

**2017 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 2017, the board was formed by Mr. H. Alderink, Chairman, Mr. B.J. Kouwenhoven, Treasurer and Mr. V. Post, Secretary. The executive management is formed by Mr. R. Vuik and Mr. J. Nederstigt. Next to the head office in Papendrecht, the Netherlands, 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 challenges and to enable the renewable energy transition in irrigation for smallholder farmers. 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 sustainable irrigation for those currently without access.

Our mission is poverty reduction in developing countries through seeding practical and affordable small scale technologies within our key themes being rural water supply, groundwater development, smallholder farmer irrigation and faecal sludge management. 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 2017, we have been able to continue to invest in the development of 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 2017, we have been able to execute 44 different projects under contract with a team of 8 in our head office in the Netherlands, 6 in our Madagascar office, 5 technical experts in Kenya, Benin, Egypt and Mauritania, and 3 technical experts in a voluntary role.

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 overhead costs and personnel costs are budgeted, as are the internal projects that are financed from the earmarked reserves. Due to the unpredictable nature of the acquisition, contracting and progress of execution of external projects, it is not possible to accurately estimate the total cost and incomes of this project portfolio at the start of the new calendar year. Once a project is contracted a detailed project budget is available, which is used as basis for the contract sum as well as to monitor actual project cost and progress and make detailed and accurate prognosis on project profitability.

Papendrecht, 16 April 2018

H. Alderink  
Chairman

**ANNUAL FINANCIAL STATEMENTS**

**Balance as of December 31, 2017**

<b>Assets</b>		<b>31-12-2017</b>		<b>31-12-2016</b>	
		EUR	EUR	EUR	EUR
<i>Fixed Assets</i>					
<b>Tangible Fixed Assets</b>	2.1				
Other non current assets		<u>14.917</u>		<u>15.304</u>	
			<b>14.917</b>		<b>15.304</b>
<b>Financial Fixed Assets</b>					
Rent deposit		<u>6.897</u>		<u>6.897</u>	
			<b>6.897</b>		<b>6.897</b>
<i>Current Assets</i>					
Inventories		21.554		20.607	
Accounts Receivable	2.2	319.071		133.211	
Other receivables, prepayments and accrued income	2.3	<u>5.087</u>		<u>5.914</u>	
			<b>345.712</b>		<b>159.732</b>
<b>Cash and cash equivalents</b>	2.4		<b>338.432</b>		<b>339.191</b>
			<u><b>705.958</b></u>		<u><b>521.124</b></u>
 <b>Equity and liabilities</b>					
<b>Equity</b>					
Continuity reserve	2.5	276.562		252.820	
Earmarked reserves	2.5	0		0	
Other reserves	2.5	<u>14.224</u>		<u>70.119</u>	
			<b>290.786</b>		<b>322.939</b>
<b>Short-term debts</b>					
Accounts payable		87.135		71.536	
Taxes and social insurance premiums	2.6	25.479		11.111	
Other debts, accruals and deferred income	2.7	<u>302.558</u>		<u>115.538</u>	
			<b>415.172</b>		<b>198.185</b>
			<u><b>705.958</b></u>		<u><b>521.124</b></u>

## Statement of revenues and expenses for the year 2017

	<i>ref</i>	<u>2017</u> EUR	<u>2016</u> EUR
Revenues		1.059.997	815.206
Project costs		-550.391	-365.467
		<b>509.606</b>	<b>449.739</b>
Personnel costs	3.1	423.654	382.959
Depreciation	3.2	7.083	8.464
Other operational expenses	3.3	102.632	121.800
<b>Total expenses</b>		<b>533.369</b>	<b>513.223</b>
<b>Operating result</b>		<b>-23.763</b>	<b>-63.484</b>
<b>Finance result</b>		<b>-8.390</b>	<b>187</b>
<b>Deficit for the year</b>		<b>-32.153</b>	<b>-63.297</b>

The deficit for the year 2017 is added to the following reserves:

	<u>2017</u> EUR	<u>2016</u> EUR
- Continuity reserve	23.742	19.175
- Earmarked reserves	0	-91.713
- Other reserves	-55.895	9.241
	<b>-32.153</b>	<b>-63.297</b>

## Cash flow statement for the year ended December 31, 2017

	<u>2017</u> EUR	<u>2016</u> EUR
<b>Cash flow from operating activities</b>		
Operating result	-23.763	-63.484
<i>Adjustments for:</i>		
Depreciation	7.083	8.464
<i>Changes in working capital</i>		
Changes in receivables	-185.033	77.582
Changes in inventories	-947	-20.607
Changes in liabilities	<u>216.986</u>	<u>74.735</u>
	31.006	131.710
Cash flow from operating activities	14.326	76.690
Interest received	<u>-8.390</u>	<u>1.578</u>
Cash flow from operating activities	5.936	78.268
<b>Cash flow from investment activities</b>		
Investments in tangible fixed assets	-6.695	-10.552
Desinvestments in tangible fixed assets	<u>0</u>	<u>0</u>
	-6.695	-10.552
Cash flow from investment activities	-6.695	-10.552
Net increase/(decrease) in cash and cash equivalents	-759	67.716
<b>Cash and cash equivalents as per January 1</b>	339.191	271.475
Changes in cash and cash equivalents	<u>-759</u>	<u>67.716</u>
<b>Cash and cash equivalents as per December 31</b>	<u><u>338.432</u></u>	<u><u>339.191</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 2017, the Foundation Board was comprised of Mr. R.H. Aalderink, Mr. B.J. Kouwenhoven and Mr. V.C.K.A.M. 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.



### *Earmarked reserves*

Earmarked reserves are earmarked for future spending on the objectives of the Practica. The General Management decides on the actual purposes of the reserves, based on internally agreed criteria.

### *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.

### *Project costs*

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

	<b>Other non current assets</b>	
	<u>EUR</u>	
<b>January 1, 2017</b>		
Acquisition price	57.770	
Accumulated depreciation	-42.466	
	<hr/>	
Book value	<b>15.304</b>	
<b>Changes in 2017</b>		
Investments	6.695	
Disinvestments	-26.678	
Depreciation	-6.179	
Cumulative depreciations disinvestments	<u>25.775</u>	
	<b>-387</b>	
<b>December 31, 2017</b>		
Acquisition price	37.787	
Accumulated depreciation	-22.870	
	<hr/>	
Book value	<b>14.917</b>	
Depreciation percentages	20- 33,3%	
<b>2.2 Accounts Receivable</b>		
	<b><u>31-12-2017</u></b>	<b><u>31-12-2016</u></b>
	EUR	EUR
Accounts Receivable	319.071	133.211
Provision for doubtful debts	<u>0</u>	<u>0</u>
	<b>319.071</b>	<b>133.211</b>

### 2.3 Other receivables, prepayments and accrued income

	<u>31-12-2017</u> EUR	<u>31-12-2016</u> EUR
Interest bank	175	590
Tax benefit personnel	2.000	0
Pre-paid costs and other receivables	<u>2.912</u>	<u>5.324</u>
	<b>5.087</b>	<b>5.914</b>

### 2.4 Cash and cash equivalents

	<u>31-12-2017</u> EUR	<u>31-12-2016</u> EUR
ASN Bank	103.455	102.932
Triodos Bank	171.632	228.805
Societe Generale Madagascar	<u>63.345</u>	<u>7.454</u>
	<b>338.432</b>	<b>339.191</b>

### 2.5 Equity

	<u>2017</u> EUR	<u>2016</u> EUR
Continuity reserve		
At 1 January	252.820	233.645
Result appropriation	<u>23.742</u>	<u>19.175</u>
At 31 December	<b>276.562</b>	<b>252.820</b>

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 2022 of € 395.273 (based on 50% of the annual operational costs prognosis for 2022 of € 790.546), increasing linearly every year if the surplus allows.

	<u>2017</u> EUR	<u>2016</u> EUR
Earmarked reserves		
At 1 January	0	91.713
Result appropriation	<u>0</u>	<u>-91.713</u>
At 31 December	<b>0</b>	<b>0</b>

	<u>2017</u> EUR	<u>2016</u> EUR
Other reserves		
At 1 January	70.119	60.878
Result appropriation	<u>-55.895</u>	<u>9.241</u>
At 31 December	<b>14.224</b>	<b>70.119</b>

### **Short-term debts**

#### **2.6 Taxes and social insurance premiums**

	<u>31-12-2017</u> EUR	<u>31-12-2016</u> EUR
Payroll taxes	<u>25.479</u>	<u>11.111</u>
	<b>25.479</b>	<b>11.111</b>

#### **2.7 Other debts, accruals and deferred income**

	<u>31-12-2017</u> EUR	<u>31-12-2016</u> EUR
Current projects	224.717	51.909
Other debts	11.841	11.000
Holiday allowances	14.467	14.614
Vacation days	16.905	7.005
Restricted performance based bonuses employees (maximum 8% of annual salary)	26.729	22.428
Net wages	1.244	1.927
Auditor's fees	<u>6.655</u>	<u>6.655</u>
	<b>302.558</b>	<b>115.538</b>
<i>Current projects</i>		
- Invoiced in advance	330.853	185.545
- To be invoiced	<u>-106.136</u>	<u>-133.636</u>
	224.717	51.909

## **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 € 28.450 per year. This obligation expires with a notice period of 1 year.

### 3 Explanatory notes to the statement of revenues and expenses

#### 3.1 Personnel costs

	<u>2017</u> EUR	<u>2016</u> EUR
Wages and salaries	344.966	308.969
Social security contributions	57.527	57.738
Other personnel costs	<u>21.161</u>	<u>16.252</u>
	<b>423.654</b>	<b>382.959</b>
Average number of FTEs in service	7,1	6,8

#### 3.2 Depreciation

	<u>2017</u> EUR	<u>2016</u> EUR
Depreciation	6.179	8.464
Book result desinvestments	<u>904</u>	<u>0</u>
	<b>7.083</b>	<b>8.464</b>

#### 3.3 Other operational expenses

	<u>2017</u> EUR	<u>2016</u> EUR
Housing costs	39.675	38.209
Office expenses	33.661	27.188
General costs	22.312	23.280
Internal projects	<u>6.984</u>	<u>33.123</u>
	<b>102.632</b>	<b>121.800</b>

Papendrecht, April 16, 2018

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 2017 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 2017, and of its result for 2017 in accordance with the Dutch Accounting Standard C1 "Kleine-organisaties-zonder-winststreven".

The financial statements comprise:

1. the balance sheet as at 31 December 2017;
2. the profit and loss account for 2017 ; 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, 16 April 2018

BAKKER accountants & adviseurs



R. de Geus MSc RA MBA