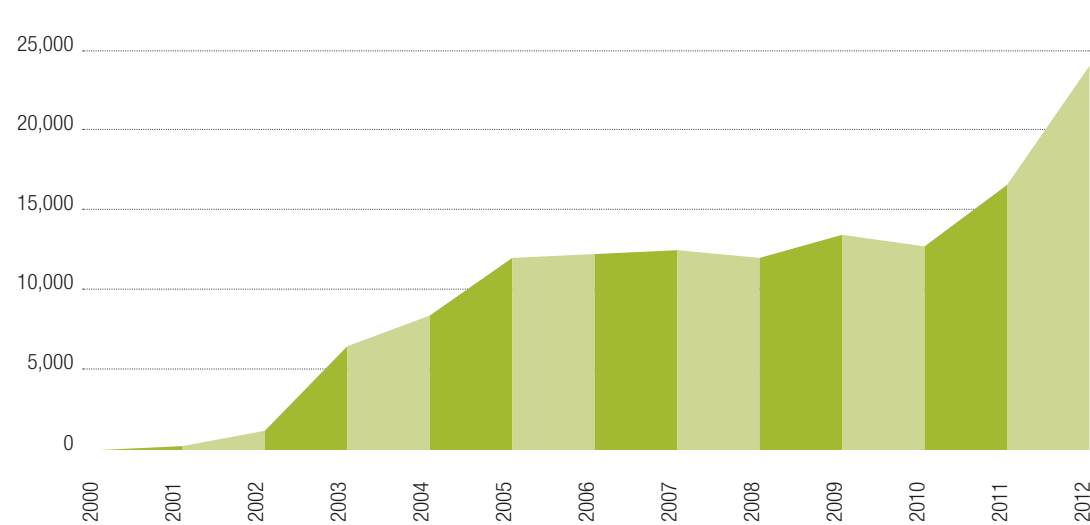
FRES aims to work on this goal concretely, and provide people in Africa with sustainable and affordable electricity, preferably generated with solar energy. Doing so, FRES wants to contribute directly to fighting poverty,

FRES companies and performances *

Name company	Yeelen Kura	NuRa	Yeelen Ba	FRES Uganda	FRES Guiné-Bissau	New initiatives	Total
Founded	2001	2001	2008	2010	2011		
Customers in 2012	4,881	16,500	1,372	1,019	299	-	24,071
Targeted customers in 2017	10,000	32,000	8,000	10,000	4,000	3,000	67,000
Province/Country	Sikasso and Ségou/Mali	Kwazulu-Natal/South Africa	Kéné Dougou/Burkina Faso	Mbarara/Uganda	Gabú/Guinea-Bissau		
Technique	SHS, Solar Minigrids and diesel minigrids	SHS and lpg	SHS	SHS	SHS		

* For the historical development of each FRES company see www.fres.nl

Number of customers



Strategy

In order to achieve its objectives, FRES employs the following five basic principles.

1. The sun as energy source

FRES sees power generation with the use of solar energy as the best way to provide rural areas in Africa with electricity in an affordable and sustainable way and on the long term. We attempt to do so with individual solar power systems (Solar Home Systems) or with small solar power stations.

A. Solar Home System (SHS)

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

B. Solar Minigrid

In Mali, FRES builds solar power stations that provide power to the people via a minigrid. In some cases, the solar power stations replace (polluting) diesel generators. A minigrid is a small electricity network to which customers can be connected within a radius of a few kilometres. If customers have a higher energy demand, for instance for business usage, an SHS does not suffice and a Solar Minigrid can be a suitable solution. A Solar Minigrid can thus boost business activities in a rural area, but it can only be realised economically if the distance between customers is relatively small. Currently, only Yeelen Kura in Mali exploits Solar Minigrids.

2. Fee-for-service

FRES works with the fee-for-service concept, a standardised commercial business model that can easily be adjusted, replicated and rolled-out. The customer pays a monthly fee for access to lighting and electricity. FRES companies own the installed systems and take care of the replacement investments and the expenses for maintenance.

The customer can choose from a number of service levels depending on the number of lamps and power sockets. The customer pays a monthly fee according

to the service level. The customer of a solar or diesel power station pays a standard fee for the connection as well as an amount per kWh. The costs for customers of the delivered services via an SHS are just as high as or lower than the traditional alternatives (candles or lamp oil). Customers can go to a nearby energy shop for service and payments.

Benefits of the fee-for-service concept are:

- Lower initial investment for our customers;
- Maintenance guarantee by the FRES company: the SHS remains operational for a long period and the customer has no (unexpected) expenses for repair and/or replacement;
- Ease of use: customers do not have to install the system themselves;
- Economic boost for the region: structural employment, in which employees are trained by the FRES company;
- Knowledge transfer of business activities.

3. Independent local FRES companies

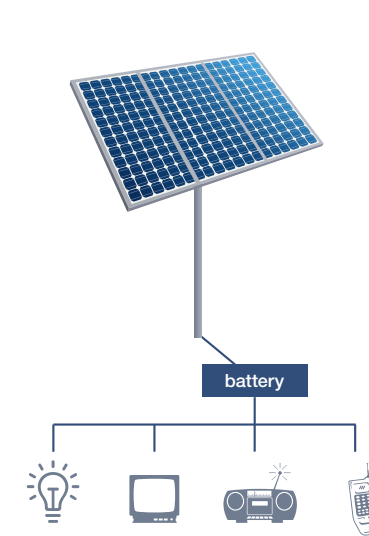
FRES believes it is important to achieve its objectives via local entrepreneurship in the developing countries with support from FRES in the Netherlands. A procedure has been developed for starting up new FRES companies (see appendix 3). The local FRES companies are responsible for the growth of the number of customers and a proper, sustainable operation. We monitor and guard the progress and results via a management and supervisory structure.

An important principle is that the companies operate financially independently after an initial period. The initial investments are borne by FRES, but the income from the sale of power should subsequently cover the maintenance, operation and redemption. Depending on the local situation, this can be achieved with five to eight

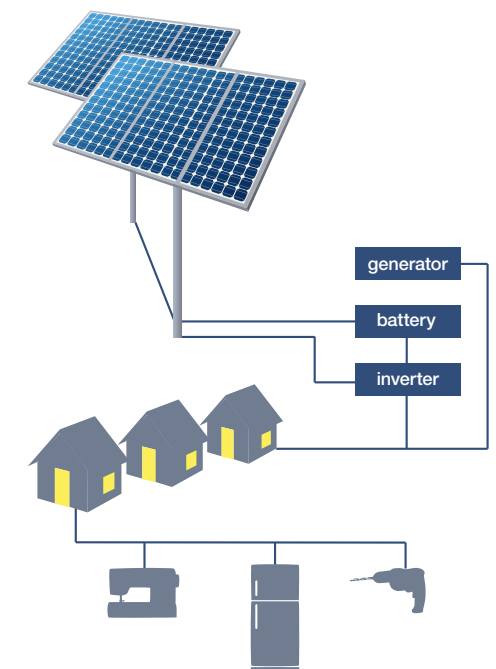
Different service levels

Service level	Description
S1	2 lamps or 1 socket outlet
S2	2 lamps and 1 socket outlet or 3 lamps
S3	3 lamps and 1 socket outlet

Solar Home System (SHS)



Solar Minigrid



thousand customers. Every FRES company strives to serve at least ten thousand customers. It has been agreed with NuRa and Yeelen Kura that this financial sustainability will be achieved at the end of 2013.

In order to ensure that the delivered service is as affordable as possible, management of the operational expenses is a constant point of attention; for instance by increasing market penetration and through customer retention. Every year, we evaluate our performances in this area, to learn from our experiences and adjust our multi-year business plan if necessary.

4. Sustainability/Corporate social responsibility

Sustainability is in the DNA of FRES. The entire organisation aims to provide African people with sustainable electricity. Through local companies with local management and employees, FRES also acts as an employer. Good employment practices are therefore highly important. In the overall company management we strive to work in a sustainable way.

5. Risk management

In order to be able to operate as effectively and efficiently as possible, FRES has a keen eye for the opportunities for and threats to the organisation. Based on various studies, inventories and practical experience, FRES has formulated strengths and weaknesses, opportunities and threats. Subsequently, FRES was able to formulate a policy for managing the internal and external risks. (see Part 3 Risk management).

Power per customer

Since the beginning of FRES (2004) the service provided to customers has increased. The SHS installations have a larger capacity and the Solar Minigrids can also deliver more power. As a result, households and small companies can use more lamps and appliances. Moreover, customers who are connected to a (Solar) Minigrid use five times as much power on average as customers with an SHS. Consequently, the total electricity production matches 40 thousand SHS customer equivalents at the end of 2012.

Outline of the organisation

Board

The FRES Board comprises three functions: Chief Executive Officer (CEO/chairman), Chief Financial Officer (CFO/treasurer) and Chief Operations Officer (COO/board member). The Board functions as a management and divides the tasks. The Board fulfils its tasks on a voluntary basis and can invoice any realised expenses.

Supervisory Board

As of 2009, FRES has a Supervisory Board that supervises the management policy and the general state of affairs within FRES. The Supervisory Board advises the Board.

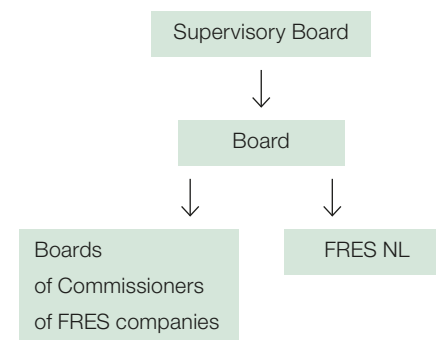
Management and Boards of Commissioners

Every FRES company has its own management team and is also supported by its own Board of Commissioners. The responsibility for managing the company and for achieving the agreed upon objectives lies with the companies themselves. The employees of the FRES companies in Africa fall under local management teams; their functioning is evaluated on an annual basis.

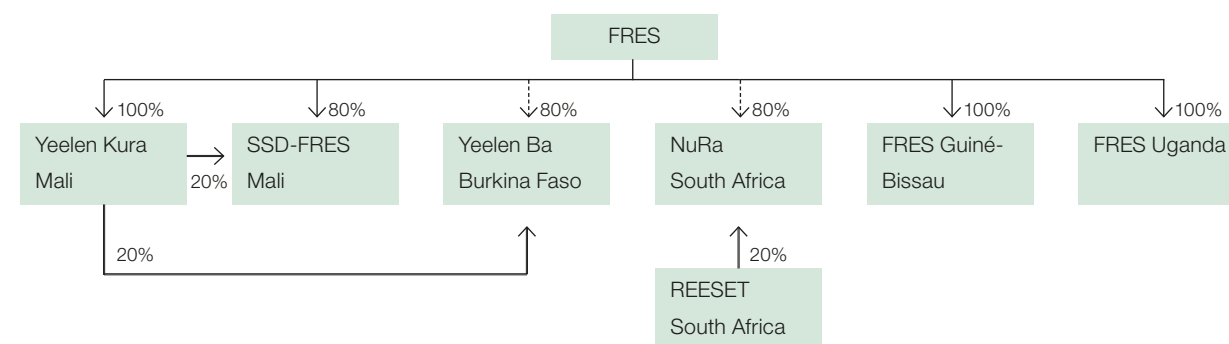
FRES Netherlands

The head office of FRES in Amsterdam offers an interesting, socially relevant work environment with ample possibilities to gain experience and entrepreneurship in an international work sphere. We work with a small team of paid employees, supplemented with a large number of volunteers. The employees of FRES Netherlands are under the leadership of the board. Progress and evaluation meetings are held with every employee each year.

Organisational chart FRES



Structure shareholders FRES companies



_____ FRES is shareholder
 FRES acts on behalf of shareholder Nuon
 _____ FRES company or employees' trust of FRES company is shareholder



Results 2012

The main results of the FRES activities in 2012 were the following:

- The number of customers, households and small companies increased from 16,718 to 24,071.
- The number of SHS customer equivalents increased from 27,330 to 38,519. (A customer of a (Solar) Mini-grid generally consumes more power than an SHS customer and is therefore equivalent to five SHS customers).
- Yeelen Kura in Mali succeeded in installing six new Solar Minigrids and have these operational in August. The World Bank subsidised the project. This brought the total number of Solar Minigrids in Mali to nine.
- FRES appointed a Director of Operations (as of March 1) to strengthen the functioning and goal-oriented working method of FRES companies. Moreover, a Liaison Officer has been appointed to every company. The Liaison Officer functions as a bridge between the FRES company concerned and FRES Netherlands.
- Mutual contact and interaction between FRES companies have grown. Visits and exchange of knowledge occurred mutually. In February, managers of all companies met in Amsterdam during a highly successful meeting in which steps were taken to improve the planning of company activities.
- FRES invested in establishing good relationships with possible (new) donors, such as UNIDO (UN Industrial Development Organisation) and the Norwegian and Austrian governments. Currently, it is not easy to acquire subsidies, on the one hand because of the difficult international economic situation, on the other hand because capacity building (education and training) as a criterion is emphasised and this only partially matches the FRES activities.
- The cooperation with UNIDO is growing. UNIDO has a plan to expand the rural electrification via Solar Mini-grids and would like to cooperate with FRES. This indicates that FRES is starting to be viewed as an important player in this field in West Africa.
- FRES is increasingly a conversation partner for governments and subsidisers in matters regarding rural electrification and its implementation. For example, the government of Burkina Faso met with FRES because they needed successful practical experience in other countries with regard to policy implementation surrounding rural electrification. FRES facilitated a workshop at the ECOWAS-GFSE-GEF-UNIDO High Level Energy Forum in Ghana about the role of the private sector and NGOs in achieving the "Sustainable Energy for all" objectives. The World Resources Institute in Washington and the (Dutch) Doen Foundation invited FRES to share its knowledge and experiences with regard to funding agencies and operators in Africa and Asia during a workshop.

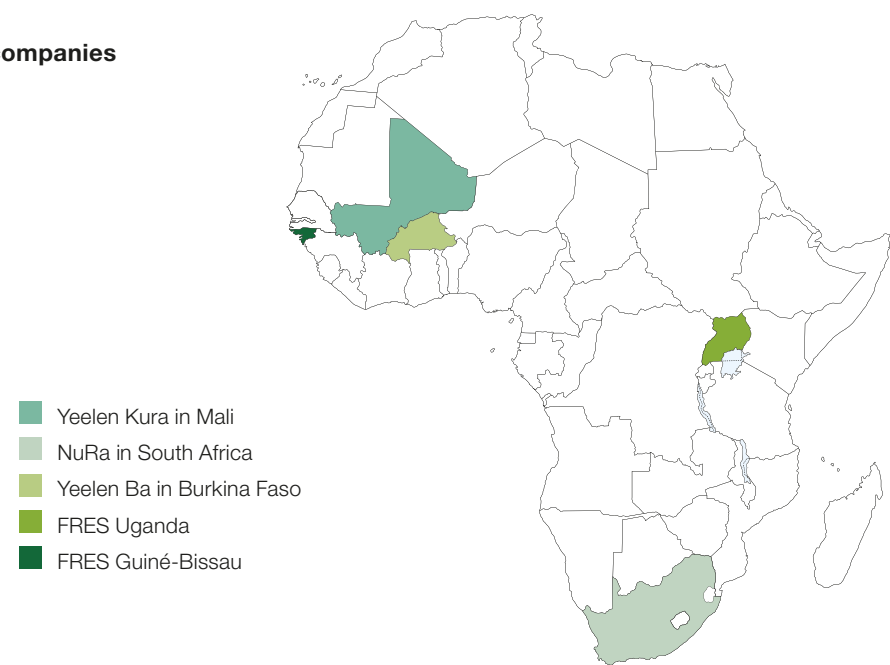
For more extensive information about the results of each FRES company in 2012 see Part 2.

Part 2

Activities and results FRES companies



Countries with 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. We also offer employment within startup FRES companies. The availability of power improves living conditions and provides (more) small companies with the opportunity to develop. 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.

Results are, among other things:

- More economic activities, also in the evenings and at night;
- Children can do homework or read in the evenings;
- More safety on the street due to (public) lighting;
- Better lighting in hospitals and schools;
- Better access to means of communication such as radio, television and cell phones;
- Fewer health issues caused by smoke from candles, oil lamps or diesel;
- Less fire hazards from falling candles or oil lamps;
- Less pollution, cleaner living conditions;
- Structural and sustainable connections to electricity.

Practical

In South Africa, more stores and places where people can charge their cell phones appeared in the entire region where NuRa is active. In Mali, we also saw that a mini-grid facilitated the creation of new companies in villages such as Bla and Imparana. They include a company that produces ice cream, a modern bakery, a computer room for children and photo shops. Carpentry workshops and sewing workshops with better equipment were established. Moreover, the service expenses have been reduced: the costs of a copy, for instance, were reduced by 50% from 100 FCFA (€ 0.15) to 50 FCFA. In the health care industry, we have seen an expansion of care and the arrival of new, better equipment in health care facilities. More restaurants, tearooms, hairdressers with electric clippers and movie theaters have been opened, which are provided with energy through SHS.

In cooperation with the Erasmus University, PwC conducted a study into the socio-economic impact on the availability of electricity for customers of FRES companies in October. In Mali, Uganda and South Africa, baseline studies were conducted. They were followed by an impact study in Mali and South Africa. Local organisations, including SNV, held surveys. The final report is expected in May 2013.

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 175th on the Human Development Index 2011 of UNDP. Approximately 85% of the inhabitants have no access to electricity. The capital, Bamako, lies in the southwest of the country. 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.

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, delivers light and electricity to households and small companies via Solar Home Systems (SHS). Furthermore, the company builds minigrids on solar energy and/or diesel generators. The minigrids on solar energy receive power from solar power stations that were built by Yeelen Kura in the past years.

Challenges and objectives

In 2017, Yeelen Kura wants to provide over 10,000 customers with electricity. At the end of 2011, 3,724 customers were connected. In 2012, Yeelen Kura wanted to grow to over 6,100 customers. This objective was adjusted to over 5,200 after the coup in March 2012. This growth was mainly to be realised by new customers for SHS and the Solar Minigrids. Customers of minigrids use approximately five times more power on average than customers of SHS. The construction of six new solar power stations, stimulating punctual payment behaviour by means of a test with prepaid meters, and further professionalising the company and the employees proved to be the other challenges in 2012.

Results 2012

Number of customers

The growth achieved in 2011 in SHS and Solar Minigrid customers continued in 2012. This effect, however, was not as strong as expected. This was partly due to the coup as a result of which FRES had to suspend the

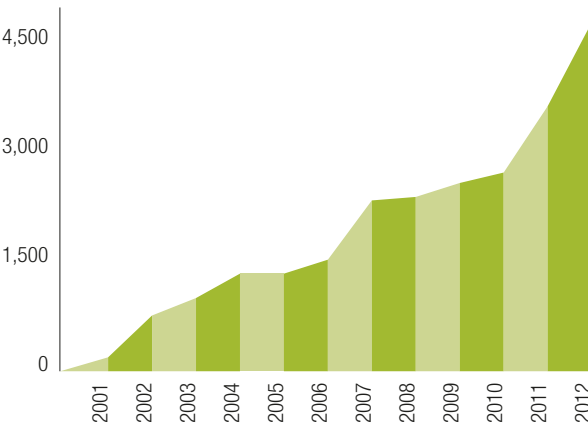


Basic Information

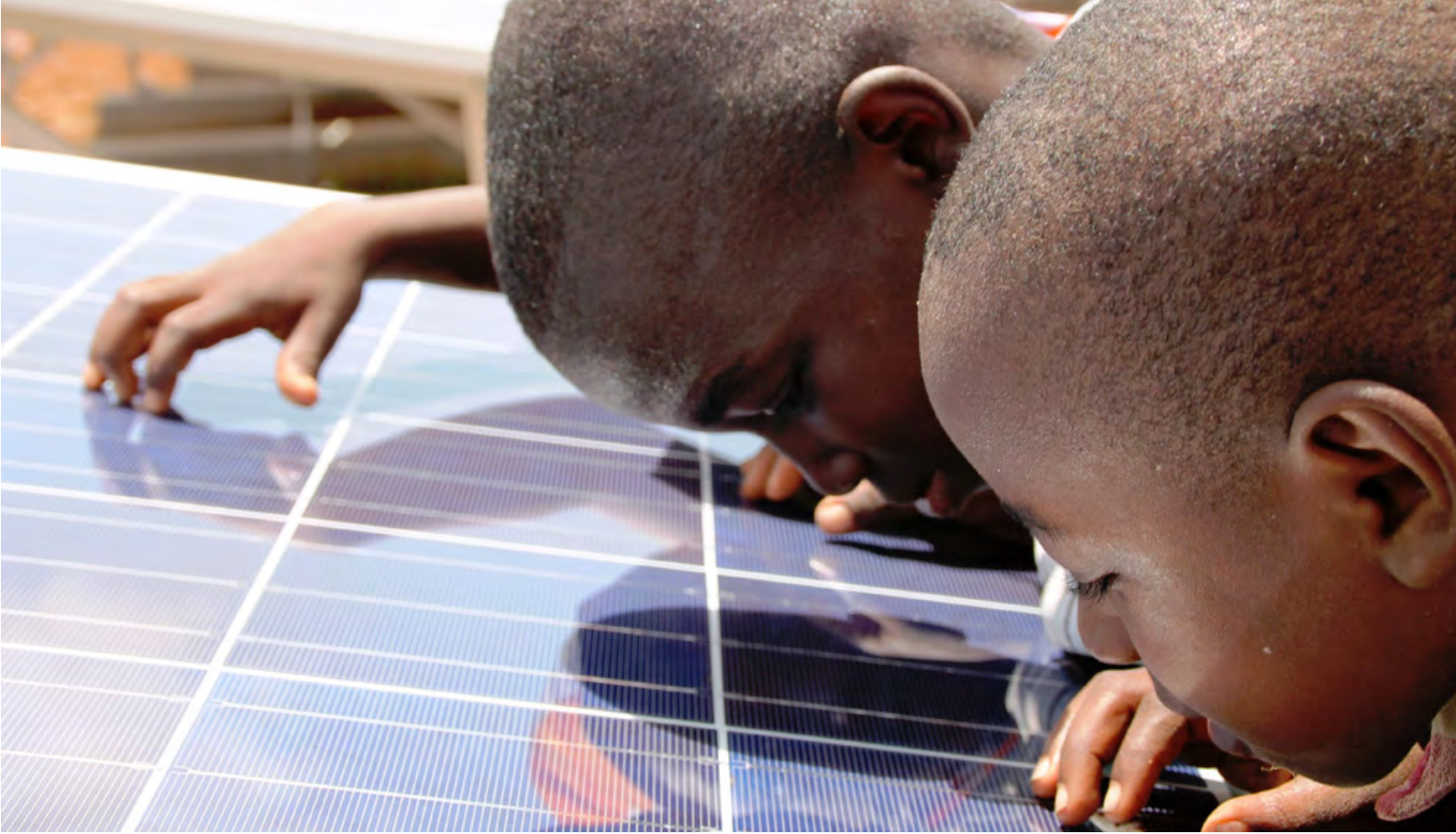
31/12/12

Year of founding	2001
Products & services	SHS, Solar Minigrids and diesel-minigrids
Number of employees	51
Number of customers	4,881
Number of energy shops	15
Shareholders	100% FRES

Number of customers



Number of customers per product	2011	2011	2012
Number of customers with SHS	934	1,071	1,269
Number of customers connected via minigrid to solar energy	234	764	2,584
Number of customers connected via minigrid to diesel generator	1,598	1,889	1,028



completion of the new solar power stations temporarily in order to first evaluate the new situation. In 2012, a total of 1,157 new customers were connected. An increase in SHS customer growth was realised in Koutiala through the extra delivery of 500 SHS by Asantys in September. At the end of 2012, Yeelen Kura had 4,881 customers.

Six Solar Minigrids

The construction of six solar power stations, for which a subsidy agreement of € 1.9 million was signed with AMADER/World bank in 2011, was realised in 2012 with the help of supplier Asantys. The power stations partly replaced diesel with solar energy and partly delivered power to new minigrids. Because of the coup, FRES was forced to keep the materials for the construction of the solar power stations in storage in the Dakar harbour in Senegal, due to which they only arrived in Mali in June. Nonetheless, all six power stations were operational in August and new customers were connected. The opening will be celebrated in 2013.

New Solar Minigrids	Capacity (kWp)
M'Pessoba	50
Yorosso	50
Kignan	50
Niena	50
Koumantou	50
Koury	100
Total	350

Financial developments

Due to the political unrest in Mali, FRES had to deal with increased prices, for instance for fuel. Moreover, various institutions, including the World Bank and the European Committee, suspended their economic support to the country. Nevertheless, FRES could continue its work, albeit with delays. The Board has constantly analysed the risks and taken precautions to ensure as much progress in the activities as possible.

Research and exchange

Operational manager Thad Hacker visited Yeelen Ba and Yeelen Kura in March to gain insight into the daily state of affairs in the companies, and the problems the companies encounter. Several employees of Yeelen Kura also travelled to Germany in March for technical training on solar power stations. They visited a battery producer and various suppliers of modules and

inverters. Supplier Asantys also trained them in the field of installation, maintenance and project planning. Jacco Smit from Alliander studied the efficiency of the mini-grids. He established that there are a lot of possibilities to reduce major losses in the network and will present his final report containing concrete recommendations in early 2013.

Prepayment

A large number of customers had payment arrears to FRES. In order to fight these arrears, a test with prepaid meters was conducted, with which customers of mini-grids paid for their energy in advance. The test was successful. The payments increased from 82% to 99%. FRES will deploy the prepaid meters more widely in 2013.

Lightning

At the end of 2012, a lightning strike caused considerable damage to 15 panels in the minigrids. As a Christmas present for FRES and Yeelen Kura, Asantys and partners SolarWorld replaced the panels.

Products, services and rates

SHS customers paid an amount of between 3,815 FCFA (€ 5.81) and 9,000 FCFA (€ 13.75) a month for the services of Yeelen Kura depending on the chosen service level. Customers of minigrids pay per kWh.

Organisation, governance and supervision

On 31-12-2012, 51 people were employed at Yeelen Kura in the following composition:

Overview employees	2011	2012
Number of employees	39	51
Male / female	34 / 5	46 / 05
Definite / indefinite contract	5 / 34	10 / 41
Fulltime / part-time	39 / 0	41 / 10
Inflow / outflow men	3 / 0	15 / 3
Inflow / outflow women	0 / 1	0 / 0
Employees older than 55 years	0	0
Number of men / women in MT	5 / 0	3 / 0
Managers energy stores	11	15
Managers total	-	20

The employees were responsible for the complete operational management, including the installation and maintenance of SHS and minigrids, marketing & sales, collecting the monthly payments and accounting.

Salary and terms of employment

In addition to their salary, Yeelen Kura offered the employees pregnancy and maternity leave, pension provisions, life insurance and social security. A FRES employee in an executive function in Mali made 50,000 FCFA (€ 76) a month on average, opposed to an average income of an inhabitant of rural Mali of 30,000 FCFA (€ 46) a month. Additionally, performance bonuses were issued to motivate employees. Two company accidents occurred and 60 sick days were taken.

Education

Six employees were trained in working with prepayment meters, 29 people followed various trainings. Also see investigation and exchange.

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 – member

The semi-annual board meetings of Yeelen Kura took place on May 4 in Mali and on December 11 in Burkina Faso, because of its link to Yeelen Ba. In May 2012, Commissioners Rob Costermans and Liliane de Jager attended the meeting. The December meeting was attended by Rob Costermans and Thad Hacker.

Cheikh Diakite

Employee of a pharmacy in M'pessoba, Mali

Cheikh Diakite worked in the pharmacy “Pharmacie du Carrefour” in M'pessoba, a remote town in the inland of Mali. Cheikh Diakite: “Now, the pharmacy is open until ten-thirty in the evening. The pharmacy used to be illuminated by a lamp that ran on batteries. That was expensive, because the batteries had to be replaced every two days. Now the pharmacy is much better illuminated. Moreover, we now have a lamp outside above our sign with the name of our pharmacy, so people can better find their way in the dark. Do we use the electricity for other purposes as well? Yes, when there are no customers around, I like to watch movies on TV!” he says smiling.

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 123rd on the Human Development Index 2011 of UNDP. Of all inhabitants, 18% does not have access to electricity. Pretoria, Cape Town and Bloemfontijn respectively are the managerial, legislative and judicial capitals of the country. The political situation in the country is generally stable.

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 of the country. Approximately 70% of the population in this region does not have access to electricity.

Challenges and objectives

The goal of NuRa is to provide over 32,000 customers with electricity in 2017. The objective for 2012 was to serve 15,500 customers. Challenges were reducing payment arrears by customers (nonpayment) and further professionalising the operational management.

Results 2012

Number of customers

In 2010, a subsidy agreement was signed between the South African government (Department of Energy – DoE, 80%) and FRES (20%), to place 8,000 SHS before 2012. In April 2012, the agreement was extended until the end of November 2012 and was at the same time expanded with 2,000 SHS for that period. The customer growth in 2011 continued faster than expected. Partly because of the additional marketing and sales efforts in 2012, the objective for the end of the year of 15,500 customers was already achieved in September. At the end of 2012, NuRa delivered light and electricity to 16,500 customers. DoE promised a new subsidy of € 3.6 million in 2012. This subsidy will result in connecting another 2,000 SHS before April 2013 and subsequently 4,000 SHS until April 2014.

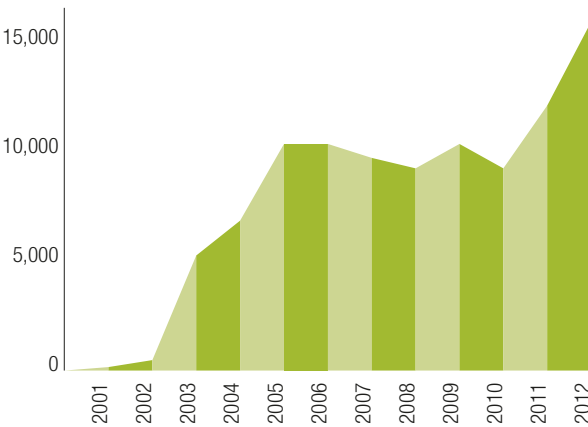


Basic Information

31/12/12

Year of founding	2001
Products & services	SHS, lpg
Number of employees	88
Number of customers	16,500 SHS
Number of energy shops	9
Shareholders	80% NUON, 20% REESET

Number of customers



Payment arrears ('Nonpayment')

NuRa still had a large number of payment arrears with customers of which the majority cannot be collected. An action plan was drawn up on the basis of a study which was implemented in 2012. NuRa managed to reduce the problem by 50% thanks to the expansion of the number of energy shops, the purchase of better trucks and motorcycles to visit customers and a faster settlement of complaints. At the end of 2011, nonpay-

ment was 34%; in December 2012, this had been reduced to 17%. Joop Lasseur visited NuRa three times to supervise the actions from this plan.

Investigation

NuRa conducted customer satisfaction and market research into AC/DC systems to which can connect colour TVs and DVDs as is possible with other FRES companies. The outcome was that 50% of the customers were satisfied with the DC-system. For the customers who currently pay a low amount for a small system, the demand for bigger systems did exist, but the willingness to pay for it is minimal.

Exchange practical experience

In March, General Manager Sifiso Dlamini visited the national "Electrification Indaba" of the Department of Energy (DoE) in Durban. Furthermore, NuRa participated in work groups to develop a new "roadmap" to electrification in cooperation with various parties. In October, Sifiso Dlamini visited Uganda in order to exchange experiences with the FRES team. He also visited various sponsors and business relations with Caroline Nijland in November. Peter de Wit, former General Manager of FRES Uganda, started a study into the possibilities of reducing the expenses for batteries by increasing their lifespan at the end of 2012. The results of this study will be presented in 2013.

Products, services and rates

NuRa works with SHS. The rates were between ZAR 65 (€ 5.44) and ZAR 385 (€ 32.22) 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 31-12-2012, 88 people were employed at NuRa in the following composition:

Overview employees NuRa	2011	2012
Number of employees	76	88
Male/ female	48/28	57/31
Definite/indefinite contract	71/5	88/0
Fulltime/part-time	76/0	88/0
Inflow/outflow men	15/15	21/12
Inflow/outflow women	4/6	8/5
Employees older than 55 years	0	2
Number of men/women in MT	5/3	6/3
Managers energy stores		9
Managers total	15	23

The employees were responsible for the complete operational management, including the installation and maintenance and repair of the systems, collecting monthly payments, marketing & sales and accounting.

Salary and terms of employment

In addition to their salary, NuRa offered its employees health care, pension provisions and life insurance in 2012. A FRES employee in an executive function at NuRa made ZAR 1,884.70 (€ 157.73) on average a month, opposed to a minimum wage of ZAR 1,375.94 (€ 115.15) 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 88 employees had at least one performance evaluation. Seventeen industrial accidents occurred, usually motorcycle accidents of the maintenance employees. There were 116 sick days as a result of these accidents.

Education

Ninety employees received certificates in service provision, ten obtained First Aid certificates, and one employee was trained in the maintenance of gas pumps. Five scholarships were offered, among other things for degrees in IT & Management, Marketing Management and accounting. All trainings are organised and paid for by the company.

HIV/AIDS programme

South Africa has a significant HIV/AIDS problem. NuRa has encountered the consequences; for example, the company struggles with payment arrears by customers. Moreover, some employees have HIV/AIDS which results in absences and sick days. In this framework NuRa has created an HIV programme. The programme aims to break the taboos surrounding HIV/AIDS and increase the knowledge regarding prevention and treatment of HIV/AIDS. 97% of the employees participated in the programme, which included an HIV/AIDS test of which 69% requested the results. 40% of the employees had never been tested, and 30% of this group was actually infected. They were eligible for the supervision and treatment programme of FRES.

General Manager was Sifiso Dlamini. He reported to the Board of Commissioners, consisting of:
Bart Blokland – chairman
Coen de Ronde – member
Thad Hacker - member



Yeelen Ba in Burkina Faso

Burkina Faso is a Sub-Saharan country with 16 million inhabitants. With a 181th place on the Human Development Index 2011 of UNDP, the country belongs to the poorest countries in the world. 82% of the inhabitants have no access to electricity.



In Burkina Faso, FRES delivers light and electricity via SHS to 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 circumstances in both adjoining regions are comparable.

Challenges and objectives

The goal of Yeelen Ba is to provide 8,000 households and small companies with electricity in 2017. In 2012, the company therefore wanted to grow to 1,500 customers. Other objectives were lowering the rates, improving customer relations and further professionalising the company.

Results 2012

Number of customers

In early 2012, the services and rates of Yeelen Ba were drawn level to those of Yeelen Kura in Mali. With that, the rates in Burkina Faso were lowered. In combination with additional marketing efforts, this led to an explosive growth (63%) of the number of customers in the first two months of the year. The number of customers increased from 468 (end 2011) to 700 in this period. The growth continued and the 1000th customer was connected in August, which was celebrated in October. At the end of 2012, Yeelen Ba had 1,372 customers.

Contracts and investments

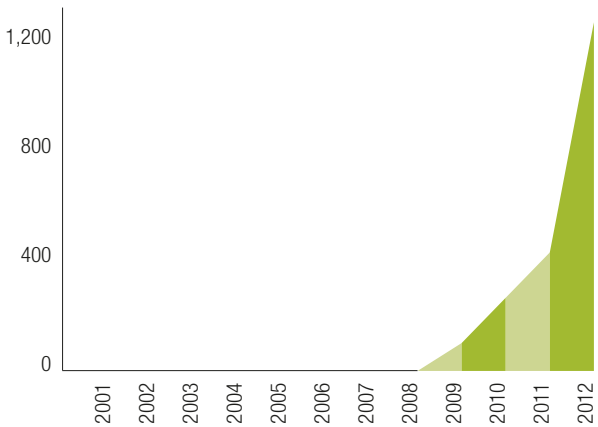
The contract with the European Union to connect 3,000 households and small companies before 2011 was extended until 2013. In April, Yeelen Ba wrote a tender for the delivery of 2,000 extra SHS. The contract was signed with Juwi in October. The first 1,000 SHS are expected in January 2013.

Basic Information

31/12/12

Year of founding	2008
Products & services	SHS
Number of employees	23
Number of customers	1,372 SHS
Number of energy shops	7
Shareholders	80% Nuon, 20% FRES

Number of customers



Exchange

Operational Manager Thad Hecker visited Yeelen Ba and Yeelen Kura in March to help improve the daily state of affairs. Within the framework of the UN's "Sustainable Energy for All" initiative, Yeelen Ba was invited for a meeting to discuss the challenges of rural electrification in Ougadougou.

The three Commissioners visited NuRa in May for the semi-annual board meeting. A second visit from Bart Blokland and Coen de Ronde, together with employee Frederique Schlicher, followed in November. FRES fulfilled the role of shareholder at NuRa on behalf of Nuon.

Ruth Dladla

Employee NuRa South Africa, for 10 years

I feel good about NuRa. I have been working for the company for a very long time. After my school I had another job for a short while, and then NuRa came along. I am getting more and more experience in my job and it gives me a very good feeling. There is a big difference between then and now. We have much more branches and employees, and we work a lot with the SMS from all branches. This is very different than in the early days. We also have more African people now and an African General Manager. This makes me very proud especially as we keep growing in branches and employees. In the past we had great challenges with the stock. Nowadays we have much more items on stock to keep up with the demands of our clients. Now we are facing the challenge of the growth of our client base. Much related to getting more and the right people to do the work. The recent purchase of vehicles for every Energy Store has changed a lot. We are now much more able to deal with the challenges in delivering the services to our clients. My greatest success was my promotion from Planning manager to Inventory manager. My current job requires a lot of me, dealing with all kind of issues. I am very proud I have taken over the position and that people at NuRa trusted me to do this job.



FRES 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 Human Development Index 2011 of UNDP. Approximately 15% of the inhabitants have access to electricity. For inhabitants in rural areas, this is 8%, often limited to the cities and trading towns along the highway. The democratic country is politically stable. The next elections will be held in 2015.



FRES Uganda was founded in 2010. The company delivers SHS services to the west of Uganda in the districts Mbarara, Bushenyi, Rukungiri and, in the future, Mpigi. The head office is located in Mbarara. There are 400,000 households and small companies in the area in which FRES is active.

Challenges and objectives

The objective is to have grown to over 9,000 customers in 2017. In 2012, FRES Uganda therefore wanted to grow to at least 800 customers.

Results 2012

Number of customers

After the first ten try-outs in 2011, 590 SHS arrived in Mbarara in the beginning of 2012. The 500th customer was welcomed in September. For small companies, SHS are a durable alternative to car batteries that were used before, which were difficult to charge due to a lack of an electricity network and had to be replaced often. FRES Uganda ascertained that the number of new customers exceeded all expectations and therefore wrote an additional tender. In December, the milestone of the 1000th customer was achieved. FRES Uganda celebrated this fact in February 2013.

The first energy shops were opened in Bushenyi, Isingiro, Rwampara and Kashaari in 2012. At the end of 2012, FRES Uganda had 1,019 customers which meant that the objective had been achieved.

Contracts and investments

A subsidy agreement for a maximum of US \$ 2,750,000 with the Rural Electrification Agency (REA) was signed in January. The agreement runs until the end of 2013. Depending on the size of the placed systems, the

Products, services and rates

The rates for SHS were between 6,050 FCFA (€ 9.22) and 13,875 FCFA (€ 21.15), depending on the chosen service level.

Organisation, governance and supervision

On 31-12-2012, 23 employees were employed at Yeelen Ba in the following composition:

Overview employees Yeelen Ba	2011	2012
Number of employees	16	23
Male/female	13/3	20/3
Definite/indefinite contract	0/16	23/0
Fulltime/part-time	16/0	23/0
Inflow/outflow men	5/4	11/4
Inflow/outflow women	1/0	0/0
Employees older than 55 years	0	0
Number of men/women in MT	2/0	3/0
Managers energy stores	-	-
Managers total	2	4

Employees were responsible for the total operational management.

Salary and terms of employment

Employees received a fixed salary. The minimum wage in Burkina Faso was FCFA 36,667 (€ 56) a month,

opposed to a salary of FCFA 51,429 (€ 78.40) a month for a fulltime employee in an executive function at Yeelen Ba. Yeelen Ba provided the employees with health care insurance and social security. There were 50 sick days. Nineteen employees had a performance review. Employees were motivated via a raise, a periodic or onetime bonus and an internal promotion.

Interim Manager Emmanuel Sanou was appointed as General Manager in April. He 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 – member

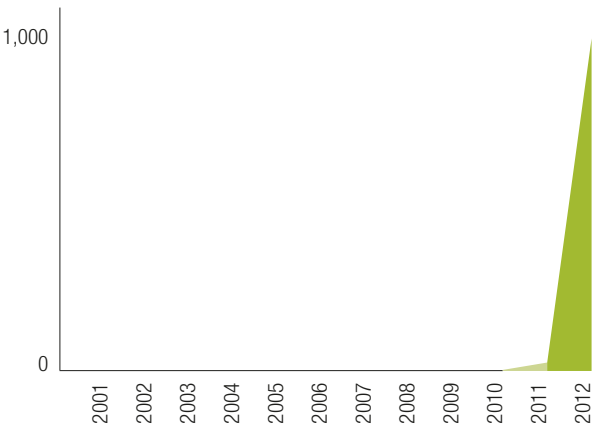
The semi-annual board meetings of Yeelen Ba took place on May 3 in Mali and on December 13 in Burkina Faso, because of its link to Yeelen Kura. In May 2012, Commissioners Rob Costermans, Liliane de Jager and Djibril Séméga attended the meeting. The December meeting was attended by Rob Costermans, Thad Hecker and Djibril Séméga.

Basic Information

31/12/12

Year of founding	2010
Products & services	SHS
Number of employees	44
Number of customers	1,019 SHS
Number of energy shops	4
Shareholders	100 % FRES

Number of customers



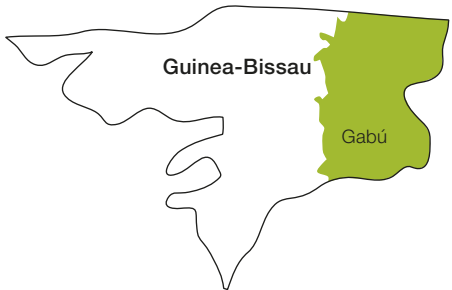
subsidy has a maximum of US \$ 275 per household (sufficient for a system of 50 Wp) and US \$ 2,000 per company (sufficient for a system of 500 Wp). In 2012, the Doen Foundation contributed € 300,000 to systems in Uganda. In 2013 and 2014, deposits of the same amounts followed until the total amount of € 900,000, as long as FRES continues to meet the requirements. Because of the high demand, FRES selected supplier Juwi via a second tender to deliver 500 SHS at the end



FRES

Guiné-Bissau

Guinea-Bissau, in West Africa, has 1.5 million inhabitants on more than 36,125 km² and is one of the poorest countries in the world with a 176th place on the Human Development Index 2011 of UNDP. Only 2.6% of the population has access to electricity. The political situation is unstable; the military staged a coup in April.



FRES Guiné-Bissau was founded in 2012 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.

Challenges and objectives

The objective is to achieve 4,000 customers in 2017. According to the contract with the EU, 3,000 households and small companies should be connected in 2015. FRES wanted to realise the first 250 customers in 2012. Building the organisation was a challenge.

Results 2012

Number of customers

The first SHS was connected in Candjufa, 20 kilometers north of Gabú, on April 13. In October, a large number of SHS followed. At the end of 2012, 299 customers were connected with which the intended objective of 250 customers was achieved.

Contracts and investments

Via a tender, FRES selected supplier Solar23 for the delivery of 1,000 SHS. A tender was issued for another 1,000 SHS at the end of 2012. These SHS will be installed in 2013.

Study

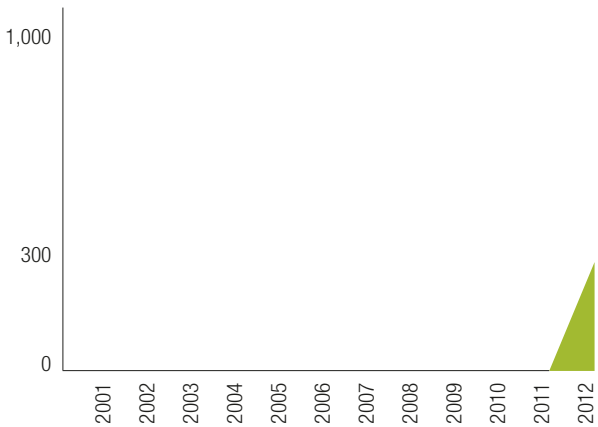
Reinder Bouwmeester conducted a market study with his team in the Gabú region.

Basic Information

31/12/12

Year of founding	2011
Products & services	SHS
Number of employees	5
Number of customers	299
Number of energy shops	4
Shareholders	100 % FRES

Number of customers



Products, services and rates

FRES Guiné-Bissau provided SHS services on three service levels: two lamps or one power outlet CFA 3,815 (€ 5.80) a month, two lamps and one power outlet CFA 5,890 (€ 8.95) a month, three lamps and one power outlet CFA 9,000 (€ 13.68) a month.

of 2012 in addition to the 600 SHS that were delivered via the first tender by Solar23 in January 2012. Cooperation with a local micro-financing organisation gave FRES the certainty of payment of the rates for SHS for all members of the organisation that become an SHS customer.

Products, services and rates

FRES Uganda offers SHS at a monthly service fee of between UGX 29,000 (€ 8.42) and UGX 47,000 (€ 13.64). These rates applied in the beginning of 2012 for three service levels. The rates were later adjusted to UGX 23,000 (€ 6.67) and UGX 58,000 (€ 16.83) and an additional service level was added.

Organisation, governance and supervision

On 31-12-2012, 44 employees were employed at FRES Uganda in the following composition:

Overview employees FRES Uganda	2011	2012
Number of employees	10	44
Male / female	8 / 2	34 / 10
Definite / indefinite contract	1 / 9	20 / 24
Fulltime / part-time	9 / 1	43 / 1
Inflow / outflow men	7 / 0	29 / 3
Inflow / outflow women	2 / 0	9 / 1
Employees older than 55 years	-	0
Number of men / women in MT	2 / 2	3 / 3
Managers energy stores	6	3
Managers total	-	6*

The employees were responsible for the complete operational management.

Salary and terms of employment

In addition to a permanent salary, FRES Uganda offers the employees health insurance, pregnancy leave, pension provisions and life insurance. Two traffic accidents happened during working hours. There were 55 sick days.

Education

Seventeen (future) employees received training in the SHS technique from Jean-Peal Louineau.

General Manager was Peter de Wit. In July, Allan Asignwire took office, who succeeded Peter de Wit as General Manager in November. They gave accountability to the Board of Commissioners, consisting of: André Kuiper – chairman
Marjolein Quené – member
Thad Hacker – member

In June, Commissioners Thad Hecker and André Kuiper visited Uganda. In September, another visit followed by Commissioners Marjolein Quené and Thad Hecker and Liaison Officer Frederique Schlicher, to meet the new General Manager Allan Asingwire.



Organisation, governance and supervision

On 31-12-2012, five people were employed at FRES Guiné-Bissau in the following composition:

Overview employees FRES Guiné-Bissau	2012
Number of employees	5
Male/female	4/1
Definite/indefinite contract	0/5
Fulltime/part-time	5/0
Inflow/outflow men	4/0
Inflow/outflow women	1/0
Employees older than 55 years	0
Number of men/women in MT	-
Managers energy stores	4
Managers total	4

The employees were responsible for the complete operational management including managing the SHS installation and offsetting up the office in Gabú.

Salary and terms of employment

The four employees with a permanent contract also received health insurance in addition to their salary. An average salary of an employee of FRES in Guinea-Bissau in an executive function was € 100 a month, opposed to a minimum wage of € 25 a month.

Education

Twenty employees and subcontractors followed the training on installing SHS by Jean Paul Louineau of Alliance Soleil.

General Manager of FRES Guiné-Bissau was Reinder Bouwmeester. He reported to the Board of Commissioners from FRES Guiné-Bissau, consisting of: André Kuiper – chairman
Thad Hecker – member
Caroline Nijland – member

Commissioner Thad Hecker and Business Development Manager Caroline Nijland visited FRES Guiné-Bissau in July for the semi-annual board meeting, to meet the local authorities, visit the office in Gabú and discuss the state of affairs. Thad Hecker visited Guinea-Bissau for the second board meeting in October.

OUR PARTNERS ABOUT FRES

Ismail Oumar TOURE

Président Directeur Général AMADER

Sustainable energy plays an important role in rural electrification in Mali, and Yeelen Kura plays a leading role in electrification via solar energy, both with individual installations and with solar power stations. The National energy policy of Mali focuses on a 55% rural electrification and on 10% sustainable energy in 2015. The public-private cooperation with FRES is a cornerstone in this process. Because of its professional approach and expertise, Yeelen Kura is an important ally with regard to rural electrification. And FRES distinguishes itself from other parties by its choice for sustainable energy; this is definitely a strength. The solar power stations supply the energy demand of companies in rural zones, which is in line with our national energy policy. Customers definitely appreciate the services that Yeelen Kura offers. They are still relatively expensive for part of the population, but we are witnessing a positive development in this respect.

Pallas Agterberg

Director Strategy Alliander

A Dutch network company and rural electrification in Africa; it seems like a strange combination, but it is not. The cooperation between Alliander and FRES has grown historically, and there is another reason for the partnership: we can learn from FRES. A network company such as Alliander works in a constantly changing world. The current energy distribution is arranged in a certain way, while new energy sources are being invented, consumer wishes are changing and more technical possibilities are being developed. Alliander has to keep up with these changes. And in order to do so, we need to look beyond our own limits, to think in different models and structures, in order to be able to respond to these innovations. The cooperation with FRES gives us that opportunity. In Africa, FRES works in a completely different context, with completely different types of energy facilities. The FRES companies utilise very different business models and show the importance of local expertise. I feel that FRES

matches the local cultures well, looking at what customers need and adjusting its products and services accordingly. Observing this and being involved in this expands our own way of thinking as well. And this allows us to better respond to innovations in our own Western context. You could say: we can learn from Africa!

Mirjam Blaak

Temporary Delegate for Uganda, Benelux and EU

What FRES does in Uganda is boosting the local economy. The employees do so in a professional manner, based on the knowhow they have developed. Now they can transfer this knowhow to a country like Uganda. That is an invaluable contribution in allowing the population in rural areas to grow towards a higher level of development. To my mind, there are not enough initiatives like this one. Western entrepreneurs are too preoccupied with the obstacles while perseverance can lead to significant progress. In the rural areas FRES creates a professional business environment so there is a better linkage to the cities. Being able to charge your cell phone is already a clear example of that.

Wieke Hoge

Counsel at Clifford Chance LLP

Clifford Chance LLP delivers legal expertise but also wishes to contribute to society in a positive and broader way. Therefore, one of our goals is to help 100,000 people in the world by contributing to the “community” by 2015. The activities of FRES match these goals well: FRES unites investing in Africa with sustainable energy sources; a powerful and attractive combination. We are therefore happy to cooperate with them and to lend our knowledge and experience gained within our worldwide network. FRES combines a personal drive and commitment of its employees with a multi-disciplinary approach by, for example, employing various experts. This combination significantly increases the chance of success in Africa. At the same time, FRES proves to be a learning organisation that handles altering circumstances flexibly and pragmatically. And we at Clifford Chance LLP would like to learn from the experience FRES is gaining. We are therefore happy to contribute to the realisation of the FRES goals through our legal expertise.

Part 3 Organisation and Governance



Organisation

In 2012 FRES continued working on a clear division of tasks and good cooperation and internal communication.

Organisation and consultation

The Board of FRES met every two weeks to discuss policy matters. It followed the progress of the FRES companies on the basis of monthly reports from the local companies and progress reports from the Commissioners.

The local management of the FRES companies held progress meetings with their own Board of Commissioners via teleconferences each month. The Commissioners visited the companies (twice) as well.

The organisation was strengthened by the appointment of a Director of Operations (as of March 1) and Liaisons Officers for each company. This benefits the better functioning and a more focused approach of the FRES companies.

Managers of all companies came to the Netherlands from 12 to 18 February to meet with the Board and the Commissioners. Together, they visited the solar power station Sun Island (from Nuon) in Almere. Highly successful stakeholders meetings took place on June 5 and October 31.

Employees FRES Netherlands

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. Performance reviews with each employee take place annually.

Paid employees

At the end of 2012, FRES Netherlands had a total of five paid employees, with various nationalities. The team experienced a number of changes, partly for personal reasons and partly due to new job opportunities. A variable reward system was used for certain functions. In 2012, € 5,000 was available for training and education, of which € 1,514 was spent.

Unpaid employees

In 2012, ten people performed unpaid work for FRES. They focused on advice regarding the approach of the payment arrears in South Africa, a financial analysis of the South African Solar Vision concession as a new business opportunity, a communication plan for the opening of the six new solar powerplants in Mali and an investigation into the potential for solar/hydro power minigrid systems in SW-Uganda. An employee of Alliander conducted a study into the high grid losses in Mali. Two students worked on a socio-economic impact study in Uganda and South Africa. In addition to the aforementioned experts and students, the Board, the Commissioners of the FRES companies and the members of the Supervisory Board (twelve people in total) also made unpaid contributions.

Overview employees	2011	2012
Number of employees	3	5
Male / female	0/3	2/3
Definite / indefinite contract	3/0	5/0
Fulltime / part-time	1/2	1/4
Number of FTE's	2.4	3.8
Average age	38	44
Number of freelancers	1	1
Average sick leave	5.2%	1.0%

Governance

Board

The FRES Board consisted of three members in 2012, who were all intensively involved in the business: Anne-marie Goedmakers (CEO/Chairman), Serge Leijten (CFO/treasurer) and Harry Droog (COO/Board member).

- The Board members worked unpaid two days a week for FRES on average. The Board met 18 times. The following points were discussed, among other things:
- the progress of the FRES companies; evaluation reports, financial reports;
 - investment proposals for expansion;
 - the annual accounts and annual report 2011;
 - the Business Plan 2013-2017 and annual plan/budget 2013;
 - the action plan of NuRa aimed at reducing nonpayment;
 - composition Boards of Commissioners;
 - entering into new partnerships

The Directorate-General International Cooperation (DGIS) has broken the contracted cooperation unilaterally. As a result, the realisation of the long term objectives of FRES is at stake. A legal procedure is pending.

As a partner, Nuon has fully honoured its obligations.

The expenses of the board amounted to € 3,990 in 2012, spent on telephone expenses and travel expenses in the Netherlands.

Supervisory Board

The Supervisory Board consisted of Aad Veenman (Chairman) and Peter Smink (secretary) in 2012.

- The Supervisory Board met twice in 2012 (on April 27 and October 31). The most important topics were:
- the annual accounts and annual report 2011;
 - the Business Plan 2013-2017 and annual plan/budget 2013;
 - the partnership with and the frozen subsidy from the Directorate-General International Cooperation (DGIS);
 - cooperation Supervisory Board.

Business Plan 2013 - 2017

The policy is based on a strategic multi-year plan. In October, the board established the Business Plan 2013-2017. This provides in a growth of the number of customers from more than 67,000 in 2017 to 100,000 in 2020. We will especially strive for growth in the five existing companies, where we will aim for cost control and affordable rates. The companies will have to become financially independent, in which the income from the customer connections and power sale must be sufficient to pay for maintenance, operational management and replacement investments. Training the employees will be an important point of attention. FRES will work on these goals in a good relationship with governments, the World Bank, UNIDO, EU and other donors.

Monitoring and evaluation

The policy goals and starting points have been recorded in the Business Plan 2013-2017. It serves as the basis for the annual plans and budgets for the FRES companies and for FRES Netherlands. Monitoring, evaluation and corrections occur constantly.

Code Wijffels

FRES endorses Code Wijffels, a code for good governance for charities. The accountability statement (see Appendix 5 on 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 extensive overview of employees and board members, with their additional functions, is listed in Appendix 4 (see www.fres.nl).

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 the cooperation started.

2002 | The ‘Directorate of Minerals and Energy’ (DME) of the South African government signed a fixed-term agreement with NuRa in 2002. This contract was converted in to a twenty-year concession agreement for 8,000 solar power systems in 2004. A contract for 8,000 new SHS was signed, in which the South African government takes on 80% of the expenses and FRES 20%. In May 2012, the agreement was expanded to 10,000 SHS, to be connected before the end of 2012. A new promise has to result in the connection of another 6,000 SHS customers before April 2014.

2004 | FRES was founded by Nuon in 2004. In 2006, a five-year agreement stipulated that Nuon would provide an annual contribution to FRES and would 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 has entered into an agreement with Yeelen Kura via AMADER worth € 2.3 million to advance rural electrification. The aim of this contract, to expand from 1,500 to 5,000 customers, has not yet been achieved. In 2009, an agreement was signed for a subsidy of € 300,000 for the expansion of five mini-grids. In 2011, a subsidy agreement was signed with AMADER/World Bank for the construction of six solar power stations. The subsidies were issued by the World Bank.

2006 | In 2006, we entered into a cooperation with the Van Sandickfonds; they compensate the travel and accommodation expenses of Dutch students who conduct 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

since 2006. Additionally, the Tax & HRS-department of PwC has supported us in applying for the ANBI-status with the Tax Authorities.

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 is expected in May 2013.

2007 | Via the European Union, an 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 of over € 2.1 million. This cooperation runs until the end of 2013. Within the same programme, a subsidy of € 2.5 million was promised in December 2010 for a new FRES company in Guinea-Bissau.

2008 | Dutch government: Nuon and DGIS (Directorate-General International Cooperation) each have promised € 10 million as support for achieving our objectives: to have connected 100,000 customers to sustainable energy (originally in 2015). Additionally, it was agreed that the Minister would support us in legal and managerial procedures in project countries and in finding additional financing from parties such as the World Bank. So far, DGIS has transferred € 2.9 million and frozen further subsidy. In July 2012, DGIS decided to terminate the partnership DGIS-Nuon-FRES, because it believes that FRES is not achieving its goals.

2009 | We have been cooperating with The Resource in Amsterdam since 2009. This partner brings supply and demand together on 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 durable world.

2010 | Various meetings have taken place with the government of Guinea-Bissau, for example with the Ministry of Energy, regarding the start up of a new company. These have led to the start-up in 2012.

2010 | In 2010, various meetings took place with the World Bank. For both the new FRES company FRES Uganda and the construction of six solar power stations in Mali, we were allocated and/or received the requested subsidies via the governments involved.

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

2010 | International lawyer’s agency 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 lawyer’s agency Clifford Chance LLP aided FRES in the development of an agreement for the delivery, installation and maintenance of two and another six solar power stations in Mali respectively. Clifford Chance will also provide FRES with legal assistance in future projects .

2010 | As of 2010, we have been cooperating with Randstad. 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, who used them as Christmas gift to the employees. In 2011, the employees filled out an evaluation for the benefit of improving the functions of the water filters.

2011 | We requested a concession permit and a license for the new FRES company from the government of Uganda. The license was obtained in 2011 and the company currently has over 1000 customers.

2011 | PUM sends senior exports to companies and organisations in developing countries and upcoming markets that can use their expertise for a period of two to three weeks. In 2012, PUM promised to find coaches for the FRES companies in Mali, Uganda and Burkina Faso who can supervise the General Managers.

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 € 0.3 million for Uganda in 2011, with the intention to repeat this each year if the results are achieved.

2011 | In 2011, FRES made agreements with Alliander regarding further cooperation by formalising the availability of expertise and knowledge and delivering Commissioners for FRES companies in 2012. The partnership took further shape in 2012, among other things because Alliander took over the annual contribution of € 75,000 and the salary of the Director of Business Development from Nuon for a period of four years.

2011 | We entered into a cooperation with Stichting Chimbo which provides office space and accommodations to FRES Netherlands in Bissau.

2012 | Together with the local organisation Daridibó in Guinea-Bissau, FRES requested a subsidy of € 2.5 million which it received from the ACP EU Energy Facility Programme.

Risk management

Strengths and weaknesses, opportunities and threats

There are good opportunities for FRES activities to contribute successfully to rural electrification, but risks and threats also exist. FRES is very aware of these facts and constantly tries to keep a close eye on the risks and respond in a timely fashion. We have mapped the strengths and weaknesses, opportunities and threats for 2012, and they are summarised in the table below.

Strengths

- Long-term experience in electrification of rural areas in Africa
- Extensive and sound research method
- A proper network in the international developing 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 with acquiring subsidies
- Strong partners in the Netherlands
- A solid Business Plan 2013-2017 and detailed plans for FRES companies for realising their objectives

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 possibilities
- The international interest in the millennium objectives and the UN year 2012 focused on “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
- Central purchase systems

Weaknesses

- Companies in (five) different countries with very different boundary conditions
- Insufficient growth in number of customers at some FRES companies
- The FRES companies have not yet reached their breakeven point
- Dependence on subsidies

Threats

- Payment arrears (‘nonpayment’)
- Customer rates in Mali do not cover the costs for the diesel minigrids
- Inadequate legal opportunities to address fraud
- Worsening of the local economy, among other things due to disappointing harvests or instable governments as a result of which customers purchase less power, and unemployment and poverty increases
- Higher transport expenses due to higher fuel prices
- Long, bureaucratic procedures among governments and subsidisers

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 especially focus on expanding in countries where we are already active, and do not expand too quickly to other countries. In doing so, we increase the scale of the existing companies and reduce the cost price.
- We keep a close eye on the expenses for our customers to ensure that our services remain affordable. 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.
- By selecting regions that have specific economic activities on markets outside the region, we reduce the risk of low purchasing power.
- An important cost reduction will take place through the central purchase of systems. Boundary conditions are that the systems are interchangeable and that we employ a standard format of modules, and battery and regulator capacities.

A few risks received special attention in 2012. The other risks and the matching measures are further discussed in the Business Plan for the coming years.

1. Continuing growth

Slow growth in the number of customers occurred for a few years as of 2006, due to which FRES ran the risk of not achieving its objectives. In 2011, this was improved through the effects of the multi-year Business Plan that was adjusted in 2010, detailed realisation plans for local companies and frequent meetings between the Board and local management. A monthly management report makes the progress more insightful so we can take timely precautions. The appointment of a Director of Operations aims to increase the sense of urgency at the FRES companies. Nevertheless, the continuity in customer growth remains a point of attention that requires constant alertness.

2. Financial sustainability

The FRES companies must achieve financial independence as soon as possible by generating sufficient income for all expenses and replacement costs in the medium and long term. With a slow growth in the number of customers, there is a risk that this independence will not be achieved. Yeelen Kura and NuRa therefore especially paid attention to cost-reducing and/or income-increasing activities in their Business Plans. Moreover, Yeelen Kura divided the company management into three products (SHS, Solar Minigrid and diesel minigrid) to obtain a clear insight into the financial performances of each product. We carefully monitored the intended development via monthly reports.

3. Payment arrears

NuRa has been facing high payment arrears of customers for some time: a threat to its income and financial independence. Moreover, it sets a bad example for the other countries in which FRES is active. NuRa began an action plan for structural improvement. Nonpayment was reduced from 34% (December 2011) to 17% (December 2012). With that, the objective of 16% in 2012 was almost realised.

4. Political instability

Developments in West Africa show that political stability is a factor that we need to take into account. In 2012, political unrest occurred in both Mali and Guinea-Bissau. This may potentially impact both the growth of the number of customers and have consequences on the employees. It is one of the screening criteria that FRES employs before deciding to start working 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 from for instance the EU or World Bank are delayed or postponed. This may delay the FRES activities.



6. High fuel price

Due to the high diesel price, a large part of exploitation expenses are used for transport costs needed to perform installation and maintenance activities. Furthermore, diesel minigrids also lose profit because of the high diesel price. We expect that the oil price will increase further and therefore that the expenses for transport will further increase as well. As a result, the FRES companies aim to optimise transport logistics and work in areas with a high customer density. Concerning the diesel minigrids, we aim for efficiency and to gradually replace them by Solar Minigrids. Currently, only one power station at Yeelen Kura is still running 100% on diesel.

7. 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 the management and the Boards of Commissioners of the companies themselves, and is supervised by the Board and Supervisory Board via the established management and supervisory structure.

8. Continuity reserve

The Board has created a continuity reserve of € 250,000, in case the activities of FRES 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.

Fundraising

Policy, strategy and objectives

FRES specifically aims to obtain subsidies from nationally operating fund acquirers, governments and international organisations. Additionally, we strive to establish relationships with business donors. We look for parties that match in terms of policy, objectives and work field. 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 this financing by cooperating closely with our main sponsor Nuon and with Alliander as a new multi-year sponsor as of 2012, by increasing our lobby activities and by building close relationships with governments. FRES chose not to have an active private donor policy.

Objectives

In order to achieve over 67,000 customers in 2017 an investment in new systems of over € 46 million (including the replacement investment of over € 5 million) is required. Around € 28 million is still to be obtained.

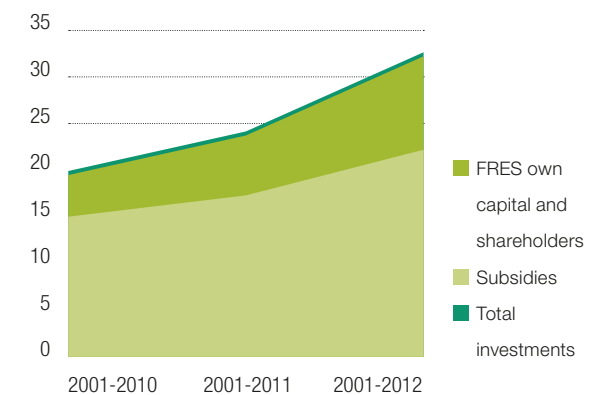
ANBI, Institutions for general benefit

FRES has ANBI status since 2007. An ANBI marked as such by the Tax Authorities does not need to pay inheritance tax or gift tax for received inheritances and gifts within the general benefit. Moreover, a donor can, dependent upon the form in which the gifts were made, deduct the gift from the income or partnership tax. This makes it more attractive to contribute to FRES financially.

Investments

In the period 2001-2012, FRES has invested a total amount of € 32 million in FRES companies. € 21.9 million of this amount was financed through various subsidies and € 10.4 million from our own funds. FRES is working on new initiatives to attract new funds.

Total investments 2001-2012



Total investments 2001-2012	South Africa	Mali	Burkina Faso	Uganda	Guinea-Bissau	New initiatives	Total
ORET / MILIEV		760,000					760,000
PSOM	780,000	543,000					1,323,000
Government of South-Africa	10,425,282						10,425,282
Government of Mali		4,569,371					4,569,371
EU			1,283,721		598,585		1,882,306
JV partners (Nuon, EDF, etc.)	4,698,606	3,143,734	1,573,657	609,766	314,715	58,869	10,399,347
Schokland Akkoord - DGIS subsidy agreement	1,147,169	770,530	320,904	510,786		170,707	2,920,096
Total	17,051,057	9,786,635	3,178,282	1,120,552	913,300	229,576	32,279,402

Results 2012

Subsidies

The South African government (Department of Energy) appointed a new subsidy of € 3.6 million to connect another 2,000 SHS before April 2013 and subsequently 4,000 SHS until April 2014.

It has become increasingly difficult to acquire subsidies due to the difficult international economic situation as a result of which decisions regarding money are being postponed. There were no concrete tenders to apply for; they were constantly postponed. This therefore became a year of evaluation and awareness, of looking and planning ahead, and of lobbying and networking. This year, we focused on acquiring a more extensive and better overview of subsidy opportunities and establishing a good relationship with possible (new) donors, for instance with UNIDO and the Norwegian and Austrian governments.

The expenses used for acquiring funds were mainly made with regard to realising project subsidies. In the year 2012, these expenses amounted to € 57,753, which is 1.6% of the acquired funds. Allocation occurred by means of allocation model C (see Part 4 Annual account), in which the time registration system serves as starting point.

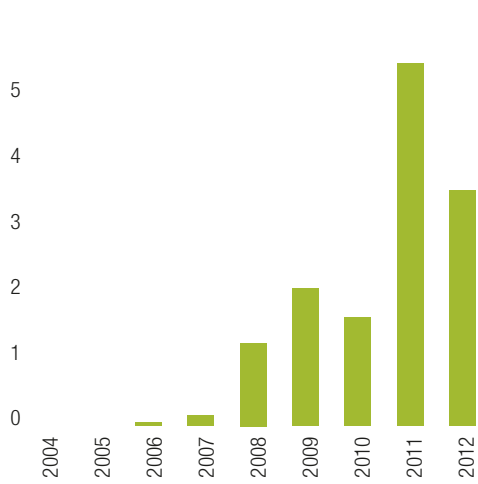
Business donations

The business donations in 2012 amounted to € 191,095. Alliander donated € 75,000 to cover our desk expenses and took over the salary of the Director Business Development from Nuon. These contributions were part of the agreement that was established in April 2012 and will run for four years. The Dutch company Greenloans, part of ALFAM Consumer Credit, donated € 10,000 as a Christmas gift for the installation activities of FRES Uganda.

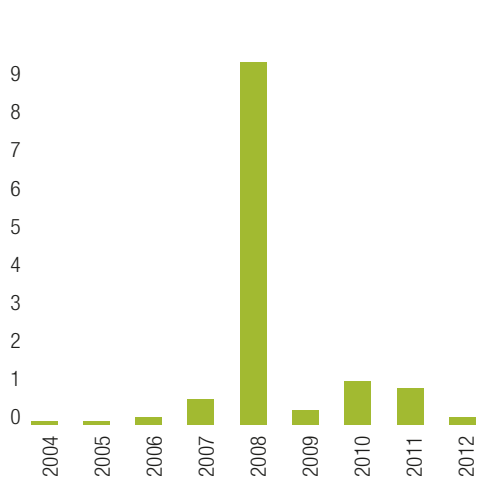
Private donations

€ 12,380 was donated by private donors. This includes the contribution of € 847 and € 3,250 via employees from Nuon, who chose not to receive a Christmas gift in 2011 and 2012 respectively, and the € 1,120 from (former) employees of Forbo Flooring BV, who could chose to donate their Christmas gift to FRES at the end of 2011. Frans van der Loo and his friends and acquaintances collected a donation of € 720 during a party. The money from private donors from 2011 was used for the FRES company in Guinea-Bissau in 2012.

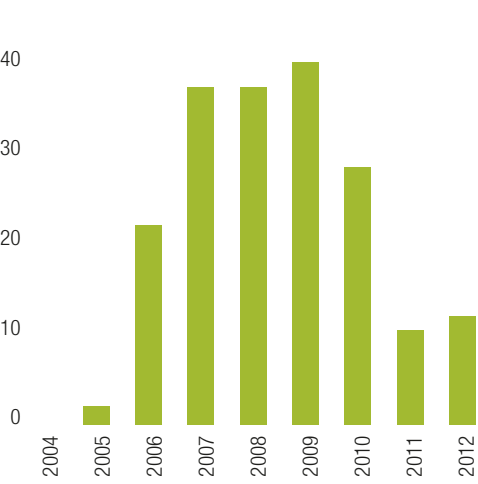
Allocated subsidies FRES companies



Business donations



Private donations



Communi-
cation

FRES communicates with various stakeholders. Not only with the people in the areas in which we founded FRES companies, but also with stakeholders who make our work possible, such as experts who contribute unpaid work, universities, funding parties, donors and partners. We keep them informed of the effects of their contributions in knowledge, time and/or money.

Policy, strategy and objectives

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

We distinguish between various stakeholders, with whom we communicate in various ways:

- Board members, partners and employees receive the monthly digital Flash Report which keeps them informed of the latest developments;
- two stakeholders meetings for Board members, employees, commissioners, partners, experts, students and volunteers 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;

Settlement of complaints

If FRES receives a complaint, we handle this within one (work)day after receiving the complaint. FRES calls the person who submitted the complaint to offer a solution. We did not receive any complaints in 2012.

Results 2012

FRES often meets with governments and subsidisers regarding rural electrification and the implementation thereof:

- For example, the government of Burkina Faso met with FRES because they needed successful practical experience in other countries with regard to policy implementation concerning rural electrification.
- FRES facilitated a workshop at the ECOWAS-GFSE-GEF-UNIDO High Level Energy Forum in Ghana about the role of the private sector and NGOs in achieving the “Sustainable Energy for all” objectives.
- The World Resources Institute in Washington and the (Dutch) Stichting Doen foundation invited FRES to share its knowledge and experience with regard to subsidisers and operators in Africa and Asia in a workshop for a select group.

The website that was launched in the beginning of 2011 was further supplemented and maintained. Moreover, FRES was present on the social media channels: LinkedIn and Facebook. Our communication via Twitter proved to take up a lot of time and yielded little. We therefore decided to suspend these activities for the time being.

An article on the six new solar power stations that Yeelen Kura installed in Mali appeared in Sun&Wind Energy in January.

In February, an article on FRES and the Solar Minigrids in Mali appeared in the Dutch newspaper Het Financieel Dagblad with an interview with Caroline Nijland (Director Business Development).

In May, Annemarie Goedmakers (CEO FRES) gave a presentation at the conference of the International Association of Investors in the Social Economy (INAISE) in Paris on “How can social finance help address climate change?”

The FRES Annual Report appeared in May 2011 (printed and digital). English and French versions followed in June. The annual report received a 7.0 evaluation in the PwC transparency award, compared to a 6.5 in 2011. The average evaluation of all submitted annual reports (in the category “large”) was 5.9 in both years.

The six new solar power stations in Mali became operational in August. We started to plan and prepare a



festive ceremony surrounding the opening of the new solar power stations and the communication on this. The ceremony has however been postponed until further notice due to the political unrest.

On October 20, 2012, Yeelen Ba celebrated its one thousandth customer in Burkina Faso.

As of October, PwC has been conducting a study on cooperation with the Erasmus University into the socio-economic impact of the availability of electricity for customers of FRES companies. In Mali, Uganda and South Africa, baseline studies were conducted, which were followed by an impact study in Mali and South Africa. Local organisations, including SNV, held surveys. We expect the final report in May 2013.

On October 31, a stakeholders' meeting took place in Antropia, Driebergen. Earlier that year, a stakeholders meeting was held on June 5. Both meetings were well attended.

On November 15, the "HIERopgewekt" event took place in Amersfoort. It was aimed at local sustainable energy initiatives in the Netherlands. In the workshop "DAARopgewekt", Caroline Nijland presented the FRES activities in addition to the activities of the WakaWaka foundation, Hivos and I-love-windpower.

Caroline Nijland

Director Business Development FRES

FRES is increasingly a discussion partner of governments and institutions. We have developed an expertise that matters, namely how to put rural electrification into practice. We are increasingly able to respond to local wishes because we work with local FRES companies, train employees well and cooperate with governments. We have, for instance, implemented an additional (higher) service level in Uganda and Guinea-Bissau when we discovered that there were customers with a larger demand. The World Bank and UNIDO believe that Solar Minigrids are a promising option. We have experience in this field, and they would like to utilise our expertise in developing a strategy. Governments want to advance rural electrification. But how can they initiate it? We can explain how legal and financial boundary conditions are arranged in Mali, Burkina Faso and Uganda, and what role FRES has played in this regard. This is expertise that counts and this leads to growth.

FRES does not merely produce (solar) energy, but also social and economic dynamics and increased entrepreneurship. I think it's wonderful to see!

Financial supervision

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

Sustainability scan investment portfolio

ING Sustainable Investments has performed two tests to evaluate the performances in the field of sustainability of stock-market listed companies or issuers. In case of positive results, it is investigated what the companies did to prevent undesirable company activities and behaviour. In case of negative results, it is investigated to what extent companies developed or displayed undesirable activities or behaviour within the field of the test themes. The results of both tests are that no companies have been removed from the portfolio.

Planning and control

The Board is responsible for the work and the quality of the FRES activities and making the necessary adjustments. PwC inspects the annual account and issues an auditor's statement. PwC specifically tests the guidelines that apply for institutions that acquire funds. Moreover, the subsidisers function as inspectors by monitoring and evaluating project results. All FRES companies are inspected annually by an accountant on the basis of the applicable laws and regulations.

Asset management

As of 2009, we have been investing funds that are available for a longer time period (Nuon donation) via an external asset manager (ING). This way, we achieve better effects than if we were to place the funds on a savings account. The objective of the investments 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 sets on asset management. Consequently, we have an asset management agreement and an investment statute.

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 business values (shares). 0-10% 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.

The asset manager accounts for the result of the portfolio to the Board at least three times a year. The asset manager measures the results of the portfolio, compares them to the established benchmark and analyses the differences in performance. On the basis of these results, it is established whether or not the investment policy has to be adjusted. Moreover, a Sustainability scan is performed annually.

Part 4

Financial report



Annual Accounts 2012

CONSOLIDATED BALANCE AS ON DECEMBER 31, 2012 (after appropriation of results)

	December 31, 2012	December 31, 2011
	€	€
Assets		
1. Non-current Assets		
1.1 Tangible fixed assets	4,268,079	3,428,976
1.2 Financial fixed assets	-	-
	4,268,079	3,428,976
2. Current Assets		
2.1 Receivables	2,982,667	826,359
2.2 Securities	4,035,615	8,557,266
2.3 Cash	750,335	383,390
	7,768,617	9,767,015
Total	12,036,696	13,195,991
Liabilities		
3. Reserves		
3.1 Continuity reserve FRES Netherlands	250,000	250,000
3.2 Reserve for future projects	4,975,335	
3.3 Reserve financing assets	2,138	3,881,696
	5,227,473	2,734
4,134,430		
4. Funds		
4.1 Fund Donation Nuon	4,091,289	
4.2 Fund Hivos/Uganda	-	5,375,262
4.3 Fund EU Guinea-Bissau	-	129,516
	4,091,289	264,847
5,769,625		
9,318,762		9,904,055
5. Short-term liabilities		
5.1 Payables and other accruals	2,717,934	3,291,936
Total	12,036,696	13,195,991

CONSOLIDATED INCOME STATEMENT 2012

	Actual 2012	Budgeted 2012	Actual 2011
	€	€	€
6. Income			
Income from our own fund acquisition	9 13,341	5,000	1 081,977
Income from our own fund acquisition - private persons	12,380	5,000	10,522
Income from our own fund acquisition - companies	900,961	-	1,071,455
Subsidies	1 124,173	3,391,649	68,613
Subsidies from governments	824,173	2,891,649	68,613
Other subsidies	300,000	500,000	-
Profit from investments	761,859	150,000	243,557
Other income	1,187,433	-	676,440
Income Yeelen Kura from regular company activities	993,246	-	669,834
Income FRES Uganda from regular company activities	153,907	-	6,606
Income FRES Guinea-Bissau from regular company activities	40,280		-
Sum of the income	3,986,806	3,546,649	2,070,587
7. Expenses			
Spent on objectives			
Operating expenses for existing companies	53,872	500,000	466,601
Yeelen Kura, Mali	18,497	250,000	31,027
Nura, South Africa	35,375	150,000	435,574
Yeelen Ba, Burkina Faso	-	100,000	-
Operating expenses for company expansions	2,219,411	5,452,112	2,164,727
Yeelen Kura, Mali	210,719	3,152,112	1,174,231
Nura, South Africa	-	600,000	532,820
Yeelen Ba, Burkina Faso	521,149	700,000	292,342
FRES Guinea-Bissau	718,794	500,000	-
FRES Uganda	768,749	500,000	165,334
Operating expenses for new initiatives	-	10,000	18,563
Guinea-Bissau	-	-	14,222
Benin	-	-	4,260
New initiatives remaining countries	-	10,000	81
Other expenses	1,789,401	-	980,799
Expenses Yeelen Kura from regular company activities	1,128,234	-	895,413
Expenses FRES Uganda from regular company activities	551,192	-	85,386
Expenses FRES Guinea-Bissau from regular company activities	109,975	-	-
Subtotal	4,062,684	5,962,112	3,630,690

CONSOLIDATED INCOME STATEMENT CONTINUED

	Actual 2012 €	Budgeted 2012 €	Actual 2011 €
Subtotal	4,062,684	5,962,112	3,630,690
FRES Service Costs spent on objectives (1)	374,163	271,918	309,650
Direct support Existing Companies	205,277	149,182	36,281
Direct support Expansion Companies	162,124	117,822	242,211
Direct support New Initiatives	6,762	4,914	31,158
Total spent on objectives	4,436,847	6,234,030	3,940,340
FRES Service Costs Management & Administration	135,252	153,082	199,746
Direct costs	126,511	143,994	114,493
Indirect costs and costs from investments	8,741	9,088	85,253
Sum of the expenses	4,572,099	6,387,112	4,140,086
Result	585,293-	2,840,463-	2,069,499-
	Actual 2012 €	Budgeted 2012 €	Actual 2011 €
The result of 2012 is appropriated as follows.			
Result appropriation			
Mutation continuity reserve FRES Netherlands	-	-	-
Mutation reserve for future projects	1,093,639	980,000-	257,186-
Mutation reserve financing assets	596-	-	1,562-
Mutation fund donation Nuon	1,283,973-	1,860,463-	2,005,114-
Mutation fund Hivos	129,516-	-	70,484-
Mutation fund EU Guinea-Bissau	264,847-	-	264,847
	585,293-	2,840,463-	2,069,499-

(1) FRES service costs: The total of the costs spent on the objectives and management and administration of € 509,415 has decreased slightly compared to the previous year of € 509,396. The difference compared to the budget of € 425,000 has especially been caused by an increase in the employee expenses resulting from the appointment of an Operations Manager.

CONSOLIDATED CASH FLOW STATEMENT 2012

		2012 €	2011 €
Income from private persons, companies, institutions and governments	4,660,067	2,290,131	
Payments to suppliers and employees and projects	-4,724,376	2,174,703-	
Cash flow from activities		64,309-	115,428
Received interest, realised result investments and balance deposits and withdrawals investments		5,981,727	1,276,541
Cash flow from operational activities		5,917,418	1,391,969
Investments in tangible fixed assets	5,108,473-	2,265,445-	
Acquiring group agencies	-	-	
Cash flow from investment activities		5,108,473-	2,265,445-
Granted loans	442,000-	487,350-	
Cash flow from financing activities		-	-
		442,000-	487,350-
Cash flow		3 66,945	1,360,826-
Exchange rate and conversion differences		-	-
Net cash flow		366,945	1,360,826-
Cash as on January 1		383,390	1,744,216
Net cash flow		366,945	1,360,826-
Cash as on December 31		750,335	383,390

NOTES ON THE CONSOLIDATED ANNUAL ACCOUNTS

Comparison realisation 2012 versus budget 2012

The quantitative differences between the realisation and budget are analysed and disclosed below for further insight.

Realisation versus budget 2012 income

Income from our own fundraising – companies

When preparing the budget, a donation from Alliander for desk expenses was not taken into account. This is the first annual donation within the cooperation with Alliander and FRES as commenced in April 2012. It includes the payroll expenses for the BD director.

Income from obtained subsidies

Subsidies from Governments

Project financing Burkina Faso (EU): The advance to be received from the EU subsidy of € 516 thousand was paid with some delay in February 2013. Since this subsidy was formally granted in 2012, it is attributed to the year 2012 insofar as the expenditures related to this advance occurred in 2012.

Project financing World Bank/Government Mali (Mali): The subsidy amount was fully received by Yeelen Kura with some delay in January 2013. The amount that was prefinanced by FRES for the project, approximately € 1.2 million, has now been (partly) received.

Project financing World Bank/Government Uganda (Uganda): Based on the realised number of customers, FRES Uganda submits monthly payment requests to the Ugandan Government. In 2012, the Ugandan Government only paid FRES Uganda a small amount. The remaining of the claimed amounts will be paid in 2013.

Project financing Guinea-Bissau (EU): The intrinsic and financial report, including the request for the advance, was submitted to the EU with some delay in January 2013. We expect that the e advance will be paid in May 2013.

Other subsidies

Project financing Burkina Faso (Nuon): Upon completing the so-called Nuon Commitment, an income of approximately € 700 thousand was realised. Of this amount, we have actually received approximately € 215 thousand from Nuon. The remaining amount concerns a release of the amounts received in advance in prior years.

Project financing Stichting Doen foundation: The subsidy granted for 2012 has been received.

Profit from investments

The profit from investments was higher than budgeted as a result of more favourable market conditions than expected, compared to 2011.

Other income

This includes the regular company results from the subsidiaries, referring to the income from SHS rentals, among other things. For 2012, Yeelen Kura expanded its number of customer connections, but did not achieve the intended objective.

In 2012, FRES Uganda experienced its first complete operational year and managed to achieve its customer objectives. In 2012, FRES Guiné-Bissau began its operational activities and achieved its customer objectives.

Realisation versus budget 2012 spent on objectives

Operating expenses existing companies

The operating expenses for existing companies were lower than budgeted. In 2012, the existing companies increasingly succeeded in financing their own activities. FRES therefore received very limited requests for financing the activities of these companies. This is in line with the objectives of FRES, namely that the companies become self-supporting.

Expenses for expansion of companies

Yeelen Kura

The project in Mali was delayed as a result of the political situation in Mali. Nevertheless, Yeelen Kura installed and opened six solar power stations in July 2012.

NuRa

NuRa was able to finance the expansion of its activities in 2012 from its own cash flow. Consequently, FRES did not receive any financing requests from NuRa for the purchase of new systems. FRES did issue a bridging loan to NuRa.

Yeelen Ba

Yeelen Ba, Burkina Faso EU: the contract for the EU tender for the delivery of 2,000 SHS was signed and part of the systems was delivered in 2012.

FRES Uganda

FRES Uganda connected more customers than expected in 2012. In anticipation of 2013, tenders for the delivery of 1,500 SHS have been requested to achieve the target of 1,800 customers in 2013. The first payment occurred in November 2012. As a result, the expenses were higher than budgeted.

FRES Guiné-Bissau

1,000 systems were bought. The payments for these systems all occurred in 2012 because the delivery occurred sooner than planned. As a result, the expenses were higher than budgeted.

Other expenses

This concerns the regular operating expenses of the subsidiaries. They include employee expenses, rent and other costs. The subsidiaries are not currently self-supporting.

General

Activities

FRES was founded in 2004 and is registered in Amsterdam. The foundation is currently 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 that benefit the goals of the foundation.

Group structure

The group includes four companies: Yeelen Kura S.A., Société de Services Décentralisés FRES (SSD-FRES), FRES Uganda and FRES Guiné-Bissau. FRES is 100% owner of all companies, either directly or indirectly.

Consolidation

Intercompany transactions, intercompany results and intercompany balances among group companies and other consolidated entities are eliminated, insofar as the results were been realised through transactions with third parties outside the group. Unrealised losses on intercompany transactions are also eliminated unless such losses qualify as an 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 central management. Group companies are entities in which FRES exercises direct or indirect control based on the ownership of more than one half of the voting rights, or whose financial and operating policies it otherwise has the power to govern. 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
Yeelen Kura S.A.	Mali	100%
FRES Uganda	Uganda	100%
FRES Guiné-Bissau S.A	Guinea-Bissau	100%

In addition to the aforementioned subsidiaries, FRES has interests in the entities below. They are currently not involved in the consolidation. They are, separately and together, of insignificant importance.

Name	Statutory seat	Share in the issued capital
SSD-FRES Benin S.A.	Benin	100%
SSD-FRES	Mali	100% (20% of which via Yeelen Kura)

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 € 2. With this acquisition, FRES also obtained 20% of the shares of SSD due to which it now possesses 100% of the shares in this company.

Yeelen Kura is a 100% subsidiary of FRES. Djibril Séméga is the general manager. As of 2012, the Commissioners are Rob Costermans, Liliane Naalden and Thad Hecker. SSD-FRES has no separate board. SSD-FRES includes the solar power station Kimparana.

FRES Uganda was founded in 2010 as a 100% subsidiary of FRES. Allan Asingwire is the general manager. As of 2012, the Commissioners are Majolein Quené, Andre Kuiper and Thad Hecker.

FRES Guiné-Bissau S.A. was formally founded in 2011 as 100% subsidiary of FRES. Reinder Bouwmeester is the general manager. As of 2012, the Commissioners are André Kuiper, Caroline Nijland and Thad Hecker.

SSD-FRES Benin was also 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 2012.

Related parties

FRES was founded in 2004 by public limited company Nuon as an independent foundation with its own board. Since July 2009, FRES and Nuon have had a sponsor agreement which states that Nuon acts and is considered as the main sponsor of FRES. Also included in this agreement is the fact that Nuon will participate in the Supervisory Board. Moreover, FRES (indirectly) manages NuRa, situated in South Africa, as well as Yeelen Ba, situated in Burkina Faso. The shareholder of these entities is N.V. Nuon Energy and they are therefore not formally owned by FRES Netherlands.

Significant transactions with related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. The nature, extent of these transactions and other relevant information is disclosed if this is required to provide an accurate and fair view.

The preparation of financial statements in conformity with the relevant regulations requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. To provide the necessary insight, the nature of these estimates and judgements, including the related assumptions, is disclosed in the notes on the financial statement items in question.

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 'Charity organisations', 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.

Functional currency

Items included in the annual accounts of 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 conversion 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

Tangible fixed assets 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 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 fixed 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 that were carried at actual value and are processed directly in the profit and loss account.

Liquidities

Liquidities is stated at nominal value and are at free disposal of the foundation, unless stated otherwise.

Reserves and funds

The reserves must be spent on projects and, to a limited extent, overhead. The reserve financing asset matches the tangible fixed assets 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

Income

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.

Expenses

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 tangible fixed assets

Tangible fixed assets are depreciated over their estimated useful lives as from the inception of their use. Land is not depreciated.

Financial revenues 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 obligated to pay company tax or turnover tax. The foundation received the ANBI status in 2008.

1.2 Financial fixed assets

Loan u/g NuRa,	2012	2011
total facility € 1,000,000	€	€
Balance as on January 1	-	-
Movements		
Granted loans	-	430,000
Adjustment loans previous years	170,000	
Less: conversion loan into gift	170,000	430,000
Balance as on December 31	-	-

A twenty-year loan on demand has been taken out with Nuon RAPS Utility (NuRa) as of September 13, 2010. The loan was taken out for an amount of no more than € 1,000,000 for its 20% share in the financing of 8,000 new systems; the remaining 80% will be provided as a subsidy by the DoE. Of this, € 1,000,000 was effectuated by FRES at the end of 2012. In 2012, there was a correction of the issued funds that were initially labelled differently. The complete loan facility was converted into a gift.

In principle, the loan is subject to an annual interest. The interest is calculated by means of the 12 month Euribor rate. Based on “Interest Waiver”, FRES has decided not to charge interest on the aforementioned loan.

1.3 Other notes

In 2012 and in previous years, loans issued by FRES were converted by the FRES Board into gifts.

An overview of the amounts within the issued loans has been included below. This also includes loans that were not converted into gifts:

Yeelen Kura, Mali

Granted in:	
2009	247,420
2010	61,623
2011	1,806,444
2012	2,341,620
Total	4,457,107

The loans above were issued for the purchase of solar plants, replacement batteries, prepaid meters and the expansion of the network, among other things. The total aforementioned loan amount was converted into a gift, with the exception of the loan of € 1,223,902 issued in 2012. Yeelen Kura has already repaid (part of) this amount to FRES.

Yeelen Ba, Burkina Faso

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

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

NuRa, South-Africa

Granted in:	
2008	1,781,060
2010	1,000,000
2011	1,457,350
2012	442,000
Total	4,680,410

The abovementioned loans were issued for the expansion of SHS, nonpayment project and replacement of batteries, among other things. The total loan amount was converted into a gift, with the exception of the loans of € 497,350 and € 442,000 issued in 2011 and 2012, respectively. The loan from 2011 was recovered in 2012. We expect that the loan from 2012 will be recovered in 2013.

FRES Guiné-Bissau

Granted in:	
2011	1,275
Total	1,275

The loan 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

Granted in:	
2012	1,046,011
Total	1,046,011

The loan above was issued for the benefit of the expenses. A loan facility was issued for € 1,200,000. The total aforementioned loan amount was converted into a gift.

NOTES ON THE CONSOLIDATED BALANCE SHEET ITEMS

1.1 Tangible fixed assets	Installations and materials 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	-	67,542	271,981	3,833,456	18,706	4,191,685
Depreciation and impairments	-	5,144	36,149	705,444	15,972	762,709
Balance as on January 1	-	62,398	235,832	3,128,012	2,734	3,428,976
Movements:						
Investments	651,507	486,271	340,677	3,629,519	499	5,108,473
Received subsidies and gifts	651,507	-	-	1,901,649	-	2,553,156
Depreciation	-	51,158	136,342	1,527,619	1,095	1,716,214
Total movements	-	435,113	204,335	200,251	596-	3,392,259
Historical cost	-	553,813	612,658	5,561,326	19,205	6,747,002
Depreciation and impairments	-	56,302	172,491	2,233,063	17,067	2,478,923
Balance as on December 31	-	497,511	440,167	3,328,263	2,138	4,268,079
Depreciation percentage	10%-33%	0%-20%	20%	20%		

Land and installations relate to the assets that have been obtained as part of the acquisition of Yeelen Kura at the end of 2008, as well as the investments of Yeelen Kura after 2008, among other things, including the solar power station in Mali. In 2012, Yeelen Kura invested in buildings, installations, solar equipment, hardware, and office furniture.

2.1 Receivables

	31-12-2012		31-12-2011	
	Total	> 1 year	Total	> 1 year
Debtors	221,063	-	163,735	-
Receivables Yeelen Kura	12,820		23,872	-
Receivables FRES Uganda	19,621		118,550	
Prepayments	1,748		2,689	-
Prepayments Uganda	-		2,292	
Bridge loan NuRa	442,000		497,350	
Subsidies	2,270,244		-	
Other receivables and accrued income	15,171		17,871	-
Total	2,982,667	-	826,359	-

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

FRES entered into a short-term loan with Nuon RAPS Utility (NuRa) of € 442,000 as of October 16, 2012. The loan will be paid back in 2013. No interest is owed on the loan. The loan was issued to bridge the period between payment from creditors and receiving the subsidy from DoE. These subsidies have yet to be received from project financing of Burkina Faso (EU) € 178, 458, Mali € 1,743,433 and Uganda € 348,353. The remaining loans concern loans to Yeelen Kura for the replacement of systems and the purchase of 500 new SHS systems and 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 that have yet to be received on the balance date.

The prepayments and accrued income concern the 2012 interest that has yet to be received at the end of 2012. This was received after the balance date.

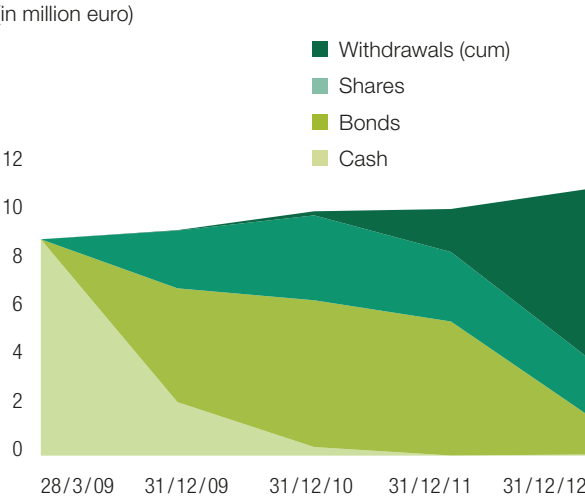
2.2 Securities

	31-12-2012	31-12-2011
Shares	1,649,288	2,981,604
Bonds	2,348,767	5,467,274
Increased coupon interest bonds	37,560	108,388
Total	4,035,615	8,557,266

All the securities 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 12.57% in 2012 (2011: 2.08%). 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 until January 1, 2013. This graph also includes withdrawals, in order to make the return with regard to the start date visible.



The cash included in the graph merely concerns the investment account linked to the securities.

The graph shows that the total value of the investments and the withdrawals has steadily increased. The initial value of 9 million euros has grown to 11 million euros, of which 7 million was withdrawn by FRES to contribute to the expenses.

These aforementioned withdrawals include an amount of approximately 1.6 million which was made available to Yeelen Kura and NuRa as a loan. The loans are being paid back to FRES in 2013.

2.3 Cash

	31-12-2012	31-12-2011
ING Bank	389,476	124,555
ASN Bank	31,199	25,140
Bank credits Yeelen Kura	2 75,442	2 18,100
Bank credits FRES Uganda	40,874	15,273
Bank credits FRES Guinea-Bissau	12,767	-
Cash	577	322
Total	750,335	383,390

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

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 expenses of FRES Netherlands for a six-month period.

	2012	2011
Balance as on January 1	250,000	250,000
Appropriation of results	-	-
Balance as on December 31	250,000	250,000

3.2 Reserve for future projects

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

	2012	2011
Balance as on January 1	3,881,696	4,138,882
Appropriation of results	1,093,639	257,186-
Balance as on December 31	4,975,335	3,881,696

3.3 Reserve financing assets

This reserve was formed based on the Guideline for annual reporting 650 ‘Charity organisations’ and equals the total book value of the tangible fixed assets for the operational activities of FRES Netherlands. Because this guideline is not applicable to Yeelen Kura and FRES Uganda, the amount of tangible fixed assets of these companies has not been included in the reserve.

	2012	2011
Balance as on January 1	2,734	4,296
Appropriation of results	596-	1,562-
Balance as on December 31	2,138	2,734

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:

	2012	2011
Balance as on January 1	5,375,262	7,380,376
Appropriation of results	1,283,973-	2,005,114-
Balance as on December 31	4,091,289	5,375,262

The withdrawal from this fund in 2012 regards the expenses made for NuRa and the expansion of Yeelen Kura, among other things. These expenses were directly withdrawn from the earmarked fund.

4.2 Fund Hivos/Uganda

This fund concerns the subsidy issued by Hivos for the start-up of the FRES company in Uganda.

	2012	2011
Balance as on January 1	129,516	200,000
Appropriation of results	129,516-	70,484-
Balance as on December 31	-	129,516

4.3 Fund EU/Guinea Bissau

This fund concerns the EU subsidy for FRES Guinea Bissau. The development of this reserve is as follows:

	2012	2011
Balance as on January 1	264,847	-
Appropriation of results	264,847-	264,847
Balance as on December 31	-	264,847

5. Short-term debts and accrued income

	31-12-2012	31-12-2011
Creditors FRES Netherlands	186,503	1 9,106
Prepayment Nuon Commitment	-	494,616
Prepayment Nuon EU/BF	-	172,365
Other payables Yeelen Kura	2,487,360	2,555,140
Other payables FRES Uganda	24,134	6,872
Deferred income	19,937	43,837
Total	2,717,934	3,291,936

All short-term debts above have a duration of less than one year. The actual value of the debts approaches their book value.

Advances received from Nuon, Nuon Commitment and Nuon EU/BF

In order to improve insightfulness, since the annual account of 2011 we have chosen to divide the advances that were received to the projects concerned.

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.

Nuon committed itself to provide an amount of € 1,850,000 to FRES for the benefit of projects in South Africa, Mali and Burkina Faso. As of December 31, 2012, the entire amount had been used by FRES.

DGIS (Directorate-General International Cooperation, part of the Dutch Ministry of Foreign Affairs) unilaterally decided to terminate the partnership within the Public Private Partnership with Nuon and FRES in July 2012, because DGIS believed that FRES did not achieve its goals. FRES demands that the decision of DGIS to terminate the subsidy is declared void and requests that the subsidy period is extended. FRES states that it has met its subsidy obligations and, with that, can lay claim to the remaining subsidy amount of € 7,100,000.

NuRa

The South African government has once again extended the subsidy contract with NuRa for the expansion of 6,000 systems for the period of 2012-2014.

NOTES ON THE CONSOLIDATED INCOME STATEMENT

General

The donations concern income from own fundraising activities.

Continuity of the activities

In 2012, 6 solar power stations were realised in Mali. New SHS systems were purchased in order to connect new customers in South Africa, Uganda, Burkina Faso and Guinea Bissau. A total of 7,200 new customers were connected in 2012. This trend is continuing in 2013.

6. Income and expenditures

6.1 Income

Income from own fundraising – private persons

	2012	2011
Donation Christmas gift		
employees Nuon	3,250	3,596
Donation rent office	3,600	3,600
Private donations	5,530	3,326
Total	12,380	10,522

The funds from private donors from 2011 were continued in 2012 for the FRES company in Guinea-Bissau.

Income from own fundraising - companies

	2012	2011
Payroll costs Nuon for employment		
Director Business Development	106,095	102,552
Project financing		
Burkina Faso (Nuon)	709,866	918,903
Donation Alliander office expenses	75,000	50,000
Donation Greenloans	10,000	-
Total	900,961	1,071,455

The Dutch company Greenloans, part of ALFAM Consumer Credit, donated € 10,000 as a Christmas gift for the installation activities of FRES Uganda.

Subsidies from governments

	2012	2011
Burkina Faso (EU)	350,824	196,234-
World Bank/Government Mali	107,648	-
World Bank/Government Uganda	365,701	264,847
Total	824,173	68,613

Other subsidies

	2012	2011
Stichting Doen (Uganda)	300,000	-
Total	300,000	-

Profit from investments

	2012	2011
Interest bank	-	11,057
Result interest bonds	239,662	197,159
Dividends	54,407	84,597
(Un)realised gains/losses shares	366,568	289,473-
(Un)realised gains/losses bonds	101,222	240,217
Total	761,859	243,557

Profit from investments

The liquidites available in 2012 were partly utilised for investments. The arising profits have been accounted for under the financial revenues and expenses. From the abovementioned profit from investments at the amount of € 761,859, an amount of € -/- 261,143 was included as unrealised result on the investments.

Moreover, liquidities were kept on the current account and deposit account at credit institutions.

Other income

	2012	2011
Income Yeelen Kura from		
regular company activities	993,246	669,834
Income FRES Uganda from		
regular company activities	153,907	6,606
Income FRES Guinea-Bissau		
from regular company activities	40,280	-
	1,147,153	676,440

6.2 Expenses
Spent on objectives

Destination	Objective															
Expenditures	Existing companies					Expansion companies							Mgmt. and admin.	Total 2012	Budgeted 2012	Total 2011
	Yeelen Kura, Mali	Nura, Zuid Afrika	Yeelen Ba, Burkina Faso	FRES Guiné-Bissau	FRES Uganda	Yeelen Kura, Mali	Nura, South Africa	Yeelen Ba, Burkina Faso	FRES Guiné-Bissau	FRES Uganda	Benin	New initiatives				
	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€
Subsidies and contributions	18,497	35,375	-	-	-	1,328,437	-	521,149	786,055	1,496,054	-	-		4,185,568	5,962,113	3,630,690
Remittances														-	-	-
Purchases and acquisitions														-	-	-
Outsourced work														-	-	-
Publicity and communication	3,004	6,497	4,076	3,897	5,519	2,476	5,357	3,523	1,813	4,991	68	689	15,150	57,061	47,606	26,929
Personnel expenses	17,135	37,061	23,252	22,231	31,478	14,125	30,557	20,096	10,339	28,468	389	3,933	86,417	325,478	271,545	304,197
Accommodation expenses	1,733	3,749	2,352	2,249	3,184	1,429	3,091	2,033	1,046	2,880	39	398	8,741	32,923	27,468	39,758
Office and general expenses	4,008	8,669	5,439	5,200	7,363	3,304	7,147	4,701	2,418	6,659	91	920	20,213	76,131	63,516	60,336
Depreciation and interest	938	2,029	1,273	1,217	1,723	773	1,673	1,100	566	1,559	21	215	4,731	17,819	14,866	78,175
														-	-	-
Total	45,314	93,380	36,392	34,795	49,267	1,350,544	47,826	552,602	802,237	1,540,611	608	6,155	135,252	4,694,981	6,387,113	4,140,085
	1.0%	2.0%	0.8%	0.7%	1.0%	28.8%	1.0%	11.8%	17.1%	32.8%	0.0%	0.1%	2.9%	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 allocation of the expenses of fundraising occurs by means of the allocation model. With this, the hour registration system serves as a starting point. The expenses for fundraising for the year amounts to 2012 € 57,753. At FRES, the expenses for fund-raising mainly consist of the expenses that are made for realising project subsidies. The expenses for fundraising amount to 1.6% with regard to the subsidies.

6.3 Comparison realisation versus budget

Personnel expenses coordination and support

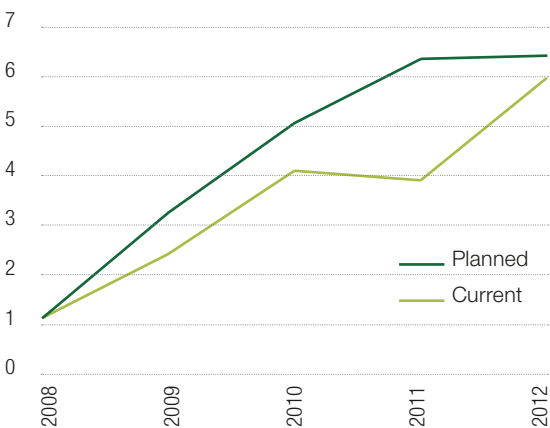
Through the implementation of the time allocation system, we have provided an overview of how the costs were spent. In combination with the personnel costs, the expenses are slightly higher than budgeted. The number of FTEs as of December 31, 2012, was 3.8 fte. This was higher than 2.4 in the year before.

In addition to the FTE, one freelancer worked for FRES on December 31, 2012. The number of FTEs including the free-lancer amounted to 8 FTEs on December 31, 2012. The increase of the personnel costs in 2012 compared to 2011 is a direct cause of the increase in the number of employees.

6.4 Other notes

Multi-year expense overview

Below, we have included a graph that displays the course of the expenses in the past year. (in million euro)



The expenses and investments have been increasing gradually since 2008, with a slight decrease in 2011. The major increase in expenses and investments between 2011 and 2012 was caused by the purchase and installation of six new solar power stations in Mali and the start of the operational activities for new FRES companies in Uganda and Guinea-Bissau. Moreover, FRES invested in SHS expansion for Mali and Burkina Faso. The main issue is that the matching customer growth was lacking compared to investments until 2010, but this was restored in 2011 and 2012.

Percentage expenses on objectives

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

Expense percentage expenditures

The expense percentage expenditures amounted to 97% in 2012 (2011: 95%). The expense percentage expenditures are calculated as follows: the total of the expenses spent on the objectives divided by the sum of the expenditures.

Part of the reason the percentage is so high, or the overhead percentage is so low, is because board members and commissioners execute their activities on a voluntary basis. The expense percentage costs for management and administration compared to the total expenditures amounts to 2.9%.

Expense percentage income

The expense percentage income amounted to 291% for 2012 (2011: 182%). The expense percentage income is calculated as follows: the total of the expenses spent on the objectives divided by the income, received in 2012. These incomes are excluding withdrawals from reserves that were spent on activities in 2012.

Additions to funds

Based on the subsidy conditions, certain subsidies received were added to a fund. The accountability for the utilisation of these subsidies therefore occurs through these funds.

Movement of funds

	31-12-2012	31-12-2011
Fund donation Nuon	4,091,289	5,375,262
Fund Hivos	-	1 29,516
Fund EU Guinea Bissau	-	264,847
Total	9,318,762	9,904,055

Number of employees

As on December 31, 2012, 3.8 FTEs (2011: 2.4 FTEs) worked for FRES. There is no employment contract between FRES and these employees.

Remuneration Board members

The remuneration of the Board members amounted to € 0 (2011: € 0). No loans, advances or guarantees were issued to Board members. No employment contract exists between FRES and the Board members.

SINGLE BALANCE SHEET AS ON DECEMBER 31, 2012
(After appropriation of results)

	December 31, 2012		December 31, 2011	
	€		€	
Assets				
1. Non-current Assets				
1.1. Tangible fixed assets	2,138		2,734	
1.2. Financial fixed assets	900,127		191,640	
		902,265		194,374
2. Current Assets				
2.1. Receivables	637,377		517,910	
2.2. Receivables from group companies	3,528,692		1,214,412	
2.3. Securities	4,035,615		8,557,266	
2.4. Cash	421,253		150,017	
		8,622,937		10,439,605
Total		9,525,202		10,633,979
Liabilities				
3. Reserves				
3.1. Continuity reserve FRES Netherlands	250,000		250,000	
3.2. Reserve for future projects	4,975,335		3,881,696	
3.3. Reserve financing assets	2,138		2,734	
		5,227,473		4,134,430
4. Funds				
4.1. Fund Donation Nuon	4,091,289		5,375,262	
4.2. Fund Hivos/Uganda	-		129,516	
4.3. Fund EU/Guinea Bissau	-		264,847	
		4,091,289		5,769,625
		9,318,762		9,904,055
5. Short-term liabilities				
Payables		206,440		729,924
Total		9,525,202		10,633,979

SINGLE STATEMENT OF INCOME AND EXPENSES

	Actual 2012 €	Budgeted 2012 €	Actual 2011 €
6. Income			
Income from our own fund acquisition	913,341	5,000	1,081,977
Subsidies	650,824	3,391,649	68,613
Sum of the income	1,564,165	3,396,649	1,150,590
7. Expenses			
Spent on objectives	4,185,567	5,962,112	2,919,999
Fres service costs spent on objectives			
Direct support existing companies	205,277	149,182	36,281
Direct support company expansions	162,124	117,822	242,211
Direct support new initiatives	6,762	4,914	31,158
Fres service costs management & administration			
Direct costs	126,511	143,994	114,493
Indirect costs and costs from investments	8,741	9,088	85,253
Sum of the expenses	4,694,982	6,387,112	3,429,395
Subtotal	3,130,817-	2,990,463-	2,278,805-
Financial income	761,859	150,000	243,557
Result subsidiary Yeelen Kura	1,090,378	-	225,579-
Result subsidiary FRES Uganda	695,721		191,328
Result subsidiary FRES Guiné-Bissau	2,434-		
Result	585,293-	2,840,463-	2,069,499-

NOTES ON THE BALANCE SHEET AND STATEMENT OF INCOME AND EXPENSES

General principles for preparing the annual accounts

General principles

The single-entry annual accounts have been prepared in accordance with the guideline for annual reporting 650 ‘Charity organisations’. The objective of this standard is to provide insight into the expenses of the organisation and utilisation of the funds in connection to the goal for which the funds were collected. The annual accounts have been prepared in euros.

The principles of valuation and result determination for the single-entry 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 6 to page

Financial fixed 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 on the balance sheet items

Financial fixed assets

The development of the financial fixed assets during 2012 is as follows:

	2012	2011
Balance as on January 1	191,640	-
Capital expenditure	15,200	312
Result subsidiaries	693,287	191,328
Balance as on December 31	900,127	191,640

The participations in Yeelen Kura and SSD are valued at zero as of December 31, 2012, and are therefore not shown separately in the financial fixed assets.

Receivables on group companies

The receivable on Yeelen Kura has been accounted for as receivable on group companies.

Other notes on the foundation's balance sheet

For the other notes, we refer to the notes on the consolidated balance sheet items 2012.

Notes on the income statement

Other income

For the other notes on the income statement, we refer to the notes on the consolidated income statement 2012.

Other information

Independent auditor’s report

To: the Board of Foundation Rural Energy Services

We have audited the accompanying annual accounts 2012 as set out on pages 48 to 67 of Foundation Rural Energy Services, Amsterdam, which comprise the consolidated and foundation’s balance sheet as on 31 December 2012, the consolidated and foundation’s income statement 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 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 eval-

uating 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 on 31 December 2012, 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 management board report.

Rotterdam, 30 April 2013
PricewaterhouseCoopers Accountants N.V.

Original has been signed by: Drs. J. van Hoof RA

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 2012

The annual accounts 2012 were adopted in a Board meeting held on April 22, 2013, in Amsterdam, and were approved by the Supervisory Board on April 25, 2013.

Proposed appropriation of results 2012

For the proposed appropriation of the results 2012 amounting to € 585,293 negative, 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, 2012	Appropriation of results 2012	Balance as on December 31, 2012
Continuity reserve FRES Netherlands	250,000	-	250,000
Reserve for future projects	3,881,696	1,093,639	4,975,335
Reserve financing assets	2,734	596-	2,138
Fund Donation Nuon	5,375,262	1,283,973-	4,091,289
Fund Hivos	129,516	129,516-	-
Fund EU/Guinea Bissau	264,847	264,847-	-
	9,904,055	585,293-	9,318,762

Board of FRES

Annemarie Goedmakers
Serge Leijten
Harry Droog

Supervisory Board of FRES

Aad Veenman
Peter Smink

Part 5 Outlook 2013 and beyond



Outlook FRES companies

In 2017, FRES would like to provide over 67 thousand households and small companies with electricity. By 2020, this number should be 100 thousand. According to the Business Plan 2013-2017, all FRES companies strive for:

- further growth in number of customers and customer retention;
- improved payment behaviour;
- optimal maintenance installations and service to customers;
- further professionalisation and financial sustainability.

Yeelen Kura in Mali

Yeelen Kura would like to realise 10,000 customers in 2017 by increasing the number of customers for both SHS and Solar Minigrids. Over half of the new customers will be SHS customers. This will be achieved, among other things, by cooperating with local governments and via intensive marketing activities among the

target groups. The company is working on financial independence, to be achieved in 2013. We will upscale the pilot project with prepayment meters, and solve the problem of the loss-making rates for diesel minigrid customers.

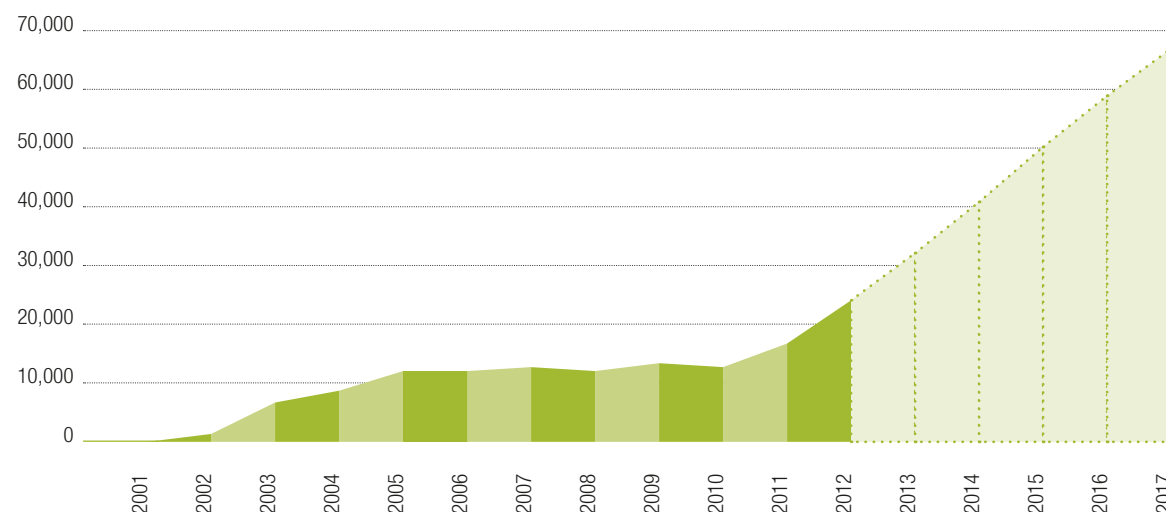
NuRa in South Africa

In South Africa, NuRa is working towards financial independence of the company via solid growth in its number of customers, to be achieved in 2013. Combating nonpayment, and further professionalising of the organization will be continued by closely monitoring the already ongoing processes of the nonpayment action plan. By 2017, NuRa wants to serve over 32,000 customers.

Yeelen Ba in Burkina Faso

A fast increase of the number of customers is the key theme for Yeelen Ba after lowering the rates in the beginning of 2012. The goal is to provide 8,000 households and small companies with electricity in 2017. In 2013, Yeelen Ba will achieve growth through intensifying its marketing activities and increasing the number of customers. A feasibility study into the possibility to install Solar Minigrids will be conducted in 2013.

Realised and planned customer growth total 2012-2017



FRES Uganda

In Uganda, the number of customers around the four current energy shops will be increased in 2013. We will focus on the quality of maintenance and customer service to continue our growth. For employees, we are working on facilities such as health and disability insurance. In 2017, 10,000 customers in Uganda should be connected.

FRES Guiné-Bissau

After the successful first year, the company is focusing on stronger growth in 2013. We aim to have a total of 4,000 customers in 2017.

New initiatives

In addition to the five current FRES companies, new initiatives will be developed in other countries. This should lead to 3,000 new customers in 2017.

Outlook FRES NL

FRES Netherlands contributes to realising the objectives of the FRES companies with a small, alert organisation in Amsterdam and a large number of volunteers, experts and supporters.

Board

The Board and the Supervisory Board control and guard the execution of the Business plan 2013-2017.

Organisation

We will continue to work with a small team of permanent employees and a larger team of (voluntary) experts and supporters.

Partners

We will further increase our network of partners, each with their own contribution in terms of money, time and/or knowledge, through good relationship management via Board members, the Supervisory Board, Commissioners and employees.

Risk management

The Board and the Supervisory Board employ a policy that is aimed at limiting the risks on a number of key points for 2013: steady growth in number of customers, financial independence of the FRES companies, punctual payment, and reducing transport expenses.

Fundraising

For the investments in the period 2013-2017, an investment of over € 46 million is needed. We still have to acquire over € 28 million. We will continue to attempt to attract subsidies and business donations to realise the ambitions of 2017-2020. We will actively explore other financing possibilities in 2013 as well. We will not actively acquire private donors ourselves, but possibly via our partners.

Communication

The communication in 2013 is marked by further strengthening the support of (potential) experts, volunteers, stakeholders, partners and the interested public. We will continue to employ the regular means, such as the digital newsletter and stakeholder meetings, as well as the website and the annual report.



Objectives 2013

FRES has the following objectives for 2013:

Expanding the number of customers of FRES companies

FRES builds on the successes of 2012 and will connect over eight thousand new customers to (sustainable) electricity in 2013, which brings the total number of customers to over 32 thousands. In 2013, we estimate that over € 10.8 million will be invested for this purpose.

Financial sustainability FRES companies

The financial performances of the existing FRES companies will be improved, with a focus on financial independence. This will be achieved through customer growth and cost reduction, by increasing punctual payment and improving customer retention.

NuRa will continue the action plan that was started in 2012 to address the nonpayment issue.

Yeelen Kura will reduce the loss on diesel minigrids by attempting to find a solution in cooperation with the government.

NuRa and Yeelen Kura will continue to follow the current course to become financially and economically sustainable at the end of 2013.

Utilising professional expertise

Where possible, we will employ additional professional expertise by attracting people who want to work for FRES on a voluntary basis with a wide range specialist knowledge.

Acquiring subsidies

We are striving to acquire € 4 million in terms of subsidies.

Operating account 2013

Income

Income from our own funds	2,158,183
Contribution service costs	75,000
Sponsoring by companies and private persons in kind	-
Private and business donations	3,000
Withdrawal from Destination reserve for future projects	-
Withdrawal from Destination fund	1,805,183
Donation Nuon	
Profit from investments	275,000
Project subsidies income (committed*)	4,161,817
Yeelen Kura, Mali (World Bank)	-
Yeelen Ba, Burkina Faso (EU/Nuon)	101,817
FRES Guiné-Bissau (EU)	660,000
FRES Uganda (Stichting Doen)	300,000
FRES Uganda (World Bank)	300,000
Nura, South Africa (South African government)	2,800,000
Project subsidies income (non-committed*)	400,000
Yeelen Kura, Mali (UNIDO, EU...)	400,000
Income from operational activities	4,100,000
Yeelen Kura, Mali	900,000
Yeelen Ba, Burkina Faso	350,000
NuRa, South Africa	2,100,000
FRES Uganda	500,000
FRES Guiné-Bissau	250,000
Total income	10,820,000
* this only applies to the budget of 2013	

Clarification of the income

Part of the income we receive goes via the balance. They are only accounted for as income if there are concrete expenses that can be accounted for under this income.

Project subsidies (committed*)

Yeelen Ba, Burkina Faso (EU)

We expect that FRES will receive the fourth advance of € 101,817 for 2013 in the fourth quarter of 2013. An amount of € 430,770 is still open, which will most likely be paid in the first quarter of 2014.

FRES Guiné-Bissau (EU)

We expect that the second advance of € 660,000 for 2012 will be transferred by the EU in March 2013.

FRES Uganda (Stichting Doen)

The second advance of the subsidy of Stichting Doen, which was promised in 2012, was paid in March 2013.

FRES Uganda (World Bank)

The current subsidy agreement under ERTII with the government of Uganda/World Bank runs until the middle of 2013. We expect that the ERTII program of the World Bank will be extended by one year. The government of Uganda always pays the periodic subsidy amounts to FRES Uganda after an inspection of the number of new customers.

NuRa, South Africa (South African government)

In January 2013, a new subsidy contract was signed by the South African government for expansion with 4,000 systems in 2013. The South African government always pays the periodic subsidy amounts to NuRa after an inspection of the number of new customers.

Project subsidies (non-committed *)

Yeelen Kura, Mali (UNIDO)

In 2013, we will apply for two subsidies for Mali at the NORAD and UNIDO to be able to realise the necessary investments for 2013, 2014 and 2015.

Operational activities FRES companies

This income consists of the income from customers per company. Subsidies have not been included.

Expenses	
FRES Service costs	500,000
FRES Service costs (spend on objectives)	300,000
FRES Service costs (management and administration)	200,000
Expenses operational activities	3,010,000
Yeelen Kura, Mali	550,000
Yeelen Ba, Burkina Faso	160,000
NuRa, South Africa	1,700,000
FRES Uganda	450,000
FRES Guiné-Bissau	150,000
Expenses replacements	400,000
Yeelen Kura, Mali	250,000
NuRA, South Africa	100,000
Yeelen Ba, Burkina Faso	50,000
Expenses expansion companies	6,900,000
Yeelen Kura, Mali	800,000
Nura, South Africa	3,400,000
FRES Uganda	1,300,000
Yeelen Ba, Burkina Faso (EU)	800,000
FRES Guiné-Bissau (EU)	600,000
New initiatives	10,000
New initiatives remaining countries (Benin, Cameroon, Somaliland)	10,000
Total Expenses	10,820,000

Clarification of the Expenses	
Operational activities	These expenditures concern the expenses that were made for operational activities in the companies (including local materials for anti-theft frames and battery boxes, among other things).
Replacements	
Yeelen Kura, Mali	In 2013, we will invest in replacing parts of SHS and in network maintenance.
NuRA, South Africa	In 2013, we will invest in replacing en renewing SHS.
Yeelen Ba, Burkina Faso	In 2013, we will possibly invest in replacing SHS parts.
Expansion companies	
Yeelen Kura, Mali	An investment of € 600,00 is planned for new SHS and € 200,000 for the expansion of the network of solar power stations.
NuRa, South Africa	Nura will place new systems in 2013 in order to further expand the number of customers. The total investments will amount to approximately € 3,400,000. Of this 20% will be at the expense of FRES.
FRES Uganda	An order for 1,500 SHS for 2013 was placed in 2012 in order to achieve the target of 1,800 customers in 2013. In 2013, an order will be placed to prepare for the connection of new customers in 2014.
Yeelen Ba, Burkina Faso (EU)	1,300 new systems will be settled within the EU contract in 2013.
FRES Guiné-Bissau	1000 new systems will be purchased as part of the EU contract in 2013 in order to achieve the intended number of customers for 2013.
New initiatives	Various market studies will be conducted to investigate the possibilities of rural electrification in Cameroon and Somaliland.

Appendix I

Terminology

AC/DC Alternating Current is an electric current with periodically altering current direction. Power that is delivered to households and industry via the electricity network is usually alternating current. An inverter can convert alternating current in alternating current. Direct Current is an electric current with constant current direction. Batteries, solar panels, fuel cells and lead batteries are examples of power sources that deliver direct current when a load is connected.

ANBI An institution marked for general benefit by the Tax Authorities is exempt from paying inheritance tax and gift tax for inheritances or gifts it receives within the framework of the general benefit. Moreover, a donor, depending on the form in which the gifts were given, can deduct the gift from income or partnership taxes.

Business Plan A plan for starting up a new FRES company or for the expansion of an existing FRES company. The plan contains the following components: the partner choice, the expected number of customers, the target group, the time schedule, the prognosis of the expenditures and income in the first years and a well-substantiated financing plan. We use the business plan for requesting a subsidy for the company concerned.

Concession area The area in which the FRES company receives a permit from the local government to provide its services.

DGIS The Directory General International Cooperation (Directoraat-generaal Internationale Samenwerking, DGIS), part of the Dutch Ministry of Foreign Affairs.

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.

IDP The Inspection Development Cooperation & Policy Evaluations (IDP) is the evaluation department of the Dutch Ministry of Foreign Affairs.

Minigrid A small electricity network to which only one village can be connected. Households are provided with

power via an electricity pipe that runs from house to house.

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

Nonpayment The percentage of customers with payment arrears of (at least) 30 days.

Public-private partnership (PPP) A cooperation agreement between the government and the corporate sector.

Board of Commissioners (BoC) Supervises a FRES company.

Supervisory Board (SB) Supervises FRES.

Rural electrification To provide 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 higher consumption.

SHS (Solar Home System) A standard SHS consists of a battery, regulator and a solar panel. This system delivers sufficient energy to provide several lamps and power socket(s) for a radio, ventilator, cell phone charger or TV with power for 4-5 hours a day.

SHS customer equivalent Customers who are connected to a (Solar) Minigrid (mostly companies) use more power than customers with a Solar Home System (SHS). One (Solar) Minigrid customer is therefore equivalent to multiple SHS customers.

Stakeholder A person or organisation that is influenced by or can influence FRES (whether positively or negatively).

kWh The average capacity that is used during one hour.

Watt peak (Wp) The nominal output capacity of a solar panel, tested under standard conditions (STC, Standard Test Conditions).

Solar power Electricity generated from solar energy.

Appendix 2

Solar Home System and Solar Minigrid: how does it work?

How does a Solar Home System (SHS) work?

A standard SHS consists of a solar panel, battery and regulator. The solar panel generates power that is either used directly during the day or stored in the battery if the production is higher than the demand. The stored power can be utilised in the evenings. The regulator ensures a stable (direct) current.

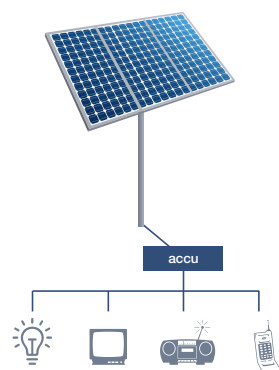
Advantages of the usage of an SHS:

- Access to energy in areas that have no electricity network and where no electricity network will be constructed in the near 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/or budget of the customer;
- SHS is cheaper per lumen or kWh than traditional alternatives (candles, batteries and/or lamp oil);
- No harmful emissions.

Limits in the usage of 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;
- It concerns a technology that requires a high initial investment.

Diagram Solar Home System (SHS)



How does a Solar Minigrid work?

A solar power station in Mali generally consists of a field of 235 solar panels with a total surface of 400 m². The panels have a joint capacity of 50 kWp and can produce up to 73,000 kWh of power annually. Every solar panel produces low voltage direct current and these voltages combined result in a high voltage. A converter can convert the generated power into 220 V alternating current.

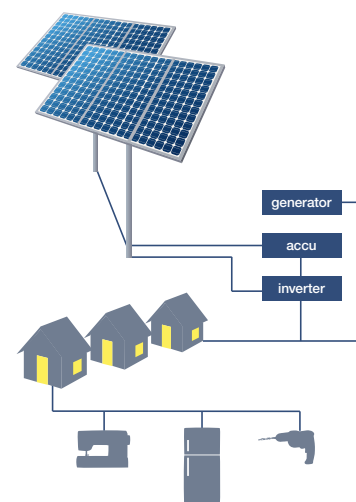
A mini-electricity network transports the power to a number of houses and small companies within a radius of a few kilometers. For example, one solar power station can provide at least 250 families and companies with power. Many minigrids were first powered by a diesel generator, most of which have now been replaced by solar power stations, where the old diesel generator serves as a backup.

During the day, when a lot of solar power is produced, but relatively little is used, the energy is stored in large batteries. At night, when the demand is relatively high, but the production is low, the solar energy stored in the batteries is delivered; the backup diesel generator can provide additional power.

The advantages of a Solar Minigrid compared to a diesel minigrid:

- Not dependent upon the diesel supply (important for countries such as Mali, which are not located by the sea);
- Not dependent upon (increasingly high) fuel prices;
- No particle emissions, therefore fewer health risks;
- clean technology: no oil leakage, and therefore no pollution;
- No CO₂, NO_x, SO₂ emissions;
- Low maintenance;
- No noise.

Diagram Solar Minigrid



Appendix 3

Procedure for starting up new companies

Phase 1: pre-selection of countries in three stages

- Market-potential research;
- Requests from governments or NGOs;
- Applying for tenders that have to be issued to provide the entire 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 for candles and lamp oil;
- The potential of the concession area: there have to be at least 10,000 potential customers;
- The possibility to cooperate with companies, NGOs and local partners;
- Willingness of the government to work with us, for instance, by making arrangements such as exemptions of import duties or VAT.

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 group of the company to be founded, the time schedule, the prognosis of the costs and income of the first years, 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

A Board of Commissioners supervises the FRES company. The Board meets twice a year at the company to discuss the progress. Additionally, it discusses a report on the most important developments with the management of the company by telephone each month. If necessary, the policy and intended results are adjusted.

FRES monitors and evaluates the companies in terms of number of customers, expenses per customer, salary and secondary terms of employment per company, sick leave among employees, the number and content of customer complaints, overhead expenses and investment expenditures per new customer. Based on this information, the company policy is adjusted where necessary.

We also attune the frequency and the nature of our information supply to the needs of our partners, financiers and relevant regulators.

Appendix 4

Organisation in detail

Board: composition

Who	(Additional) functies	Function	Period	Reappointment possible?
Annemarie Goedmakers	<ul style="list-style-type: none">Director Goedmakers B.V.Chairman Stichting ChimboChairman Executive Committee Daridibó	Chairman (CEO)	2009/2014	yes
Serge Leijten	<ul style="list-style-type: none">Freelance Management Consultant	Treasurer (CFO) Board member	2010/2015	yes
Harry Droog	<ul style="list-style-type: none">Chairman Southern rowing unionIndustrial Advisor Stan Ackermann Institute	(COO)	2009/2014	yes

Supervisory Board: composition

Who	(Additional) functies	Function	Period	Reappointment possible?
Aad Veenman	<ul style="list-style-type: none">Chairman National Valorisation CommitteeChairman Board of Commissioners TenneT BVMember Board of Commissioners Achmea B.V.Chairman Board of Commissioners SURFnet&SURFmarket B.V.Member Board of Commissioners Draka Holding N.V.	Chairman	2009/2013	yes
Peter Smink (on behalf of Nuon)	<ul style="list-style-type: none">Member of Management Board, Chief Financial Officer, NV Nuon EnergyHead of Business Division Sustainable Energy Projects Vattenfall ABMember Board of Commissioners, Yellow and Blue	Secretary	2010/2014	yes

Employees

Overview paid employees FRES Netherlands 2010-2012

Paid employees	2010	2011	2012
Number of employees	6	3	5
Male/female ratio	1/5	0/3	2/3
Contract definite / indefinite	6/0	3/0	5/0
Fulltime/part time ratio	0/5	1/2	1/4
Number of FTEs	4,4	2.4	3.8
Average sick leave	2%	5,2%	1%
Average age	36	38	44
Inflow/outflow	1/2	0/3	3/3
Number of freelancers	1	1	1
Inflow/outflow freelancers	1/2	0/3	1/0

Paid employees 2012

FRES Netherlands

Caroline Nijland – Director Business Development (from 2007)*
Conny van der Wilk – Manager of Administration (from May 2012)*
Chris Service – Business Developer (from July 2012)*
Damon Drake - Business Developer (from February to July 2012)
Frederique Schlicher-Wijtenburg – Liaison Officer (from 2010)*
Merel van Hooft – Senior Business Analyst (from 2008 to February 2012)
Sabah el Miloudi – freelance Liaison Officer (from 2011)*
Peter de Wit –Project leader special projects NuRa, South Africa
and back stopper of the General Manager, FRES Uganda (from November 2012)*
Thad Hecker - Director Operations (from March 2012)*

General Managers FRES companies

Yeelen Kura, Mali: Djibril Séméga
NuRa, South Africa: Sifiso Dlamini
Yeelen Ba, Burkina Faso: Emmanuel Sanou
FRES Uganda: Peter de Wit (from November 2010 to October 2012); Allan Asingwire (from November 2012)
FRES Guiné-Bissau: Reinder Bouwmeester

Unpaid employees

Board

Annemarie Goedmakers – Chief Executive Officer (CEO/chairman)
Serge Leijten – Chief Financial Officer (CFO/treasurer)
Harry Droog – Chief Operation Officer (COO/board member)

Board of Commissioners FRES companies

Yeelen Kura, Mali:
Rob Costermans – Chairman
Liliane de Jager – member (from May 2011)
Thad Hecker – member (from March 2012)

NuRa, South Africa:
Bart Blokland – Chairman
Coen de Ronde – member
Thad Hecker – member (from March 2012)

Yeelen Ba, Burkina Faso:
Rob Costermans – Chairman
Liliane de Jager – member (from May 2011)
Djibril Séméga – member (from July 2011)
Thad Hecker – member (from March 2012)

FRES Uganda:
André Kuiper – Chairman
Marjolein Quené – member
Thad Hecker – member (from March 2012)

FRES Guiné-Bissau:
André Kuiper - Chairman
Caroline Nijland - Member (from April 2012)
Thad Hecker – Member (March 2012)

Advisors and experts

Chris Service – operations of FRES companies, FRES Business Plan and benchmarks (from January 2012 to July 2012)
Frans Nieuwenhout – Advisor evaluation EU tenders (technical specifications)
Jacco Smit – Research network Yeeken Kura, Mali (from August 2012)
Jan Boekelman – Advisor asset management
Jirin van Santen – Business assessment of Solar Vision in South Africa (July - November 2012)
Joop Lasseur – Nonpayment Study NuRa, South Africa
Nico van Basten – Feasibility Study Micro Hydro Power, Uganda
Thom Veldkamp (July 2012 - November 2012)
Willem Post – Human Resources (from July 2012)

Interns

Omeshwar Brongersma – Socio-economic impact study FRES Uganda, Uganda (October – November 2012)
Stefan Mißfeldt – Socio-economic impact study NuRa, South Africa (from October – November 2012)
Mandla Sithembiso – Socio-economic impact study NuRa, South Africa (from October – November 2012)
Lindokuhle Praiseworth Chonco – Socio-economic impact study NuRa, South Africa (October – November 2012)
Msibi Nhlanhla Prince Mlungisi – Socio-economic impact study NuRa, South Africa (October – November 2012)
Simon Mugisha – Socio-economic impact study FRES Uganda, Uganda (October – November 2012)

Organisation in general

The FRES Board meets every two weeks to discuss policy matters with regard to FRES and to discuss the progress of the FRES companies on the basis of monthly reports from local companies and progress reports from the Commissioners.

The local management of the FRES companies holds progress reviews with its own Board of Commissioners every month via teleconferences. The Commissioners visit the companies twice a year. Once a year, the FRES board, FRES companies and Commissioners meet to discuss the long-term objectives and the strategy.

The Supervisory Board meets at least twice a year and compares the results with the objectives. Stakeholders meetings are held twice a year in the Netherlands for all people involved in FRES.

Board

The FRES Board consists of three functions: Chief Executive Officer (CEO/chairman), Chief Financial Officer (CFO/treasurer) and Chief Operations Officer (COO/ board member). The Board functions as management and divides the tasks. 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 (SB)

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 a recommended candidate to member of the Supervisory Board;
- Approving the annual plans established 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 approved annual plan;
- Establishing and signing the annual accounts.

(Re)appointment procedure

The Supervisory Board consults with the Chairman of the Board about the profile outline and an intended appointment of a member of 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 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 (unpaid) experts. The latter are of great value to the FRES activities. The employees of FRES Netherlands are led by the Board. A progress and evaluation meeting takes place with every employee each year.

The unpaid employees have different backgrounds and fields. They practically always work for us on a temporary basis and, as is the case for the paid employees, on the basis of a clearly described assignment. We differentiate between experts, students and interns and other volunteers. Experts support FRES with specific knowledge, experience and networks; interns and students conduct research into various areas; and volunteers support various activities.

Appendix 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 established policy frameworks. The Board handles the management of FRES. The three Board members function as the management; they determine the policy and supervise the execution of the policy by the rest of the organisation. Additionally, the Board supervises the work organisation. For the local FRES companies in Africa, the Boards of Commissioners of each company provide supervision, and the General Managers handle the business management and supervision of the employees.

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 other reports, among other things).

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 every year.

Principle 3: Optimal relationships with interested parties

FRES cooperates closely with national and local governments, subsidisers, volunteers, business relationships and educational institutions. A good, open and reliable communication is extremely important to us. We want to create an extensive foundation for rural electrification. By means of various meetings and (online and offline)

publications, we inform our stakeholders (stakeholders meetings, digital newsletter, website www.fres.nl, annual report and social media). The annual report and annual accounts can be requested and found on the website.

Conflict of interest

Rules for situations that could include a conflict of interest (Code Wijffels point 5.5.g) were stipulated in the management regulations last year.

Appendix 6

GRI-index (Global Reporting Initiative)

FRES publishes the annual accounts in accordance with the guidelines of The Global Reporting Initiative (GRI) that offers companies and organisations everywhere in the world a coherent system for reporting in the field of durability. You can find the GRI-index of FRES for the annual report 2012 here.

Colophon

This is a publication of

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