

Annual Report 2014



FRES

Foundation Rural Energy Services

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Striving for operational excellence in Africa

Africa has had an enormous backdrop in its already not very positive image after the outbreak of Ebola in three countries in Western Africa. Many investments have been put on hold, causing increasing hardship for people in the whole of Africa based on unrealistic fears. Africa is seen by most people in much too dark colours as an unstable and violent continent.

For customers of FRES-companies it is the place where they live and where they try to improve the conditions in which their children will live. But in most rural areas, Africa is in fact a very dark continent. A large majority of the rural population has no access to electricity. This means very poor lighting, no mobile telephone, no television, unsafe medical health care, suboptimal education, very limited possibilities to earn a living, and substantial health risks linked to burning candles and kerosene lamps.

FRES brings light and development to the regions where it operates. Since 2004, FRES has increased substantially the accessibility to electricity. FRES is a small multinational with a not-for-profit head office in The Netherlands and, by the end of 2014, five small utilities (FRES-companies) that operate in rural areas in South Africa, Mali, Burkina Faso, Uganda and Guinea-Bissau. During the first ten years since our establishment, we have focused on increasing our customer base. In 2013, we decided to shift our focus to achieve sustainability: financial, environmental, and social sustainability.

Electricity is more than lighting and charging mobile phones alone; it boosts the local economy. Our utilities directly and indirectly create new employment, meaning business opportunities for new products and services, improved health and education services; they improve living conditions and give people local access to modern means of communication. The five FRES companies contribute to these developments, and it is very important that our customers can count on our services not just now but also in the future.

We want to live up to our promise of a minimum guarantee of twenty years of secured power supply to those customers that fulfil their commitment of paying the agreed service fee. But also our companies must live up to our promise to the customer of a carefree and secure service which is cheaper than the locally available alternative. In 2014, we introduced procedures that aim to increase the quality of operations.

Too many, even deadly, accidents occur in our companies. Most of these accidents are due to disrespect of internal safety regulations. We require of every FRES-company to have a HSE (health/safety/environment) policy on which staff is trained and evaluated regularly. We decided in 2014 that every accident has to be reported to the Board of FRES.

We thank high level experts who work for FRES on a pro bono basis, our partners and donors who provide expertise or financial support essential to make our efforts a success, and our staff in The Netherlands and in Africa; your dedication is essential for our results. You can be proud to have enabled increased well-being and the option of a brighter future for more than half a million Africans.

The Board

Annemarie Goedmakers
Serge Leijten
Joop Lasseur

Report from the Supervisory Board

It is the task of the Supervisory Board to supervise and advise the Board of FRES, to appoint FRES Board members, evaluate their performance, and monitor the general state of affairs within the organisation. Its members provide the expertise and experience required for the Supervisory Board to properly perform its duties.

The Supervisory Board consisted in 2014 of two members: Aad Veenman (Chairman) and Peter Smink (Secretary). The statutes of FRES require a minimum of three Supervisory Board members. The Supervisory Board has not yet succeeded in its search for the third member.

The Supervisory Board is pleased about the substantial progress FRES has shown in 2014 in attracting extra financing for expanding and stimulating the business development of the FRES companies. It welcomes the increased efforts of FRES to streamline its operations, increase monitoring of results, the shifted focus from customer growth as main priority to operational excellence in order to achieve financial sustainability.

In 2014, the Supervisory Board held two meetings. On 24 April 2014, the Supervisory Board adopted the annual accounts of FRES of 2013 and granted its approval to the annual report 2013. The Supervisory Board granted discharge to the Board of FRES over 2013.

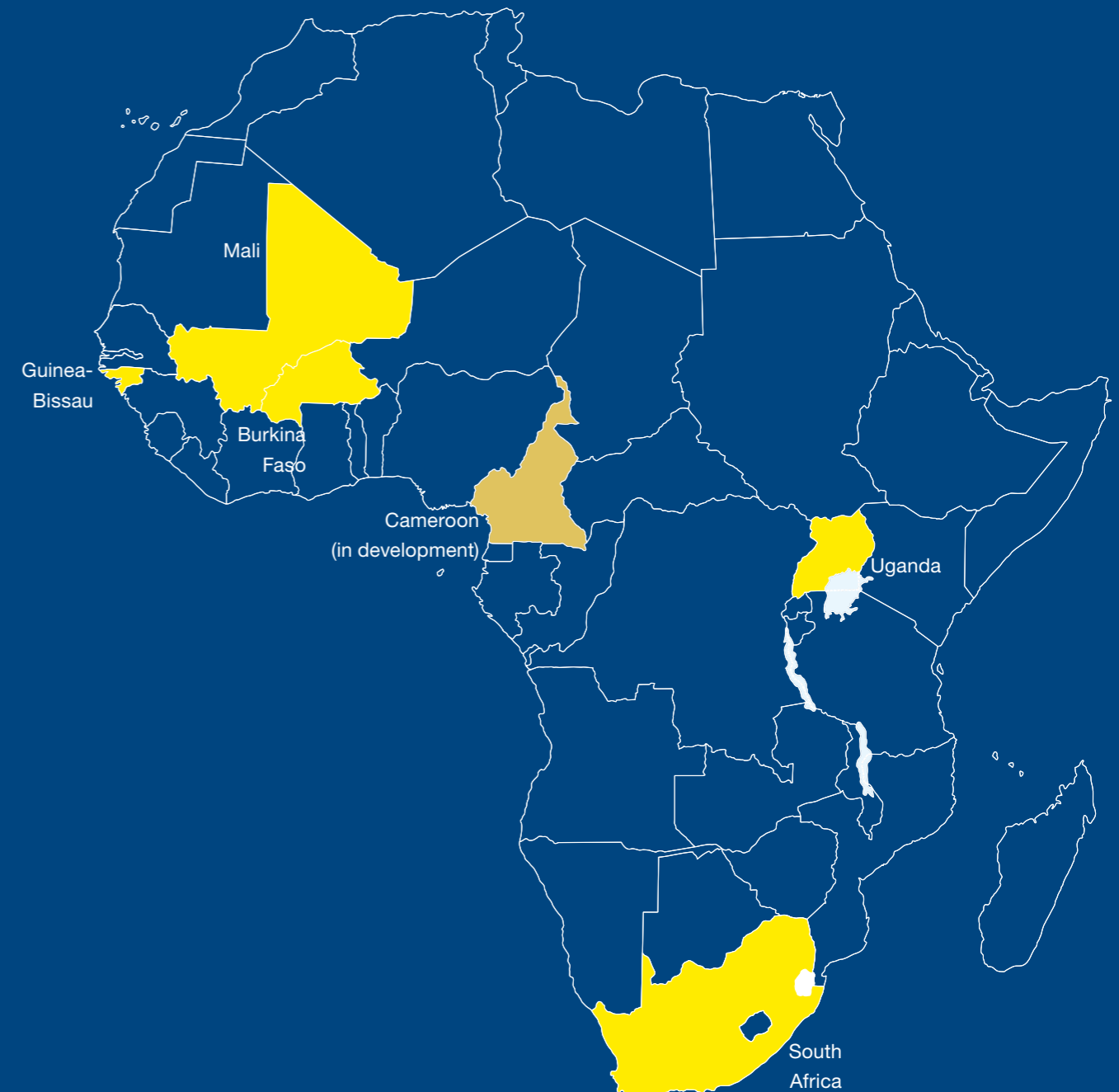
The Supervisory Board reappointed Peter Smink (member of the Supervisory Board on behalf of Nuon, the main sponsor of FRES, since 1 October 2010) as a member of the Supervisory Board for a period of four years as of 1 October 2014 (i.e. until 30 September 2018).

On 5 December 2014, the Supervisory Board discussed the business plan for 2015–2019. The Supervisory Board granted his approval to the annual plan and budget 2015. An important topic of discussion was the aim for financial sustainability (continuity) of FRES companies and how to achieve this goal.

The Supervisory Board would like to thank all employees, volunteers and the Board of FRES for their continuous efforts to support the goal of FRES to provide as many people in rural Africa as possible with electricity.

On behalf of the Supervisory Board,
Aad Veenman, Chairman

African countries with FRES companies



Objectives and results 2014

Financial sustainability

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

- In 2014, total operational revenues of FRES companies covered 93% of the total operational and replacement costs, compared with 84% in 2013. The improvement in this short term performance indicator resulted from enhanced efficiencies of scale within the smaller FRES companies and improved attention for operations in all companies.
- In three out of the five FRES companies payment rates increased.
- Operational revenues as a percentage of operational costs plus depreciations are our indicator for financial sustainability; this percentage improved from 60% in 2013 to 70% in 2014.

Improving organisational effectiveness

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

FRES-NL has strengthened its internal organisation, dividing the organisation into Operations and Business Development. The change has led to more effective communication and harmonization of procedures between FRES-NL and FRES-companies.

At FRES company level, we have built awareness and instilled ownership of the financial performance of the companies within all levels of staff. We have implemented the following new monitoring and control procedures, which have had a positive flow-on effect on the internal organization and reporting of FRES Netherlands:

- Mid-term audits in order to improve administrative procedures and efficiency;
- A review of HSE (Health/Safety/Environment) policies of FRES companies and obligatory reporting on accidents;
- Operational reviews on an annual basis.

Investments

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

We have connected 6,968 new customers and failed to bring our total number of customers to 38,000 because of a too high percentage of churn (9%). Our net customer increase was 3,015, which means that by the end of 2014 we served 33,267 customers. FRES companies invested € 1,651,443 in 2014.

Subsidies

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

A total of € 9.9 million has been raised in new subsidies.

- In November, FRES signed a subsidy contract with the European Union, funded under the ACP-EU Energy Facility (EuropeAid/133481/C/ACT/Multi). The project, with a subsidy value of € 8.0 million and total budget of € 10.6 million, will scale up SHS and mini-grid activities in Mali, Uganda, Guinea-Bissau and enable FRES to establish operations in Cameroon.
- In December, FRES signed another subsidy contract with the EU, also funded by the ACP-EU Energy Facility, under the theme of Energy and Fragility. The project, with a subsidy value of € 1.9 million and total budget of € 2.6 million, will scale up SHS and mini-grid activities in regions in Mali that have been negatively affected by the conflict and political instability in recent years.

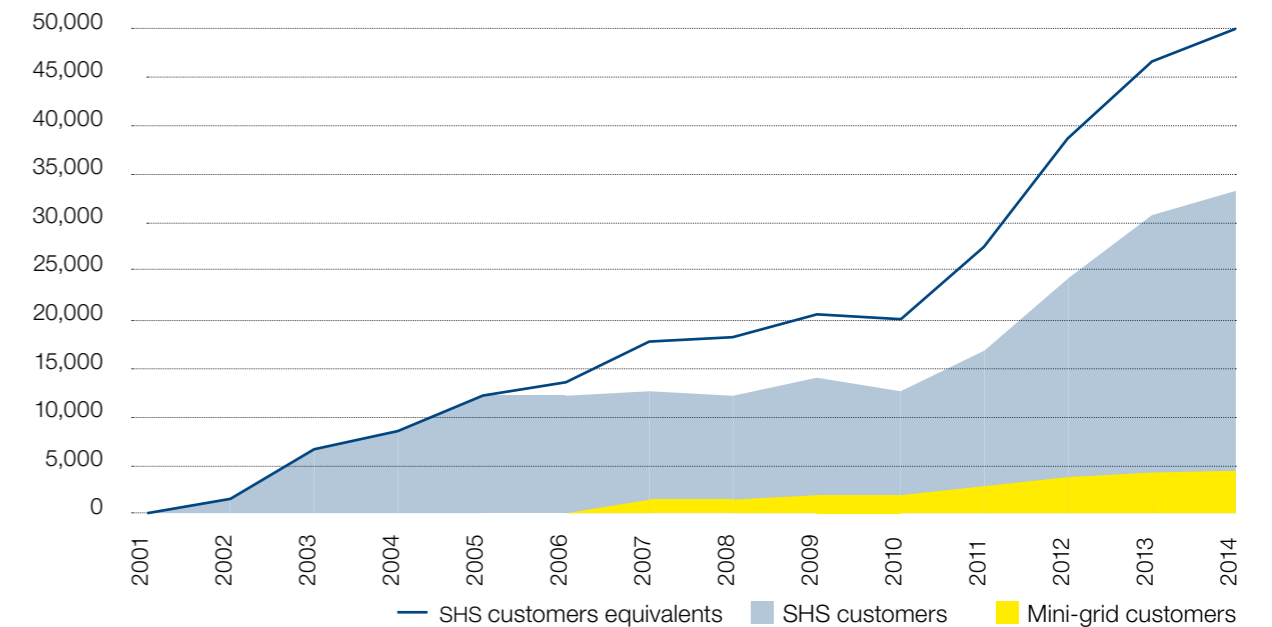
Strategic partnerships

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

In February, Director Business Development Caroline Nijland was nominated as a member at the Board of Alliance for Rural Electrification (ARE), a Brussels-based high level network. UNIDO (United Nations Industrial Development Organisation) formally expressed its intention to work with FRES to implement a mini-grid in Guinea-Bissau.

■ Achieved ▨ Partly achieved

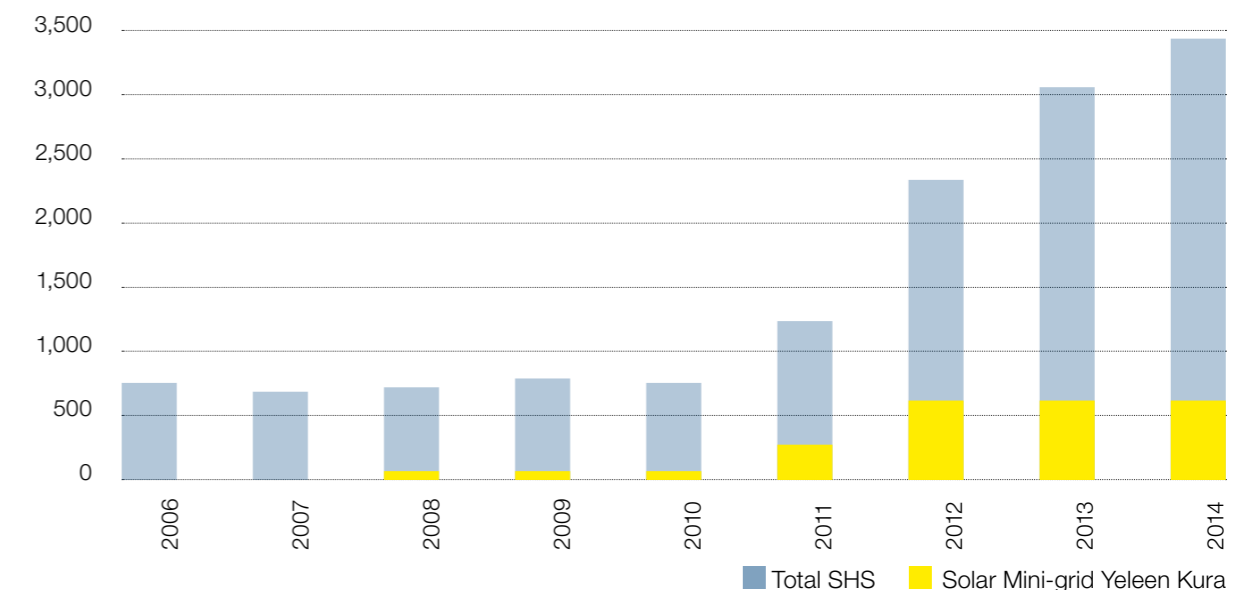
Customer growth



Customer development in 2014

	Nura	Yeelen Kura	Yeelen Ba	FRES Uganda	Guiné-Bissau	Total
Customer base 2013	19,398	5,536	1,643	2,655	1,020	30,252
New customers	1,192	1,159	1,805	1,630	1,182	6,968
Cancelled customers	-2,525	-381	-83	-803	-161	-3,953
Net customer growth 2014	-1,333	778	1,722	827	1,021	3,015
Customer base 2014	18,065	6,314	3,365	3,482	2,041	33,267

Total installed solar capacity in kWp





I. FRES: Providing people and businesses with electricity

Outline of FRES

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

FRES is a non-profit, small multinational, founded in 2004, and consists of companies in Mali, South Africa, Burkina Faso, Uganda and Guinea-Bissau and a head office in Amsterdam, The Netherlands. By the end of 2014, our 33,267 customers meant approximately 340,000 people were provided with electricity in a sustainable way, paying a fixed amount per month for the level of service they chose themselves, while more than 550,000 people benefited in some way from our services.

After significant customer growth in recent years, focus moved to improvement of operations towards operational excellence as a condition for financially sustainable local companies. An adaptation in governance structure of FRES companies has laid the foundation for improved performance in the four key objectives: payment rate, cost performance, customer growth, and financial sustainability.

Strategy Review

Since 2014, the FRES Board reviews the progress towards objectives using the Operations Review submissions supplied by FRESco's. Changes in the business environment and stakeholder positions are evaluated, reviewed and key strategies updated where required.

Governance Review

We have developed a governance guide which lays down the principles of governance to be adhered to within FRES. In addition, it provides a common understanding of how FRES is organised and how it conducts its business.

This guide provides the basis for governance elements to be included in statutory articles of FRESco's. This process is due to be finalised in 2015.

FRES companies

	Yeelen Kura	NuRa	Yeelen Ba	FRES Uganda	FRES Guiné-Bissau
Founded	2001	2001	2008	2010	2011
Customers 2014	6,314	18,065	3,365	3,482	2,041
Customer targets for 2015*	7,000	18,065	3,400	4,000	3,000
Province	Sikasso and Ségou	Kwazulu-Natal	Kéné Dougou	Mbarara, Bushenyi and Isingiro	Gabú
Country	Mali	South Africa	Burkina Faso	Uganda	Guinea Bissau
Technique	SHS, solar and diesel mini-grids	SHS and LPG	SHS	SHS	SHS

* Agreed with donors as of 31-12-2014

Vision, mission and objectives

Vision

In our vision, development is impossible without electricity and everyone should have access to it.

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

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

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

Mission

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

Objectives

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



Strategy

1. The sun as energy source

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

a. Solar Home System (SHS)

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

b. Solar mini-grid

In Mali, FRES has built solar power plants that provide power to the people via a mini-grid. In some cases, the solar power plants replace (polluting and expensive)

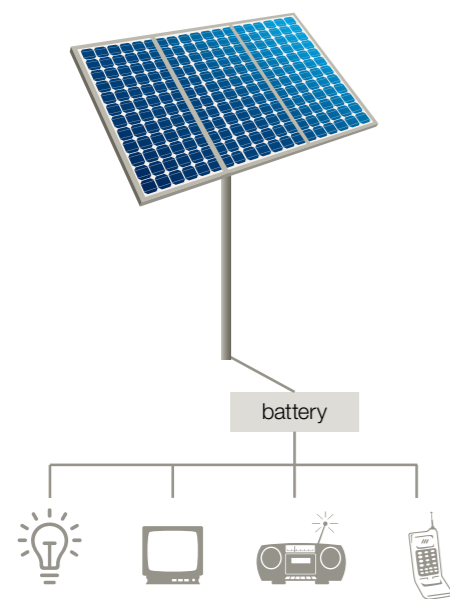
diesel generators. A mini-grid is a small electricity network which can connect customers within a radius of a few kilometres. If customers have higher energy demands, for instance for business usage, an SHS does not suffice and a solar mini-grid can provide a suitable solution. A solar mini-grid boosts business activities in rural areas, but can only be realised economically if the distance between customers is relatively small. Currently, only Yeelen Kura in Mali exploits solar mini-grids.

Electricity use per customer

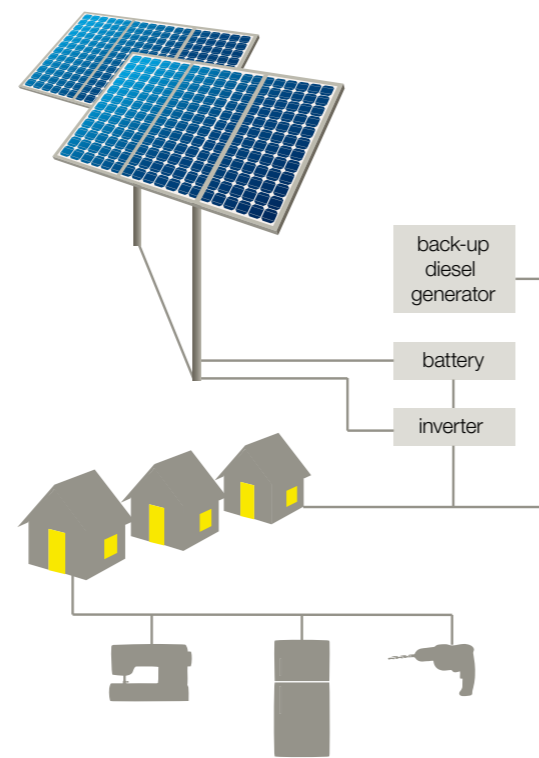
The capacity of SHS installations demanded by customers has grown by more than 50% since 2009. Households and small businesses can now use a greater number and range of electrical appliances than before.

We calculated that in 2009 for customers connected to a mini-grid on average 5 times as much Wp had been installed as for an SHS customer.

Solar Home System (SHS)



Solar Mini-grid



2. Fee-for-service

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

SHS customers can choose between service levels depending on the number of lamps and power sockets they require, and the affordability of the associated monthly fee. Customers of mini-grids pay a standard fixed fee for the connection as well as an amount per kWh consumed.

The costs of the delivered services for customers are on a par with or lower than the traditional alternatives (candles, car batteries or lamp oil). Energy shops are set up for customer service needs and payments. Benefits of the fee-for-service concept are:

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

3. Sustainable local FRES companies

FRES believes it is important to achieve its objectives via local entrepreneurship in developing countries, with support from FRES Netherlands. A procedure has been developed for starting up new companies (see appendix 2). Local FRES companies are responsible for the growth of the customer base and efficient, sustainable operations. Planning progress and results are supported and monitored by a central management and supervisory structure.

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

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

Different service levels (based on Yeelen Kura)

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



4. Sustainability/Corporate social responsibility

People

Sustainability is in the DNA of FRES. The entire organization aims to provide the African people living in rural areas with electricity as sustainably as possible. Through local companies with local management and employees, FRES also acts as a key employer in rural regions. Good employment practices are therefore extremely important. We employ a percentage of women that is relatively high for the utilities sector. In our companies the percentage of women in general staff is 21% and 25% at management level. In the FRES head office the percentages are 60% and 50% respectively.

Planet

Apart from attention for environmental aspects within our own operations, we ask suppliers to respect high environmental standards. For 2014 we focused on transport and packaging of solar systems delivered to FRES companies. We require suppliers to process their packaging and transport in accordance with ISO certification 14001 or EMAS and we request packaging with recyclable products and according to strict environmental standards, optimized by size and weight. Suppliers are responsible for adopting the most appropriate mode of transport in order to minimize the rate of CO₂ emissions per ton and per km, if possible according to the following preferences: marine, rail, air, and lastly land transport. Preference has to be given to transport carriers that are ISO14001 certified, or at least aware and engaged in environmental protection.

Profit

The money FRES spends has to be spent wisely in the long-term interest of our customers. Our companies have to be financially sustainable to survive in the longer term without needing external funding. Expenses are kept at minimum by lean operations. To protect the revenue stream our companies must be competitive in the market, offering customers cheaper services than those of the (legally) available alternative. They have to maintain a once reached number of customers. For customer growth external funds are sought.

5. Procurement policy

FRES Netherlands is responsible for international procurement of solar hardware. This policy brings FRES improved purchasing power and provides local FRES companies with high quality components that are not readily available in local markets in Africa. An exception is made for South Africa. The domestic market in South Africa is sufficiently developed to enable NuRa to purchase solar systems directly in the local market.

6. Risk management

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

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 electricity for households and small businesses. Our preference for the use of solar energy to generate electricity means that people use fewer fossil fuels, which benefits the environment. Together this leads to the improvement of living standards and boosts local economies in rural areas. Some examples of improved living conditions:

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

FRES has become one of the larger employers in the rural areas where it operates by creating stable, well-paid, high-value jobs. Consequently, FRES is able to tie qualified personnel to the region. By the end of 2014, FRES companies provided direct employment to 240 people and indirectly employed about the same number. By using locally provided goods and services if possible, a manifold of these numbers are benefitting from FRES activities as suppliers or subcontractors.

FRES commissions socio-economic impact assessments of the availability of electricity on customers of FRES companies in case of changes. In 2014, a study was carried out in Uganda to investigate the impact of availability of our services for the 46% of the customers of FRES Uganda that run a business. Both FRES and non-FRES business customers were interviewed. The study was a follow-up of the extensive study carried out in 2013 by PWC and Erasmus University Rotterdam (the Netherlands).

In Uganda, micro-enterprises that had become FRES customers saved more than € 5 per month by choosing for the services of FRES Uganda compared to their previous spending on light or electricity. They use part of the savings to invest in a higher number of assets than non-customers.



Most interestingly, the length of time people have access to electricity correlates positively with the number of assets of a customer. This might indicate that longer access to electricity increases relative wealth.

Some FRESco's get subsidies and most get duty reliefs on imports of solar equipment from governments of the country where they operate while all contribute to the budgets of governments by paying taxes and duties according to local legislation. In 2014 FRESco's paid a total amount of € 79,794 on wage taxes for their 240 employees (€ 332 per person) and of € 554,346 on other taxes or € 17 per customer.



Results 2014

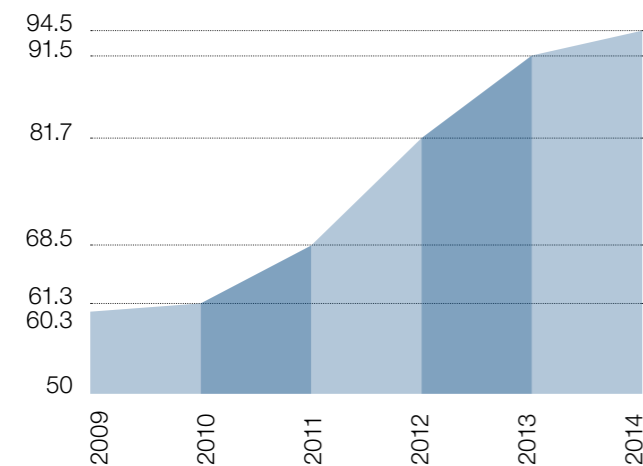
The main results of FRES in 2014 are:

- The number of customers increased by 10% from 30,257 to 33,267.
- In 2014, the number of SHS customer equivalents increased from 46,188 to 49,379. In Mali FRES has SHS customers as well as mini-grid customers. In order to value the extra service that can be rendered by a mini-grid we calculated in 2009 that on average a mini-grid customer is provided with five times as much capacity as an SHS customer. A SHS customer equivalent takes this difference into account.
- At the end of 2014 the five FRES companies had an installed capacity of 3.4 MW for their customers, a growth with 0.4 MW in one year.
- On average SHS customers in 2014 were provided with an SHS that can produce 1.5 times the amount of electricity compared to those in 2009. Compared with the standard SHS of 50 Wp, this means almost doubling of the capacity available for a customer.
- Yeelen Kura and our partner Alliander have implemented a mini-grid network performance programme with improvements in grid performance of 42% identified at the first three sites reviewed. Further improvement is needed.
- FRES Guiné-Bissau achieved its customer targets for the third year in a row. The company continues to develop

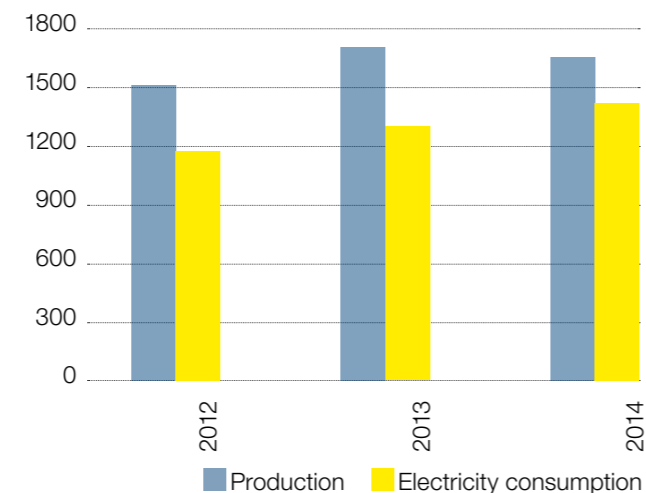
strongly, with a lean cost structure and high customer demand and has provided a useful testing ground for new products.

- NuRa, the largest FRES company has faced a high loss of customers partly related to the growing prevalence of often illegal grid connections. NuRa ceased new customer installations in March due to an absence of a new subsidy contract with the South African Government.
- Yeelen Ba's new management team has performed a successful turnaround in the company performance in meeting its customer targets with strong customer growth.
- FRES Uganda achieved customer target, taking into account that it had to cease new customer installations in July due to an absence of a new subsidy contract with the national government.
- FRES has worked successfully on mobilizing financing for the coming years. Subsidy agreements totaling € 9.9 million (plus € 3.2 million co-financing by FRES & partners) have been signed. A further € 2.0 million is expected from new and existing partners in early 2015.
- FRES has implemented a new governance structure of FRES companies, with FRES Directors of Operations and Business Development assuming the roles of non-executive directors.

Average Wp per SHS customer



Mini-grid electricity generation and consumption



Short-term performance indicator

Company	2013	2014
NuRa	83%	102%
Yeelen Kura	132%	122%
Yeelen Ba	55%	51%
FRES Uganda	63%	71%
FRES Guiné-Bissau	71%	84%
FRES consolidated	84%	93%

Long-term performance indicator

Company	2013	2014
NuRa	65%	87%
Yeelen Kura	74%	69%
Yeelen Ba	38%	39%
FRES Uganda	50%	66%
FRES Guiné-Bissau	33%	54%
FRES consolidated	60%	70%

Taxes paid	Yeelen Kura	NuRa	Yeelen Ba	FRES Uganda	FRES Guiné-Bissau
Taxes on wages	€ 8,511 XOF 5,599,119	€ 36,765 ZAR 493,153	€ 2,896 XOF 1,899,601	€ 30,490 UGX 105,139,195	€ 1,132 XOF 745,000
Other taxes	€ 28,609 XOF 18,766,342	€ 143,465 ZAR 1,924,418	€ 9,140 XOF 5,995,718	€ 22,923 UGX 79,046,022	€ 29,874 XOF 19,596,548

Mutual contact and interaction between FRES companies has grown. Visits and exchange of knowledge have become regular practice. In May, managers of all companies met in Amsterdam during a highly successful meeting in which the planning of company activities has been improved.

FRES and Yeelen Kura welcomed the Prime Minister of the Republic of Mali, the Russian Ambassador to Mali, and the Head of Cooperation of the Netherlands Embassy in Mali to the inauguration ceremony of 8 solar plants in rural Mali.

For more extensive information on the results of each FRES company in 2014 see Part 2.



Outline of the organisation

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

FRES Board

The FRES Board is responsible for the FRES Business Plan and appoints FRES Directors to the Boards of FRES companies (FRESco's). It comprises three functions: Chief Executive Officer (CEO/Chairperson), Chief Financial Officer (CFO/Treasurer) and Chief Operations Officer (COO/Board member). The Board functions as a management team and divides the tasks. The Board fulfils its tasks on a voluntary basis, members are not paid for their services to FRES and may only invoice true costs of expenses necessary for the fulfilment of their tasks within certain limits.

FRES Supervisory Board

FRES has a Supervisory Board that supervises the policy of the FRES Board and the general state of affairs within FRES. It approves the annual plan of activities, including the budget and the investment and financing plan. It approves the annual report and endorses the annual account. It appoints members to the FRES Board on the nomination by the FRES Board.

FRES Companies

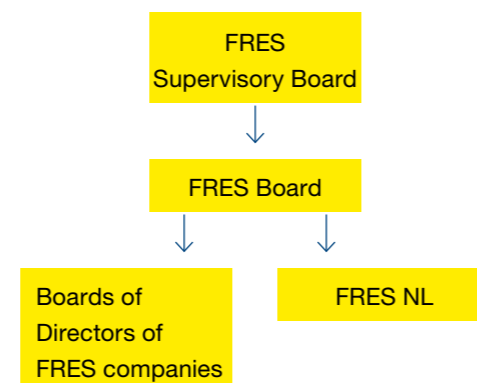
Every FRES company has its own management team and is assisted and controlled by a supervisory board called the Board of Directors (BoD). The responsibility for managing the company and achieving the agreed upon objectives lies

with the management of the FRES companies. Employees of FRES companies in Africa report to the local management; their functioning is evaluated on an annual basis. The BoD evaluates the performance of the general manager. Until the end of 2013, every BoD consisted of external directors. In 2014 these directors were replaced by two non-executive Board members from FRES-NL. In 2015 when the necessary adaptation of the statutes of FRESco's is finalized, the local General Manager will be appointed by the Shareholders Assembly as executive Board member.

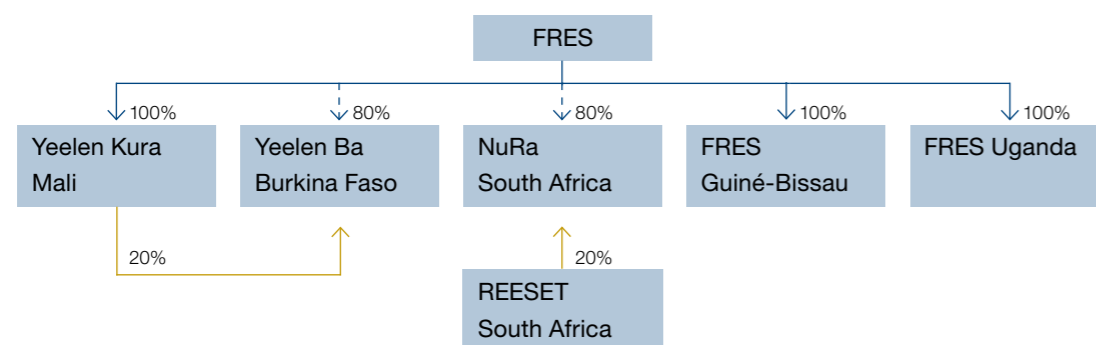
FRES Netherlands

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

Organizational chart FRES



Structure shareholders FRES companies



- FRES is shareholder
- - - FRES acts on behalf of shareholder NUON
- FRES company or employees' trust of FRES company is shareholder

II. FRES companies



Yeelen Kura

Basic information

Year founded	2001
Products and services	SHS, solar mini-grids and one diesel mini-grids
Number of employees	54
Number of customers	6,314 (2,286 SHS and 4,028 mini-grid)
Number of energy shops	16
Shareholders	100% FRES



Mali has over 15 million inhabitants and is 176th out of 187th on the most recent UNDP Human Development Index. In Mali less than 12% of the rural population has access to electricity. Opportunities for substantially improving the quality of life for the country are hampered by the lack of reliable electricity services.

The country was regarded as a model for African democracy until rebellion activities in the North rose and military seized power in March 2012. Presidential polls in August 2013 were part of a return to civilian rule. Mali was one of the six West-African countries with cases of the Ebola virus disease. According to the WHO Mali identified 8 cases (1 in Kayes and 7 in Bamako) and deplored 6 deaths. The country managed to get the situation quickly under control due to a massive effort to identify all potential chains of transmission, monitor contacts, and thereby prevented a spread of infected people.

FRES company Yeelen Kura has been active in the southern provinces Sikasso and Ségou since 2001. The head office is located in Koutiala. Yeelen Kura (new light in the local language Bambara) supplies light and electricity to households and small businesses via Solar Home Systems (SHS). Furthermore, in larger villages Yeelen Kura provides customers with electricity via mini-grids powered by solar energy and/or diesel.

Results 2014

Payment rate

Yeelen Kura achieved a payment rate of 103%, surpassing the target of 95%. Two factors were important: late payment of due bills of the year before and the effect of the installation of prepaid meters for 1,600 customers. Furthermore, an electronic device, which cuts off the electricity supply of a SHS in case of a payment delay,

has been tested at 15 customer sites in four villages. This device, called cobrador electrónico, has been developed by FRES Guiné-Bissau.

Operational and replacement costs

Operational and replacement costs surpassed budget with 9.6% or € 68,144, because of replacement costs which were higher than budgeted.

Number of customers

End of 2014, Yeelen Kura had 6,314 customers, a growth of 778 customers, a slight shortfall of 86 customers relative to the target for 2014 of 6,400 customers. After a lack of growth in SHS customers in the first semester, the energy store managers were given strict sales and customer performance targets. With a lot of help of all other staff in the second semester, the year target was almost achieved.

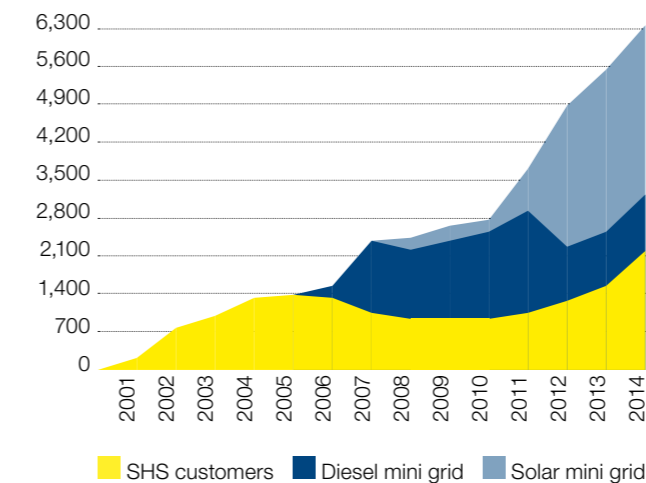
Financial sustainability

Yeelen Kura had a cost coverage that decreased from 132% to 122% compared with 2013. The target to reach financial sustainability in 2014 has not been reached due to the tariffs for mini-grid customers that do not take into account future replacement costs for the solar mini-grids, while not adequately covering the present costs of diesel used. Long-term cost coverage decreased from 74% to 69%.

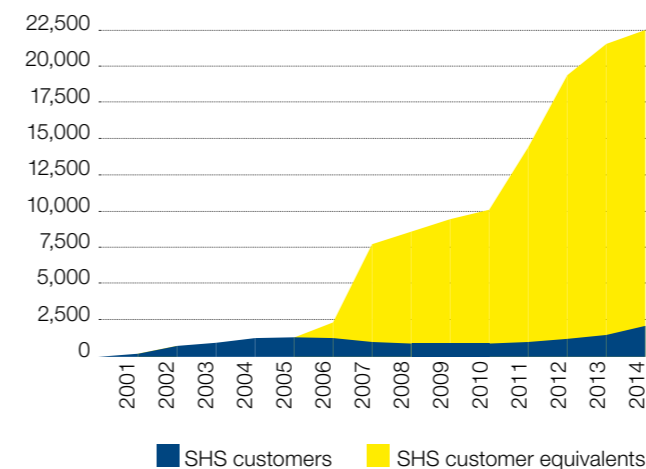
Research

Tom van Woerkom, Hans Provoost and Jacco Smit from Alliander (one of the large grid companies in the Netherlands) developed an action plan to reduce losses in the mini-grids of Yeelen Kura. The plan has been implemented in the networks of Koury, Bla and Kolondieba by the technical department of Yeelen Kura. Losses have been reduced in Koury from 30 to 19%, in Bla from 21 to 13%, and in Kolondieba from 21 to 11%.

Number of customers



Number of SHS customers equivalents



Products, services and rates

Tariffs

In 2014 SHS customers paid an amount of 3,500 FCFA (€ 5.34) to 13,475 FCFA (€ 20.54) a month for the services of Yeelen Kura depending on the chosen service level.

Customers of mini-grids pay per kWh. As from the 1st of April, prices per kWh for the diesel mini-grid at Bla increased from 250 FCFA/kWh to 280 FCFA/kWh (€ 0.43). This tariff is still insufficient to cover lifecycle costs. Although previously agreed on by AMADER, a similar increase for the remaining solar mini-grids was not achieved. Higher tariffs are needed for both types of mini-grids to reach and maintain financial sustainability.

Customer care

Customer complaints, remarks and observations have been registered in a database for adequate follow-up of the marketing and technical department.

Mini-grids

Our investments in solar plants enable us to reduce the use of diesel. Our aim is to replace all diesel generation by solar and use diesel generators only as back up capacity. The mini-grid in Bla is the only remaining one uniquely powered by diesel.

Organization, governance and supervision

In 2014, Yeelen Kura reorganized, aiming to enable operational excellence and flexibility. A Sales & Marketing Manager and a Technical Manager joined the company to strengthen the management team. New job descriptions were written for all positions within the company and shared with the concerned employees.

On 31 December 2014, Yeelen Kura employed 54 people directly and 0 on a commission base.

Workforce profile 2014

Number of employees	54
Male/Female	50/4
Permanent/temporary contracts	36/18
Fulltime/part-time	54/54
Inflow/outflow men	8/6
Inflow/outflow women	1/2
Employees from 15-24 years	6
Employees from 25-34 years	24
Employees from 35-54 years	24
Employees of 55 years and older	1
Number of men/women in MT	4/0
Number of male/female store managers	13/2
Number of male/female interns	5/3

Salary and terms of employment

In addition to their salary, Yeelen Kura offers its employees pregnancy and maternity leave, pension provisions, life insurance and social security. In 2014 a Yeelen Kura an employee starting in an operational function earned 72,227 FCFA (€ 110) a month on average, while the legal minimum wage in Mali is 28,460 FCFA (€ 43) a month. Performance bonuses were awarded to motivate employees and to technicians who worked nights. All employees had at least one performance evaluation. The number of grievances was 3, all related to the reorganization of the company. All complains were resolved by the General Manager.

Health, Safety and Environment (HSE)

End of 2013, a technician of Yeelen Kura died because of a work related accident while being on duty. We require FRESco's to adhere strictly to safety measures and procedures. After this fatal accident, the Board of Directors



of Yeelen Kura decided to permanently incorporate HSE in the monthly agenda and instructed Yeelen Kura management to do the same in all internal meetings. In 2014, two accidents have been reported: a technician injured his finger on the generator in Bla and another technician had an injured arm due to a motorcycle collision with a cow. These two accidents resulted in (the only) 7 sick days. Yeelen Kura took measures to prevent accidents, such as no driving (motorcycles and cars) after 18.00 hrs and control of the compulsory wearing of helmets.

Staff development

Four employees participated in a one week management course and one employee received training on how to process data of the solar power plants from GERES –a development NGO specialised in sustainable energy and environmental protection. Furthermore, the General Manager is coached by Huub Beckers of the Netherlands Senior Experts Programme (PUM). This coaching program started with a week on site in 2014, followed by distance coaching and will continue in 2015. The General Manager has also participated together with the General Manager of Yeelen Ba in one week leadership training in Koutiala, provided by the training organization CORADE.

Management and governance

General Manager is Djibril Séméga, he reports to the Board of Directors of Yeelen Kura, consisting of:

Everard Geurtsen – Chairman

Caroline Nijland – Member

Challenges and objectives

Yeelen Kura's business plan 2015–2019 focuses on increase of the SHS customer base while improving SHS customer retention, and extra steps towards operational excellence: installing 1,700 prepaid meters and reducing network losses in 3 more mini-grid operations: Yorosso, Kimparana and Koumantou. Load management plans for all solar plants will be made to decrease diesel consumption. Yeelen Kura aims to achieve financial sustainability in 2015, which depends to a large extent on its ability to successfully negotiate with AMADER a tariff increase for the solar mini-grids.



NuRa

Basic information

Year founded	2001
Products and services	SHS and LGP
Number of employees	96
Number of customers	18,065 SHS
Number of energy shops	9
Number of service agents	6
Shareholders	80% NUON, 20% REESET



South Africa (1,219,912 km²) has almost 53 million inhabitants, of which 45.5% lives in poverty due to extreme differences in income and a high level of unemployment (2011, World Bank). The country is 118th out of 187 on the most recent Human Development Index of UNDP. Of all inhabitants, 85% has access to electricity. For inhabitants in rural areas this is 82% (IEA, World Energy Outlook 2014). The political situation in the country is generally stable, but in general the delivery of basic services has been lagging behind politicians' promises. The non-grid electrification programme in South Africa is always subject to political campaigning.

In South Africa, FRES delivers electricity to households and small businesses via the company NuRa, which operates in Kwazulu-Natal, one of the least developed provinces in the country. Approximately 70% of the population in this region does not have access to electricity.

Results 2014

Payment rate

Over 2014, even maintaining the payment rate has proven to be too challenging; the achieved payment rate was 65%, a decrease compared to the 75% of 2013 while NuRa aimed to increase its payment rate. During the course of the year each energy store got specific monthly targets on payment rate to create more insight and control on all level of the organization. Apart from non-payment due to failing customer care, and to theft and tampering of systems both by customers and by employees, in 2014 increasing illegal grid connections led to non-payment. For 2015 a new action plan has been set up and the intention is to remove the SHS of these and other non-paying customers faster and to reinstall removed systems in areas where the grid is not expected.

Operational and replacement costs

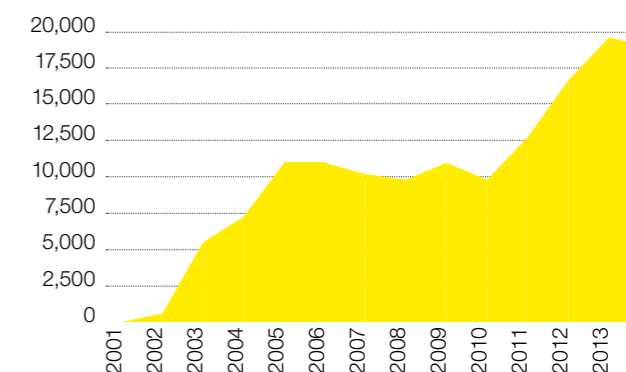
NuRa respected its budget for operational and replacement costs over 2014. Its costs were € 216,884 or 11.7% lower than budgeted.

Number of customers

End of March 2014, the fourth tranche of the fourth and latest subsidy agreement with the South African government (Department of Energy – DoE) ended. To meet the obligations of this agreement NuRa installed during the first three months of 2014 the remaining 1,192 new SHS.

At the end of 2014, NuRa supplied light and electricity to 18,065 customers representing a net decline of 1,333 customers in 2014. This decline is due to a high number of repossessions. Increased cases of illegal grid connections have a negative impact on customer retention for NuRa.

Number of customers



Financial sustainability

NuRa's target was to achieve financial sustainability in February 2015, but it has fallen short on this. Its cost coverage increased from 83% in 2013 to 102% in 2014, but its long-term cost coverage only increased from 65% to 87%.

Contracts and investments

Nura received the full outstanding final amount of ZAR 19,705,786.00 (€ 1,512,080) after the inspection of the last installed systems based on the latest subsidy agreement with DoE mentioned above.

From the local governments NuRa received an amount of ZAR 880,710 (€ 66,126) under the Free Basis Electricity program. The government's intention is to support the needy by facilitating the provision of free basic electricity. The program enables poor households to be provided with limited but sufficient electricity output for basic needs.

Products, services and rates

Tariffs

In 2014 the rates for SHS customers were between ZAR 85.96 (€ 6.53) and ZAR 275 (€20.90) ex. VAT a month, depending on the chosen service level. The levels differ in size of the SHS and the corresponding type of TV that can be connected.

LPG

NuRa also sells LPG as alternative to cooking on wood. Sales of LPG decrease as a result of increased competition in the market.

Customer care

Customer satisfaction surveys were carried out in different ways: through normal operational procedures like non-payment follow-up calls, through random customer relation studies and community education meetings, and through radio call-in customer interviews. The main outcome is that customers want a SHS but do not want to have to pay for it. Delay in maintenance is another reason for dissatisfaction. This last category of complaints is attended to through regular company processes.

Organisation, governance and supervision

In 2014, NuRa's focus has been to improve operational excellence and staff recruitment and training. One of the main actions taken was an organization-wide restructuring to streamline internal processes and to improve the functioning of the energy stores. As part of the

restructuring, Tumelo Modiselle was appointed Manager of Operations taking over from interim manager Peter de Wit. Another action taken was the upgrade of the Solar Management System to a revised online version, allowing energy stores to communicate directly with a central database leading to less operational synchronisation challenges. For staff recruitment and training needs extensive technician evaluations have taken place to understand the individual skill sets in order to link the technicians to the most suitable job.

To control costs SHS components are being refurbished. As a result of the reorganization, some employees became redundant and have been retrenched.

On 31 December 2014, NuRa employed 96 people directly and 49 indirectly, on a commission base.

Workforce profile 2014

Number of employees	96
Male/Female	68/28
Permanent/temporary contracts	73/23
Fulltime/part-time	96/0
Inflow/outflow men	17/10
Inflow/outflow women	9/7
Employees from 15-24 years	16
Employees from 25-34 years	65
Employees from 35-54 years	15
Employees of 55 years and older	0
Number of men/women in MT	3/1
Number of men/women in middle mgmt.	3/9
Number of interns	0

Salary and terms of employment

In addition to their salary, NuRa offers its employees' pension provisions and life insurance. A NuRa employee starting in an operational function earned ZAR 2,330 (€ 178) a month, while the legal minimum wage level in South Africa is ZAR 1,284 (€ 98) a month. Depending on the position or contract, contributions for car or phone, and pregnancy leave are available. Employees were motivated via performance bonuses and shares in REESET. All employees had at least one performance evaluation, and depending on the function some were evaluated quarterly or even monthly. No official complaints were referred to management.

Health, Safety and Environment (HSE)

Four work-related injuries have been reported. One of which was a NuRa technician who was seriously injured in a traffic accident in late May. In November, an armed

robbery took place at one of the energy stores. In respect of this, and FRES's increased focus on HSE, NuRa is developing plans to heighten awareness of HSE in the work environment. As a first step, a new code of conduct for vehicle (cars and motorbikes) drivers has been developed. In terms of safety, NuRa has assessed the security of its isolated energy stores and extra security has been placed at offices that have been deemed at risk. There were 160 sick days of which 58 related to accidents.

HIV/AIDS program

South Africa has a significant HIV/AIDS problem. A number of employees have HIV/AIDS which results in absences and sick days. NuRa has created an HIV program that aims to break the taboos surrounding HIV/AIDS and increase the knowledge regarding the prevention and treatment of HIV/AIDS. In 2014 all employees received the ACT (Awareness-to-Action, Counselling and Testing) training about HIV/AIDS awareness.

Staff development

Several training courses were arranged for different groups of employees: First Aid (14 employees), Technical training (10 employees), Health and Safety (17 employees) and SHS Online Management System training (37 employees).

Management and governance

Sifiso Dlamini, General Manager of NuRa was appointed as Managing Director in May 2014, he reports to the Board of Directors of NuRa.

In October 2014 both Coen de Ronde and Bart Blokland stepped down as Director on behalf of shareholder Nuon. In December 2014 Everard Geurtsen and Caroline Nijland replaced them. Bart Blokland was appointed as Director by shareholder REESET to represent the interests of its beneficiaries.

At the end of 2014 the Board of Directors consisted of: Everard Geurtsen – Chairman (on behalf of Nuon) Caroline Nijland – Member (on behalf of Nuon) Bart Blokland – Member (on behalf of REESET)

Challenges and objectives

NuRa's business plan 2015–2019 focuses on reduction of operational costs, increasing the payment rate, increasing customer retention and improving operations towards operational excellence. A detailed action plan for the first half year of 2015 has been made to achieve these goals. NuRa 's target to achieve financial sustainability in February 2015 has been shifted to the end of 2015.

The South-African Government is developing a new system for rural electrification subsidies. As the new governmental subsidy system is not yet completely defined, an interim tender to bridge the gap was published late August 2014. NuRa has submitted a bid for the supply, service and maintenance of 2000 new SHS and is expecting the result early 2015.

Mr Sduduzo Mathenjwa, works in shop in Emajwayiza

Thanks to electrical light the shop can also open at night at increase its turnover. If NuRa would not provide electricity the shop would have to use candles or close after sunset. Generator running costs would be prohibitive for the shop and candles have a low lighting efficacy and pose risk for fires. Mr Mathenjwa works at the grocery store for over a year, it is his first experience of gainful employment. His does not depend on his family for his personal livelihood and upkeep any more.

The owner of shop works at Mosvold hospital in Ingwavuma, as a nurse. She is in her mid 40s. She established the shop for extra income and saw the need to provide non-perishable necessities closer to the community in which she lives.

Mr Traore Issa, Yeelen Ba

Mr Traore Issa is married and has three children. His parents and his 5 brothers and sisters also depend on his income. He lives in SAMOGHIRI, which is about 30km from the headquarters of Yeelen Ba in Orodara. He is the representative of mobile payment company Airtel Burkina in the area of Samogohiri. His office is powered by Yeelen Ba. He likes the quality of the material that is used by Yeelen Ba, which is much better than that found on the local market. The impact of the services of Yeelen Ba has been very large for him : his monthly turnover is now about € 3000, while charging of mobile phones, photocopying for schools and the local administration, uploading video's and music makes him earn more than € 1250 a year. His wife just opened a small beauty parlor to increase the family income.

Yeelen Ba

Basic information

Year founded	2008
Products and services	SHS
Number of employees	30
Number of customers	3,365 SHS
Number of energy shops	11
Shareholders	80% Nuon, 20% FRES



Burkina Faso is a Sub-Saharan country with slightly over 17 million inhabitants. The country ranks 181th out of 187 in the most recent Human Development Index of UNDP thus belonging to the poorest nations in the world. Merely 2% of the rural population has access to electricity.

In October 2014, a popular uprising resulting in violent protests and pillaging led to President Blaise Compaore's resignation after 27 years in power. The uproar was a reaction to plans to modify elements of the constitution that limit the number of presidential mandates and would have allowed the former president to run again in 2015.

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

Results 2014

Payment Rate

Yeelen Ba achieved a payment rate of 75% over 2014, lower than the, for all FRESco's targeted 95% but an improvement compared to the 66% over the year before. This year the focus was on connecting new customers and on re-educating the customer in terms of (timely) payment of the service fee. In November, a new payment method was introduced to the customers of Yeelen Ba enabling mobile payment, facilitated by Airtel Burkina Faso. Furthermore, an electronic device, which cuts off the electricity supply at the customer's home in case of a payment delay, has been tested at 15 customers of Yeelen Ba in four villages. This device, called cobrador electrónico, has been developed by FRES Guiné-Bissau. The results were positive as all customers paid the service fee on time.

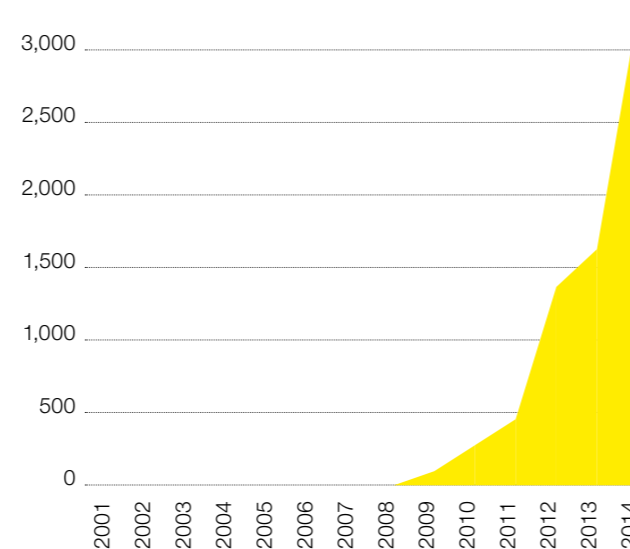
Operational and replacement costs

Yeelen Ba has exceeded its budget for 2014 with an amount of € 250,999 or 125% due to incorrect budgeting.

Number of customers

A recovery plan, elaborated last year and implemented this year, proved to be a smart move as Yeelen Ba was able to connect 1,722 new customers in 12 months: a growth rate of more than 100%. By the end of 2014, the company had 3,365 customers, 365 more than the EU-target of 3,000 to be achieved by the end of the contract, June 2015.

Number of customers



Financial sustainability

The turnaround has had negative effects in the short run: the company has decreased its cost coverage from 55% in 2013 to 51% in 2014. Its long-term cost coverage showed a slight increase from 38% to 39%. The aim is to reach financial sustainability once a customer level of about 6,000 is reached.

Contracts and investments

The present subsidy contract with the EU concerning Yeelen Ba calls for 3,000 households and small businesses to be connected by mid 2015; this objective has been reached in 2014.

Products, services and rates

In 2014 Yeelen Ba provided SHS services at between CFA 3,845 (€ 5.86) and CFA 9,050 (€ 13.80) a month.

All customer complaints, remarks and observations are registered in a database. A total of 150 complains reached the company and all related to the technical break downs which have been looked after.

Organization, governance and supervision

In 2014 reorganization similar as at Yeelen Kura took also place at Yeelen Ba, aiming to improve operations towards operational excellence and flexibility. New job descriptions were written for all positions within the company and shared with the concerned employees.

On 31 December 2014, Yeelen Ba employed 30 people directly and 7 plus 14 trainees indirectly, on a commission base.

Workforce profile 2014

Number of employees	30
Male/female	27/3
Permanent/temporary contract	30/0
Fulltime/part-time	30/0
Inflow/outflow men	1/0
Inflow/outflow women	0/0
Employees from 15-24 years	0
Employees from 25-34 years	20
Employees from 35-54 years	10
Employees of 55 years and older	0
Number of men/women in MT	3/1
Number of male/female store managers	10/0
Number of male/female technical interns	3/3

Salary and terms of employment

Employees received a fixed salary. The legal minimum wage in Burkina Faso was FCFA 33,139 (€ 51) a month in 2014, while the salary of a fulltime employee starting in an operational function at Yeelen Ba was FCFA 57,000 (€ 87) a month. Yeelen Ba provided the employees with health care insurance, social security, disability insurance coverage, pregnancy and maternity (and paternity) leave and pension provisions. All employees had at least one performance evaluation. The number of grievances was zero.

Health, Safety and Environment (HSE)

In 2014 a total of 52 sick days included 6 days as a result of two minor accidents. Yeelen Ba also took measures to prevent accidents, such as no driving (motorcycles and cars) after 18h00 hrs and control of compulsory wearing of helmets.

Staff development

Ten employees (5 men and 5 women) followed a training of 9 days on how to work with the business management, bookkeeping, and accounting software Sage.

15 technicians received a 4-day technical training provided by Jean-Paul Louineau of Alliance Soleil. The General Manager participated with the General Manager of Yeelen Kura in one week of leadership training in Koutiala, which was provided by the training organization CORADE. Yeelen Ba has also implemented a student training programme whereby 14 trainees work within Yeelen Ba's energy stores in order to assist in attracting new customers for a small compensation package.

Management and governance

General Manager is Bourahima Yameogo. He reports to the Board of Directors of Yeelen Ba, consisting of: Everard Geurtsen – Chairman on behalf of shareholder Nuon
Caroline Nijland – Member on behalf of shareholder Nuon
Djibril Séméga – Member on behalf of shareholder Yeelen Kura

Challenges and objectives

The business plan 2015–2019 focuses on achieving a payment rate of 95% while customer retention remains good, continuous optimization of resources with strict cost control and no further growth until new subsidy becomes available.



FRES Uganda



Basic information

Year founded	2010
Products and services	SHS
Number of employees	53
Number of customers	3,482 SHS
Number of energy shops	4
Number of service centres	4
Shareholders	100 % FRES

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 164th out of 187 on the most recent Human Development Index of UNDP. Approximately 15% of the inhabitants have access to electricity. For inhabitants in rural areas, this is 7%, often limited to the cities and trading towns along tar roads (IEA, World Energy Outlook 2014). The country is politically stable. The next elections will be held in 2016.

FRES Uganda has been founded in 2010. The company delivers SHS services to the south-west of Uganda in ten districts, among others Mbarara, Bushenyi, and Isingiro. Its head office is located in Mbarara.

Service centres are set up further into the rural areas in order to reach (potential) customers living farther away from the main population centres. Due to limited subsidies for further expansion in 2014 FRES Uganda was not able to grow as much as envisaged. Nevertheless it managed to increase its number of customers with 827 to 3,482.

Financial sustainability

The company is aiming to reach financial sustainability within a few years. It has increased its cost coverage from 63% in 2013 to 71% in 2014. Its long-term cost coverage increased as well from 50% to 66%.

Contracts and investments

A new contract of US \$ 400,000 (€ 353.294) has been signed in May 2014 with the Rural Electrification Agency (REA). This new contract has similar conditions as the previous subsidy agreements. At the end of 2014, 33% of the amount due on which both parties agree was not yet received. Due to the constant growth in customers of FRES Uganda the total amount for this subsidy was already

Results 2014

Payment rate

The payment rate has been under pressure in 2014, with a result of 80% over 2014. A decrease instead of the targeted increase compared with the 2013 payment rate of 87%. Actions have been taken during the year to control payment discipline, including offering a variety of payment options, setting targets for all personnel at the energy stores, and appointing a dedicated manager debt collections.

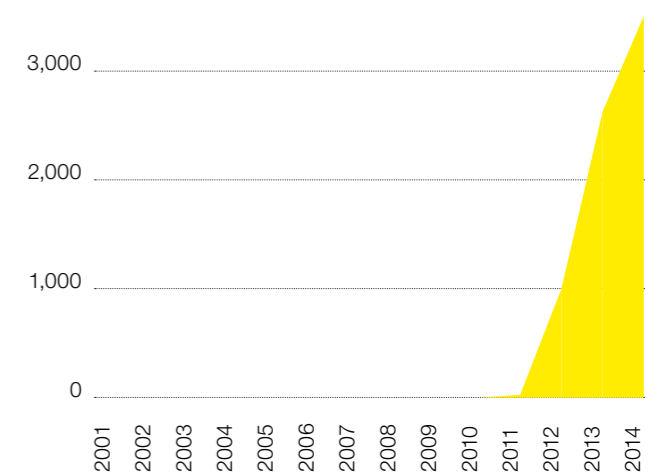
Operational and replacement costs

The company did not respect its budget for 2014 with costs exceeding budget by 27.1% or € 155,072, while having a too high cost structure when compared with other FRESco's.

Number of customers

FRES Uganda has become a more established company with standardised policies and guidelines. In addition to its four energy stores, it now also has 4 service centres.

Number of customers



exhausted during the first quarter of 2014. REA has indicated that no more money is available under the same ERT II (Energy for Rural Transformation) program. A new program with different conditions is expected. No further information is available at this point in time.

Doen Foundation contributed the € 300,000 to FRES Uganda in 2014, as last part of its 3-year commitment which will end 1.2.2015. End of 2014 FRES signed a contract with the EU which includes 3,200 SHSs for FRES Uganda for the period 2015–2018.

Products, services and rates

FRES Uganda offers 5 service levels including relatively large systems catering for the specific demands of business customers in the concession area. The monthly SHS service fee ranges from UGX 23,000 (€ 6.95) to UGX 69,000 (€ 20.85).

All customer complaints, remarks and observations are registered in a database and are followed-up through the regular procedures.

Organization, governance and supervision

After the start-up years FRES Uganda put its focus in 2014 on increasing operational efficiency to control operational costs. Among the actions taken are: decentralization of installation teams from the central head office to the energy stores, increased search for new customers within the current areas of operation in order to densify, and opening of 2 extra service centres. These changes were geared towards the reduction of time and costs in terms of transport.

On 31 December 2014, FRES Uganda employed 53 people directly and 63 indirectly, on a commission base.

Workforce profile 2014

Number of employees	53
Male/female	40/13
permanent/temporary contracts	53/0
Fulltime/part-time	53/0
Inflow/outflow men	3/6
Inflow/outflow women	2/1
Employees from 15-24 years	2
Employees from 25-34 years	46
Employees from 35-54 years	5
Employees of 55 years and older	0
Number of men/women in MT	4/2
Number of male/female store managers	3/1
Number of male/female volunteers	3/1
Number of male/female interns	2/1

Salary and terms of employment

In addition to a permanent salary, FRES Uganda offers its employees: health insurance, pregnancy leave, pension provisions, and life insurance. The entry-level wage of an employee in an operational function at FRES Uganda is UGX 450,000 (€ 137) a month. Uganda does not have a legally set minimum wage. Its GDP per capita was international \$ 1,413 in 2013 (in Mali and Burkina Faso resp. international \$ 1,641 and 1,514 and in Guinea Bissau international \$ 1,407). Debt collecting employees were motivated via performance bonuses. All employees had at least one performance evaluation. There were 43 complaints. The majority concerned requests for higher pay or salary advances. Two complaints concerned the lack of PPE (Personal Protective Equipment) like safety shoes. All complaints were resolved by the management.

Health, Safety and Environment (HSE)

Fifteen injuries and one fatal accident have been reported in 2014, resulting in the unfortunate loss of one employee. The most serious injuries resulted from road traffic incidents. Measures taken to prevent injuries are: Defensive Driving training, advocating for reports on bad driving, a HSE refresher training, and the provision of Personal Protective Clothing. There were 79 sick days of which 16 related to accidents.

Staff development

All staff received one or more training programs varying from a 3-year Public Accountancy course to 1-day training courses in Computer Literacy, Performance Management, Coaching and Leadership, Finance for non-finance managers, and the like. A team building retreat was organised for all staff to express appreciation to the staff for the work they do and to provide an avenue to build interpersonal relationships.

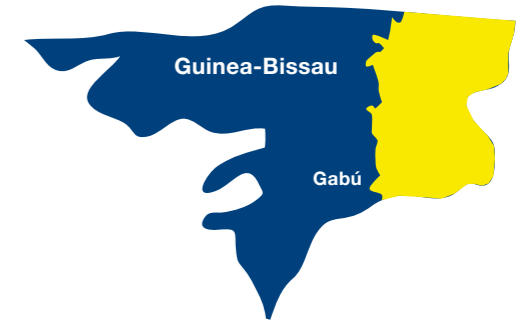
Management and governance

General Manager is Allan Asingwire. He reports to the Board of Directors of FRES Uganda, consisting of: Everard Geurtsen – Chairman
Caroline Nijland – Member

Challenges and objectives

The main objectives for 2015 are to increase the payment rate, to increase customer retention, and to reduce operational costs considerably while further growing the customer base to create economies of scale. All these objectives are geared towards the overall goals of financial sustainability and operational excellence.

FRES Guiné-Bissau



Basic information

Year founded	2011
Products and services	SHS
Number of employees	7
Number of customers	2,041 SHS
Number of energy shops	11
Shareholders	100 % FRES

Guinea-Bissau, in West Africa, has 1.7 million inhabitants on more than 36,125 km². The country holds the 177th place on the most recent Human Development Index of UNDP. A mere 6% of the nation's rural population has access to electricity. Guinea-Bissau has had a long history of political instability. Most recently, in 2012, a military coup deposed the government and the country was in a transitional state until elections took place in April and May 2014, and a head of state, President José Mário Vaz, was elected by the population.

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

Result 2014

Payment rate

The payment rate over 2014 was 87%, lower than the target of at least 95% but an improvement compared to the 77% of 2013. Without a large fraud case the payment rate would have been 90%. This success is due to the company's efforts to help customers improve payment discipline. Since 2013, 1200 electronic devices (cobrador electrónico or CE), which cut off the electricity supply at the customer's home in case of a payment delay, were integrated in the SHS installation. This timer relay has been developed by Franssen Technical Services in Arnhem after specifications of FRES Guiné-Bissau. The device does not only facilitate fee payment collection but it also stimulates energy store managers to pay visits to the SHS installation in order to keep a SHS at the agreed quality standard.

Operational and replacement costs

The company exceeded its budget for 2014 by € 115,170 or 55%, due to incorrect budgeting.

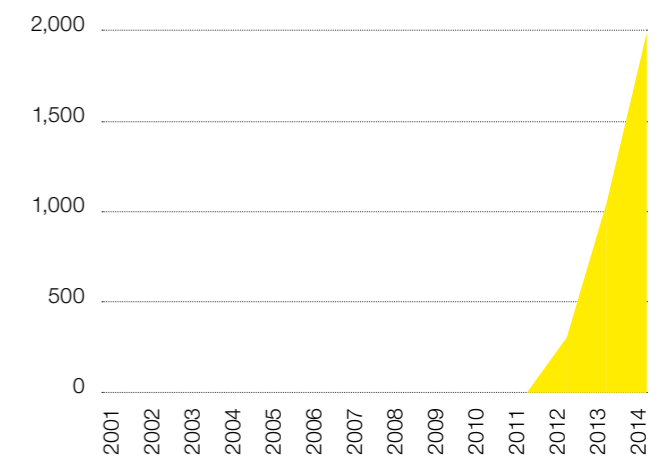
Number of customers

2014 was another successful year for FRES Guiné-Bissau. In 2014 the company connected 1,021 new customers, well in line with the EU-target of 3,000 customers end 2015. Its net customer growth in 2014 has been 100%.

Financial sustainability

The company has increased its cost coverage from 71% to 84%, while its long-term cost coverage increased from 33% to 54%. It is aiming to reach financial sustainability within a few years. This will require further growth of the number of customers to enable the company to generate sufficient operational cash to build up reserves for future replacements.

Number of customers



Research

Several adaptations were needed after testing of the prototype of the CE in August 2013. The prototype had one LED lamp that changed color green to red when the fee payment deadline was almost over. This has been changed in four green LED's which stand for four weeks electricity consumption. The construction of the CE was also adapted, the device is now water and dust proof, the trails on the print are doubled and the electric connections are suitable for cable crimp ends. The remote control needed to activate the relays has now only one button.

Contracts and investments

The present subsidy contract with the EU concerning FRES Guiné-Bissau calls for 3,000 households and small businesses to be connected by the end of 2015.

Products, services and rates

In 2014 FRES Guiné-Bissau provided SHS services on three service levels from CFA 6,500 (€ 9.90) a month to CFA 21,667 (€ 33.03) a month. About 30% of the customers choose the lowest service level, 69% the medium one, and 1% the high service level.

A customer satisfaction survey was conducted by the Marketing Manager in the villages. Although some customers complained about the 'high' service fee, most of them stated to be very satisfied.

Organization, governance and supervision

Clear job descriptions were written for all positions within the company and shared with the concerned employees. After two incidents of fraud with the energy stores, internal procedures on revenue collection have been tightened up. Also legal action was taken to recover the lost income. Furthermore, stock control procedures were improved. The company developed an operation manual in line with standards set at other FRES companies.

On 31 December 2014, FRES Guiné-Bissau employed 7 people directly and 42 (of which 8 male and 3 female store managers) indirectly, on a commission base. The company hired a second agent for fee collection in 2014.

Workforce profile 2014

Number of employees	7
Male/Female	4/3
Permanent/temporary contract	7/0
Fulltime/part-time	7/0
Inflow/outflow men	0/1
Inflow/outflow women	1/0
Employees from 15-24 years	0
Employees from 25-34 years	5
Employees from 35-54 years	1
Employees of 55 years and older	1
Number of men/women in MT	4/0
Number of male/female intern	0/1

Salary and terms of employment

The seven employees with a permanent contract are provided health insurance. In 2014, the starting salary of an employee of FRES Guiné-Bissau in an operational function was 200,000 FCFA (€ 305) a month, while the legal minimum wage is 30,174 FCFA (€ 46) a month. The difference with other FRESco's is that the type of functions that exist in other companies are outsourced and executed on a commission basis. All employees had at least one performance evaluation. There were two grievances; one concerning the lack of a biweekly team meeting and the other the lack of holiday plan. Both were resolved by the General Manager.

Health, Safety and Environment (HSE)

No accidents happened. Anyhow, precautions were taken to avoid accidents in the future: control of the mandatory wearing of appropriate work clothing and safety shoes when on duty. A total of 12 sick days were reported.

Staff development

18 indirect employees (13 men and 5 women) followed a technical training of 6 hours provided by the GM.

Management and governance

General Manager is Reinder Bouwmeester. He reports to the Board of Directors of FRES Guiné-Bissau, consisting of: Everard Geurtsen - Chairman
Caroline Nijland - Member

Challenges and objectives

The 2015–2019 business plan of FRES Guiné-Bissau aims at achieving the EU target of 3,000 customers by end 2015. A solar mini-grid system in Contuboel for 150 customers will be developed, provided that a sustainable tariff structure and the necessary financing can be arranged.





FRES NL

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

- Fundraising
- Developing Partnerships
- Governance of FRES companies
- Financial supervision
- Risk Management
- Stakeholder management

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

Paid employees

At the end of 2014, FRES NL had a total of six paid employees. In 2014, some 4 days were spent on training and education during working hours. Two employees followed courses that benefited their work outside working hours. Most training is on the job.

Volunteers

In 2014, 13 experts worked on specialist tasks for FRES on a pro bono basis.

In addition to the aforementioned experts, the Board and the members of the Supervisory Board contributed without being paid for their services.

III. FRES corporate

Fundraising

Policy, strategy and objectives

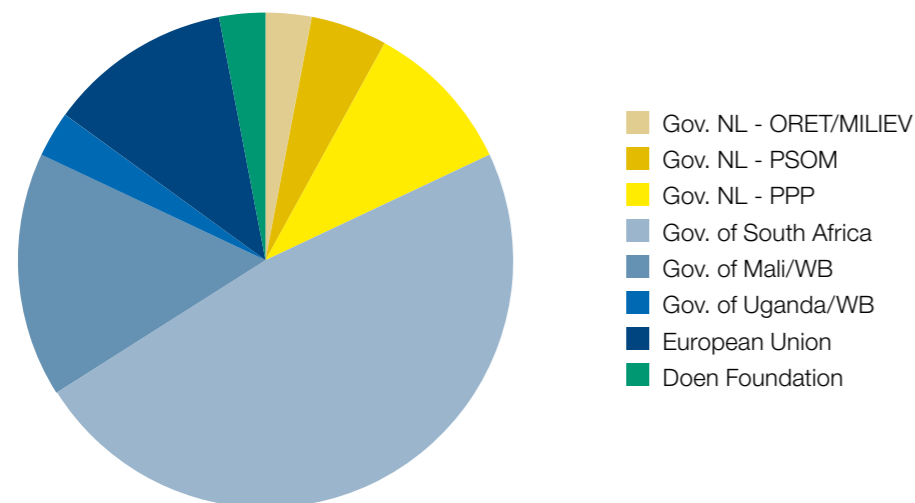
FRES is a non-profit foundation that looks for external financing to achieve its goals. We attract funds by cooperating closely with our sponsors, through our lobby activities, and by building close relationships with governments. FRES has chosen not to have an active private small-donors policy.

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

Objectives

FRES currently has running subsidy contracts valid until 2018. Under these contracts € 11.1 million (existing and new contracts) is available which will result in 11,000 additional customers by the end of 2018. We aim to contract a further € 2 million in 2015.

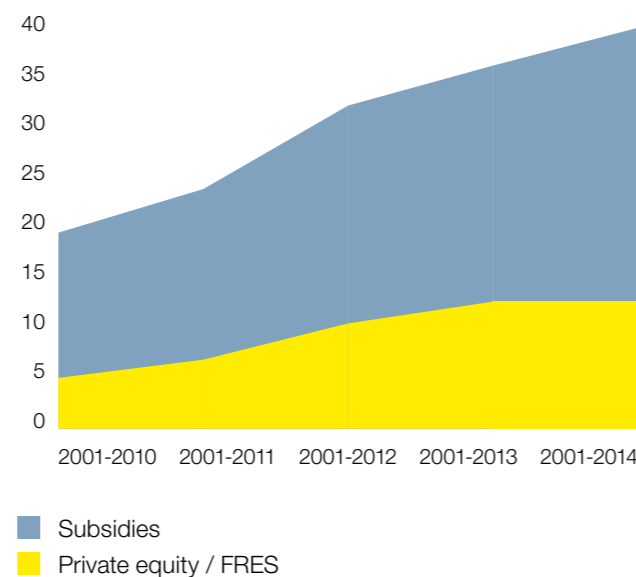
Total investments per subsidy source 2001-2014



Investments

In the period 2001-2014, FRES invested a total amount of € 39.67 million in FRES companies. € 26.9 million of this amount was financed through various subsidies and € 12.7 million from private funds.

Investments 2001-2014



Subsidies

In 2014, FRES signed two new subsidy agreements with the EU. The first, with a subsidy value of € 8.0 million, will scale up SHS and mini-grid activities in Mali, Uganda, and Guinea Bissau and enable FRES to start operating in Cameroon. The second, with a subsidy value of € 1.9 million, seeks to scale-up and consolidate FRES's activities in Mali.

In 2014 FRES submitted subsidy proposals to ECREEE (ECOWAS Centre for Renewable Energy and Energy Efficiency), UNIDO (United Nations Industrial Development Organisation), and EEP (Energy and Environment Partnership). Their decision is expected in 2015.

External mid-term and final project evaluations are carried out as agreed with donors. Effectiveness is monitored from the perspective of FRES's two key stakeholders:

- Donors are concerned about sustainability and cost effectiveness of project outputs (number of customers, number of employees, amount of electricity generated, the way electricity is generated etc.);
 - End-users require service levels responding adequately to local needs and stimulating development (affordable tariffs, after-sales care, supporting economic activities etc.).
- Useful recommendations by external mid-term and final evaluations are implemented in the respective companies but also in other FRES companies.

Business donations

In 2014, FRES received business donations from Alliander, which covered our desk expenses and the salary of the Director Business Development. These contributions were part of the agreement for a period of four years (2012-2015).

Voltiq B.V. made a Christmas donation to FRES at the end of 2014.

Private donations

Donations have been received directly from 34 private donors. Indirectly we received private donations from employees of Nuon who chose to give the value of their Christmas gift box to FRES, and from Nuon customers who donated the customer points they saved as members of the Nuon Exclusive Program to FRES.

The money donated by private donors in 2014 will be used for Yeelen Ba in Burkina Faso in 2015.

Complaints

If FRES receives a complaint from a private donor, we take action within one working day. After receiving the complaint we call the person who submitted it and offer a solution. We did not receive any complaints in 2014.

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 our present partners in order of the year in which the cooperation started.

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

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

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

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

2007 The European Union subsidizes the starting up of an electricity company in Burkina Faso in cooperation with Nuon, Yeelen Kura and two local partners. It concerned the allocation of a subsidy within the framework of the ACP-EU Energy Facility. This cooperation runs until July 2015. Within the same programme, a subsidy was approved for a new FRES company in Guinea-Bissau in December 2010. In 2014, FRES and the EU reinforced their cooperation with the signing of two new subsidy contracts. These contracts support FRES in four countries with a combined subsidy value of € 9.9 million for four years.

2008 The Dutch government through DGIS (Directorate-General International Cooperation), Nuon, and FRES entered into a PPP for a rural electrification programme that should ultimately lead to 100,000 customers (2008-2015). Nuon and DGIS each promised half of the € 20 million needed for 28,000 new SHS customers. In July 2012,

DGIS decided unilaterally to terminate the connected subsidy agreement with FRES, after having frozen disbursement of the subsidy in 2010 because of doubts whether FRES would achieve its goals. A claim for disbursement of over M€ 5 of subsidy money is subject of a court case. The outcome of legal proceedings is pending.

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

2010 The Government of Guinea-Bissau supported FRES in its application for a EU subsidy. This has led to the start-up of FRES Guiné-Bissau in 2012. At the moment, the legal implications of building a solar powered mini-grid are under discussion.

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

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

2010 In 2010 and 2011, the international law firm Clifford Chance LLP supported FRES in the development of an agreement for the delivery, installation and maintenance of two and six solar power stations in Mali. In 2013 and 2014 Clifford Chance provided FRES with legal assistance at reduced costs.

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

2010 In 2010 FRES became a member of PARTOS, the Dutch association for NGOs working in International Development. The association represents 120 Dutch development organisations that work in the field of poverty reduction, humanitarian aid, human rights, and sustainable

development. Partos facilitates and coordinates collective action to influence public, private and political bodies in the Netherlands and Europe and supports its member organisations to improve the effectiveness and efficiency of their core activities, by strengthening the knowledge and learning capacity of individual members as well as the sector as a whole.

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

2011 PUM sends senior experts to companies and organisations in developing countries and upcoming markets that can use their expertise for a period of two to three weeks. In 2011 a two year cooperation agreement was signed for assignments in the countries where FRES operates. In 2013 this agreement was extended for another two years. In 2013 and 2014 FRES together with PUM started exploring how to implement a standardised data management system that will enable the simple exchange of information within FRES companies and between FRES companies and FRES-NL. Since 2014 PUM experts are coaching the directors of Yeelen Kura and FRES Uganda.

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

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

2011 In 2011, FRES signed an agreement with Alliander formalising the up till that moment informal cooperation on sharing of expertise and knowledge. The partnership took further shape in 2012, when Alliander took over the annual contribution of € 75,000 for office costs and the salary of the Director of Business Development from Nuon for a period of four years. In 2013, the cooperation was further

intensified. An expert from Alliander conducted a due diligence study into the potential acquisition of a Malian mini-grid operator. Furthermore, from 2012–2014 two experts from Alliander supported Yeelen Kura in its efforts to reduce (technical and non-technical) losses in mini-grids.

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

2013 FRES signed a Letter of Intent (LOI) with the Government of Cameroon through the Ministry of Energy for implementing FRES activities.

2013 FRES Director Business Development Caroline Nijland became a member of the Board of the Alliance for Rural Electrification (ARE) a Brussels-based high level network.

2014 UNIDO has expressed its intention to work with FRES in order to realize a mini-grid in Guinea-Bissau. The cooperation is conditional on FRES securing funding from ECREEE.

Manuel Berlingiero, Ph.D., Senior Energy Specialist at The World Bank

We see it as an advantage that FRES has experience in several countries in sub-Saharan Africa. The business model of Yeelen Kura is well adapted to local conditions with the offering of SHS as well as solar mini-grid services both through the fee-for service approach. However, Yeelen Kura has to increase its customer density and tariff structure for mini-grid customers to increase its financial sustainability. For the World Bank it remains a priority to increase access to electricity especially in rural areas. We work with the Government of Mali on the expansion of hybrid mini-grids and improvement of existing mini-grids with a fund of 40 M US\$. The next step would be a program for more SHS in rural areas of Mali.

Governance

Board

In 2014, The FRES Board consisted of three members: Annemarie Goedmakers (CEO/President), Serge Leijten (CFO/Treasurer) and Joop Lasseur (COO/Member). The Board meets at least once a month to discuss policy matters and the progress of the FRES companies based on reports from the local companies and progress reports from their Directors. A total of 18 board meetings took place over the year. The following points were discussed, among others:

- the governance model of FRES and its companies;
- progress of FRES companies: evaluation and financial reports;
- benchmarks between FRES companies;
- investment proposals for expansion;
- the annual accounts and annual report 2013;
- Business Plan 2015-2019 and annual plan/budget 2015;
- composition and role of Boards of Commissioners;
- legal procedures and two court cases on a subsidy contract between FRES and the Dutch Directorate General International Cooperation (DGIS).

The FRES Board members do not receive remuneration for their work. Their expenses are compensated under the condition that they fit within the compensation policy set by the Board to prevent excessive expenses. In 2014, costs made by Board members consisted mainly of telephone and travel expenses.

Supervisory Board

In 2014, the Supervisory Board consisted of Aad Veenman (Chairman) and on behalf of main sponsor Nuon, Peter Smink (Secretary). It had one vacancy. The Supervisory Board met twice to discuss and decide on:

- the annual accounts and annual report 2013;
- Business Plan 2015-2019 and annual plan/budget 2015;
- the frozen subsidy of the Dutch Government (represented by DGIS) based on the Public Private Partnership between DGIS/Nuon and FRES.

Code Wijffels

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

An overview of Board members, with their other functions, is listed in Appendix 4 (see www.fres.nl).

Monitoring and evaluation

The policy goals, priorities and conditions are recorded in business plans. They serve as the basis for the annual plans and budgets for the FRES companies and for FRES Netherlands. Execution of plans is monitored through monthly reporting, monthly progress meetings, benchmarking, performance reviews, etc. If needed goals and priorities are adapted to the monitoring outcomes.

The local management of the FRES companies held monthly progress meetings with the members of their BoD and their FRES liaison officer via teleconferences. The Directors visited the companies twice in 2014.

Two managers of every company attended the FRES Company Week in the Netherlands from May 19 to May 23, 2014 where business results of 2013 have been evaluated, and the future strategy and business plans have been discussed with the FRES Board and Company Directors.

Outlook 2015 and beyond

In December, the FRES Board adopted the Business Plan 2015-2019. After significant customer growth in recent years, it sharpened the performance objectives for its local companies to better reflect FRES' objective of creating financially sustainable companies. Customer growth is linked to subsidy agreements with donors. Since 2014, the performance of FRES companies is assessed on the payment rate; operating and (long-term) replacement costs; customer retention/growth; and financial sustainability.

Operational excellence is a core objective in the five existing companies, with strategies to control costs and maximise revenue. The companies will have to become financially independent, with income from customer fees that is sufficient to pay for maintenance, operational management, and replacement investments, while staying at a once reached customer level.

Training and personal development of local staff continues to be important. In early 2015, FRES will launch its 'train the trainers' programme for solar technicians from all FRES companies. The objective of the training is to "train future trainers" of each company. Attendees will become the future focal points for ongoing training within their respective national teams and in turn pass on their new knowledge to local technicians. This allows each company to have local trainers ready to train new technicians as they are recruited.

Financial supervision

Planning and control

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

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

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

Asset management

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

The investment horizon is four to eight years.

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

Every three months FRES receives a report from ING-Bank on the development of the investments. The asset manager accounts for the results of the portfolio to the CFO three times a year. The asset manager measures the results of the portfolio, compares them to the chosen benchmark, and analyses the differences in performance. On the basis of these results, it is decided whether or not the investment policy has to be adjusted by the Board of Fres. The portfolio is on a continuous basis screened on the sustainability criteria that have been set. There was one position that had to be sold in 2014 for sustainability reasons.

In the fourth quarter of 2014, FRES took an amount of EUR 1 million out of the portfolio in order to set a collateral for an ING Finance guarantee for the purpose of a EU subsidy contract.

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



Risk management

Strengths and weaknesses, opportunities and threats

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

Strengths

- Long-term experience in electrification of rural areas in Africa
- Extensive and sound research method
- A proper network in the international development and solar energy sector
- A competent team with committed Board Members
- A standardised and sustainable business model as blueprint, easily reproducible in various countries
- Two FRES companies have existed for over ten years in a market with very few professional players
- Major experience in acquiring subsidies
- Strong partners in the Netherlands
- A solid Business Plan 2015-2019 and detailed plans of FRES companies for realising their objectives
- Considerable experience in negotiating terms and conditions for concessions and tariff structures with local governments
- Centralised purchasing agreements

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
- Significant technical developments in electricity storage and cost reductions in solar hardware.
- Technological innovation: LED lamps, mobile payment, prepaid metering
- The international commitment to the millennium objectives and the UN 2014-2024 "Decade of Sustainable Energy for All"
- Awareness among (potential) customers that sustainable access to (solar) power is achievable and affordable, contributes to better life standards, and stimulates economic development
- The growing interest of international donor agencies in solar mini-grid solutions for rural electrification in Sub-Saharan Africa

Weaknesses

- Companies in (five) different countries with variable local conditions
- Insufficient customer retention at some FRES companies
- Payment arrears ('non-payment')
- Lengthy procurement procedure for international tenders
- Low margin business, because tariffs need to be kept as low as reasonably practicable to enable access to as many people as possible
- Dependence on subsidies

Threats

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

Utilising opportunities, countering threats and fighting weaknesses

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

- We focus on expanding in countries where we are already active, and do not expand too quickly to other countries. Instead we increase the scale of the existing companies and reduce the cost price.
- We keep a close eye on our expenses to ensure that our services remain affordable to our customers. We reduce the expenses as much as possible by providing efficient services, creating scale benefits by connecting customers in clusters, replacing diesel generators with solar power stations, implementing payment via mobile phones, etc.
- We reduce the risk of low purchasing power by selecting regions that also serve markets outside the own region.
- We purchase the solar systems centrally, unless local procurement is competitive on price and quality. We ensure that the systems our companies use are interchangeable, and that we employ a standard format of modules, battery, and regulator capacities.
- We try to secure with our stakeholder policy good relations with (future) donors.
- We require an adequately implemented HSE (Health, Safety and Environment) policy in all local FRES companies. Plans are in development to adopt a standardised HSE policy across all companies.

Some weaknesses and risks that received special attention in 2014 are described below.

1. Financial sustainability

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

2. Continuing growth

Historically, FRES has at times suffered from slow customer growth due to the lack of subsidies available for investments, leading to FRES running the risk of not achieving its long-term objectives. After a slow down in a company, it has proven difficult to pick up investment speed again. Operational excellence and financial sustainability have to solve this problem. In 2014, many subsidies have become available for rural electrification. The challenge now for FRES is to strengthen its reputation by meeting the growth objectives set with its financial partners.

3. Enhancing monitoring

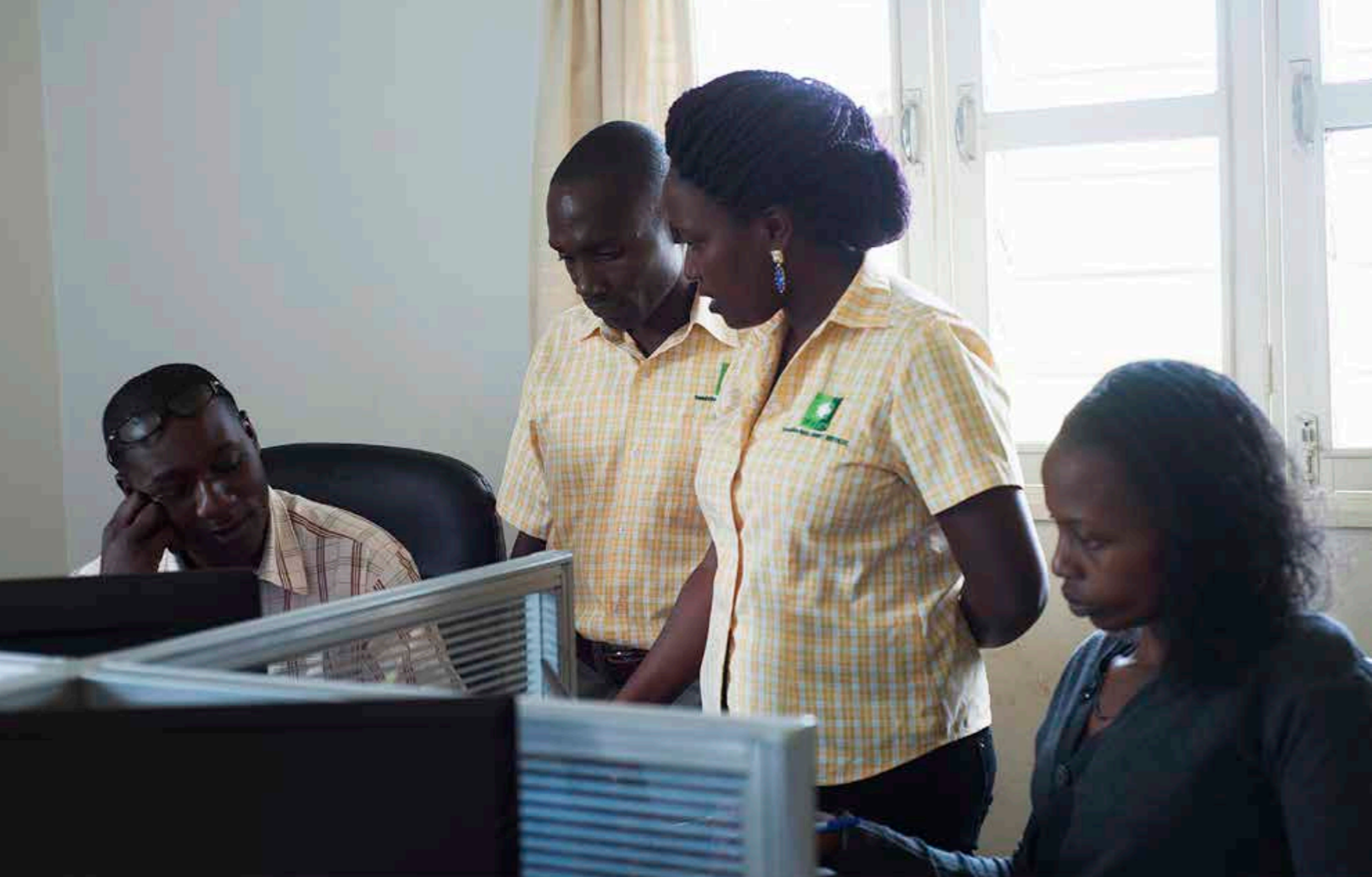
FRES wants its companies to implement a standardized data management system that will enable easy exchange of information between local company departments, between companies, and with the head office in Amsterdam. Currently all companies use their own administrative system. In March two experts from PUM visited NuRa (and Yeelen Kura) to study their data, processes and their SHS online management system, resulting in a preselection of possible ERP solutions for all FRES companies.

4. Payment arrears

Maintaining an acceptable payment rate is an ongoing challenge for all FRES companies and requires constant attention.. In 2014, FRES has facilitated knowledge exchange between its companies with respect to effective strategies to manage payment arrears. Mobile payment (if available in the country) and a metering system that shuts off automatically if the customer's credit is finished, are solutions that have been used in 2014 to mitigate the risks of low payment rate.

5. Political instability

Developments in West Africa show that political stability is a factor that we need to take into account. The political unrest in 2012 and 2013 in both Mali and Guinea-Bissau still has its economic effects. In Burkina Faso the political situation is far from stable. This may potentially impact both the growth of the number of customers, their ability to pay the fees, and have consequences for the employees. It is one of the screening criteria that FRES employs before deciding to start activities in a particular country. In cases of acute unrest the safety of FRES employees is our highest priority.



Stakeholder management

Policy, strategy and objectives

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

We use several ways of communication:

- a monthly digital Flash Report keeps our stakeholders informed of the latest developments;
- two stakeholders meetings take place annually where policies, developments, technological innovations etc of FRES and its companies are presented;
- private donors of FRES receive a confirmation of registration and after that once a year information about the results of the previous year and objectives for the new year;
- in case of newsworthy matters, the media receive a press release that occasionally leads to an article in the media;
- all interested parties can find more information on our website;
- we experiment with the use of Twitter and LinkedIn;
- we participate in policy setting meetings.

Activities 2014

- In April, FRES presented its experience with energy storage in Africa at the Energy Storage World Forum in London.
- In June, FRES gave a keynote presentation on FRES experience in the field of mini-grids at the United Nations Sustainable Energy for All forum in New York.

• In September, FRES gave a keynote presentation on the achievements of FRES at the EuropeAid workshop in Brussels, Empowering Rural Electrification: the EU Framework for Access to Sustainable Energy, entitled 'A successful business model for rural electrification in Africa: Ingredients for success and lessons learned'.

- In September, FRES presented its experience with mini-grids International Workshop on Mini-grids for Electricity Access in Developing Countries in Leicester.
- In April and December, FRES stakeholder meetings took place in Antropia, Driebergen (NL). Both meetings were well attended.
- We sent out 8 Flash Reports in 2014.
- FRES decided in 2014 to revise its website in line with our in 2014 updated communication plan. The aim of FRES's communication strategy by web, Twitter and LinkedIn is to reach out to all those who share our goals and to raise awareness on how they can participate.
- The English and French versions of the FRES 2013 Annual Report were published in May (digital and print). The report was positively evaluated in the PwC Transparency Awards, particularly with respect to compliance, impact and communication. Compared to comparable organisations, FRES scored above average.
- FRES has committed to the Global Reporting Initiative (GRI), the leading organisation for reporting on sustainability. The idea behind GRI is to help organisations chart their sustainability efforts. In this annual report, we have taken the first step towards integrating version G4 requirements into overall reporting. See GRI index in annexe 6.

6. High fuel price

Although on global markets oil prices went down, this has not influenced diesel prices in the countries where we operate. A large part of our operational expenses consists of transport costs needed to perform installation and maintenance activities. We expect diesel prices to increase in the coming years. This increase will lead to higher transport costs. Therefore FRES companies aim to optimize transport logistics and work in areas with high customer densities.

Furthermore, our diesel mini-grid and those solar mini-grids that use diesel not only as back-up solution, are operating at a loss because the high fuel costs cannot be passed on to customers at current tariff levels.

FRES has replaced and will replace its diesel generators in Mali with solar power plants in order to reduce its exposure to the volatile diesel price. We aim for solar powered plants with diesel only as back up. Currently, only one power station at Yeelen Kura is running entirely on diesel. Moreover, Yeelen Kura develops demand side management (DSM) in order to minimize the financial impact of fuel costs.

7. Tariffs for solar mini-grids

Tariffs for Yeelen Kura's solar mini-grids are currently sufficient for covering operational expenses, but insufficient for

accumulating the necessary reserve funds to finance the replacement of key mini-grid components in the long term. Yeelen Kura continues to work closely with Mali's Rural Electrification Agency (AMADER) to increase tariffs to financially sustainable levels. Small steps in the right direction have been set in 2014.

8. Fraud prevention

Too often, FRES has to deal with incidents of fraud within local companies. FRES actively attempts to prevent and combat fraud. We aim to make fraud unrewarding and consequences of fraud discovery a disincentive to colleagues and other customers. The associated responsibility lies with local management and its BoD, supervised by the Board of FRES and its Supervisory Board via the established governance structure.

9. Continuity reserve

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





IV. Financial report

Annual accounts 2014

Consolidated balance as at December 31, 2014 (after appropriation of results)

	December 31, 2014		December 31, 2013	
	€		€	
Assets				
1. Non-Current Assets				
1.1 Property, plant and equipment		6,701,675		4,849,426
2. Current Assets				
2.1 Receivables	846,009		972,479	
2.2 Inventory	44,843		-	
2.3 Securities	4,780,584		5,318,591	
2.4 Cash and cash equivalents	2,026,310		1,462,127	
		<u>7,697,746</u>		<u>7,753,197</u>
Total		14,399,421		12,602,623
Equity and liabilities				
3. Reserves				
3.1 Continuity reserve FRES Netherlands	250,000		250,000	
3.2 Reserve for pre-financing future investments FRES companies	3,000,000		3,000,000	
3.3 Reserve for future projects	7,758,982		5,178,830	
3.4 Reserve financing assets	2,411		2,832	
3.5 Reserve currency difference	9,751		2,237-	
		11,021,144		8,429,425
4. Funds				
4.1 Fund Donation Nuon		<u>1,166,387</u>		<u>1,993,302</u>
		12,187,531		10,422,727
5. Current liabilities				
5.1 Payables and other accruals		2,211,890		2,179,896
Total		14,399,421		12,602,623

Cosolidated statement of income and expenditure for 2014

	Actual 2014	Budget 2014	Actual 2013
	€	€	€
6. Income			
Income from our own fundraising	<u>212,354</u>	<u>163,000</u>	<u>191,254</u>
Income from our own fundraising - private persons	11,256	3,000	10,162
Income from our own fundraising - companies	201,098	160,000	181,092
Subsidies	<u>1,477,670</u>	<u>3,820,000</u>	<u>3,674,816</u>
Subsidies from governments	1,182,749	3,520,000	3,374,816
Other subsidies	294,921	300,000	300,000
Return on investments in securities and cash equivalents	768,938	250,000	278,825
Other income	<u>3,396,456</u>	<u>1,765,000</u>	<u>1,790,661</u>
Income Yeelen Kura from regular company activities	1,381,737	990,000	1,195,690
Income Yeelen Kura from non-regular company activities	1,095,787	-	-
Income FRES Uganda from regular company activities	508,292	575,000	436,995
Income FRES Guiné-Bissau from regular company activities	410,640	200,000	157,976
Sum of the income	<u>5,855,418</u>	<u>5,998,000</u>	<u>5,935,556</u>
7. Expenses			
Spent on objectives			
<i>Expenses for regular company activities</i>	<u>1,985,559</u>	<u>1,145,000</u>	<u>1,689,822</u>
Yeelen Kura, Mali	821,325	405,000	632,373
NuRa, South Africa	51,930	-	77,588
Yeelen Ba, Burkina Faso	55,042	-	60,000
FRES Uganda, Uganda	628,943	540,000	771,540
FRES Guiné-Bissau, Guinea-Bissau	428,319	200,000	148,321
<i>Expenses for company expansion</i>	<u>1,358,075</u>	<u>4,450,000</u>	<u>2,346,405</u>
Yeelen Kura, Mali	672,278	2,800,000	630,531
NuRa, South Africa	290	-	442,000
Yeelen Ba, Burkina Faso	146,380	-	609,362
FRES Uganda, Uganda	-	1,000,000	-
FRES Guiné-Bissau, Guinea-Bissau	539,127	650,000	664,512
<i>Expenses for replacements</i>	<u>220,998</u>	<u>150,000</u>	<u>102,224</u>
Expenses Yeelen Kura replacements	70,401	100,000	102,224
Expenses NuRa replacements	-	-	-
Expenses Uganda replacements	150,597	50,000	-
<i>Expenses for new initiatives</i>	<u>3,196</u>	<u>10,000</u>	<u>12,776</u>
New initiatives remaining countries (Benin, Cameroon, Somaliland)	3,196	10,000	12,776
Subtotal	3,567,828	5,755,000	4,151,227

Cosolidated statement of income and expenditure (continued)

	Actual 2014 €	Budget 2014 €	Actual 2013 €
Subtotal	3,567,828	5,755,000	4,151,227
<i>FRES service costs spent on objectives</i>	465,724	524,000	462,198
Direct support existing companies	281,717	316,968	293,668
Direct support expansion companies	181,020	203,671	159,800
Direct support new initiatives	2,987	3,361	8,730
Total spent on objectives	4,033,552	6,279,000	4,613,425
FRES service costs management & administration	69,050	116,000	215,929
Direct costs	3,969	6,779	209,051
Indirect costs and costs from investments	65,081	109,221	6,878
Sum of the expenses	4,102,602	6,395,000	4,829,354
Net result	1,752,816	397,000-	1,106,202

Statement of the comprehensive income

Net result	1,752,816	-397,000	1,106,202
Currency translation differences	11,988	0	-2,237
Total comprehensive income	1,764,804	397,000-	1,103,965

The budget of 2014 that is stated in the annual account of 2013 included the budget of entities that are not consolidated in the annual accounts. The budget that is stated above excludes the income and expenses from regular company activities of Yeelen Ba, Burkina Faso and NuRa, South Africa.

The result of 2014 is appropriated as follows:

Reserve for pre-financing future investments FRES Companies	-		3,000,000
Reserve for future projects	2,580,152	397,000-	203,495
Reserve financing assets	421-	-	694
Fund donation Nuon	826,915-	-	2,097,987-
Total	1,752,816	397,000-	1,106,202

Consolidated cash flow statement 2014

	2014 €	2013 €
Income from private persons, companies, institutions and governments	5,750,957	5,941,944
Payments to supplier, employees and projects	-3,274,713	4,137,151-
Cash generated from operating activities	2,476,244	1,804,793
Received interest, realised result investments and balance deposits and withdrawals investments	768,938	278,825
Cash flow from operational activities	3,245,182	2,083,618
Investments in property, plant and equipment	2,795,331-	1,845,044-
Investments subsidies	114,332	473,218
Granted loans	-	-
Cash flow from investment activities	2,680,999-	1,371,826-
Cash flow from financing activities	-	-
Cash flow	564,183	711,792
Exchange rate and conversion differences	-	-
Net cash flow	564,183	711,792
Cash as on January 1	1,462,127	750,335
Net cash flow	564,183	711,792
Cash as on December 31	2,026,310	1,462,127

Notes to the consolidated annual accounts

General

Activities

FRES was founded in 2004 and is registered in Amsterdam. The foundation is located at Amstel 49 in Amsterdam. The activities of FRES and its group companies consist of realising sustainable rural electrification in developing countries, especially through the placement and management of autonomous solar energy systems.

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

Group structure

As from 2013, the group includes three companies: Yeelen Kura S.A., FRES Uganda Limited and FRES Guiné-Bissau. FRES is the 100% owner of all companies, either directly or indirectly.

ANBI

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

Consolidation

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

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

	Statutory seat	Share in the issued capital
SSD Yeelen Kura S.A.	Mali	100%
FRES Uganda Ltd.	Uganda	100%
SSD FRES Guiné-Bissau S.A.	Guinea-Bissau	100%

The participation in Yeelen Kura S.A. was obtained from EDF and Nuon at the end of 2008. FRES acquired this company from the aforementioned parties for an amount of € 1. Yeelen Kura is a 100% subsidiary of FRES.

FRES Uganda Limited was founded in 2010 as a 100% subsidiary of FRES.

FRES Guiné-Bissau S.A. was founded in 2011 as a 100% subsidiary of FRES.

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

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

SSD-FRES Benin was founded in 2010 as a 100% subsidiary of FRES. The company was formally founded in 2011 to be able to lay claim to a concession area and exemption from taxes. No activities have taken place in Benin in 2014.

General principles for preparing the consolidated annual accounts

General principles

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

Functional currency

Items included in the annual accounts of the group companies are measured using the currency of the primary

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

Conversion of foreign currency

Monetary assets and liabilities denominated in foreign currencies are converted into the functional currency at the exchange rate prevailing at the balance sheet date. Foreign currency transactions in the reporting period are converted into the functional currency using the exchange rate prevailing at the dates of the transactions. Foreign exchange revenues and expenses resulting from the settlement of such transactions and the conversion at year-end exchange rate are included in the income statement.

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

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

Cash flow statement

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

Interest paid and received, dividends received and income taxes are included under cash from operating activities. Dividends paid are included as cash used in financing activities.

The purchase consideration paid for the acquired group company is included as cash used in investing activities insofar as it was settled in cash.

Principles for the valuation of assets and liabilities

Prior-year comparison

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

Property, plant and equipment

Property, plant and equipment are stated at historical cost, minus cumulative depreciation and, if applicable, impair-

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

Investment subsidies are deducted from the historical cost or manufacturing price of the assets to which the subsidies relate.

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

Financial assets

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

Impairment of fixed assets

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

Receivables

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

Inventory

The cost price consists of the historical costs (all costs relating to the acquisition) and costs incurred in order to bring the inventories to their current location and current condition. The realizable value is the estimated sales price less directly attributable sales costs. In determining the realizable value the obsolescence of the inventories is taken into account.

Securities

Securities that are held for trading are valued at actual value in the initial processing. Changes in the actual value are recognised directly in the profit and loss account.

Bought, interest-bearing bonds that will be held to maturity are valued at amortised cost.

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

Cash and cash equivalents

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

Reserves and funds

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

Other assets and/or liabilities

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

Principles for result determination

Result

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

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

Subsidies

Operating subsidies are recorded as income in the income statement in the year in which the subsidized costs were incurred or income was lost or when there was a subsidized operating deficit. Income is recognized when it is probable that it will be received.

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

Exchange differences

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

Depreciation of property, plant and equipment

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

Financial income and expenses

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

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

Taxes

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

Notes to the consolidated balance sheets items

1.1 Property, plant and equipment

	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	-	1,407,350	612,658	6,085,270	21,261	8,126,539
Accumulated depreciation and impairments	-	228,343	193,294	2,827,098	18,429	3,267,164
Balance as on January 1	-	1,179,007	419,364	3,258,172	2,832	4,859,375
Movements						
Investments/disposal	114,332	563,073	1,186	2,116,015	725	2,795,331
Received subsidies and gifts	114,332	-	-	-	-	114,332
Exchange differences	-	9,949	-	-	-	9,949
Depreciation	-	210,150	20,803	606,600	1,146	838,699
Total movements	-	362,872	19,617	1,509,415	421	1,852,249
Historical cost	-	1,970,423	613,844	8,201,285	21,986	10,807,538
Accumulated depreciation and impairments	-	438,493	214,097	3,433,698	19,575	4,105,863
Balance as on December 31	-	1,531,930	399,747	4,767,587	2,411	6,701,675
Depreciation percentage	10%-33%	0%-20%	20%	20%	20%	

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

In 2014, FRES Guiné-Bissau, FRES Uganda and Yeelen Kura invested in buildings, installations, solar equipment, hardware, and office furniture.

2.1 Receivables

	31-12-2014	> 1 year	31-12-2013	> 1 year
Receivables Yeelen Kura	269,367		268,927	
Receivables FRES Uganda	103,749		151,441	
Receivables FRES Guiné-Bissau	47,958		9,272	
Subsidies Yeelen Kura	-		-	
Subsidies FRES Uganda	354,826		414,994	
Subsidies Nuon/EU Burkina Faso	49,607		103,246	
Prepayments	2,973		2,300	
Other receivables and accrued income	17,529		22,298	
Total	846,009	-	972,478	-

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

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

A subsidy amount of € 454,826 has yet to be received by FRES Uganda from the Rural Electrification Agency (REA) in Uganda. The outstanding amount is due to the delay in verification by the independent auditors of the installed systems in the field and delays at REA. As a result of this delay, the Board decided to recognise a provision of € 100,000 with respect to the outstanding amount, as the Board is not sure whether the full amount will be received from REA.

The other receivables and accrued income consist of donations from N.V. Nuon Energy staff that had yet to be received on the balance date as well as the 2014 interest that had yet to be received increased at the end of 2014.

Securities

	2014	2013
Shares	2,532,300	2,321,001
Bonds	2,210,933	2,952,223
Increased coupon interest bonds	37,351	45,367
Total	4,780,584	5,318,591

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

In 2009, the foundation formulated an investment policy. The investment activities are executed by ING and monitored by the FRES Board. The return on the securities amounted to 13.00% in 2014 (7.86% in 2013). The FRES Board evaluated the investment policy and decided not to make any changes. In the 4th quarter of 2014 FRES sold an amount of EUR 1 million from the portfolio in order to set a collateral for an ING Finance guarantee for the purpose of a EU subsidy contract. Taking this into account, the strategic asset allocation in the remaining portfolio was adjusted to 50% fixed income (bonds) and 50% equities (shares).

Cash and cash equivalents

	2014	2013
ING Bank	30,855	12,303
ING Bank, beleggingsrekening	10,766	16,016
ING Bank, deposito	1,667,719	941,582
ASN Bank	482	-
Bank credits Yeelen Kura	73,862	317,480
Bank credits FRES Uganda	235,179	161,313
Bank credits		
FRES Guiné-Bissau	7,269	13,134
Cash	178	299
Total	2,026,310	1,462,127

In the amount of ING Bank € 1,036,927 serves as a guarantee and is therefore not freely available. The other cash and cash equivalents are freely available and being utilised for the operational activities and the objectives of FRES.

Notes to the reserves and funds

3. Reserves

3.1 Continuity reserve FRES Netherlands

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

	2014	2013
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 pre-financing future investments FRES Companies

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

	2014	2013
Balance as on January 1	3,000,000	-
Appropriation of results	-	3,000,000
Balance as on December 31	3,000,000	3,000,000

3.3 Reserve for future projects

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

	2014	2013
Balance as on January 1	5,178,830	4,975,335
Appropriation of results	2,580,152	203,495
Balance as on December 31	7,758,982	5,178,830

3.4 Reserve financing assets

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

	2014	2013
Balance as on January 1	2,832	2,138
Appropriation of results	421	694
Balance as on December 31	2,411	2,832

3.5 Currency difference

	2014	2013
Balance as on January 1	2,237	-
Currency translation difference	11,988	2,237
Balance as on December 31	9,751	2,237

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

4. Funds

4.1 Funds Donation Nuon

This fund concerned the part of the donation of € 10,000,000 by N.V. Nuon Energy that had not yet been spent.

	2014	2013
Balance as on January 1	1,993,302	4,091,289
Appropriation of results	826,915	2,097,987
Balance as on December 31	1,166,387	1,993,302

5. Payables and other accruals

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

	2014	2013
Creditors FRES Netherlands	10,050	55,813
Other payables Yeelen Kura	2,063,474	2,025,742
Other payables FRES Uganda	56,436	68,894
Other payables FRES Guinea-Bissau	3,808	-
Other payables FRES	78,123	29,447
Total	2,211,891	2,179,896

Commitments and contingencies not included in the balance sheet

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

DGIS (Directorate-General for International Cooperation, part of the Dutch Ministry of Foreign Affairs) decided to terminate the subsidy agreement with FRES of 2008 in July 2012. In 2014 this date has been declared legally correct by court. FRES disagrees with the way DGIS has calculated the subsidy due. FRES views that it can lay claim to the whole remaining subsidy amount of € 5,370,310. Also this dispute is being settled by court.

Notes to the consolidated statement of income and expenditure

General

The donations concern the income from own fundraising activities.

Continuity of the activities

In 2014 new SHS systems were purchased in order to connect new customers in Mali, Uganda and Guinea Bissau. A total of 3,015 new customers were connected in 2014.

6. Income and expenses

6.1 Income

Income from own fundraising – private persons

	2014	2013
Donation Christmas gift employees Nuon	3,280	3,520
Donation rent office	3,600	3,600
Private donations	4,376	3,042
Total	11,256	10,162

The funds from private donors received in 2014 will be used in 2015 for Yeelen Ba in Burkina Faso.

Income from own fundraising - companies

	2014	2013
Donation payroll costs Alliander	113,933	106,092
Donation Alliander office expenses	75,000	75,000
Donation Nuon savings campaign	11,165	-
Donation Voltiq	1,000	-
Total	201,098	181,092

Subsidies from governments

Project financing	2014	2013
Burkina Faso (EU)	263,563	440,788
Guinea-Bissau (EU)	693,484	660,902
World Bank/Gov. Uganda	225,702	543,436
DGIS	-	1,729,690
Total	1,182,749	3,374,816

Other subsidies

	2014	2013
Project financing Stichting Doen (Uganda)	294,921	300,000
Total	294,921	300,000

Return on investments in securities and cash equivalents

	2014	2013
Interest bank	77,483	5,998
Result interest bonds	127,567	104,734
Dividends	53,203	14,136
(Un)realised gains/losses shares	296,794	267,848
(Un)realised gains/losses bonds	213,891	113,891
Total	768,938	278,825

The net return on these investments in securities and cash equivalents has been accounted for under the financial income and expenses. The abovementioned return of € 770,843 included an amount of € 213,891 realised results on the investments. The return is significantly higher than realised in 2013 because of changes in market conditions.

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

Other income

	2014	2013
Income Yeelen Kura ¹	1,381,737	1,195,690
Income Yeelen Kura ²	1,095,787	-
Income FRES Uganda ¹	508,292	436,995
Income FRES Guiné-Bissau ¹	410,640	157,976
Total	3,396,456	1,790,661

¹ From regular company activities

² From non-regular company activities

6.2 Comparison actual versus budgeted

Comparison Actual 2014 versus Budget 2014

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

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

Actual versus Budget 2014 - income

Income from our own fundraising – companies

Alliander donated pay-roll costs and € 75,000 for office expenses.

Income from Subsidies

Subsidies from Governments

Actual subsidies from governments were lower than budgeted because of delays in decisions on their projects by donors, notably for Mali and Guinea-Bissau.

Project financing DGIS: in the budget of 2014, no allowance was made because DGIS and FRES disagree on the final settlement of the subsidy and payment was unsure at that time. This dispute is subject of a legal procedure.

Project financing Burkina Faso (EU): The EU project has been extended by 1.5 year till June 2015. In October 2014 FRES received a payment of € 317,202 from the EU. Part of this amount (€ 103,246) was related to 2013 and was already recognised as income in 2013. Total income in 2014 relating to the EU grant amounts to € 213,956.

Project financing Uganda (World Bank/Government Uganda): Under existing agreements an amount of € 229,589 was received from REA.

Project financing Guinea-Bissau (EU): Under the existing subsidy agreements, an amount of € 693,484 was received from the EU, whereas it should have been € 719,407. The EU withheld € 25,923 in anticipation of a formal written agreement between FRES Guiné-Bissau and the Ministry of Finance of Guinea-Bissau for VAT payments. The payment has yet to be received in 2015.

Return on investments in securities and cash

The return on investments was € 770,843, significantly higher than budgeted, owing to very favourable market conditions.

Other income

Income Companies – regular company activities

Income Yeelen Kura: The stated income of Yeelen Kura is higher than budgeted. However, the budget did not include investment subsidies and the consolidation corrections regarding this subsidy. If these are excluded, the income of Yeelen Kura is lower than budgeted. Reasons are related to a conscious choice to not connect new grid customers

pending clarity on which villages in the vicinity of Yeelen Kura's mini-grids will be connected to the national grid. The income increased compared to 2013 because of a higher number of customers and an improved payment rate.

Income Yeelen Kura, non-regular activities: Since 2014, there is clarity about the loan of FRES to Yeelen Kura. In previous years, this amount was stated on the balance sheet and previous disparities had to be amended in the consolidation.

Income FRES Uganda: The income of FRES Uganda is lower than budgeted due to a higher number of non-paying and disconnected customers than expected. The increase compared with 2013 is due to a higher number of customers.

Income FRES Guiné-Bissau: The stated income of FRES Guiné-Bissau is higher than budgeted. However, the budget did not include investment subsidies and the consolidation corrections regarding this subsidy. If these are excluded, the income of FRES Guiné-Bissau remains higher than budgeted. The increase compared with 2013 is due to a higher number of customers.

Actual versus Budget 2014 - Spent on objectives

Expenses for regular company activities

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

Yeelen Kura, Mali: The expenses for regular activities of Yeelen Kura were higher than the budget. The budget did not include the diesel expenses and a tax provision of 2% of the annual revenues as from 2006. Employee expenses were higher than budgeted due to the appointment of two new members of the management team.

NuRa, South Africa: The expenses for regular activities were aimed at improving the quality of NuRa's operations. The majority was spent on, amongst others, hiring an interim operations manager and travel expenses to attend the annual company week in Amsterdam..

Yeelen Ba, Burkina Faso: The expenses for regular activities did not exceed the budget. There was a decrease compared to 2013. Less communication costs and travel expenses were made.

FRES Uganda, Uganda: The expenses for regular activities exceeded the budget because of an administrative correction on income received from REA.

FRES Guiné-Bissau, Guinea-Bissau: The expenses for regular activities of FRES Guiné-Bissau surpassed the budget due to an accounting adjustment. Expenses for small components such as battery boxes, cables and frames, which used to be depreciated were directly written off and taken up as costs. The increase relative to 2013 is also related to a higher number of customers.

Expenses for company expansions

Yeelen Kura, Mali: Expenses were far below budget because the WB/AMADER project for expansion with SHS and mini-grids was not launched in 2014 as expected due to the political and economic situation in the country. Because of this delay FRES decided to invest itself in expansion of 500 SHS customers.

NuRa, South Africa: FRES contribution to SHS investments by NuRa was nearly nil as NuRa managed to cover all of the expenses for new SHS with the government subsidy received till 31 March 2014. For the rest of the year NuRa did not make any further investments because no new subsidy contract was available yet.

Yeelen Ba, Burkina Faso: no budget was established for Yeelen Ba due to the fact that the company had received all SHS a year before. However, in practice Yeelen Ba had to make extra local costs in order to connect 365 more than the targeted 3,000 customers.

FRES Uganda, Uganda: The actuals are nil due to the fact that the SHS purchased have been activated.

The assets acquired for expansion amount to € 531,091. These expenses are lower than budgeted due to the fact that the payment of approved subsidies and new contract extensions were lagging behind. FRES decided therefore to limit its financial exposure by limiting investments in expansion.

FRES Guiné-Bissau, Guinea-Bissau: The expenses were well within the budget.

FRES service costs

The total service costs amounted to € 534.773, consisting of € 465.724 spent on objectives, and € 69.049 spent on management and administration. The actuals are lower

than the budget of € 640.000 because FRES has been able to reduce costs regarding communication, administration and fundraising.

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

Personnel expenses

The personnel expenses are slightly lower than budgeted because the payroll administration costs to be due to the payroll organisation have decreased thanks to negotiations. The number of FTEs as of December 31st 2014 was 4.7 FTE (2013: 4.6 FTE). Including two freelancers who worked for FRES the number of FTEs amounted to 6.2 FTEs on December 31st 2014 (2013: 6.2 FTE).

6.3 Financial sustainability

	Income (cash)	Operating and Replacement costs
Yeelen Kura	946,446	777,002
NuRa	1,681,620	1,644,276
Yeelen Ba	231,934	451,469
FRES Uganda	517,045	727,537
FRES Guiné- Bissau	272,556	323,051

Financial sustainability of FRES companies is determined by their ability to generate sufficient revenues to cover the expenses for regular operations and replacement. Yeelen Kura and NuRa revenues were sufficient to cover the costs. Yeelen Ba, FRES Uganda and FRES Guiné-Bissau are still building up to reach economies of scale.

6.4 Other notes

Multi-year expense overview

The graph shown below displays the level of the expenses in the past 5 years.

	Plan	Actual
2008	1,073,125	1,138,923
2009	3,270,000	2,437,931
2010	5,042,373	4,075,462
2011	6,348,888	3,900,000
2012	6,380,000	5,942,769
2013	10,820,000	8,820,490
2014	10,870,000	7,709,995

The expenses and investments have been increasing gradually since 2008 with the highest amount in 2013. In 2014, FRES invested mainly in FRES Uganda, Yeelen Kura and FRES Guiné-Bissau.

Percentages spent on objectives

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

Percentage of expenditures spent on objectives

The percentage of expenditures spent on objectives amounted to 98% in 2014 (2013: 96%). This percentage is calculated as follows: the total of the expenses spent on the objectives divided by the sum of the expenditures.

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

The percentage of expenditures spent on management and administration therefore amounts to 2%.

Percentage of income spent on objectives

The percentage of income spent on objectives amounted to 86% for 2014 (2013: 77%). This percentage is calculated as follows: the total of the expenses spent on the objectives divided by the income, received in 2014. These incomes do not include transfers from reserves that were spent on activities in 2014.

Loans

In 2014 and previous years, FRES Netherlands issued several loans to FRES companies. Most of these loans were converted by the FRES Board into gifts. The amount outstanding on loans issued by FRES Netherlands is € 8,756,405.

Remuneration Board members

The remuneration of the Supervisory Board members and FRES Board members amounted to € 0 in 2014 (2013: € 0). No loans, advances or guarantees were issued to Board members. No employment contract exists between FRES and the Board members.

Foundation's balance sheet as at December 31, 2014
(after appropriation of results)

	December 31, 2014		December 31, 2013	
	€		€	
Assets				
1. Non-current Assets				
1.1 Property, plant and equipment	2,411		2,832	
1.2 Financial assets	<u>5,712,599</u>		<u>4,088,519</u>	
		5,715,010		4,091,351
2. Current Assets				
2.1 Receivables	70,109		127,844	
2.2 Securities	4,780,584		5,318,591	
2.3 Cash and cash equivalents	<u>1,710,000</u>		<u>970,201</u>	
		<u>6,560,693</u>		<u>6,416,636</u>
Total		12,275,703		10,507,987
3.1 Continuity reserve FRES Netherlands	250,000		250,000	
3.2 Reserve for pre-financing future investments companies	3,000,000		3,000,000	
3.3 Reserve for future projects	7,758,982		5,178,830	
3.4 Reserve financing assets	2,411		2,832	
3.5 Reserve currency difference	<u>9,749</u>		<u>-2,237</u>	
		11,021,142		8,429,425
4.1 Fund Donation Nuon	<u>1,166,387</u>		<u>1,993,302</u>	
		1,166,387		1,993,302
		<u>12,187,529</u>		<u>10,422,727</u>
5. Current liabilities				
5.1 Payables and other accruals		88,173		85,260
Total		12,275,702		10,507,987

Notes to the balance sheet and statement of income and expenditure

General principles for preparing the annual accounts

General principles

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

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

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

Financial assets

Other receivables

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

Subsidiaries

Group companies, in which FRES exercises significant influence, generally accompanying an ownership of 20%

Foundation's statement of income and expenditure for 2014

	Actual 2014	Budget 2014	Actual 2013
	€	€	€
6. Income			
6.1 Income from our own fundraising	212,354	163,000	191,254
6.2 Subsidies	<u>1,257,047</u>	<u>1,550,000</u>	<u>3,131,380</u>
Sum of the income	1,469,401	1,713,000	3,322,634
7. Expenses			
Spent on objectives (consolidated budget)	1,447,512	5,755,000	2,814,037
FRES service costs spent on objectives			
Direct support existing companies	281,717	316,968	293,668
Direct support company expansions	181,020	203,671	159,800
Direct support new initiatives	2,987	3,361	8,730
Fres service costs management & administration			
Direct costs	3,968	6,779	91,987
Indirect costs and costs from investments	<u>65,081</u>	<u>109,221</u>	<u>6,876</u>
Sum of the expenses	1,982,285	6,395,000	3,375,098
Subtotal	512,884-	4,682,000-	52,464-
Financial income	653,608	250,000	272,827
Result subsidiary Yeelen Kura	1,208,887	85,000-	66,588-
Result subsidiary FRES Uganda	374,193	200,000-	942,787
Result subsidiary FRES Guiné-Bissau	29,012	200,000-	9,640
Result	1,752,816	4,917,000-	1,106,202

or more of the voting rights, are stated at net asset value. Subsidiaries with an equity deficit are valued at nil. A provision is included if and when FRES is fully or partially liable for the debts of the subsidiary, or has the firm intention to enable the subsidiary to pay its debts.

Notes to the balance sheet items

Financial assets

The movement of the investments in subsidiaries during 2014 is as follows:

	2014	2013
Balance as on January 1	4,088,519	3,204,917
Capital expenditure	-	-
Currency difference	11,988	2,237-
Result subsidiaries	<u>1,612,092</u>	<u>885,839</u>
Balance as on December 31	5,712,599	4,088,519

Other notes to the foundation's balance sheet

For the other notes, we refer to the notes on the consolidated balance sheet items 2014.

Notes on the statement of income and expenditure

Other income

For the other notes to the statement of income and expenditure, we refer to the notes on the consolidated income statement 2014.

Expenses

Spent on objectives

Destination	Objective								Mgmt. and admin.	Total 2014	Budgeted 2013	Total 2013			
	Existing companies				Expansion companies										
Expenditures	Yeelen Kura, Mali	Nura, SA	Yeelen Ba, BF	FRES GNB	FRES Uganda	Yeelen Kura, Mali	Nura, SA	Yeelen Ba, BF	FRES GNB	FRES Uganda	Cameroon	New initiatives	€	€	€
	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€
Subsidies and contributions	33,057	51,930	55,042	99,790	24,635	257,544	290	146,380	486,068	289,577	-	3,197	1,447,510	5,755,000	2,814,033
Remittances													-	-	-
Purchases and acquisitions													-	-	-
Outsourced work													-	-	-
Publicity and communication	8,976	5,383	5,302	4,808	4,195	4,580	1,237	3,777	5,476	3,348	174	130	54,413	65,119	107,256
Personnel expenses	69,210	41,509	40,882	37,073	32,346	35,316	9,541	29,124	42,221	25,817	1,340	1,005	419,556	502,108	370,643
Accommodation expenses	5,070	3,041	2,995	2,716	2,369	2,587	699	2,133	3,093	1,891	98	74	30,734	36,781	38,709
Office and general expenses	6,731	4,037	3,976	3,605	3,146	3,434	928	2,832	4,106	2,511	130	98	40,801	48,829	63,873
Depreciation and interest	1,770-	1,061-	1,045-	948-	827-	903-	244-	745-	1,079-	660-	34-	26-	10,727-	(12,838)	18,413-
													-	-	-
Total	121,274	104,839	107,151	147,044	65,864	302,559	12,451	183,502	539,884	322,484	1,707	4,478	1,982,285	6,395,000	3,376,101
	6,1%	5,3%	5,4%	7,4%	3,3%	15,3%	0,6%	9,3%	27,2%	16,3%	0,1%	0,2%	3,5%	100%	

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

The expenses for fundraising amounted to a total of € 54,413 in 2014. At FRES, the expenses for fundraising mainly consist of the costs that are made for attracting new funds such as travels to donors, participation in conferences and seminars including partially the salaries of the business developers. The expenses for fundraising amount to 3.2% of acquired funds.

Amsterdam, 1 May 2015

Board FRES

Annemarie Goedmakers
Serge Leijten
Joop Lasseur

Supervisory Board FRES

Aad Veenman
Peter Smink

Other information

Statutory arrangement concerning the appropriation of results

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

Adoption and approval of the annual accounts 2014

The annual accounts 2014 were adopted in a Board meeting held on 1 May 2015, and were approved by the Supervisory Board on 1 May 2015.

Proposed appropriation of results 2014

For the proposed appropriation of the results 2014 amounting to € 1,752,816 positive, we refer to the overview below. The Board has adopted the appropriation of the results in conformity with the proposal.

The proposal has been included in the annual accounts.

Appropriation of results 2014

Continuity reserve FRES Netherlands	-
Reserve for pre-financing future investments FRES Companies	-
Reserve for future projects	2,580,152
Reserve financing assets	421-
Fund Donation Nuon	826,915-
Total	1,752,816

Independent auditor's report

To the Board of Foundation Rural Energy Services.

We have audited the accompanying annual accounts 2014 as set out on pages 52 to 69 of Foundation Rural Energy Services, Amsterdam, which comprise the consolidated and the foundation's balance sheet as at 31 December 2014, the consolidated and the foundation's statement of income and expenditure for the year then ended and the notes, comprising a summary of accounting policies and other explanatory information.

Board's responsibility

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the foundation's preparation and fair presentation of the annual

accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the foundation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the annual accounts.

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

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of Foundation Rural Energy Services as at 31 December 2014, and of its result for the year then ended in accordance with the Guideline for annual reporting 650 "Charity organisations" of the Dutch Accounting Standards Board.

Announcement according to the annual report

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

The Hague, 1 May 2015

PricewaterhouseCoopers Accountants N.V.
Original has been signed by
Drs. J. van Hoof RA



V. Outlook 2015

Outlook FRES companies

FRES companies have a long-term business horizon and the goal to become financially sustainable. Operational excellence programmes will lay the solid foundations for cost-effective and financially sustainable operations. With five companies, FRES is targeting a growth of 4,000 customers in 2015. A new company will be established in Cameroon. In line with the Business Plan 2015-2019, all FRES companies will strive to:

- Improve payment rates and customer retention, and reduce operational costs on a per customer basis without compromising quality;
- Improve solar system maintenance procedures, transportation logistics and customer service;
- Manage customer growth with a focus on customer retention without compromising existing operations;
- Evaluate and embrace technological advances as they come to market, particularly with respect to batteries, SHS control systems, pre-payment systems and mobile payment.

Yeelen Kura in Mali

In 2015, Yeelen Kura will target growth solely focused on SHS customers. Agreement must be reached with the Malian government to establish a tariff structure that allows financial sustainability. In 2015, Yeelen Kura will continue to work with partner Alliander on improvement of the performance of the three mini-grid networks that still have to be analysed.

NuRa in South Africa

NuRa will put extra focus on reducing operational costs, increasing customer retention, sound stock management and an ongoing focus on improving revenue collection. In response to a growing incidence of illegal grid connections and subsequent customer churn, NuRa will adapt its customer screening policy in an effort to increase retention.

FRES Uganda in Uganda

In 2015, FRES Uganda will continue to grow its customer base to levels that benefit from economies of scale and support financial sustainability. Cost reductions, increased customer retention and improved revenue collection are goals of 2015 in order to improve operational performance.

Yeelen Ba in Burkina Faso

The company faces an absence of subsidy contracts for new customer installations. In 2015, Yeelen Ba will focus on improving cost effectiveness and revenue collection.

FRES Guiné-Bissau in Guinea-Bissau

FRES Guiné-Bissau will focus on meeting the target agreed with the EU of 3,000 customers by year-end 2015.

The company will professionalise its internal organisation and IT management system. A new business unit will be established to support the start of solar mini-grid activities.

New initiatives

In 2015, FRES will start a new FRES company in the western part of Cameroon. Start-up activities will include obtaining the necessary permits and licenses from the relevant authorities and carrying out market research on traditional energy expenditure and affordability in the area.

Ms Joselyne Musiime is Manager Marketing & Sales at FRES Uganda since 2011

Our biggest success was the massive customer growth and business expansion despite the fee-for-service approach of FRES being a new business model in the solar industry of Uganda compared to the culture of ownership. People now realise that our service is more secure and cheaper than the alternative to buy your own system on the market. The biggest challenge at the moment is the expansion of the national grid in our areas of operation. This leads to increased repossessions of SHS of customers that shift to the grid, while increasing our costs because we have to move farther in the villages to look for new customers.

Ms Salimatu Djalo

Ms Djalo is married and has three children. She has two SHS: one for her commercial activities and one at home. The service of FRES Guiné-Bissau is very profitable for her because she can charge many mobile phones during a day and thereby cover all her costs for electricity. She can watch television any time she wants, and sees also other advantages like no noise, no pollution and no risks of short circuits. Her costs and troubles are much less than before when she used a generator.



Outlook FRES Netherlands

Focus

FRES NL will strengthen its support and guidance of its companies in order to improve their operational performance, thereby strengthening the basis for sound expansion over the coming years.

Organization

The full implementation of the new organization model introduced in 2014 should lead to targeted operational improvements (improved communication with FRESco's, less costs, improved governance, etc.) in the coming years. Statutory articles for all FRESco's will be updated in order to reflect the new governance model.

Partners

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

Impact analysis

In 2015, a project-end impact study will be carried out in Burkina Faso. The study will complement the baseline study carried out at the beginning of the EU-funded project at Yeelen Ba, build on previous impact assessments carried out in Mali, Uganda and South Africa, and will generate useful input for future business plans of the company.

Risk management

One of the main risks for FRES is the sometimes very long periods during which we have to pre-finance high amount of money. This results from the large upfront costs when investing in solar expansion. To support this a reserve fund has been set aside for supporting the growth of young FRES companies and providing the necessary pre-financing for donor/government investments. Operationally, HSE and fraud risks in FRESco's will continuously need our attention.

Fundraising

In 2015, FRES will continue to build relationships with governments and international development agencies as well as private sector companies in order to attract additional financing.

Communication

Our communication aims at strengthening the support of experts, volunteers, partners, and other stakeholders. Our active presence in congresses and meetings, flash reports, stakeholder meetings, website and annual report will remain instruments to achieve this. The added value of our Twitter and LinkedIn accounts will be tested and our website will be redeveloped in 2015 to improve future use of these communication instruments.



Objectives 2015

1. Operational performance

The performance of FRES companies will be assessed on:

- the payment rate;
- operating and replacement costs;
- customer growth;
- and financial sustainability.

The objective is for all companies to achieve financial sustainability within a short-term period. The performance of all companies has to improve through measures like increasing customer density and customer retention, improving payment rates and reducing costs.

2. Subsidies

We are striving to sign contracts for € 2 million in new subsidies.

3. Strategic partnerships

FRES aims to develop strategic partnerships with one new organization. We will strive for continued cooperation with our main sponsor, Nuon, and with Alliander as cooperation agreements with both end in 2015.

4. Establish FRES Cameroon

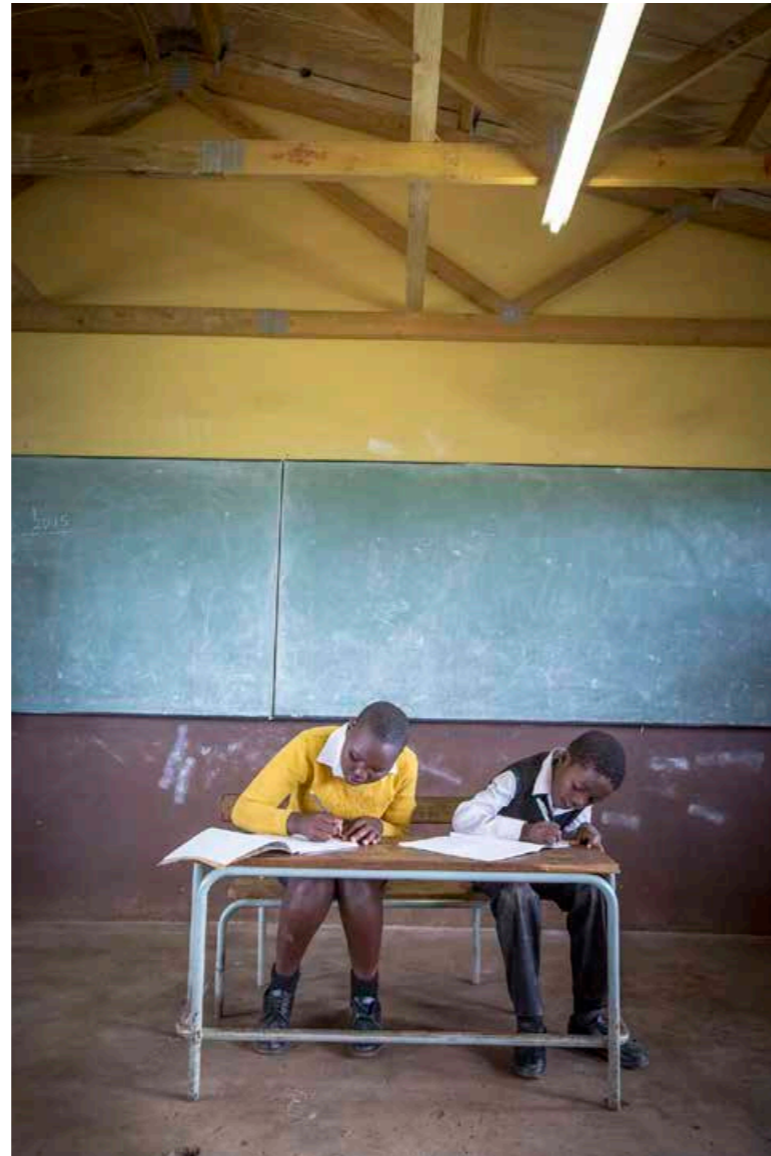
FRES will enter negotiations with the Government of Cameroon in order to establish a new FRES company in Cameroon.

5. Reduce HSE risks

In 2015, focus on improvement of HSE policies and practices within FRESco's has to reduce the number of accidents compared to 2014.

6. Enhanced knowledge exchange and standardisation between FRES companies

FRES will continue to facilitate intercompany knowledge exchange and build standardised policies and procedures for use in all new and existing FRES companies. Building on previous success another Company Week will be organised early June 2015. At least three benchmarks will be carried between the five FRESco's on operational data of importance for the performance of our companies.



Operating account 2015

	Budget 2015	Budget 2014	Actuals 2014
Consolidated Income			
Income from own fund fundraising	178,000	163,000	212,354
Income from fundraising -Companies	175,000	160,000	201,098
Income from fundraising -Private persons	3,000	3,000	11,256
Subsidies group companies (committed)	1,940,000	3,870,000	1,477,670
Yeelen Ba, Burkina Faso (EU/Nuon)	-	200,000	263,563
FRES Guiné-Bissau, Guinea Bissau (EU)	500,000	500,000	693,484
FRES Uganda, Uganda (EU)	640,000	300,000	294,921
FRES Uganda, Uganda (Wordbank/REA)	250,000	70,000	225,702
Yeelen Kura, Mali (EU regional and EU fragile state programs)	550,000	2,800,000	-
Subsidies group companies (non committed)	300,000	150,000	-
FRES Guiné-Bissau, Guinea-Bissau (UNIDO and ECREEE)	300,000	150,000	-
Income from group companies operating activities	2,000,000	1,765,000	2,300,669
Yeelen Kura, Mali	1,050,000	990,000	1,381,737
FRES Uganda, Uganda	650,000	575,000	508,292
FRES Guiné-Bissau, Guinea Bissau	300,000	200,000	410,640
Return on investments in funds	247,000	250,000	768,938
Financial costs	2,000	-	-
Financial income	125,000	125,000	258,253
(Un)realised gains/losses shares and bonds	120,000	125,000	510,685
Transfer from own reserves and funds	160,000	667,000	(659,066)
Transfer from own reserves	160,000	667,000	(659,066)
Total consolidated Income	4,825,000	6,865,000	4,100,565
Non consolidated income			
Subsidies group companies (committed)	-	600,000	1,402,461
NuRa, South Africa (DOE)	-	600,000	1,402,461
Subsidies group companies (non committed)	1,085,000	1,700,000	-
NuRa, South Africa (DOE)	1,085,000	1,700,000	-
Income from group companies operating activities	2,050,000	2,190,000	1,913,554
NuRa, South Africa	1,800,000	1,900,000	1,681,620
Yeelen Ba, Burkina Faso	250,000	290,000	231,934
Transfer from own reserves and funds	80,000	(485,000)	(1,003,485)
Net-cashflow from subsidiaries	80,000	(485,000)	(1,003,485)
Total non consolidated Income	3,215,000	4,005,000	2,312,530
Total income	8,040,000	10,870,000	6,413,095

Notes on income 2015

Consolidated income

Income from own fund fundraising

This consists mainly of a donation from Alliander for office expenses and the payroll costs for the deployment of the Director Business Development.

Subsidies group companies (committed)

Yeelen Ba, Burkina Faso (EU/Nuon): There is no EU payment due in 2015. FRES expects to receive the final payment of EUR 215,000 from EU in 2016 after having finalised the project in 2015.

FRES Guiné-Bissau, Guinea-Bissau (EU): FRES expects that the third advance of EUR 500,000 will be paid by the EU in June 2015.

FRES Uganda, Uganda (EU): FRES will receive an advance payment of EUR 640,000 from EU for expansion.

FRES Uganda, Uganda (Worldbank/REA): The subsidy programme under ERTII with the government of Uganda/ World Bank is exhausted. We still expect to receive a late payment of EUR 250,000 regarding a subsidy amount in 2014 from the ERTII program. ERTI III program has not been released yet and thus no new subsidy is expected in 2015. Payments from the government of Uganda are received by FRES Uganda after an audit of the number of new connected customers.

Yeelen Kura, Mali (EU): In 2014 FRES/Yeelen Kura did not receive a subsidy from the World Bank/AMADER as planned because the funding program in Mali is delayed till 2016. FRES will receive an advance payment of EUR 550,000 from the EU regional program and EU Mali fragile states programme for expansion with new customers.

Subsidies (non-committed)

FRES Guiné-Bissau, Guinea-Bissau (EU): FRES expects to obtain the delayed approval of a subsidy in the first quarter of 2015 from ECREEE/UNIDO for the implementation of a solar mini-grid in Contibuel. The design and procurement and delivery of the plant will take place in 2015.

Income from group companies operating activities

These revenues consist of income from customers and operating subsidy (if available). Capital subsidies are not included. However the actual incomes of Yeelen Kura and FRES Guiné-Bissau are higher than budgeted since the budget did not include investment subsidies and the consolidation corrections regarding this subsidy whereas the actuals included these subsidies as stipulated by local

accounting principles. Yeelen Kura, FRES Uganda and FRES Guiné-Bissau: Increases in income are expected because of increased numbers of customers.

Transfer from own reserves and funds

It is expected that a limited withdrawal is needed in 2015 from our own reserves.

Non consolidated income

This consolidated income is not included in the audited annual accounts 2014 of FRES. Sources of data are from the local audited accounts of Yeelen Ba and the monthly financial report of December of NuRa.

Subsidies group companies non consolidated (committed)

NuRa, South-Africa (DoE): NuRa received some delayed payments from DoE in 2014. NuRa does not have a running subsidy contract with the South African government.

Subsidies group companies non consolidated (non-committed)

NuRa, South-Africa (DoE): There is no formal approval at this moment of the request of subsidy that NuRa has submitted in September 2014. NuRa expects an approval of subsidy for 2,000 new systems in March 2015. Payments from the South African government are received by NuRa after an external audit of the numbers of new connected customers.

Transfer from own reserves and funds

Net-cashflow from subsidiaries: Net-cash flow from subsidiaries relates to the financial results of the subsidiaries (operational income minus operational and replacement costs). FRES will focus from 2015 on active management of cash surplus from subsidiaries for paying back loans to FRES.

Expenses

Expenses for group companies' operational activities (excl depreciations and provisions)

Yeelen Kura, Mali	780,000	405,000	821,325
FRES Uganda, Uganda	400,000	540,000	628,943
FRES Guiné-Bissau, Guinea Bissau	350,000	200,000	428,319
NuRa, South-Africa	-	-	51,930
Yeelen Ba, Burkina Faso	-	-	55,042

Expenses for replacements of group companies

Yeelen Kura, Mali	130,000	100,000	70,401
FRES Uganda, Uganda	150,000	-	150,597
FRES Guine-Bissau, Guinea Bissau	10,000	-	-

Expenses for expansion of group companies

Yeelen Kura, Mali	775,000	2,800,000	672,278
FRES Uganda, Uganda	850,000	1,000,000	-
FRES Guiné-Bissau, Guinea Bissau	600,000	650,000	539,127
NuRa, South-Africa	-	-	290
Yeelen Ba, Burkina Faso	-	-	146,380

Expenses for new initiatives

Other (Cameroon, Mali, GB)	45,000	10,000	3,196
	45,000	10,000	3,196

FRES Service costs (spent on objectives)

Direct support existing companies	328,000	316,968	281,717
Direct support expansion of companies	225,000	203,671	181,020
Direct support new initiatives	10,000	3,361	2,987

FRES Service costs (management and administration)

Direct costs	6,000	6,779	3,969
Indirect costs	131,000	109,221	65,081

Total consolidated expenses

Expenses for group companies' operational activities non consolidated (excl depreciations and provisions)

NuRa, South-Africa	1,400,000	1,700,000	1,393,724
Yeelen Ba, Burkina Faso	250,000	325,000	451,469

Expenses for replacements of group companies

NuRa, South-Africa	450,000	150,000	371,363
Yeelen Ba, Burkina Faso	50,000	50,000	30,430

Expenses for expansion of group companies

NuRa, South-Africa	1,100,000	2,300,000	63,507
Yeelen Ba, Burkina Faso	1,100,000	2,300,000	46,733
	-	-	16,774

Total non consolidated expenses

Total expenses

	Operating account 2015	Operating account 2014	Actuals 2014
Expenses for group companies' operational activities (excl depreciations and provisions)	1,530,000	1,145,000	1,985,559
Yeelen Kura, Mali	780,000	405,000	821,325
FRES Uganda, Uganda	400,000	540,000	628,943
FRES Guiné-Bissau, Guinea Bissau	350,000	200,000	428,319
NuRa, South-Africa	-	-	51,930
Yeelen Ba, Burkina Faso	-	-	55,042
Expenses for replacements of group companies	290,000	100,000	220,998
Yeelen Kura, Mali	130,000	100,000	70,401
FRES Uganda, Uganda	150,000	-	150,597
FRES Guine-Bissau, Guinea Bissau	10,000	-	-
Expenses for expansion of group companies	2,225,000	4,450,000	1,358,075
Yeelen Kura, Mali	775,000	2,800,000	672,278
FRES Uganda, Uganda	850,000	1,000,000	-
FRES Guiné-Bissau, Guinea Bissau	600,000	650,000	539,127
NuRa, South-Africa	-	-	290
Yeelen Ba, Burkina Faso	-	-	146,380
Expenses for new initiatives	45,000	10,000	3,196
Other (Cameroon, Mali, GB)	45,000	10,000	3,196
FRES Service costs (spent on objectives)	563,000	524,000	465,724
Direct support existing companies	328,000	316,968	281,717
Direct support expansion of companies	225,000	203,671	181,020
Direct support new initiatives	10,000	3,361	2,987
FRES Service costs (management and administration)	137,000	116,000	69,050
Direct costs	6,000	6,779	3,969
Indirect costs	131,000	109,221	65,081
Total consolidated expenses	4,790,000	6,345,000	4,102,602
Expenses for group companies' operational activities non consolidated (excl depreciations and provisions)	1,650,000	2,025,000	1,845,193
NuRa, South-Africa	1,400,000	1,700,000	1,393,724
Yeelen Ba, Burkina Faso	250,000	325,000	451,469
Expenses for replacements of group companies	500,000	200,000	401,793
NuRa, South-Africa	450,000	150,000	371,363
Yeelen Ba, Burkina Faso	50,000	50,000	30,430
Expenses for expansion of group companies	1,100,000	2,300,000	63,507
NuRa, South-Africa	1,100,000	2,300,000	46,733
Yeelen Ba, Burkina Faso	-	-	16,774
Total non consolidated expenses	3,250,000	4,525,000	2,310,493
Total expenses	8,040,000	10,870,000	6,413,095

Notes on expenses 2015

Consolidated expenses

Expenses for group companies' operational activities (excl. depreciation and provisions)

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

Yeelen Kura, Mali: The expenses for regular activities of Yeelen Kura were higher than the budget. The budget did not include the diesel expenses and a tax provision of 2% of the annual revenues as from 2006.

FRES Guiné-Bissau, Guinea-Bissau: The expenses for regular activities of FRES Guiné-Bissau surpassed the budget due to an accounting adjustment. Expenses for small components such as battery boxes, cables and frames, which used to be depreciated were directly written off and taken as costs. The increase in operational activities is also related to a higher number of customers.

Expenses for replacement of group companies

Yeelen Kura, Mali: Concerns the expenses for replacement of SHS parts and maintenance of the mini-grid networks and removal of systems from cancelled customers.

FRES Uganda, Uganda: Concerns the expenses for replacement of SHS parts and the removal of systems from cancelled customers.

FRES Guiné-Bissau, Guinea-Bissau: Concerns the expenses for replacement of SHS parts and the removal of systems from cancelled customers.

Expenses for expansion of group companies

These expenditures concern capital investments for connection of new customers.

Yeelen Kura, Mali: An investment of € 775,000 for expansion with 1,250 new SHS customers and a new car.

FRES Uganda, Uganda: The actuals are nil due to the fact that the SHS purchased have been activated. The assets acquired for expansion amount to € 531,091. These expenses are lower than budgeted due to the fact that the payment of approved subsidies and new contract extensions were lagging behind. FRES decided therefore to limit its financial exposure by limiting investments in expansion. An investment of € 850,000 is planned in 2015 with EU subsidy for connecting new customers.

FRES Guiné-Bissau, Guinea-Bissau: An investment of € 600,000 is planned for expansion with 1,000 new SHS customers and a new car in 2016.

Yeelen Ba, Burkina Faso: No budget was established for Yeelen Ba due to the fact that the company had received

all SHS needed a year before. However, in practice Yeelen Ba had to make extra local costs in order to connect 365 more than the targeted 3,000 customers.

Expenses for new initiatives

A feasibility study and two visits to Cameroon will take place before starting a FRES company in Cameroon.

FRES service costs

FRES budgetted service costs in 2015 are higher than realised service costs in 2014 due to inclusion of salary costs for temporary staff in projects in Africa and other costs such as for an annual company week in the Netherlands.

Non consolidated expenses

These consolidated expenses are not included in the audited annual accounts 2014 of FRES. Sources of data are from the local audited accounts of Yeelen Ba and the monthly financial report of December of NuRa.

Expenses for group companies' operational activities

Yeelen Ba, Burkina Faso: Actual expenses are higher than budget 2014 as Yeelen Ba installed more than the expected target of 3,000 customers.

Expenses for replacements of group companies

NuRa, South-Africa: The actual expenses for replacement are higher than budget due to increased replacement of SHS parts and the removal of systems from cancelled customers.

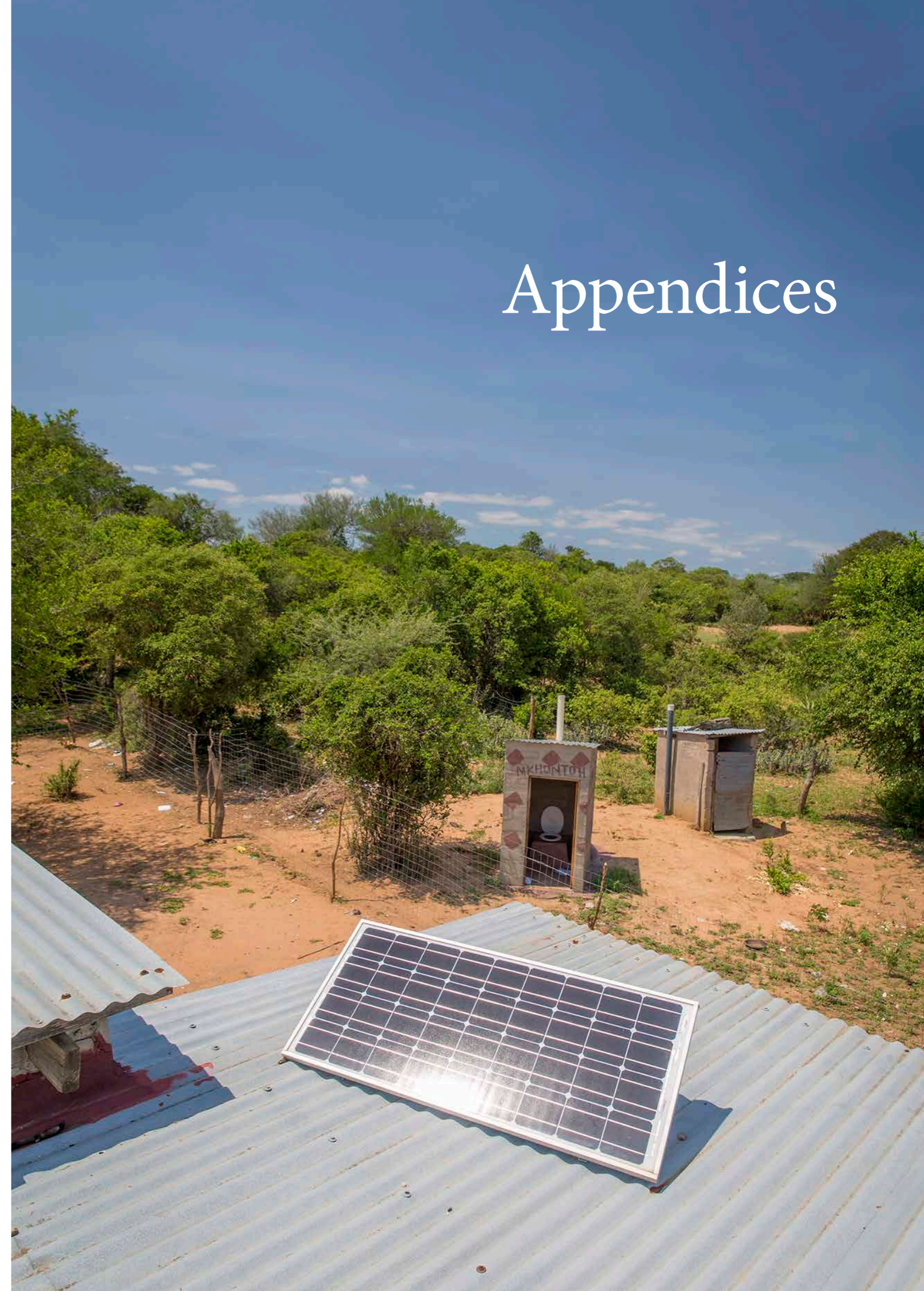
Yeelen Ba, Burkina Faso: The expenses for replacement of SHS parts and the removal of systems from cancelled customers.

Expenses for expansion of group companies

NuRa, South-Africa: Nura planned to roll out 4,000 new systems in 2014 but the subsidy was not secured due to delays in subsidy programs from DoE. However it is expected that the South African government will approve a subsidy for 2,000 new systems in 2015 and will subsidize 100% of new installations. Should the South African government not provide 100% financing, then additional funding will need to be secured before investments take place.

Yeelen Ba, Burkina Faso: No investments will take place in 2015 as there is no new subsidy for expansion with new customers.

Appendices



1. Terminology

AC/DC: alternating current is an electric current with periodically altering current direction. Power that is delivered to households and industries via the electricity network is usually alternating current. An inverter can convert direct (DC) current into alternating current (AC). Direct Current is an electric current with constant current direction. All batteries and solar panels are examples of power sources that deliver DC when load is connected.

ANBI: an organisation for the general benefit that is accepted as such by the Dutch Tax Authorities and is exempt from paying tax on inheritances or gifts. Moreover, private donors may deduct donations from their income taxes.

BoD: Board of Directors that supervises a FRES company.

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

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

Financial sustainability: revenues are larger than operational and replacement costs for the foreseeable future (where we do not have detailed information on future replacement costs we use depreciation instead, as a conservative estimate).

HSE: Health, Security and Environment.

Mini-grid: a small electricity network not connected to a national grid, to which only one village can be connected.

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

Payment rate: payments received as percentage over payments due in a certain period.

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

Rural electrification: providing rural areas with access to electricity.

SHS: Solar Home System

SHS customer equivalent: customers who are connected to a mini-grid use higher capacities and/or more power than customers with an SHS. One mini-grid customer is considered equivalent to five SHS customers.

Stakeholder: a person or organisation that is influenced by or has impact on FRES.

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

Wh: the electrical capacity in W that is used during one hour (1 kWh = 1000 Wh and 1 MWh is 1000 kWh).

2. Solar Home System and solar mini-grid: How does it work?

How does a Solar Home System (SHS) work?

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

Advantages of using an SHS

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

Limits in using an SHS

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

How does a Solar mini-grid work?

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

A solar power plant consists of a field of solar panels and a large battery bank. Solar power plants in Mali are modular, consisting of one or several 50 kWp solar arrays, each with over 200 solar panels covering a surface area of 400 m². Each 50 kWp module can produce up to 73,000 kWh of electricity annually. Every individual solar panel produces low voltage direct current (DC). Their combined output results in a high voltage that is converted into 220 V alternating current (AC) similar to that delivered by the national grid in urban areas.

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

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

- Not dependent upon the diesel supply (important for landlocked countries such as Mali, which are dependent on imports);
- Not dependent on volatile fuel prices;
- No particulate emissions, and therefore fewer health risks;
- Clean technology: No oil leakages;
- No CO₂, NO_x and SO₂ emissions due to electricity production;
- Low maintenance;
- No noise;
- Lower cost of electricity production.

3. Procedure for starting up new companies

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

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

Phase 2: Desk research

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

Phase 3: Market research

Components of market research:

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

Phase 4: Developing a Business Plan

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

Phase 5: Decision-making and implementation

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

Phase 6: Monitoring and adjusting

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

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

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

4. Organisation in detail

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

Board

Who	Function	Additional functions	Period	Reappointment possible?
Annemarie Goedmakers	President (CEO)	Director Goedmakers B.V. President Stichting Chimbo President Executive Committee Daridibó	2014/2019	yes
Serge Leijten	Treasurer (CFO)	Freelance Management Consultant	2010/2015	yes
Joop Lasseur	Board member (COO)	Chairman Sambo Foundation	2013/2018	yes

The Board functions as a management team. It fulfils its task on a voluntary basis and receives a compensation for the actual expenses made.

Responsibilities

- Determining and supervising the strategy, policy, budget and results;
- Safeguarding the progress;
- Stakeholder management;
- Deciding on the appointment and resignation of (paid and unpaid) employees;
- Fundraising;
- Being aware of conflicts of interest between the foundation and Board members and/or employees.

(Re-)appointment procedure

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

Supervisory Board

Who	Function	Additional functions	Period	Reappointment possible?
Aad Veenman	Chairman	Chairman of the Supervisory Board TenneT BV Member of the Supervisory Board Achmea Member of the Supervisory Board Prysmian Netherlands Holding N.V. Member of the Supervisory Board Royal Huisman Shipyard Chairman of National Logistics Cluster	2013/2017	no
Peter Smink (on behalf of Nuon)	Secretary	CEO/CFO NV Nuon Energy Head of Staff Function Finance, Business Region Continental/ UK Vattenvall AB Member Supervisory Board Yellow and Blue Board member Swedish Chamber of Commerce in the Netherlands	2014/2018	no

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

Responsibilities

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

(Re-) appointment procedure

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

Staff FRES Netherlands

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

The employees of FRES Netherlands report to the Board. Performance reviews are held with each employee on an annual basis. Salaries follow relevant national collective bargaining agreements.

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

FRES Netherlands (paid staff)

Caroline Nijland – Director Business Development (since 2007)

Frederique Schlicher-Wijtenburg – Liaison Officer (since 2012)

Conny van der Wilk – Manager of Administration (since May 2012)

Chris Service – Business Developer (since July 2012)

Everard Geurtsen – Director Operations (since May 2013)

Nuria Cunha Soares – Liaison Officer (since August 2013)

Sabah el Miloudi – Freelance Liaison Officer EU Projects (since 2011)

Peter de Wit – Operations Manager (since November 2012)

	2012	2013	2014
Number of employees	5	6	6
Male/Female ratio	2 / 3	2/4	2/4
Definite/Indefinite contract	5 / 0	5/1	5/1
Fulltime/Part-time	1 / 4	1/5	1/5
Number of FTEs	3.8	4.6	4.8
Average sick leave	1%	0%	1.5%
Average age	44	42	43
Influx/Outflow	3/3	2/1	0/0
Number of freelancers	1	2	2
Influx/outflow freelancers	1/0	1/0	0/0

General Managers FRES companies

Yeelen Kura, Mali: Djibril Séméga

NuRa, South Africa: Sifiso Dlamini

Yeelen Ba, Burkina Faso: Bourahima Yameogo

FRES Uganda: Allan Asingwire

FRES Guiné-Bissau: Reinder Bouwmeester

External Directors FRES companies

appointed by Nuon

NuRa, South Africa:

Bart Blokland – Chairman (until October 2014)

Coen de Ronde – Member (until October 2014)

FRES NL Advisors and experts

Tom van Woerkom – Network Losses Yeelen Kura, Mali (since 2010)

Jacco Smit – Research Network Losses Yeelen Kura, Mali (since 2010)

Jos Peeters (PUM) – ICT system Yeelen Kura, Mali and NuRa, South Africa (2014)

Willem Post – Human Resources Advisor, Netherlands (since July 2012)

Symon Miedema – LED Study (since 2013)

Abo Rassa – Due Diligence SSD SA Korayé Kurumba, Mali (since 2013)

Ferdinand Bakker (PUM) – ICT system Yeelen Kura, Mali and NuRa, South Africa (2014)

Huub Beckers – Coaching Djibril Séméga, general manager of Yeelen Kura, Mali (2014)

Erik Deen (PUM) – Coaching Allan Asingwire, general manager of FRES Uganda, Uganda (2014)

Sofia de la Garza – Market Research and Business Plan for a Solar Mini-grid Operation in Contuboel, Guinea Bissau (2014)

Huub Hiemstra – ICT audit FRES Netherlands (2014)

Frans van der Loo – Partnership with Hoppecke (2014)

Rachel Howell – Economic Impact of FRES Uganda, Uganda (2014)

5. Accountability statement

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

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

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

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

Principle 2: Optimal spending of resources

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

Principle 3: Optimal relationships with interested parties

FRES cooperates closely with national and local governments, subsidisers, volunteers, universities and businesses. A good, open and reliable communication is extremely important to us. We want to improve international commitment to rural electrification by means of active participation in international conferences or meetings and (online and offline) publications. We inform our stakeholders (stakeholder meetings, digital newsletter, website www.fres.nl, annual report and social media) on a regular basis. The annual report and annual accounts are available on the website.

Principle 4: Conflict of interest

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

6. GRI-index (Global Reporting Initiative)

FRES publishes its annual report in accordance with the guidelines of **The Global Reporting Initiative (GRI)** that offers companies and organisations worldwide a coherent system for reporting on sustainability. The GRI report is not externally assured.

The GRI-Index of FRES for 2014 can be found at www.fres.nl/annual-report/

Colophon

This is a publication of
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