



# Reporting back

Annual Report and Accounts 2007-2008

**PRACTICAL ACTION**  
Technology challenging poverty





Five small wind power plants provide electricity for Patla village, Parbat, Nepal

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Section of a micro-hydro scheme on the slopes of Mount Kenya

# Message from the Chair

2007-8 was another turbulent year for the countries where Practical Action operates. Nepal, Kenya, Sri Lanka, Zimbabwe and Sudan all suffered dramatic political upheaval, with significant consequences for poor and vulnerable communities. In spite of this, Practical Action continues to deliver invaluable projects and programmes which have directly tackled the poverty faced by over 800,000 people in the last twelve months.

For Practical Action 2007-8 was the first year of our Group Strategy which takes us through to 2012. As a result we have additional ways of measuring our impact on the ground, our strengths and indeed our weaknesses. Understanding this big picture is critical for us as trustees, because it enables us effectively to manage resources, take decisions strategically and ensure that the return on our investment is maximised. Above all we can have confidence that we are on track to hit one of our strategic targets of working directly with three million people in the five years to 2012.

But at the same time as studying the overall impact of our work, it is critical to remain people-focused, which is at the foundation of Practical Action's work. This struck me forcefully when I met beneficiaries of our work on my recent visit to Nepal. The migrant communities who had been helped by our support in irrigation and in the construction of a rhino-proof fence on the borders of the Chitwan National Park were so happy with the improvements in their lives, and wanted to thank me warmly. I felt privileged to be representing what the Practical Action family has achieved with them. Likewise, the young lads I met in Dhading District were delighted with the gravity ropeway which allowed them to sell horticultural produce from their village high in the mountains to passing traffic on the road from the Indian plains to Kathmandu, without a three hour descent on foot carrying huge loads on their backs. This once again reminded me how people can be given hope by the introduction of a simple technological solution to the challenges of their daily life.

At least two of our other projects have received international recognition during the year. The Disappearing Lands project, which helps people affected by river erosion in Bangladesh received the **2007 Ryutaro Hashimoto Gold Award** from APFED (The Asia-Pacific Forum for Environment and Development) and our micro-hydro work in Peru was awarded the prestigious United Nations Environment Programme Sasakawa Prize, 2008 worth \$100,000. We are rightfully proud of these projects, the support and commitment of our staff and the openness and active involvement of the communities we work with. I would like to add my congratulations. These awards are enormously valuable in helping us to spread the lessons of our project work to other development practitioners. We seek to inspire others to learn from our experience and always very much welcome and encourage others to take up and use our ideas.

As trustees inevitably we concern ourselves with matters of financial management, and we are pleased to report steady growth again this year in line with our forecasts and ambitions.

We hope that the next year will bring more peace and stability to our countries of operation. The international community will reach the half way point in its 15 year mission to reduce world poverty by 50% by 2015. Undoubtedly its track record will be found wanting. For Practical Action we will be looking to expand on our success in programme work and influence more and more partners to take on the lessons of our work and implement them on a much greater scale. Although we still very much believe in "Small is Beautiful" we are delighted whenever our work is replicated by others, increasing our own impact.



**Stephen Watson**  
Chair, Practical Action



# 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
- Help them influence the social, economic and institutional systems for innovation and use of technology.

Practical Action's vision is of a sustainable world free of poverty and injustice in which technology is used for the benefit of all.

In 2007-8 we used technology to directly benefit around 792,000 poor women and men through 141 projects in 13 countries.

To deliver our mission our work continues to be focussed around four programmes of work:

- Coping with environment and conflict
- Making markets work for poor people
- Getting a decent service
- Closing the new technology gap.

In addition we have a cross cutting area of work on climate change. As well as delivering direct benefits to poor people, every piece of our field work forms part of a broader process aimed at achieving change at 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 – this way we are able to reach millions more people; these numbers are in addition to those quoted in this report.

## Coping with environment and conflict

In 2007-8 this programme of work, which improves the security of the food supply to poor women and men, and reduces their vulnerability to disasters (including climate change), has directly benefited around 340,000 people, working through 43 projects in 11 countries.

Specifically we work to ensure that poor people living in fragile rural environments have more equitable access to technologies, skills, and natural resources which will help them to secure access to food and maintain a more sustainable livelihood.

For example, in Gokwe, Zimbabwe, Practical Action works in collaboration with German Agro



## Coping with environment and conflict

Action to deliver a project which increases access to food for poor women and men living in semi-arid areas. Practical Action uses its experience of technology to help people implement changes in farming practices towards 'conservation farming'. Amongst other activities contour bunds are constructed by the community to capture and preserve rainwater, consequently boosting crop production. Building a contour bund is no small undertaking. Each one involves moving around 300m<sup>3</sup> of soil by hand. Several hundred have been constructed in the last year directly benefiting more than four thousand people.

Farmers' Days are held by the project to disseminate messages about conservation farming approaches, showcase good examples and award prizes to farmers who have made the most recent progress.

For one local farmer, Herbert Watadza, aged 63, teaching people to work their land differently is greatly welcomed. Herbert explains that when the rains fell previously, people could do nothing but watch it being wasted, running away, often carrying the soil with it. But now, with the help of contour bunds, people are learning how to slow the running water down, encouraging more of it to percolate into the ground to increase the amount of moisture in the soil for crops and reducing soil erosion in the process.

In Gokwe, working with a partner agency, Practical Action is ensuring that these techniques of conservation farming not only directly benefit people in the project, but also become a tool for



our partner German Agro Action to use in its programmes in the future, increasing Practical Action's indirect impact.

Our 'Coping with Environment and Conflict' programme also helps poor women and men who live in particularly hazardous rural environments to prepare for and to reduce the risk of disasters. This is always more effective than picking up the pieces afterwards. We enable people to access technologies which will ensure that they are better able to cope with the risk of disaster (natural or man-made) including the impacts of climate change. In addition we encourage people to take a bigger role in developing policy for managing disasters when they occur.

For example, in Nepal over 74,000 people are benefiting from improved disaster preparedness as a result of a Practical Action project funded by the European Union, through its DIPECHO programme for South Asia. In the last year the range of activities in which poor communities at risk from flooding participated included strengthening the capacity to manage early warning systems, community-managed river bank protection and building vital infrastructure such as shelters, bridges and rescue boats.

This work is inevitably not just about physically avoiding the worst dangers of flooding but also giving people ways in which they can weather the storm. For example in one village, Meghauri in Chitwan District, which is bordered by two rivers which regularly flood, Practical Action helped the community to build a bridge.



## Coping with environment and conflict

Mangali Kumal says

*"I have no land so I earn a living through daily labour. During the floods we were isolated; I couldn't reach the fields where I work, so I brought home no money and struggled to feed my family. Since this bridge has been built, I can get work even during times of flood."*

In addition to these direct benefits Practical Action has persuaded the authorities of Chitwan District to include disaster management planning in their development plans. This area of work focusses on strengthening communities, building their capacity to cope with climate change and disasters and empowering them to participate in developing local policy.

In Sudan Practical Action with funding from partner agency Kids for Kids has helped to establish a community forest in Majdoub, an area west of El Fashir in the Darfur region. Overgrazing and desertification have caused many native trees to disappear altogether from the surrounding countryside, which makes animal fodder and firewood for cooking increasingly hard to find. Many of those species that continue to grow are toxic to animals. The community have planted a five-acre plot with more than 3,700 seedlings of a variety of native trees. When they have grown sufficiently to be transplanted the forest will be run by a community management committee. In the future the trees will help to prevent soil erosion and will provide firewood and fodder for animals.

## Making markets work for poor people

Poor rural producers are often already engaged in a market, for example through selling surplus crops or engaging in a local trade such as pottery. Often however their interaction with markets is on disadvantageous terms. This year we used technology and an approach known as Participatory Market System Development (PMSD) to make markets work more effectively for more than 251,000 poor people in nine countries through 27 projects. Our PMSD approach allows poor producers to work with others to review the whole market environment in which they are operating and identify areas where the market can be made to work much more favourably. This is achieved by giving the producer access to technology, skills and knowledge. In turn this makes them more influential in their own markets which brings benefits to their family and community.

For example, in Bangladesh a project entitled *'Cold Milk for Hot Profit'* has directly benefited around 30,000 dairy farmers and their families. Working with small scale milk producers, the project's aim is to increase and diversify income by improving the quality of milk production. Practical Action has encouraged the formation of milk producer groups, who provide training for members, promote animal health services such as vaccinations, arrange exchange visits to other innovators, develop links with financial institutions and establish milk collecting systems which enable links with more and bigger buyers.

Shapna is a housewife who lives in Khanpur in the Dinajpur Sadar area. Shapna has been rearing two



## Making markets work for poor people

cows following traditional practices for the last three years. She became a member of the milk producers group when the project took off in their village and was very optimistic about it. She learnt to improve the balance of her cattle's food, to vaccinate and deworm. She works with the para-vets trained by the project, whose charges are reasonable. As a result her milk production has increased by more than 60%.

In addition, by combining forces with other farmers she has been able to negotiate a 30% increase in the amount that she receives for each litre of milk. She hopes that the savings will ensure financial stability for her daughters' future education and marriage. Today, she gives financial support to her husband to maintain their family. She is also saving some money to buy tin for the roof on the veranda of her home.

The approach that we use in this area of work has been widely recognised and supported. In Bangladesh we have worked directly with PKSF – a large provider of micro finance – who are in turn aiming to work with 210,000 marginal farmers. They are now using the PMSD approach with a further six significant partners, a great example of Practical Action creating a wider impact through passing our experience on to others.

Another example of our work on making markets work for poor people can be found in Sri Lanka, where Practical Action continues to support those whose livelihoods were affected by the tsunami. Rice is the staple food, occupying nearly 29% of the total agricultural land and half of the agricultural labour force, predominantly engaged in high input paddy cultivation.



Following several pilot projects, Practical Action has established a market case for organic rice cultivation in certain conditions. There are four main benefits for small scale farmers:

- Yields can be higher than modern varieties in certain marginal conditions.
- The cost of inputs (in cash terms), if grown organically, is significantly lower than for modern varieties.
- The price paid for organically grown rice is higher.
- Using traditional varieties and organic methods farmers can break their dependency on and debt to suppliers, who provide inputs such as seed and fertiliser on credit and who are often the eventual purchasers of the crops produced.

Although initially planned as a niche market crop, yields of organic rice were high enough to be promoted as a viable main crop alternative.

**Vijay Vickrama has grown the organic variety for a couple of seasons and is experimenting with several varieties. He said that the traditional variety he used last year provided around 70% of the yield per acre of the conventional seed with only 30% of the input cost. This made it more profitable even if sold without the organic premium.**



## Getting a decent service

### Getting a decent service

The 2007-8 programme of work using technology to improve access to services for poor women and men directly benefited more than 201,000 people in 11 countries through 59 projects. The programme includes improving access to water and sanitation, housing, transport, waste management and energy. This work is carried out in both rural and urban areas. In rural Peru thousands of people have directly benefited from gaining access to renewable energy in remote areas as a result of Practical Action's work over the past 30 years. Our experience shows us that this work is sustainable and has very significant benefits in the long term.

One project which started in 2007 clearly demonstrates the value of this work. Chambamontera is one of many isolated communities in the highlands of Peru, 1,700 metres above sea level. It is largely forgotten by government agencies. Its development is seriously restricted by lack of access to energy. Since October 2007 Practical Action has been working with the families of Chambamontera to install a micro-hydro scheme in their community. Once operational this will provide families with electricity for the very first time, enabling them to improve their lives and livelihoods. A proportion of the cost will be paid by the villagers themselves.

As a result of this project 60 rural families will gain access to energy. The lives of local families will be changed: houses and streets will be well lit, the processing of coffee (the local cash crop) can be mechanised, small businesses such as carpentry workshops can be developed and new businesses

such as battery charging will be established. The scheme is due to be completed in October 2008.

Alfredo Sarango, who gained access to electricity from an earlier Practical Action micro-hydro scheme in Pampa Verde, Peru said *"We are so happy to have light, we feel very thankful and proud: our neighbouring communities envy us. At first, they thought our work was in vain but now they are asking us what they can do to obtain light."*

In urban areas our work to increase access to services continues to be strong. In Kitale, a town in Western Kenya, two thirds of the 250,000 population live in slums in extreme poverty. Basic services such as water and sanitation do not reach them, resulting in high levels of disease.

Practical Action's holistic programme for Kitale is designed to enable these communities to gain access to clean water and sanitation services and to have a say in how local government improves access to other services in the future. Practical Action has so far introduced latrines to four schools, benefiting nearly 3,000 children and three eco-friendly community managed sanitation blocks with hot water bathing facilities, toilets and community rooms, meeting the needs of up to 2,000 people per block. Practical Action's provision of hygiene and sanitation training to 350 people has also helped to raise awareness of these issues in the area.



## Closing the new technology gap

Following the success of this programme of direct service delivery, Practical Action worked with the Kitale planning authorities to promote a participatory approach to planning. This is important because some government funding in Kenya is now decentralised to ward council level and having such a plan in place can both increase the chances of a ward accessing such funds and ensure that the services created as a result meet the real needs of the communities targeted. Our support for community's input to these plans makes us confident that in the last year their implementation has benefited a further 100,000 people.

This twin approach of working on services directly and using that work to persuade statutory bodies to take their responsibilities to poor communities more seriously is paying dividends in peri-urban areas elsewhere in Kenya too. In Nairobi Practical Action has persuaded the City Water and Sewerage Company to recognise informal settlements as areas with a legitimate claim to water and other services. The company has since initiated water provision to Mukuru, a settlement of more than 400,000 people, through the installation of 1,950 metered connections. Likewise in the town of Nakuru Practical Action has influenced the Municipal Council to produce plans with the Nakuru Water and Sewerage Company to provide sanitation to 50,000 households.

The 550,000 people mentioned in the above examples from Kitale, Nairobi and Nakuru are considered indirect beneficiaries of our work and are in addition to the total of 825,000 direct beneficiaries for last year mentioned in the



introduction to this review of the year. As such they are another illustration of the scale of wider impact we are able to achieve over and beyond our own direct projects.

## Closing the new technology gap

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

One example of this work has been Practical Action's continued efforts to promote "nano-dialogues" which seek to bring together scientists working on nano-technology and influence them to work on more pro-poor interventions. One such meeting in Peru this year was attended by over 200 people. It was followed up by a workshop which identified a number of problems in water supply in the country where a form of filter with nano-sized holes may be able to help. One of the main problems identified was the heavy metal pollution of water from mining and tanning activities entering aquifers and affecting water subsequently used for both drinking and irrigation. As a direct result Practical Action will be working with one small rural community in the Cajamarca region in Peru on this issue. Working with a variety of stakeholders, including local scientists, we intend to develop sustainable, novel



## Tackling climate change

applications of nanotechnology that are used ethically and have a local supply chain.

Another new technology initiative has been the collaboration with the developer of a new communications device known as “Second Voice”. This small digital device carries voice recordings and podcasts and is intended for areas where there is little access to the internet or phone networks. One of its uses would be to circulate useful information to a wide audience, for example information about latest agricultural prices or advice on how to improve crop yields or deal with a livestock disease. When two people with the devices come close together (in a market place for example) the recordings are transferred automatically using bluetooth technology. In this way a simple message for a farmer’s extension service for example, can be disseminated to a large number of villages and individual farmers. The devices themselves cost only a few pounds to manufacture and are solar powered. Initial tests of the devices in Zimbabwe identified some problems (as one would expect with a new technology) but we learnt some useful lessons and are continuing to collaborate with the developer as they develop a second version for future trials. The potential of this mechanism for sharing knowledge and information in societies with strong aural traditions is enormous.

In this work – more than others, our focus is changing policy and practice. So we have been particularly pleased to be involved in a Royal Society initiative to develop a “Responsible Nano Code”. The code is intended to stimulate



organisations involved in the research, development, manufacturing, retailing, disposal and recycling of products using nanotechnologies to consider and continuously improve all aspects of their involvement with nanotechnologies – including governance, risk assessment, broader social and ethical issues and to take into account the views of their stakeholders.

## Tackling climate change

Our work on climate change continues to be integrated with everything else we do. We see from our work on the ground and hear from communities we work with that climate change represents a very real threat to their future livelihoods and that urgent and ambitious political and personal action is necessary to reduce greenhouse gas emissions. We also believe that poor communities need financial and technical assistance to adapt to their changing climate.

For example our River Erosion Project in Bangladesh works with people whose livelihoods are threatened by increasingly frequent floods. In addition to providing shelters for times of flood, we are helping people to adapt by offering alternative livelihoods as their land disappears. One such livelihood is sandbar cropping. Sandbars appear for only a few months a year when river waters recede. They are held as common property – no one actually owns them. Practical Action has encouraged the use of these sandbars for growing pumpkins. This has been so successful that in the last year more than £1.27 million worth of pumpkins were cultivated by the communities.



## Sharing our expertise

Not only do these provide nutritious food for the community but there is a surplus for selling at the market. The value of the crop for one year, although only a small part of this project, outstripped the total cost of the entire five year project – a great return on investment.

At the other end of the scale of Practical Action’s climate change work we were delighted that our Maasai project worker Sharon Looremeta was able to take part in the Live Earth Concert – broadcast to hundreds of millions of people around the world from Wembley Stadium. Sharon told the audience about the way that her community is already being affected by climate change.

*“I am here today to tell you now that my people are already suffering from the terrible effects of changing climate, making our survival even more difficult. Without urgent action by each and every one of us around the world, I fear for our future.”*

Practical Action is committed to cutting its own emissions by 5% each year during the strategic period. We have completed our baseline during the year and we are beginning to understand how challenging this can be in an international organisation committed to growth in increasing our impact on poverty. We are building our knowledge of the best approaches to this challenge.

## Sharing our expertise

To achieve our vision of a world free from poverty we seek to work with others. We help them to use technology to tackle poverty and to change policies where necessary.

One way in which we do this is through our technical enquiries service, Practical Answers, which responded to more than 3,500 individual enquiries during the year. Its associated website contains briefings on more than 220 technologies, and has more than 30,000 visitors per month. Again these are indirect beneficiaries so are additional to our core impact numbers. We track a proportion of the enquiries we answer to see what impact our advice has. One recent user of Practical Answers advice on biogas (a technology which produces cooking gas from animal dung) responded:

*“With the technical input and information support from Practical Action, 19 biogas plants (11 in the past and 8 very recently) were set up in Gorkha (a district in Western Nepal). 19 households (110 individuals) have benefited from these plants.”*

Ram Bahadur K.C, Social Worker, Gorkha.

Practical Answers is a unique service of which we are justifiably proud.

Our education team continues to receive widespread recognition for its work on sustainability in the design technology curriculum in the UK. They have been invited to be part of the national Qualifications and Curriculum Authority which governs the content of the curriculum in UK schools. The Sustainability Handbook was produced and circulated to 3,000 schools and has been well received.

*“This is an essential pack for D&T teachers to understand sustainability issues, run exciting lessons, and encourage students to develop innovative designs that help to make the world a better place.”*

UK Government’s Department For International Development’s Global Dimension website

In the field of international policy, we input our experience to the final report of the International Assessment of Agricultural Science and Technology for Development (IAASTD). We also helped to convene the Forum for Food, which gathered together 500 representatives of small farmers, pastoralists and other communities from more than 80 countries to discuss food security and agricultural policy and which published the strategically important Nyeleni Declaration in Mali 2007, on the future of farming. We also participated in the UN Commission for Sustainable Development as a member of the UK Government’s official delegation and contributed significantly on issues around energy access, and the role of technology.

Practical Action has two subsidiary companies which also contribute significantly to our mission.

In 2007-8 Practical Action Publishing published 20 new titles, including six derived from Practical Action’s programme work. These included *Voices from the Margins: Consensus Building with the Poor in Bangladesh*, *Fuel for Free? – Waste Materials in Brick Making* and *Negotiating the Seed Treaty*. The two journals, *Waterlines* and *Enterprise Development and Microfinance* were redesigned and relaunched. Over 6000 publications were distributed free at the point of delivery via book voucher schemes to

libraries and resource centres in the developing world. The main market for sales remains development practitioners worldwide and both sales volume and income increased in the course of the year.

Practical Action Consulting (PAC) continued to extend its work by delivering 74 pieces of work during the year across 35 different countries, thereby considerably expanding the reach of the Practical Action Group. The consultancy is based largely on Practical Action’s technical expertise. For example, PAC has been working in Ethiopia as part of the Department for International Development (DFID) research programme on the provision of water and sanitation. PAC has successfully integrated learning and experience from Practical Action work on access to basic services in Kenya and Sudan into the Ethiopian context which will be further disseminated and applied in the wider Nile region through the DFID research programme. PAC is also leading the five-year DFID bio-energy research programme, PISCES. This work was described in mid June by Olivier Dubois, senior officer at the UN’s Food & Agriculture Organisation (FAO) as *“the only research programme of its kind focussing on livelihoods from bio-energy”*. FAO have subsequently forged a collaboration with PAC for extension of this work into West Africa and Latin America.

## Conclusion

Practical Action is well on course to deliver the five-year strategic target of using technology to directly improve the lives of three million people in the developing world. We also have real confidence that our indirect impact is huge. Together with our local partners we are breaking down the barriers that prevent technology from working for the poor wherever and whenever we find them. Meanwhile the quality of our work is winning international recognition. This is often in spite of the extremely difficult external conditions in which we operate. And we are changing the way other, much larger institutions are working so that many millions more might benefit in the future from the approaches we have developed.



Harvesting hibiscus in North Kurdofan, Sudan

## 2. Financial review

Practical Action has had a sound financial year with income slightly below target and charitable expenditure in line with target.

	2007/8 Target	2007/8 Actual	2007/8 Variance	2008/9 Target	2008/9 Increase
Unrestricted voluntary income	£7.7m	£7.6m	-1%	£8.5m	12%
Restricted income	£11.0m	£10.3m	-6%	£11.5m	12%
Expenditure on charitable activities	£17.8m	£17.8m	0%	£19.9m	12%

The underlying support from our supporters has been solid with just a 1% below target result in voluntary unrestricted income (donations available to be used for any purpose, which is in furtherance of the charity's objectives).

Restricted income was £10.3m. A particular success was the £0.6m income for reconstruction following the earthquake in Peru.

The expenditure on our main charitable activities was in line with target at £17.8m. We are planning to continue to increase our project work during 2008/9.

Income increased in both Practical Action Consulting and Practical Action Publishing as our two main trading subsidiaries continued to deliver their activities in line with Practical Action's mission.

The FRS17 pension deficit fell from £1.0m to £0.2m. Because of the volatility of the FRS17 annual calculations we do not see this movement as significant and our pension contributions are set at a level calculated to eliminate the pension deficit over the next seven years.

The level of free reserves increased by £0.8m to £5.9m; this is £1.8m above the reserves policy target of £4.1m. This gives us a strong foundation to invest in delivering the growth we are planning over the coming years.

As we continue to expand our work to deliver our strategic objectives our 2008-9 targets for growth on unrestricted voluntary income, restricted income and expenditure on charitable activities are all 12%.

### Reserves policy

Practical Action requires reserves to secure its viability beyond its immediate future. This enables Practical Action both to absorb setbacks and to take advantage of opportunities. The target level of reserves is calculated as part of the annual budget process and the policy reviewed annually by Trustees. The policy is based on three 'worst case' scenarios. However, it is possible these could occur and there is a risk that two or more could occur at the same time.

- a) A 'worst case' 25% unrestricted income shortfall, the implications of which would take 18 months to address
- b) A 'worst case' 5% overrun on unrestricted expenditure, the implications of which would take 18 months to address
- c) A £0.5m provision for major one-off unforeseen costs such as:
  - A major upheaval in a country of concentration
  - 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.

## Designated reserves

The designated reserves of £1.5m represent the net book value of unrestricted fixed assets. Funds have already been used to purchase these assets and therefore these funds are no longer considered to be freely available.

## Investment policy

During 2008 Practical Action minimised 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, Bank of Scotland and the Co-operative Bank.

## Programme investments

Programme investments have been made in two areas to further the charity aims of Practical Action (as opposed to making investments purely for a financial return).

Loans to charitable beneficiaries financing small scale hydro-electric schemes in Peru total £24k (2007 £28k).

Loans to Practical Action's two trading subsidiaries Practical Action Publishing and Practical Action Consulting, who both work within Practical Action's charitable purposes, total £259k (2007 £376k).

## Financial risk management

The following statements summarise the charity's policy in managing identified forms of financial risk:

### Price risk

The grants awarded to finance the charity's activities are based on budgets which are built up from the current salary rates, current market prices, current exchange rates and estimated yearly inflation. These contracts can be up to five years long and the majority are 'cost based' i.e. they allow Practical Action to claim in full the actual costs incurred up to the budgeted limits. Therefore, the charity has some opportunity to adjust the charge rates and activities within the terms of contract and this is incorporated into its annual business plans. Therefore the price risk is low.

### Credit risk

Credit risk on amounts owed to the charity by its funders is low, as the majority of the debt is with government departments, the European Commission and other major funding agencies.

### Liquidity risk

Except for a £176k bank loan relating to a project in Peru, the charity has no long term borrowing and no requirement for additional borrowing in the future is currently envisioned.

### Interest rate cash flow risk

The charity places surplus funds in fixed interest deposit accounts with financial institutions. Currently the deposits are approximately £6m and any movement in the interest rate is not a material risk.

## Grants and donations over £20,000

The following have generously contributed more than £20,000 to Practical Action during 2007/8

Ayuntamiento de Madrid  
 Big Lottery Fund  
 Blandford Lake Trust  
 Brooke Animal Hospital  
 CFTC  
 Christian Aid  
 Comic Relief  
 Cordaid  
 Danida  
 Department for International Development (DFID)  
 DGIS (General Directorate for International Co-operation, The Netherlands)  
 East/South Africa Management Inst.  
 European Commission  
 Energy & Mining Ministry, Peru  
 Engineering and Physical Sciences Research Council  
 Food & Agricultural Organisation  
 French Embassy (Kenya)  
 Gemini Trust  
 German Agro Action  
 HIVOS – (Dutch NGO)  
 Ingenieros sin Fronteras, Cataluña  
 International Co-operation German Ministry  
 International Committee of the Red Cross  
 International Organization for Migration  
 Isle of Man Government Overseas Aid Committee  
 Kids for Kids  
 Mercy Corps  
 MPDL  
 MUUS Independence Fund  
 Rowan Charitable Trust  
 Sarvodaya  
 Stanley Thomas Johnson Foundation  
 Jersey Overseas Aid Commission  
 Stavros Niarchos Foundation  
 Stemcor Holdings Ltd  
 UNDP-GEF Small Grants Program  
 United Nations Children's Fund  
 United Nations Development Program  
 University of Loughborough (WEDC)  
 USAID  
 Voluntary Services Overseas  
 Waste Advisers on Urban Environment & Development  
 Waterloo Foundation



Collecting water in the Turkana district of Kenya

# 3. Structure, Governance and Management

## Legal structure and proposed change of name

Intermediate Technology Development Group Ltd (working name Practical Action) was founded in 1965 and incorporated as a company limited by guarantee on 21st February 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. It is registered as a charity with the Charity Commission. The maximum number of Members allowed in accordance with the Charity's governing document is 100 (currently 64). This number excludes Members who are employees or ex-employees of the Charity.

At an Extraordinary General Meeting held on 13 March 2008 the Members passed a Special Resolution to change the registered name of the Company to Practical Action Ltd, to bring it into line with the working name we have been using for the past two years. This was a conditional resolution in that it gave Trustees the power to agree an effective date for the name change (being no later than 12 March 2009) otherwise the resolution would lapse. The change of name is likely to come into effect later this year once logistical and administrative issues have been considered across all the countries where we operate, ensuring of course that there are no adverse consequences for our work from donors, partners and agencies.

## 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 (maximum 18). 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 Diana Mitlin stepped down from the Board at the last AGM. Members of the Board of Trustees who are also Directors of the Company and Trustees of the charity are listed in the Legal and Administrative Details section.

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.

## Trustee induction and training

New Trustees receive a welcome pack which includes; 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; Delegated Authorities document setting out those matters delegated to the Chief Executive and the Sub Committees of the Board, together with a Schedule of authorised signatories listing those persons authorised to commit the funds and appropriate levels of expenditure of 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. All future Trustees will be provided with copies of this. 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 or experience as Trustees and provide a greater understanding of their legal responsibilities. In order to enhance their knowledge of our core work we hold Trustee seminars/workshops twice year based around a particular theme or programme. Trustees are also encouraged to visit our overseas programmes to meet key stakeholders and understand the challenges facing our various overseas offices. As mentioned last year we now have in place job descriptions for Trustees as well as the Chair, Vice Chair and Honorary Treasurer positions.

## Best Practice in Governance

During the year, as part of the process of benchmarking ourselves against the Governance Hub's Code of Good Governance for the Voluntary and Community Sector, we undertook a review of Board performance by means of a self evaluation questionnaire circulated to Trustees and senior management. This identified a number of areas we needed to concentrate on including enhancing our stakeholder engagement, developing the Trustees' understanding of the core work of our organisation, and allowing more time at Board meetings for discussion on strategic rather than administrative issues. A number of initiatives have been put in place and we will monitor these during the year.

## 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 follows and Terms of Reference for these Sub Committees 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.

The Chief Executive is appointed by the Trustees to manage the day to day operations 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, which has executive responsibilities, is called the Strategy and Leadership Team (SLT) and comprises the Chief Executive and eleven directors, including the seven directors from our international programmes.

## Related parties

The Charity currently hosts 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 help IFRTD by employing staff and making funding contracts with donors on its behalf. Its interests overlap 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.

The Charity has four wholly-owned trading subsidiaries: Intermediate Technology Publications Ltd (trading as Practical Action Publishing); Intermediate Technology Consultants Ltd (trading as Practical Action Consulting) both mentioned below and two dormant subsidiaries Intermediate Technology Products Ltd and ATS Property Holdings (Pvt) Ltd – the latter being registered in Sri Lanka. We also wholly own off the shelf companies; Practical Action Ltd, Practical Action Consulting Ltd and Practical Action Publishing Ltd. These are all dormant companies and have been acquired to protect the "Practical Action" name in readiness for the change of name mentioned earlier.

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

Intermediate Technology Consultants Ltd (trading as Practical Action Consulting) 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 of activity 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.

## 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 and the UK Head Office.
- Risks are identified for each business area based on regular internal audit exercises and the regular management and reporting processes. Internal audit frequency itself is risk based, with all areas of the Group being audited at least once every two years.
- Each business area maintains its own risk register which is reviewed on a regular basis. The most significant risks from these registers are transferred to an organisational register for the entire Group. This is reviewed and updated quarterly by UK directors in consultation with the Country/Regional office directors and put to the Finance & Governance Sub Committee of the Board of Trustees for discussion.
- Annually the organisational risk register is also reviewed by the full Board of Trustees.

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

The objects of the Charity, as set out in its Memorandum are:

*“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 following a five year strategy to 2012. Over the next five years:

- 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 interrelation 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 will grow our annual income by 50% to £31m by 2012.

## 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

Following an audit tender on 13 December 2007, Deloitte & Touche LLP was chosen to succeed PriceWaterhouseCoopers as auditors. By written resolution of the Board dated 15 February 2008, the Board accepted PricewaterhouseCoopers' letter of resignation as auditors of the Company with effect from 4 February 2008. The Trustees noted that the auditors had confirmed in their letter of resignation that there were no circumstances connected with their resignation which they considered should be brought to the attention of the members or creditors of the Company. The Board, with effect from 15 February 2008, appointed Deloitte & Touche LLP to fill the casual vacancy in the office of auditor of the Company. The Trustees agreed at that time that a resolution be proposed at the 2008 Annual General Meeting re-appointing Deloitte & Touche 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 the Charity for the year ending 31st March 2008, 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

19 August 2008

# Legal and administrative details

**Charity Name:**

Intermediate Technology Development Group Ltd  
(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:**

Deloitte & Touche LLP, 2 New Street Square,  
London, EC4A 3BZ

**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

E Crewe

M Hassan (appointed 27 June 2007)

B Hayman

J E Heskett

F A McRobie

A H Marshall

D C Mitlin (resigned 27 September 2007)

B C B 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 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 Stevens

**Secretary**

P R Adey

**Executives****Chief Executive Officer**

Simon Trace

**Latin America**

Alfonso Carrasco

**East Africa**

Christopher Davey

**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

# Report of the Independent Auditors

We have audited the group and parent charitable company financial statements (the “financial statements”) of Intermediate Technology Development Group Limited for the year ended 31 March 2008 which comprise as the Group Statement of Financial Activities, the Group and Company Balance Sheets, the Group Cash Flow Statement and the related notes 1 to 24. These financial statements have been prepared under 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 auditors’ 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 charitable 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 responsibilities of the trustees (who are also the directors of Intermediate Technology Development Group Limited for the purposes of company law) 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 (UK 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 whether 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 is not disclosed.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

## Basis of audit opinion

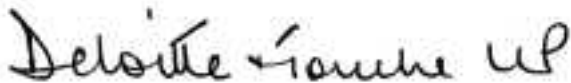
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 group’s and 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 group's and the parent charitable company's affairs as at 31 March 2008 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Trustees' Report is consistent with the financial statements.



### **Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors  
London, UK  
27 August 2008

# 4. Financial Statements

## Consolidated statement of financial activities for the year ended 31 March 2008

(incorporating the income and expenditure account and statement of total recognised gains and losses)

	Note	Unrestricted £'000	Restricted £'000	Total 2008 £'000	2007 £'000
<b>Incoming resources</b>					
<b>Incoming resources from generated funds:</b>					
Voluntary income [donations, legacies etc.]	2	7,552	1,088	8,640	8,973
<b>Activities for generating funds</b>					
Investment income	2	395	37	432	287
<b>Income resources from activities in furtherance of the charity's objectives:</b>					
Contracts for operational programmes	2	1,007	8,992	9,999	11,082
Consulting	2,5	1,007	-	1,007	927
Publishing	2,5	361	-	361	300
Other incoming resources	2	459	142	601	844
<b>TOTAL INCOMING RESOURCES</b>	<b>2</b>	<b>10,781</b>	<b>10,259</b>	<b>21,040</b>	<b>22,413</b>
<b>Resources Expended</b>					
<b>Cost of generating funds:</b>					
Cost of generating voluntary income	6	2,656	-	2,656	2,353
Fundraising trading: cost of goods sold and other costs		20	-	20	16
<b>Total costs of generating funds</b>	<b>3</b>	<b>2,676</b>	<b>-</b>	<b>2,676</b>	<b>2,369</b>
<b>Charitable Activities:</b>					
Reducing Vulnerability	3	1,624	5,433	7,057	5,870
Making Markets Work for Poor	3	828	1,887	2,715	2,854
Improving Access to Services	3	1,260	3,297	4,557	4,812
Responding to New Technologies	3	169	85	254	457
Knowledge & Communications	3	1,402	422	1,824	1,742
Consulting	3,5	1,047	-	1,047	1,016
Publishing	3,5	392	-	392	288
<b>Total costs of charitable activities</b>		<b>6,722</b>	<b>11,124</b>	<b>17,846</b>	<b>17,039</b>
<b>Governance costs</b>	<b>3</b>	<b>292</b>	<b>-</b>	<b>292</b>	<b>268</b>
<b>TOTAL RESOURCES EXPENDED</b>	<b>3</b>	<b>9,690</b>	<b>11,124</b>	<b>20,814</b>	<b>19,676</b>
<b>Net income</b>					
<b>before recognised gains and losses</b>		<b>1,091</b>	<b>(865)</b>	<b>226</b>	<b>2,737</b>
Gain on investment assets	8	1	-	1	7
Actuarial gains on defined benefit pension scheme	16	573	-	573	196
<b>NET MOVEMENT ON FUNDS</b>		<b>1,665</b>	<b>(865)</b>	<b>800</b>	<b>2,940</b>
<b>Balance brought forward 01 April 2007</b>		<b>5,579</b>	<b>2,193</b>	<b>7,772</b>	<b>4,832</b>
<b>Fund balances carried forward as at 31 March 2008</b>	<b>14,15</b>	<b>7,244</b>	<b>1,328</b>	<b>8,572</b>	<b>7,772</b>

All amounts relate to continuing activities

All recognised gains and losses are included in the statement of financial activities.

The notes on pages 28-44 form part of these financial statements.

## Consolidated and company balance sheet at 31 March 2008

	Note	Group		Charity	
		2008 £'000	2007 £'000	2008 £'000	2007 £'000
<b>FIXED ASSETS</b>					
Tangible assets	7	1,785	1,806	1,783	1,803
Investments	8	5,900	3,900	5,901	3,900
Programme investments	8	24	28	282	405
<b>Total fixed assets</b>		<b>7,709</b>	<b>5,735</b>	<b>7,966</b>	<b>6,108</b>
<b>CURRENT ASSETS</b>					
Stock	9	64	75	-	-
Debtors	10	2,916	3,448	2,502	2,966
Cash at bank & in hand		3,350	3,644	3,362	3,691
		<b>6,330</b>	<b>7,166</b>	<b>5,864</b>	<b>6,657</b>
Creditors: amounts falling due within one year	11	(5,051)	(3,849)	(4,809)	(3,682)
<b>Net current assets</b>		<b>1,279</b>	<b>3,318</b>	<b>1,055</b>	<b>2,975</b>
Creditors: amounts falling due after more than one year	12	(220)	(227)	(220)	(227)
Provisions	13	(25)	(97)	(25)	(92)
<b>Net assets before pension liability</b>		<b>8,743</b>	<b>8,728</b>	<b>8,776</b>	<b>8,765</b>
Defined benefit pension scheme liability	16	(171)	(956)	(171)	(956)
<b>NET ASSETS AFTER PENSION LIABILITY</b>		<b>8,572</b>	<b>7,772</b>	<b>8,605</b>	<b>7,809</b>
<b>FUNDS</b>					
Restricted	14	1,328	2,193	1,328	2,193
Unrestricted funds representing functional:					
Fixed assets	14	1,504	1,455	1,504	1,455
Free reserve	14	5,883	5,053	5,916	5,090
Revaluation reserve	14	28	27	28	27
Unrestricted funds excluding pension liability		7,415	6,535	7,448	6,572
Pension reserve	16	(171)	(956)	(171)	(956)
Total Unrestricted	14	7,244	5,579	7,277	5,616
<b>TOTAL FUNDS</b>	<b>15</b>	<b>8,572</b>	<b>7,772</b>	<b>8,605</b>	<b>7,809</b>

The notes on pages 28-44 form part of these financial statements.

The financial statements were approved by the Board on 19 August 2008.



S. Watson  
Trustee



J. Heskett  
Trustee

## Consolidated cash flow statement for year ended 31 March 2008

	Note	2008 £'000	2007 £'000
Net cash inflow from operating activities	17	1,900	2,277
<b>Returns on investment and servicing of finance</b>			
Interest received	2	388	193
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets	7	(575)	(529)
Cash investment	8	(1,999)	(3,827)
<b>Financing</b>			
Decrease in bank loans		(8)	(9)
<b>Decrease in cash</b>	<b>18</b>	<b>(294)</b>	<b>(1,895)</b>

The notes on pages 28-44 form part of these financial statements.

# Notes on financial statements

## 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 Intermediate Technology Development Group Limited and all of its subsidiary undertakings as at 31 March 2008 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 £764,136 (2007: £2,902,749).

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 fulfilled. 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. 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 their lower of cost and 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 2008 £'000	Total 2007 £'000
United Kingdom	10,393	253	10,646	11,800
Southern Africa	156	1,892	2,048	1,763
Eastern Africa	78	2,351	2,429	2,876
South America	59	2,699	2,758	2,184
Asia	95	3,064	3,159	3,790
<b>TOTAL</b>	<b>10,781</b>	<b>10,259</b>	<b>21,040</b>	<b>22,413</b>

	Unrestricted £'000	Restricted £'000	Total 2008 £'000	Total 2007 £'000
<b>Voluntary income</b>				
Donations & gifts	6,181	1,088	7,269	7,495
Legacies	1,371	-	1,371	1,478
	<b>7,552</b>	<b>1,088</b>	<b>8,640</b>	<b>8,973</b>

	Unrestricted £'000	Restricted £'000	Total 2008 £'000	Total 2007 £'000
<b>Investment income</b>				
Rental	44	-	44	94
Interest	351	37	388	193
	<b>395</b>	<b>37</b>	<b>432</b>	<b>287</b>

Grants	1,007	8,992	9,999	11,082
Other income	459	142	601	844
Subsidiaries	1,368	-	1,368	1,227
<b>TOTAL</b>	<b>10,781</b>	<b>10,259</b>	<b>21,040</b>	<b>22,413</b>

### 3. Total resources expended

	Grants Payable £'000	Direct Costs £'000	Office Costs £'000	Support Costs £'000	Total Costs £'000
Costs of generating funds	-	1,892	759	25	2,676
Reducing Vulnerability	927	5,439	214	477	7,057
Making Markets Work for Poor	482	1,949	83	201	2,715
Improving Access to Services	495	3,581	106	375	4,557
Responding to New Technologies	-	218	29	7	254
Knowledge & Communications	37	1,663	92	32	1,824
Consulting	-	1,015	32	-	1,047
Publishing	-	357	35	-	392
Governance costs	-	66	42	184	292
<b>TOTAL RESOURCES EXPENDED</b>	<b>1,941</b>	<b>16,180</b>	<b>1,392</b>	<b>1,301</b>	<b>20,814</b>

During the year ended 31 March 2008, 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	Responding to New Technologies £000	Knowledge and Communication £000	Fund-Raising £000	Governance £000	Total £000
Premises and Facilities	320	135	251	5	21	17	123	872
Audit, Bank and Legal Costs	157	66	124	2	11	8	61	429
<b>TOTAL</b>	<b>477</b>	<b>201</b>	<b>375</b>	<b>7</b>	<b>32</b>	<b>25</b>	<b>184</b>	<b>1,301</b>

#### Governance costs

	2008 £'000	2007 £'000
Salaries	66	62
Office Costs	14	14
Internal and External Audit Costs	137	124
Meeting Expenses (including trustees travel)	28	20
Apportionment of indirect costs	47	48
<b>TOTAL</b>	<b>292</b>	<b>268</b>

## External audit costs

	2008 £'000	2007 £'000
Fees payable to company's auditors for the audit of the company's annual accounts	73	53
Fees payable to company's auditors for the audit of the company's subsidiaries pursuant to legislation	8	6
<b>Total audit fees</b>	<b>81</b>	<b>59</b>
Tax services	5	3
Other services	-	9
<b>Total non-audit fees</b>	<b>5</b>	<b>12</b>

## 4. Employees

Staff costs consist of:	2008 £'000	2007 £'000
Wages and salaries	6,816	6,137
Social security costs	546	505
Pension Costs (See note 16)	250	248
Pension (stakeholder scheme)	211	188
Terminal Payments	490	344
<b>Total emoluments of employees</b>	<b>8,313</b>	<b>7,422</b>
Other staff costs	265	361
<b>TOTAL STAFF COSTS</b>	<b>8,578</b>	<b>7,783</b>

	2008 Number	2007 Number
<b>Average number of employees</b>		
UK	120	117
Overseas	570	532
<b>TOTAL</b>	<b>690</b>	<b>649</b>
<b>Average number of full time equivalent employees</b>		
UK	108	98
Overseas	557	509
<b>TOTAL</b>	<b>665</b>	<b>607</b>

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

	2008 Number	2007 Number
£60,001-£70,000	5	2
£70,001-£80,000	–	1
£80,001-£90,000	1	–

The Trustees receive no remuneration for their services. Expenses reimbursed to Trustees during the year amounted to £1,285 (2007: £1,192), which related to travel and refreshment costs for meetings, telephone and postage.

Expenses were reimbursed to six Trustees (2007: 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 2008 £'000	Practical Action Publishing 2008 £'000	Practical Action Consulting 2007 £'000	Practical Action Publishing 2007 £'000
Income	1,107	465	1072	350
Expenditure	(1,106)	(462)	(1070)	(349)
<b>Net profit (loss)</b>	<b>1</b>	<b>3</b>	<b>2</b>	<b>1</b>

The amount shown in the consolidated statement of financial activities is arrived at as follows:

Income per subsidiary accounts	1,107	465	1072	350
Less interest receivable	–	–	–	–
Less grants from parent company	(100)	(104)	(145)	(50)
	1,007	361	927	300
Expenditure per accounts	(1,106)	(462)	(1,070)	(349)
Less group charges	59	70	54	61
	(1,047)	(392)	(1,016)	(288)
<b>Net effect on Group results for the year</b>	<b>(40)</b>	<b>(31)</b>	<b>(89)</b>	<b>12</b>

	Practical Action Consulting 2008 £'000	Practical Action Publishing 2008 £'000	Practical Action Consulting 2007 £'000	Practical Action Publishing 2007 £'000
<b>Summary Balance Sheet</b>				
Fixed Assets	1	1	–	3
Total assets less current liabilities	162	62	279	57
Creditors: amounts falling due after one year	(160)	(80)	(277)	(80)
<b>Net Asset (Liabilities)</b>	<b>3</b>	<b>(17)</b>	<b>2</b>	<b>(20)</b>
Capital & Reserves Called up share capital	–	–	–	–
Profit & Loss Account	3	(17)	2	(20)
<b>Surplus/(Deficit) on Shareholders' funds</b>	<b>3</b>	<b>(17)</b>	<b>2</b>	<b>(20)</b>

## 6. Cost of generating funds: Fundraising costs

	2008 £'000	2007 £'000
Costs related to donations, gifts and legacy income	2,626	2,326
Costs related to applying for charitable grants and contracts for operational program	21	18
Publicity Costs (inc raising profile e.g. advertising, marketing etc except if Education)	9	9
<b>TOTAL</b>	<b>2,656</b>	<b>2,353</b>

## 7. Tangible assets

	Freehold Property £'000	Motor Vehicles £'000	Computer Equipment £'000	Fixtures & Fittings £'000	Total £'000
<b>Group cost</b>					
At 1 April 2007	1,167	1,848	1,341	738	5,094
Additions	2	336	146	91	575
Disposals	-	(297)	(179)	(30)	(506)
At 31 March 2008	1,169	1,887	1,308	799	5,163
<b>Depreciation</b>					
At 1 April 2007	-	1,519	1,166	603	3,288
Charge for the year	-	347	166	67	580
Disposals	-	(292)	(169)	(29)	(490)
At 31 March 2008	-	1,574	1,163	641	3,378
<b>Net Book Value (NBV)</b>					
At 31 March 2007	1,167	329	175	135	1,806
At 31 March 2008	1,169	313	145	158	1,785

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 2008 £'000	NBV 2007 £'000
Computer Equipment	2	3

## 8. Investments

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
<b>Cash Investments</b>				
Cash investments	5,826	3,827	5,826	3,827
Common investment fund	74	73	75	73
<b>TOTAL</b>	<b>5,900</b>	<b>3,900</b>	<b>5,901</b>	<b>3,900</b>
<b>Programme Investments</b>				
Capital Loans to Subsidiaries	-	-	240	240
Programme investments	24	28	42	165
<b>TOTAL</b>	<b>24</b>	<b>28</b>	<b>282</b>	<b>405</b>

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

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
Intermediate Technology Consultants Limited	England	100%	Consultants for agriculture and industry
Intermediate Technology Publications Limited	England	100%	Publishers and booksellers
Intermediate Technology Products Limited (Dormant company)	England	100%	Developers of agriculture and industrial machinery

Reconciliation of Common Investment fund:

	£'000
Historical Cost	46
Opening balance at 1 April 2007	73
Realised gain	1
<b>Closing balance at 31 March 2008</b>	<b>74</b>

### Programme Investments

The loans to charitable beneficiaries finance small scale hydro-electric schemes in Peru (£24k, 2007 £28k). 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		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Finished Goods	61	61	–	–
Work in Progress	3	14	–	–
<b>TOTAL</b>	<b>64</b>	<b>75</b>	<b>–</b>	<b>–</b>

## 10. Debtors

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Trade debtors	387	400	102	120
Prepayments & accrued income	2,119	2,850	1,991	2,654
Other debtors	410	232	409	226
Provision for bad debts	-	(34)	-	(34)
<b>TOTAL</b>	<b>2,916</b>	<b>3,448</b>	<b>2,502</b>	<b>2,966</b>

## 11. Creditors: amounts falling due within one year

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Payments received in advance	2,832	2,227	2,791	2,165
Trade Creditors	631	577	537	511
Taxation and social security	166	173	162	173
Accruals	418	353	365	317
Other creditors	988	519	938	516
Bank Loan: 1 year	16	-	16	-
<b>TOTAL</b>	<b>5,051</b>	<b>3,849</b>	<b>4,809</b>	<b>3,682</b>

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	Company £'000
Balance brought forward	2,227	2,165
Released to income	(2,227)	(2,165)
Received in year	2,832	2,791
<b>BALANCE CARRIED FORWARD</b>	<b>2,832</b>	<b>2,791</b>

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

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
<b>Bank loan: unsecured</b>				
1-2 years	32	28	32	28
2-5 years	49	43	49	43
More than 5 years	78	97	78	97
<b>Other creditors: unsecured</b>				
2-5 years	61	59	61	59
<b>TOTAL</b>	<b>220</b>	<b>227</b>	<b>220</b>	<b>227</b>

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 1.4.07 £'000	Charged to inc/exp £'000	Released during year £'000	Balance at 31.3.08 £'000
Project issues	71	9	(62)	18
Tax Liability	21	-	(21)	-
Redundancy	5	2	-	7
<b>TOTAL</b>	<b>97</b>	<b>11</b>	<b>(83)</b>	<b>25</b>

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
<b>Designated Reserves</b>					
Fixed asset fund	1,455	-	-	49	1,504
Revaluation Reserve	27	-	1	-	28
Pension reserve	(956)	-	535	250	(171)
<b>TOTAL</b>	<b>526</b>	<b>-</b>	<b>536</b>	<b>299</b>	<b>1,361</b>
<b>Free Reserves</b>	<b>5,053</b>	<b>10,781</b>	<b>(9,652)</b>	<b>(299)</b>	<b>5,883</b>
<b>Total unrestricted funds</b>	<b>5,579</b>	<b>10,781</b>	<b>(9,116)</b>	<b>-</b>	<b>7,244</b>
<b>Restricted Funds</b>	<b>1,062</b>	<b>4,724</b>	<b>(5,433)</b>	<b>-</b>	<b>353</b>
Making Markets work for Poor People	965	1,730	(1,887)	-	808
Improving Access to Services	123	3,359	(3,297)	-	185
Responding to New Technologies	(9)	81	(85)	-	(13)
Knowledge & Communications	52	365	(422)	-	(5)
<b>Total restricted funds</b>	<b>2,193</b>	<b>10,259</b>	<b>(11,124)</b>	<b>-</b>	<b>1,328</b>
<b>TOTAL FUNDS</b>	<b>7,772</b>	<b>21,040</b>	<b>(20,240)</b>	<b>-</b>	<b>8,572</b>

The balances on restricted funds consist of

	2007 £'000	2008 £'000
Total surplus funds	2,302	1,357
Total deficit funds	(109)	(29)
	<b>2,193</b>	<b>1,328</b>

## 15. Total Funds

	Unrestricted funds £'000	Restricted funds £'000	2008 Total £'000	2007 Total £'000
Fixed assets	1,534	251	1,785	1,806
Investments	5,900	–	5,900	3,900
Programme related investments	24	–	24	28
Stock	64	–	64	75
Debtors	2,211	705	2,916	3,448
Cash at bank & in hand	2,818	532	3,350	7,644
Creditor: amount due within one year	(5,051)	–	(5,051)	(3,849)
Creditor: amount due after more than 1 year	(60)	(160)	(220)	(227)
Provisions for liabilities and charges	(25)	–	(25)	(97)
Pension liability	(171)	–	(171)	(956)
<b>TOTAL</b>	<b>7,244</b>	<b>1,328</b>	<b>8,572</b>	<b>7,772</b>

## 16. Pension costs and FRS 17

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

### ITDG Pension Scheme

The Company operates a defined benefits scheme in the UK. The company operates a defined benefits scheme in the UK. 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 2008 amounted to £250,000. Contributions are determined by an independent qualified actuary on the basis of triennial valuations. The contribution rate was designed to climate the deficit over a ten year period from 2005.

The assets of the Scheme are held separately from the assets of the company, being represented by units in a segregated fund managed by an external investment manager. At 1 April 2005, the latest valuation date, the actuarial value of the Scheme's assets was 73% of the value of past service liabilities on an ongoing basis. The market value of the Scheme's assets at the valuation date was £4,132,000, excluding money purchase AVCs.

### ITDG Pension Scheme

In arriving at the 2005 actuarial valuation above, the following assumptions were adopted:

	2005
Inflation assumption	3.00%
Salary increase assumption	4.50%
Rate of increase in pensions in payment	3.00%
Rate of increase in pensions in deferment	3.00%
Investment return pre-retirement	6.25%
Investment return post-retirement	5.25%

A valuation has been performed in order to assess the disclosures required under FRS17 as 31 March 2008 by an independent qualified actuary. The main assumptions on which these figures have been based are as follows:

	2008	2007	2006
Inflation assumption	3.5%	3.3%	3.0%
Salary increase assumption	4.5%	4.3%	4.0%
Rate of increase in pensions in payment	3.5%	3.3%	3.0%
Rate of increase in pensions in deferment	3.5%	3.3%	3.0%
Discount rate	6.6%	5.4%	4.9%
Mortality current pensioners	PNXA00 +1 with mc projection plus 1% floor	PA92 C2020	PA92 C2020
Mortality current non-pensioners	PNXA00 +1 with mc projection plus 1% floor	PA92 C2030	PA92 C2030

The assets and estimated liabilities of the pension scheme are shown below:

### Balance Sheet

	2008 £'000	2007 £'000	2006 £'000
Assets	5,503	5,555	5,191
Total Liabilities	(5,674)	(6,511)	(6,566)
<b>(DEFICIT)</b>	<b>(171)</b>	<b>(956)</b>	<b>(1,375)</b>

The following table sets out the expected rates of return on different classes of assets at the start and end of the accounting period, together with the value of assets at each start and end of the accounting period.

	Long term expected rate of return	Value at 2008 £'000	Long term expected rate of return	Value at 2007 £'000	Long term expected rate of return	Value at 2006 £'000
Equities	8.00%	3,046	7.50%	3,401	7.50%	3,192
Property	–	–	–	–	–	–
Bonds	6.45%	2,065	4.80%	1,862	4.80%	1,694
Cash	5.00%	392	4.00%	292	4.00%	305
<b>TOTAL</b>		<b>5,503</b>		<b>5,555</b>		<b>5,191</b>

The amounts to be charged to the profit and loss account under FRS17 are estimated to be:

### Operating Charge

	2008 £'000	2007 £'000
Current Service Cost (net employee contributions)	(49)	(40)
<b>TOTAL OPERATING CHARGE</b>	<b>(49)</b>	<b>(40)</b>

The amounts to be charged to the profit and loss account under FRS17 are estimated to be:

### Finance Income

	2008 £'000	2007 £'000
Expected return on pension scheme assets	362	337
Interest on pension scheme liabilities	(351)	(322)
<b>NET RETURN</b>	<b>11</b>	<b>15</b>

Figures for the Statement of Financial Activities (SOFA) are as follows:

	2008 £'000	2007 £'000
Actual return less expected return on pension scheme assets	(482)	(92)
Experience gains and losses arising on the scheme liabilities	137	(110)
Changes in assumptions underlying the present value of the scheme liabilities	918	398
<b>NET RETURN</b>	<b>573</b>	<b>196</b>

The figure for experience gains and losses shown above is a balancing item. This Surplus/ (Deficit) is primarily derived from actual experience being different to assumed experience in relation to salary increases and inflation.

Using the above figures, the change in the financial position of the scheme can be broken down into the following areas:

	2008 £'000	2007 £'000
Deficit at the beginning of the year	(956)	(1,375)
Operating charge (current service cost less curtailment)	(49)	(40)
Employer contributions	250	248
Other finance costs	11	15
Actuarial (loss)/gain (see above)	573	196
<b>DEFICIT AT THE END OF THE YEAR</b>	<b>(171)</b>	<b>(956)</b>

### History of gains and losses

	2008 £'000	2007 £'000	2006 £'000	2005 £'000	2004 £'000
Difference between expected and actual return on scheme assets	(482)	(92)	685	147	343
<i>as % of scheme assets</i>	<i>(9)%</i>	<i>(2)%</i>	<i>13%</i>	<i>4%</i>	<i>10%</i>
Experience gains and losses on scheme liabilities amounts	137	(110)	16	(24)	108
<i>as % of scheme assets</i>	<i>2%</i>	<i>(2)%</i>	<i>0%</i>	<i>(1)%</i>	<i>2%</i>
Total amount recognised as actuarial losses	573	196	(56)	96	276
<i>as % of scheme assets</i>	<i>10%</i>	<i>3%</i>	<i>(1)%</i>	<i>2%</i>	<i>5%</i>

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

	2008 £'000	2007 £'000
Net incoming resources	226	2,737
Interest Received	(388)	(193)
Depreciation charge	580	585
Loss on disposal of fixed assets	16	26
Increase (Decrease) in stocks	11	2
Increase in debtors	536	(851)
Decrease in creditors and provisions	1,131	194
Difference between pension contributions and current service costs	(212)	(223)
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>1,900</b>	<b>2,277</b>

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

	2008 £'000	2007 £'000
Movement in cash in the period	(294)	1,895
Cash movement from change in debt financing	(68)	(162)
Movement in net funds in the period	(362)	(2,057)
Net funds Brought Forward	3,476	5,533
<b>NET FUNDS CARRIED FORWARD</b>	<b>3,114</b>	<b>3,476</b>

## 19. Analysis of changes in net funds

	1.4.07 £'000	Cash £'000	31.3.08 £'000
Cash at bank and in hand	3,644	(294)	3,350
Debt due within 1 year	–	(16)	(16)
Debt due after 1-2 years	(28)	(4)	(32)
Debt due after 2-5 years	(43)	(6)	(49)
Debt due after 5 years	(97)	(42)	(139)
<b>NET FUNDS</b>	<b>3,476</b>	<b>(362)</b>	<b>3,114</b>

## 20. Contingent liability

The Charity has entered into agreement with Barclays Bank to provide a bank guarantee to the value of €130,396.20 (approximately £92,218) 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 tranche 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:

	Improving Urban Livelihoods £'000	Disappearing <sup>1</sup> Lands £'000	Integrated <sup>2</sup> natural resource £'000	Rebuilding safe <sup>3</sup> & sustainable livelihoods £'000	Total £'000
<b>Opening Balance 2008</b>	–	(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
<b>TOTAL INCOME</b>	–	(190)	(227)	(197)	(614)
<b>Expenditure</b>	–	191	246	197	634
<b>CLOSING BALANCE</b>	–	–	–	–	–

	Improving Urban Livelihoods £'000	Disappearing <sup>1</sup> Lands £'000	Integrated <sup>2</sup> natural resource £'000	Rebuilding safe <sup>3</sup> & sustainable livelihoods £'000	Total £'000
<b>Opening Balance 2007 (restated)</b>	(54)	(24)	–	–	(78)
Income Deferred from 05/06	(12)	(87)	–	–	(99)
Income Received in 06/07	–	(140)	(150)	(106)	(396)
Income Accrued for 06/07	–	–	(44)	–	(44)
Income Deferred to 07/08	–	59	–	63	122
Income refunded to BL	12	–	–	–	12
<b>TOTAL INCOME</b>	–	(168)	(194)	(43)	(405)
<b>Expenditure</b>	54	191	175	43	463
<b>CLOSING BALANCE</b>	–	(1)	(19)	–	(20)

<sup>1</sup> Disappearing Lands: supporting communities affected by river erosion; Bangladesh

<sup>2</sup> Integrated natural resource management, poverty reduction & improved livelihoods in the southern highlands of Peru

<sup>3</sup> Rebuilding safe & sustainable livelihoods for tsunami affected communities; Sri Lanka



**LOTTERY FUNDED**

## 22. Department for International Development grants

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

	2008 £'000	2007 £'000
Grants	1,377	1,262

### 2008: Project funding details required by DFID

	Contact Number	DFID Funding £'000
DFID Partnership Programme Agreement	–	1,000
International Technical Enquiry Service	AG4873	146

## 23. Ministry for International Co-operation (DGIS)

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

	2008 £'000	2007 £'000
Opening balance	(194)	(182)
Income	1,219	744
Interest received	9	6
Expenditure	(711)	(762)
<b>CLOSING BALANCE</b>	<b>323</b>	<b>(194)</b>

## 24. Commitments under operating leases

As at 31 March 2008, the company had annual commitments under non-cancellable operating leases as set out below:

	2008 Land and buildings £'000	2007 Land and buildings £'000
Operating leases which expire:		
Within one year	71	75
In two to five years	50	31
Over five years	8	–
<b>TOTAL</b>	<b>129</b>	<b>106</b>

The net income for the year has been stated after charging £75,218 (2007: £51,527) for the hire of assets under operating leases.

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