



# Reporting back

Annual report and accounts 2011–2012

**PRACTICAL ACTION**  
Technology challenging poverty





## Helping people to earn a living

We are working with some of the poorest people in Bangladesh, teaching new skills which enable people to earn a living even when the land is flooded. Shahidul Islam from Gaibandha has established a new business repairing rickshaws.

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# Joint message from the Chair and Chief Executive

Since the economist Fritz Schumacher founded Practical Action over 40 years ago, we have supported millions of people to transform their lives. Schumacher's groundbreaking book *Small is Beautiful* is still as relevant today as it was when published in 1973. We continue to live in a world where economic growth and technological advancement offers little for the two billion people living in abject poverty. And we still treat our planet as expendable – exploiting it beyond its natural capacity – and global warming is only one devastating result.

In 2011, we were delighted to celebrate the centenary of Fritz Schumacher's birth. His achievements were recognised this year by the 2012 *(En)Rich List* 'celebrating a wealth of inspirational individuals whose contributions enrich paths to sustainable futures', which placed Fritz Schumacher first on their list of 100 great thinkers.

2011–12 was also the final year of our ambitious five-year strategy, which aimed to deliver direct benefits to three million people, helping them use technology to improve their access to food, jobs and basic services while reducing their vulnerability to disasters. To finance this we needed to grow our income by around 50% over the same period. Given that we believe strongly in taking action to tackle climate change, we also set ourselves a target of reducing our carbon footprint by 25%.

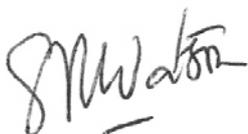
So, how have we done?

As a result of the extraordinary efforts of the communities we have worked with, partners, staff, and of course our supporters, we have met or exceeded the targets we set ourselves back in 2007.

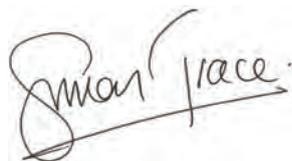
We have:

- directly benefited over four million people;
- reduced our carbon footprint by around 28%;
- helped poor communities gain stable livelihoods, improve food security, increase incomes and access basic services such as water, sanitation, energy, waste management, housing and transport;
- reached out beyond our own projects and actively shared our experience and knowledge – and through this, multiplied the outcomes of our work, benefitting millions more poor people; and
- grown our annual income by nearly 50%, to £30.9 million.

But we would not have been able to do any of it without the generosity and commitment of the partners and donors who support us. We're immensely grateful, but doubly in these times of widespread economic difficulty.



**Stephen Watson**  
(Chair)



**Simon Trace**  
(Chief Executive)



## Reducing drudgery and improving health

We are working with the Kisumu Indoor Air Pollution Network to train women to make improved stoves. These have a dual impact. They produce less harmful smoke and use less fuel, protecting wood supplies and reducing time women spend collecting it.

# 1. Review of the year and five-year strategic objectives

## We live in a world of technology injustice:

- 1.3 billion people have no access to electricity and 2.7 billion still cook on open fires
- 1.3 billion people have no access to safe water
- 2.6 billion people have no sanitation
- 1 billion people are undernourished, despite record world food production
- 375 million people a year are affected by disasters. The poor, who live on the most marginal land with the worst protection, are hit the hardest

## Introduction

**Over the past year, Practical Action has helped more than 970,000 people use technology to fight poverty and transform their lives.**

We have done this by helping to:

- build their capabilities;
- improve their access to technical options and knowledge; and
- influence social, economic and institutional systems for innovation and the use of technology.

The table below shows the numbers of people who directly benefited from Practical Action's projects in the fields of reducing vulnerability of rural households (through improvements in food production, natural resource management and disaster risk reduction), making markets work for the poor, and improving access to basic services. In addition to these direct impacts, our knowledge, and influencing the policy and practice of other organisations indirectly benefited many millions more.

	Reducing Vulnerability Programme		Making Markets Work Programme		Access to Basic Services Programme		Total Direct Beneficiaries	
	2011/12	For whole 5 year strategy	2011/12	For whole 5 year strategy	2011/12	For whole 5 year strategy	2011/12	For whole 5 year strategy
<b>Bangladesh</b>	19,988	149,590	197,750	784,031	36,531	129,629	254,269	1,063,250
<b>Nepal</b>	23,470	396,077	11,685	82,158	17,750	142,952	52,905	621,187
<b>South Asia</b>	3,596	93,869	4,156	61,836	31,087	93,134	38,839	248,839
<b>Kenya</b>	93,943	302,898	10,054	10,160	333,143	496,073	437,140	809,131
<b>Sudan</b>	80,281	370,788	0	75,493	1,358	40,789	81,639	487,070
<b>Southern Africa</b>	15,652	139,098	2,032	24,743	42,327	522,623	60,011	686,464
<b>Latin America</b>	10,746	130,965	16,011	61,440	26,295	57,811	53,052	250,216
<b>Totals</b>	<b>247,676</b>	<b>1,583,285</b>	<b>241,688</b>	<b>1,099,861</b>	<b>488,491</b>	<b>1,483,011</b>	<b>977,855</b>	<b>4,166,157</b>

## Our aims

To help eradicate poverty by developing and using technologies, our work falls into four aims:



**1**

### Reducing vulnerability

Helping reduce the vulnerability of poor people to the effects of natural disasters, conflict and environmental degradation (events which, sadly, are increasing) by strengthening people's livelihoods and food security

Practical Action Zimbabwe



**2**

### Making markets work for the poor

Helping poor people to make a better living by understanding entire market chains and enabling producers to improve their production, processing and marketing

Practical Action Bangladesh



**3**

### Access to services

Helping poor communities gain access to basic services – like safe, clean water, food, housing and electricity

Practical Action/Margaret Gardner



**4**

### New technologies

Helping poor communities respond to the challenges of new technologies and helping them to access simple effective technologies that can change lives forever

Practical Action/Ana Castañeda



## Reducing vulnerability

### Reducing vulnerability

**We have helped over 246,000 people cope with environmental change and conflict over the past year, with expenditure just below the level of last year, at £8.7 million.**

Poor women and men living in the developing world face huge challenges in trying to improve their livelihoods. They are often faced with multiple natural and man-made disasters and risks such as droughts, environmental degradation, floods and conflict.

Climate change, economic hardship, little government support and a lack of voice in influencing government and business all add to their vulnerability. This is especially true for excluded and marginalised groups such as

pastoralists, indigenous peoples and those living in extreme poverty.

#### Building resilience

We have developed an integrated approach to help people move from vulnerable to resilient livelihoods. Our approach recognises that disasters, climate change, livelihoods and institutions are all interlinked, so they need to be tackled in a holistic way.

#### Food security and natural resource management

Climate change is a familiar issue, but understanding how it will affect agriculture and food security is more challenging.

**In Peru**, an acre of rain forest is lost every second as subsistence farmers slash and burn trees, freeing land to grow crops like cocoa and corn to feed their families. Vital nutrients from the soil are lost, meaning farmers abandon the land after each harvest and move on. We are helping farming families replant the forest using a technique called layer farming, which gives them food and an income.

**In Bangladesh**, we have built upon local knowledge and skills about technologies suitable for treating areas flooded by sea water – setting up community nurseries for saline and wind-tolerant plants and helping fish and shrimp farmers adapt their practices.

**In Zimbabwe**, we launched a new training programme with the Agricultural Extension Service to help extension staff and others understand the impacts of climate change and better assess the risks it brings. We have also worked with smallholder farmers in Zimbabwe to increase

### Case study

Practical Action have trained farmers like Matilda Khupe in soil and water conservation so that their crops can survive the recurrent and prolonged dry spells in Matabeleland, Zimbabwe. They have also been trained in seed propagation and supported with seed packs of sorghum, cow peas and maize.

The project has given Matilda a reliable income stream:

*“People from my community no longer have to travel far to buy seed. Now we can plant with the first rains, because we have the seed. We can now produce those crops which are suitable for our region unlike in the past where we were forced to grow hybrid maize because we could not get sorghum and millet from seed houses early.”*



## Reducing vulnerability

their self-reliance, by training them in seed propagation. This has meant they are less dependent on aid packages of hybrid maize seeds and fertiliser from government and other NGOs, which often arrive too late or in insufficient quantities and fail if the rains are poor.

### Case study

*“Last year my homestead was submerged during the rainy season but it hasn’t happened this year so my family is safe from flood water,”* said Ms Nasima Begum, a poor woman from Bangladesh. Thanks to the Practical Action project, she now has a house built on a raised plinth. This means it’s safe from the flood water. We have also helped Nasima to develop a productive living by training her about growing vegetables, preserving dry foods, ripening pumpkins and storing seeds.

She is able to look after her family and also her relatives by giving shelter in this emergency and flooding time. For the first time in her life, Nasima and her family feel safe and happy.

Nasima said: *“When a family overcomes any serious threat like flooding after such a long time struggling, then that family feels unlimited happiness, and I am one of them.”*

**In North Darfur, Sudan,** conflicts between pastoralists and farmers are common, especially when animals stray on to farm land, or farmers cultivate land on traditional grazing areas.

In 2011/12 Practical Action Sudan developed and tested an approach to mark pastoralist migratory routes more clearly, so that pastoralists could move their animals freely along these routes from one grazing area to another. Now the routes are

marked with coloured poles and provide a visible mark for all the parties involved. Farmers have agreed to stop cultivating the route, thus avoiding clashes with pastoralists.

### Disaster risk reduction

**In Nepal,** 40% of people live below the national poverty line, struggling to provide for their family on less than £7 a month. The people of Western Nepal are not only isolated by their poverty, but also by their geography; often living high in the mountains, surrounded by rugged terrain, deep gorges and fast-flowing rivers. During the monsoon season, these communities suffer even more, as their livelihoods face the threat of being destroyed by flash floods and landslides, which completely cut them off from any existing transport services.

As well as transforming the lives of poor people in tangible ways, we are committed to achieving impact at scale as this is perhaps the most effective method of securing lasting change. We are working with the Nepali government on its strategy for early warning systems, to help vulnerable communities mitigate the risk of natural disasters. Our work on early warning for floods has been widely acknowledged as the best model and has helped nearly 100,000 people. We have been asked to provide technical support on community based early warning systems to other international development organisations and UN agencies, for example, taking our learning from Nepal to Afghanistan, which will enable us to achieve greater impact.

**In Peru,** high levels of poverty persist amongst the rural population of the Andes, who also have limited access to public services. We are working



## Making markets work for the poor

with local authorities in the Cusco, Apurimac and Ancash regions to ensure that the needs of the poorest communities are integrated into disaster risk management plans.

### Making markets work for the poor

**Lack of opportunities to earn a decent income remains one of the most critical factors of poverty.**

Poor farmers and producers don't have access to critical information like the current price of crops and they are often marginalised as a result of inefficient policies and poor infrastructure.

We increased our expenditure on activities by 12% to £5.4 million in order to help over 230,000 people make a better living.

We have been developing an approach called Participatory Market System Development (PMSD) to make markets more inclusive. This brings all the key people within a particular market together and helps them to collectively identify obstacles and opportunities affecting their market so that they can improve the system.

**In Nepal**, 78% of people living below the poverty line depend on agriculture for their livelihood. That figure includes tens of thousands of dairy farmers and their families, who are barely surviving on less than £1 a day.

To escape a life of poverty, these people need a way to improve their milk yields. And that starts with improving their cows' diets.

We are working with farmers to improve the health of their cows by introducing new ways of feeding and housing them, including cow lollipops. Each one is packed with iron, calcium, phosphorus, iodine, sodium and chlorine – all of the minerals cows need to produce nutrient-rich milk.

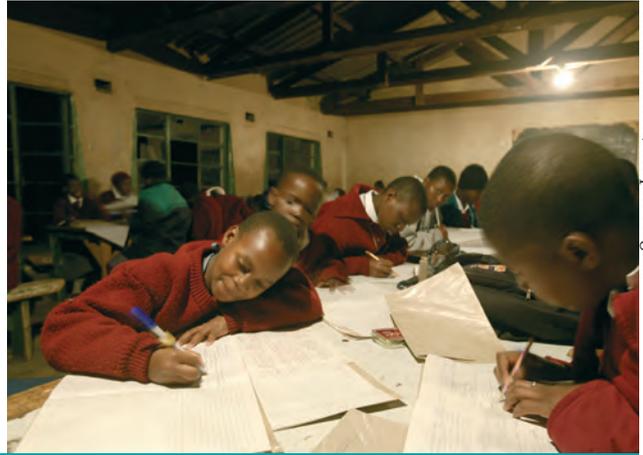
### Case study

Nirmala Bogati and her husband Shyam were struggling to earn a living by raising cows and selling milk and they nearly left the country to seek employment.

That was until Nirmala joined training sessions that Practical Action helped local paravets to set up on livestock management, shed management, techniques to increase milk production, feed and fodders, mineral blocks and practical knowledge on overall dairy value in Nepal.

*Nirmala said: "As soon as I attended the classes I was confident I could improve our living standard. My husband and I started growing quality grass for our livestock, we kept our livestock clean, we sought timely medical care, and we provided the livestock with the mineral blocks which helps in digestion and provides essential nutrients. And in time the milk production increased and our income too."*

In 2012, Practical Action launched the PMSD Roadmap, a ground breaking compilation of ten years' work, to guide and train field staff to facilitate effective markets. It has had significant interest from other NGOs such as CARE and Christian Aid. To read more about it, go to <http://practicalaction.org/pmsd-roadmap>.



## Access to services

### Access to services

**A lack of access to services such as energy is an intrinsic part of what it means to be poor.**

- One in every five people on our planet lives without electricity.
- Nearly three billion people use wood, charcoal or dung to cook. According to the UN, fumes from these fuels damage health and kill nearly two million people every year.
- 95% of the people who lack energy and/or cook on deadly cooking stoves are in sub-Saharan Africa or developing Asia.

It has been an exciting year for this programme of work. Having increased our expenditure in 2011/12 by 7% to £6.8 million, we've been able to provide services to help just under half a million people climb out of poverty – through better incomes, health and education.

#### Energy

In the past year we have continued to influence international policy and financing to better meet the energy needs of poor communities.

We are working with the UN to lead the European campaign to raise awareness of energy access issues during the 2012 Year of Sustainable Energy for All and champion the UN Secretary-General's initiative to achieve Sustainable Energy for All by 2030.

During the past 12 months, we worked with MEPs to get a report on energy access in the developing world tabled in the European Parliament. A resolution was passed, supporting a range of ambitious energy access objectives contained in it. The European Commission President José Manuel Barroso subsequently announced a commitment in April 2012 to help 500 million people out of energy poverty by 2030.

Together with IBM we have helped launch a new charity, Energy Aid. It aims to draw on industry expertise to raise awareness of the problem of energy access in the developing world. It also aims to share information and promote cross-sector collaboration and leverage private sector resources, so creating new energy initiatives.

We supported our advocacy work with more in-depth analysis. We published the second edition of the *Poor People's Energy Outlook*, which this year explores the role of energy for earning a living.

In our countries of operation we continued to transform the lives of poor communities with projects providing electricity and clean, smoke-free cooking facilities.

We have learned more about different models for managing micro hydro schemes through our work in **Zimbabwe, Malawi and Mozambique**.

**In Kenya**, we have recently completed a household energy project to transform the health and wealth of the poorest people in the Nyangande slum outside Kisumu city area



## Access to services

*“We now have electricity in our homes and schools. This micro hydro scheme has improved our quality of life.”*

*“Our clinic is now able to treat people at night and store medicines. The biggest problem we used to face was women who gave birth at night. They had to bring their own candles and/or paraffin lamps”.*

**William Chanakira, Zimbabwe**

through public education, scaling up, wider use, and uptake of improved and clean cooking technologies.

The project has reached out to 3,917 households (approximately 15,000 people) to introduce fuel-efficient stoves, requiring 50% less wood, smoke hoods (which remove toxic smoke from the kitchen – which more often than not doubles as a bedroom) and fireless cookers (which, as the name suggests, cook food by using 50% less fuel and 25% less water).

We have trained 40 women on how to make improved stoves – ‘upesi stoves’. The upesi stove is a simple pottery cylinder, which is built into a mud surround in the kitchen. Upesi means ‘fast’ in Swahili, because the stove not only cuts fuel use, it also cooks food faster. It burns fuel more efficiently than an open fire, and therefore produces less smoke. This impacts significantly on the health of the women and children who invariably spend a lot of time in the kitchen.

**In Nepal**, through our partnership with Bosch and Siemens Home Appliances Group, we have

## Case study

Saline didn’t own a house. She didn’t earn enough to feed her family. She was ill from the smoke produced by open fires that she used for cooking and heating.

But that all changed when she joined a women’s co-operative in Kisumu, Kenya, which has established a small business making improved cooking stoves.

*“Our health was not good. My children and I suffered from the smoke. We were always coughing and sneezing and my daughter was very sick – she was vomiting a lot. But now we are using the Upesi stove our health is so much better. And because I am making and selling the stoves I am also earning an income. I now own my own house, I can feed my family and can pay the school fees for my five children. I am so happy.”*

tested out different designs of smoke hoods and created an online tool to help NGO practitioners design the most appropriate type of smoke hood, as well as delivering these on a larger scale.

We have helped change the direction of national policies, for example, through a relationship with the Rural Electrification Agency **in Zimbabwe**.

**In Peru**, we have helped develop rural energy plans for a number of regions, building in renewable and decentralised energy generation.

**In India**, we have persuaded the State Government of Odisha (formerly ‘Orissa’) to incorporate energy access (through micro hydro and biogas) into its livelihoods development



## Access to services

*“Since I had a smoke hood installed, I have less headaches and my eyes itch a lot less. I am saving almost NPR 100 (£0.80) per month, which I used to spend on medicine. I am also saving fuel wood, because the stove is more efficient. I am thankful to those who helped me associate my health problems with smoke in my kitchen and for providing a solution!”*  
**Khem Bhatta, Nepal**

programme. We expect many people to benefit in the future.

### Waste management

**In Bangladesh**, there has been growing interest in our work on waste management, in particular in a system we introduced for door-to-door collection of kitchen wastes using rickshaw vans. The waste is brought to a collection point where it feeds a biogas plant, supplying gas to surrounding households and fertilizer for local farmers.

In 2011/12 this system was also presented to high-level government representatives in the Prime Minister’s office, leading to a commitment to replicate it in six cities.

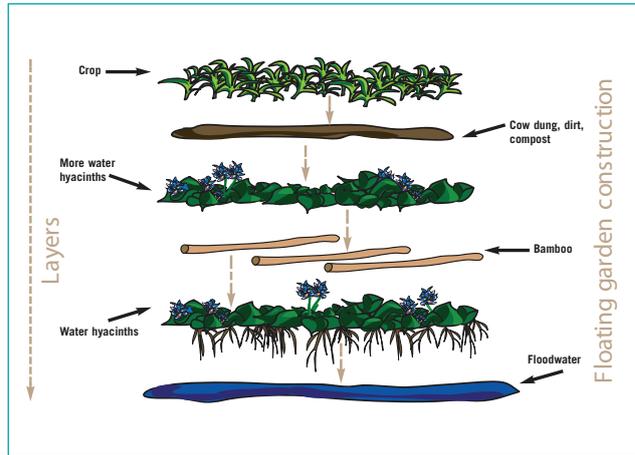
### Water, sanitation and hygiene

**In Nepal**, we have been working on an innovative programme to improve the health of 10,000 households in small towns through interventions including water, sanitation, hygiene and clean cooking technologies. As part of this project we’ve been working

closely with schools and female community health volunteers and we have been able to declare areas ‘open-defecation free’ – where everyone now uses a toilet and the practice of going to the toilet outside on waste ground has ended. This is an important landmark for a community, giving them a far better chance of avoiding sanitation-related diseases such as diarrhoea and a huge sense of achievement in taking the lead to transform their own environment. We have coupled this with introducing toilets to the area. The municipality of Gulariya has been so impressed with the results that it has committed its own funds to expanding the programme.

*“Cases of water-borne incidents have reduced significantly. You rarely hear of children falling ill due to diarrhoea nowadays. Even school children have access to adequate, safe and clean water.”*  
**Anne Ekiru, Nepal**

**In Zimbabwe**, we continue to be a key point of reference nationally for work on rural water points, safe sanitation, and sanitation and hygiene training in schools. We helped formulate a new national sanitation policy, which acknowledges that cheaper types of toilets need to be approved to meet the needs of the poor. As a result, other organisations in Zimbabwe have come to us with requests for partnerships and to learn from the designs, technologies and approaches we are using.



## Tackling climate change

### Tackling climate change

**Climate change affects everyone but its effects are felt most by the world's poorest and most marginalised communities.**

Extreme weather events leading to both floods and droughts are becoming more frequent, putting people's housing, farm land and livelihoods at risk, affecting food supplies and access to water. World leaders have failed to reach a fair, ambitious and legally binding agreement that will mitigate the worst impacts of climate change and help those already affected, to adapt to it.

Practical Action is working to ensure that climate resilience is built into all its projects. We work with communities around the world, helping them to reduce their vulnerability to severe weather events and enabling people to adapt to the changing climate.

Bangladesh's Satkhira district is a coastal area which is extremely vulnerable to climate change causing rising sea levels, more flooding, land erosion, and increasingly severe cyclones and storms. Our two-year project 'Adaptation against the odds' is reaching out to families who live in this area and aims to improve their ability to adapt to their changing world. We are helping vulnerable communities to become more resilient and adapt their lives and livelihoods to the rapidly altering environment.

We are working with people to ensure their livelihoods are disaster proof, by introducing

adaptive agricultural techniques such as planting floating gardens. Floating gardens are rafts which float on water. Made of locally available or naturally grown materials such as bamboo, water hyacinth, cow dung and soil, floating gardens enable families to grow enough food to eat and sell at market all year round.

At the beginning of 2012, Grace Mukasa, Practical Action's East Africa Regional Director, visited the UK to meet members of the British Parliament to talk about her first-hand experience of climate change in East Africa. This was to help them understand the challenges facing people in the region, gain their support and arm them with information and inspiration to elevate the issue.

As climate change has a disproportionate impact on poor people in developing countries, Practical Action is committed to addressing climate change through its programmes and in its day-to-day operations.

This includes reducing the carbon footprint of the organisation's activities by reducing greenhouse gas emissions (CO<sub>2</sub>e) by 5% a year (25% in total) during 2007–2012.

Initial results from our monitoring systems suggest that, through control of vehicle use, energy use in our offices, flights and paper use, we have exceeded our five-year target and achieved a 28% reduction in our emissions compared to our baseline year of 2006/07.



## Sharing our expertise



## Sharing our expertise

### Practical Answers

**Practical Action continues to prioritise the sharing of knowledge, in addition to the direct delivery of projects on the ground.**

In 2011/12 Practical Answers, our international knowledge sharing service, responded to nearly 9,700 individual enquiries about the use of technology from people working in development across the globe. The enquiries are handled by all our country offices, and each one uses innovative methodologies to reach more people and have ever greater impact on poverty.

### Case study

**In Nepal**, Practical Answers organised an event in Nawalparsai, where an expert from the Agricultural Services Centre responded to enquiries from local farmers.

Fulkumari Mahato lives in the village and has been the sole bread winner of her family. At the event Fulkumari learnt how to make pesticide to prevent disease in her vegetable plantations.

*"I had no money to buy expensive pesticide and therefore I could not fetch good return. However, when I learnt to make my own pesticide with locally available materials and applied this knowledge, it really made difference. I have earned 50,000 rupees selling vegetables this year. Now I am more encouraged and will continue to use home-made pesticide in my vegetable farming."*

Fulkumari is just one of more than a quarter of a million people globally who benefited from our enquiries service.

While our one-to-one enquiries service remains invaluable, we are also now able to share appropriate technologies using modern mass communications. On our websites we have 'technical briefs' on more than 200 different technologies and a range of video materials. This year, the annual total number of downloads of technical briefs passed the 1.5 million mark for the first time. As well as reaching people who work to reduce poverty throughout the developing world, the briefs are downloaded in literally every corner of the globe. This year we reached Antarctica for the first time!

Many of the people we seek to reach haven't had the opportunity of schooling and so we are using new formats to ensure that the knowledge we are sharing is as effective as possible. For example, we have produced a series of short videos on our Spanish language YouTube channel, which have now been viewed over 200,000 times. In the next year we will be building up our knowledge base in French in order to extend our reach in West Africa where there are some of the poorest communities in the world. We also continue to experiment, for example, local language podcasts in Zimbabwe, a partnership with a mobile phone provider in Sri Lanka and even using soap operas to get our message across in Kenya and Tanzania.

### Practical Action Consulting

In 2011/2012, Practical Action Consulting (PAC) have delivered over 60 projects across East and



## Sharing our expertise

Southern Africa, South Asia, West Africa, Latin America and the Caribbean.

PAC'S work is dedicated to taking lessons from Practical Action's own programme work and using consulting contract opportunities to inject those lessons and ideas into the policies and practices of other organisations. This includes other NGOs, national governments, international development banks, bilateral donor agencies and the private sector. To this end, PAC has focused on building international, virtual teams of experts across its offices to integrate their work and strengthen their competitive advantage.

PAC has had another excellent year, resulting in an income of £2.6 million and overall surplus (gifted back to the charity) of £87,000. Both income and surplus are at their highest ever. This was helped by some unusually large contracts including one with DFID (transferring policy learning from Latin America to Asia and Africa) and two with the Rwandan Government developing the national designs for cooking stoves for urban and rural locations and starting the manufacturing and distribution process.

We have expanded our teams worldwide to ensure PAC has the capability to work effectively across three core areas of work: climate change, energy and making markets work for the poor. This has enabled us to win and deliver a number of successful projects including:

- Economic impact assessment of climate change in key sectors in Nepal for the Climate and Development Knowledge Network; a 15-month project working with local and international partners
- Technical support to Oxfam's markets and livelihoods programme in Rwanda; using Participatory Market System Development to develop the horticulture sector for improved livelihoods

PAC delivered two significant improved cooking stoves projects for the Government of Rwanda – producing 22,000 stoves across 15 rural districts and increasing the coverage of improved cooking stoves in urban areas from 50–80% of the population.

Both projects combined technical training for entrepreneurs and local manufacturers with business training, marketing and awareness campaigns to stimulate demand and build up a market for the products.

The stoves have significantly reduced the amount of money households pay for charcoal and firewood. People are also cooking more meals because the stoves are quicker and cheaper to use than older stove models or the traditional three stone fire. Fuel is burned more efficiently using an improved stove. As a result, less smoke is produced, which has a significant positive impact on people's health. Also, around 200 unemployed young people now earn a living by making fuel-efficient charcoal burning stoves from scrap metals, heat retaining insulated blankets and wood burning stoves.

PAC delivered its 'Renewable energy for development' training package to the Dutch non-profit agency SNV's West Africa staff in Burkina Faso. Meanwhile, our Nepal office ran the first training session on our Emergency Market Mapping Analysis (EMMA) tool which drew participants from several continents.



## Sharing our expertise

### Practical Action Publishing

In 2011/12, our sales continued to increase. The company achieved both the highest sales by value (£551,000) and the largest number of printed books distributed worldwide (55,000) since the closure of the London shop in 2004. One major contributor to these figures has been the explosion of interest in the new edition of the 'Sphere Project' handbook in four languages. *The Sphere Handbook* is the most widely known and internationally recognized sets of common principles and universal minimum quality standards for the delivery of humanitarian assistance. Over 20,000 copies of the updated 2011 edition have been sold or distributed in the last year alone.

New published books have included new titles on water and sanitation – *Supporting Rural Water Supply*, urban development – *Sustainable Cities*, energy access – *Poor People's Energy Outlook 2012* and transport – *Gender, Roads and Mobility in Asia*.

A new biannual journal was started entitled *Food Chain*, covering all food production issues in the developing world from 'farm gate to plate'.

E-books have been produced for some of our recent titles and plans are advancing for the launch of a digital distribution platform for our online published content.

Our partnership with Oxfam continues and we look forward to publishing the second edition of their major work on international development, *From Poverty to Power*, by Duncan Green, in October.

### Education

This year, we strengthened existing relationships with partners and developed new ones.

We launched a new set of global CREST challenges, with the British Science Association. Over one third of schools in the UK are now engaged in the scheme. Project areas covered are energy, water, food, transport and shelter.

As part of the scheme, students are actively encouraged to use technical information provided by Practical Action to real engineers working in developing countries around the world.

The partnership with the British Science Association was strengthened in September when we led workshops at their annual festival in Bradford, introducing a new audience of scientists and engineers to Practical Action's work.

*"These (global CREST challenges) look fantastic. Please send me 100 flyers so I can give them to the teachers at a conference I am speaking at next month."*  
**Julie Halley, Buckinghamshire Local Education Authority**

We have formed a new partnership with Ellen MacArthur, the round the world yachtswoman. We have produced a range of resources on recycling products for her Foundation, which works with education and businesses to create a more sustainable economy. These will be promoted to schools throughout the UK and are currently being trialled in schools in Rugby.



We have also provided feedback to the proposed changes in the national curriculum, ensuring that learning about the world and sustainable development remains a core entitlement.

In line with proposed changes to make Geography a mandatory part of the curriculum up to age 16, we have introduced Geography as a new area of our education work and over 500 teachers a month are visiting this area of our website. We have also produced a new termly newsletter that goes out to over 4,000 teachers and educators.

## Conclusion

**2011/12 has been a successful year for Practical Action and marks a strong conclusion to our ambitious five-year strategy, which has seen us improve the lives of over four million people.**

Our new five-year strategy is equally ambitious. From 2012–17 we will:

- directly help to improve the lives of six million poor people through our projects;
- indirectly help a further 25 million people improve their lives through sharing our knowledge and influencing, in very practical ways, how other organisations work; and
- expand our footprint in Africa – with new operations in West Africa and Rwanda.

We’re going to focus on four themes where we feel we can really make a big difference:

- Energy  
*(1.6 billion people have no electricity and 2.4 billion people cook on open fires)*

- Food and agriculture  
*(70% of the world is fed by small scale farmers but technology is focused on large scale solutions, and one billion people remain undernourished)*
- Urban water and sanitation services  
*(1.3 billion people are without safe water and 2.6 billion people don’t have a toilet)*
- Disaster risk reduction  
*(375 million people a year are hit by disasters. The poor live on the most marginal land with the worst protection and are hardest hit).*

We’ve chosen these four themes because we believe they are areas where we have really strong experience to draw on and where we can make a distinctive contribution to poverty reduction. We also recognise that in all four areas there will be major opportunities internationally over the coming five years to influence change for poor people at scale.

But we’ve also chosen them because they are all critical to poor people’s **wellbeing** and are

**Wellbeing is the ability of all individuals and groups to live the lives they value without compromising the ability of others, now and in the future, to do likewise.**

important examples of the world’s failure to achieve **technology justice**.

We believe that people’s wellbeing should be the purpose of development and the measurement



of success. Critically, it's about people getting their basic material needs met. Our work in areas such as food security and access to energy and clean water are all key to improving material wellbeing. But wellbeing is also more than this. It's about the degree of control people have over their lives and the quality of relationships within their communities. What this means for Practical Action is that it's not just what we do that's

important, but also how we do it as well. People participating in decisions and taking control of their own development is a golden thread which weaves its way through all our work.

The technologies to feed the world and ensure everyone has the vital services they need already exist but the world's poorest are denied them – this is technology injustice.

We need to move from a state of technology injustice to a state where technology justice rules, to find a way to remove the barriers to prevent poor people from getting the technologies they need to escape poverty.

Our strategy for 2012–2017 challenges us to deliver wellbeing and technology justice at scale – an ambition we are dedicated to achieving.

**Technology justice:** the right of people to decide, choose and use technologies that assist them in leading the kind of life they value without compromising the ability of others and future generations to do the same.



## 2. Financial review

Income growth of £3.5m (13%) is a financial highlight of another successful year for Practical Action. A significant factor in this growth has been the £1.8 m increase in our Department for International Development (DFID UKAid) Programme Partnership Arrangement. Against the backdrop of the continued economic challenges in the UK, fundraising for voluntary income has continued to be challenging so we are very pleased that it has increased by £0.8m (10%). Overall, Practical Action remains in a good financial position.

### **Income increased by 13% to £30.9m (See Note 2)**

Income for specific project work (contracts for operational programmes) increased by 5% to £16.4m.

Voluntary income increased by 10% to £9.5m. Our legacy income increased by £0.6m to £2.4m and this is an increasingly important source of income. In a very difficult economic background our existing supporters are continuing to give generously. We are investing in future income growth and in 2011/12 costs of generating funds rose by £0.9m. This was mainly the result of increased activity to find new supporters who will donate for many years to come. This investment in our future income was the main cause of a £0.1m fall in net voluntary income in 2011/12 to £6.1m.

Practical Action Consulting had an extremely

good year almost doubling income to £2.6m. This growth is enabling Practical Action Consulting to spread the knowledge, skills and impact of Practical Action to new countries. For example, they are helping the government in Rwanda to enable poor communities to design, manufacture and market hundreds of thousands of improved cooking stoves. Practical Action Publishing also had a good year, in a difficult economic environment, increasing income by 6%.

Our ambitious strategy for the next five years sets out income growth of 50% to £47m which will fund a doubling of our direct beneficiaries to 6m (over the five years). We are budgeting for growth of 6% to £33m in 2012/13.

### **Expenditure on charitable activities increased by 9% to £25.9m (See Note 3)**

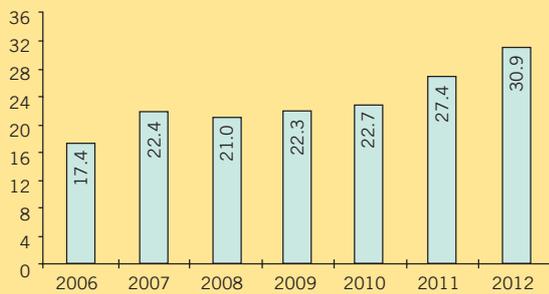
The growth in income has allowed a 9% growth in our expenditure on charitable activities, which are described in Section 1 of this report. Exciting areas in 2011/12 have been further development of new programmes in Rwanda and Bolivia and growth in our micro hydro work in Southern Africa.

### **Free reserves increased by £0.5m to £6.5m (See Note 14)**

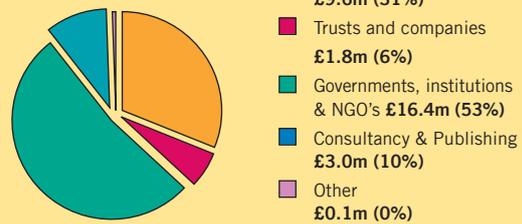
Practical Action remains in a sound financial position with free reserves at £6.5m, which equates to approximately three months expenditure. The 2011/12 target was £4.6m and

## Summary of income and expenditure 2011/12

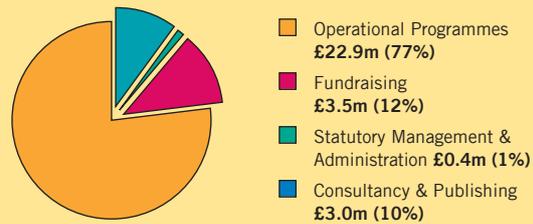
### Total annual income £m



### Income £m



### Expenditure £m



over the next five years we plan to invest in the future of Practical Action to meet the 2016/17 strategic reserves target which will grow, in line with our planned income growth of 50%, to £7.2m.

The free reserves provide a buffer for uninterrupted project delivery. They enable Practical Action to both absorb setbacks and take advantage of future opportunities.

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

- a 25% unrestricted income shortfall;
- a 5% overrun on unrestricted expenditure; (the implications of both of the above would take 18 months to correct); and
- a £0.5m provision for major one-off unforeseen costs such as:
  - a major upheaval in a country of operation;
  - a major problem or funding gap with a restricted project;
  - problems with a partner organisation; or
  - 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.

### FRS17 pension deficit

In the past five years the FRS17 pension deficit has been 2007/8 £0.2m, 2008/9 £0.9m, 2009/10 £0.7m, 2010/11 £0.3m and 2011/12 £0.8m. Due to the volatility of the FRS17 annual calculations we do not see these movements as significant. We recognise that we have a pension deficit and our contributions are set at a level to try to eliminate the pension deficit by 2016.

### Investment policy

During 2011/12 Practical Action minimized investment risk, while 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, Scottish Widows and Bank of Scotland. Practical Action does not hold any equity investment.



# 3. Structure, governance and management

## Legal structure

The organisation was established in 1965 and soon after was incorporated as a company limited by guarantee on 21 February 1966 under the name of the Intermediate Technology Development Group Limited. It was registered as a charity with the Charity Commission on 26 April 1966. The Charity changed its registered name to Practical Action on 25 September 2009.

The Charity's governing document is its Memorandum and Articles of Association dated 21 February 1966, as amended on 19 October 1995 and 16 October 1997. Under this structure, the Charity is governed by a Board of Trustees referred to in the governing document as "the Committee" and has a Membership. The maximum number of Members allowed in accordance with the Charity's governing document is 100, not counting those Members who are employees or ex-employees of the Charity. Currently there are 48 Members.

## Recruitment and appointment of Trustees

There are no fixed terms for Trustees. 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 at the Annual General Meeting. The Trustees have the power to appoint any person to be a Trustee (either to fill a casual vacancy or as an additional Trustee) so long as the total number of Trustees does not exceed the maximum number as set out in the governing document (the maximum is 18 Trustees). A person appointed as a Trustee during the year holds office until the next following Annual General Meeting at which time he/she is eligible for re-election but is not taken into account in determining the Trustees retiring by rotation that year. We currently have 14 Trustees.

Following a successful search and selection process in early 2011, we appointed James Smith and Paul Turner as Trustees on 30 June 2011. Both have knowledge and experience in technology and development – James from an academic perspective and Paul from his work in development

consultancy. We welcome James and Paul to the Board.

Each year, we look at board succession and this year the Board was made aware that several Trustees in senior positions would be leaving the Board over the next few years as part of our rotation convention. A working group was formed to look more closely at officer succession and has reported its findings to the Board through the Remuneration & Nominations Sub Committee. One of the main findings was that we should conduct another Trustee search and selection process in the 2012/13 financial year – our main aim being to recruit several new Trustees with skills and experience more closely aligned to the strategic themes set out in our new Group Strategy 2012 to 2017 (see Section 1 of this report). We are also looking to increase the diversity of our Board by focusing on candidates with strong links to one or more of the countries or regions where we operate. Candidates residing outside of the UK will be considered.

All the members of the Board, who are also Directors of the Company and Trustees of the Charity, are listed in the legal and administrative details section.

## How do we recruit new Trustees?

Members and staff have the opportunity to submit names of potential Trustees to the Remuneration & Nominations 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. At the time of writing we begin another Trustee search and selection process and have advertised in selected newspapers and newsletters, communicating through our networks and registering through appropriate websites. All potential Trustees are asked to complete a Declaration of Eligibility Form and any relevant checks made on their suitability to become a Trustee.

## Trustee induction and training

New Trustees receive a welcome pack which includes details of their responsibilities as Trustees, our governing document (the Memorandum and Articles of Association), powers delegated to staff, the Charity's strategy and other background documents. Trustees are asked to complete a conflict of interest declaration form. Job descriptions are also in place for the Chair, Vice Chair and Honorary Treasurer positions.

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

All new and existing Trustees are encouraged to attend appropriate external training events and seminars to enhance their current skills and experience, provide a greater understanding of their legal responsibilities and discuss emerging issues affecting the sector. In order to enhance their knowledge of our core work we hold twice yearly Trustee workshops (outside of board meeting time) focusing on a particular theme or programme.

## Best Practice in Governance

During the year, we conducted our bi-ennial review of Board performance in the form of a governance survey completed by Trustees and senior management. The Board discussed the key findings from the survey in December 2011 and formed a working group to look more closely at emerging issues with a report being presented back to the Board in March 2012. While there were a number of areas where we were performing well, it was felt that more could be done to improve Trustees' understanding of impact on our stakeholders and in understanding the challenges faced by our country programmes and advocacy work. A revised reporting structure aligned to the key performance indicators for our new strategy should help Trustees with both of these concerns. In terms of composition of the Board it was felt that more should be done to increase ethnic diversity to reflect the knowledge of the countries where the Charity works.

There have been a number of Trustees visiting our international programmes this year (through personal arrangements or tied in with external

commitments) and we are pleased to see our small budget for one or two Trustee visits per annum is being utilised.

Having given due consideration to the Bribery Act 2010, which became law on 1 July 2011, the Trustees approved a Group anti-bribery policy in June 2011 for roll-out across the Group in July and August 2011. Our *Group procurement policy* was also updated to align with the new policy.

In March to June 2011, we conducted a thorough review of our delegated authorities document (formally known as the Board of Trustees' delegation of authority to the Chief Executive and to the sub committees). The Board approved a number of changes to this document to provide greater clarity on delineation of duties and responsibilities. One of the key changes was to allow sub committee meeting members to attend sub committee meetings by phone or other electronic means.

## Organisation

The Board of Trustees is responsible for the overall management and control of the Charity and meets quarterly. In June 2011 the Chair's and the Members & Trustees sub committees were merged to form the Remuneration & Nominations Sub Committee.

The two sub committees of the Board are as listed below and their Terms of Reference have been agreed by the Board:

**The Finance & Governance Sub Committee** oversees matters of financial control, external and internal audit and governance issues affecting the Charity;

**The Remuneration & Nominations Sub Committee** reviews the terms and conditions of employment of the senior management. It also reviews the composition and balance of the Trustee Board and considers names put forward for Trusteeship or Membership as well as overseeing the Trustee search and selection process.

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

The Chief Executive is appointed by the Trustees to manage the day to day running of the Charity under the powers delegated to him by the Board as set out in the document *Board of Trustees' delegation of authority to the Chief Executive and to the sub committees*. The senior management team

(known as the Strategic Leadership Team) which comprises the Chief Executive, 11 directors and one programme head, has executive responsibilities. The Strategic Leadership Team includes the seven Country/Regional Directors responsible for managing each of our international programmes – see the legal and administrative details section for a detailed list.

During the year, the Charity bid a fond farewell to two members of our senior management team. Andrew Scott, our Policy Director, had been with the Charity for 28 years. Mohammed Majzoub Fidiel had been the Director of our Sudan programme for the past 21 years. Both left with our gratitude and best wishes for the future. We are pleased to welcome Waleed Elbashir who has only recently joined the organisation and takes over from Majzoub as Sudan Country Director. At the time of writing, recruitment is underway for a Policy and Practice Director who, under the new structure mentioned later, will report to the International Policy and Programmes Director.

In March 2012, the Trustees approved our new Group Strategy for 2012 to 2017. The Strategy sets out how we as an organisation propose to bring about large scale change from our work at local, national, international and global level. It also sets out where we will focus our work to best achieve our aims. As part of the process of developing the new strategy, we reviewed our organisational structure and decided to make some changes to the International and Programmes and Policy areas within our Head Office, which will now be split into two teams – a Programme Team focused on working with country teams to help them develop high quality strategically aligned programmes, build capacity and develop quality standards, and a Policy and Practice Team responsible for developing our global learning agenda, distilling and sharing programme learning and generating policy messages and advocating policy and practice change internationally. We also reviewed the geographical spread of our programmes and noted that a commitment to expand our footprint in Africa under the previous strategy had not been delivered. We confirmed that we remained committed to expansion in Africa and made arrangements under the new strategy to ensure the finances would be in place to allow this to happen. These arrangements included a decision to close the Sri Lanka office from 2014 onwards. As part of the exit process, we are supporting an effort to create a local, sustainable and independent organisation that can continue to build on the heritage of Practical Action's long and successful engagement in that country.

## Related parties

The Charity has two wholly owned trading subsidiaries as detailed below:

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

**Practical Action Consulting Ltd** (formerly known as Intermediate Technology Consultants Ltd) provides high quality, independent and professional advice to governments, NGOs, aid agencies and the private sector. It operates regional offices in the UK, Eastern and Southern Africa, South Asia and Latin America. Practical Action Consulting works in the following main sectors: energy, water and sanitation, market development, agriculture and food production, disaster risk reduction, knowledge and communications and adaptation to climate change. The company's expertise in these sectors includes technology assessment and feasibility studies, social and economic analysis, market appraisals, policy option assessments, private and public sector involvement, institutional and organisational development.

We have two dormant subsidiaries held in order to protect our previous company names which are Intermediate Technology Development Group Ltd (CRN 1017062) and Intermediate Technology Publications Ltd (CRN 6424984). ATS Property Holdings (Pvt) was established as a private limited company registered in Sri Lanka in order to purchase Practical Action's office premises there. It was deemed appropriate to do this through a locally registered, wholly owned subsidiary rather than the Charity itself and we are at present still holding this for this purpose.

The Charity Board agreed that it would continue the practice of nominating Trustee Representatives as directors to each of the trading subsidiary boards although these persons would not be put forward for the position of Chair.

## Risk management

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

- For risk management purposes the organisation is broken down into its component businesses – the seven individual country/regional office

programmes overseas, the subsidiaries and the UK Head Office.

- Management continually identifies and assesses risk through review of internal audit reports and regular management and reporting processes. The frequency of internal audit visits is risk based, with all business areas being audited at least once every three years.
- Each business area maintains its own risk register. In addition, significant cross-cutting risks affecting the group are recorded in an organisational register.
- The risk registers for the organisation and each business area are consolidated three times a year, reviewed by the UK Directors and, together with internal audit reports, put to each Finance & Governance Sub Committee of the Board of Trustees for discussion.
- The organisational risk register is reviewed by the full Board of Trustees annually, or more frequently in the event of significant changes. This is in addition to any urgent matters, relating to its review of the Register, which the Finance & Governance Sub Committee feels should be raised at the next available Board of Trustees' meeting.

Practical Action's operations carry inherent risks, as its work is predominantly in developing countries where operating conditions are often challenging. The Charity has identified a number of significant external risks including conflict, political instability, weak education, legal and governance institutions and limited penetration of the formal banking system. The response to these risks is an evolving one and internal controls to take account of these include regular management, technical support and internal audit visits to every country/regional office. In addition, due to the on-going economic crisis, adapting to the changing requirements of donors is a key risk that we are monitoring and on which we are taking appropriate action when required.

## Objectives and activities for the public benefit

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

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

Practical Action's overall aim is to contribute to

the eradication of poverty in developing countries by developing and using technology, and by demonstrating results, sharing knowledge and influencing others. For over 40 years we have been working closely with some of the world's poorest people – using simple technology to fight poverty and transform their lives for the better.

In pursuit of its overall aim, Practical Action has just completed its final year of its five-year strategy to 2012. In the strategy we set out the following goals:

- to work with over three million poor women and men in 15 countries using technology to change people's lives for the better;
- to 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;
- to help poor communities adapt to the impacts of climate change, developing models of excellence, sharing learning and "scaling up" impact. All of our work to be "climate proofed" and aim to reduce the carbon footprint of our own organisation;
- to push for government and donor policies which benefit poor people and provide more community control over the technologies that affect people's lives. Working locally, nationally and internationally, this work to 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.
- to reach out beyond our own projects and actively share so that others can benefit from our experience and knowledge and that of our partners – multiplying the impact of our work. To 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 to encourage young people to understand the inter-relation between technology and poverty, developing a lifelong commitment to a sustainable world in which technology is used to the benefit of all; and
- to finance this, by aiming to grow our annual income by 50% to £31m by 2012.

How well we have performed to these objectives is explained in section 1 of this report.

## How our activities deliver public benefit

The Trustees have read the *Summary guidance for charity trustees on public benefit* and discussed the main principles contained therein. They consider that they have complied with the duty (set out in Section 17(3) of the Charities Act 2011) to have due regard to public benefit guidance published by the Commission. In exercising their powers and duties as Trustees, the Board considers that the Charity's strategies, aims and activities they have put in place are for the public benefit and this is fundamental to all areas of the Charity's operations both in undergoing current activities, planning future activities and measuring outcomes. Section 1 of this report explains in detail the main activities undertaken by the Charity this year – focusing on our work with the poor women and men in developing countries where we have country and regional programmes.

## Trustees' responsibilities in relation to the financial statements

The Trustees (who are also Directors for the purposes of company law) are responsible for preparing the Trustees' report and the financial statements for each financial year, which give a true and fair view, in accordance with United Kingdom generally accepted accounting practice, of the state of affairs of the Charity and Group and of the results of the group for that period. In preparing those financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- follow applicable accounting standards, subject to any material departures disclosed and explained in the notes to the financial statements;
- make sound judgements and estimates that are reasonable and prudent; and
- 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 2006. 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; and
- 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

A resolution will be proposed at the Annual General Meeting that Crowe Clark Whitehill LLP be re-appointed as auditors of the Charity for the ensuing year.

The Trustees are pleased to present their report together with the financial statements of the Charity for the year ended 31 March 2012 which have been prepared in accordance with the Charity Statement of Recommended Practice – SORP 2005 and the Companies Act 2006.

On behalf of the Board



**S R Watson**  
Director  
31 July 2012

# 4. Legal and administrative details

**Charity Name:**

Practical Action

**Charity number:** 247257**Company number:** 871954**Registered Office:**

The Schumacher Centre, Bourton on Dunsmore,  
Rugby, Warwickshire, CV23 9QZ.

**Auditors:**

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

**Bankers:**

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

**Solicitors:**

Bates Wells & Braithwaite, 2–6 Cannon Street,  
London, EC4 6YH

## Directors and Trustees

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

**Board of Trustees**

Stephen Watson (Chair)  
Ruth McNeil (Vice Chair)  
John Heskett (Treasurer)  
Emma Crewe  
Dominic Haslam  
Mahmood Hassan  
Alison Marshall  
Helena Molyneux  
Nigel Saxby-Soffe  
James Smith (appointed 30 June 2011)  
Sean Sutcliffe  
Paul Turner (appointed 30 June 2011)  
Veronica Walford  
Angus Walker

**Trustees' sub committees****Remuneration & Nominations Sub Committee**

Stephen Watson (Chair)  
John Heskett

Ruth McNeil

Helena Molyneux

**Finance & Governance Sub Committee**

John Heskett (Chair)

Nigel Saxby-Soffe

Angus Walker

**Secretary**

Pat Adey

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

Simon Trace

**Bangladesh**

Veena Khaleque

**East Africa**

Grace Mukasa

**Southern Africa**

Ernest Mupunga

**Latin America**

Alfonso Carrasco

**South Asia**

Vishaka Hidellage

**Nepal**

Achyut Luitel

**Sudan**

Waleed Elbashir

**International, Policy & Programmes**

Paul Smith Lomas

**Director for Policy & Practice**

Position vacant at present

**Marketing & Communications**

Margaret Gardner

**Head of Programmes**

Barnaby Peacocke

**Finance**

Mark Woodbridge

# Independent auditor's report to the Members of Practical Action

We have audited the financial statements of Practical Action for the year ended 31 March 2012 which comprise the *Consolidated statement of financial activities*, the *Group and Company balance sheets*, the *Consolidated cash flow statement* and the related notes numbered 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of trustees and auditor

As explained more fully in the *Statement of Trustees' responsibilities*, the trustees (who are also the directors of the charitable company for the purpose of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and *International standards on auditing (UK and Ireland)*. Those standards require us to comply with the *Auditing Practices Board's ethical standards for auditors*.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Trustees' annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charitable company's affairs as at 31 March 2012 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the *Trustees annual report* for the financial year for

which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- the parent charitable company has not kept adequate accounting records; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration

- specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

*Pesh Framjee .*

**Pesh Framjee**  
**Senior Statutory Auditor for and on behalf of**  
**Crowe Clark Whitehill LLP**  
Statutory Auditor  
London

6 August 2012

# Financial statements

## Consolidated statement of financial activities for the year ended 31 March 2012

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

	Note	Unrestricted £'000	Restricted £'000	Total 2012 £'000	Total 2011 £'000
<b>INCOMING RESOURCES</b>					
<b>Incoming resources from generated funds:</b>					
Voluntary income [donations, legacies etc.]	2	9,254	316	9,570	8,718
Investment income	2	113	5	118	117
<b>Incoming resources from activities in furtherance of the charity's objectives:</b>					
Contracts for operational programmes	2	2,892	13,546	16,438	15,682
Consulting	2,5	2,472	–	2,472	1,283
Publishing	2,5	551	–	551	520
Other incoming resources	2	1,305	417	1,722	1,037
<b>TOTAL INCOMING RESOURCES</b>	<b>2</b>	<b>16,587</b>	<b>14,284</b>	<b>30,871</b>	<b>27,357</b>
<b>RESOURCES EXPENDED</b>					
<b>Cost of generating funds:</b>					
Cost of generating voluntary income	6	3,474	–	3,474	2,551
Fundraising trading: cost of goods sold and other costs		10	–	10	17
<b>TOTAL COSTS OF GENERATING FUNDS</b>	<b>3</b>	<b>3,484</b>	<b>–</b>	<b>3,484</b>	<b>2,568</b>
<b>Charitable Activities:</b>					
Reducing Vulnerability	3	2,627	6,056	8,683	8,828
Making Markets Work for Poor People	3	2,065	3,303	5,368	4,801
Improving Access to Infrastructure Services	3	2,283	4,522	6,805	6,355
Responding to New Technologies	3	145	5	150	205
Knowledge & Communications	3	1,848	44	1,892	1,897
Consulting	3,5	2,385	–	2,385	1,170
Publishing	3,5	592	–	592	562
<b>TOTAL COSTS OF CHARITABLE ACTIVITIES</b>		<b>11,945</b>	<b>13,930</b>	<b>25,875</b>	<b>23,818</b>
<b>Governance costs</b>	<b>3</b>	<b>364</b>	<b>–</b>	<b>364</b>	<b>326</b>
<b>TOTAL RESOURCES EXPENDED</b>	<b>3</b>	<b>15,793</b>	<b>13,930</b>	<b>29,723</b>	<b>26,712</b>
<b>Net income before recognised gains and losses</b>		<b>794</b>	<b>354</b>	<b>1,148</b>	<b>645</b>
Gain on investment assets	8	9	–	9	4
Actuarial (losses)/gains on defined benefit pension scheme	16	(719)	–	(719)	165
<b>NET MOVEMENT ON FUNDS</b>		<b>84</b>	<b>354</b>	<b>438</b>	<b>814</b>
<b>Balance brought forward 1 April 2011</b>		<b>7,192</b>	<b>921</b>	<b>8,113</b>	<b>7,299</b>
<b>Fund balances carried forward as at 31 March 2012</b>	<b>14,15</b>	<b>7,276</b>	<b>1,275</b>	<b>8,551</b>	<b>8,113</b>

All amounts relate to continuing activities

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

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

## Consolidated and company balance sheet at 31 March 2012

	Note	Group		Charity	
		2012 £'000	2011 £'000	2012 £'000	2011 £'000
<b>FIXED ASSETS</b>					
Tangible assets	7	1,848	1,823	1,842	1,819
Investments	8	4,782	3,456	4,782	3,456
Programme investments	8	14	18	272	276
<b>Total fixed assets</b>		<b>6,644</b>	<b>5,297</b>	<b>6,896</b>	<b>5,551</b>
<b>CURRENT ASSETS</b>					
Stock	9	122	94	–	–
Debtors	10	4,742	5,649	3,802	4,934
Cash at bank and in hand		3,756	3,170	3,604	2,967
<b>Total current assets</b>		<b>8,620</b>	<b>8,913</b>	<b>7,406</b>	<b>7,901</b>
Creditors: amounts falling due within one year	11	(5,239)	(5,435)	(4,558)	(4,790)
<b>Net current assets</b>		<b>3,381</b>	<b>3,478</b>	<b>2,848</b>	<b>3,111</b>
Creditors: amounts falling due after more than one year	12	(167)	(181)	(167)	(181)
Provisions	13	(483)	(164)	(452)	(164)
<b>Net assets before pension liability</b>		<b>9,375</b>	<b>8,430</b>	<b>9,125</b>	<b>8,317</b>
Defined benefit pension scheme liability	16	(824)	(317)	(824)	(317)
<b>NET ASSETS AFTER PENSION LIABILITY</b>		<b>8,551</b>	<b>8,113</b>	<b>8,301</b>	<b>8,000</b>
<b>FUNDS</b>					
<b>Restricted</b>	<b>14</b>	<b>1,275</b>	<b>921</b>	<b>1,275</b>	<b>921</b>
Unrestricted funds representing functional:					
Fixed assets	14	1,500	1,530	1,500	1,530
Free reserve	14	6,549	5,937	6,299	5,824
Revaluation reserve	14	51	42	51	42
<b>Unrestricted funds excluding pension liability</b>		<b>8,100</b>	<b>7,509</b>	<b>7,850</b>	<b>7,396</b>
Pension reserve	16	(824)	(317)	(824)	(317)
<b>Total Unrestricted</b>	<b>14</b>	<b>7,276</b>	<b>7,192</b>	<b>7,026</b>	<b>7,079</b>
<b>TOTAL FUNDS</b>	<b>15</b>	<b>8,551</b>	<b>8,113</b>	<b>8,301</b>	<b>8,000</b>

The notes on pages 32–48 form part of these financial statements.  
The financial statements were approved by the Board on 31 July 2012.



**S. Watson**  
Trustee



**J. Heskett**  
Trustee

## Consolidated cash flow statement for the year ended 31 March 2012

	Note	2012 £'000	2011 £'000
<b>Net cash inflow/(outflow) from operating activities</b>	17	2,381	(1,182)
<b>Returns on investment and servicing of finance</b>			
Interest received	2	58	55
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets	7	(522)	(682)
Cash investment	8	(1,317)	729
<b>Financing</b>			
(Decrease) in bank loans		(14)	(24)
<b>Increase/(decrease) in cash</b>	<b>18</b>	<b>586</b>	<b>(1,104)</b>

The notes on pages 32–48 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 2006 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:

### Going concern

We have set out in the Trustees' report a review of financial performance and the charity's reserves position (page 18). We have adequate financial resources and are well placed to manage the business risks. Our planning process, including financial projections, has taken into consideration the current economic climate and its potential impact on the various sources of income and planned expenditure. We have a reasonable expectation that we have adequate resources to continue in operational existence for the foreseeable future. We believe that there are no material uncertainties that call into doubt the Charity's ability to continue. The financial statements have therefore been prepared on the basis that the Charity is a going concern

### Basis of consolidation

The statement of financial activities (SOFA) and balance sheet consolidate the financial statements of Practical Action and its subsidiary undertakings on a line by line basis.

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 S230 Companies Act 2006. The group net incoming resources include net incoming resources from the charitable company itself of £550,701 (2011: net incoming resources £785,840).

The charity has taken advantage of the exemption which is conferred by Financial Reporting Standard 8, Related Party Disclosures that allows it not to disclose transactions with group undertaking that are eliminated on consolidation.

### 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, and tax is recoverable, the income is recognised gross at the time of receipt. Gifts in kind – donated goods and services are recognised in the financial statements, as both income and expenditure, at a reasonable estimate of their value in the period in which they are donated.

### 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 costs of providing the infrastructure and organisational services that support the charitable activities.

### Basis of allocation of costs

The majority of costs are directly attributable to specific charitable activities. The remaining programme and support costs relate to more than one activity and are apportioned across charitable activities and fundraising costs of the different activities based on the relative level of expenditure of these activities.

### Fundraising costs

These consist of salaries, expenditure and support costs relating to the fundraising and supporter servicing activities.

### Governance costs

Governance costs consist of the statutory and organisational costs of operating as a charitable company.

The costs are made up of a percentage of salaries for management, company secretarial/legal costs, internal and external audit costs, meeting costs for strategic leadership team and trustees (including travel costs) and apportionment of support 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% per annum straight line
Computer equipment	33.3% per annum straight line
Fixtures and fittings	20.0% per annum straight line

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 residual value is likely to exceed book value. An annual impairment test is carried out on the UK property.

### **Investments**

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

### **Stocks**

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

### **Pension costs**

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

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

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

### **Foreign currencies**

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

### **Restricted funds**

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

### **Unrestricted funds**

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

### **Conduit funding**

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

### **Operating leases**

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

### **Taxation**

Practical Action is a registered charity and as such is potentially exempt from taxation of its income and gains to the extent that they fall within the charity exemptions in the Corporation Taxes Act 2010 or Section 256 Taxation of Chargeable Gains Act 1992. No tax charge has arisen in the year.

Irrecoverable VAT is chargeable to the projects using the partial exemption method.

## 2. Income

An analysis of group income by donors contributing over £250,000 is given below:

	Unrestricted	Restricted	Total	Total
	£'000	£'000	2012	2011
			£'000	£'000
European Commission	–	4,984	4,984	5,269
DFID	4,644	2,292	6,936	3,466
Big Lottery Fund	–	236	236	317
International Development Enterprises	–	–	–	277
United Nations Children's Fund (UNICEF)	–	919	919	1,296
United Nations Development Programme	–	365	365	231
Comic Relief	–	653	653	149
Zurich Foundation	–	236	236	339
Agencia Española de Cooperación Internacional	–	334	334	243
The Brooke	–	266	266	180
Ministry of Infrastructure Rwanda	467	–	467	125
Other (donations under £250k)	11,476	3,999	15,475	15,465

<b>TOTAL</b>	<b>16,587</b>	<b>14,284</b>	<b>30,871</b>	<b>27,357</b>
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	Unrestricted	Restricted	Total	Total
	£'000	£'000	2012	2011
			£'000	£'000
<b>Voluntary income</b>				
Donations and gifts	6,831	316	7,147	6,858
Legacies*	2,423	–	2,423	1,860
	<b>9,254</b>	<b>316</b>	<b>9,570</b>	<b>8,718</b>

	Unrestricted	Restricted	Total	Total
	£'000	£'000	2012	2011
			£'000	£'000
<b>Investment income</b>				
Rental	60	–	60	62
Interest	53	5	58	55
	<b>113</b>	<b>5</b>	<b>118</b>	<b>117</b>

Grants	2,892	13,546	16,438	15,682
Other income	1,305	417	1,722	1,037
Subsidiaries	3,023	–	3,023	1,803
<b>TOTAL</b>	<b>16,587</b>	<b>14,284</b>	<b>30,871</b>	<b>27,357</b>

\* Approximately £641k of residual and £173k of reversionary legacies have not been recognised as income in the year to 31 March 2012.

Although probate was granted prior to 31 March 2012, it is not possible to establish the amount or timing of receipts with sufficient accuracy.

### 3. Total resources expended

	Grants Payable £'000	Programme Costs £'000	Support Costs £'000	2012 Total Costs £'000	2011 Total Costs £'000
<b>Fundraising:</b>	–	2,815	669	3,484	2,568
<b>Charitable Activities:</b>					
Reducing Vulnerability	1,743	5,694	1,246	8,683	8,828
Making Markets Work for Poor People	1,312	3,286	770	5,368	4,801
Improving Access to Infrastructure Services	1,109	4,719	977	6,805	6,355
Responding to New Technologies	–	129	21	150	205
Knowledge & Communications	–	1,622	270	1,892	1,897
Consulting	–	2,043	342	2,385	1,170
Publishing	–	507	85	592	562
<b>Total Charitable Activities:</b>	<b>4,164</b>	<b>18,000</b>	<b>3,711</b>	<b>25,875</b>	<b>23,818</b>
<b>Governance</b>	–	–	364	364	326
<b>TOTAL RESOURCES EXPENDED*</b>	<b>4,164</b>	<b>20,815</b>	<b>4,744</b>	<b>29,723</b>	<b>26,712</b>

During the year ended 31 March 2012, 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 because much of the charity's programme activity is carried out through grants to local organisations that support long-term, sustainable benefits for a community, which are monitored by the charity. A list of grants awarded can be obtained from the Finance Director at UK Head Office.

<b>Charitable Activities: Expenditure Split By Country/Region</b>	Grants Payable £'000	Programme Costs £'000	Support Costs £'000	2012 Total Costs £'000	2011 Total Costs £'000
<b>Charitable Activities:</b>					
Latin America	213	3,941	611	4,765	4,353
Sri Lanka	208	1,002	246	1,456	1,301
Southern Africa	645	2,145	474	3,264	2,589
East Africa	179	2,921	465	3,565	2,492
Sudan	111	2,080	370	2,561	2,572
Nepal	1,372	1,464	254	3,090	3,092
Bangladesh	1,277	1,857	340	3,474	4,391
Head office direct programme work	159	2,590	951	3,700	3,028
<b>TOTAL CHARITABLE ACTIVITIES</b>	<b>4,164</b>	<b>18,000</b>	<b>3,711</b>	<b>25,875</b>	<b>23,818</b>

The support costs represent the costs for the Chief Executive/Country Director, Finance, HR, Facilities and Services and Information Technology by country. This represents the most appropriate view of the support costs for Practical Action.

\* Total resources expended includes £191k of costs relating to irrecoverable VAT in the UK.

#### Governance costs

	2012 £'000	2011 £'000
Salaries	79	74
Company secretarial/legal costs	10	17
Internal and external audit costs	174	153
Meeting expenses (including trustees travel)	30	26
Trustee international project visit	2	2
Apportionment of support costs	69	54
<b>TOTAL</b>	<b>364</b>	<b>326</b>

### 3. Total resources expended (cont.)

#### External audit costs

	2012 £'000	2011 £'000
Fees payable to company's auditors for the audit of the company's annual accounts	36	35
Fees payable to company's auditors for the audit of the company's subsidiaries pursuant to legislation	6	6
Fees payable to the company's auditors for the audit of the company's overseas branches	44	43
<b>TOTAL AUDIT FEES</b>	<b>86</b>	<b>84</b>
Tax services	3	3
Other services	2	2
<b>TOTAL NON-AUDIT FEES</b>	<b>5</b>	<b>5</b>

### 4. Employees

Staff costs consist of:	2012 £'000	2011 £'000
Wages and salaries	9,820	8,901
Social security costs	818	739
Pension costs (See note 16)	210	220
Pension (stakeholder scheme)	290	257
Overseas staff end of service payments <sup>1</sup>	295	314
<b>Total emoluments of employees</b>	<b>11,433</b>	<b>10,431</b>
Other staff costs	437	355
<b>TOTAL STAFF COSTS</b>	<b>11,870</b>	<b>10,786</b>

<sup>1</sup> In order to meet local employment regulations, 'end of service' payments are made to employees in country programmes when they leave employment with Practical Action. The values of the payments are determined by the salary and length of service of the employees. Overseas staff end of service costs changes each year based on the accumulated entitlement.

#### Average no. of full time equivalent employees

	2012 number	2011 number
Latin America	127	119
South Asia	50	57
Southern Africa	45	50
East Africa	61	58
Sudan	75	74
Nepal	62	57
Bangladesh	168	164
UK	106	99
<b>TOTAL</b>	<b>694</b>	<b>678</b>

#### Average number of employees

	2012 number	2011 number
Latin America	128	120
South Asia	50	57
Southern Africa	45	50
East Africa	61	58
Sudan	76	74
Nepal	64	58
Bangladesh	168	164
UK	114	107
<b>TOTAL</b>	<b>706</b>	<b>688</b>

## 4. Employees (cont.)

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

	2012 number	2011 number
£60,001–£70,000	3	4
£70,001–£80,000	1	–
£80,001–£90,000	2	1

Under Practical Action's Stakeholder Scheme, which is open to all eligible employees, benefits are accruing for five (2011: four) higher paid employees. Within the Practical Action Employee Benefits Scheme, benefits are accruing for three (2011: three) higher paid employees. Employer contributions of £32,276 (2011: £25,071) have been made to the Stakeholder Scheme in relation to higher paid employees.

The Trustees receive no remuneration for their services. Expenses reimbursed to Trustees during the year amounted to £4,128 (2011: £3,854), which related to travel and refreshment costs for meetings, telephone and postage.

Expenses were reimbursed to ten Trustees (2011: eight Trustees)

Indemnity insurance is provided for Trustees at a cost of £3,975.

## 5. Net income from trading subsidiaries and summary balance sheet

The results of the principal trading subsidiaries are summarised below:

	Practical Action Consulting Limited 2012 £'000	Practical Action Publishing Limited 2012 £'000	Practical Action Consulting Limited 2011 £'000	Practical Action Publishing Limited 2011 £'000
Income	2,603	668	1,404	614
Expenditure	(2,466)	(669)	(1,241)	(636)
<b>Net profit/(loss)</b>	<b>137</b>	<b>(1)</b>	<b>163</b>	<b>(22)</b>

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

Income per subsidiary accounts	2,603	668	1,404	614
Less grants from parent company	(131)	(117)	(121)	(94)
	2,472	551	1,283	520
Expenditure per accounts	(2,466)	(669)	(1,241)	(636)
Less group charges	81	77	71	74
	(2,385)	(592)	(1,170)	(562)
<b>Net effect on Group results for the year</b>	<b>87</b>	<b>(41)</b>	<b>113</b>	<b>(42)</b>

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

	Practical Action Consulting Limited 2012 £'000	Practical Action Publishing Limited 2012 £'000	Practical Action Consulting Limited 2011 £'000	Practical Action Publishing Limited 2011 £'000
<b>Summary Balance Sheet</b>				
Fixed assets	5	1	2	2
Net current assets	440	63	305	63
Loans from parent charity	(160)	(80)	(160)	(80)
<b>Net Assets/(Liabilities)</b>	<b>285</b>	<b>(16)</b>	<b>147</b>	<b>(15)</b>
Capital and reserves called up share capital	–	–	–	–
Profit and loss account	285	(16)	147	(15)
<b>Surplus/(Deficit) on Shareholders' funds</b>	<b>285</b>	<b>(16)</b>	<b>147</b>	<b>(15)</b>

## 6. Cost of generating funds: Fundraising costs

	2012 £'000	2011 £'000
Costs related to donations, gifts and legacy income	3,445	2,521
Costs related to applying for charitable grants and contracts for operational programmes	29	24
Publicity costs (inc. raising profile e.g. advertising, marketing etc)	–	6
<b>TOTAL</b>	<b>3,474</b>	<b>2,551</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 2011	1,189	1,951	1,424	880	5,444
Additions	3	328	154	37	522
Disposals	–	(204)	(30)	(28)	(262)
<b>At 31 March 2012</b>	<b>1,192</b>	<b>2,075</b>	<b>1,548</b>	<b>889</b>	<b>5,704</b>
<b>Depreciation</b>					
At 1 April 2011	–	1,623	1,253	745	3,621
Charge for the year	–	273	161	63	497
Disposals	–	(205)	(30)	(27)	(262)
<b>At 31 March 2012</b>	<b>–</b>	<b>1,691</b>	<b>1,384</b>	<b>781</b>	<b>3,856</b>
<b>Net Book Value (NBV)</b>					
At 31 March 2011	1,189	328	171	135	1,823
<b>At 31 March 2012</b>	<b>1,192</b>	<b>384</b>	<b>164</b>	<b>108</b>	<b>1,848</b>

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 2012 £'000	NBV 2011 £'000
<b>Computer equipment</b>	<b>6</b>	<b>4</b>

## 8. Investments

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
<b>Cash investments</b>				
Cash investments	4,685	3,368	4,685	3,368
Common investment fund	97	88	97	88
<b>TOTAL</b>	<b>4,782</b>	<b>3,456</b>	<b>4,782</b>	<b>3,456</b>
<b>Programme investments</b>				
Capital loans to subsidiaries	–	–	240	240
Programme investments	14	18	32	36
<b>TOTAL</b>	<b>14</b>	<b>18</b>	<b>272</b>	<b>276</b>

Capital loans are interest bearing, secured by a fixed and floating charge and have no fixed repayment period and Practical Action does not intend to recall the loan in the next four years.

## 8. Investments (cont.)

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

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

Reconciliation of common investment fund:	£'000
Historical cost	46
Opening balance at 1 April 2011	88
Recognised gain	9
<b>Closing balance at 31 March 2012</b>	<b>97</b>

### Programme investments

The loans to charitable beneficiaries finance small scale hydro-electric schemes in Peru £14k, (2011 £18k). 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 the beneficiaries to pursue activities which will further the Charity's objectives.

## 9. Stock

	Group		Charity	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Finished goods	108	91	–	–
Work in progress	14	3	–	–
<b>TOTAL</b>	<b>122</b>	<b>94</b>	<b>–</b>	<b>–</b>

## 10. Debtors

	Group		Charity	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Trade debtors	1,070	3,536	754	2,923
Prepayments and accrued income	3,243	1,659	2,618	1,557
Other debtors	429	621	430	621
Provision for bad debt	–	(167)	–	(167)
<b>TOTAL</b>	<b>4,742</b>	<b>5,649</b>	<b>3,802</b>	<b>4,934</b>

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

	Group		Charity	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Payments received in advance	2,409	2,872	2,309	2,774
Trade creditors	778	722	630	468
Taxation and social security	298	280	233	214
Accruals	556	390	413	264
Other creditors	1,177	1,151	952	1,050
Bank loan: 1 year	21	20	21	20
<b>TOTAL</b>	<b>5,239</b>	<b>5,435</b>	<b>4,558</b>	<b>4,790</b>

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

	Group £'000	Charity £'000
Balance brought forward	2,872	2,774
Released to income	(2,872)	(2,774)
Received in year	2,409	2,309
<b>BALANCE CARRIED FORWARD</b>	<b>2,409</b>	<b>2,309</b>

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

	Group		Charity	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
<b>Bank loan: unsecured</b>				
1–2 years	42	40	42	40
2–5 years	62	59	62	59
More than 5 years	17	36	17	36
<b>Other creditors: unsecured</b>				
2–5 years	46	46	46	46
<b>TOTAL</b>	<b>167</b>	<b>181</b>	<b>167</b>	<b>181</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 1.4.11 £'000	Charged to inc/exp £'000	Released during year £'000	Balance at 31.3.12 £'000
Project issues	27	37	(26)	38
Rent/tax liability	137	8	–	145
Redundancy	–	300	–	300
<b>TOTAL</b>	<b>164</b>	<b>345</b>	<b>(26)</b>	<b>483</b>

Most of the provisions are expected to be settled within the next two years.

The provisions relating to project issues represent potential repayment arising from outstanding project issues that are currently being addressed.

The redundancy provision relates to Sri Lanka staff redundancies which would be due at the end of March 2014 when the office is due to close.

## 14. Funds note

	Opening balance £'000	Incoming resources £'000	Expenditure £'000	Transfer £'000	Closing balance £'000
<b>Designated reserves</b>					
Fixed asset fund	1,530	–	–	(30)	1,500
Revaluation reserve	42	–	9	–	51
Pension reserve	(317)	–	(719)	212	(824)
<b>TOTAL</b>	<b>1,255</b>	<b>–</b>	<b>(710)</b>	<b>182</b>	<b>727</b>
<b>Free reserves</b>	<b>5,937</b>	<b>16,587</b>	<b>(15,793)</b>	<b>(182)</b>	<b>6,549</b>
<b>Total unrestricted funds</b>	<b>7,192</b>	<b>16,587</b>	<b>(16,503)</b>	<b>–</b>	<b>7,276</b>
Reducing Vulnerability	143	6,245	(6,056)	–	332
Making Markets work for Poor People	863	3,296	(3,303)	–	856
Improving Access to Infrastructure Services	(39)	4,731	(4,522)	–	170
Responding to New Technologies	–	(16)	(5)	–	(21)
Knowledge & Communications	(46)	28	(44)	–	(62)
<b>Total restricted funds</b>	<b>921</b>	<b>14,284</b>	<b>(13,930)</b>	<b>–</b>	<b>1,275</b>
<b>TOTAL FUNDS</b>	<b>8,113</b>	<b>30,871</b>	<b>(30,433)</b>	<b>–</b>	<b>8,551</b>

## 15. Total funds

	Unrestricted funds £'000	Restricted funds £'000	2012 Total £'000	2011 Total £'000
Fixed assets	1,557	291	1,848	1,823
Investments	4,782	–	4,782	3,456
Programme related investments	14	–	14	18
Stock	122	–	122	94
Debtors	3,673	1,069	4,742	5,649
Cash at bank and in hand	3,720	36	3,756	3,170
Creditor: amount due within one year	(5,239)	–	(5,239)	(5,435)
Creditor: amount due after more than one year	(46)	(121)	(167)	(181)
Provisions for liabilities and charges	(483)	–	(483)	(164)
Pension liability	(824)	–	(824)	(317)
<b>TOTAL</b>	<b>7,276</b>	<b>1,275</b>	<b>8,551</b>	<b>8,113</b>

## 16. Pension costs and Financial Reporting Standard (FRS) 17

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

### Practical Action employee benefits scheme

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 2012 amounted to £210,000. This contribution of £210,000 was determined by an independent qualified actuary, on the basis of the 2011 triennial valuation, and was designed to eliminate the deficit over a five year period from 2011.

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 2011, the latest valuation date, the actuarial value of the scheme's assets was 91% of the value of past service liabilities on an ongoing basis. The market value of the scheme's assets at the valuation date was £6,951,000, excluding money purchase Additional Voluntary Contributions.

In arriving at the 2011 actuarial valuation above, the following assumptions were adopted:

	<b>2011</b>
Inflation assumption	
Retail Price Index (RPI)	3.4%
Consumer Price Index (CPI)	2.9%
Salary increase assumption	4.9%
Rate of increase in pensions in payment	3.4%
Rate of increase in pensions in deferment	2.9%
Investment return pre-retirement	6.2%
Investment return post-retirement	4.9%

A valuation has been performed in order to assess the disclosures required under FRS17 as 31 March 2012 by an independent qualified actuary.

## 16. Pension costs and FRS 17 (cont.)

<b>a) The amounts recognised in the balance sheets are as follows:</b>	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Present value of funded obligations	(7,956)	(7,268)
Fair value plan assets	7,132	6,951
<b>Deficit</b>	<b>(824)</b>	<b>(317)</b>
<b>Amounts in the balance sheet:</b>		
Liabilities	(824)	(317)
Assets	–	–
<b>Net liability</b>	<b>(824)</b>	<b>(317)</b>
<b>b) Changes in the present value of the defined benefit obligation are as follows:</b>	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Opening defined benefit obligation	7,268	7,258
Service cost	45	41
Interest cost	406	403
Employee contributions	–	–
Actuarial losses/(gains)	495	(127)
Benefits paid	(258)	(307)
<b>Defined benefit obligation at end of year</b>	<b>7,956</b>	<b>7,268</b>
<b>c) Changes in the fair value of the scheme assets are as follows:</b>	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Opening fair value of scheme assets	6,951	6,571
Expected return	453	429
Actuarial (losses)/gains	(224)	38
Employer contributions	210	220
Employee contributions	–	–
Benefits paid	(258)	(307)
<b>Fair value of scheme assets at the year end</b>	<b>7,132</b>	<b>6,951</b>
<b>d) The amounts included within the <i>Statement of financial activities</i> are as follows:</b>	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Current service cost	(45)	(41)
Interest on pension liabilities	(406)	(403)
Expected return on scheme assets	453	429
Past service cost	–	–
<b>Total amount charged within net incoming/(outgoing) resources</b>	<b>2</b>	<b>(15)</b>
<b>Actuarial (losses)/gains</b>	<b>(719)</b>	<b>165</b>
<b>Total amount charged to the <i>Statement of financial activities</i></b>	<b>(717)</b>	<b>150</b>

Practical Action expects to contribute £210,000 to its defined benefit pension scheme in 2013  
The cumulative total of recognised actuarial losses is (£218K)

## 16. Pension costs and FRS 17 (cont.)

e) The major categories of scheme assets as a percentage of total scheme assets are as follows	2012	2011
Equities	48%	52%
Bonds	46%	44%
Cash	6%	4%

The expected rates of return to apply from the valuation date forward (i.e. over the year to 31 March 2013) are set to be net of investment management fees and scheme expenses, as described below:

1. The return on bonds for the next period is 4.7%. The return is set equal to discount rate less an allowance for expenses.
2. The net return on equities for the next period will be 3.5% above gilts, 6.8%.
3. The net return on cash for the next period is 3.3%. This is set equal to the return on gilts – i.e. implicitly assuming these funds will be at some stage invested in one of the other asset categories held by the scheme and the gilt yield presents the minimum return on any such investment.

	2012 £'000	2011 £'000
The actual return on the scheme assets in the year	229	467

f) Principal assumptions at the balance sheet date (expressed as weighted averages)	2012	2011
Discount rate	4.90%	5.60%
Expected return on scheme assets	5.62%	6.53%
Rate of increase in salaries	4.80%	4.90%
Rate of increase or pensions in payment	3.30%	3.40%
Rate of increase of pensions in deferment	2.80%	2.90%
Assumes life expectancy on retirement age 65:		
Retiring today – males	21.5	21.5
Retiring today – females	23.9	23.9
Retiring in 20 years – males	23.4	23.4
Retiring in 20 years – females	25.8	25.8

From January 2011, the Government has changed the inflation measure in respect of statutory minimum pension increases applying to pensions from RPI to CPI. A review of the Trust Deed and Rules has been undertaken which indicates that RPI should still be the measure for increasing pensions after retirement but for increases before retirement future increases will be in line with CPI. The results and disclosures presented in this note are based on RPI for increases after retirement and CPI for increases before retirement.

g) The amounts for the current and previous periods are as follows:	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Defined benefit obligation	7,956	7,268	7,258	5,640	5,674
Scheme assets	7,132	6,951	6,571	4,725	5,503
Deficit	(824)	(317)	(687)	(915)	(171)
Experience adjustment on scheme liabilities	258	(16)	48	15	137
Experience adjustment on scheme assets	(224)	38	1,262	(1,247)	(482)
Total (loss)/gain on <i>Statement of financial activities</i>	(719)	165	(114)	(982)	573

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

	2012 £'000	2011 £'000
Net incoming resources	1,148	645
Interest received	(58)	(55)
Depreciation charge	497	462
Loss on disposal of fixed assets	–	27
(Increase)/Decrease in stocks	(28)	11
Decrease/(Increase) in debtors	911	(1,302)
Increase/(Decrease) in creditors and provisions	123	(765)
Difference between pension contributions and current service costs	(212)	(205)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>2,381</b>	<b>(1,182)</b>

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

	2012 £'000	2011 £'000
Movement in cash in the period	586	(1,104)
Cash movement from change in debt financing	13	24
<b>Movement in net funds in the period</b>	<b>599</b>	<b>(1,080)</b>
<b>Net funds brought forward</b>	<b>2,969</b>	<b>4,049</b>
<b>Net funds carried forward</b>	<b>3,568</b>	<b>2,969</b>

## 19. Analysis of changes in net funds

	1.4.11 £'000	Cash £'000	31.3.12 £'000
Cash at bank and in hand	3,170	586	3,756
Debt due within 1 year	(20)	(1)	(21)
Debt due after 1–2 years	(40)	(2)	(42)
Debt due after 2–5 years	(59)	(3)	(62)
Debt due after 5 years	(82)	19	(63)
<b>NET FUNDS</b>	<b>2,969</b>	<b>599</b>	<b>3,568</b>

## 20. Contingent liability

The Charity has entered into agreement with Barclays Bank to provide a bank guarantee to the value of £56,000 to the agency Ministry Of Infrastructure as stipulated in the contract 238/P5/010 – Disseminating of improved cooking stoves in urban areas of Rwanda. 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 a period of one year.

In fulfilment of contract requirements, the charity has entered into two agreements with Banco de Credito. The first agreement is to provide a bank guarantee to the value of S/- 83,215 (c. £19,563) as required by Fondo Empleo (Peruvian donor) on the project – Promotion of sustainable employment in the alpaca sector in the province of Melgar Puno project. The second agreement is to provide a bank guarantee to the value of S/-290,871 (c. £68,381) as required by JICA (Japanese donor) on the project - Use of Electricity in Loreto.

## 21. Big Lottery Fund

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

2012	Socioeconomic <sup>1</sup> empowerment of tsunami £'000	Integrated <sup>2</sup> natural resource £'000	Sustainable <sup>3</sup> lagoons & livelihoods £'000	Practical <sup>4</sup> solutions livelihoods crisis £'000	Total £'000
<b>Opening Balance</b>	–	–	–	–	–
Income deferred from 10/11	(12)	–	–	(54)	(66)
Income accrued from 10/11	–	–	–	–	–
Income accrued from 11/12	(131)	–	(24)	(86)	(241)
Income received in 11/12	–	–	–	–	–
Income deferred for 12/13	40	–	19	11	70
<b>TOTAL INCOME</b>	<b>(103)</b>	<b>–</b>	<b>(5)</b>	<b>(129)</b>	<b>(237)</b>
Expenditure	103	–	5	129	237
<b>CLOSING BALANCE</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(0)</b>	<b>(0)</b>

2011	Socioeconomic <sup>1</sup> empowerment of tsunami £'000	Integrated <sup>2</sup> natural resource £'000	Sustainable <sup>3</sup> lagoons & livelihoods £'000	Practical <sup>4</sup> solutions livelihoods crisis £'000	Total £'000
<b>Opening Balance</b>	–	–	–	(83)	(83)
Income deferred from 09/10	(34)	–	–	–	(34)
Income accrued from 09/10	–	2	–	–	2
Income received in 10/11	(106)	(17)	–	(145)	(268)
Income accrued for 10/11	–	–	–	–	–
Income deferred to 11/12	12	–	–	54	66
<b>TOTAL INCOME</b>	<b>(128)</b>	<b>(15)</b>	<b>–</b>	<b>(174)</b>	<b>(317)</b>
Expenditure	128	15	–	174	317
<b>CLOSING BALANCE</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

1. Socioeconomic Empowerment of Tsunami affected communities (SET)
2. Integrated natural resource management, poverty reduction and improved livelihoods in the southern highlands of Peru
3. Sustainable Lagoons and Livelihoods
4. Practical Solutions for the livelihood crisis of indigenous/migrant communities



## 22. Department for International Development grants

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

	2012 £'000	2011 £'000
<b>Grants</b>	<b>3,977</b>	<b>2,955</b>

### 2012: Project funding details required by DFID

	Contract Number	DFID Funding £'000
DFID Partnership Programme Agreement	–	2,891
Pathways from Poverty: Building Economic Empowerment and Resilience for Extreme Poor Households in Riverine areas of Bangladesh	SF/ITDG 8500	1,086



## 23. Commitments under operating leases

As at 31 March 2011, the Company had annual commitments under non-cancellable operating leases as set out below:

	2012		2011	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire:				
Within one year	118	–	86	–
In two to five years	162	–	264	–
Over five years	–	–	–	–
<b>TOTAL</b>	<b>280</b>	<b>–</b>	<b>350</b>	<b>–</b>

The net income for the year has been stated after charging £234k (2011: £249k) for the hire of assets under operating leases.



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