

FRES annual report 2021

Stepping up
rural
electrification
to leave
no one behind





Delegations from Mali, Burkina Faso, Guinea-Bissau, Uganda and The Netherlands met in Mbarara, Uganda during the 2022 FRES Annual Company Week. Bringing together teams from all FRES companies to leverage internal experience and learning enables us to strengthen cooperation and knowledge exchange.

Photo previous page: Entrepreneur Salimata Ouattara uses two FRES S4 systems to run her business in the village of Zoumahiri, Burkina Faso. The systems provide lighting for her shop, restaurant and compound as well as refrigeration for fish and cold drinks.

We are FRES

A Dutch not-for-profit foundation powering a group of African companies that supply solar electricity to nearly 21,000 customers in off-grid rural areas, including households, businesses, clinics, schools and community centers. Combined, our activities touch the lives of over 2,2 million people.

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

We service customers across Africa, specifically in Mali, Burkina Faso, Uganda and Guinea-Bissau. We are on a mission of accelerating rural electrification!

Contents

Message from the Board

1. FRES at a glance

- 1.1. Accelerating rural electrification to leave no one behind
- 1.2. Climbing the energy ladder
- 1.3. Providing energy as a service
- 1.4. Contributing to the Sustainable Development Goals

2. Operational report

- 2.1. Local roots, global connections
- 2.2. FRES in numbers
- 2.3. FRES Mali – Yeelen Kura
- 2.4. FRES Burkina Faso – Yeelen Ba
- 2.5. FRES Uganda
- 2.6. FRES Guinée-Bissau
- 2.7. FRES The Netherlands

3. Governance report

- 3.1. Our partners
- 3.2. Leadership and governance
- 3.3. Risk management
- 3.4. Outlook 2022 and beyond

4. Financial report 2021

- 4.1. Annual accounts 2021
- 4.2. Other information
- 4.3. Annex to the Annual accounts 2021
- 4.4. Independent accountant's review report

Message from the Board

Gearing up to accelerate rural electrification

As the board of the Foundation Rural Energy Services (FRES), we are proud to present our 2021 annual report.

The challenge to improve rural electrification is enormous. With these words, Lamine Seydou Traoré, Mali's minister of mines, energy and water, opened our workshop on accelerating rural electrification in Bamako in July 2021. He illustrated his statement by saying that although the electricity connection rate in Mali is currently 48%, this drops to only 25% in rural areas. As 70% of Mali's population lives in rural areas, there is still a long way to go to achieve the Sustainable Development Goal (SDG) of universal energy access by 2030.

FRES organized rural electrification workshops in all four countries where we are active in June and July 2021 to conclude the project 'Scaling up access to modern electricity services on a regional scale in rural sub-Saharan Africa', funded by the European Union (EU). The project started in 2014 and resulted in nearly 10,000 new energy connections. In

addition, EU support enabled our companies in Mali, Uganda and Guinea-Bissau to reach a scale required for financial sustainability.

The effect of our efforts was demonstrated by an impact study conducted in two of the five villages in Mali where we put mini grids into service in recent years. We asked customers and village leaders how they had seen their village change since the arrival of reliable, renewable energy. The feedback ranged from better security at night thanks to street lighting, the availability of more products and services as new businesses started up and children being able to do their homework at night, to women and girls seeing a reduction in their domestic burden and schools and clinics staying open longer. In short, their lives had changed dramatically.

These outcomes motivate us to continue pursuing our mission to accelerate electrification in rural Africa, with a special focus on countries, regions and target groups that run the risk of being left behind. Our model of setting up locally run

companies and training local staff to install and maintain solar installations enables us to operate in areas that for commercial, political or security reasons are not accessible or interesting for others. We continue to refine our approach. In 2021, we focused especially on broadening our portfolio, leveraging digital and mobile solutions and enhancing circularity.

Improving service and performance

Our companies can best be described as regional off-grid utilities. As such, they manage regional off-grid infrastructures, providing energy as a service not only to households and businesses but also to schools, clinics and community centers. To ensure we can meet any energy demand in rural areas, we added solar water pumping and larger solar home systems (SHS) for businesses to our portfolio in 2020. In 2021, we introduced small neighborhood networks or nano grids.

In Guinea-Bissau, a nano grid powers several buildings at the university in Gabú as well as a shared refrigeration center for women selling

cooled products at markets. Our team in Mali even built a network of nano grids, supplying electricity to 40 customers in the village of Konina. The network has proven to be a scalable and cost-effective solution for villages too small for a mini grid investment.

Also in 2021, we took a giant step forward in leveraging digital solutions. In Uganda, over 50% of our SHS are now enabled with pay-as-you-go (PayGo), and over 90% of our customers pay for their services with mobile money. This not only has a positive impact on our payment rates, but it also improves usage monitoring and lowers operational costs. Other countries are following Uganda's example. However, the speed of roll-out depends on the quality of the mobile networks as well as the ability of mobile operators to deliver.

As an energy-as-a-service provider, circularity is in our DNA. We retain ownership of all our solar systems after installation, taking care of maintenance and replacement. When a customer cancels a contract, we collect and reuse the system's components elsewhere until they reach the end of their life, after which we recycle them. In 2021, we signed contracts with certified battery recycling companies based in Senegal, Ghana and Rwanda. All our batteries are now recycled on the

African continent and no longer need to be shipped back to Europe or other locations. Note: only batteries are currently being recycled. The recycling of modules does not yet exist.

Increasing customer numbers

After a small COVID-19-related decrease in customer numbers in 2020, we saw our customer base recover and exceed pre-pandemic levels in 2021. Our total number of connections served grew to 20,373 in 2019, dropped slightly to 19,911 in 2020 but rose again in 2021, reaching almost 21,000 by year end. These connections provide energy to households as well as businesses, schools, clinics and community centers. As the impact study mentioned above demonstrates, a reliable energy supply not only benefits our direct customers but also their customers, schoolchildren, patients and community members. Taken together, FRES touches the lives of over 2,2 million people in rural Africa (see page 9).

In this respect, the performance of our company in Uganda is notable. Despite a severe COVID-19-related lockdown that lasted nearly 1.5 years and resulted in many customers canceling their contracts, particularly schools and businesses that had to close their doors during this period, the company managed to keep its customer base

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



relatively intact, serving around 6,000 customers. FRES Mali achieved the biggest growth in customer numbers – also a remarkable feat. Despite the country experiencing another coup d'état in May 2021, FRES Mali added more than 1,000 new connections with a 50/50 mix of SHS and mini grid customers.

Steady financial performance

The annual financial statements have been prepared following RJ650 principles for fundraising organizations. The financial performance is steady as we continue to focus on growth of our customer base on the one hand and strict control of operational costs on the other. Each of our companies have focused on their own priorities.

By end of 2021 FRES Guinea Bissau had completed a full restructuring process of local operations on the ground making them “fit for purpose”. They now possess a more efficiently structured field presence. In the coming year further optimization will take place by digitalization of all customer care processes making use of the PaygOps CRM platform. A management platform that enables and easier collection of customer data, while reducing operational costs and improving customer care.

FRES Burkina Faso was tasked with the same exercise to review its operations and align all processes with its income, to ensure they can meet their short-term obligations. The Board of FRES is aware that the current scale of FRES Burkina requires additional investment to ensure its going concern. Therefore, by end 2021 the team had already begun preparing an overview of all funding requirements for purposes of scaling up.

FRES Mali was able to reap the fruits of a process of cleaning up the customer base in recent year and was able to grow its customer base despite challenging circumstances political instability and continuation of security issues bring. Also as an indication of improved field operations and customer processes, FRES Uganda was able to keep customer numbers intact although 2021 was another year where Uganda was confronted with a country-wide Covid-19 related lockdown.

Fundraising for scaling up

Our income from subsidies included final payments from two EU contracts. Cost control and maintaining a clean customer database will also continue to be our main focus while also ensuring retention of our good paying customers. To improve our revenue generation several tariff discussions were conducted during the course of

the year with plans to approve full implementation across the Board in 2022.

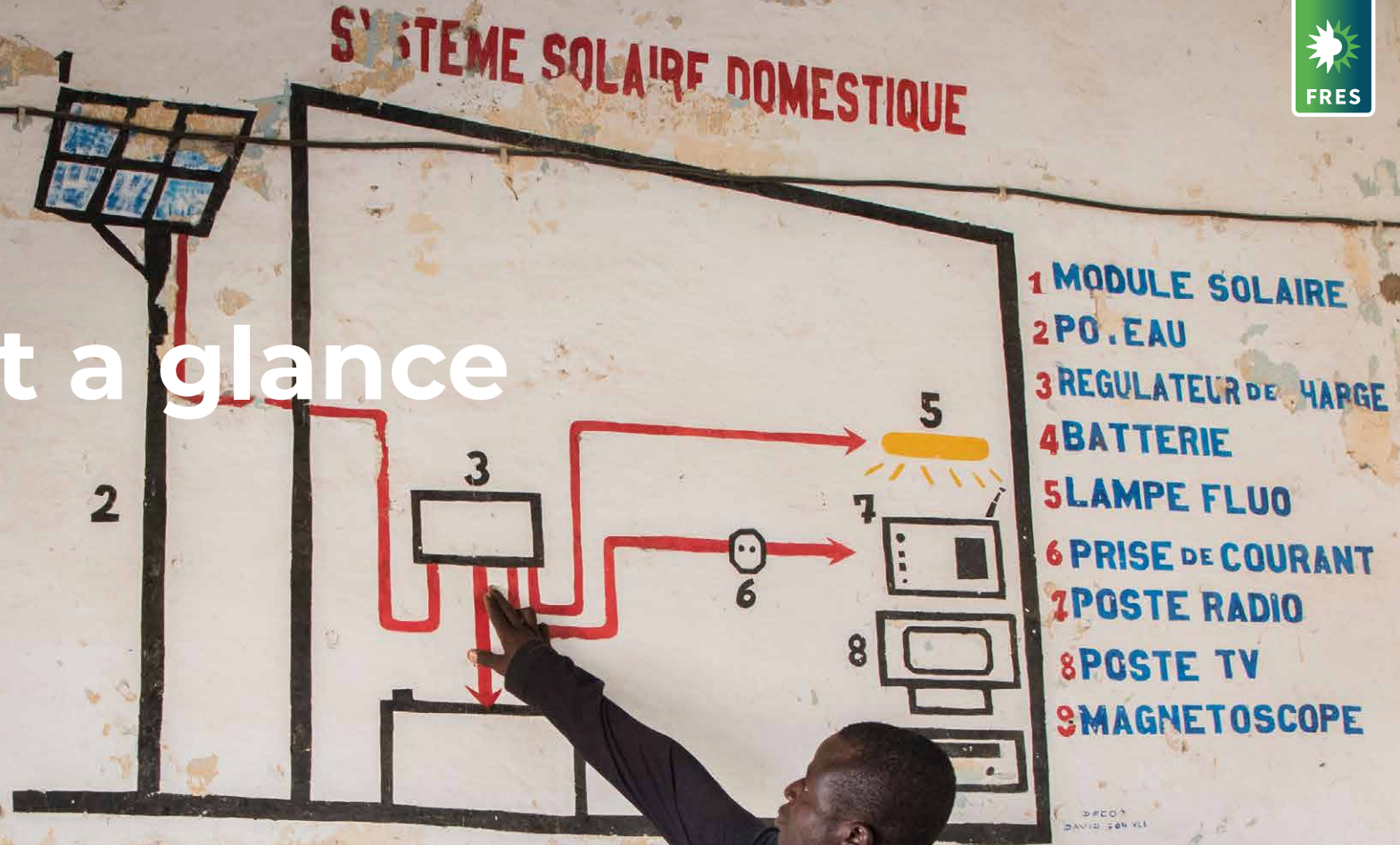
The long-term sustainability of FRES as a group is however dependent on general scaling up of our operations which requires funding. As funders more and more operate at country levels, actions have been taken to set up stakeholder management and fundraising positions within each of our companies.

Conversations with funders in 2021 at country as well as on global level indicate that the FRES model resonates well: building local capacity to ensure lasting impact; providing energy as a service which is ideally suited to productive use and rural entrepreneurship, and promoting circularity as we reuse and recycle our assets. Based on ongoing discussions and the interest shown by funders in working with us, we expect to report further results in this area in 2022.

*Wim Plaizier
Roland van der Pouw
Serge Leijten
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1. FRES at a glance



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

1.1 Accelerating rural electrification to leave no one behind

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

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

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

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

premium technology with ongoing professional maintenance.

From a single company in KwaZulu Natal, South Africa in 1999 that recently became self-reliant, we have replicated and further developed our model in Mali, Burkina Faso, Uganda and Guinea-Bissau. Building on this 20-year track record, we are currently gearing up to increase our presence in our current countries and to add new countries to our network. We are looking for partners and donors to support and accelerate our work.

Our vision

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

Our mission

Our mission is to accelerate electrification in rural Africa. We do this by establishing small-scale commercial electricity companies under local management in areas that have no access to a national or regional electricity grid and that are insufficiently served by commercial solar energy providers.

1.2 Touching the lives of millions in underserved areas

Since the launch of the SDGs in 2015, and specifically SDG 7, which aims to ensure access to affordable, reliable, sustainable and modern energy for all by 2030, our four companies have nearly doubled their reach.

From 11,174 connections at the beginning of 2015, we currently serve 20,860 customers in underserved rural areas.

Our companies act as regional off-grid utilities. As such, they manage regional off-grid infrastructures, providing energy as a service not only to households and businesses but also to schools, clinics and community centers.

Together, our companies touch the lives of over 2 million people through the reliable supply of electricity at home or work, greater availability of products and services that enable entrepreneurship, better security at night thanks to street lighting and improved access to education and healthcare.



Operate

4 companies

- Mali
- Burkina Faso
- Uganda
- Guinea-Bissau



Manage

17,000 solar installations

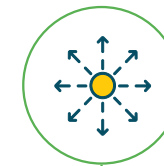
- 15 mini grids
- 16 nano grids
- 15,942 solar home systems
- 1,056 street lighting points
- 2 solar water pumping stations



Service

21,000 connections

- 16,856 households
- 3,148 businesses
- 237 schools
- 154 clinics
- 465 community buildings
- 2 cooperatives



Reach

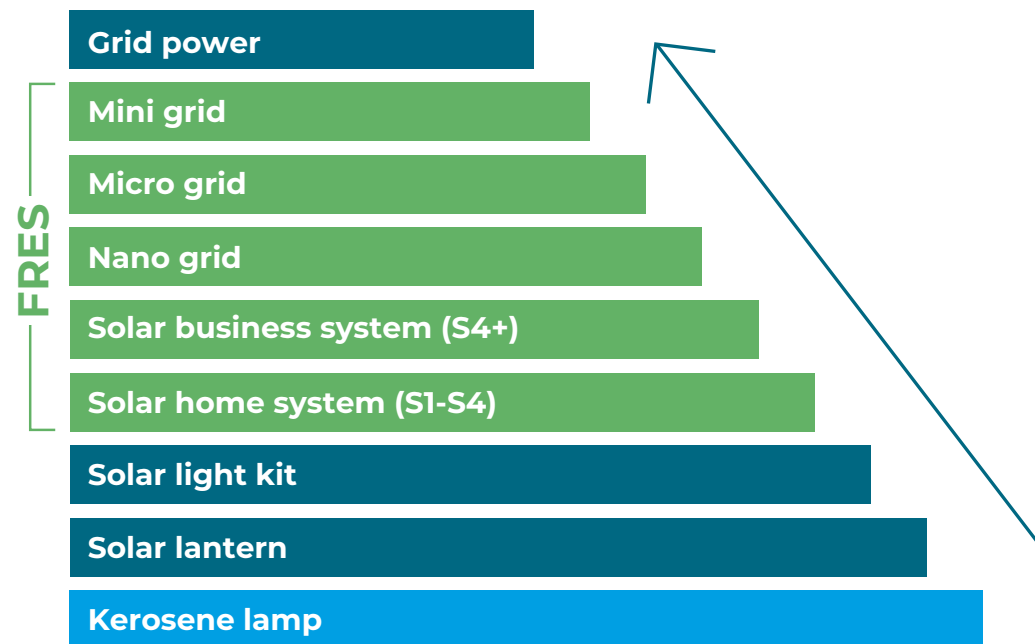
over 2.2 million beneficiaries

- 84,280 household members
- 1,574,000 business customers
- 71,100 schoolchildren
- 462,000 patients
- 93,000 community members

1.3 Climbing the energy ladder

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

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



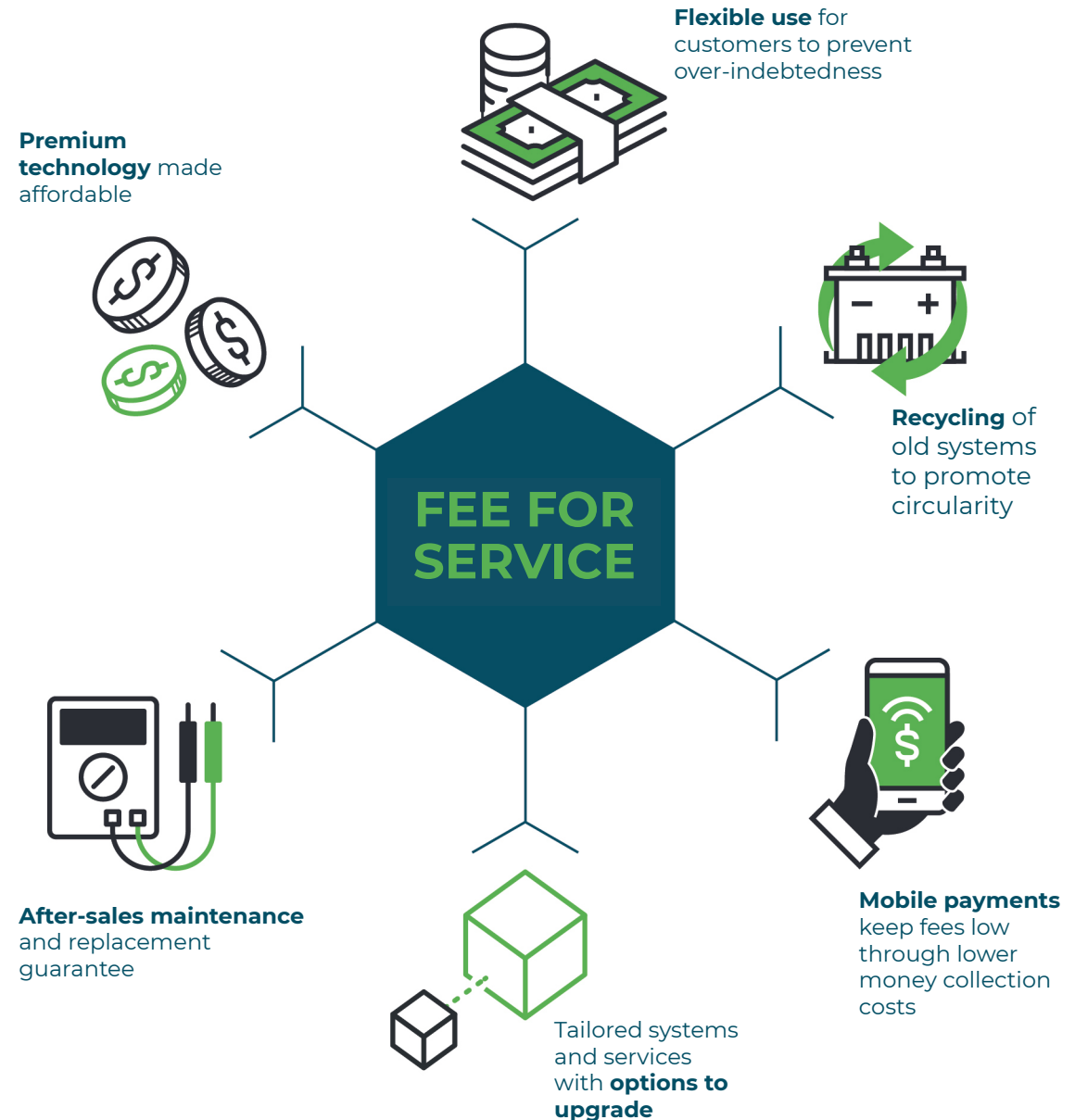
1 FRES at a glance

1.4 Providing energy as a service

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

FRES companies install and retain ownership of these systems, taking care of all after-sales maintenance and replacement investments. This ensures long-term, sustained use of the assets. FRES is also responsible for collecting and recycling old systems, reducing waste and promoting circularity.

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



1 FRES at a glance

1.4 Contributing to the Sustainable Development Goals

SDG 7

Affordable and clean energy

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

SDG 1

No poverty

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



1 FRES at a glance

SDG 2

End hunger

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

SDG 3

Good health and well-being

Energy is a key component of functioning health systems. It allows vaccines to be refrigerated and equipment to be sterilized, for instance. Over 160 health clinics in rural areas rely on solar energy from FRES, benefitting 120,000 patients. Furthermore, replacing traditional lighting technologies such as kerosene lamps with clean fuel reduces the risk of respiratory diseases.

SDG 4

Quality education

Effective learning environments include access to electricity. FRES companies provide lighting to schools and homes, making classes and

home study possible, including in the evenings. Electrification also enables the use of computers and laptops for educational purposes.

SDG 5

Gender equality

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

SDG 8

Decent work and economic growth

Closely linked to SDG 1 (no poverty), the production and commercialization of energy products and services creates jobs and allows businesses to flourish. In 2021, FRES employed 235 people in its four companies and had 3,148 businesses as customers.

SDG 9

Industry, innovation and infrastructure

Promoting sustainable industries and investing in

innovation are key to finding lasting solutions to economic and environmental challenges, such as new jobs and energy efficiency. FRES establishes rural solar-powered entrepreneurial hubs that connect businesses and manufacturers via micro grids.

SDG 12

Responsible consumption and production

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

SDG 13

Climate action

Fossil fuel use is the primary source of carbon dioxide, which accounts for two thirds of all global greenhouse gas emissions. By generating a reliable supply of renewable energy, FRES is helping to combat climate change. FRES' total carbon dioxide (CO₂) savings in 2021 accounted for 8,097 tCO₂.

2. Operational report

Yeelen Ba technician Oue Ramatou Traoré (right) giving instructions to Sana Zakaria who replaced his fuel generator with a FRES solar nano grid. He uses the system to run his video hall and phone-charging shop in the town of Moussobadougou, Burkina Faso.



2 Operational report

2.1 Local roots, global connections

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

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

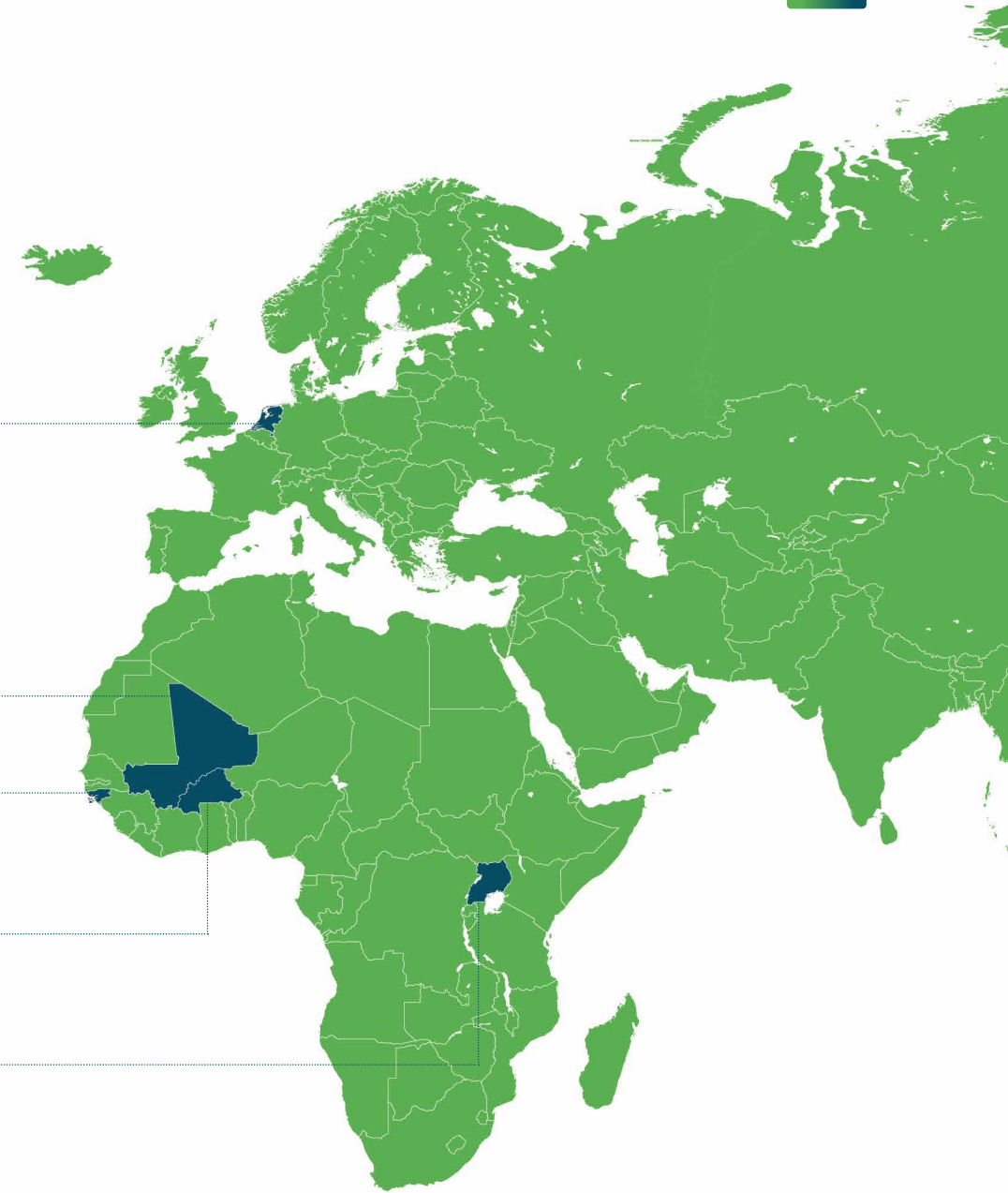
The Netherlands
Amsterdam

Mali
Koutiala

Guinea-Bissau
Gabú

Burkina Faso
Orodara

Uganda
Mbarara



2 Operational report

2.2 FRES in numbers

Company	FRES Mali	FRES Burkina Faso	FRES Uganda	FRES Guiné-Bissau	FRES total
Founded	2001	2008	2010	2011	
Number of customers	9,039	2,645	5,756	3,420	20,860
Installed solar capacity (kWp)	1,484	269	936	435	3,124
CO2 savings (tCO2/yr)	2,367	1,203	3,067	1,460	8,097
Energy stores	20	14	6	4	44
Rural villages served	158	396	700	624	1,878
Installation types					
Solar home systems	4,591	2,636	5,756	2,959	15,942
Mini grids	14	0	0	1	15
Nano grids	5	5	0	6	16
Village lighting points	986	0	0	70	1,056
Solar water pumping stations	2	0	0	0	2
Customer segments					
Households	8,365	2,431	3,057	3,003	16,856
Businesses	400	106	2,323	319	3,148
Schools	8	12	199	18	237
Clinics	21	63	60	10	154
Places of worship	25	29	114	35	203
Government	220	4	3	35	262
Staff					
Direct employment	71	26	75	63	235
Indirect employment	65	16	267	100	448
Percentage women	7%	27%	19%	13%	14%
Women in management	22%	17%	23%	22%	21%
Staff younger than 35	54%	77%	95%	71%	74%

2.3 FRES Mali – Yeelen Kura

Yeelen Kura technical coordinator Salifou Diarra (left) giving instructions to a midwife at the Konina Community Health Center in Konina, Mali. The center was recently connected to a nano grid. This provides essential lighting, enabling the center to stay open longer and making it safer to visit at night. >



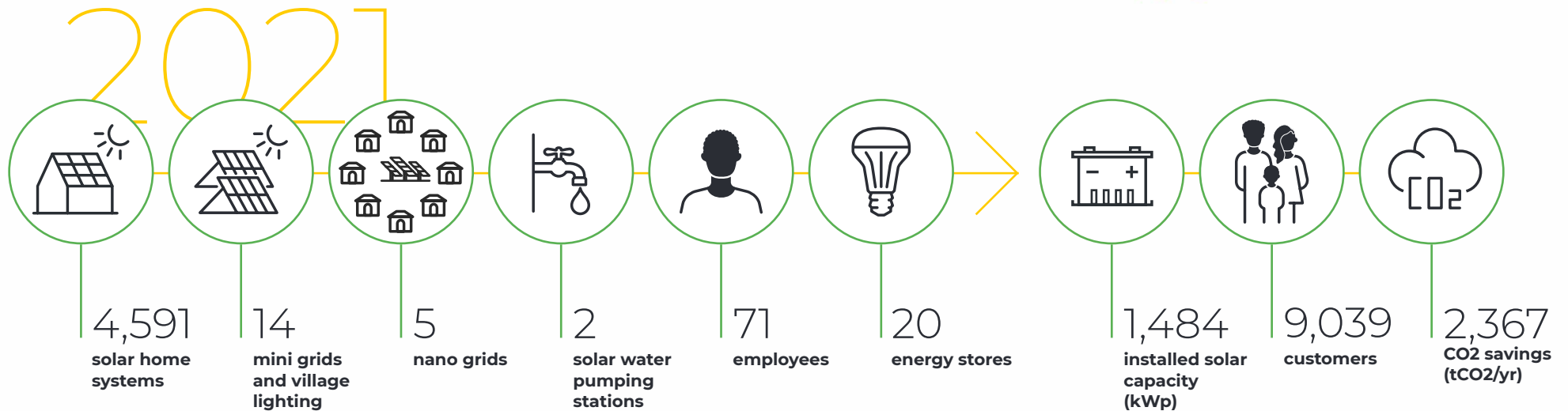
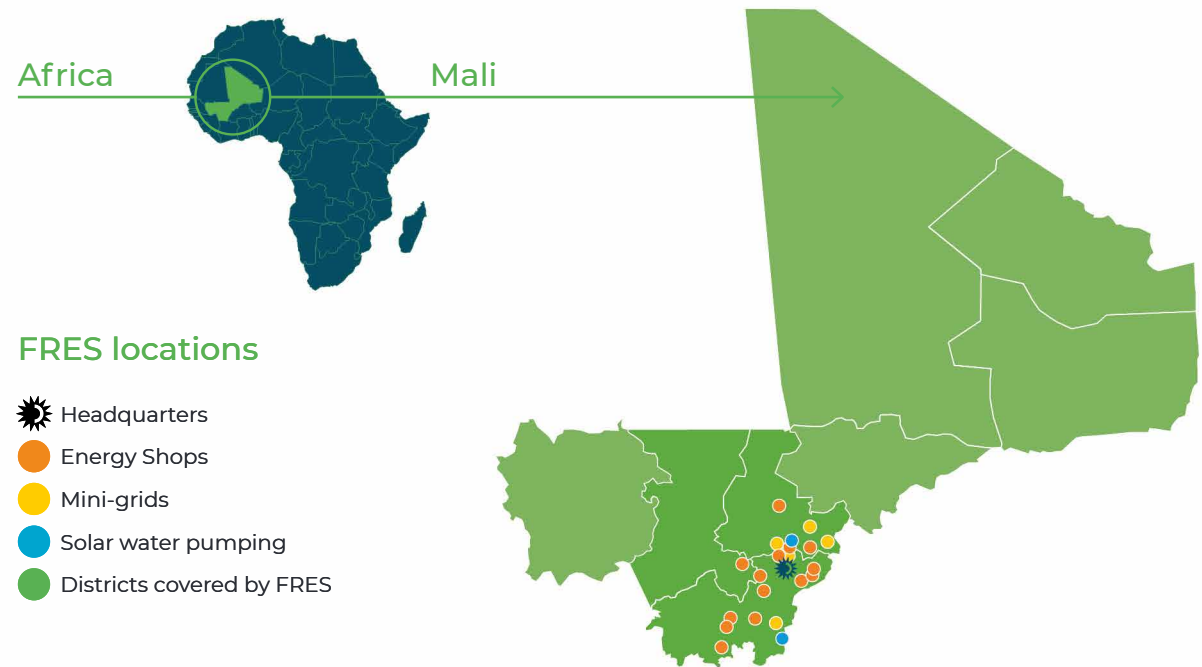
2.3 FRES Mali – Yeelen Kura

Overview

Yeelen Kura, meaning ‘new light’ in Bambara, was established in the Sikasso region in 2001.

It has since expanded to the neighboring regions of Ségou and Koulikoro. Besides SHS, the company operates 14 mini grids and two solar water pumping stations.

In 2021, Yeelen Kura employed 71 people. At the end of the year, it had 9,039 customers (4,591 SHS customers and 4,400 solar mini grid customers) and 20 energy stores.



Highlights 2021

The dire impact of COVID-19 on cotton production and export, and the resulting loss of income for rural communities largely dependent on the crop for their livelihood, forced a fair number of our customers to downgrade their energy service or discontinue the service altogether. Following the promising cotton season in 2021, however, we are hopeful that customers will once again be able to afford our service to meet their household or business energy needs.

As a company, we responded to the crisis by tapping into our knowledge of the market and quickly adapting to our customers' changing

needs. We also identified major financial hurdles, including the inability to pay upfront installation costs or fixed monthly fees that would normally cover regular maintenance and street lighting. To reduce these hurdles, we offered short-term pre-financing for installations and worked with local village administrations to encourage them to cover the portion of the costs related to street lighting on behalf of their citizens. This resulted in lower monthly fees, which led to a higher number of customers for our four new mini grids and an overall 13% increase in our customer base. We ended the year with a total of 9,039 connections.

Having an experienced and adaptive local team has proven to be beneficial for our growth strategy. It is also crucial for nurturing healthy relationships with local governments and other energy stakeholders. It is for this reason that, while the glimmer of hope toward the end of the cotton crisis seemed short lived, as Mali faced another financial crisis in late 2021 and early 2022 caused by the double effect of the ongoing embargo imposed by the Economic Community of West African States (ECOWAS) and the war in Ukraine, we are confident that we can continue to serve and support our customers as they climb the energy ladder.



“Yeelen Kura’s strength lies in its resilient team, which is ready to take on often substantial challenges to serve its customers. The successive crises Mali has experienced have not diminished our efforts to consolidate our customer base, expand our four new mini grids thanks to EU funding, and add 40 new connections to the five nano grids established in the village of Konina in Sikasso.”

Djibril Séméga

General Manager Yeelen Kura, Mali

Yeelen Kura technical manager, Souleymane Diallo visiting the recently installed nano grid in the village of Konina, Mali. The system supplies energy to households and community infrastructures and also provides street lighting.

SUCCESS STORY

Five nano grids installed in the village of Konina

Besides realizing two new mini grids and the extension of an existing mini grid, funding from the EU Regional Program enabled Yeelen Kura to install five nano grids in Konina, a village and commune in Koutiala Cercle in the southern Sikasso region.

One nano grid can meet the energy needs of up to eight households or a combination of households and community infrastructures such as mosques or clinics. Street lighting is also provided. This has significantly improved the lives of the villagers, especially women and girls. The

street lighting increases security at night while the clinic is able to stay open longer, welcoming patients well into the evening.

These benefits prompted female residents to approach the village leader to discuss the possibility of Yeelen Kura installing additional nano grids. These are expected to further improve security, reduce gender-based violence and facilitate development of village infrastructures. The discussions are still ongoing.

2.4 FRES Burkina Faso – Yeelen Ba



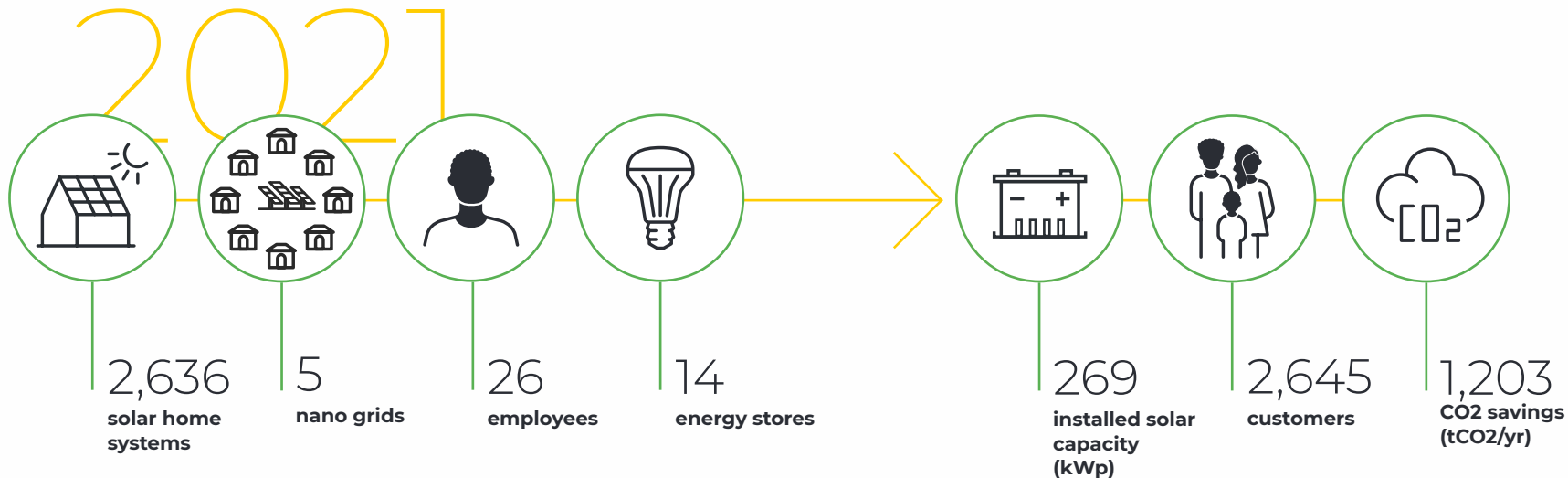
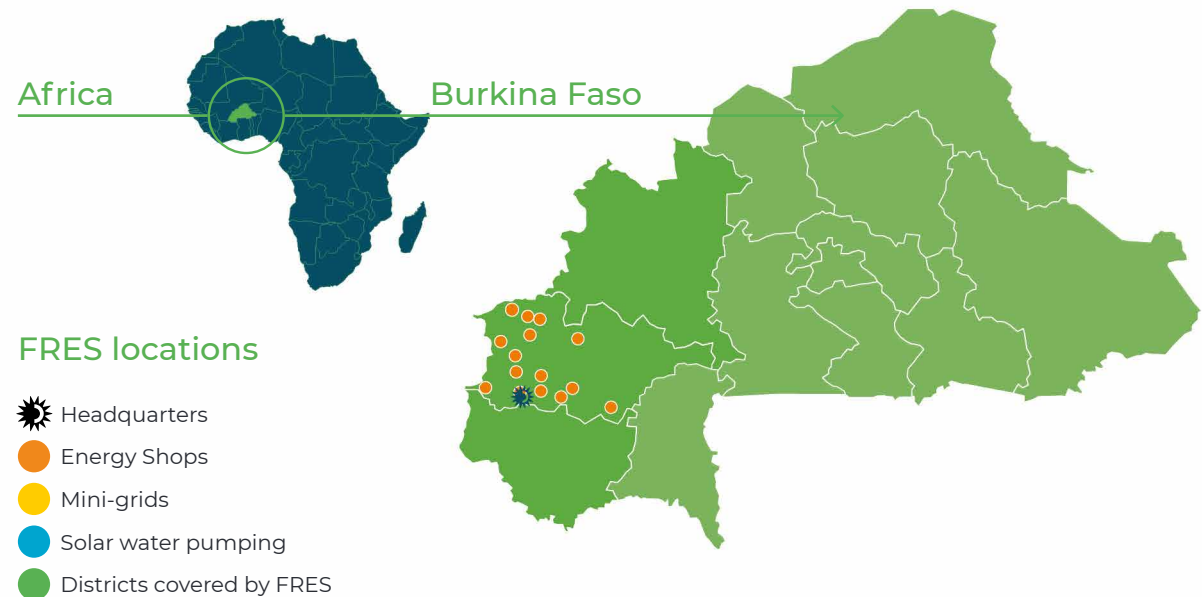
FRES customer Barro Babou (left) and Louis Traoré, Yeelen Ba sales manager. Barro runs a restaurant in the village of Moussobadougou and uses a FRES system to power a fridge that keeps his drinks cool.

2.4 FRES Burkina Faso – Yeelen Ba

Overview

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

In 2021, Yeelen Ba employed 26 people. At the end of the year, the company had 2,645 SHS customers and 14 energy stores.



Highlights 2021

After years of instability in Burkina Faso and the donor community’s reluctance to invest, we finally obtained EU funding for 500 new SHS equipped with PayGo technology and five nano grids geared toward community-based small and medium-sized enterprises (SMEs). Achieving our 2021 installation and expansion goals was not without challenges, but we were able to overcome them thanks to a skilled and highly experienced local team.

We expanded our operations in Boucle du Mouhoun, as planned, reaching more than 300 individuals and 15 small businesses that contribute to the development of dozens of villages in this region. In Cascades, however, after reaching 100

households and a dozen small businesses, our expansion efforts were interrupted by the arrival of terrorist units. The region has now become a red zone that is too risky to enter, even for our field agents.

The Burkinabé government is making good progress in its efforts to achieve universal energy access. This is very good news for the country, but we felt the impact in our operations with the loss of customers who were connected to the national grid in 2021. As a result, we refocused our expansion efforts on villages far away from large cities and outside areas covered by the government’s electrification plan. This also better aligns with our vision of leaving no one behind.

We organized a workshop bringing together all energy stakeholders in Burkina Faso to address and find solutions to issues related to renewable energy. Considering the government’s ambitious electrification plan along with Yeelen Ba’s energy-as-a-service offering of a range of high-quality products at affordable prices, it makes sense for the company to target more productive use customers and hybrid households (households using the service for income-generating purposes) and fewer households looking for small solar kits. In the coming years, we will continue to focus on acquiring customers for whom access to energy is vital for their business.



“In Burkina Faso, collaborating with the government is a necessary step toward better coordinating our mutual efforts to achieve universal access to energy. We want to be a partner of the government, not a competitor. Where the national grid cannot reach, we will be there.”

Bourama Keita

General Manager Yeelen Ba, Burkina Faso

2.4 FRES Burkina Faso – Yeelen Ba

Salimata Ouattara runs a restaurant in Zoumahiri, Burkina Faso and uses two FRES S4 systems for lighting and refrigeration of fish and drinks. The systems also supply energy for her shop and compound.

SUCCESS STORY

Empowering women entrepreneurs

Restaurant owner Salimata Ouattara met our field agents when they ate in her restaurant one lunchtime. After eating a spoiled fish, one of the agents explained how our energy services could benefit her business by keeping her food fresh and drinks cold.

She was initially hesitant, but after the agent showed her some simple cost-benefit calculations, she opted for two of our most powerful home systems that enabled her to connect a freezer and keep her fish fresh for longer. A few months later, she signed up for two

additional systems and connected a fridge for cold drinks.

Today, Salimata is a loyal Yeelen Ba customer. As her business grows, she may decide to upgrade to one of the larger systems we are developing for productive use customers just like her.

2.5 FRES Uganda

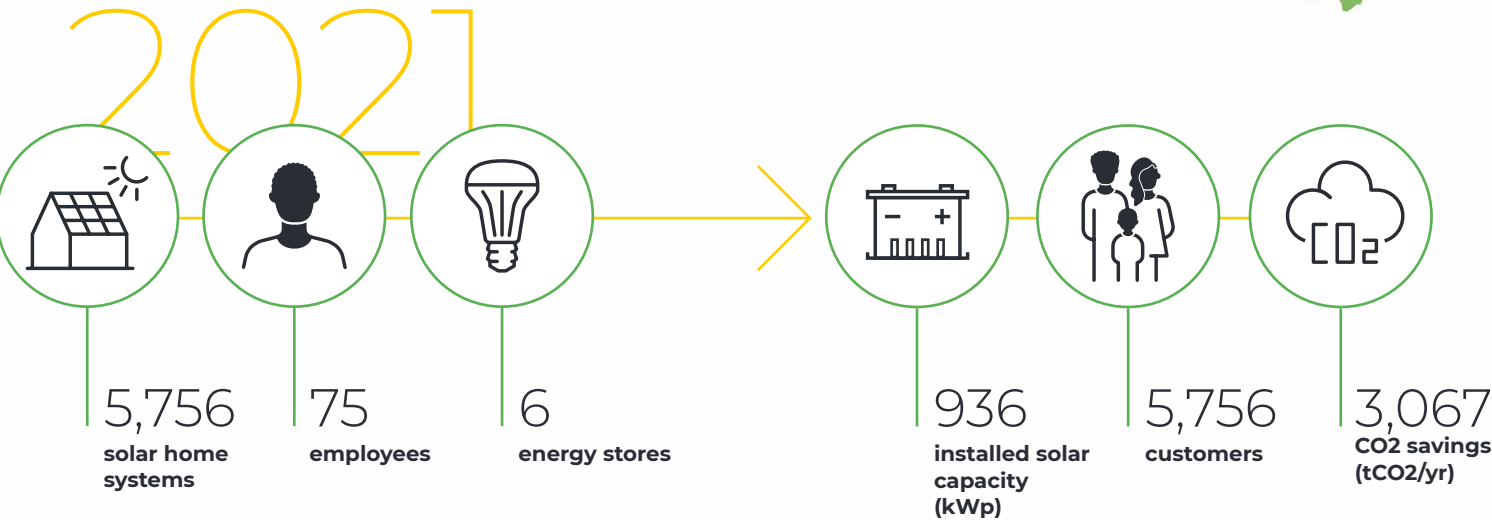
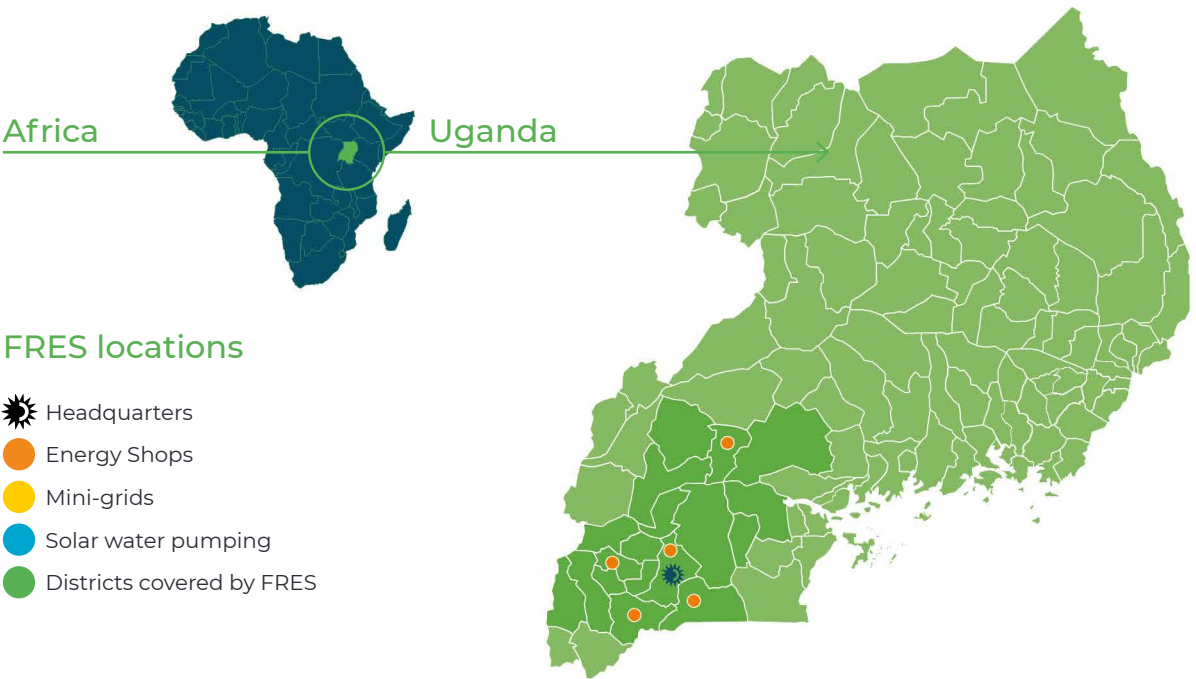
Francis Twesigye, FRES Uganda technical manager (left), and Ingabire Mackline, a nurse at the newly opened Bwagonga Community Hospital. The hospital uses a FRES system to generate energy for lighting, computers, medical equipment and a water pump.



Overview

From its beginnings in Mbarara district in 2010, FRES Uganda has grown rapidly and now covers 35 districts in southwestern and central Uganda. Two thirds of the company’s SHS users are businesses while one third is households. It also serves customers living in three refugee camps.

In 2021, FRES Uganda employed 75 people. At the end of the year, the company had 5,756 SHS customers and six energy stores.



Highlights 2021

FRES Uganda emerged triumphant from the COVID-19 period, which was marked by restrictions on movement that lasted almost two years! Although an extremely difficult time, we used the opportunity to focus on our consolidation plan during 2021, improving sustainability by strengthening our customer base and payment rates.

FRES Uganda implemented PaygOps, a digital customer relationship management (CRM) platform, and following intensive training, the team embraced the move and has exceeded expectations. Most agents' transactions are now recorded on the platform. We are also making strides toward tracking the performance and workflows of each energy store via a customized dashboard that will be implemented soon.

FRES Uganda hosted a successful workshop that brought together all the key energy stakeholders and government departments of the sector. The event also attracted potential future partners. This allowed us to rekindle old relationships and initiate several new ones, laying solid foundations for the next phase of our expansion.



"With the implementation of PaygOps, we now have one clean database that records payment histories and interactions with customers, easily tracks the location of customer assets using GPS and monitors the activities of field officers. This has led to increased productivity and been a real game-changer for FRES Uganda!"

Joselyne Musiime

General Manager FRES Uganda



FRES Uganda sales agent Jordan Kanyesigye (left) helping customer Joseph Niwahereza with a mobile payment. Joseph owns the Kampala Ballacks Sports bar in Ntungamo. He has been using a FRES S4 system for five years to power his video hall, lights, music system and cellphone.

SUCCESS STORY

FRES Uganda becomes PayGo ready

In 2020, FRES contracted Solarworx to design a PayGo switch for our existing SHS that are not PayGo enabled. The aim of the switch was to:

- enable all SHS to accept mobile money payments
- enable automatic disconnection in the event of non-payment

- track all customer interactions through an integrated CRM (PayGops).

In the second half of 2021, FRES Uganda began installing the 3,500 newly arrived PayGo switches. Within three months, all switches were installed. The automation of SHS has been

a game-changer for the teams and energy store managers, improving debt tracking and management of the customer base. With approximately 60% of the customer base now automated, we are seeking funds to automate the entire fleet.

2.6 FRES Guiné-Bissau

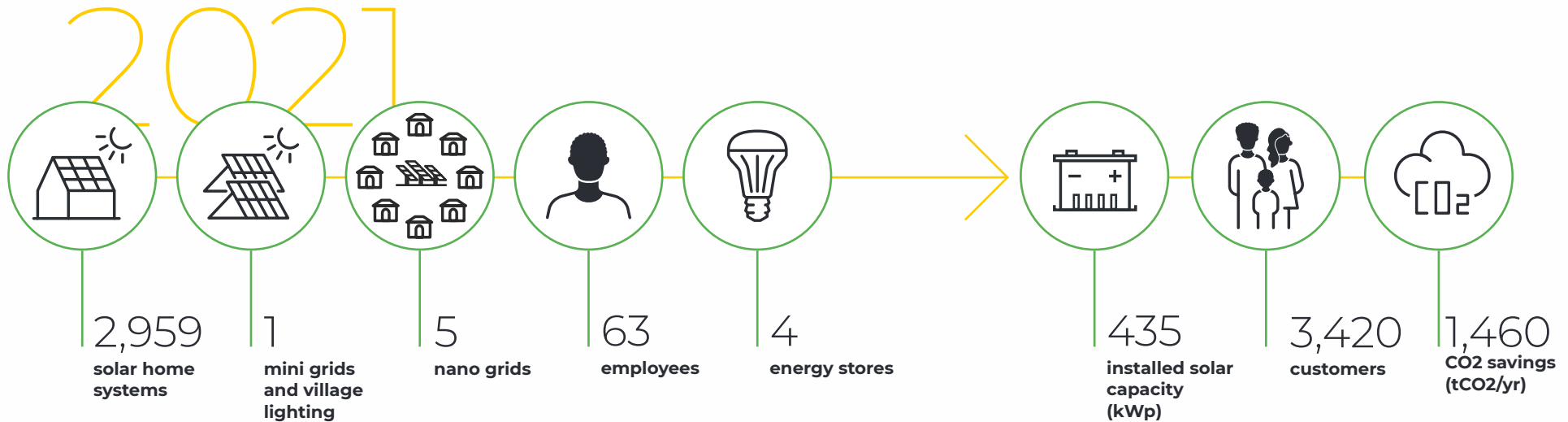
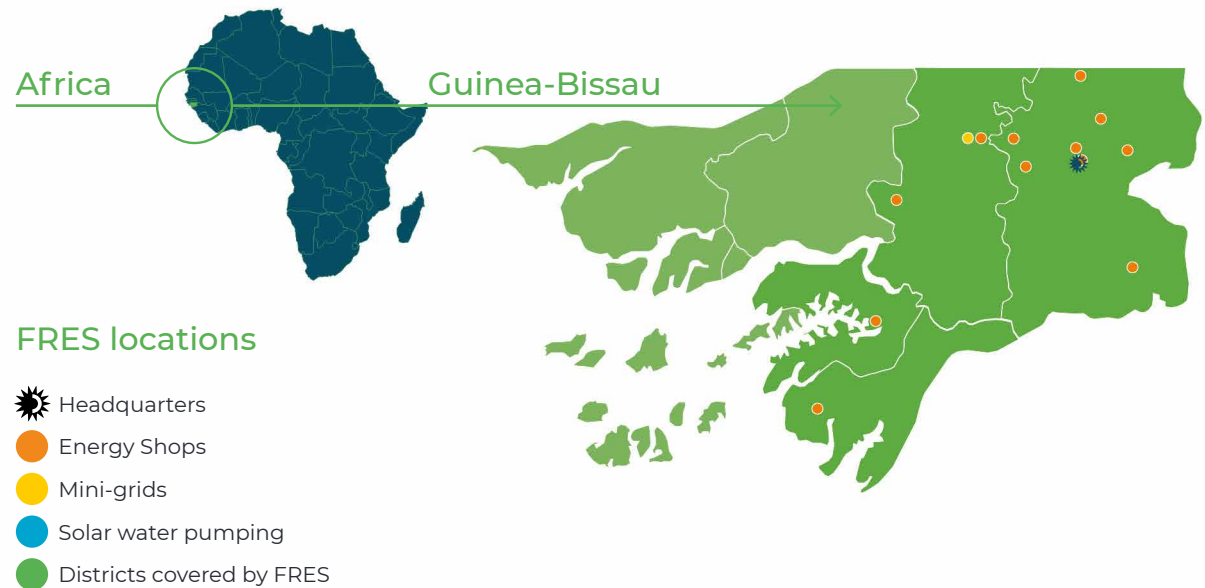


FRES Guiné-Bissau technicians Cassum Sané (left) and Namir Alberto Mango checking and charging batteries at the FRES headquarters in Gabú, Guinea-Bissau. As part of its energy-as-a-service promise to customers, FRES provides continuous maintenance of batteries and replaces and recycles batteries when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

Overview

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

In 2021, FRES Guiné-Bissau employed 63 people. At the end of the year, it had 2,959 SHS, seven nano grid and 449 mini grid customers, and four energy stores.



Highlights 2021

Re-organization and improving operational performance were our focus in 2021. Of the 18 energy stores originally established, we reduced the number to four energy stores in key locations and seven satellites. This will not only improve operational efficiency but will also lead to a reduction in operational costs.

To support this process, we now need to upskill our employees. The PaygOps training that took place during the year highlighted the significant skills gaps that exist among both our field agents and energy store managers. Training and upskilling will be a focus in 2022.

FRES Guiné-Bissau began digitizing operations by transferring the entire customer base to PaygOps. This, together with the introduction of MTN, a mobile network operator, and MTN Mobile Money, has the potential to significantly improve operational processes. While we are still in the initial stages, the team is excited about the opportunities that these changes will create.

FRES Guiné-Bissau hosted a well-attended rural electrification workshop in Bissau. Besides being a chance to reflect on the past 10 years, the workshop allowed us to strengthen relationships with government partners and review the company's strategy for the next five years, based on feedback received.



"We are happy with the opportunities that PaygOps has created for us and are excited about training our employees, not only to improve our business but also to develop our in-house skills and our communities at large."

Romi de Matos

General Manager FRES Guiné-Bissau

2.6 FRES Guiné-Bissau

FRES Guiné-Bissau technician Suleimane Dafe checking the nano grid installation of a customer who runs a hotel in the town of Bafatá. The nano grid is used for lighting and powers the fans in the hotel's rooms.



SUCCESS STORY

Nano grid pilot identifies huge potential of productive use segment

With EU support, FRES Guiné-Bissau was able to develop five nano grids. These were delivered in 2021, as part of a pilot related to energy for productive use. All five nano grids were installed and supply energy to five commercial customers. They include a university faculty in Gabú and a group of women entrepreneurs who sell fresh produce at a local market in Catió.

We learned many things from this pilot, notably the huge potential in the productive use segment.

FRES Guiné-Bissau previously focused on individual households, which are highly susceptible to economic shocks and thus more likely to fall behind on payments or cancel their energy contract.

In particular, the pilot identified a significant need that, if we can meet it, would not only reduce churn in our customer base but would also deliver economic stability in the communities where we operate. By providing energy to productive users, we are not only facilitating the commercial activities of our direct customers but also enabling these customers to employ others.

2.7 FRES The Netherlands

A group discussion during the FRES Annual Company Week in Mbarara, Uganda. The event took place in April 2022 and brought together the management teams of our four solar energy companies to share their successes and challenges in rural electrification.

Highlights 2021

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

In 2021, we extended our activities and diversified our portfolio with the creation of 500 new SHS connections, installation of 16 nano grids in Mali, Burkina Faso and Guinea-Bissau and expansion of one mini grid in Mali. We also intensified our relations with authorities, partners and several other key actors in the renewable energy sector in all four countries through workshops, where we discussed possibilities to join forces to accelerate rural electrification.

Our focus in the coming years will be on helping the FRES companies to improve their operational performance, optimize the use of existing assets and diversify their portfolios to be able to address

any off-grid energy demand. We will further intensify our fundraising activities to realize the growth plans of our companies as well as FRES The Netherlands' goal of setting our companies on a road to long-term (financial) sustainability. At the

same time, we continue to explore opportunities to establish rural electrification companies under local management in new countries, with special attention paid to those countries and regions that are at greatest risk of being left behind.



"By developing and maintaining off grid solar infrastructure in underserved regions, FRES provides a unique contribution to the SDGs. We are pleased with increasing interest from governments, donors and partners for our approach and track record."

Ido Verhagen

Managing Director FRES The Netherlands

The workshop in Mali was opened and attended by Lamine Seydou Traore, Minister of Mines, Energy and Water, who praised FRES' 20-year track record of providing solar energy solutions in the country.

SOCIETE DES SERVICES DECENTRALISES
SSD-FRES-MALI-YEELLEN KURA

SUCCESS STORY

Strengthening collaboration through rural electrification workshops

FRES organized four successful workshops in all project countries between June and July 2021. The workshops were held in Kampala, Ouagadougou, Bissau and Bamako and brought together around 210 stakeholders from the renewable energy sector to discuss ways to advance green electrification.

In Uganda, the key actors present included the Ugandan Commissioner of Renewable Energy, Uganda Solar Energy Association (USEA), Uganda National Renewable Energy and Energy Efficiency Alliance (UNREEEA), Uganda National Bureau of Standards (UNBS) and the Ministry of Finance,

Planning and Economic Development. In Burkina Faso, the National Agency for Renewable Energies and Energy Efficiency (ANEREE), the Green Climate Fund and the Burkinabé Rural Electrification Agency (ABER). In Guinea-Bissau, the Directorate General of Energy (Ministry of Energy and Natural Resources), the Ministry of Environment and Biodiversity, and the resident representative from the West African Economic and Monetary Union (UEMOA). And in Mali, the Minister of Mines, Energy and Water, the Energy Commission representative for the National Transition Council (CNT) and the EU representative in Mali.

Buy-in from government and local authorities as well as from public sector stakeholders is key to the success of our activities. The workshops have strengthened collaboration and communication with national policymakers and authorities at the policy dialogue level and increased cross-national learning in the areas of green energy and rural electrification. They have also enabled sharing of good practices in the region and improved understanding of how to create a better enabling environment for private actors in the green rural electrification sector.

3. Governance report

Forty percent of FRES' top positions are held by women. From left to right: Habibou Ouedraogo, finance manager, FRES Burkina Faso; Marseline Atunairwe, sales and marketing manager, FRES Uganda; Joelle Nzambimana, regional operations manager, FRES NL; Joselyne Musiime, general manager, FRES Uganda; Ratidzo Makoni, group controller, FRES NL; Genabú Mané, marketing and sales manager, FRES Guiné-Bissau; Cynthia Kpozuxe, business advisor and community manager, FRES NL; Maria José Pereira, finance manager, FRES Guiné-Bissau.

3 Governance report

3.1 Our partners

FRES works with a variety of partners who provide financial support as well as goods and services. Our main partners in the past have included the European Union (EU), the World Bank, the Government of the Netherlands, the Energy and Environment Partnership (EEP), the OPEC Fund for International Development (OFID) and DOEN Foundation. We also work with national governments and local nongovernmental organizations (NGOs) in the countries where we operate.

Subsidies

In 2021, FRES concluded the activities under a contract subsidized by the EU Regional Program with the commissioning of two mini grids in the villages of Diéna and Dogoni in Mali, the extension of the existing mini grid in Beléko in Mali, 500 SHS connections and 15 nano grids in Mali, Burkina Faso and Guinea-Bissau.

PREO, a productive use program supported by the IKEA Foundation and UK Aid, and the UN Capital Development Fund (UNCDF) awarded two contracts to develop solar-powered agro-processing platforms for women's cooperatives

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

Since 2020, FRES has partnered with the Young Expert Program (YEP Energy), a coaching and learning initiative supported by the Dutch Ministry of Foreign Affairs that encourages young professionals to pursue a career in the energy sector. In 2021, our first YEP trainee joined the Burkina Faso team, followed by a second YEP trainee who joined the Uganda team in early 2022. We are in the process of creating an additional YEP position in Mali.

FRES Guinée-Bissau was awarded technical assistance support by the UN Environment Programme (UNEP) to strengthen its local fundraising practices. Funders are increasingly localizing their grantmaking activities, which requires our operating companies to manage

relations with funders at local level. FRES Guinée-Bissau will use the UNEP support to draft proposals to develop mini grids in off-grid villages. These proposals will then be submitted to funders active in the country.

Goods, services and other support

Since 2020, we have collaborated with Agriterro on solarizing and decarbonizing the agro-processing activities of farmers' cooperatives. The first project will see the creation of a multifunctional platform for a shea-producing cooperative in Burkina Faso, for which Dutch company Bunge Lodders Crocklaan also provides support.

As part of our environmental responsibility and circularity ambitions, FRES renewed its battery recycling strategy in 2020. A search for accredited e-waste recycling partners resulted in contracts with Enviroserve in Rwanda and Gravita in Ghana and Senegal. All our batteries are now recycled on the African continent.

To improve customer service, financial accounting and internal monitoring and control, we began implementing a new customer relationship

management system with our partner Solaris Offgrid. In parallel, we started looking into a suitable FRES-wide enterprise resource planning system. Our research identified a preference for a Microsoft solution. Microsoft recognized FRES' NGO status in early 2021, which will significantly reduce implementation costs.

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

3.2 Leadership and governance

FRES is a Dutch not-for-profit organization that establishes commercial electricity companies under local management to acceleration electrification in rural Africa.

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

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

FRES Board

The FRES Board consists of three executive members, five non-executive members and the managing director. The board approves FRES'

long-term strategy and annual business plans and budgets, monitors progress toward the achievement of organizational targets, exercises oversight of investment and risk management, and ensures compliance with relevant legal and regulatory requirements. The executive board meets monthly to review operational reports. The full board convenes four times a year to review financial and operational overviews. The principles, planning and control cycle of FRES' governance are laid down in our Governance Guide, which is available on our website. Board members work on a voluntary basis.

Executive members

- Wim Plaizier, chairperson
- Roland van der Pouw, treasurer
- Serge Leijten, operations focal point

Non-executive members

- Sophie Dingenen, board member
- Paul Hol, board member (until 1 July 2022)
- Tanja Pelle, board member (from 1 July 2022)
- Wim Sinke, board member
- Lidwien Schils, board member
- Femke Smeets, board member

Managing director

- Ido Verhagen

Paul Gaalman stepped down as treasurer at the beginning of 2021 and was succeeded by Roland van der Pouw. Paul Hol stepped down as a board member on 1 July 2022 and was succeeded by Tanja Pelle.

3 Governance report

FRES companies

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

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

- Djibril Séméga,
General Manager Yeelen Kura, Mali
- Romi de Matos,
General Manager FRES Guiné-Bissau,
Guinea-Bissau
- Bourama Keita,
General Manager Yeelen Ba, Burkina Faso
- Joselyne Musiime,
General Manager FRES Uganda, Uganda

FRES The Netherlands

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

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

Joelle Nzambimana, Cynthia Kpozuxe and Ralya Wais joined FRES at the beginning of 2021. Contracts and Procurement Manager Ralya Wais left FRES at the end of 2021.

3.3 Risk management

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

Maximizing opportunities, countering threats and overcoming weaknesses

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

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

costs. Expansion in new countries is carefully considered.

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

Financial sustainability

FRES companies must achieve financial sustainability by generating sufficient income and driving down operational and replacement costs. In FRES' business model, financial sustainability depends on economies of scale (number of customers), effective collection of payments

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

Payment arrears

Achieving an acceptable payment rate is a major challenge for all FRES companies. We employ prepaid meters for day/night mini grid tariffs in Guinea-Bissau and Mali. In 2020, we began organization-wide implementation of PayGo software and hardware to facilitate the transition to mobile money and improve payment rates. FRES Uganda, which is leading the way in implementing PayGo, has shown significant improvement in payment rates and a reduction in operational costs. This is because PayGo enables us to increase the number of customers serviced per agent, reducing staff, motorcycle and fuel costs.

Political instability and threats of terrorism

Political instability in Mali and Burkina Faso

3 Governance report

continues to influence the economies of these countries. This affects the acquisition of new customers and the ability of existing customers to pay our fees. It also impacts our employees. The safety of FRES employees is our highest priority. We have an emergency response plan in place for crisis management in our companies, and we take all precautions possible to counter threats, including of terrorism, to our local operations.

Rates for mini grids

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

Fraud prevention

FRES companies in Africa face incidents of fraud. On principle, we try to prevent and combat fraud and aim to make fraud unrewarding. Since 2018, we have had an anti-fraud policy in place. Improving control mechanisms continues to be a priority. A point of attention is the cash collection process. Following FRES Uganda, all

FRES companies have appointed a debt collection officer who tracks the payment and debt history of each customer and the cash collection activities of each field agent individually, enabled by the PayGo CRM software. Potential cases of fraud are thus detected, investigated and reported monthly. As per our zero-tolerance policy, a proven fraud case results in immediate dismissal.

Financial management

Since 2009, FRES-owned funds that are available for a longer period have been managed by a professional asset manager (ING Bank). The asset manager is tasked with achieving optimal effectiveness within a moderately defensive investment profile while respecting ethical and social boundaries set by FRES. We have an asset management agreement with ING Bank that includes our investment policy. The policy excludes investments in activities that are associated with several specified themes such as corruption, environmental offenses, weapons, violation of social laws and codes or human rights, child labor, tobacco and alcohol.

Exchange rate fluctuations

Exchange rate fluctuations are limited for FRES as three of our operating companies are active in countries with a currency linked to the euro. FRES

The Netherlands manages the funds and reserves for each of the FRES companies and holds them in euros. Exchange rate risks can occur when funders award grants in dollars, certainly in cases involving a longer term project based on results-based financing. In these instances, the exchange rate of the dollar against the euro is closely monitored and, where necessary, the expenditure for a project is adjusted accordingly.

Asset management

In 2021, FRES began improving its asset management register. The PayGo CRM software enables us to track each installed system. All the main components of our solar home systems (batteries, charge controllers, PV panels) are assigned a unique number to track their lifespan, use and location via GPS. All the operating companies are in the process of transferring their asset management records from Excel to the inventory module of the local bookkeeping software.

Continuity reserve

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

3 Governance report

COVID-19 uncertainties

Throughout 2021, the number of registered cases of COVID-19 in the African countries where FRES operates was relatively low compared to Europe. Nevertheless, business continuity measures were introduced and communicated to employees. Employees were allowed to work from home (where possible) and to set up replacement schemes in the event of quarantine. The travel policy was also amended and international travel to FRES companies was restricted.

Strengths

- More than twenty years' experience in electrification in rural Africa
- An extensive network in the international development and solar energy sectors
- A competent team with committed board members
- Locally run operating companies with trained local staff
- A service model that includes maintenance, replacement and recycling of solar assets
- A standardized, proven and replicable business model
- Extensive experience in acquiring subsidies and managing major investment programs
- Solid business plans for our operations
- Centralized procurement activities for our investments

Weaknesses

- Dependence on external funding to scale up operations
- Companies in different countries with different and sometimes challenging local conditions
- Lengthy procurement procedures for international tenders to acquire assets
- Low margins as rates are determined by regulation and kept low by local authorities
- Payment arrears ('non-payment') as our customers depend highly on local harvests
- Insufficient customer retention due to non-payment, which drives up operational costs
- Operations in regions with limited or unreliable internet access, hampering the use of digital solutions for online monitoring and payments

SWOT ANALYSIS

Opportunities

- Global commitments to access to renewable energy in the Sustainable Development Goals and Paris Climate Agreement
- Interest from international donor agencies and social investors in solar solutions for rural electrification in sub-Saharan Africa
- Around 1.2 billion people in Africa have no access to electricity
- African governments have prioritized solar-powered rural electrification; national grids are expensive
- Technical developments in solar power are driving down the cost of generating and storing electricity
- Technological advancements, such as mobile payment, prepaid metering and remote system

Threats

- Lengthy procedures involved in donor agreements
- Political instability in some of the countries where we operate
- Lack of transparency in national policies, regulations and grid expansion planning
- Exchange rate fluctuations
- Bureaucratic and unpredictable government procedures
- Threats from nationalization
- Increasing competition from commercial players in the solar systems market
- Insufficient rate levels for mini grids
- Fraud and inadequate legal opportunities to address fraud
- Increasing transport costs

3.4 Outlook 2022 and beyond

Between 2014 and 2021, FRES realized nearly 10,000 new energy connections in rural Africa in a project that was granted co-funding from the EU as part of the ACP-EU Energy Facility. Largely thanks to this support, three of our operating companies have reached a customer base sufficient for long-term sustainability, meaning that revenues are enough to cover operational expenses and future replacement investment. Only FRES Burkina Faso has not yet reached this level as the country was excluded from donor programs for political reasons. FRES was able to start expanding in Burkina Faso again in 2021.

In the same period, the operating environment of FRES companies changed significantly. We have seen the emergence of new competitors bringing affordable solar kits for lighting and phone charging to the market. While this is decreasing the demand for our smaller systems, we are also seeing an increasing demand from entrepreneurs for larger systems to electrify their business activities. The national grid is expanding in all countries, although governments indicate that off-grid solutions are still necessary, especially in rural areas. At the same time, we are witnessing

a profound shift in development funding, which is increasingly taking the form of results-based financing and loans.

In this context, we will focus on developing our earning capacity in the coming years. This means that we will place less emphasis on smaller systems for households that are increasingly served by solar kits and more emphasis on larger systems for entrepreneurs. Our service model has proven to be ideally suited to rural entrepreneurs, who gain access to high-capacity solar systems without the start-up costs as well as a lifetime maintenance guarantee. In addition, payment rates have improved thanks to the FRES-wide implementation of PayGo. This has also resulted in lower operational costs as PayGo allows for mobile money payments. Our rates will be reviewed in 2022 and brought to a cost-effective level where necessary.

In addition to increasing the earning capacity of our existing assets, where significant improvements can be made based on the above measures, further scaling-up is necessary to cover local operating costs and the costs for the

group from the company's own income in the long term. To this end, capacity to develop local fundraising activities is being built within the operating companies. This is also a response to the trend of funders increasingly 'localizing' their grantmaking. Moreover, we are in talks with several funders at group level to expand in our current countries and replicate our model in others.

Those conversations indicate that the FRES model resonates well: building local capacity to ensure lasting investment impact, providing energy as a service which is ideally suited to productive use and rural entrepreneurship, and promoting circularity as we reuse and recycle our assets. Based on ongoing discussions and the interest shown by funders in working with us, we expect to report results in this area in 2022.

4 Financial Report 2021

Consolidated Annual Accounts

< Yeelen Ba agent Drissa Traoré in the Sindo office. Being close to our customers is key to our success. That's why we have a network of offices across the regions where we are active, so that our customers can access quick, quality service.

We are committed to managing our finances efficiently and transparently. This section provides details of our financial position for the year ended December 31, 2021. It is a consolidated overview of (1) the operational results of the FRES companies, (2) funds and reserves and (3) the expenses of FRES The Netherlands.

The consolidated revenues include incoming funds for investments in solar systems that are added to the assets of the local companies.

The funds and reserves include a minimum reserve of FRES' own funds that can be used to pre-finance new investments. Reserves for

replacing assets are intended to ensure the sustainability of installed systems and are maintained separately.

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

4 Annual accounts 2021

CONSOLIDATED BALANCE AS ON DECEMBER 31, 2021 (after appropriation of results)

(amounts in euros)

	December 31, 2021	December 31, 2020
Assets		
1. Fixed Assets		
1.1 Property, plant and equipment	7,402,277	7,367,406
	7,402,277	7,367,406
2. Current Assets		
2.1 Receivables	703,107	757,644
2.2 Inventory	23,147	22,744
2.3 Securities	1,988,420	2,963,429
2.4 Cash and cash equivalents	1,951,738	1,845,335
	4,666,412	5,589,152
Total	12,068,689	12,956,558
Equity and liabilities		
3. Reserves		
3.1 Continuity reserve FRES The Netherlands	250,000	250,000
3.2 Reserve for pre-financing future investments FRES companies	3,000,000	3,000,000
3.3 Reserve for financing assets FRES companies	5,628,080	6,215,241
3.4 Reserve for financing assets FRES The Netherlands	6,620	11,004
3.5 Reserve currency difference	13,504	121,387
	8,898,204	9,597,632
4. Current liabilities		
4.1 Payables and other accruals	3,170,485	3,358,926
Total	12,068,689	12,956,558

4 Annual accounts 2021

CONSOLIDATED STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 DECEMBER 2021

(amounts in euros)

	Actual 2021	Actual 2020	Budget 2021
5. Income			
Income from fundraising	1,350,111	81,792	571,938
Income from our own fundraising - private persons	579	672	-
Income from our own fundraising - companies	87,537	81,120	-
Income from subsidies from governments	1,261,995	-	-
Income from other subsidies	-	-	571,938
Income from benefits in return for service	3,399,664	3,526,565	2,324,512
Other income (FRES companies)	3,399,664	3,526,565	2,324,512
Sum of the income	4,749,775	3,608,357	2,896,450

4 Annual accounts 2021

	Actual 2021	Actual 2020	Budget 2021
6. Expenses			
Spent on objectives			
Expenses company activities	5,211,504	5,314,229	4,702,036
Expenses for regular company activities	3,774,241	2,556,026	3,006,815
Expenses for company expansion	1,436,751	2,747,122	1,695,221
Expenses for new initiatives remaining countries	512	11,081	-
FRES service costs spent on objectives	274,445	241,151	338,112
Direct support existing companies	146,530	90,193	338,112
Direct support expansion companies	123,146	92,748	-
Direct support new initiatives	4,769	58,210	-
Total spent on objectives	5,485,949	5,555,380	5,040,148
FRES service costs management & administration	250,091	382,496	390,255
Direct costs	16,684	27,571	80,605
Indirect costs and costs from investments	233,407	354,925	309,650
Sum of the expenses	5,736,040	5,937,876	5,430,403
Financial income and expenses	394,720	108,622-	4,116-
Release negative goodwill	-	-	-
Result	591,545-	2,438,141-	2,538,069-
The result of 2021 is appropriated as follows:			
Reserve for future projects	587,161-	2,433,757-	2,538,069-
Reserve for replacement of assets	4,384-	4,384-	
	591,545-	2,438,141-	2,538,069-

4 Annual accounts 2021

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2021

(amounts in euros)

	2021	2020
Income from private persons, companies, institutions and governments	5,779,325	5,940,804
Payments to suppliers, employees and projects	4,922,065-	4,978,778-
Cash generated from operating activities	857,260	962,026
Received interest, realised result investments and balance deposits and withdrawals investments	394,720	108,622-
Cash flow from operational activities	1,251,980	853,404
Investments in property, plant and equipment	778,881-	1,212,083-
Cash flow from investment activities	778,881-	1,212,083-
Cash flow from financing activities	-	-
Cash flow	473,169	358,679-
Exchange rate and conversion differences	366,763	242,549
Net cash flow	106,406	116,130-
Cash as on January 1	1,845,335	1,961,465
Net cash flow	106,406	116,130-
Cash as on December 31	1,951,741	1,845,335

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS

General notes

Activities

Stichting Rural Energy Services ('FRES') was founded in 2004 and is registered at the Chamber of Commerce in Amsterdam with number 34201011. The foundation is located at Plantage Middelaan 2G in Amsterdam. The activities of FRES and its group companies consist of realizing sustainable rural electrification in developing countries, especially through the placement and management of autonomous solar energy systems. Additionally, FRES aims to participate in subsidiaries and partnerships that perform activities which benefit the goals of the foundation.

Public Benefit Organization (ANBI)

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

Group structure

As at December 31, 2021, the group includes four operating companies: Yeelen Kura S.A., FRES Uganda Limited, FRES Guiné-Bissau S.A. and

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

Judgements, estimates and uncertainties

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

Consolidation

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

changed where necessary to align them with the prevailing group accounting policies.

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

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

4 Annual accounts 2021

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

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

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

SSD-FRES Benin was founded in 2010 as a 100% subsidiary of FRES to be able to lay claim to a concession area and exemption from taxes. No activities took place in Benin during 2021. In May 2020, the FRES Board decided to update all entity mandates and bring all statutory obligations into compliance.

FRES Cameroon was founded in 2015 as a 100% subsidiary of FRES to be able to lay claim to a concession area and exemption from taxes. In 2016, negotiations with the government of Cameroon were initiated to secure authorization to operate and exemption from taxes. As a consequence, no operational activities took place in Cameroon.

As per April 11, 2017, FRES decided to halt the process of setting up its operations in Cameroon and to officially withdraw from any application procedure pending with the Ministry of Energy and Rural Electrification Agency. This means that the operations as contemplated in Cameroon under the EU contract will no longer take place. With no future plans for Cameroon, a dissolution exercise began in May 2020. All proceedings with the courts have so far been granted for full liquidation, with no pending obligations to date. Final filing of the liquidation is still in progress.

Related parties

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. In addition, board members, other key management of FRES and close relatives are regarded as related parties. Transactions with related parties are disclosed

in the notes, insofar as they are not transacted under normal market conditions. The nature, extent and other information regarding such transactions is disclosed, if this is necessary to provide the required insight.

Acquisition of group companies

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

The acquisition price consists of the cash consideration, or equivalent, agreed for acquiring the company plus any directly attributable expenses. If the acquisition price exceeds the net amount of the fair value of the identifiable assets and liabilities, the excess is capitalized as goodwill under intangible assets. If the acquisition price is lower than the net amount of the fair value of the identifiable assets and liabilities, the difference (i.e. negative goodwill) is disclosed under accruals. During 2020, no acquisitions took place.

Accounting policies for the cash flow statement
The cash flow statement was prepared using the direct method. The cash items disclosed in the cash flow statement consist of cash. Cash

4 Annual accounts 2021

flows denominated in foreign currencies were converted at an average estimated exchange rate following euro foreign exchange reference rates. Exchange differences affecting cash items are shown separately in the cash flow statement.

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

General principles for preparing the consolidated annual accounts

General principles

The annual accounts were prepared in accordance with the revised Dutch Accounting Standard 650 for the annual reporting of Fundraising Institutions, applicable for the financial year starting on January 1, 2021. The objective of this standard is to provide insight into the expenses of the organization and the utilization of funds in relation to the objectives for which the funds were collected. FRES did not apply for early adoption of the revised standard. The annual accounts are presented in euros.

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

Prior-year comparison

The accounting policies were consistently applied to all the years presented. During the year 2021, and up to the publication date of this annual report, there were no policy changes.

Functional currency

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

Foreign exchange

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

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

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

Financial instruments

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

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. If no fair value can be readily and reliably established, fair value is approximated

4 Annual accounts 2021

by deriving it from the fair value of components or of a comparable financial instrument, or by approximating fair value using valuation models and valuation techniques.

Criteria for no longer recognizing assets and liabilities

An asset or liability included in the balance sheet remains recognized in the balance sheet when a transaction does not lead to a significant change in the economic reality, with regard to this balance sheet item. For such transactions, no results are recorded. An important change in the economic reality is assessed on the basis of the economic benefits and risks that are likely to occur in practice.

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

Principles for the valuation of assets and liabilities

Property, plant and equipment

Property, plant and equipment are stated at

historical cost, minus cumulative depreciation and, if applicable, impairment losses.

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

Investment subsidies are deducted from the historical cost or manufacturing price of the assets to which the subsidies relate. No provision for major repairs to buildings has been formed for future repairs. When they occur, the costs of repair will be included in the results.

Financial assets

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

Impairment of fixed assets

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

recoverable amount of the cash-generating unit to which the asset belongs is identified.

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

Receivables

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

Inventory

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

4 Annual accounts 2021

the realizable value, the obsolescence of the inventories is taken into account.

Securities

Securities that are held for trading are valued at fair value in the initial processing. Changes in the actual value are recognized directly in the statement of income and expenditure. Bought, interest-bearing bonds that will be held to maturity are valued at amortized cost. Transaction costs are included in the statement and expenditure if they are related to securities, which were carried at actual value.

Cash and cash equivalents

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

Reserves and funds

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

Negative goodwill

Negative goodwill resulting from acquisitions

and calculated in accordance with section 'Acquisition of group companies', is released in the statement of income and expenditure, based on the weighted average of the remaining life of the acquired amortizable assets. Insofar as the negative goodwill exceeds the fair value of the non-monetary assets identified, the surplus is recognized directly in the statement of income and expenditure.

Other assets and/or liabilities

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

Principles for result determination

Result

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

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

Subsidies

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

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

Exchange differences

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

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

Financial income and expenses

Interest paid and received is processed on a time-weighted basis, taking account of the effective interest rate of the assets and liabilities concerned. When processing the paid interest,

4 Annual accounts 2021

the transaction costs on loans received as part of the calculation of effective interest are taken into account.

Dividends receivable from associates not carried at net asset value and securities are recognized as soon as FRES acquires the right to them. Changes in the value of financial assets and liabilities that are held for trading are recognized directly in the statement of income and expenditure.

Taxes

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

Financial instruments and risk management

Market risk

Currency risk

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

Price risk

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

Interest rate and cash flow risk

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

Credit risk

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

Liquidity risk

FRES incurs only limited liquidity risk. FRES has sufficient funds freely available, and there is no need for bank overdrafts. The EBITDA and cash flow from our operations were at a level in 2021 that FRES The Netherlands did not have to

provide funding for the current operations in the FRES companies.

4 Annual accounts 2021

NOTES TO THE CONSOLIDATED BALANCE SHEET ITEMS

1. FIXED ASSETS

1.1 PROPERTY, PLANT AND EQUIPMENT

	Installations and materials FRES Companies	Land and buildings FRES Companies	Furniture Office	Computers, software and office equipment	Total
Historical cost	16,430,357	851,047	10,840	33,054	17,325,298
Accumulated depreciation and impairments	9,704,665	220,338	4,698	28,191	9,957,892
Balance at January 1	6,725,692	630,709	6,142	4,863	7,367,406
Movements					
Investments/disposal	772,483	6,327	-	-	778,810
Exchange differences	258,880	-	-	-	258,880
Depreciation	964,466	33,969	2,168	2,216	1,002,819
Total movements	66,897	27,642-	2,168-	2,216-	34,871
Historical cost	17,449,676	857,374	10,840	33,054	18,350,944
Accumulated depreciation and impairments	10,657,087	254,307	6,866	30,407	10,948,667
Balance at December 31	6,792,589	603,067	3,974	2,647	7,402,277

1.2 DEPRECIATION PERCENTAGES

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

Investments during 2021 consisted of the acquisition of 15 Nano Grids, for Yeelen Kura, Yeelen Ba and FRES Guiné-Bissau and 6200 PayGo Switches for FRES Uganda and Yeelen

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

4 Annual accounts 2021

2 CURRENT ASSETS

2.1 RECEIVABLES

	31-12-2021 Total	31-12-2020 Total
Receivables	620,731	573,489
Prepayments	26,788	29,970
Other receivables and accrued income	55,588	154,185
Total	703,107	757,644

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

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

2.2 SECURITIES

	31-12-2021 Total	31-12-2020 Total
Shares	1,056,763	1,562,871
Bonds	927,476	1,394,669
Increased coupon interest bonds	4,181	5,889
Total	1,988,420	2,963,429

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

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

securities amounted to 10.92% in 2021 (1.42% in 2020). The FRES Board evaluated the investment policy in 2021 and decided not to make any changes to the existing investment policy.

4 Annual accounts 2021

2.3 CASH AND CASH EQUIVALENTS

	31-12-2021	31-12-2020
ING Bank	691,527	315,055
ING Bank, investment account	27,228	97,652
ING Bank, saving account	1,036,927	1,101,781
Cash	559	710
Bank credits FRES companies	195,497	330,137
Total	1,951,738	1,845,337

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

available. The decrease in 2021 in comparison to 2020 is, among others, due to investments in property, plant and equipment at our subsidiaries in Mali, Burkina Faso, Guinea-Bissau and Uganda.

4 Annual accounts 2021

3. RESERVES

3.1 CONTINUITY RESERVE FRES NETHERLANDS

	2021	2020
Balance at January 1	250,000	250,000
Appropriation of results	-	-
Balance at December 31	250,000	250,000

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

3.2 RESERVE FOR PRE-FINANCING FUTURE INVESTMENTS FRES COMPANIES

	2021	2020
Balance at January 1	3,000,000	3,000,000
Appropriation of results	-	-
Balance at December 31	3,000,000	3,000,000

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

3.3 RESERVE FOR FINANCING ASSETS – FRES COMPANIES

	2021	2020
Balance at January 1	6,215,241	8,648,998
Appropriation of results	587,161-	2,433,757-
Balance at December 31	5,628,080	6,215,241

This reserve represents the value of the assets received by the FRESco's as a gift, minus their annual depreciations

4 Annual accounts 2021

3.4 RESERVE FOR FINANCING ASSETS FRES NETHERLANDS

	2021	2020
Balance at January 1	11,005	15,389
Appropriation of results	4,384-	4,384-
Balance at December 31	6,621	11,005

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

3.5 CURRENCY DIFFERENCE

	2021	2020
Balance at January 1	121,387	27,023-
Currency changes UGX	107,883-	148,410
Balance at December 31	13,504	121,387

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

4 Annual accounts 2021

4. PAYABLES AND OTHER ACCRUALS

4.1. SHORT-TERM DEBTS AND ACCRUED INCOME

	31-12-2021	31-12-2020
Creditors	217,535	237,870
Other payables	2,952,950	3,121,057
Total	3,170,485	3,358,927

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

Commitments and contingencies not included in the balance sheet

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

NOTES TO THE CONSOLIDATED STATEMENT OF INCOME AND EXPENDITURE

General

The donations relate to income from own fundraising activities.

Continuity of the activities

Mid 2020, FRES decided to invest in a battery replacement plan. Due to COVID-related delays, battery batches arrived in Mali, Burkina Faso and Guinea-Bissau in the beginning of 2021. Furthermore, four new mini grids were put in services in Mali end of 2020 after which connecting of new customers could start. The final commissioning of these mini grids took place in 2021. The customer base increased slightly from 19,911 in 2020 to 20,860 in 2021.

Percentages spent on objectives

In accordance with Dutch Accounting Standard 650 for the annual reporting of fundraising institutions, the clarification below states several percentages.

Percentage of expenditures spent on objectives

This percentage is calculated as follows: the total of the expenses spent on the objectives divided by the sum of the expenditures. The percentage of expenditures spent on objectives amounted to 89.3% in 2021 (2020: 93%). The percentage of expenditures spent on management and administration therefore amounts to 10.7%. The percentage relating to overhead costs is low

because volunteers including board members and commissioners execute their activities on a pro bono basis.

Percentage of income spent on objectives

This percentage is calculated as follows: the total of the expenses spent on the objectives divided by the income received in 2021. These incomes do not include transfers from reserves that were spent on activities in 2021. The percentage of income spent on objectives amounted to 115.5% for 2021 (2020: 152%). The percentage has decreased because less income was received from the EU in 2021 and a lower amount was used from the reserves.

5. INCOME AND EXPENSES

INCOME FROM OWN FUNDRAISING – PRIVATE PERSONS

	2021	2020
Private donations	579	672
Total	579	672

INCOME FROM OWN FUNDRAISING - COMPANIES

The donations from companies can be specified as follows:

	2021	2020
Donation companies	87,537	81,120
Total	87,537	81,120

SUBSIDIES FROM GOVERNMENTS

	2021	2020
Project financing EU Regional	869,742	-
Project financing EU Fragile States	324,629	-
Total	1,194,371	-

OTHER INCOME

	2021	2020
Income FRES companies	3,399,664	3,526,565
Total	3,399,664	3,526,565

4 Annual accounts 2021

FINANCIAL INCOME AND EXPENSES

	2021	2020
Interest bank	17,622-	20,725-
Exchange rate difference Uganda	142,057	165,565-
Result interest bonds	1,708-	17,966
Dividends	34,737	31,479
Realised gains/losses shares & bonds	99,506	141,516-
Unrealised gains/losses shares	175,144	108,642
Unrealised gains/losses bonds	37,394-	61,097
Total	394,720	108,622-

The net return on investments in securities and cash equivalents is accounted for under the financial income and expenses. The above-mentioned return of € 394.720,- also included an amount of €137.750,- unrealized results on the investments. Cash equivalents were kept in a current account and deposit account at credit institutions with at least an 'A' credit rating.

Loans

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

LOANS TO FRES COMPANIES

	31-12-2021	31-12-2020
Total	8,477,965	7,930,521

Employees

The number of FTEs as at December 31, 2021 amounted to 3,84 FTE (2020: 4 FTE).

Remuneration board members

The remuneration of FRES board members amounted to €0 in 2021 (2020: €0). No loans, advances or guarantees were issued to board members. No employment contract exists between FRES and the board members.

Subsequent events

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

4 Annual accounts 2021

DEVELOPMENTS OF COVID-19 AND ITS UNCERTAINTY

Throughout 2021, the number of registered cases of COVID-19 in the African countries where FRES operates was relatively low compared to Europe. Nevertheless, business continuity measures were taken and communicated to the employees by the FREScos, allowing employees to work from home (where possible) and to set up replacement schemes in the event of an eventual quarantine. In case of expansion of the number of cases of COVID-19 and restrictions on daily life, the impact for the FREScos is expected to be a:

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

The Netherlands started to see almost all restrictions being lifted at the beginning of 2022. The travel policy was slightly amended and international travel to the FREScos was possible in May 2022

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

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

4 Annual accounts 2021

FOUNDATION'S BALANCE SHEET AS AT DECEMBER 31, 2020 (after appropriation of results)

(amounts in euros)

	December 31, 2021	December 31, 2020
Assets		
1. Non-current Assets		
1.1 Property, plant and equipment	6,621	11,005
1.2 Financial assets	6,783,908	6,668,534
	6,790,529	6,679,543
2. Current Assets		
2.1 Receivables	14,553	108,384
2.2 Securities	1,988,420	2,963,429
2.3 Cash and cash equivalents	1,756,241	1,515,198
	3,759,214	4,587,011
Total	10,549,743	11,266,554
3. Reserves		
3.1 Continuity reserve FRES The Netherlands	250,000	250,000
3.2 Reserve for pre-financing future investments FRES companies	3,000,000	3,000,000
3.3 Reserve for financing assets FRES companies	5,628,079	6,215,240
3.4 Reserve for financing assets FRES The Netherlands	6,621	11,005
3.5 Reserve currency difference	13,504	121,387
	8,898,204	9,597,632
4. Current liabilities		
4.1 Payables and other accruals	1,651,539	1,668,922
Total	10,549,743	11,266,554

4 Annual accounts 2021

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

(amounts in euros)

	Actual 2021	Actual 2020	Budget 2021
6. Income			
Income from private persons	579	672	612
Income from companies	-	347,962	-
Income from subsidies	1,261,995	-	176,103
Sum of the income	1,262,574	348,634	176,715
7. Expenses			
Spent on objectives (consolidated budget)	1,804,552	2,240,167	4,702,036
FRES service costs spent on objectives			
Direct support existing companies	146,530	90,193	338,112
Direct support company expansions	123,146	92,748	-
Direct support new initiatives	4,769	58,210	-
Fres service costs management & administration			
Direct costs	16,684	27,571	80,605
Indirect costs and costs from investments	233,407	354,925	309,650
Sum of the expenses	2,329,088	2,863,814	5,430,403
Subtotal	1,066,514-	2,515,180-	5,253,688-
Financial income	251,716	54,016	-
Result subsidiaries			
Result subsidiary Yeelen Kura	52.600	117.979	-
Result subsidiary FRES Uganda	7.142	143.861-	-
Result subsidiary FRES Guiné-Bissau	58.721	105.046-	-
Result subsidiary Yeelen Ba	104.790	143.009	-
Release Yeelen Ba	-	10.942	-
Result	591,545-	2,438,141-	5,253,688-

1 The overall budget of € 4,702,036 includes an amount of € 3,006,815 from operational activities from the FRES companies.

NOTES TO THE BALANCE SHEET AND STATEMENT OF INCOME AND EXPENDITURE

General principles for preparing the annual accounts

General principles

The foundation's standalone annual accounts were prepared in accordance with the revised Dutch Accounting Standard 650 for the annual reporting of Fundraising Institutions, applicable for the financial year starting on January 1, 2021. The objective of this standard is to provide insight into the expenses of the organization and the utilization of funds in relation to the objectives for which the funds were collected. The annual accounts are presented in euros.

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

For the principles of the valuation of assets and liabilities and the result determination, we refer to the notes to the consolidated balance sheet items on page 56 and consolidated statement of income and expenditure on page 62.

Financial assets

Subsidiaries

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

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

Result from subsidiaries (valued at net asset value)

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

Notes to the balance sheet items

Financial assets

The movement of the investments in subsidiaries during 2021 is as follows:

	2021	2020
Balance at January 1	6,668,538	6,497,105
Currency difference	107,883-	148,410
Result subsidiaries	223,253	23,023
Balance at December 31	6,783,908	6,668,538

For the other notes, we refer to the notes to the consolidated balance sheet items 2021.

4 Annual accounts 2021

Notes to the statement of income and expenditure

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

Destination	Objective									Mgmt. & admin	Total 2021	Budgeted 2021	Total 2020
	Existing companies				Expansion companies								
	Yeelen Kura, Mali	Yeelen Ba, Burkina Faso	FRES Guinea-Bissau, Guinea-Bissau	FRES Uganda, Uganda	Yeelen Kura, Mali	Yeelen Ba, Burkina Faso	FRES Guinea-Bissau, Guinea-Bissau	FRES Uganda, Uganda	New initiatives				
Expenditures													
Subsidies and contributions	147.645	224.971	284.691	81.361	359.067	364.700	190.686	150.921	512		1.804.550	4.702.036	2.240.167
Remittances											-	-	-
Purchases and acquisitions											-	-	-
Outsourced work											-	-	-
Publicity and communication	2.336	2.411	2.252	2.098	1.868	2.185	2.072	1.519	296	15.515	32.551	46.117	60.697
Personnel expenses	24.408	25.196	23.529	21.921	19.523	22.833	21.657	15.872	3.094	162.135	340.169	481.943	359.146
Accommodation expenses	2.512	2.593	2.421	2.256	2.009	2.349	2.228	1.633	318	16.684	35.003	49.591	44.953
Office and general expenses	7.228	7.461	6.968	6.491	5.781	6.762	6.413	4.700	916	48.014	100.736	142.720	156.607
Depreciation and interest	405	418	390	364	324	379	359	263	51	2.690	5.643	7.995	2.241
Other	738	762	711	663	590	690	655	480	94	5.052	10.434	14.783	-
Total	185.271	263.812	320.963	115.152	389.162	399.898	224.071	175.388	5.282	250.090	2.329.088	5.445.186	2.863.811
	8,0%	11,3%	13,8%	4,9%	16,7%	17,2%	9,6%	7,5%	0,2%	10,7%	100%		

4 Annual accounts 2021

Notes to the balance sheet items

The subsidies and contributions actuals of €1,804,552 represent the costs made by FRES The Netherlands whereas the budget of € 4,702,036 represents the consolidated costs, including an amount of €3,006,815 from the operating activities from the FRES companies.

The decrease in personnel expenses from €359,146 (2020) to €340,169 (2021) can be explained by the departure of three members of the FRES The Netherlands staff in 2021, including the managing director. The new managing director started in June 2020. Two other positions were filled in 2021.

The decrease in accommodation expenses from €44,983 (2020) to €35,003 (2021) can be explained by lower costs as due to COVID restrictions the annual company week was organized online and due to lower reimbursements to the operating countries.

The increase in office and general expenses from €156.607 (2020) to €100,736 (2021) can be explained by higher costs incurred for the existing operations.

Proposed appropriation of the 2021 results

For the proposed appropriation of the 2021 results amounting to -€591,545 we refer to the overview below.

Amsterdam, 22 september 2022

Board FRES

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

	Balance as on 1-1-2021	Appropriation of results 2021	Balance as on 31-12-2021
Continuity reserve FRES The Netherlands	250,000	-	250,000
Reserve for pre-financing future investments FRES companies	3,000,000	-	3,000,000
Reserve for financing assets FRES companies	6,215,240	587,161-	5,628,079
Reserve for financing assets FRES The Netherlands	11,005	4,384-	6,621
Total	9,476,245	591,545-	8,884,700

4.2 OTHER INFORMATION

No auditor's report included

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

Statutory arrangement concerning the appropriation of results

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

Adoption and approval of the 2021 annual accounts

The 2021 annual accounts were adopted at a board meeting held 22 September 2022

Changes to the board

Paul Gaalman stepped down as treasurer at the beginning of 2021 and was succeeded by Roland van der Pouw. Paul Hol stepped down as a board member at the beginning of 2022 and was succeeded by Tanja Pelle.

4 Annual accounts 2021

4.3 ANNEX TO THE ANNUAL ACCOUNTS 2021

Expenses split per subsidiary

	Actual 2021	Actual 2020	Budget 2021
Expenses for regular company activities	3.774.241	2,556,026	3.006.815
Yeelen Kura, Mali	895.418	831,861	674.271
NuRa, South Africa	-	345,092-	-
Yeelen Ba, Burkina Faso	920.787	385,086	955.067
FRES Uganda, Uganda	1.196.324	1,093,299	728.044
FRES Guiné-Bissau, Guinea-Bissau	761.712	590,872	649.433
Expenses for company expansion	1.436.751	2,747,122	1.695.221
Yeelen Kura, Mali	1.020.233	2,172,442	1.545.681
Yeelen Ba, Burkina Faso	74.910	118,841	47.056
FRES Uganda, Uganda	150.921	245,377	53.701
FRES Guiné-Bissau, Guinea-Bissau	190.687	210,462	48.783
Expenses for new initiatives	512	11,081	-
New initiatives remaining countries	512	11,081	-
Subtotal	5.211.504	5,314,229	4.702.036

4 Annual accounts 2021

Tangible fixed assets split per subsidiary

	Installations and materials FRES Guiné-Bissau	Installations and materials FRES Uganda	Land and buildings Yeelen Kura	Installations and materials Yeelen Kura	Installations and materials Yeelen Ba	Furniture Office	Computers, software and office equipment	Total
Historical cost	-	3,008,774	851,047	11,891,396	1,530,187	10,840	33,054	17,325,298
	-	2,015,926	220,338	6,567,627	1,121,112	4,698	28,191	9,957,892
Balance as on January 1	-	992,848	630,709	5,323,769	409,075	6,142	4,863	7,367,406
Movements								
Investments/disposal		12,044	6,327	582,978	201,549	0	-	77,810
Exchange differences	-	254,902	-	3,978	-	0	-	258,880
Depreciation	-	245,661	33,969	598,594	120,211	2,168	2,216	1,002,819
Total movements	-	2,803-	27,642-	11,638-	81,338	2,168-	2,216-	34,871
Historical cost	-	3,251,632	857,374	12,478,352	1,731,736	10,840	33,054	18,362,988
Accumulated depreciation and impairments	-	2,261,587	254,307	7,166,221	1,241,323	6,866	30,407	10,960,711
Balance as on December 31	-	990,045	603,067	5,312,131	490,413	3,974	2,647	7,402,277

4 Annual accounts 2021

Tangible fixed assets split per subsidiary

	31-12-2021 Total	31-12-2020 Total
Receivables FRES	0	0
Receivables FRES companies	620,731	573,489
Prepayments FRES	11,236	8,486
Prepayments FRES companies	15,552	21,484
Other receivables and accrued income	3,317	99,898
Other receivables and accrued income FRES companies	52,271	54,287
Total	703,107	757,644

Short-term debts and accrued income split

	31-12-2021	31-12-2020
Creditors	125,308	119,333
Creditors Fresco's	92,227	118,537
Other payables	81,105	59,784
Other payables Fresco's	2,871,846	3,061,273
Total	3,170,486	3,358,927

4 Annual accounts 2021

Result subsidiaries split

	Actual 2021	Actual 2020
Result subsidiary Yeelen Kura	52,600	117,979
Result subsidiary FRES Uganda	7,142	143,861-
Result subsidiary FRES Guinée-Bissau	58,721	105,046-
Result subsidiary Yeelen Ba	104,790	143,009
Release Yeelen Ba	-	10,942
Total	223,253	23,023

4.4 Independent accountant's review report

To: Stichting Rural Energy Services

We have reviewed the accompanying annual accounts 2021 of Stichting Rural Energy Services based in Amsterdam.

These annual accounts comprise:

1. the balance sheet as at 31 December 2021;
2. the profit and loss account for the year then ended; and
3. the notes comprising of a summary of the accounting policies and other explanatory information.

Management's responsibility

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

Auditor's responsibility

Our responsibility is to express a conclusion on the annual accounts. We conducted our review in accordance with Dutch law, including the Dutch Standard 2400, 'Opdrachten tot het beoordelen van financiële overzichten' (Engagements to review annual accounts). This requires that we comply with ethical requirements and that we plan and perform the review to be able to conclude whether anything has come to our attention that causes us to believe that the annual accounts are not free from material misstatement.

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

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the annual accounts do not give a true and fair view of the financial position of Stichting Rural Energy Services as at 31 December 2021 and of its result for the year then ended in accordance with Standard for annual reporting 650 'Charity organisations' of the Dutch Accounting Standards Board.

Rotterdam, 22-09-2022



Baker Tilly (Netherlands) N.V.

L. den Boer RA

KvK: 24425560

ACRONYMS

EEP	Energy and Environment Partnership
FRES	Foundation Rural Energy Services
kWh	kilowatt hour
kWp	kilowatt peak
MWh	megawatt hour
OFID	OPEC Fund for International Development
SDG	Sustainable Development Goal
SHS:	solar home system

BENEFICIARIES CALCULATIONS

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

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

Colophon

This annual report was published
by FRES (Foundation Rural Energy
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FRES Guinée-Bissau technician Sabino Bidante in front of the solar panels of the mini grid in Contubôel. Established with support from the OPEC Fund for International Development and EuropeAid, the mini grid has consistently served 449 customers since 2017 and reached 480 in 2021.