Reporting back

Annual Report and Accounts 2008-2009

PRACTICAL ACTION
Technology challenging poverty

Turkana women and children at the newly built well at Lokiriama, Kenya.

Previously villagers and their animals had to walk upto 15kms for water which sometimes took all day. Working with the community, Practical Action has installed a simple borehole – using metal rope and bucket technology which is sustainable and easy to repair. The borehole now provides safe, clean water. Animals also benefit with a separate watering trough.

Practical Action / Justine Williams

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Message from the Chair

Last year the world watched on, seemingly helpless, as we lurched from one crisis to another. The food crisis set to devastate the lives of millions across the world was replaced with the economic slow down of unprecedented proportions.

The biggest financial crisis the world has suffered in modern history was largely brought about by the irresponsible lending practices of the banks. This economic meltdown is touching the lives of everyone. However the stark reality is this will hit the world's poorest the hardest. The injustice of global poverty is highlighted again – where those who have least to do with causing the problem are affected the most.

And in some of Practical Action's countries of operation further political turbulence has also increased the need for our efforts. In Sri Lanka in particular we stand ready to help the people who are emerging from the conflict in the north. Devastation has torn through the country leaving more than a quarter of a million people living in Internally Displaced People's (IDP) camps. Yet we are left with an opportunity to rebuild with the real hope of reconciliation, peace and development. We are now looking to help provide an environment which is secure and harmonious while putting in place vital infrastructure. Whether it is through helping people rebuild livelihoods or helping to provide essential services, shelter or schools, we are ready to work with local partners to help put communities back on their feet.

Following the international arrest warrant for President Bashir in Sudan, a number of development charities were asked to leave the country. Practical Action was not amongst them and continues to work in the country in challenging areas such as Darfur, Kassala and the Blue Nile. As one of the few remaining agencies working on long term development (rather than humanitarian relief) in Darfur, our resources are needed now more than ever. And in Zimbabwe and Nepal periods of relative stability seem to have emerged, allowing us to continue with vital poverty eradication work.

While 2008 presented the world with many new challenges and conflicts, the work of Practical Action and its local partners continues to offer hope and practical assistance for many in their struggle for a better life. We have now reached the end of the second year of our strategy and I am delighted to report that already have directly assisted over 1,300,000 people in their efforts to defeat poverty.

The success of our work is, as always, best measured by the impact we have in the lives of marginalised and poor people around the world. Some of whose stories you will read about in this report. Numbers can only ever be a proxy indicator for this individual impact but even so I hope they give a feel for our work and the scale of the impact we are making.

- 111 Projects managed in 13 countries, 522,000 new direct beneficiaries reached (this is on top of the 792,000 people directly helped in Year 1 of our strategy, many of whom we are still working with).
- 618,445 downloads of technical briefs from our websites – helping people replicate our technology and learn from our experience. Users themselves estimate this will help a further million people.
- 6,292 detailed technical enquiries answered (up 80% on last year).
- 104 consultancy contracts completed in 46 countries.
- 250 new titles added to our publications catalogue with the acquisition of Oxfam Publishing.
- Our organisational carbon footprint reduced by 25% compared to 2006/07.
- Income up by 6% (at £22.3 million).

Our work continues to win international recognition. For example, our office in Peru was presented with a National Energy Globe Award in recognition of reaching more than 50,000 people in rural areas with a combination of micro hydro electricity and wind power.

As trustees we focus on the real impact of our work on the ground, the individuals, families and communities empowered by our work. We have access to extensive monitoring and evaluation of the individual projects, but this year we have also been able to look at some longer term evaluations. These focused on food security projects from up to a decade ago. It is extremely heartening to see how work carried out ten years ago is still having long lasting positive impact on people's lives.

A final positive note has been our work on climate change. As the world faces a major deadline in December 2009 to come up with a new global agreement, Practical Action has been focusing our efforts on the need to support adaptation in developing countries. Such adaptation will be necessary even if the world ceases all emissions, and it needs to be based on the needs of the community and properly funded. This year we have published a book on the subject, held a major conference focusing on food and climate change, and we have participated extensively in the international climate change talks. Finally I am very proud to say that we have made our own contribution to tackling climate change, by cutting our own carbon footprint by more than 25% in two years. This was not an easy achievement and has necessitated extensive new ways of working, but does prove that real cuts can be achieved, even for an organisation where international work is core to our mission.

In the year ahead we will continue our work with poor communities, alongside this we will also focus on scaling up our work so that we can reach even more beneficiaries and have yet greater impact. We will continue to work with others and seek ways to share our experience so that collectively we can be effective in our work to combat global poverty.

Stephen Watson
Chair, Practical Action

A lagoon fisherman showing some small fish he has caught.

Practical Action has been working with 200 families living around Rekawa lagoon in Sri Lanka, whose livelihoods were threatened by environmental degradation. The fisherfolk lacked confidence to voice their problems to the relevant authorities, but through the work carried out with the Practical Action team they strengthened the Rekawa Lagoon Management Authority (RLMA). Now the Minister of Environment has declared Rekawa as a 'Special Sensitive Environment Area' which gives the RLMA the right to supervise any activity that may affect the lagoon within a 2 Km radius.

Practical Action /Anuruddha Lokuhapharachchi

Practical Action/ Steven Hunt

Practical Action Sudan

1. Review of the Year and Strategic Objectives

Introduction

Practical Action's mission is to use technology to challenge poverty, working with poor people to:

- Build their capabilities
- Improve their access to technical options and knowledge, and
- Help them influence the social, economic and institutional systems for innovation and use of technology

Our vision is of a sustainable world free of poverty where technology is used for the benefit of all.

During our current strategy period (2007-12) we aim to directly benefit more than three million people. In the first two years of our strategy we used technology to work with 1.31 million beneficiaries through more than 100 projects in 13 countries. In addition our work has touched and indirectly assisted many millions of people through sharing our experience and influencing policy and practice.

Our current strategy runs from 2007-12 and organises our work around four programmes of work:

- Strengthening livelihoods in uncertain environments
- Making markets work for poor people
- Getting a decent service
- Closing the new technology gap

As well as delivering direct benefits to poor people, every piece of our field work contributes to achieving changes at a higher scale. We take the lessons of our work and communicate them to decision makers and development practitioners to help change policies and practices so that our successes can be replicated by others and our impact increased.

Sustaining the global environment has been fundamental to Practical Action since our foundation by Fritz Schumacher more than four decades ago. It is therefore no surprise to find that our work on climate change now cuts across everything that we do, and is embedded throughout our programmes.

Strengthening livelihoods in uncertain environments

Our work with poor women and men in rural areas strengthens their capacity to secure food and the means of making a living, as well as reducing their vulnerability to disasters. In the first two years of our strategy this work benefited 542,000 people.

Practical Action/Simon Trace

Practical Action/Mehrab ul Goni

Strengthening livelihoods in uncertain environments

In the Turkana region of northern Kenya animal health is critical to the livelihoods of pastoralist communities but formal veterinary services often do not reach the remote areas where many pastoralists live. Community Based Animal Health Workers have been helping to bridge this gap for more than a decade, but in reality the community workers have found it difficult to establish themselves and promote their services or gain official recognition for their role.

Practical Action has been working to change this, encouraging the Turkana District veterinary office to train more animal health workers and to provide monitoring support and a referral service for complex cases. Practical Action has also promoted links between the animal health workers and private sector drug and vaccine providers, ensuring a reliable supply chain for non-counterfeit, critical medicines.

The animal health workers are now seen as a critical part of disease surveillance by the District Vet Office, and participate in disease control. They can respond to calls for assistance within 24 hours, and some reports suggest that survival rates for cattle have increased from 15% to 70% when an animal health worker has been able to intervene. The pharmaceutical company can identify that these workers are generating more than Ksh 70,000 worth of new transactions every month, indicating that better medical attention is reaching the cattle.

Reducing the risk of disasters and people's vulnerability to disasters is another key focus of Practical Action's work. Sometimes these interventions can be relatively simple. For example in Bangladesh, 110,000 people each year die from diarrhoeal diseases – largely as a result of contaminated water. In the past tube wells were built with no regard to flood levels and as a result got inundated when the monsoon came and water became contaminated. Communities were left with short supplies of safe drinking water.

This year 60 tube wells on raised platforms have been built in local communities by Practical Action's programme on disaster risk reduction. Each one is more than two feet higher than the previous highest flood. One beneficiary, Moina Begum said:

"Our life was very painful due to a lack of safe drinking water; particularly during floods. While the flood is ongoing we were fetching safe drinking water from one or two kilometres distance. Some times we even used flood water to meet our needs. Every year we suffered diseases like dysentery and diarrhoea. However, now we can permanently overcome these problems because Practical Action has installed a community based elevated tube well near my house. 60-70 families collected water every day as this tube well did not go under flood water this year. Now we are all very happy because we are no longer at risk from drinking contaminated water."

Practical Action/Mehrab ul Goni

Practical Action Peru

Strengthening livelihoods in uncertain environments

Work like this by Practical Action in local communities is increasingly gaining national and international recognition. The United Nations has an action plan, known as the Hyogo Framework for Action (HFA), to persuade countries to adopt disaster risk reduction policies and Practical Action is one of only a few NGOs to whom they look for expert advice. Our particular approach focuses on the need for relevant local plans to be developed in partnership with local communities.

In 2009-10 Practical Action's work on building livelihoods to cope with environmental change in Bangladesh will expand further, with the start of a major new project funded by DFID. The Shiree project, also known as Pathways from Poverty is based on successes and lessons learnt from Practical Action Bangladesh's Disappearing Lands work. The project aims to improve livelihoods of 72,000 extremely poor people over three years, and increase their resilience to natural disasters. We will work with people who are mainly landless and displaced, living unauthorised on flood protection embankments. The scale of the project – at £3.7m over three years is a new and exciting challenge for Practical Action.

Making markets work for poor people

One of the key factors for families and communities to escape poverty is securing a sustainable income, yet this often proves to be incredibly difficult to achieve. In rural areas people attempt this by selling surplus crops or taking part in local trade, such as pottery. However, as they are usually small players in big markets, they can be open to exploitation.

Practical Action uses an approach known as Participatory Market System Development to work with people and help them understand their market and strengthen their position. In the last two years our programme on making markets work for the poor directly benefited more than 383,000 people.

For example, the Chinchipe River basin is located on the border between Peru and Ecuador, at the source of the Amazon River. Pastures that resemble natural water sponges can be found in this area. This is where the cloud forests of the mountainous Amazon region begin. They make up the ecosystem in which the largest source of drinking water of our planet is generated drop by drop. This impressively beautiful landscape is home to some 162,000 peasant farmers. Living in poverty, these communities earn around £1 a day through the small-scale production of coffee and timber. Barely sustainable, these activities are also environmentally destructive.

Practical Action is helping the Chinchipe communities to protect their environment while, at the same time, improving their livelihoods. By helping farmers to produce fruit, and better quality and quantities of coffee which can be sold at a higher price, they can increase their income while taking care of native plants and animals. With the help of trained local "promoters", Practical Action is also assisting small timber producers in sustainable forest management, including fruits and medicine plants and how to use portable sawmills. It is expected that, as a result of changed practices, the small producers will be able to

Practical Action/Katherine Pasteur

Practical Action Nepal

Making markets work for poor people

significantly increase their incomes. Overall, nearly 150,000 hectares of forests in Ecuador and Peru will be preserved in two important protected areas.

Multiplying benefits through training is also an important part of the project. Fifty peasant farmers have qualified and are now working as promoters in forest-management. They now receive either money, labour or tree species for their services. Promoters bridge the information gap, sharing innovative and appropriate skills (which have never before been available in such remote rural areas) to improve other farmers' productivity. In this project promoters specifically focus on forest and coffee production and growing and selling new tree varieties.

Castillo Mendoza said: *"I was taught to value my work and I was able to discover my management skills, which I combined with my field knowledge. I learnt sowing techniques in the seminars, but the most important thing is that I now value my land and respect the ecosystem. I am a farmer and proud of it."*

In all this project will assist more than one thousand farming families who have migrated to the Amazon jungle.

When a country is emerging from conflict there is a real and urgent need to establish and strengthen market systems to help people escape from poverty. In Nepal our markets work has often focused on people who are emerging from conflict situations. Most recently our work has looked at the dairy sector. There are 3.5 million families in Nepal who keep cattle for milk but only 400,000 sell milk into the formal market.

Practical Action has worked with a very large variety of actors in the market chain – including the government, as they have much influence over access to land. A really important part of the project was to build up trust amongst farmers with other market actors, as the long running conflict has seriously affected previous business linkages. Now farmers have a better understanding of the market system. They now feel empowered and able to have real dialogue with the bigger market players such as the processors and banks so that services and inputs are tailored to their needs and demands.

Sujal Foods is one of the largest milk processing companies in Nepal and it is currently financed by Laxami Bank. In order to secure and stabilise their own milk supplies, Sujal and Laxami have worked together to provide collateral free loans to dairy farmers. This is expected to benefit more than 30,000 farmers. Sujal will act as guarantor on the loans and believes the farmers will increase milk production by 40-50,000 litres per day. Sujal will take repayments from the money it pays to the farmers for the milk. The access to finance, inputs and services such as technical advice, veterinary drugs, fodder etc mean that many families can develop dairy work as a key part of their livelihood.

Practical Action actively encourages other development workers, charities and community groups to learn from our work and approaches,

Practical Action/Anuruddha Lokuhapharachchi

Practical Action Sudan

Getting a Decent Service

and adopt them in their own work. In this way, as an organisation who believes that Small is Beautiful we can ensure that our impact is as large as possible. Our work on markets and our approach has been particularly successful in this regard. In the last year, VSO, WorldVision, CARE and USAID have all taken elements of our approach and adopted it in their own work.

In the year ahead our markets work will particularly prioritise strengthening programmes in Kenya and Nepal. In early 2010 we will be publishing a new toolkit which looks at the way in which markets can be made to work in environments emerging from conflict and instability.

Getting a Decent Service

Through improving access to decent services including water and sanitation, housing, transport, waste management and energy more than 382,000 people have directly benefited from Practical Action's work since 2007.

In Nepal many poor people are not able to access education, health care and safe drinking water. Improving transport has been identified as essential, not only for getting these services but also to increase economic growth, particularly through better market access for agriculture production, in which about 80% of the population is involved. One project in the Achham, Gorkha, Kalikot and Tanahun districts, aims to increase incomes and reduce marginalisation of 24 village communities of low-caste poor people, some of whom have been displaced or affected by conflict.

The project addresses many aspects of helping people to access services. It aims to improve transport through the installation of gravity ropeways and tuins (river crossings), to get better access to health, education and water and to increase the amount of interaction that takes place between the isolated communities and the outside world. There are also income generating activities, and efforts to help local institutions and organisations to select, manage, operate and lobby for transport services and policies in favour of the interests of the poor.

The gravity ropeways and tuins are managed by local user committees. Fees are collected to pay for the operators wages, monthly maintenance costs and also provide a return on the investment. This community ownership and management of transport services will ensure that the systems are properly maintained and valued in the long-term.

Farmer Rabin Gurung is one beneficiary of a gravity ropeway, but that isn't all he has gained from working with Practical Action. Energetic and determined to set new examples for improving livelihoods in his village in the Tanahun District, Rabin's daily activities are not just limited to farming but he is also actively involved in the village's community development initiatives. Practical Action took him on an exposure visit to another region to see how farming could be more productive, and he also received training on vegetable farming. *"The exposure visit made me realise what I was missing. The visit taught me how plastic ponds could be used for irrigation purpose. I am determined now to put my learnings into practice to*

Practical Action/Prakash Kafle

Practical Action/Shradha Giri Bohora

Getting a Decent Service

secure better livelihood with my little farm," he says. Rabin and his fellow farmers have built a 60,000 litre plastic pond with financial support from Practical Action. With constant access to irrigation water and new knowledge on farming techniques, Rabin has planted different kinds of vegetables. *"The assistance from the project has been very instrumental to enhance our production,"* he says. *"Last season, I earned a total of NRs. 30,000 (approx £250) by selling vegetables. Initially I had invested NRs. 8,000 (approx £65) only but the return is huge and I am very happy,"* he added.

Rabin and his fellow farmers also benefit from the newly installed gravity ropeway in his village, helping transfer goods to market faster without losing any produce. *"Now within a few minutes we can take our produce to the market cutting our transportation cost by 70 per cent. The installation of gravity ropeway has motivated the villagers to embrace vegetable farming more seriously than ever,"* **he adds.**

Another example of Practical Action's infrastructure work is the dissemination of our low-smoke stoves in Sudan reducing indoor air pollution in the kitchen by providing alternative energy.

Relying on low grade biomass fuels for household energy not only contributes to environmental degradation, but causes serious health problems. Across the world more than 1.5 million people, mainly women and young children, die each year as a result of smoke inhalation.

In Darfur, not only are traditional wood and biomass supplies becoming scarce, but the efforts to collect them can be dangerous and the need for alternative energy is huge. Practical Action concentrates on alternatives which are affordable and sustainable. A new gas promotion project has been launched aimed at serving 5,000 families in El Fashir town directly and 5,000 more as a result of the turnover of the revolving fund. This fund means that one initial investment by Practical Action can be used a number of times to loan the necessary capital to poor women and men so they can buy the new stove equipment.

Hawa Abdella Nasur is 35 years old and is married with four young children. She lives in Umshegaira village in North Darfur and makes an income from pottery since taking part in a Practical Action training course in 2002, while her husband works as blacksmith making agricultural tools such as hoes, ploughs and axes.

In September 2008 Hawa Abdella was given a gas cylinder and cooker, and training in how to use it safely. The cooker is designed (in partnership with the local women's development association) to be as similar as possible to the traditional charcoal cookers. She uses this new energy technology to cook rice, assida, souse, meat and heat water. Previously she was using firewood and charcoal as cooking fuel which was costly and the smoke it produced caused eye diseases. By using the new cooker she saved 125 Sudanese pounds, some of which she used to pay school fees for her children. Hawa said that

Practical Action Nepal

Practical Action Zimbabwe

Closing the New Technology Gap

she will never use firewood again. From her savings she also managed to buy new furniture which raised her social status.

In Zimbabwe the biggest threat to public health in the last twelve months has not been the silent killer of indoor air pollution – but cholera. As with indoor air pollution, simple technologies can do a great deal to stamp out the disease. Eco Sanitation toilets, for example, can be introduced and managed at a household level much more cheaply than more formal sewerage systems. In the last year Practical Action – working with UNICEF – has provided these dry pit-based toilets to almost 800 households in the Epworth district. During the recent outbreak of cholera in Epworth, no cases of cholera were recorded in the 795 households – while cases were reported near by.

Practical Action's energy work continues to win a great deal of international recognition. It is now being adopted in five American countries as well as India. Our teams have contributed to changing the energy laws or their implementation in Kenya, Peru and four Southern African countries.

Closing the new technology gap

For a number of years Practical Action has been exploring how new technologies can be effectively used to improve health, wealth and education, while increasing productivity within the global market.

New technologies offer both an opportunity and a threat to poor women and men. Introduced in the wrong way, without proper consultation, training or ownership, they can increase dependency and risk. Yet if used in the right way they can help to increase incomes and support people's livelihoods. Our fourth programme of work aims to identify potential opportunities and work with poor people and scientists to develop practical solutions.

During the last 12 months we have piloted the use of podcasts to deliver practical information about animal health using local voices. This work was written up by Parminder Bahra in the Times

In a far northern region of Zimbabwe where there is no electricity, no radio signal or mobile phone coverage, you might come across Mrs Mashigaidze immunising her ox by following instructions . . . on a podcast. She is one of the 11,000 people who have benefited from a trial by Practical Action, a development charity, in which technology — MP3 players — is extending traditional methods of distributing information.

David Grimshaw, head of international programme (new technologies) with Practical Action, explains that the traditional way of disseminating information was through agricultural extensionists — local people who visit communities offering advice and information — but this has become increasingly difficult given the political situation in Zimbabwe.

Practical Action Kenya

Practical Action Kenya

Tackling Climate Change

"What we've done is to capture their knowledge, and that of veterinary people and agricultural experts, and put them on to MP3 devices using local languages," Dr Grimshaw says. "They can record and replay any voice file. It might be a question-and-answer session, a five-minute explanation on how to dehorn or castrate cattle or how to remove ticks."

Dr Grimshaw adds that the Zimbabweans have taken to the technology easily, despite never having used computers or mobile phones — so much so they want to record their own files. He says: *"There is a lot of indigenous knowledge that has a zero cost. Knowledge that has been passed down from generation to generation."*

The MP3 devices cost about £10, but the benefits will outweigh the costs.

Tackling Climate Change

Climate Change continues to present the greatest threat to all efforts in tackling poverty. Our work on climate change has taken on even more urgency in the last year. We continue to trial community based adaptation techniques in a number of our projects, gaining significant international recognition for our work.

For example, in Chitwan in Nepal Practical Action is trialing an integrated approach to Community Based Adaptation, where increasing people's income is part of the strategy to strengthen their resilience to climate change. In one case this means that an improved irrigation channel, new vegetable growing skills and further protection of a stream bank, were all instrumental in enabling people to cope with the consequences of recurring flash flooding.

Practical Action is now one of the world's leading proponents of Community Based Adaptation. We believe that building the capacity of women and men to adapt to climate change is the most important approach. And we favour local, relevant and locally managed adaptation initiatives above large scale interventions.

Part of our work is to promote this approach to national governments and international organisations, to development practitioners and to communities themselves. As well as participation in conferences and workshops, and a training course run by PAC, our work was encapsulated in a major new book this year entitled: "Understanding Climate Change Adaptation". An additional seven booklets have been published on climate change by the Latin America office.

For adaptation work to stand any chance of assisting poor women and men in the communities where we work, it is essential that global greenhouse gas emissions are reduced. As well as arguing for this, Practical Action argues for adequate funding for adaptation in the developing world, and appropriate funding mechanisms to ensure that it reaches the poorest people who need it most.

Practical Action Peru

Practical Action Sri Lanka

Sharing our Expertise

The final plank of Practical Action's work on climate change is our commitment to reduce our own organisational environmental impact. At the start of our current group strategy in 2007, we set ourselves the ambitious target of reducing our carbon footprint by 5% each year for five years – totalling 25% over the period of the strategy.

In fact we have managed to achieve an estimated 25% cut in the first two years of the strategy. This achievement has not been easy and has called for some very different ways of working, including international teleconferencing and decentralising many of our functions. We remain committed to keeping our footprint as small as possible.

Sharing our expertise

To achieve our vision of a world free from poverty we seek to work with others. We help them use technology to tackle poverty and to change policies where necessary. In this way we can increase the scale of our impact whilst remaining true to our "Small is Beautiful" principles. This is a common theme through all of our work, but our work in Education, Consultancy, Publishing and Technical Enquiries are particularly dedicated to this.

Practical Action Consulting

Practical Action Consulting (PAC) is our subsidiary company, dedicated to helping to promote Practical Action's work and approach. In the last year it has delivered 104 consultancy projects in 46 countries. Integral to securing and delivering these activities has been the incorporation of Practical Action experience, knowledge and ways of working. PAC has shown clearly how it can take Practical Action's core work, and increase its reach. For example PAC South Asia completed a two year World Bank project in Laos applying 20 years of hydro experience gained by Practical Action's Sri Lanka team; and the Nepal office has successfully transferred the gravity ropeways technology, that it had developed within Nepal, to new locations with similar topographical challenges in India and Bangladesh.

The International Labour Organisation (ILO) in Somaliland approached the Kenyan office of Practical Action for technical assistance and PAC were asked to take this forward as the most appropriate and able delivery mechanism. An assessment of enterprise development was carried out and following this success two new projects have been commissioned including training on Participatory Market Sector Approaches to local Government officials in Puntland and Somaliland and Assessing Solid Waste Management in Somaliland.

PAC has also achieved high level policy influencing. The consultancy was integral to Practical Action's work advising the Czech Government on sustainable energy policy, and as a result Practical Action has been invited to represent the EU Non governmental organisations in the EU Africa Energy partnership. In addition, attributable to the successes of the DFID 5 year Energy research project (PISCES) that PAC is delivering, PAC UK was commissioned by the FAO to design and deliver 15 case studies in 12

Practical Action Peru

Practical Action/Carl Carrasco

Sharing our Expertise

countries across 4 continents to assess the livelihoods impacts of small scale bioenergy initiatives and specifically to report on their contribution to energy access and livelihoods. This work was published by FAO and now forms the basis for the FAO opinion in this area.

Practical Action Publishing

The publishing subsidiary company delivered some major publications this year all of which aim to influence development practitioners across the world. These included *Understanding Climate Change Adaptation*, a new book from Practical Action which was well received by reviewers and highly endorsed by peers. A successful launch was held in London.

The third in the well known and highly regarded series of Farmer First books instigated by Prof. Robert Chambers was published in association with the Institute of Development Studies and was launched in Nairobi, the Netherlands and London. *The Livestock Emergency Guidelines and Standards* book and CD-ROM, comprising the first set of standards for work with livestock in emergency situations, was supported by funds from DFID and FAO and contracted with Tufts University, USA.

Almost 7000 copies of our books were distributed in the South through a mix of sales, book voucher schemes (e.g. Misereor), and distributions via Book Aid International.

Probably most significantly, during the year a publishing partnership agreement with Oxfam GB was agreed and their list of past and future publications merged with our own programme. The signature of the contract with Oxfam on 1 December brought an additional 250 book titles to our publishing list and the guarantee of four new titles per year deriving from Oxfam's work. It also gave the company the benefit of a number of related agreements including the right to publish and distribute the publications of the Sphere Project, Geneva including the well-known Sphere Handbook.

Practical Answers

Now in its fifth decade, Practical Answers receives hundreds of thousands of enquires every year, allowing people across the world seeking to combat poverty access to a wealth of information – including technical information and experience. In addition, it encourages development practitioners to learn from our experience and the experience of communities we work with through sharing knowledge and information.

Last year, Practical Answers responded to 6,292 technical enquiries from 92 countries. Our materials on websites also remain popular and there were 618,445 downloads of technical materials from 172 countries.

Through the Practical Answers international network of enquiry services, the service is able to call on the expertise of several hundred professionals in technical, economic and sociological disciplines to help formulate the answers to enquiries.

Practical Action Sri Lanka

Practical Action/Sulafa Abdelsalam

Sharing our Expertise

While it is extremely difficult to measure the impact of this knowledge sharing service, because any benefits are likely to be indirect, we now ask each person downloading materials from the main website how many people they hope will benefit from the technology they are trying to use. This has identified over one million potential indirect beneficiaries.

An independent evaluation of the service repeated the findings of an earlier evaluation *"that it is still hard to imagine many other development projects that could provide such good value for money."*

It went on to say that *"The demand is there and is as yet unmet, because every time it was publicised or made more accessible the numbers of enquiries increased. In an increasingly complex world, confronted with rapid and often difficult to predict changes, access to technological knowledge and a technological attitude could make the difference between adaptation and development on the one hand and deterioration and collapse on the other."*

For example, the Technical Enquiries service has been used to extend the outreach of Practical Action's work on basic sanitation in Nepal. It does so by providing the rural poor with information. A 15 minute documentary on 'Health and Hygiene' was produced by Ankhi Jhyal based on experiences in Urlabari village in Morang district. At one sitting more than 70 people from 11 villages in Gorkha district watched the documentary. It showed how households in Urlabari village had benefited from building their own toilets. Before almost every household would defecate in the open, polluting the only nearby water source, which led to many children and elderly falling ill. The film shows how the people of Urlabari went about building toilets, even adapting the design.

The response of the Gorkha villagers was then monitored. Upon watching the documentary they requested further technical and financial information from Rakesh Shrestha, a local Practical Action Project Officer, and partner NGO CCODER before returning to their villages. The participants then set about influencing their neighbours to build their own toilets. Out of 231 households in 11 Ghorka villages, 213 signed up to the scheme and are in the process of constructing their own units, 18 are complete. By linking the Practical Answers information systems work to a wider sanitation programme run by Practical Action, some extremely poor households have been able to access small loans.

Education

Practical Action's work on Design and Technology (D&T) in the UK schools curriculum continues to go from strength to strength. Our handbook on sustainability now has 5000 copies in circulation and more than 1000 teachers are signed up to receive our updates. More than 200 teachers have taken part in D&T sustainability training, and at a policy level we continue to input to the Quality

Practical Action Kenya

Practical Action/Ian Capewell

Practical Action/ Desmond Kawanda

Education

and Curriculum Authority who oversee the exam curricula across the UK.

Kevin Hull is Subject leader in Design Technology at Cockshutt Hill School, Birmingham. He was one of the first teachers to attend a Sustainable Design Award (SDA) training course. The project had as its overt objective the enrolment of AS and A2 level students (16-18 year olds) into the SDA award. Kevin never entered a single student for the award, yet the impact of the scheme and his training within the school was enormous. He said of the award *"I don't want my students to think that sustainable design is any different from design – it's something that should be a normal part of what every student thinks about. So, I won't enter them."*

There's no doubt that some of the projects completed by his students were outstanding but his concern was that his department epitomised sustainable design principles. No student was allowed to start a practical project with new materials, until they had first been to the department's eco-bins to check what materials they could reuse from there. Every product students made had to be capable of disassembly so that if they didn't want to take it home, it could be dismantled and put into the eco bins. In every year group, the syllabus was reworked so that throughout the year at least one project had a sustainability theme. These were written up and appeared as part of the Department for Education and Skills framework for D&T teachers.

Policy Influencing

Aside from the work we do within our programmes of operation, we also seek to influence the international policy agenda in ways which will favour poor and disenfranchised people across the world. Some of our most significant achievements in this area, this year included:-

- Advising the Czech Government on energy access for the poor during their presidency of the EU, which resulted in a conclusion by the European Council.
- We were part of the official UK Government delegation to the UN Economic and Social Council Annual Ministerial Review in New York.
- We were part of the official Nepal government delegation to the UNFCCC (climate change) talks in Poland.
- As chair of the Adaptation Group of Climate Action Network International we contributed to influential NGO positions in UNFCCC discussions about adaptation.
- We continue to lead groups of NGOs working on Food Sovereignty, making presentations to the International Development Select Committee, the High Level Meeting on 'Food Security for All' held in Madrid, and EC meetings on Advancing African Agriculture.
- Through our role in the BOND Development and Environment Group we have helped influence the UK Government agenda for Climate Investment Funds channelled through the World Bank.

Watering the vegetable garden from bucket filled at a near-by borehole pump.

Practical Action has been working in Gawanda district, Zimbabwe since October 2006 through a food security project that promotes nutritional vegetable gardening and irrigation. Although this area has suffered successive droughts over recent years these beneficiaries have been able to produce more food through better water management.

2. Financial review

The challenges of the 2008/9 world economic crisis impacted on Practical Action resulting in revisions to fundraising targets and some significant cost increases due to the devaluation of sterling. These challenges were responded to effectively, and despite the turbulent times, Practical Action had a successful year and remains in a good financial position.

Income increased by 6% to £22.3m (see page 29 and note 2)
Income held up well with Voluntary Income falling by only 4% to £8.3m against a very challenging economic background. It is heartening that our existing supporters are continuing to give generously and we are expecting a similar level of voluntary income in 2009/10. Income for specific project work (contracts for operational programmes) increased by 11% to £11m. The £1.7m raised for project work in Zimbabwe enabled us to continue our work there despite the difficult political and economic environment.

Practical Action Consulting income grew by 41%, (to £1.4m) as it successfully shared Practical Action's approach and expertise to Governments and Development Organisations. The publishing partnership agreement with Oxfam GB helped Practical Action Publishing grow its income by 2% in a difficult trading market.

Expenditure on charitable activities increased by 10% to £19.7m (see page 29)
The key challenge has been to manage the significant increase in costs resulting from the fall in sterling. For example the cost of funding Bangladesh activities in Bangladesh taka increased by 27% in sterling terms (the exchange rate fell from £1=139 Taka on 31/3/08 to £1 = 109 Taka by 31/3/09). These problems were addressed by allocating additional funds to the worst affected countries and by operational adjustments to ensure successful delivery of projects.

Free Reserves stand at £5.7m against a target of £4.5m (see Funds Note 14 page 42)
Practical Action remains in a sound financial position with £5.7m of free reserves, which equates to four months expenditure, £1.2m above the reserves policy target of £4.5m. However, we plan to reduce the level of reserves over the next five years as we manage through a testing economic period.

The £0.2m fall in free reserves during 2008/9 was part of the plan to manage smoothly towards the reserves target.

The free reserves provide a buffer for uninterrupted project delivery that helps manage the organisation effectively. The reserves enable Practical Action to both absorb setbacks and take advantage of future opportunities.

The target level of reserves is calculated during the annual budget process based on a scenario in which Practical Action has to deal with three serious financial issues simultaneously

a) A 25% unrestricted income shortfall
b) A 5% overrun on unrestricted expenditure
The implications of both of the above would take 18 months to correct.
c) A £0.5m provision for major one-off unforeseen costs such as:
   - A major upheaval in a country of operation
   - A major problem or funding gap with a restricted project
   - Problems with a partner organisation
   - Smoothing the impact of the unpredictability of legacy income

To enable the Trustees to react with a medium term view to any problems or opportunities the budget must demonstrate how the reserves target will be achieved within a five year period.

In the last three years the FRS17 pension deficit has been 2006/7 £1.0m, 2007/8 £0.2m and 2008/9 £0.9m. Due to the volatility of the FRS17 annual calculations we do not see these movements as significant. We recognise that we have a pension deficit and our contributions are set at a level to try to eliminate the pension deficit over the next six years.

Investment policy

During 2009 Practical Action minimized investment risk, whilst maintaining good returns, by placing any cash not immediately required for operational work, in fixed interest deposit accounts with the Charities Aid Foundation (CAF Gold) Account, COIF Charities Deposit Account, Barclays Bank, HSBC, Bank of Scotland and the Co operative Bank. Practical Action had no deposits in Icelandic Banks.

Grants and donations over £20,000

The following have generously contributed more than £20,000 to Practical Action during 2008 /09

AECID
Ayuntamiento de Madrid
British High Commission
Brooke Animal Hospital
Canadian Embassy
Canadian International Development Agency (CIDA)
Carbon Clear
CFTC
Christian Aid
Comic Relief
CORDAID
Diakonie Katastrophenhilfe
European Commission
Energy & Mining Ministry, Peru
Engineering and Physical Sciences Research Council
Food & Agricultural Organisation
FUNDESCO
Galanthus Trust
German Agro Action
GVEP International
Ingenieria sin Fronteras, Cataluna
IDRC
IPADE
Isle of Man Government Overseas Aid Committee
Jersey Overseas Aid Commission
Kids for Kids
Mercy Corps
MPDL
North East Coastal Community Dev. Project (NECCDEP)
Oriental Consultants Co. Ltd.
Oxfam
Palli Karma Sahayak Foundation (PKSF)
P J K Charitable Trust
Parco Tecnologico Padano
Plan International
Rotary Club
Sarvodaya
Stavros Niarchos Foundation
Stemcor Holdings Ltd.
The Gemini Trust
United Nations Children's Fund
UNDP-GEF Small Grants Program
United Nations Development Program
United Nations Environment Program
United Nations Human Settlements Program
USAID
Waste Advisers on Urban Environment & Development
Waterloo Foundation
Wellcome Trust
Welt Hunger Hilfe
Zurich Foundation

Gilberto Malca Molocho standing proudly in front of an electricity pylon.

In Peru Practical Action is promoting small-scale hydro schemes that convert the energy of flowing water into electricity, providing poor communities in rural areas with an affordable, easy to maintain and long-term solution to their energy needs.

3. Structure, Governance and Management

Legal structure and change of name

The Charity was established in 1965, incorporated as a company limited by guarantee on 21st February 1966 under the name of the Intermediate Technology Development Group Limited. It was registered as a charity with the Charity Commission on 26th April 1966. The Charity's governing document is its Memorandum and Articles of Association dated 21st February 1966, as amended on 19th October 1995 and 16th October 1997. Under this structure the Charity has a Membership and the maximum number of Members allowed in accordance with the Charity's governing document is 100 excluding Members who are employees or ex-employees of the Charity. Currently there are 63 Members.

On 30th October 2008 the Charity changed its registered name to Practical Action Limited. At the Annual General Meeting in September 2009 we shall be proposing a Special Resolution to change our registered name to omit the word "Limited". Being registered as Practical Action Limited we feel is placing us at a disadvantage in our fundraising efforts as some people, we feel, could mistake the Charity for a commercial company. If so passed, we will be filing the necessary paperwork with Companies House to change our name to Practical Action immediately following the AGM.

Recruitment and appointment of Trustees

There are no fixed terms for Trustees and as set out in the governing document one-third (or the number nearest to one-third) of the Trustees retire by rotation each year and are eligible for re-election. The Trustees have the power to appoint any person to be a Trustee (either to fill a temporary vacancy or as an additional Trustee) so long as the total number of Trustees does not exceed the maximum number as set out in the governing document (the maximum is 18 Trustees). A person appointed as a Trustee during the year holds office until the next following Annual General Meeting at which time he/she is eligible for re-election but is not taken into account in determining the Trustees retiring by rotation. We currently have 13 Trustees as Ben Hayman stepped down from the Board at the last AGM and during the year Helena Molyneux was appointed. The members of the Board, who are also Directors of the Company and Trustees of the Charity, are listed in the Legal and Administrative Details section on page 26.

Members and staff have the opportunity to submit names of potential Trustees to the Members and Trustees Sub Committee. This Sub Committee meets approximately four times a year to consider any names put forward and looks at the current composition, balance and skills mix of the Board – looking at the specialist skills of each Trustee and identifying any gaps in knowledge, experience or expertise which may need filling in order to enhance the performance of the Board. Recommendations by this Sub Committee are put forward to the full Board for consideration. As this Report goes to print we are undergoing a Trustee Search and selection process – advertising in selected newspapers and newsletters, communicating through our networks and registering through appropriate websites. We are looking for people who have experience of: management of consultancy business in an international development context, knowledge management in the development sector, publishing, or fundraising from statutory organisations. The Charity is keen to increase the diversity of our Trustees Board and would particularly welcome applications from people with strong links to the countries we operate in.

Trustee induction and training

New Trustees receive a welcome pack which includes: a Trustee Job Description; our governing document (the Memorandum and Articles of Association); Charity Commission guidance on Trustees' Responsibilities; past Trustee Board Minutes; the Formal Schedule of matters reserved for the Board as well as those matters delegated to the Chief Executive and the Sub Committees of the Board, with the Schedule of authorised

signatories and committal of expenditure limits for the Charity. They also receive the Charity's Group Strategy and other background documentation on charity activities and organisational structure. Existing Trustees have been made aware of their legal responsibilities introduced under the recent Companies Act – the Statutory Statement of Directors' duties and copies of this will be distributed to all new Trustees as a matter of course. Job Descriptions are also in place for the Chair, Vice Chair and Honorary Treasurer positions.

New Trustees attend an induction day at Head Office where they meet our directors, management and key employees of the Charity. We are able to familiarise them with the Charity's decision making processes and our plans for implementation of our strategy are explained, what targets have been set and what we have achieved so far. Recent financial performance is discussed, as well as our financial policies for investments and reserves amongst others.

All new and existing Trustees are encouraged to attend appropriate external training events and seminars to enhance their current skills and experience as Trustees and provide a greater understanding of their legal responsibilities. In order to enhance their knowledge of our core work we hold twice yearly Trustee workshops focusing on a particular theme or programme. This year Trustees took part in our Strategy Review Meeting. The event took place over two days and reviewed the Charity's progress against our strategic aims and cross organisational objectives. This gave Trustees the opportunity to meet with all the Regional and Country Directors and discuss the challenges they face in managing our international programmes. Trustees are also encouraged to visit our programmes to see for themselves our work on the ground.

Best Practice in Governance

Last year we reviewed the organisation against the principles set out in the Governance Hub's Code of Good Governance for the Voluntary and Community Sector, in order to identify what changes we could make to improve the quality and effectiveness of the Charity's governance. Where relevant, the Board was confident that the Charity complied with the majority of the Principles set out in the Code. A number of action points came out of this review which we have acted upon during the year. Good progress has been made in increasing Trustees' understanding of, and engagement with, the core work of the Charity.

As mentioned earlier Trustees attended our Strategy Review Meeting this year which gave them valuable insight into our strategic planning processes across the organisation. Trustees are encouraged to visit our overseas programmes early in their tenure.

A small budget has been agreed to allow for one Trustee visit per annum which we feel is affordable both in financial and carbon terms. There is still more work to be done on understanding the nature of our relationship with stakeholders in order to strengthen our ties. This year we are again reviewing Board performance by means of a self evaluation questionnaire circulated to Trustees and senior management. We will be discussing the results of this at our Trustees' meeting in September 2009.

Organisation

The Board of Trustees is responsible for the overall management and control of the Charity and meets quarterly. The three Sub Committees of the Board are as listed below and their Terms of Reference have been agreed by the Board:
The Finance & Governance Sub Committee oversees matters of financial control, external and internal audit and governance issues affecting the Charity;
The Chair's Committee reviews the terms and conditions of employment of the senior management and;
The Members & Trustees Sub Committee reviews the composition and balance of the Trustee Board and considers names put forward for Trusteeship or Membership as well as overseeing the Trustee search and selection process.

All members of the Board of Trustees give their time voluntarily and receive no benefits from the Charity. Any expenses reclaimed from the Charity are set out in the Notes accompanying the accounts.

The Chief Executive is appointed by the Trustees to manage the day to day running of the Charity under the powers delegated to him by the Board as set out in the document "Board of Trustees' delegation of authority to the Chief Executive and to the Sub Committees". The senior management team (known as the Strategy and Leadership

Team), has executive responsibilities and comprises the Chief Executive and eleven directors, including the seven Country/Regional Directors responsible for managing each of our international programmes – see the Legal and Administrative Details section for a detailed list on page 26.

Related parties

As at 31 March 2009, the Charity ceased hosting the secretariat for the International Forum for Rural Transport and Development (IFRTD). This network co-ordinates a group of developing country-based networks of professionals involved in improving mobility and access in poor rural areas. We helped IFRTD by employing staff and making funding contracts with donors on its behalf. Its interests overlapped significantly with the core aims and objectives of the Charity in terms of promoting development through access to and use of appropriate technology by the poor. IFRTD registered as a separate legal entity in February 2009 so being able to carry out the above contractual/organisational commitments itself. The Charity has two wholly owned trading subsidiaries as detailed below:

Practical Action Publishing Ltd (formerly known as Intermediate Technology Publications Ltd) – Activities comprise book and journal publishing, mainly for development practitioners worldwide. These activities are in line with the Charity's charitable objectives.

Practical Action Consulting Ltd (formerly known as Intermediate Technology Consultants Ltd) – Provides high quality, independent and professional advice to governments, NGOs, aid agencies and the private sector. Practical Action Consulting works in four strategic theme areas: energy and environment, enterprise development, sustainable livelihoods and information communication technologies. In each of its areas the company has specialist expertise and offers a number of innovative services including renewable energy, business development, community based development, facilitating private sector involvement and the delivery of affordable services.

The Charity also wholly owns a number of dormant companies – off the shelf companies which we acquired to assist in the process of registering the change of names for the Charity and trading subsidiaries. At the time of writing, application has been made to strike off Intermediate Technology Products Ltd and Practical Action Consulting (Dormant) Ltd as they are no longer required. For the time being we are retaining the two dormant subsidiaries – Intermediate Technology Development Group Ltd and Intermediate Technology Publications Ltd. ATS Property Holdings (PVT) Ltd was established as a private limited company registered in Sri Lanka in order to purchase Practical Action's office premises there. It was deemed appropriate to do this through a locally registered, wholly owned subsidiary rather than the Charity itself and we are at present still holding this for this purpose.

Risk management

The Trustees have in place a risk management strategy which consists of the following:

- For risk management purposes the organisation is broken down into its component businesses – the seven individual country/regional office programmes overseas, the subsidiaries and the UK Head Office.
- Internal audit continually assesses risk through internal audit visits, regular management and reporting processes. The frequency of internal audit visits is risk based, with all business areas being audited at least once every two years.
- Each business area maintains its own risk register and the most significant risks from these registers are transferred to an organisational register for the entire Group.
- The internal audit risk assessment and risk registers for each business area are consolidated three times a year, reviewed by the UK Directors and put to each Finance & Governance Sub Committee of the Board of Trustees for discussion.
- The organisational risk register is reviewed by the full Board of Trustees annually, or more frequently in the event of significant changes. This is in addition to any urgent matters, relating to its review of the Register, which the Finance & Governance Sub Committee feels should be raised at the next available Board of Trustees' meeting.

Practical Action's operations carry inherent risks, as its work is predominantly in developing countries where operating conditions are often difficult. The Charity has identified a number of significant risks including poor security and weak legal and governance institutions and has developed internal controls to take account of these, including regular management, technical support and internal audit visits to every programme.

One of the key approaches to mitigating risk adopted by the Charity is the regular training and updating of skills of key staff in the areas such as finance and IT. Appropriate security procedures are adopted in areas where staff safety is a particular concern. A range of performance standards have also been agreed and are currently being rolled out in the country and regional programme offices overseas.

Objectives and Activities for the public benefit

The objects of the Charity, as set out in its Memorandum are to benefit the public through:

"The advancement of education and the relief of poverty by the promotion and advancement (in ways that are charitable) of knowledge of technical, economic and social science and for other charitable purposes beneficial to the community."

Practical Action's overall aim is to contribute to the eradication of poverty in developing countries by developing and using technology, and by demonstrating results, sharing knowledge and influencing others.

In pursuit of its overall aim Practical Action is three years into a five year strategy to 2012:

- We will work with over three million poor women and men in fifteen countries using technology to change people's lives for the better.
- Our work will help provide stable livelihoods and food security, increase incomes through enhanced productivity and interaction with markets, and improve people's lives through access to basic services such as water and sanitation, energy, waste management, housing and transport.
- We will help poor communities adapt to the impacts of climate change, developing models of excellence, sharing learning and "scaling up" impact. All of our work will be "climate proofed" and we will reduce the carbon footprint of our own organisation.
- We will push for government and donor policies which benefit poor people and provide more community control over the technologies which affect people's lives. Working locally, nationally and internationally this work will deliver greater access to basic services, markets which work better for the poor, the integration of principles of disaster preparedness into planning and position the needs of poor communities at the heart of climate change agreements.
- Reaching out beyond our own projects we will actively share so that others can benefit from our experience and knowledge and that of our partners – multiplying the impact of our work. We'll do this, for example, by expanding our technical enquiry service, publishing books and journals through Practical Action Publishing and by providing services through Practical Action Consulting. Through our work in schools in the UK we will encourage young people to understand the inter-relation between technology and poverty, developing a lifelong commitment to a sustainable world in which technology is used to the benefit of all.
- To finance this, we aim to grow our annual income by 50% to £31m by 2012.

How our activities deliver public benefit

The Trustees have read the Summary Guidance for Charity Trustees on Public Benefit and have discussed the main principles contained therein at the March 2008 and June 2009 Board Meetings. They consider that they have complied with the duty (set out in Section 4 of the Charities Act 2006) to have due regard to public benefit guidance published by the Commission. In exercising their powers and duties as Trustees the Board considers that the Charity's strategies, aims and activities they put in place are for the public benefit and this is fundamental to all areas of the Charity's operations both in undergoing current activities, planning future activities and measuring outcomes. Section 1 of this report explains in detail the main activities undertaken by the Charity this year – focusing on our work with the poor women and men in developing countries where we have country and regional programmes.

Trustees' responsibilities in relation to the financial statements

The Trustees (who are also Directors for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements for each financial year, which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice,

of the state of affairs of the Charity and group and of the results of the group for that period. In preparing those financial statements, the Trustees are required to:

- Select suitable accounting policies and then apply them consistently;
- Make sound judgements and estimates that are reasonable and prudent;
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the charitable group will continue in operation.

The Trustees confirm that they have complied with the above requirements in preparing the financial statements.

The Trustees are responsible for maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Charity and enable them to ensure that the financial statements comply with the Companies Act 1985. Trustees are also responsible for safeguarding the assets of the Charity and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In accordance with company law, as the company's directors, we certify that:

- So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware.
- Each director had taken all the steps (such as making enquiries of other directors and the auditors and any other steps required by the director's duty to exercise due care, skill and diligence) that he ought to have taken in his duty as a director, in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Note: Relevant information is defined as: "information needed by the company's auditors in connection with preparing their report".

Auditors

Deloitte & Touche LLP audited the Company's accounts for the financial year ended 31 March 2008 and the audit went very smoothly. However, in June 2008 the Charity was given notice that certain key members of the Deloitte's charity auditing team would be moving to Horwath Clark Whitehill in September 2008. After considering the situation very carefully the Trustees agreed that we should ask Deloitte & Touche LLP to resign and that Horwath Clark Whitehill LLP should be appointed as the Company's auditors.

Deloitte & Touche LLP resigned as the Company's auditors with effect from 27th August 2008 and in their letter of resignation they confirmed that there were no circumstances connected with their resignation which should be brought to the attention of the members or creditors of the Company. Horwath Clark Whitehill LLP were appointed on 1st September 2008. A resolution was proposed and accepted at the 2008 Annual General Meeting re-appointing Horwath Clark Whitehill LLP as retiring auditor of the Company appointed by the Directors to fill the casual vacancy.

The Trustees are pleased to present their report together with the financial statements of their Charity for the year ended 31st March 2009 which have been prepared in accordance with the Charity Statement of Recommended Practice – SORP 2005 and the Companies Act 1985.

On behalf of the Board

S R Watson
Director
14 August 2009

Legal and Administrative details

Charity Name:
Practical Action Limited
(working name Practical Action)

Charity number: 247257

Company number: 871954

Registered Office:
Schumacher Centre for Technology & Development, Bourton on Dunsmore, Rugby, Warwickshire, CV23 9QZ

Auditors:
Horwath Clark Whitehill LLP, St Bride's House, 10 Salisbury Square, London, EC4Y 8EH

Bankers:
Barclays Bank plc, North Street, Rugby, Warwickshire, CV21 2AN

Solicitors:
Bates Wells & Braithwaite, 2-6 Cannon Street, London, EC4 6YH

Directors and Trustees

The Directors of the Company are its Trustees for the purpose of charity law and throughout this report are collectively referred to as the Trustees. The Trustees serving during the year and since the year end were as follows:

Chair
S R Watson

Vice Chair
R McNeil

Treasurer
G N Selbie

Trustees
E Crewe
M Hassan
B Hayman (resigned 2 October 2008)
J E Heskett
F A McRobie
A H Marshall
H Molyneux (appointed 11 December 2008)
B C B S Stevens
S G C Sutcliffe
N Thin
J A Walker

Trustees' Sub Committees

Chair's Committee
S R Watson (Chair)
R McNeil
G N Selbie
B C B S Stevens

Finance & Governance Sub Committee
G N Selbie (Chair)
J E Heskett
J A Walker

Members & Trustees Sub Committee
S R Watson (Chair)
R McNeil
B C B S Stevens

Secretary
P R Adey

Executives

Chief Executive Officer
Simon Trace
Latin America
Alfonso Carrasco
East Africa
Jan Coffey
South Asia
Vishaka Hidellage
Bangladesh
Veena Khaleque
Nepal
Achyut Luitel
Sudan
Mohamed Majzoub
Southern Africa
Ernest Mupunga
International
Nick Burn
Marketing & Communications
Margaret Gardner
Policy & Programmes
Andrew Scott
Finance
Mark Woodbridge

Independent Auditors' Report to the Members of Practical Action Limited

We have audited the group and parent company financial statements of Practical Action Limited for the year ended 31 March 2009 set out on pages 29 to 48. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the charitable company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

The trustees' (who are also directors of Practical Action Limited for the purpose of company law) responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (United Kingdom and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if in our opinion the information given in the Trustees' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit or if information specified by law regarding trustees' remuneration and other transactions with the charity is not disclosed.

We read the Trustees' Report and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (United Kingdom and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the affairs of the charitable company and of the group as at 31 March 2009 and of the group's incoming resources and application of resources, including the group's income and expenditure, for the year then ended;
- the financial statements have been prepared in accordance with the Companies Act 1985; and
- the information given in the Trustees Report is consistent with the financial statements.

Horwath Clark Whitehill LLP
Chartered Accountants & Registered Auditors
St Bride's House
10 Salisbury Square
London EC4Y 8EH
United Kingdom
London, UK

21 August 2009

4. Financial Statements

Consolidated statement of financial activities for the year ended 31 March 2009
(incorporating the income and expenditure account and statement of total recognised gains and losses)

	Note	Unrestricted £'000	Total Restricted £'000	2009 £'000	2008 £'000
INCOMING RESOURCES					
Incoming resources from generated funds:					
Voluntary income [donations, legacies etc.]	2	7,761	548	8,309	8,640
Activities for generating funds					
Investment income	2	335	14	349	432
Incoming resources from activities in furtherance of the charity's objectives:					
Contracts for operational programmes	2	1,030	10,023	11,053	9,999
Consulting	2,5	1,421	–	1,421	1,007
Publishing	2,5	370	–	370	361
Other incoming resources	2	671	162	833	601
TOTAL INCOMING RESOURCES	2	**11,588**	**10,747**	**22,335**	**21,040**
RESOURCES EXPENDED					
Cost of generating funds:					
Cost of generating voluntary income	6	2,876	–	2,876	2,656
Fundraising trading: cost of goods sold and other costs		25	–	25	20
TOTAL COSTS OF GENERATING FUNDS	3	**2,901**	**–**	**2,901**	**2,676**
Charitable Activities:					
Reducing Vulnerability	3	2,144	4,999	7,143	7,057
Making Markets Work for Poor People	3	1,389	2,132	3,521	2,715
Improving Access to Infrastructure Services	3	1,339	3,792	5,131	4,557
Responding to New Technologies	3	156	5	161	254
Knowledge & Communications	3	1,616	313	1,929	1,824
Consulting	3,5	1,412	–	1,412	1,047
Publishing	3,5	396	–	396	392
TOTAL COSTS OF CHARITABLE ACTIVITIES		**8,452**	**11,241**	**19,693**	**17,846**
Governance costs	**3**	**313**	**–**	**313**	**292**
TOTAL RESOURCES EXPENDED	3	**11,666**	**11,241**	**22,907**	**20,814**
Net income before recognised gains and losses		**(78)**	**(494)**	**(572)**	**226**
Gain on investment assets	8	2	–	2	1
Actuarial (loss)/gain on defined benefit pension scheme	16	(982)	–	(982)	573
NET MOVEMENT ON FUNDS		**(1,058)**	**(494)**	**(1,552)**	**800**
Balance brought forward 01 April 2008		**7,244**	**1,328**	**8,572**	**7,772**
Fund balances carried forward as at 31 March 2009	14,15	**6,186**	**834**	**7,020**	**8,572**

All amounts relate to continuing activities
All recognised gains and losses are included in the statement of financial activities.
The notes on pages 32-48 form part of these financial statements.

Consolidated and company balance sheet at 31 March 2009

	Note	Group 2009 £'000	Group 2008 £'000	Charity 2009 £'000	Charity 2008 £'000
FIXED ASSETS					
Tangible assets	7	1,652	1,785	1,652	1,783
Investments	8	4,010	5,900	4,010	5,901
Programme investments	8	32	24	290	282
Total fixed assets		**5,694**	**7,709**	**5,952**	**7,966**
CURRENT ASSETS					
Stock	9	64	64	–	–
Debtors	10	4,781	2,916	4,302	2,502
Cash at bank & in hand		2,914	3,350	2,867	3,362
Total current assets		**7,759**	**6,330**	**7,169**	**5,864**
Creditors: amounts falling due within one year	11	(5,192)	(5,051)	(4,842)	(4,809)
Net current assets		**2,567**	**1,279**	**2,327**	**1,055**
Creditors: amounts falling due after more than one year	12	(216)	(220)	(216)	(220)
Provisions	13	(110)	(25)	(94)	(25)
Net assets before pension liability		**7,935**	**8,743**	**7,969**	**8,776**
Defined benefit pension scheme liability	**16**	**(915)**	**(171)**	**(915)**	**(171)**
NET ASSETS AFTER PENSION LIABILITY		**7,020**	**8,572**	**7,054**	**8,605**
FUNDS					
Restricted	**14**	**834**	**1,328**	**834**	**1,328**
Unrestricted funds representing functional:					
Fixed assets	14	1,410	1,504	1,410	1,504
Free reserve	14	5,661	5,883	5,695	5,916
Revaluation reserve	14	30	28	30	28
Unrestricted funds excluding pension liability		**7,101**	**7,415**	**7,135**	**7,448**
Pension reserve	**16**	**(915)**	**(171)**	**(915)**	**(171)**
Total Unrestricted	**14**	**6,186**	**7,244**	**6,220**	**7,277**
TOTAL FUNDS	**15**	**7,020**	**8,572**	**7,054**	**8,605**

The notes on pages 32-48 form part of these financial statements.
The financial statements were approved by the Board on the 14 August 2009

S. Watson
Trustee

J. Heskett
Trustee

Consolidated cash flow statement for year ended 31 March 2009

	Note	2009 £'000	2008 £'000
Net cash (outflow)/inflow from operating activities	17	(2,304)	1,900
Returns on investment and servicing of finance			
Interest received	2	286	388
Capital expenditure and financial investment			
Purchase of tangible fixed assets	7	(320)	(575)
Cash investment	8	1,892	(1,999)
Financing			
Increase/(decrease) in bank loans		10	(8)
Decrease in cash	**18**	**(436)**	**(294)**

The notes on pages 32-48 form part of these financial statements.

Notes on financial statement

1. Accounting policies

The financial statements have been prepared under the historical cost convention as modified by the revaluation of fixed asset investment, and are in accordance with applicable law, the Companies Act 1985 and applicable accounting standards, and the 2005 Statement of Recommended Practice ('SORP') for Accounting and Reporting by Charities. The following principal accounting policies have been applied:

Basis of consolidation
The consolidated financial statements incorporate the results of Practical Action Limited and all of its subsidiary undertakings as at 31 March 2009 using the acquisition method of accounting. The results of subsidiary undertakings are included from the date of acquisition. No statement of financial activities is presented for the charitable company alone as the results of the subsidiary companies are separately identified within the group accounts and the charitable company is exempt from presenting such a statement under S230CA85. The group net incoming resources include net incoming resources from the charitable company itself of £1,582,782 (2008: £764,136).

Owing to the hyper-inflationary environment in the Zimbabwe subsidiary, the results of this operation have been included in these financial statements under the provisions of UITF 9 'Accounting for operations in hyper-inflationary economies', which requires the use of a stable functional currency (sterling) and using the temporal method of translation where required.

Incoming resources
Income is accounted for on an accruals basis in the period in which the charity is entitled to income where the amount can be measured with reasonable certainty. Where the entitlement to project or grant income is performance related the income is recognised when the conditions for entitlement have been fulfiled. Legacies are recognised when receipt is reasonably certain and the amount is quantifiable. Where funds are received net of tax, the income is recognised gross at the time of receipt. Gifts in Kind – Properties, Investments, and other fixed assets donated to the charity are included as donation income at market value at the time of receipt.

Resources expended
Expenditure is accounted for on an accruals basis and is recognised when there is a legal or constructive obligation to pay. Expenditure on charitable activities includes the direct cost of planning, staffing and operating both UK and overseas activities. It also includes support costs, which represent central costs of providing the infrastructure in which activities are run. Support costs are allocated to programmes in proportion to activity levels and their relative demands on central resources. Governance costs consist of the statutory and organisational costs of operating as a charitable company.

Basis of allocation of costs
The majority of costs are directly attributable to specific activities. Certain shared costs are apportioned to activities of Practical Action Limited. These costs have been apportioned according to the relative size of the different programmes.

Fundraising costs
These include the salaries, direct expenditure and overhead costs relating to the fundraising staff.

Governance costs
The costs are made up of a percentage of salaries for management, office costs, internal and external audit costs, meeting costs and apportionment of indirect costs.

Fixed assets
Tangible fixed assets are stated at cost less any provisions for depreciation and impairment. Impairments are calculated such that the carrying value of the tangible fixed assets is the lower of its cost compared with the higher of its net realisable value and its value in use.

All fixed assets costing more than £500 are capitalised. The cost of fixed assets which have been acquired and held in the UK and International programmes is their purchase cost, together with any incidental expenses on acquisition.

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets, except freehold property spread evenly over their expected useful lives. It is calculated at the following rates:

Motor vehicles	33.3%
Computer equipment	33.3%
Fixtures and fittings	20.0%

No depreciation is provided for freehold property because the accumulated depreciation is not material, as it is expected that it will have a useful life over 50 years and its residual value is likely to exceed its book value. An annual impairment test is carried out on the property.

Investments
Investments are shown at market value. Unrealised and realised investment gains or losses are shown net on the face of the Statement of Financial Activities.

Stocks
Stocks are stated at the lower of cost or net realisable value.

Pension costs
The pension costs for the defined benefit pension scheme are treated in accordance with FRS 17. The following elements are charged to the SOFA; the service cost of pension provision relating to the period, together with the cost of any benefits relating to past service (allocated to staff costs); the net return on financing which is a charge equal to the increase in the present value of the scheme liabilities and a credit equivalent to the charity's long-term expected return on assets (allocated to staff costs); and the actuarial gain or loss on the schemes assets and liabilities (allocated to other recognised gains and losses).

The difference between the market value of the assets of the scheme and the present value of accrued pension liabilities is shown as an asset or liability on the balance sheet.

The group also operates a defined contribution pension scheme. Contributions to this scheme are charged to the statement of financial activities in the year in which they become payable.

Foreign currencies
The transactions in foreign currencies are recorded using the rate of exchange ruling at the time of the transaction. Monetary balances held at the year end are retranslated at the rate prevailing at that date. No provision is made against balances held which could not readily be converted to sterling as these are only held to be used in the short term in that country. Gains or losses on translation of foreign currencies are treated as charges/credits to the project for which the currency is held.

Restricted funds
Where funds are received for specific purposes set out by the donor or implied by the terms of appeal, these are shown as restricted income in the statement of financial activities. Expenditure for the purposes specified is applied against the income and any amounts unexpended at the balance date are shown within restricted funds. Deficits at the balance sheet date represent amounts expended in advance of anticipated funding.

Unrestricted funds
The Trustees, at their discretion, may set aside funds to cover specific future costs. Such funds are shown as designated funds within unrestricted funds. Where the Trustees decide such funds are no longer required for the purposes intended, they may be released by transfer to general unrestricted funds. Unrestricted funds which are not designated are held in accordance with Practical Action's reserves policy. In order to monitor this, policy funds represented by functional fixed assets are identified separately on the face of the balance sheet within unrestricted funds.

Conduit Funding
The Charity occasionally acts as agent for other organisations and receives funds on their behalf. These funds are not recognised as income and are excluded from the SOFA and balance sheet.

Operating leases
The annual rentals on operating leases are charged to the statement of financial activities on a straight line basis over the term of the lease.

Taxation
Practical Action is a charity and claims exemption from direct taxation on its charitable activities. Irrecoverable VAT is chargeable to the projects using the partial exemption method.

2. Income

An analysis of group income by where the income originated or, where the donor has imposed restrictions, where the expenditure will be incurred is given below:

	Unrestricted £'000	Restricted £'000	Total 2009 £'000	Total 2008 £'000
United Kingdom	11,027	498	11,525	10,646
Southern Africa	140	1,717	1,857	2,048
Eastern Africa	111	2,651	2,726	2,429
South America	117	2,589	2,706	2,758
Asia	193	3,328	3,521	3,159
TOTAL	**11,588**	**10,747**	**22,335**	**21,040**

	Unrestricted £'000	Restricted £'000	Total 2009 £'000	Total 2008 £'000
Voluntary income				
Donations & gifts	6,436	548	6,984	7,269
Legacies*	1,325	–	1,325	1,371
	7,761	**548**	**8,309**	**8,640**
Investment income				
Rental	59	4	63	44
Interest	276	10	286	388
	335	**14**	**349**	**432**
Grants	1,030	10,023	11,053	9,999
Other income	671	162	833	601
Subsidiaries	1,791	–	1,791	1,368
TOTAL	**11,588**	**10,747**	**22,335**	**21,040**

*Approximately £918k of residual and £150k of reversionary legacies have not been recognised as income in the year to 31 March 2009.

Although probate was granted prior to 31 March 2009, it is not possible to establish the amount or timing of receipts with sufficient accuracy.

3. Total resources expended

	Grants Payable £'000	Direct Costs £'000	Office Costs £'000	Support Costs £'000	Total Costs £'000
Costs of generating funds	–	2,262	602	37	2,901
Reducing Vulnerability	951	5,488	151	553	7,143
Making Markets Work for Poor People	760	2,524	114	123	3,521
Improving Access to Infrastructure Services	565	3,969	100	497	5,131
Responding to New Technologies	–	151	10	–	161
Knowledge & Communications	54	1,776	67	32	1,929
Consulting	–	1,383	29	–	1,412
Publishing	–	374	22	–	396
Governance costs	–	68	30	215	313
TOTAL RESOURCES EXPENDED	**2,330**	**17,995**	**1,125**	**1,457**	**22,907**

During the year ended 31 March 2009, Practical Action made grants to partner organisations. Grants payable to partner organisations are considered to be part of the costs of activities in furtherance of the objects of the charity. A large part of the charity's programme activity is carried out through grants to local organisations that support long-term, sustainable benefits for a community. These are monitored by the charity.

Support costs
are apportioned according to the relative size of the different programmes.

	Reducing Vulnerability £'000	Making Markets Work for Poor People £'000	Improving Access to Infrastructure Services £'000	Knowledge and Communication £'000	Fund-Raising £'000	Governance £'000	Total £'000
Premises and Facilities	421	93	379	26	28	164	1,111
Audit, Bank and Legal Costs	131	29	118	8	9	51	346
TOTAL	**552**	**122**	**497**	**34**	**37**	**215**	**1,457**

Governance costs

	2009 £'000	2008 £'000
Salaries	69	66
Office Costs	19	14
Internal and External Audit Costs	149	137
Meeting Expenses (including trustees travel)	10	28
Apportionment of indirect costs	66	47
TOTAL	**313**	**292**

3. Total resources expended (cont.)

External audit costs

	2009 £'000	2008 £'000
Fees payable to company's auditors for the audit of the company's annual accounts	80	73
Fees payable to company's auditors for the audit of the company's subsidiaries pursuant to legislation	9	8
TOTAL AUDIT FEES	**89**	**81**
Tax services	3	5
Other services	2	–
TOTAL NON-AUDIT FEES	**5**	**5**

4. Employees

Staff costs consist of:	2009 £'000	2008 £'000
Wages and salaries	8,110	6,816
Social security costs	643	546
Pension Costs (See note 16)	251	250
Pension (stakeholder scheme)	237	211
Terminal Payments	377	490
Total emoluments of employees	**9,618**	**8,313**
Other staff costs	266	265
TOTAL STAFF COSTS	**9,884**	**8,578**

	2009 Number	2008 Number
Average number of employees		
UK	118	120
Overseas	576	570
TOTAL	**694**	**690**
Average number of full time equivalent' employees		
UK	102	108
Overseas	563	557
TOTAL	**665**	**665**

4. Employees (cont.)

During the year employees earning greater than £60,000 pa fell into the following bands:

	2009 Number	2008 Number
£60,001-£70,000	2	5
£70,001-£80,000	5	–
£80,001-£90,000	1	1

The Trustees receive no remuneration for their services. Expenses reimbursed to Trustees during the year amounted to £1,086 (2008: £1,285), which related to travel and refreshment costs for meetings, telephone and postage.

Expenses were reimbursed to six Trustees (2008: six Trustees)

5. Net income from trading subsidiaries and summary balance sheet

The results of the principal trading subsidiaries are summarised below:

	Practical Action Consulting Limited 2009 £'000	Practical Action Publishing Limited 2009 £'000	Practical Action Consulting Limited 2008 £'000	Practical Action Publishing Limited 2008 £'000
Income	1,476	470	1,107	465
Expenditure	(1,476)	(470)	(1,106)	(462)
Net profit (loss)	**–**	**–**	**1**	**3**
The amount shown in the consolidated statement of financial activities is arrived at as follows:				
Income per subsidiary accounts	1,476	470	1,107	465
Less interest receivable	–	–	–	–
Less grants from parent company	(55)	(100)	(100)	(104)
	1,421	**370**	**1,007**	**361**
Expenditure per accounts	(1,476)	(470)	(1,106)	(462)
Less group charges	64	74	59	70
	(1,412)	**(396)**	**(1,047)**	**(392)**
Net effect on Group results for the year	**9**	**(26)**	**(40)**	**(31)**

5. Net income from trading subsidiaries and summary balance sheet (cont.)

	Practical Action Consulting Limited 2009 £'000	Practical Action Publishing Limited 2009 £'000	Practical Action Consulting Limited 2008 £'000	Practical Action Publishing Limited 2008 £'000
Summary Balance Sheet				
Fixed Assets	1	–	1	1
Total assets less current liabilities	161	64	162	62
Creditors: amounts falling due after one year	(160)	(80)	(160)	(80)
Net Asset/(Liabilities)	**2**	**(16)**	**3**	**(17)**
Capital & Reserves Called up share capital	–	–	–	–
Profit & Loss Account	2	(16)	3	(17)
Surplus/(Deficit) on Shareholders' funds	**2**	**(16)**	**3**	**(17)**

6. Cost of generating funds: Fundraising costs

	2009 £'000	2008 £'000
Costs related to donations, gifts and legacy income	2,843	2,626
Costs related to applying for charitable grants and contracts for operational program	22	21
Publicity Costs (inc raising profile e.g. advertising, marketing etc except if Education)	11	9
TOTAL	**2,876**	**2,656**

7. Tangible assets

	Freehold Property £'000	Motor Vehicles £'000	Computer Equipment £'000	Fixtures & Fittings £'000	Total £'000
Group cost					
At 1 April 2008	1,169	1,887	1,308	799	5,163
Additions	–	186	78	56	320
Disposals	–	(36)	(7)	(3)	(46)
At 31 March 2009	1,169	2,037	1,379	852	5,437
Depreciation					
At 1 April 2008	–	1,574	1,163	641	3,378
Charge for the year	–	263	120	70	453
Disposals	–	(36)	(6)	(4)	(46)
At 31 March 2009	–	1,801	1,277	707	3,785
Net Book Value (NBV)					
At 31 March 2008	1,169	313	145	158	1,785
At 31 March 2009	**1,169**	**236**	**102**	**145**	**1,652**

All of the charity's fixed assets are held primarily for direct charitable use
All of the above assets are owned by the charity apart from the following:

	NBV 2009 £'000	NBV 2008 £'000
Computer Equipment	**1**	**2**

8. Investments

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Cash Investments				
Cash investments	3,934	5,826	3,934	5,826
Common investment fund	76	74	76	75
TOTAL	**4,010**	**5,900**	**4,010**	**5,901**
Programme Investments				
Capital Loans to Subsidiaries	–	–	240	240
Programme investments	32	24	50	42
TOTAL	**32**	**24**	**290**	**282**

Capital loans are interest bearing, secured by a fixed and floating charge and have no fixed repayment period but are repayable on demand.

8. Investments (cont.)

The following were subsidiary undertakings at the end of the year and have all been included in the consolidated financial statements:

	Country of Incorporation	Proportion of voting rights and ordinary share capital held	Nature of business
Practical Action Consulting Limited	England	100%	Consultants for agriculture and industry
Practical Action Publishing Limited	England	100%	Publishers and booksellers
Intermediate Technology Publications Limited (Dormant company)	England	100%	Publishers and booksellers
Intermediate Technology Development Group Limited (Dormant company)	England	100%	Developers of agriculture and industrial machinery
ATS Property Holdings Private Limited	Sri Lanka	100%	Property purchase, lease moveable, immoveable property

Reconciliation of Common Investment fund:	**£'000**
Historical Cost	46
Opening balance at 1 April 2008	74
Realised gain	2
Closing balance at 31 March 2008	**76**

Programme Investments

The loans to charitable beneficiaries finance small scale hydro-electric schemes in Peru £32k (2008 £24k). Any such loans to beneficiaries are interest bearing, unsecured and repayable within five years. Any losses or bad debts are expended as charitable activities.

The Trustees are satisfied that making these loans constitutes programme investments made for the benefit of the Charity in that they provide working capital below a commercial rate of interest to be earned by the Charity enabling them to pursue activities which will further the Charity's objectives.

9. Stock

	Group		Charity	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Finished Goods	61	61	–	–
Work in Progress	3	3	–	–
TOTAL	**64**	**64**	**–**	**–**

10. Debtors

	Group		Charity	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Trade debtors	445	387	95	102
Prepayments & accrued income	3,840	2,119	3,714	1,991
Other debtors	496	410	493	409
TOTAL	**4,781**	**2,916**	**4,302**	**2,502**

11. Creditors: amounts falling due within one year

	Group		Charity	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Payments received in advance	2,896	2,832	2,821	2,791
Trade Creditors	385	631	283	537
Taxation and social security	210	166	199	162
Accruals	390	418	314	365
Other creditors	1,292	988	1,206	938
Bank Loan: 1 year	19	16	19	16
TOTAL	**5,192**	**5,051**	**4,842**	**4,809**

Payments received in advance represent grants received by the Charity in advance of the period to which they relate. The analysis of such payments is shown below:

	Group £'000	Charity £'000
Balance brought forward	2,832	2,227
Released to income	(2,832)	(2,227)
Received in year	2,896	2,832
BALANCE CARRIED FORWARD	**2,896**	**2,832**

12. Creditors: amounts falling due after more than one year

	Group		Charity	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Bank loan: unsecured				
1-2 years	19	32	19	32
2-5 years	58	49	58	49
More than 5 years	93	78	93	78
Other creditors: unsecured				
2-5 years	46	61	46	61
TOTAL	**216**	**220**	**216**	**220**

The unsecured bank loan forms a credit fund for loans to beneficiaries of the charity to finance small scale hydro-electric schemes in Peru.

13. Provisions

	Balance at 1.4.08 £'000	Charged to inc/exp £'000	Released during year £'000	Balance at 31.3.09 £'000
Project issues	18	45	(9)	54
Tax Liability	–	56	–	56
Redundancy	7	–	(7)	–
TOTAL	**25**	**101**	**(16)**	**110**

All provisions are also the provisions of the charity except for the redundancy provision. The project issues provision represents potential repayment arising from outstanding project issues that are currently being addressed. Each of the provisions is expected to be settled within the next two years.

14. Funds Note

	Opening balance £'000	Incoming resources £'000	Expenditure £'000	Transfer £'000	Closing balance £'000
Designated Reserves					
Fixed asset fund	1,504	–	–	(94)	1,410
Revaluation Reserve	28	-	2	–	30
Pension reserve	(171)		(982)	238	(915)
TOTAL	1,361	–	(980)	144	525
Free Reserves	**5,883**	**11,588**	**(11,666)**	**(144)**	**5,661**
Total unrestricted funds	**7,244**	**11,588**	**(12,646)**	**–**	**6,186**
Reducing Vulnerability	353	4,742	(4,999)	–	96
Making Markets work for Poor People	808	2,042	(2,132)	–	718
Improving Access to Infrastructure Services	185	3,762	(3,792)	–	154
Responding to New Technologies	(13)	10	(5)	–	(8)
Knowledge & Communications	(5)	191	(313)	–	(126)
Total restricted funds	**1,328**	**10,747**	**(11,241)**	**–**	**834**
TOTAL FUNDS	**8,572**	**22,335**	**(23,887)**	**–**	**7,020**

The balances on restricted funds consist of

	2008 £'000	2009 £'000
Total surplus funds	1,357	883
Total deficit funds	(29)	(49)
TOTAL	**1,328**	**834**

15. Total Funds

	Unrestricted funds £'000	Restricted funds £'000	2009 Total £'000	2008 Total £'000
Fixed assets	1,441	211	1,652	1,785
Investments	4,010	–	4,010	5,900
Programme related investments	32	–	32	24
Stock	64	–	64	64
Debtors	2,692	2,089	4,781	2,916
Cash at bank & in hand	4,210	(1,296)	2,914	3,350
Creditor: amount due within one year	(5,192)	–	(5,192)	(5,051)
Creditor: amount due after more than 1 year	(46)	(170)	(216)	(220)
Provisions for liabilities and charges	(110)	–	(110)	(25)
Pension liability	(915)	–	(915)	(171)
TOTAL	**6,186**	**834**	**7,020**	**8,572**

16. Pension costs and FRS 17

The charity has accounted for pension costs in accordance with FRS 17.

ITDG Pension Scheme

The Scheme is a Registered Pension Scheme under Chapter 2 Part 4 of the Finance Act 2004. Contributions paid by the Company to the Scheme during the year ending 31 March 2009 amounted to £247,800. Contributions are determined by an independent qualified actuary on the basis of triennial valuations.

During 2008/9 the Pension Trustees of the Scheme considered the latest valuation dated 1st April 2008. The market value of the schemes assets was £5.5m which was 85% of the £6.5m value of liabilities. The Pension Trustees set the level of contributions to eliminate the £1.0m deficit over seven years (contributions of £248k in 2008/9 and £220k to 2015).

The assets of the Scheme are held separately from the assets of the company being units in a segregated fund managed by an external investment manager. The Scheme closed to new entrants from 22nd April 2002 and accrual for employed members ceased from 31st May 2003.

In arriving at the 2008 actuarial valuation above, the following assumptions were adopted:

Inflation assumption	3.25%
Salary increase assumption	Year 1: 5.50%
	From year 2: 4.75%
Rate of increase in pensions in payment	3.25%
Rate of increase in pensions in deferment	3.25%
Investment return pre-retirement	5.60%
Investment return post-retirement	6.70%

A valuation has been performed in order to assess the disclosures required under FRS17 as 31 March 2009 by an independent qualified actuary.

16. Pension costs and FRS 17 (cont.)

a) The amounts recognised in the balance sheets are as follows:	2009 £'000	2008 £'000
Present value of funded obligations	(5,640)	(5,674)
Fair value plan assets	4,725	5,503
Deficit	**(915)**	**(171)**
Amounts in the balance sheet:		
Liabilities	(915)	(171)
Assets	–	–
Net liability	**(915)**	**(171)**

b) Changes in the present value of the defined benefit obligation are as follows:	2009 £'000	2008 £'000
Opening defined benefit obligation	5,674	6,511
Service cost	36	49
Interest cost	373	351
Employee contributions	–	–
Actuarial gain	(265)	(1,055)
Benefits paid	(178)	(182)
Defined benefits obligation at the end of year	**5,640**	**5,674**

c) Changes in the fair value of the scheme assets are as follows:	2009 £'000	2008 £'000
Opening fair value of scheme assets	5,503	5,555
Expected return	399	362
Actuarial loss	(1,247)	(482)
Employer contributions	248	250
Employee contributions	–	–
Benefits paid	(178)	(182)
Fair value of scheme assets at the year end	**4,725**	**5,503**

d) The amounts included within the Statement of Financial Activities are as follows	2009 £'000	2008 £'000
Actual return less expected return on pension scheme assets	(1,247)	(482)
Experience gains arising on the scheme liabilities	15	137
Change in assumptions underlying the present value of the scheme liabilities	250	918
Actuarial (losses) and gains – Total amount charged to the Statement of Financial Activities	**(982)**	**573**

Practical Action expects to Contribute £220k to its defined benefit pension scheme in 2010

The cumulative total of recognised actuarial losses is (£915k)

16. Pension costs and FRS 17 (cont.)

e) The major categories of scheme assets as a percentage of total scheme assets are as follows	2009	2008
Equities	47%	55%
Bonds	42%	38%
Cash	11%	7%

The expected rates of return apply from the valuation date forward are set to be net of investment management fees and scheme expenses, as described below:

1. The return on bonds (6%) was set to be equal to the discount rate less an allowance for expenses
2. The net return on equities (7.25%) was set to be 3.5% above the net return on gilts
3. The net return on cash (3.75%) was set to be equal to the return on gilts.

	2009 £'000	2008 £'000
The actual return on the scheme assets in the year	(848)	(120)

f) Principal assumptions at the balance sheet date (expressed as weighted averages)	2009	2008
Discount rate	6.40%	*6.60%*
Expected return on scheme assets	6.35%	*7.20%*
Rate of increase in salaries	4.20%	*4.50%*
Rate of increase or pensions in payment	2.70%	*3.50%*
Rate of increase of pensions in deferment	2.70%	*3.50%*
Assumes life expectancy on retirement age 65:		
Retiring today – males	21.5	21.5
Retiring today – females	23.9	23.9
Retiring in 20 years – males	23.4	23.4
Retiring in 20 years – females	25.8	25.8

g) The amounts for the current and previous periods are as follows:	2009 £,000	2008 £,000	2007 £,000	2006 £,000	2005 £,000
Defined benefit obligation	5,640	5,674	6,511	6,566	5,638
Scheme assets	4,725	5,503	5,555	5,191	4,141
Surplus/(deficit)	(915)	(171)	(956)	(1,375)	(1,497)
Experience adjustment on scheme liabilities	15	137	(110)	16	(24)
Experience adjustment on scheme assets	(1,247)	(482)	(92)	685	147
Total (loss)/gain on STRGL	(982)	573	196	(56)	96

17. Reconciliation of net income to net cash inflow from operating activities

	2009 £'000	2008 £'000
Net (outgoing)/incoming resources	(572)	226
Interest Received	(286)	(388)
Depreciation charge	453	580
Loss on disposal of fixed assets	–	16
Decrease in stocks	–	11
(Decrease)/Increase in debtors	(1,873)	536
Decrease in creditors and provisions	212	1,131
Difference between pension contributions and current service costs	(238)	(212)
Net cash (outflow)/inflow from operating activities	**(2,304)**	**1,900**

18. Reconciliation of net cash flow to movement in net funds

	2009 £'000	2008 £'000
Movement in cash in the period	(436)	(294)
Cash movement from change in debt financing	2	(68)
Movement in net funds in the period	**(434)**	**(362)**
Net funds Brought Forward	**3,114**	**3,476**
Net funds Carried Forward	**2,680**	**3,114**

19. Analysis of changes in net funds

	1.4.08 £'000	Cash £'000	31.3.09 £'000
Cash at bank and in hand	3,350	(436)	2,914
Debt due within 1 year	(16)	(3)	(19)
Debt due after 1-2 years	(32)	13	(19)
Debt due after 2-5 years	(49)	(8)	(57)
Debt due after 5 years	(139)	–	(139)
NET FUNDS	**3,114**	**(434)**	**2,680**

20. Contingent liability

The Charity has entered into an agreement with Barclays Bank to provide a bank guarantee to the value of ¤130,396 (approximately £121,152) to the agency 'Intelligent Energy Executive Agency' (IEEA) as stipulated in the contract EIE/06/250/S12.449314 – Energising the Millennium Development Goals – Setting the Enabling Environment (E-MINDSET) in Southern Africa.

The Charity has signed a legal charge in respect of the bank guarantee, which represents the amount of the first trance of funding provided by the donor, and funds will be held in a special Business Premium Account for the three-year duration of the contract.

21. Big Lottery Fund

The following are the restricted fund movements relating to grants from the Big Lottery Fund:

2009	Socieconomic[1] empowerment of tsunami £'000	Disappearing[2] lands £'000	Integrated[3] natural resource £'000	Rebuilding[4] safe & sustainable livelihoods £'000	Practical[5] solutions £'000	Total
Opening Balance 2008	–	–	–	–	–	–
Income Deferred from 07/08	–	(82)	–	(54)	–	(136)
Income Accrued from 07/08	–	–	6	–	–	6
Income Received in 08/09	(22)	(90)	(163)	(194)	(59)	(528)
Income Accrued for 08/09	–	(1)	(18)	(57)	–	(76)
Income Deferred to 09/10	22	–	–	–	15	37
TOTAL INCOME	**–**	**(173)**	**(175)**	**(305)**	**(44)**	**(697)**
Expenditure	–	173	175	305	44	697
CLOSING BALANCE	**–**	**–**	**–**	**–**	**–**	**–**

2008	Improving Urban Livelihoods £'000	Disappearing Lands £'000	Integrated natural resource £'000	Rebuilding safe & sustainable livelihoods £'000	Total
Opening Balance 2007	**–**	**(1)**	**(19)**	**–**	**(20)**
Income Deferred from 06/07	–	(59)	–	(63)	(122)
Income Accrued from 06/07	–	–	44	–	44
Income Received in 07/08	–	(213)	(265)	(188)	(666)
Income Accrued for 07/08	–	–	(6)	–	(6)
Income Deferred to 08/09	–	82	–	54	136
TOTAL INCOME	**–**	**(190)**	**(227)**	**(197)**	**(614)**
Expenditure	–	191	246	197	634
CLOSING BALANCE	**–**	**–**	**–**	**–**	**–**

1 *Socioeconomic empowerment of tsunami affected communities (SET)*
2 *Disappearing lands: supporting communities affected by river erosion; Bangladesh*
3 *Integrated natural resource management, poverty reduction & improved livelihoods in the southern highlands of Peru*
4 *Rebuilding safe & sustainable livelihoods for tsunami affected communities; Sri Lanka*
5 *Practical solution for the livelihood crisis of indigenous/migrant communities*

BIG LOTTERY FUND
LOTTERY FUNDED

22. Department for International Development grants

The company has received the following grants from the Department for International Development (DFID):

	2009 £'000	2008 £'000
Grants	**1,530**	**1,377**

2009: Project funding details required by DFID

	Contract Number	DFID Funding £'000
DFID Partnership Programme Agreement	–	1,030
International Technical Enquiry Service	AG4873	174

23. Ministry for International Co-operation (DGIS)

The following are the restricted fund movements relating to grants from DGIS

	2009 £'000	2008 £'000
Opening balance	323	(194)
Income	537	1,219
Interest received	3	9
Expenditure	(1,072)	(711)
CLOSING BALANCE	**(209)**	**323**

24. Commitments under operating leases

As at 31 March 2009, the company had annual commitments under non-cancellable operating leases as set out below:

	2009		2008	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire:				
Within one year	93	20	71	–
In two to five years	319	–	50	–
Over five years	–	–	8	–
TOTAL	**412**	**20**	**129**	**–**

The net income for the year has been stated after charging £198k (2008: £52k) for the hire of assets under operating leases.

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