

2015 FINANCIAL REPORT

**Stichting Practica
Papendrecht**

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Management report

Our foundation was established on 21 February 2001 and is registered under the name 'Stichting PRACTICA' at the Chamber of Commerce Arnhem, registration number 09119363. As by the statutes, PRACTICA is a non-profit foundation, which is governed by a board, consisting of a minimum of three members. The board is currently formed by Mr. H. Alderink, Chairman, Mr. B.J. Kouwenhoven, Treasurer, Mr. B. Satijn, Secretary and Mr. V. Post, Member. The executive management is formed by Mr. R. Vuik and Mr. J. Nederstigt. Next to the head office in the Netherlands, we have a field office in Madagascar under the management of country director Mr. X. Gras.

In developing countries the need for clean drinking water, energy, food security and sanitation facilities will continue to grow the next coming years, mainly due to population growth, inadequate governance and failing of existing facilities. Our vision is that knowledge transfer on existing low cost technologies and development and dissemination of new technologies with the local private sector can highly contribute to support the global access to water, sanitation and energy, especially for the poor.

Mission statement: Seeding practical and affordable technologies for socio-economic change.

PRACTICA's mission is poverty reduction in developing countries through seeding practical and affordable small scale technologies in the field of water, sanitation and energy. Developing new innovations and disseminating existing proven technologies and methods including adequate business models will trigger socio-economic change and sustainable services.

On operational level, PRACTICA acts as a non-profit consultancy organization: We partner with international and local organizations and support those organizations to implement technical innovations within those programs. We charge a consultancy fee for those services based on a cost-recovery basis. In 2015, we have been able to execute 20 projects under contract with 4,8 FTE in our head office in the Netherlands, 3,5 FTE in our Madagascar office and 1,7 FTE flexible project staff. In case the activities result in revenues, these are being used for applied research and product development to ensure continued innovation in the sector. In 2015, we have been able to start the development of five new concepts. For 2016, we plan to use our reserves for continuation of the research and development activities. Additionally, revenues are being used to build a continuity reserve that enables us to continue operations in case of lagging project incomes for a total of six months.

All reserves of the foundation are deposited at savings accounts of Dutch banks with a preferred maximum of €100.000 per bank and never invested in stock exchange funds or similar high-risk products.

At the start of the new calendar year, the operational expenses including personnel costs are budgeted. as are the internal projects that are financed from the restricted reserves. However, due to the unpredictable nature of the acquisition and contracting of external projects, only projections are made for the current and next calendar year.

Papendrecht, 23 February 2016

H. Alderink
Chairman

ANNUAL FINANCIAL STATEMENTS

Balance as of December 31, 2015

Assets	<i>ref</i>	31-12-15 EUR	31-12-14 EUR	EUR
<i>Fixed Assets</i>				
Tangible Fixed Assets	2.1			
Other non current assets		<u>13.216</u>	<u>19.440</u>	
			13.216	19.440
Financial Fixed Assets				
Rent deposit		<u>6.897</u>	<u>6.897</u>	
			6.897	6.897
<i>Current Assets</i>				
Accounts Receivable	2.2	142.334	95.470	
Other receivables, prepayments and accrued income	2.3	<u>75.764</u>	<u>3.987</u>	
			218.098	99.457
Cash and cash equivalents	2.4		271.475	417.058
			<u>509.686</u>	<u>542.852</u>
 Equity and liabilities				
Equity				
Continuity reserve	2.5	233.645	214.470	
Restricted reserves	2.5	91.713	105.305	
Other reserves	2.5	<u>60.878</u>	<u>64.983</u>	
			386.236	384.758
Short-term debts				
Accounts payable		34.515	36.833	
Taxes and social insurance premiums	2.6	8.358	11.073	
Other debts, accruals and deferred income	2.7	<u>80.577</u>	<u>110.188</u>	
			123.450	158.094
			<u>509.686</u>	<u>542.852</u>

Statement of revenues and expenses for the year 2015

	<i>ref</i>	2015 EUR	2014 EUR
Revenues		974.374	1.031.507
Project costs		<u>-550.108</u>	<u>-507.352</u>
		424.266	524.155
Personnel costs	3.1	336.726	353.793
Depreciation	3.2	7.386	8.260
Other operational expenses	3.3	<u>79.829</u>	<u>88.351</u>
Total expenses		423.941	450.404
Operating result		325	73.751
Finance result		<u>1.153</u>	<u>2.549</u>
Surplus for the year		1.478	76.300

The surplus for the year 2015 is added to the following reserves:

	2015 EUR	2014 EUR
- Continuity reserve	19.175	71.490
- Restricted reserves	-13.592	5.305
- Other reserves	<u>-4.105</u>	<u>-495</u>
	1.478	76.300

Cash flow statement for the year ended December 31, 2015

	2015	2014
	EUR	EUR
Cash flow from operating activities		
Operating result	325	73.751
<i>Adjustments for:</i>		
Depreciation	7.386	8.260
Provisions	0	-11.543
<i>Changes in working capital</i>		
Changes in receivables	-119.117	-18.323
Changes in liabilities	-34.644	-14.812
	<u>-153.761</u>	<u>-33.135</u>
Cash flow from operating activities	-146.050	37.333
Interest received	<u>1.629</u>	<u>1.377</u>
Cash flow from operating activities	-144.421	38.710
Cash flow from investment activities		
Investments in tangible fixed assets	-1.162	-14.732
Investments in financial fixed assets	<u>0</u>	<u>-6.897</u>
	-1.162	-21.629
Cash flow from investment activities	-1.162	-21.629
Net increase/(decrease) in cash and cash equivalents	-145.583	17.081
Cash and cash equivalents as per January 1	417.058	399.977
Changes in cash and cash equivalents	<u>-145.583</u>	<u>17.081</u>
Cash and cash equivalents as per December 31	<u><u>271.475</u></u>	<u><u>417.058</u></u>

Notes to the balance sheet and the statement of revenues and expenses

1 General notes

1.1 General

Objective/mission/management

The objective, as stipulated in Foundation Practica's statutes is to make development, improvement and implementation of technology in the area of water and energy possible. In 2015, the Foundation Board was comprised of Mr. R.H. Aalderink, Mr. B.J. Kouwenhoven, Mr. B. Satijn and Mr. V. Post.

1.2 Prior-year comparison

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

1.3 Estimates

The preparation of the financial statements in conformity with the relevant rules requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the foundation. If necessary for the purpose of providing the essential view, the nature of these estimates and judgements, including the related assumptions, is disclosed in the notes to the financial statement items in question.

1.4 Accounting policies for the balance sheet

General

The financial statements have been prepared in accordance with the Dutch Accounting Standard C1 "Kleine-organisaties-zonder-winststreven" as issued by the Dutch Accounting Standards Board. The financial statements are expressed in euros. In general, assets and liabilities are stated at the amounts at which they were acquired or incurred. If not specifically stated otherwise, they are recognised at the amounts at which they were acquired or incurred. The balance sheet and statement of revenues and expenses include references to the notes.

Tangible Fixed Assets

Other non-current assets are valued at historical cost or manufacturing price including directly attributable expenditure, less straight-line depreciation over their estimated useful lives and impairment losses

Receivables

Trade receivables are carried at the fair value of the consideration, usually its face value. A provision is accounted for expected bad debts.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and bank balances. Cash and cash equivalents are stated at face value.

Restricted reserves

Restricted reserves concern equity that has been earmarked by the Board for a special purpose.

Short-term debts

Short-term debts have a term of a maximum of 1 year.

1.5 *Accounting policies for the statement of revenues and expenses*

General

Results are determined as the difference between the realisable value of the services rendered, and the costs and other charges for the year. Revenues are recognised in the year in which they are realized; losses are taken as soon as they are foreseeable.

Revenues

The subsidies and gifts are accounted for in the year to which they relate. Revenues are recognized based on the services performed to the balance sheet date as a percentage of the total services to be performed and in accordance with the subsidy conditions.

Depreciation

Tangible fixed assets are depreciated over their estimated useful lives as from the inception of their use. Future depreciation is adjusted if there is a change in estimated future useful life.

Projectcosts

Costs of projects represents direct expenses attributable to the services performed.

Employee benefits

Salaries, wages and social security contributions are taken to the statement of revenues and expenses based on the terms of employment, where they are due to employees.

Other operational expenses

Other operating expenses comprise costs chargeable to the year that are not directly attributable to the costs of projects.

1.6 *Notes to the cash flow statement*

The cash flow statement has been prepared using the indirect method. The cash and cash equivalents disclosed in the cash flow statement comprised of cash and cash equivalents. Cash flows denominated in foreign currencies have been translated at average exchange rates. Interest received is included in net cash from operating activities.

2 Explanatory notes regarding the balance

2.1 Tangible Fixed Assets

	Other non current assets	
		EUR
January 1, 2015		
Acquisition price	46.056	
Accumulated depreciation	-26.616	
	<hr/>	
Book value	19.440	
Changes in 2015		
Investments	1.162	
Depreciation	-7.386	
	<hr/>	
	-6.224	
December 31, 2015		
Acquisition price	47.218	
Accumulated depreciation	-34.002	
	<hr/>	
Book value	13.216	
Depreciation percentages	20- 33,3%	
 2.2 Accounts Receivable		
	31-12-15	31-12-14
	EUR	EUR
Accounts Receivable	142.334	95.470
Provision for doubtful debts	<u>0</u>	<u>0</u>
	142.334	95.470

2.3 Other receivables, prepayments and accrued income

	31-12-15	31-12-14
	EUR	EUR
Current projects	72.469	0
Interest bank	1.455	1.931
Loan personnel	381	2.056
Pre-paid costs and other prepayments	<u>1.459</u>	<u>0</u>
	75.764	3.987
<i>Current projects</i>		
- Invoiced in advance	-82.043	-106.904
- To be invoiced	<u>154.512</u>	<u>79.495</u>
	72.469	-27.409

2.4 Cash and cash equivalents

	31-12-15	31-12-14
	EUR	EUR
ASN Bank	101.598	195.009
Triodos Bank	160.566	180.252
Societe Generale Madagascar	<u>9.311</u>	<u>41.797</u>
	271.475	417.058

2.5 Equity

	2015	2014
	EUR	EUR
Continuity reserve		
At 1 January	214.470	142.980
Result appropriation	<u>19.175</u>	<u>71.490</u>
At 31 December	233.645	214.470

The continuity reserve serves as a buffer in the event certain calamities occur in the future. The Board agreed that Practica will work towards a continuity reserve in 2020 of € 310.436 (based on 50% of the annual operational costs prognosis for 2020 of € 620.692), increasing linearly every year.

	2015	2014
	EUR	EUR
Restricted reserves		
At 1 January	105.305	100.000
Result appropriation	<u>-13.592</u>	<u>5.305</u>
At 31 December	91.713	105.305

	2015	2014
Restricted reserves are formed for:		
- Concept development solar irrigation	12.855	20.000
- Concept development flood plain irrigation	0	5.000
- Concept development small piped water supply systems	8.382	15.000
- Concept development payment and management systems for rural drinking water supply	9.118	10.000
- Concept development for low-cost sludge collection and treatment	8.858	10.000
- Investment office and staff facilities location Madagascar	5.000	20.000
- Development of training programmes and facilities for manual drilling	0	15.305
Investments in workshop equipment	15.000	10.000
- Training course Irrigation & Food Security	7.500	0
- Alliance and proposal development FDW and FDOV funds	25.000	0
	<hr/>	<hr/>
	91.713	105.305

	2015	2014
Other reserves	EUR	EUR
At 1 January	64.983	65.478
Result appropriation	<hr/> -4.105	<hr/> -495
At 31 December	60.878	64.983

Short-term debts

2.6 Taxes and social insurance premiums

	31-12-15	31-12-14
	EUR	EUR
Payroll taxes	<hr/> 8.358	<hr/> 11.073
	8.358	11.073

2.7 Other debts, accruals and deferred income

	31-12-15	31-12-14
	EUR	EUR
Current projects	0	27.409
Project costs	15.724	12.750
Holiday allowances	12.693	12.300
Vacation days	15.122	16.993
Restricted bonuses employees (maximum 8% of annual salary)	22.878	21.679
Net wages	7.565	13.057
Auditor's fees	<u>6.595</u>	<u>6.000</u>
	80.577	110.188
<i>Current projects</i>		
- Invoiced in advance	82.043	106.904
- To be invoiced	<u>-154.512</u>	<u>-79.495</u>
	-72.469	27.409

2.8 Rights and obligations not included in the balance sheet

The foundation has entered into a rental obligation for housing for an amount of € 27.588 per year. This obligation expires on December 31, 2016.

3 Explanatory notes to the statement of revenues and expenses

3.1 Personnel costs

	2015	2014
	EUR	EUR
Wages and salaries	276.059	283.916
Social security contributions	47.991	52.825
Other personnel costs	<u>12.676</u>	<u>17.052</u>
	336.726	353.793
Average number of FTEs in service	4,8	5,1

3.2 Depreciation

	2015	2014
	EUR	EUR
Depreciation	<u>-7.386</u>	<u>-8.260</u>
	-7.386	-8.260

3.3 Other operational expenses

	2015	2014
	EUR	EUR
Housing costs	36.090	41.899
Sales costs	1.781	1.383
Office expenses	33.476	26.635
General costs	<u>8.482</u>	<u>18.434</u>
	79.829	88.351

Papendrecht, February ²³....., 2016

On behalf of the General Management

H. Alderink
Chairman


B.J. Kouwenhoven
Treasurer

Stichting Practica
Geulweg 16-18
3356 LB PAPENDRECHT

Auditor's report

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Stichting Practica
Geulweg 16-18
3356 LB PAPENDRECHT

We have audited the accompanying financial statements 2015 of Stichting Practica, Wageningen, which comprise the balance sheet as at December 31, 2015, the statement of revenues and expenses for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Dutch Accounting Standard C1 "Kleine-organisaties-zonder-winststreven". Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.


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

Opinion with respect to the financial statements

In our opinion, the financial statements give a true and fair view of the financial position of Stichting Practica as at December 31, 2015 and of its results for the year then ended in accordance with Dutch Accounting Standard C1 "Kleine-organisaties-zonder-winststreven".

Ridderkerk, February 29, 2016

BAKKER accountants & adviseurs



drs. R de Geus RA MBA