

## **2019 FINANCIAL REPORT**

### **Stichting Practica Papendrecht**

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#### **Practica Foundation - Management report**

##### **Structure of board and executive management**

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 organization. The foundation is governed by a board, consisting of a minimum of three members. At the start of 2019, the board was formed by Mr. H. Alderink, Chairman, Mr. B.J. Kouwenhoven, Treasurer, Mr. V. Post, Secretary and Mrs. A. Kuiken, member. Mr. Post left the board on 1-8-2019, and Mr. Kouwenhoven left the board on 4-6-2019 to become general director of Practica Foundation. Currently, the board has two vacancies for which candidates are actively being recruited.

At the start of 2019, the executive management was formed by Mr. R. Vuik and Mr. J. Nederstigt. Mr. Nederstigt resigned from his position at Practica in August, and Mr. Vuik changed from his position as operational director 1st of July to a senior expert role in project implementation. In the same month, Mr. Kouwenhoven took up the position as general director. Unfortunately, Mr. Kouwenhoven due to personal reasons has had to resign from his position as Director end of November. The executive management roles have been taken over by a management team consisting of R. Vuik, M. Heurter, M. van den Broek, en M.T. Westra. 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.

## **Aims and strategy**

The mission of Practica Foundation is to improve the living standard of the rural population of developing countries by introducing practical, affordable and innovative small-scale technologies within our key themes rural water supply, groundwater development, smallholder farmer irrigation and faecal sludge management. To establish sustainable supply chains, we strengthen the skills and tools of local enterprises to manufacture, import, operate or sell innovative technologies. In addition, PRACTICA acts as a clearing house, advocate and source of practical knowledge on promising new affordable technologies in the water and sanitation sector. By developing and disseminating technologies and concepts including successful business models, we trigger socio-economic change and sustainable services. The current goals of the foundation still fit closely to the statutory goals.

On the operational level, PRACTICA acts as a non-profit consultancy organization: we partner with international and local organizations that share our goals, and support those organizations to implement technical innovations within their programs through time-limited projects. We charge a consultancy fee for those services based on an organizational cost-recovery basis. In case the activities result in surplus revenues, these are invested in in-house applied research and product development to ensure continued innovation in the sector. In 2019, we have been able to continue to invest in the development of concepts and products, using our reserves.

## **Results**

In 2019, we have been able to execute 46 different projects under contract for a total turnover of 1M Euro. The projects were executed with a team of 8 (6 FTE) in our head office in the Netherlands, 6 in our Madagascar office, 5 technical experts in Kenya, Benin, Morocco and Mauritania, and 2 technical experts in a voluntary role.

The contracted projects were in line with our mission and have resulted in a turnover that was in line with the planning and with our ambition. Next to the contracted projects, we have been able to continue investing in innovation, which is essential for the continuity of the organization. This has led to improvements of solar-powered irrigation pumps, a new mechanical water payment system, and a suite of software for data capture in groundwater development. Focal areas for innovation were in line with our four key themes. The combination of delayed contracted activities and investment in innovation has resulted in a calculated loss for the organization.

With the current reserves of the foundation and the project portfolio, the solvency of the organisation at the balance sheet date is good enough to continue operations in the foreseeable future. With the liquidity position at the balance sheet date, the organization is able to pay off its short-term obligations. With the contracted projects and evaluation of the prospects, we do not expect that we will require loans to continue the viable operation of the organization.

## **Intentions Board 2020**

Due to the significant and partly unexpected changes in personnel and management, the Board will focus on guiding the consolidation and evaluating the effectiveness of the new management form that has been initialised in December - a four-person management team. Due to a lag in acquisition of new projects that was build up during the change of management, a second focus will be strengthening the activities in the areas of communication and acquisition. A third focal point is the valorisation of new products that have been developed in the past year.

In 2019, Practica has invested in expanding the team by hiring three young professionals in the area of irrigation and water supply. This year, these new staff will build up their experience and take part in paid projects. Unless unexpected room opens up in the budget due to better than foreseen operational results, no further increase in personnel is expected this year. The situation of housing will remain the same.

For the budget of 2020 we expect a turnover of 1.5M Euro, and a positive result of 45k Euro. This is needed for the continuity reserve of Practica. The current project portfolio, together with the leads, give sufficient confidence in reaching this result. No large changes are projected in the fixed costs part of the budget, including salaries and office costs, when compared to last year. The Board believes there is sufficient room for future growth within the current themes, as they are well aligned with outside forces such as government policies on international development, and global efforts towards reaching the Sustainable Development Goals.

#### Risk and risk mitigation

The major risks that we foresee for 2020 is related to our work in unstable states. Within our project portfolio, we see a risk in Burkina Faso, where it is becoming increasingly dangerous to work for our staff. We may need to adjust the scope of our Burkina Faso farmer led irrigation programs by reallocating resources to safer areas within the country or to expand to other countries in the region. Worst case scenario would be to postpone or cancel the project activities, which will result in a reduction of the turnover. In that event, we will use the human resources for additional acquisition for farmer led irrigation projects in West Africa, where we see a large potential for PRACTICA to increase our work and impact.

Changing donor policies is seen as a minor risk for the short term and a medium risk for the long term; our project portfolio relies on a wide range of different clients and donors and the immediate effects can be offset by other projects. In addition, the themes of Practica are well aligned with current donor priorities. For the long term, we are looking at diversification of income sources to reduce donor dependency, exploring closer cooperation with Dutch SME's on basis of their Corporate Social Responsibility policies.

#### Policy on financial reserves

Financial reserves of the foundation are deposited at savings accounts of Dutch banks with an aim for a maximum of €100.000 per bank. Financial reserves are never invested in stock exchange funds or similar high-risk products. A continuity reserve of 50% of annual operational cost is targeted. Surplus funds are invested in Research and Development activities.

Papendrecht, January 16th, 2020

H. Aalderink  
Chairman

## ANNUAL FINANCIAL STATEMENTS

### Balance as of December 31, 2019

<b>Assets</b>	<i>ref</i>	<b>31/12/2019</b>		<b>31/12/2018</b>	
		EUR	EUR	EUR	EUR
<i>Fixed Assets</i>					
<b>Intangible Fixed Assets</b>	2.1				
Digital Toolbox		21,690		0	
TokenTap		7,620		0	
			<b>29,310</b>		<b>0</b>
<b>Tangible Fixed Assets</b>	2.2				

Other non current assets		13,528	14,389
		<b>13,528</b>	<b>14,389</b>
<b>Financial Fixed Assets</b>			
Rent deposit		6,897	6,897
		<b>6,897</b>	<b>6,897</b>
<i>Current Assets</i>			
Inventories		19,188	31,909
Accounts Receivable	2.3	200,140	144,604
Other receivables, prepayments and accrued income	2.4	359	530
		<b>219,687</b>	<b>177,043</b>
<b>Cash and cash equivalents</b>	2.5	<b>273,432</b>	<b>353,856</b>
		<b>542,854</b>	<b>552,185</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Continuity reserve	2.6	185,035	274,731
Allocated reserves	2.6	7,620	0
Other reserves	2.6	0	0
		<b>192,655</b>	<b>274,731</b>
<b>Short-term debts</b>			
Accounts payable		84,763	42,293
Taxes and social insurance premiums	2.7	15,025	13,712
Current Projects	2.8	212,949	133,210
Other debts, accruals and deferred income	2.9	37,462	88,239
		<b>350,199</b>	<b>277,454</b>
		<b>542,854</b>	<b>552,185</b>

#### Statement of revenues and expenses for the year 2019

		realization 2019	budget 2019	realization 2018
	<i>ref</i>	EUR	EUR	EUR
Revenues		963,429	1,100,000	1,166,989
Project costs	3.1	-461,781	-434,700	-603,351
		<b>501,648</b>	<b>665,300</b>	<b>563,638</b>
Personnel costs	3.2	416,012	482,100	415,018
Depreciation	3.3	7,516	8,000	7,815
Other operational expenses	3.4	157,255	169,900	156,410
<b>Total expenses</b>		<b>580,783</b>	<b>660,000</b>	<b>579,243</b>
<b>Operating result</b>		<b>-79,135</b>	<b>5,300</b>	<b>-15,605</b>

<b>Finance result</b>	<b>-2,941</b>	<b>-3,450</b>	<b>-450</b>
<b>Deficit for the year</b>	<b>-82,076</b>	<b>1,850</b>	<b>-16,055</b>

The deficit for the year 2019 is added to the following reserves:

	<u>2019</u>		<u>2018</u>
	EUR		EUR
- Continuity reserve	-89,696		-1,831
- Allocated reserves	7,620		0
- Other reserves	0		-14,224
	<u>-82,076</u>		<u>-16,055</u>

#### Cash flow statement for the year ended December 31, 2019

	<u>2019</u>		<u>2018</u>
	EUR		EUR
<b>Cash flow from operating activities</b>			
Operating result	-79,135		-15,605
<i>Adjustments for:</i>			
Depreciation	7,516		7,815
<i>Changes in working capital</i>			
Changes in receivables	-55,365		179,024
Changes in inventories	12,721		-10,355
Changes in liabilities	72,745		-137,718
	<u>30,101</u>		<u>30,951</u>
Cash flow from operating activities	-41,518		23,161
Finance result	<u>-2,941</u>		<u>-450</u>
Cash flow from operating activities	-44,459		22,711
<b>Cash flow from investment activities</b>			
Investments in tangible fixed assets	-6,655		-7,287
Investments in intangible fixed assets	-29,310		0
Desinvestments in tangible fixed assets	0		0
	<u>-35,965</u>		<u>-7,287</u>
Cash flow from investment activities	-35,965		-7,287
Net increase/(decrease) in cash and cash equivalents	-80,424		15,424
<b>Cash and cash equivalents as per January 1</b>	353,856		338,432
Changes in cash and cash equivalents	-80,424		15,424
<b>Cash and cash equivalents as per December 31</b>	<u><u>273,432</u></u>		<u><u>353,856</u></u>

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

### **1 General notes**

#### **1.1 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.

##### *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.

#### **1.2 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 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.

## 1.5 *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 ***Intangible Fixed Assets***

	<b>Digital Toolbox</b>	<b>Token App</b>
	EUR	EUR
<b>January 1, 2019</b>		
Acquisition price	0	0
Accumulated depreciation	0	0
Book value	<b>0</b>	<b>0</b>
<b>Changes in 2019</b>		
Investments	21,690	7,620
Depreciation	0	0
	<b>21,690</b>	<b>7,620</b>
<b>December 31, 2019</b>		
Acquisition price	21,690	7,620
Accumulated depreciation	0	0
Book value	<b>21,690</b>	<b>7,620</b>
Depreciation percentages	20.00%	20.00%

### 2.2 ***Tangible Fixed Assets***

	<b>Other non current assets</b>
	EUR
<b>January 1, 2019</b>	
Acquisition price	45,074
Accumulated depreciation	-30,685
Book value	<b>14,389</b>
<b>Changes in 2019</b>	
Investments	6,655
Depreciation	-7,516
	<b>-861</b>

**December 31, 2019**

Acquisition price	51,729
Accumulated depreciation	-38,201
Book value	<b>13,528</b>

Depreciation percentages 20- 33,3%

**2.3 Accounts Receivable**

	<u>31/12/2019</u>	<u>31/12/2018</u>
	EUR	EUR
Accounts Receivable	200,140	144,604
Provision for doubtful debts	0	0
	<b>200,140</b>	<b>144,604</b>

**2.4 Other receivables, prepayments and accrued income**

	<u>31/12/2019</u>	<u>31/12/2018</u>
	EUR	EUR
Interest bank	0	0
Tax benefit personnel	0	0
Pre-paid costs and other receivables	359	530
	<b>359</b>	<b>530</b>

**2.5 Cash and cash equivalents**

	<u>31/12/2019</u>	<u>31/12/2018</u>
	EUR	EUR
ASN Bank	53,686	103,630
Triodos Bank	171,013	242,339
Societe Generale Madagascar	47,049	7,510
Cash USD	1,684	377
	<b>273,432</b>	<b>353,856</b>

The cash and cash equivalents are freely disposable

**2.6 Equity**

	<u>2019</u>	<u>2018</u>
	EUR	EUR
<b>Continuity reserve</b>		
At 1 January	274,731	276,562
Result appropriation	-89,696	-1,831
At 31 December	<b>185,035</b>	<b>274,731</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>2019</u>	<u>2018</u>
	EUR	EUR



## Other reserves

At 1 January	0	14,224
Result appropriation	0	-14,224
	<hr/>	<hr/>
At 31 December	0	0
	<hr/>	<hr/>
	<b>2019</b>	<b>2018</b>
	EUR	EUR

## Allocated reserves

At 1 January	0	0
Result appropriation	7,620	0
	<hr/>	<hr/>
At 31 December	7,620	0

The Allocated reserve was created by the activation of the Token Tap application, that is developed in-house, on the balance

## Short-term debts

### 2.7 Taxes and social insurance premiums

	<u>31/12/2019</u>	<u>31/12/2018</u>
	EUR	EUR
Payroll taxes	15,025	13,712
	<hr/>	<hr/>
	15,025	13,712

### 2.8 Current projects

	<u>31/12/2019</u>	<u>31/12/2018</u>
	EUR	EUR
- Invoiced in advance	225,453	195,531
- To be invoiced	-12,504	-62,321
	<hr/>	<hr/>
	212,949	133,210

### 2.9 Other debts, accruals and deferred income

	<u>31/12/2019</u>	<u>31/12/2018</u>
	EUR	EUR
Other debts		15,487
Holiday allowances	15,990	15,005
Vacation days	15,622	23,163
Restricted performance based bonuses employees (maximum 8% of annual salary)		25,887
Net wages		2,042
Auditor's fees	5,850	6,655
	<hr/>	<hr/>
	37,462	88,239

### 2.10 Rights and obligations not included in the balance sheet

The foundation has entered into a rental obligation for housing for an amount of € 36.548 per year. This obligation expires with a notice period of 1 year.

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

#### 3.1 Project costs

	<b>realization</b> <b>2019</b>	<b>budget</b> <b>2019</b>	<b>realization</b> <b>2018</b>
	EUR	EUR	EUR
Consultants / personel costs projects	302,687	282,555	295,239
Material / other costs projects	159,094	152,145	308,112
	<b>461,781</b>	<b>434,700</b>	<b>603,351</b>

Personnel costs in Madagascar for projects are recognized directly under project costs

#### 3.2 Personnel costs

	<b>realization</b> <b>2019</b>	<b>budget</b> <b>2019</b>	<b>realization</b> <b>2018</b>
	EUR	EUR	EUR
Wages and salaries	316,335	378,300	338,130
Social security contributions	63,540	57,000	52,886
Other personnel costs	24,489	26,800	24,002
Coverage wage costs (activation of own prod. dev.)	-7,620	0	0
Salaries Madagaskar	19,268	20,000	0
	<b>416,012</b>	<b>482,100</b>	<b>415,018</b>
Average number of FTEs in service Netherlands	<b>6.0</b>	<b>6.0</b>	<b>4.9</b>
Average number of FTEs in service	<b>2.2</b>	<b>2.0</b>	<b>1.0</b>

#### 3.3 Depreciation

	<b>realization</b> <b>2019</b>	<b>budget</b> <b>2019</b>	<b>realization</b> <b>2018</b>
	EUR	EUR	EUR
Depreciation	7,516	8000	7,815
Book result desinvestments	0		0
	<b>7,516</b>	<b>8,000</b>	<b>7,815</b>

#### 3.4 Other operational expenses

	<b>realization</b> <b>2019</b>	<b>budget</b> <b>2019</b>	<b>realization</b> <b>2018</b>
	EUR	EUR	EUR
Sales costs	0		0
Office expenses	48,068	40,500	42,587
General costs	22,549	33,000	26,391
Internal projects	41,784	48,300	39,783
	<b>157,255</b>	<b>169,900</b>	<b>156,410</b>

**BUDGET of revenues and expenses for the  
year 2020**

	<b>budget 2020 EUR</b>
Revenues	1,540,000
Project costs	-906,000
	<b>634,000</b>
Personnel costs	455,800
Depreciation	8,000
Other operational expenses	121,600
	<b>585,400</b>
Total expenses	<b>585,400</b>
Operating result	<b>48,600</b>
Finance result	<b>-3,450</b>
Deficit for the year	<b>45,150</b>

Papendrecht, 2020

On behalf of the General Management

H. Aalderink  
Chairman

A.J. Kuiken  
Treasurer

Stichting Practica  
Geulweg 16-18  
3356 LB PAPENDRECHT

**Auditor's report**

