

2016 FINANCIAL REPORT

**Stichting Practica
Papendrecht**

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Management report

Our foundation is 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 organization. The foundation is governed by a board, consisting of a minimum of three members.

In 2016, the board was 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 Papendrecht, the Netherland, we have a field office in Antananarivo, Madagascar under the management of Country Director Mr. X. Gras.

PRACTICA foundation facilitates the use of innovative technologies to address the global water, sanitation and energy challenges. Our vision is that knowledge transfer on existing low cost technologies and development and dissemination of new technologies in collaboration with the local private sector contributes to global access to water, sanitation and energy for those currently without access.

Our mission is poverty reduction in developing countries through seeding practical and affordable small scale technologies in the field of water, sanitation and energy. By innovating and disseminating existing proven technologies and methods including successful business models, we 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 their programs. We charge a consultancy fee for those services based on an organizational cost-recovery basis.

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 2016, we have been able to invest in the development of new concepts and products, using our restricted reserves. 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.

In 2016, we have been able to execute over 30 different projects under contract with a team of 7 experts in our head office in the Netherlands, 6 in our Madagascar office, 2 technical experts in Kenya and 2 international experts. We engaged a technical intern for one of our R&D projects.

All financial 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, 29 March 2017

H. Alderink
Chairman

ANNUAL FINANCIAL STATEMENTS

Balance as of December 31, 2016

| Assets | ref | 31-12-2016 | | 31-12-2015 | |
|---|-----|----------------|-----------------------|---------------|-----------------------|
| | | EUR | EUR | EUR | EUR |
| <i>Fixed Assets</i> | | | | | |
| Tangible Fixed Assets | 2.1 | | | | |
| Other non current assets | | <u>15.304</u> | | <u>13.216</u> | |
| | | | 15.304 | | 13.216 |
| Financial Fixed Assets | | | | | |
| Rent deposit | | <u>6.897</u> | | <u>6.897</u> | |
| | | | 6.897 | | 6.897 |
| <i>Current Assets</i> | | | | | |
| Inventories | | 20.607 | | 0 | |
| Accounts Receivable | 2.2 | 133.211 | | 142.334 | |
| Other receivables, prepayments and accrued income | 2.3 | <u>5.914</u> | | <u>75.764</u> | |
| | | | 159.732 | | 218.098 |
| Cash and cash equivalents | 2.4 | | 339.191 | | 271.475 |
| | | | <u>521.124</u> | | <u>509.686</u> |
| Equity and liabilities | | | | | |
| Equity | | | | | |
| Continuity reserve | 2.5 | 252.820 | | 233.645 | |
| Restricted reserves | 2.5 | 0 | | 91.713 | |
| Other reserves | 2.5 | <u>70.119</u> | | <u>60.878</u> | |
| | | | 322.939 | | 386.236 |
| Short-term debts | | | | | |
| Accounts payable | | 71.536 | | 34.515 | |
| Taxes and social insurance premiums | 2.6 | 11.111 | | 8.358 | |
| Other debts, accruals and deferred income | 2.7 | <u>115.538</u> | | <u>80.577</u> | |
| | | | 198.185 | | 123.450 |
| | | | <u>521.124</u> | | <u>509.686</u> |

Statement of revenues and expenses for the year 2016

| | <i>ref</i> | <u>2016</u> EUR | <u>2015</u> EUR |
|-----------------------------|------------|--------------------|--------------------|
| Revenues | | 815.206 | 974.374 |
| Project costs | | <u>-365.467</u> | <u>-550.108</u> |
| | | 449.739 | 424.266 |
| Personnel costs | 3.1 | 382.959 | 338.507 |
| Depreciation | 3.2 | 8.464 | 7.386 |
| Other operational expenses | 3.3 | <u>121.800</u> | <u>78.048</u> |
| Total expenses | | 513.223 | 423.941 |
| Operating result | | -63.484 | 325 |
| Finance result | | <u>187</u> | <u>1.153</u> |
| Surplus for the year | | -63.297 | 1.478 |

The surplus for the year 2016 is added to the following reserves:

| | <u>2016</u> EUR | <u>2015</u> EUR |
|-----------------------|--------------------|--------------------|
| - Continuity reserve | 19.175 | 19.175 |
| - Restricted reserves | -91.713 | -13.592 |
| - Other reserves | <u>9.241</u> | <u>-4.105</u> |
| | -63.297 | 1.478 |

Cash flow statement for the year ended December 31, 2016

| | <u>2016</u> EUR | <u>2015</u> EUR |
|--|-----------------------|-----------------------|
| Cash flow from operating activities | | |
| Operating result | -63.484 | 325 |
| <i>Adjustments for:</i> | | |
| Depreciation | 8.464 | 7.386 |
| <i>Changes in working capital</i> | | |
| Changes in receivables | 77.582 | -119.117 |
| Changes in inventories | -20.607 | |
| Changes in liabilities | <u>74.735</u> | <u>-34.644</u> |
| | 131.710 | -153.761 |
| Cash flow from operating activities | 76.690 | -146.050 |
| Interest received | <u>1.578</u> | <u>1.629</u> |
| Cash flow from operating activities | 78.268 | -144.421 |
| Cash flow from investment activities | | |
| Investments in tangible fixed assets | -10.552 | -1.162 |
| Investments in financial fixed assets | <u>-10.552</u> | <u>0</u> |
| | -10.552 | -1.162 |
| Cash flow from investment activities | -10.552 | -1.162 |
| Net increase/(decrease) in cash and cash equivalents | 67.716 | -145.583 |
| Cash and cash equivalents as per January 1 | 271.475 | 417.058 |
| Changes in cash and cash equivalents | <u>67.716</u> | <u>-145.583</u> |
| Cash and cash equivalents as per December 31 | <u><u>339.191</u></u> | <u><u>271.475</u></u> |

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

1 General notes

1.1 General

Objective/mission/management

The mission, as stipulated in the statutes, is poverty reduction by sustainably improving water, sanitation and energy services in developing countries through technical interventions; By innovating and disseminating existing proven technologies and methods including successful business models, we facilitate sustainable access to the technologies and services. The registered and actual address of Stichting Practica is Geulweg 16, 3356 LB in Papendrecht. The foundation is registered at the Chamber of Commerce under number 09119363.

In 2016, 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

Inventories

Inventories are valued at cost price based on the FIFO method (first in, first out) or lower realisable value.

Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and bank balances. Cash and cash equivalents are carried at nominal value.

Restricted reserves

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

Short-term debts

On initial recognition current liabilities are recognised at fair value. After initial recognition current liabilities are recognised at the amortised cost price, being the amount received, taking into account premiums or discounts, less transaction costs. This usually is the nominal value.

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*

| | <u>Other non current assets</u> |
|--------------------------|---|
| | EUR |
| January 1, 2016 | |
| Acquisition price | 47.218 |
| Accumulated depreciation | -34.002 |
| | <hr/> |
| Book value | 13.216 |
| Changes in 2016 | |
| Investments | 10.552 |
| Depreciation | -8.464 |
| | <hr/> |
| | 2.088 |
| December 31, 2016 | |
| Acquisition price | 57.770 |
| Accumulated depreciation | -42.466 |
| | <hr/> |
| Book value | 15.304 |
| Depreciation percentages | 20- 33,3% |

2.2 *Accounts Receivable*

| | <u>31-12-2016</u> | <u>31-12-2015</u> |
|------------------------------|-------------------|-------------------|
| | EUR | EUR |
| Accounts Receivable | 133.211 | 142.334 |
| Provision for doubtful debts | 0 | 0 |
| | <hr/> | <hr/> |
| | 133.211 | 142.334 |

2.3 Other receivables, prepayments and accrued income

| | <u>31-12-2016</u> EUR | <u>31-12-2015</u> EUR |
|--------------------------------------|--------------------------|--------------------------|
| Current projects | 0 | 72.469 |
| Interest bank | 590 | 1.455 |
| Loan personnel | 0 | 381 |
| Pre-paid costs and other prepayments | <u>5.324</u> | <u>1.459</u> |
| | 5.914 | 75.764 |
| <i>Current projects</i> | | |
| - Invoiced in advance | -185.545 | -82.043 |
| - To be invoiced | <u>133.636</u> | <u>154.512</u> |
| | -51.909 | 72.469 |

2.4 Cash and cash equivalents

| | <u>31-12-2016</u> EUR | <u>31-12-2015</u> EUR |
|-----------------------------|--------------------------|--------------------------|
| ASN Bank | 102.932 | 101.598 |
| Triodos Bank | 228.805 | 160.566 |
| Societe Generale Madagascar | <u>7.454</u> | <u>9.311</u> |
| | 339.191 | 271.475 |

2.5 Equity

| | <u>2016</u> EUR | <u>2015</u> EUR |
|----------------------|--------------------|--------------------|
| Continuity reserve | | |
| At 1 January | 233.645 | 214.470 |
| Result appropriation | <u>19.175</u> | <u>19.175</u> |
| At 31 December | 252.820 | 233.645 |

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 € 308.566 (based on 50% of the annual operational costs prognosis for 2020 of € 617.133), increasing linearly every year.

| | <u>2016</u> EUR | <u>2015</u> EUR |
|----------------------|--------------------|--------------------|
| Restricted reserves | | |
| At 1 January | 91.713 | 105.305 |
| Result appropriation | <u>-91.713</u> | <u>-13.592</u> |
| At 31 December | 0 | 91.713 |

| | <u>2016</u> EUR | <u>2015</u> EUR |
|--|--------------------|--------------------|
| Restricted reserves are formed for: | | |
| - Concept development solar irrigation | 0 | 12.855 |
| - Concept development flood plain irrigation | 0 | 0 |
| - Concept development small piped water supply systems | 0 | 8.382 |
| - Concept development payment and management systems for rural drinking water supply | 0 | 9.118 |
| - Concept development for low-cost sludge collection and treatment | 0 | 8.858 |
| - Investment office and staff facilities location Madagascar | 0 | 5.000 |
| - Development of training programmes and facilities for manual drilling | 0 | 0 |
| Investments in workshop equipment | 0 | 15.000 |
| - Training course Irrigation & Food Security | 0 | 7.500 |
| - Alliance and proposal development FDW and FDOV funds | 0 | 25.000 |
| | <u>0</u> | <u>91.713</u> |

| | <u>2016</u> EUR | <u>2015</u> EUR |
|----------------------|--------------------|--------------------|
| Other reserves | | |
| At 1 January | 60.878 | 64.983 |
| Result appropriation | <u>9.241</u> | <u>-4.105</u> |
| At 31 December | 70.119 | 60.878 |

Short-term debts

2.6 Taxes and social insurance premiums

| | <u>31-12-2016</u> EUR | <u>31-12-2015</u> EUR |
|---------------|--------------------------|--------------------------|
| Payroll taxes | <u>11.111</u> | <u>8.358</u> |
| | 11.111 | 8.358 |

2.7 Other debts, accruals and deferred income

| | <u>31-12-2016</u> | <u>31-12-2015</u> |
|---|-------------------|-------------------|
| | EUR | EUR |
| Current projects | 51.909 | 0 |
| Other debts | 11.000 | 15.724 |
| Holiday allowances | 14.614 | 12.693 |
| Vacation days | 7.005 | 15.122 |
| Restricted bonuses employees (maximum 8% of annual salary) | 22.428 | 22.878 |
| Net wages | 1.927 | 7.565 |
| Auditor's fees | <u>6.655</u> | <u>6.595</u> |
| | 115.538 | 80.577 |
| <i>Current projects</i> | | |
| - Invoiced in advance | 185.545 | 0 |
| - To be invoiced | <u>-133.636</u> | <u>0</u> |
| | 51.909 | 0 |

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 € 28.057 per year. This obligation expires on December 31, 2017.

3 Explanatory notes to the statement of revenues and expenses

3.1 Personnel costs

| | 2016 | 2015 |
|-----------------------------------|----------------|----------------|
| | EUR | EUR |
| Wages and salaries | 308 969 | 276 059 |
| Social security contributions | 57 738 | 47 991 |
| Other personnel costs | <u>16 252</u> | <u>14 457</u> |
| | 382 959 | 338 507 |
| Average number of FTEs in service | 7,8 | 5,8 |

3.2 Depreciation

| | 2016 | 2015 |
|--------------|---------------|---------------|
| | EUR | EUR |
| Depreciation | <u>-8 464</u> | <u>-7 386</u> |
| | -8 464 | -7 386 |

3.3 Other operational expenses

| | 2016 | 2015 |
|-------------------|----------------|---------------|
| | EUR | EUR |
| Housing costs | 38 209 | 36 090 |
| Office expenses | 27 188 | 33 476 |
| General costs | 23 280 | 8 482 |
| Internal projects | <u>33 123</u> | <u>0</u> |
| | 121 800 | 78 048 |

Papendrecht, March 29, 2017

On behalf of the General Management

H. Aalderink
Chairman

B.J. Kouwenhoven
Treasurer



Stichting Practica
Geulweg 16-18
3356 LB PAPENDRECHT

INDEPENDENT AUDITOR'S REPORT

To: the Board of Directors of Stichting Practica

A. Report on the audit of the financial statements 2016 included in the annual report

Our opinion

We have audited the financial statements 2016 of Stichting Practica, based in Wageningen.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Stichting Practica as at 31 December 2016, and of its result for 2016 in accordance with the Dutch Accounting Standard C1 "Kleine-organisaties-zonder-winststreven".

The financial statements comprise:

1. the balance sheet as at 31 December 2016;
2. the profit and loss account for 2016 ; and
3. the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Stichting Practica in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

B. Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the management report.

Based on the following procedures performed, we conclude that the other information is consistent with the financial statements and does not contain material misstatements.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements. Management is responsible for the preparation of the other information, including the management report in accordance with the Dutch Accounting Standard C1 “Kleine-organisaties-zonder-winststreven”.

C. Description of responsibilities regarding the financial statements

Responsibilities of management for the financial statements

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

As part of the preparation of the financial statements, management is responsible for assessing the entity’s ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the entity’s ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtaining an understanding of internal control relevant to the audit 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;
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern;
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Ridderkerk, 29 maart 2017

BAKKER accountants & adviseurs



drs. R. de Geus RA MBA