



Reporting back

Annual report and accounts 2013–2014

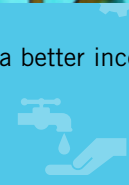
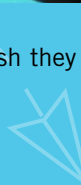
PRACTICAL ACTION
Technology challenging poverty





Access to energy in Mozambique helps women to keep fresh the fish they catch and thus earn a better income.

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Joint message from the Chair and Chief Executive

Practical Action's work has continued to improve the lives of poor people in communities across sub Saharan Africa, South Asia and Latin America through more than 100 projects on the ground, combined with our knowledge sharing activity and policy influencing work. This review provides a snapshot of that work and the various ways by which we are helping people use technology to find a path out of poverty.

More than a million people have directly benefited from Practical Action's project work this year and many more have been helped indirectly through changes in national or local policy brought about by our influencing work. We are particularly proud of the work of our knowledge-sharing service Practical Answers, which has doubled its impact for the second year running, answering over 68,000 technical enquiries during the year.

The year has seen expansion of our work in Bolivia and Malawi and the opening of a new office in Senegal to serve French-speaking West Africa. This West African venture is an exciting experiment for us testing out how we might be able to develop in the future, with our consultancy arm and Practical Answers taking a lead into new regions, delivering impact at scale for lower cost.

As these new areas of work start up, our work in other areas matures. This year our office in Sri Lanka is closing, after delivering massive change in the country over the past 25 years. Practical Action will oversee the completion of some existing projects in Sri Lanka for another three years but, as we wind down, we are very pleased to see the local NGO Janathakshan, the organisation formed by our staff to take forward the philosophy and legacy of Practical Action in Sri Lanka, starting its first few projects. Janathakshan will also be our agent for the Practical Answers service in Sri Lanka in the future and we look forward to having a productive relationship with them in years to come.


We have been growing our income – which this year increased by 15% to £30.3 million. This included a 18% increase in voluntary income to £12.4m, despite the difficult economic climate, and reflects success in building corporate partnerships and exceptionally

strong legacy income in the year. We continue to explore new fundraising and communications channels, including a first trial of direct TV advertising, and invest in recruiting new supporters.

We continue to have high ambitions. In 2014 we will expand our work to deliver direct impact to 1.2 million people whilst reaching many more through our knowledge sharing and practical policy change. We will continue to influence national policy and practice in the countries where we work and, in addition, work to shape global policy debates that we believe have significant potential to impact positively on the lives of the poor.

In the coming year we will be celebrating the 40th anniversary of our publishing subsidiary Practical Action Publishing, recognising the huge contribution it has made to development, and we will continue to see the transformation of this business through increased digital access.

Thanks to the generosity of our supporters we are able to continue to support communities in their struggle to find technology justice. With your help we can transform lives in a sustainable way by providing access to those technologies and skills that enable people to take control of their own future.

A handwritten signature in dark ink, appearing to read 'Helena Molyneux'.

Helena Molyneux
(Chair)

A handwritten signature in dark ink, appearing to read 'Simon Trace'.

Simon Trace
(Chief Executive)

Trustees' Annual and Strategic Report 2013/14

i. Review of the year and strategic objectives

Introduction

In the past year, Practical Action has received income of £30.3m which has been used to help improve the lives of over 1.1 million poor people. We have done this by helping to:

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

We focus on areas where we can make a big difference: energy access, food and agriculture, urban water and waste, and disaster risk reduction. These are all critical to poor people's wellbeing, and are important examples of the world's failure to achieve technology justice.

The table overleaf shows the numbers of people who directly benefited from Practical Action's projects in these four areas. In addition to these direct impacts, our knowledge, and influencing the policy and practice of other organisations, indirectly benefited many millions more.

75%

of the world's population is fed by local, mostly small-scale farmers, but technology is focused on large scale solutions



Over
840 million
people remain undernourished



1.3 billion
people have no access to electricity, and 2.8 billion cook over open fires



748 million
people are without safe water and 2.5 billion people don't have a toilet



In 2012 natural disasters affected
106 million
people, with the majority of those affected living in the poorest countries

	Energy access	Food and agriculture	Urban water and waste	Disaster risk reduction	Other	Total direct beneficiaries
Eastern Africa	11,885	60,988	12,974	-	-	85,847
Latin America	27,342	19,093	-	269,140	-	315,575
South Asia	14,699	17,750	13,875	15,095	-	61,419
Southern Africa	52,569	37,217	66,775	-	-	156,561
Bangladesh	233	207,594	45,788	4,036	15,835*	273,486
Sri Lanka	-	18,050	775	-	11,099*	29,924
Sudan	8,067	177,071	-	-	-	185,138
Total	114,795	537,763	140,187	288,271	26,934	1,107,950

* represents programme work on Extreme Poverty (Bangladesh) and Community Governance (Sri Lanka)

We have just completed the second year of our 2012 to 2017 strategy. In this period we aim to help over six million poor women and men use technology to transform their lives for the better, expand our footprint in Africa, and push for government and donor policies which benefit poor people and provide more community control over the decisions and technologies which affect people's lives. To finance this growth in our impact, we aim to grow our annual income by 50% to £45 million by 2017.

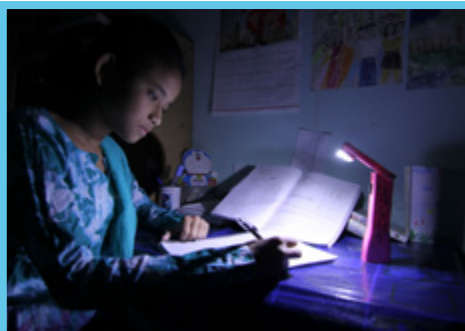


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Our universal goals

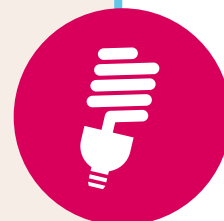
To help poor people access and use technology to transform their lives we work towards four goals:

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Energy access

Sustainable access to modern energy services for all by 2030



© Practical Action / George Kamau



Food and agriculture

A transition to sustainable systems of agriculture and natural resource management that provide food security and livelihoods for the rural poor



© Practical Action / Jamie Oliver



Urban waste and water

Improved access to drinking water, sanitation and waste services for the urban poor



© Practical Action / Swamina Shrestha



Disaster risk reduction

Reduced risk of disasters for marginalised groups and communities



Technology justice, adaptation to climate change and making markets work for the poor are embedded across these four goals, and we work to strengthen our role as a knowledge broker. Reaching out beyond our projects and actively sharing our experience and knowledge, we are multiplying the impact of our work through our technical enquiry service, our work in schools, the books and journals of Practical Action Publishing, and the services provided by Practical Action Consulting.



Energy access

Sustainable access to modern energy services for all by 2030

One in five people worldwide has no electricity, and nearly three billion people depend on wood, charcoal or dung as fuel for cooking. Fumes from these fuels kill over four million people every year.

Access to modern energy services enables people to work their way out of poverty, providing better access to education and other basic services, and improving health and wellbeing – in particular for women and children.

Last year we helped over 100,000 people get access to modern, sustainable energy services, with an expenditure of £3.2 million.

Our policy engagement in the energy sector has broadened beyond a previous focus on UN and EU institutions, working through our regional offices and consultancy to scale up our approach internationally.

We continued the roll-out of our Global Tracking Framework, ensuring our ideas about measuring services as well as supplies are embedded in systems, and aiming to get policy makers and major practitioners to adopt a market systems approach to energy. We have been sharing these approaches, through events, books and our consultancy work, and are beginning to see this have an effect. For instance, the government of Niger has agreed a tax exemption for over a million solar lamps and to create a national platform for promoting renewable energy.

Our Total Energy Access approach is now being taken up internationally, with more widespread recognition of the need to focus on decentralised energy.

This was incorporated into the Africa EU Energy Partnership high-level meeting outputs and Zimbabwe and Bangladesh's national renewable energy policies, and through our consultancy work we helped deliver the UNDP Decentralised Energy Access Strategy for Africa, which has been adopted by the African Union.

Our work in **Sudan** to improve access to low-smoke liquid petroleum gas (LPG) stoves helped over 8,000 people who were previously cooking on wood fires, reducing indoor air pollution and freeing up more time to earn additional income. The Low Smoke Project in Darfur, which cost £26k, was awarded 'Lighthouse'

status by the UN's Momentum for Change initiative for its benefits to poor urban communities and its contribution to climate change mitigation.

Local women's organisations work with us to lead the implementation and development process in issues such as access to LPG for cooking, and we are helping the women's development associations network build relationships with suppliers in North Darfur that will extend access to LPG stoves on a greater scale.

"Before the LPG stove I used wood and the traditional three-stone fire to cook. This method of cooking affected our health – we had chest infections and coughs.

"The LPG stove is much faster and much cleaner. The conditions in my kitchen are so much better and we don't have the same health problems anymore – no coughs or anything. I don't have to fear for my children's health. We feel safe, happy, comfortable.

"Because the stove is so efficient I also use it to make foods that I can then sell at market to earn a bit more money for my family. It's amazing how just one small change can make such a huge difference."

Lubna Ahmed Hossain, Sudan

Regional micro-hydro projects in rural **Zimbabwe**, spending £53k, connected local schools, health centres and businesses as well as households, providing benefits to over 50,000 people such as refrigerators for vaccines, lighting for 24-hour maternity services, powered teaching aids and mobile phone charging, as well as helping the recruitment and retention of qualified health professionals and teachers. The communities participated in the construction of the hydro systems, and were trained in their operation, maintenance and management, making the schemes sustainable.



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modern, sustainable
energy services

Micro-hydro schemes in **Nepal** have brought real benefits to 3,500 people, for an expenditure of £18k.

Villages in mountainous regions might not be connected to the main electricity grid for many years, but power generated by the local streams is providing light to extend the hours available for income-generating work into the evening, and power for rice mills and televisions. Following our initial technical and financial support, the micro-hydro systems can be sustainable, and enable young people to stay in their villages rather than having to go abroad to find work.

There is a growing demand for charcoal briquettes as an alternative cooking and heating fuel in **Kenya**. Motorised extruders help around 300 entrepreneurs to improve their output of briquettes, as well as their quality, which in turn stimulates demand. We spent £20k to provide training in the construction and use of kilns to turn coconut waste into charcoal, and have helped to form market chains to include collectors and carbonisers of coconut waste, briquette producers and retailers.

In **Peru** we spent £178k to help over 13,000 people improve their energy access, including micro-hydro power and thermal energy for schools in mountainous regions, and the development of solar dryers for coffee and cocoa farmers.

Raghunath Nagar school in Odisha, India had an erratic electricity supply. A solar water pumping system now ensures an uninterrupted water supply to the toilets, reducing costs and allowing the 300 pupils to use the toilets throughout the school day, as well as supplying clean water for drinking and cooking. Similar solar schemes are allowing other schools in the region to power computers and provide lighting for boarders.

We also shared our experience in small-scale wind turbines with officials and experts from energy ministries, universities and other institutions.

In **Bangladesh** we introduced micro solar grids to provide uninterrupted power supplies in rural areas, connected 28 households to gas produced from kitchen waste, supplying clean fuel that reduced indoor air pollution, and explored options for using bio-diesel for irrigation, at a cost of £1k.

Building on the experience and impact of our energy work, we intend to develop further innovative and distinctive approaches to sustainable access over the coming year.



we helped over
500,000
people improve their
food security and
livelihoods



Food and agriculture

A transition to sustainable systems of agriculture and natural resource management that provide food security and livelihoods for the rural poor

Over 840 million people remain undernourished, despite increases in world food production. Most of the world's hungry are in rural households, dependent on agriculture or the use of natural resources for their livelihood. Changes in the climate impact most on these small producers.

We have demonstrated that there is an alternative to industrial production of food, that the technologies we have adopted for small-scale, ecologically-sustainable food production can work. Using our experience in making markets work for the poor, and agricultural policies which have the right to food at their centre, we can achieve technology justice, poverty reduction and sustainability.


Agriculture forms the largest part of our project work, and our projects target mainly women, the elderly and other vulnerable groups.

This year we helped over 500,000 people improve their food security and livelihoods, with expenditure of £5.6 million.

Chars are dispersed river islands formed by the silt deposits of rivers flowing from the Himalayas through Bangladesh. Because of the terrain and environment, char dwellers find it difficult to get their produce to market.

The local transport – simple diesel-powered three-wheeled vehicles called nosimons – are not always suitable for the sandy and uneven surfaces of the chars. However, we have found that installing a gearbox, pinion, wider tyres and modification of the chassis make nosimons run better on the uneven surfaces.

Four customised nosimons were introduced in October 2013. Each nosimon can carry one tonne of goods or 22 passengers at a time, transporting food to market for 500 taka less and at twice the speed. Each nosimon owner earns 1,200 taka a day during peak times, double the income of a horse-cart owner, meaning many will invest in the new char transport and help the initiative develop.



The Shiree project focuses on the poorest people in northern **Bangladesh**, who are the most vulnerable to flooding and other natural impacts, often living without assets on temporary river embankments. Through training and the introduction of simple technologies to improve income, such as fish farming and sandbar cropping, we improved livelihoods and nutrition for over 30,000 people, for an expenditure of £1.5m.

We spent £52k helping 80,000 farmers and producers in Bangladesh benefit from joint marketing of produce, reducing the costs of transactions and increasing their profits.

We piloted integrated rice and duck farming in **Nepal**, which can increase farmers' income by 40%, with plans to scale this approach to a wider area. We also promoted a range of technologies to benefit small farmers, including micro-irrigation, gravity goods ropeways and forage seeds, and developed ways of making use of local plants – cloth from stinging nettles, herbal soap from the chiuri 'butter-nut' tree and paper from banana plant waste. In total, around 20,000 people benefited from our agriculture and market work in Nepal, for a cost of £13k.

In **Sri Lanka** we spent £273k to help over 6,000 people get improved access to clean water for agricultural and domestic use, and a further 3,500 people double their income from farming fruit, vegetables and rice through improved irrigation, cultivation of abandoned land and the establishment of home gardens.

Our promoting smallholder engagement project in **Zimbabwe**, at a cost of £231k, has helped to connect over 30,000 farmers to the markets they need, giving them access to a wider range of seeds – including butternuts, pumpkins, carrots, onions, tomatoes and potatoes – and essential pesticides and fertilisers, allowing them to diversify their crops and increase productivity.

Almost 150,000 farmers and pastoralists in the Kassala, Blue Nile and North Darfur regions of **Sudan** improved their access to food and resilience. Farmers are diversifying their crops, growing cash crops such as hibiscus as a safety net should staple crops such as millet and sorghum fail due to drought. We worked with community-based organisations to improve agricultural production and food security, spending £203k on training and extension services for

cultivation, irrigation, livestock production and cash crops, as well as peace-building between farmers and pastoralists.

The success of our approach to goat restocking in the Blue Nile state, and our experience in a sustainable approach, has led to the Food and Agriculture Organisation (FAO) adopting this for all their partners, representing a significant impact of our approach at scale.

In **Peru** we helped 11,700 people through technical assistance to alpaca farmers, animal health campaigns, improvements to the production system and improved access to wool collection centres, and continued the introduction of water harvesting using micro-reservoirs in the mountainous alpaca-raising regions of Puno and Apurimac, with an expenditure of £339k.

For the first time, extension alpaca farmers have been officially certified by the government on competency standards, which will help the Kamayoq become part of a national extension system.

We also spent £187k to help almost 5,000 people increase coffee production and reforestation, increasing incomes and sustainability.

For generations, Chana's family have lived in the Alto Mayo valley, in the cloud forests of San Martin, Peru. Chana works to promote agro-forestry techniques to her Aguaruna community.

"We now work with reforested wood – in order to do that, I learn in the workshops and then I teach the rest. I have 14 clients, and I schedule a day to work with them, to teach them how to cultivate. I do the same with my family.

"In the past, they didn't use sophisticated techniques to cultivate coffee, and they didn't plant trees. Now they have learned."

One of Chana's sisters said: *"Practical Action gave us large trees. Now we want to expand the planting of timber trees, and next year we will plant a tougher coffee species."*



Urban water and waste

Improved access to drinking water, sanitation and waste services for urban dwellers

More than half of the world's population now live in urban centres, and the number living in slums is increasing by 10% every year. Over a third of the developing world don't have access to decent sanitation facilities. In urban slums lack of access to household sanitation is a particular issue for women. Transmission of water-borne diseases such as cholera are exacerbated by environmental pollution and low levels of personal hygiene.

This is technology injustice. We know the clear advantages of sanitation, yet many millions of people still don't have access.

Practical Action are delivering significant water supply, sanitation and hygiene (WASH) programmes and we are ambitious to do more. We're promoting the community-led total sanitation approach with partners and local governments, demonstrating best practice and developing innovative technologies for clean water and waste management.

Our work in urban services is driven by a commitment to Technology Justice and improved well-being, and a participatory approach – where sanitation, waste and water supply solutions are led by the communities who would normally be marginalised.

This year we have helped 140,000 people improve their access to drinking water, sanitation and waste services, with expenditure of £3 million.



© Practical Action Nepal



We had great success with our Safer Cities campaign in partnership with the UK Department for International Development, who pledged to aid-match public donations raised in November and December. In total we raised over £840k, which led to almost £1.7 million going towards our work with the urban poor in Nepal and Bangladesh.

Renu lives in a slum in south-west Bangladesh with her father and two children. Her husband abandoned her after the birth of their second female child. To earn money she began to collect and supply water to shops using a five-litre earthen pitcher.

Safe drinking water in the slum is scarce due to salinity, arsenic, iron and other pollutants in the groundwater. Only a few deep aquifers provide safe water – Renu would spend five or six hours a day collecting water and still didn't earn enough for food.

After attending a learning session on water hygiene and safety facilitated by Practical Action, she requested assistance. She received a tricycle fitted with a 200 litre container.

She now serves 35 clients a day and earns five times as much. The additional income goes towards the education of her two daughters. She is hoping to purchase another tricycle and expand the business with the help of her father.

An example of this work is bringing safe drinking water to slum communities in **Bangladesh**, on which we spent £1k this year. Access to clean water is a real problem in the coastal towns of the south-west, where the natural geology means that shallow wells are contaminated with arsenic and iron, and the groundwater has high salinity due to tidal surges

and agricultural development. Over 2,500 people that had been dependent on shallow tube wells with contaminated water now have new sand filters that remove the contamination and pipe clean water to every house. 1,500 people in the poorest areas have also benefitted from new drainage systems and walkways.

Practical Action won an innovation award from the International Water Association for our work on the management of solid waste (faecal sludge) from toilets in Bangladesh. In a pilot site in Faridpur we spent £27k to develop innovative solar sludge drying beds, which use no electrical power and can be built with minimal construction skills and from local materials.

Following the results of testing, the design developed allows the dried sludge to be co-composted with woody organics such as rice straw. This forms a safe, stable soil conditioner for use in agriculture. The flexible design can be scaled up or down to suit demand.

The improved supply of water to homes in **Nepal** that were previously served by single taps for each community has given 3,600 people clean drinking water and improved hygiene, for a cost of £75k. Practical Action played the role of facilitator in negotiations between community members and the local council and water companies – an approach that we intend to apply to other projects in the future.

Following the success of our work with urban waste pickers in the Kathmandu valley, we have extended this to other areas of Nepal, spending £483k. This included helping 5,000 informal waste workers by providing safety equipment such as gloves, masks, boots and jackets that allow them to work more safely, and demonstrating ways to add value to collected waste and so increase their income.

We spent £6k helping 6,500 people in the slums of Kitale in **Kenya** get access to safe and affordable water, by getting local water companies to extend water networks to previously unserved areas, at lower tariffs. The cost of water has dropped by 60% and the distance to collect water has been reduced from half a mile to 50 metres, translating into household savings, increased safety and reduced drudgery for the women and girls who traditionally fetch the water.

© Practical Action / Swarnima Shrestha



In **Sri Lanka** we introduced bio-gas and home composting for 750 people who weren't served by regular waste management, for £13k.

We spent £98k improving access to drinking water for 1,600 people in **Peru**, and developed the integrated healthy schools concept, installing water, ecological sanitation, thermal energy, lighting, internet and solid waste management in nine schools, at a cost of £50k.

In **Zimbabwe**, our water and sanitation work concentrated on rural areas. Spending £734k, we were able to help 37,000 people get access to safe water, provide safe sanitation for 6,000 and improve healthy living environments for 20,000 people.

53-year-old Sazile is one of 400 people from a village in the Gwanda district of Zimbabwe who have benefited from the drilling of a borehole for clean drinking water.

"My family used to suffer from diarrhoea. We knew that that water from the river or river-bed sand wells was unsafe but we had no option.

"I used to travel all the way to Thuli river during the drier months. Now I can do all my household chores knowing that I have a reliable water source less than 100 metres away from home. The pumping is simple – even young children are able to draw water.

"This new borehole is a gift which will not only be felt by us but for generations to come."



Disaster risk reduction

Reduced risk of disasters for marginalised groups and communities

According to UNISDR, 2.9 billion people were affected by natural disasters in the period 2000-2012. The majority of those affected live in the poorest countries, with some groups, such as women, people with disabilities and the elderly, particularly vulnerable.

This year we helped reduce the risk of disasters for over 280,000 people, with expenditure of £5.2 million.

While we remain committed to demonstrating the material impact of Disaster Risk Reduction (DRR) projects on the ground, we have shifted the focus of our approach to address critical policy issues that offer the potential for large-scale impact. We believe that technology has a role to play in alleviating risk to natural disasters, and that we are well-placed to connect humanitarian disaster risk management with the need to build disaster preparedness and avoidances into development.

The Hyogo Framework of Action is the international agreement that has catalysed national governments to take DRR seriously. We are working with partners to ensure that technologies are incorporated in a successor agreement and that under the technology justice principle these technologies reach the poorest and most vulnerable.

For example, we are continuing to design and pilot early warning systems to provide advance warnings of disasters to the poorest and most vulnerable. In **Peru**, the installation of monitors to provide early warning of landslides, combined with the strengthening of emergency responses, has helped to protect more than 3,000 people in the Cusco region for a cost of £24k.

In **Nepal**, a combination of real-time river level gauges, communication links, education, practice drills, life-saving equipment and appropriate infrastructure such as river bank protections, retaining walls, side drains and evacuation bridges have significantly reduced the impact of flooding for over 5,000 people, costing £305k. Thanks to the existence of early warning systems, there were no flood casualties in the Banke and Bardiya floods this year. Similar schemes are planned in more communities in the Banke district next year.

Floods hit the village of Phattepur, on the banks of the Rapti river in Nepal, regularly. Eight years ago a major flood swept away everything in its path. *"It was so chaotic and destructive back then," remembers 60-year-old Manakala Thapa. "Flood brought along so much loss and grief. Many lives were lost and each and every one suffered great economic loss as we could save none of our belongings."*

Things have changed dramatically since the established of a flood Early Warning System. Bishnu Bahadur Adhikary is the president of the Community Disaster Management Committee's Early Warning task force: *"The early warning system is working really well for us. I get a phone call from the gauge reader as soon as the water level rises at the hydrological station and we ring the siren to inform the community. The FM radios starts broadcasting about the flood information immediately."*

The community themselves identified school buildings as safe places to use as refuges, and they move there as soon as they get the warning, with newly-constructed culverts helping their evacuation. *"These days when the flood is about to come, we get a warning at least four to five hours before," says Manakala. "The flood does not scare us now."*

We are also working as part of the Zurich global alliance to develop further technical solutions to flooding that focus on the poorest and most vulnerable in Nepal, Peru and Bangladesh, strengthening people-centred approaches, continuing to develop better early warning systems and exploring how to make markets deliver community resilience.

Almost 10,000 people in Nepal have benefitted from a £396k project to increase the safety of buildings in the event of an earthquake. Eight schools were retro-fitted with innovative fibre-glass reinforcements, which are cheaper than conventional iron supports for bracing walls, requiring less time and effort to install, and the technology was included in a further three new-builds. Additionally, 1,300 private houses have been built following new building codes supported by Practical Action.



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This is an example of how we are now working with local governments to mainstream disaster risk reduction. We also acted as adviser to the Lima municipality on implementing a metropolitan DRR policy, the first in the Peruvian capital's history. The city now has a budget of \$700 million to invest in disaster prevention, mitigation and preparation, to the benefit of one million vulnerable inhabitants

In **Kenya** we worked with the National Drought Management Authority to integrate disaster risk reduction into water and sanitation projects in arid regions of the country, spending £6k to help 18,000 people improve their access to clean water and

sanitation – in particular, helping women and girls to participate in the establishment and management of these services. Solar water pumps and purifiers have been key in ensuring access to water and hygiene in water scarce regions.

We promoted best practices among livestock extension workers in Kenya to make responses to droughts, floods and conflicts more effective, and improved the food security of 32,000 people, for a spend of £8k.

This was the final year of our Vulnerability to Resilience (V2R) project in **Bangladesh**, spending £148k to provide flood-proof housing, cattle and seed protection and safe drinking water from raised-base tube wells to over 2,000 people, and helping a further 2,000 with support for income-generating activities such as rearing ducks and poultry or agroprocessing work, empowering women and increasing their economic role within the family and community. This work will be followed up in a new V2R+ project bringing together our programme teams, consultancy and Practical Answers information service, building on the success of the earlier project, which has brought innovations including portable silage-making silos for cattle feed, seasonal hapa culture and mini-hatcheries for ducklings.

Our community-based adaptation project in Bangladesh reached almost 6,000 vulnerable people, at a cost of £57k, by influencing a large government programme, scaling-up innovative technologies including community shelters, cluster housing, water purification plants, artificial aquifer tube wells, and enhancing the national cyclone preparedness programme to explore the potential of the skilled volunteer approach first piloted by Practical Action.

Selina came from a low-income family facing flood vulnerability in Sirajganj, Bangladesh. Her husband pulls a rickshaw, earning 2,500 Taka (about £19) per month.

Three years ago she received 10 days of training on tailoring and using a sewing machine from Practical Action, which helped her to build her own tailoring business – increasing the family income by 120% and allowing them to rebuild their house.

Selina's reputation has now led to her becoming a trainer for Practical Action and the Bangladesh Red Crescent, passing on her knowledge to other women and mentoring young apprentices and trainees. Selina has managed to change her life and many others in her district and beyond by being an excellent role model.



© Practical Action / Catherine Duffield Smith

Cross-cutting themes

Climate change

Climate change affects everyone, but its effects are felt most by the world's poorest and most marginalised communities, who live in regions that are susceptible to changes in the climate and whose livelihoods are dependent on natural resources – for example drought-prone sub-Saharan Africa, or in marginal areas such as floodplains or unstable hillsides.

Because of this, we embed climate change as a cross-cutting theme across our four universal goals. Our work, in energy access, agriculture, disaster risk reduction and water and waste, is equipping vulnerable people to adapt to a changing climate and cope with severe weather events.

For example in **Bangladesh**, the Making Markets Work on the Chars project is building up the assets of farmers who live in the char lands on the banks of

the Jamuna River, an area threatened by increasing flooding. This project doesn't hand out money or goods to poor households, but instead builds on the char farmers' capabilities to work out mutually-beneficial solutions to their problems, recognising that asset security will enable farmers to cope during times of flood.

We also work with poor communities to identify ways to reduce the impact of a climate hazard on their livelihood. For example in **Sudan** we have been working with farmers in the Sahel on conservation agriculture. This project recognises that the climate is the major threat and looks at ways to build up the natural resources upon which local people's agricultural productivity depends.

Making markets work for the poor

We aim to convince policy makers that developing 'inclusive markets' in agriculture, energy and urban services can contribute to poverty reduction and more sustainable growth if it is:

- Focused on those market systems that are important to large numbers of people in poverty.
- Engaging a broad range of players: public and private, small and large, marginalised and powerful, in genuine dialogue and planning.
- Supported by appropriate regulation and investment in a strong enabling environment.
- Within the current and future natural resource constraints of those systems.

Towards these aims over the past year we have been engaging with DFID to influence their new Economic Development Strategic Framework, responsible for directing £1.8 billion of UKAid, and influencing the World Bank to shape their new initiative 'Benchmarking the Business of Agriculture' to drive improvements in the enabling environment for marginalised smallholders.

We have also established an innovative approach to impact investment in consortium with others and building our capacity to propose potential investee companies, and are enabling other global practitioners to use participatory and systemic approaches, adopting and adapting Participatory Market Systems Development, to achieve greater scale and sustainable impact.

Technology justice

We believe in technology justice: that people have the right to decide, choose and use technologies that help them lead the kind of life they value, without compromising the ability of others and future generations to do the same.

This ambition is at the heart of all of our work – our projects and sharing of knowledge all contribute to bridging the gap between those people who have access to the technologies they need for a decent quality of life and those who don't, in a way that doesn't negatively impact others.

We are also taking this principle forward in our influencing work, by raising awareness of technology justice with policy makers, media and the public.

We have used this perspective to challenge UK based technology and development actors and to influence their policy and decision-making. In Sri Lanka, we sparked national debate on technology justice and technology policy issues, attracting high profile government and thinktank officials to deliberate what this means in their context. The Guardian newspaper took on technology justice as a theme in its international journalism competition and it received the third highest number of entries. There has been subsequent demand from online media for further analysis from this perspective. Through Make the Link, an EC-funded education project, we are now also taking technology justice to a European schools audience.

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Strengthening our role as a knowledge broker

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

Practical Answers

The statistics

Our knowledge sharing service, Practical Answers, has once again had a very strong year. A key indicator of this is that the number of technical enquiries we have handled has increased to more than 68,000 globally – all answered free of charge with the aim of equipping people and practitioners with knowledge, to help themselves out of poverty. This is double the number from 2012/13, and seven times the number from 2011/12. In addition we now have 2,169 briefs, videos and voice files registered covering 12 technology areas and in at least 15 languages. More than 1.5 million people from across the globe viewed the technical information on our websites, and more than 1 million downloads were made. The Practical Answers service cost £437k for 2013/14.

Impact framework

From the scale of our activities, and the demand for our knowledge service, we know that we have a significant impact on poverty. But that's not really enough: we are always seeking better ways to measure that impact, so that we can learn and allocate our precious resources as carefully as possible. During the last year we have undertaken ground-breaking work to define a new impact pathway for the service and methods for capturing the real picture of the changes we create.

Embracing new technology

The service operates from all of the Practical Action offices. In each country we continue to pilot and test new technologies which we think might help us to share knowledge more effectively with poor communities. In the last year we have tested SMS messaging in **Peru**, an app on a tablet in **southern Africa**, low cost wireless headsets in **Sudan**, radio recordings in **Nepal** and the creation of a digital library in **Sri Lanka**.

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In **Bangladesh**, following years of patient negotiations, we have finally opened an agricultural call centre, jointly with the Ministry of Agriculture which, uniquely, provides a Freephone helpline for poor farmers – subscribed to by all the main mobile operators in the country. In **Peru** we have created new information-sharing websites for ourselves and for partners, including one for the President's wife to mark the international year of quinoa.

Increasing our reach

Although our digital services are downloaded from every country in the world, we also want to increase our local footprint to make sure that knowledge is available to as many poor communities as possible. This happens within countries where we currently work (so in Nepal we have increased their presence to 20 community libraries for example), but also into new areas. In January 2014 we were delighted to open our first office in Francophone West Africa – based in **Senegal**. And more recently we have our first employee, based in Delhi, **India**. Both of these offices have a specific purpose to promote our knowledge sharing service.

New partnerships

All of our knowledge sharing work is in partnership with others – local NGOs, local government, businesses or poor communities themselves. Our knowledge sharing work is a key plank to the new organisational partnership with Zurich Insurance. Practical Answers has been commissioned to deliver a 'solutions catalogue' on technologies that can be used for flood resilience in communities in the developed

and developing world. And in Nepal, Peru and Bangladesh, Zurich will fund knowledge sharing work around flood resilience. This is all part of an alliance which also includes the International Federation of the Red Cross, and research partners the Wharton Institute and IIASA.

Practical Action Consulting

Practical Action Consulting (PAC) has undergone a lot of changes over the last year, with the opening of new offices in **Nepal, Rwanda, India, Bangladesh**, and the development of activities in **Malawi**. A West Africa Coordinator has been recruited to open an office in **Senegal**.

Such presence means taking Practical Action's lessons and pushing them out across a much broader geographic region in pursuit of scale and influence. PAC South Asia provided consulting and advisory services to Nepal, Bhutan, India and Afghanistan while PAC Latin America spreads its work in Central America and the Caribbean. For the first time, the Poor people's energy outlook (PPEO) was published in French.

Inclusive markets

Participatory Market Systems Development (PMSD) is an approach developed to make markets more inclusive, efficient and productive and is now used across themes and countries: PAC Bangladesh, Latin America and Southern Africa have provided technical assistance to Christian Aid in those regions to develop its capacity to use PMSD in their projects, the Latin America team is working with Habitat for Humanity to apply PMSD to the urban housing sector, and PAC Zimbabwe is now applying PMSD to renewable energy projects.

Working with Conservation International and Fauna and Flora International, PAC UK and Latin America teams are exploring applications of PMSD in delicate ecosystems with high biodiversity. The UK team is promoting innovations in market mapping and analysis and the application of systems thinking in monitoring and evaluation of market development initiatives. It also continues to coordinate the Market Facilitation Initiative (MaFI), a vibrant learning and peer-support network with almost 400 experts from all over the world.

Energy

Some 22 PAC UK-led energy projects were active during the year. Of these, three contracts (completion of the PISCES bioenergy study, a study for World Bank on alternative cooking fuels in Senegal and a study for the UN Food and Agriculture Organisation (FAO) on small-scale bioenergy initiatives in South East Asia) accounted for 60% of the £78k profits achieved on UK-led energy project work. Other projects while less financially remunerative, also achieved significant impact in the field of energy access, notably:

- The approach to mapping and catalysing energy access markets, based on Practical Action's PMSD system, developed with €80k of funding from the European Union Energy Initiative Partnership Dialogue Facility (EUEIPDF)

© Practical Action / Jamie Oliver



- \$91k of support provided to World Bank/Energy Sector Management Assistance Program (ESMAP) on development of the Global Tracking Framework for developing and measuring energy access

In the regions, the MEGA mini-hydro project in Malawi continues to be seen as leading the way with its community-based energy social enterprise model, while the mini-grids policy framework developed by PAC Southern Africa for the Regional Electricity Regulators Association of Southern Africa has been greeted very positively.

The work on Energy Literacy for Decentralised Governance by PAC East Africa (in concert with Loughborough University and Gamos Ltd, funded by the Engineering and Physical Sciences Research Council) has highlighted the importance of decentralised governance for scaling up energy access in **Kenya** and **Rwanda**, while PAC South Asia's work on Gender and Livelihood Impact of Clean Cookstoves has come up with important new evidence on the increased engagement and involvement of women in the supply and demand side of improved cook stoves in South Asia and has been well received by the Global Alliance for Clean Cookstoves and others.

Climate change and disaster preparation

The climate change portfolio is growing, with £225k spent in this area. In **Afghanistan**, PAC Nepal was able to upscale its expertise in Early Warning System in Amu River Basin. The Zurich Flood Resilience Programme in South Asia will be implemented by Nepal and India with a Flood Resilient Specialist recruited.

Agriculture work

In Zimbabwe, most of the work on agriculture has focused on improving livelihoods and markets of vulnerable communities in the Southern Africa region. PAC Nepal is addressing malnutrition through integrated rice-duck farming in Nepal.

PAC East Africa undertook a market assessment targeting 'orphaned' traditional high value crops in western, eastern and coastal regions of Kenya. The assessment established the viability and market potential of a range of crops, and established the process of Fairtrade certification of selected crops for the local market.

With the International Finance Corporation (IFC)/ World Bank, PAC Nepal will train farmers in all aspects of climate adaptive agriculture practices through the employment and training of 15 local extensionists to be embedded within lead firms. The plan is to train 15,000 farmers over a period of four years, with the aim of directly impacting the sustainable production of rice, maize and sugarcane in the Terai region.

Finally, after three years of the knowledge exchange programme Evidence and Lessons from Latin America (ELLA), UK Aid approved a second phase with a value of £3.265 million over three years.

Practical Action Publishing



2013/14 was the second year of Publishing's two-year digital development plan and saw several significant innovations in company systems. While the company turnover remained flat at £422k, three significant innovations in our digital systems and the first sale of a major digital collection herald the anticipated shift to digital in published products and sales channels expected over the next three years.

A new online editorial and production system, Aries, that enables staff to process all journal articles and book manuscripts from first submission helps to speed workflow and makes several elements of the editorial and production process more consistent and appropriate to the digital products that are now standard for the company.

The redevelopment of our online bookshop www.developmentbookshop.com was a necessary upgrade that has resulted in a much improved website now capable of delivering e-book sales in two formats, improved marketing pages for co-publishing

projects and authors, and the ability to provide a wider variety of special offers.

The third element of last year's digital development was the evolution of www.developmentbookshelf.com where almost 300 books were added to the journals available for digital subscription and archive purchase by libraries worldwide. The first orders for these digital collections were received last year and have generated some welcome new income streams.

Of the total of 20 new published books, subjects have included water and sanitation (*Scaling up Multiple Use Water Systems*), humanitarian emergency response (*Contribution to Change*), climate change (*Community-based Adaptation to Climate Change*), practical manuals (*Basic Accounting for Community Organisations* and *Building Financial Management Capacity for NGOs*), energy access (*Delivering Energy for Development* and *Poor People's Energy Outlook 2014*), well-being (*Community Well-being in Bio-Cultural Landscapes*), training in community organisation (*Training for Transformation in Practice*), information technologies (*ICT Pathways to Poverty Reduction*), and food production (*The Complete Manual of Small-scale Food Processing*).

The three journals, *Waterlines*, *Enterprise Development* and *Microfinance*, and *Food Chain* continue to be published to schedule and to peer review quality targets.

The company displayed at London Book Fair and Frankfurt Book Fair and attended several conferences and workshops to promote its publications and services.

Some 3,300 books were sent to Book Aid International for distribution last year as part of the Books for Development project that we have operated with them for several years.

In 2014, Practical Action Publishing is celebrating its 40th anniversary and a special comprehensive paperback catalogue has been produced to mark the year.

Education

This year marks the first year of the Education unit's three-year €663K EC-funded project Make the Link. We are the lead partner on this project, which includes two other UK partners and partners in Cyprus, Italy and Poland. The project will reach over 750,000 students and includes a teacher-training programme to train nearly 15,000 teachers in the four countries using new teaching materials developed for the project. Through the project students will:

- Make the link – between science and technology and the Millennium Development Goals
- Make the link – between their behaviour and the impact on the developing world
- Make the link – then make a difference

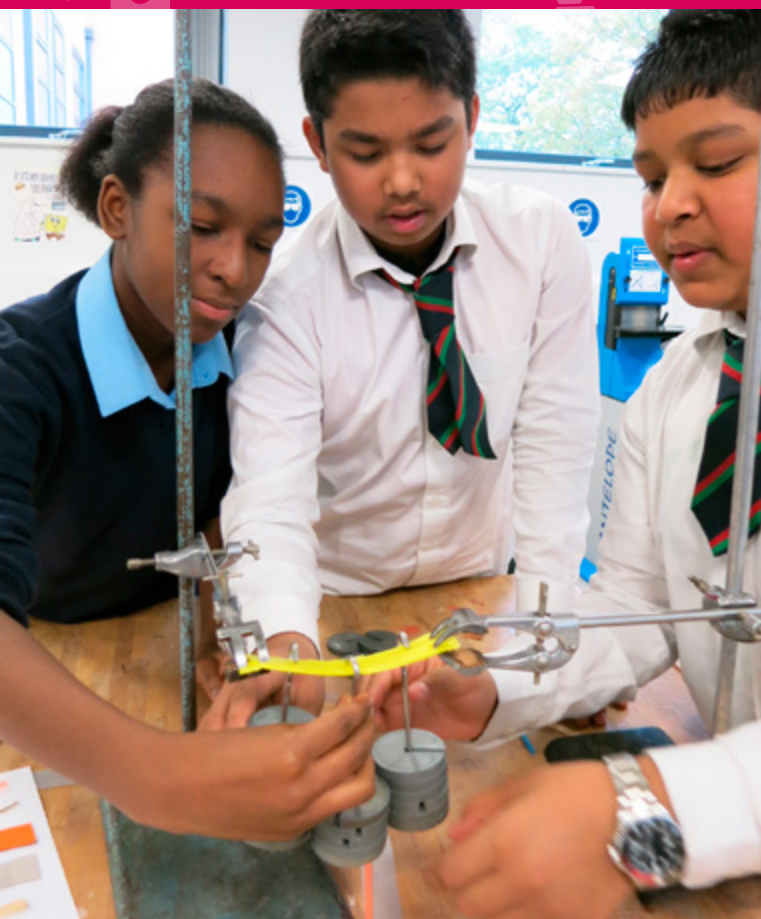
Beat the Flood is the main set of resources produced by us for this project. In this STEM (Science, Technology, Engineering and Maths) challenge, pupils are required to design and build a model of a flood-proof home based on experiments they carry out testing strength and absorbency of materials, and

"Pupils could see from this project how science and technology plays an important role in tackling poverty. It also enabled the children to see that perhaps they have something to say about these issues."

Claire Seeley, Association for Science Education (ASE) science advisor

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research based on Practical Action disaster risk reduction work on flooding in Bangladesh. Since its launch at the British Science Association Festival in September 2013, it has been downloaded by over 3,000 teachers. It has proved popular within the educational press, resulting in three articles in major magazines, *Education in Science*, *Primary Science* and *Primary D&T*, which have a combined reach of 15,000.

In total our development Education work cost £276k.

Future plans

What plans do we have for the coming year? Building on this year's successes, we will:

- Expand our project work to reach 1.2 million people whilst reaching many more through our knowledge sharing and practical policy change.
- Continue to influence national policy and practice in the countries we work in and, in addition, work to shape global policy debates that we believe have significant potential to impact positively on the lives of the poor, notably:
 - The UN Sustainable Energy for All campaign
 - The post-2015 Sustainable Development Goals

process (where in particular we'll be seeking targets for energy access and disaster risk reduction)

- The new Hyogo Framework for Action that will drive global efforts on disaster risk reduction from 2015 onwards.
- Celebrate the 40th anniversary of our publishing subsidiary Practical Action Publishing, recognising the huge contribution it has made to development through books ranging from our "hands on" manuals such as *Engineering in Emergencies*, to development policy discussions such as Duncan Green's *From Poverty to Power* or Robert Chambers *Whose Reality Counts?* During 2014 we will continue to see the transformation of this business through increased digital access.

Principal risks and uncertainties

The external economic environment remains uncertain. Although we have kept pace with the first two years of our ambitious strategy in terms of voluntary fundraising, it will be challenging to recruit the new supporters we need to continue the intended growth over the coming three years.

A further challenge is the projected ending, in 2016, of the Department for International Development's PPA funding mechanism. This has been an important funding source for many UK development NGOs for a number of years now and it is not yet clear what, if anything, will replace it. Practical Action's PPA is worth approximately £3m per year. Further ahead still, in the UK there is currently a political debate concerning EU membership. Were the UK to withdraw this would put another significant source of funding for the organisation under threat post-2017. Nevertheless, Practical Action is currently in a healthy financial position with strong reserves and well placed to cope with these challenges and uncertainties regarding funding.

Aside from uncertainties relating to funding, the other significant risks faced by the organisation relate to the nature of the environment we work in. Political instability and conflict are not uncommon in many of the countries where we work, and this can impact on our ability to deliver our mission. Careful planning, sound security procedures for our staff and a staffing consisting almost exclusively of nationals of the countries concerned gives us the local knowledge and processes and procedures to manage these risks effectively.

ii. Financial review

An unrestricted surplus of £1.7m was generated in 2013/14 due to strong income performance in the later part of the year. Year-on-year total income is up 15% to £30.3m. This has enabled additional work to be scheduled and we will see increased expenditure in 2014/15 as the surplus is utilised.

Income increased by 15% to £30.3m (see Note 2)

Income for specific project work (contracts for operational programmes) has recovered to £15.6m, up 19% on 2012/13. Of this, a net balance of £0.9m has been carried forward to fund work in 2014/15.

The legacy income result for the year was exceptionally good. Income was up by £1.4m to £3m which brought overall voluntary income to £12.4m. The long term trend in legacy income is positive, though year-on-year volatility is to be expected and is difficult to predict.

In a difficult economic background our existing supporters are continuing to give generously. We are investing in future income growth: this is reflected in the costs of generating funds. This investment is mainly related to securing new supporters who will donate for many years to come.

Expenditure on charitable activities was £23.3m (see Note 3)

Expenditure on charitable activities is up 2% on 2012/13. Details and examples of how money has been utilised are given in the Review of the Year. The positive income result will, in the main, be reflected in future year spend.

Free reserves have increased to £6.6m (see Note 14)

Free reserves are held to ensure programme and organisational sustainability, to cover setbacks and take advantage of opportunities. Reserve targets are set on the basis of specific risks identified and are regularly reviewed. In relation to our 'restricted project funding risk' we require reserves of 5% of annual project funding income. For our 'unrestricted risk' we require reserves of 50% of our core grant funding from DFID (UK Department for International Development) and 30% of our annual unrestricted income.

Due to the strong income performance in the year free reserve holdings are currently above target level. A deficit budget for 2014/15 has thus been approved.

Restricted reserves have increased to £1.5m (see Note 14)

These funds are being held for specific project work that will be implemented in 2014/15. In line with our accounting policies the income has been recognised in the current year.

FRS17 pension deficit (see Note 16)

Practical Action's defined benefit pension scheme is closed to contributions. The pension deficit as reported under FRS17 stands at £0.6m, down from £0.9m in 2012/13. FRS17 calculations are affected by short term bond and stock market volatility and we do not see this movement as significant. We recognise that we have a pension deficit and our contributions are set at a level to eliminate the deficit within a reasonable timeframe.

Investment policy

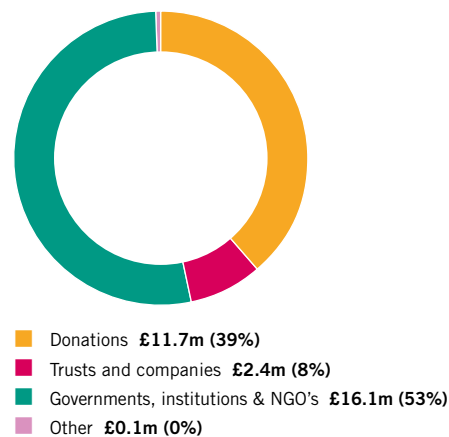
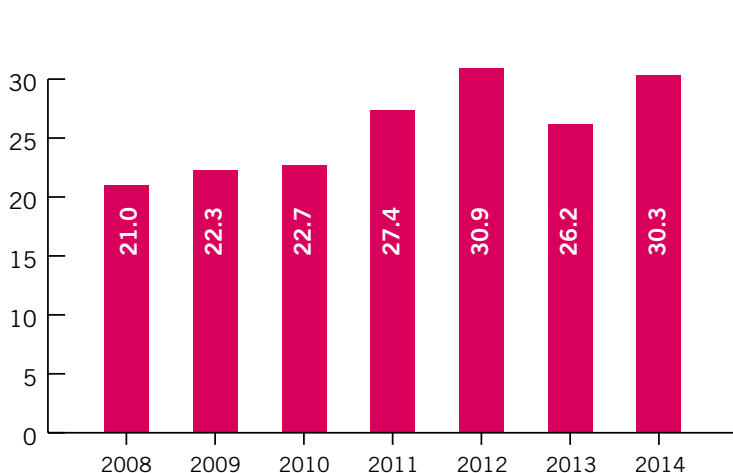
During 2013/14 Practical Action minimised investment risk by placing any cash not immediately required for operational work in fixed interest deposit accounts. Practical Action does not hold any equity investment.

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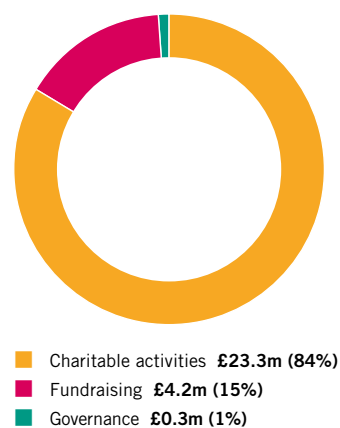
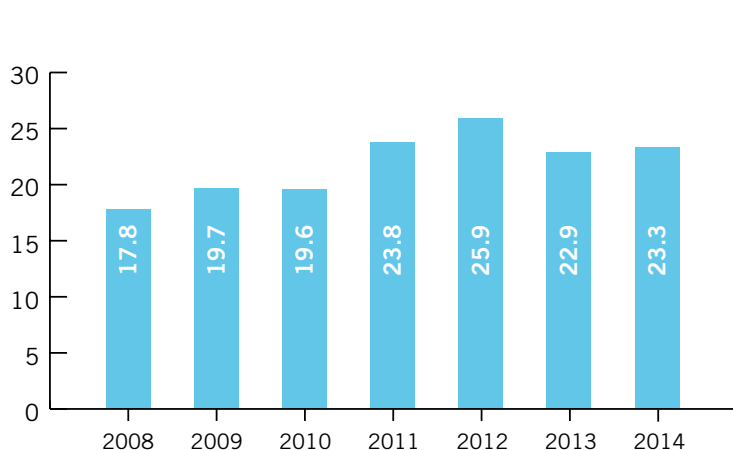


Summary of income and expenditure

Total annual income £m



Total expenditure on charitable activities £m



This report, which incorporates the Strategic Report, was approved by the Board on 28 July 2014 and signed on their behalf by

Helena Molyneux
Director

(being the Companies Act Directors' Report)

i. Structure, governance and management

Legal structure

The organisation was established in 1965 and 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 Articles of Association dated 21 February 1966, as amended on 19 October 1995, 16 October 1997 and 27 September 2012. 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 governing document is 100 not counting those Members who are employees or ex-employees of the Charity. Currently there are 45 Members.

Recruitment and appointment of Trustees

There is no maximum term for Trustees set out in the governing document. However there is a customary practice that a Trustee will stand down from the Board after a maximum period of nine years (save for a Trustee who holds the office of Chair, Vice Chair

or Treasurer who can continue to be a Trustee for a maximum of 12 years).

In accordance with 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.

September 2012 was our last round of Trustee recruitment when we appointed four Trustees taking us up to our maximum number. Since then we have had four Trustees retire. We have taken the decision not to actively recruit any new Trustees until the autumn of 2014.

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 of this Report.

How do we recruit new Trustees?

The Remuneration and Nominations Sub Committee meets two to four times a year. It considers the skills and balance of Trustees we need for the future and the current composition of the Board and identifies the requirements for Trustee recruitment. The Committee uses a variety of ways of recruiting including advertising, networks, websites, etc as well as names put forward by members of staff. It shortlists and interviews candidates. Recommendations are put forward to the full Board for consideration and decision. All potential Trustees are asked to complete a Declaration of Eligibility Form.

Trustee induction and training

New Trustees receive a welcome pack which includes a Trustees Job Description, governing document, list of powers reserved for collective board decision-making and matters delegated to the Board's Sub Committees or management and our strategy document. 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. We are able to familiarise them with the Charity's organisational structure, ways of working and decision-making processes, strategic plans, targets set and an update on what we have achieved so far. Recent financial performance is also discussed. This year we tailored the process to meet the requirements of our newly appointed Chair who was keen to expand her knowledge of all areas of the Charity and meet up with Trustees and staff across the organisation.

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.

We also have a small budget towards the cost of one or two Trustees' visits to an international programme each year. This not only develops the depth of a Trustee's knowledge of our programme work but

raises the profile of the Charity with key donors and beneficiaries in country. Roger Clarke, our Vice Chair, and Nigel Saxby-Soffe, our Honorary Treasurer, visited our Sudan programme in January 2014.

Best Practice in Governance

During the year the Board has reviewed and revised our policies on Investments, Risk Management, Fraud, Grievance Procedures, Anti-harassment and bullying and Whistleblowing. It has also reviewed compliance with our Corporate Engagement Guidelines.

The Board has also revised the Chair's and Honorary Treasurer's Job Descriptions which were looked at as part of our Board succession planning.

We have delayed our bi-ennial review of Board Performance until the autumn of 2014. This will enable our newly appointed Chair to get established in the role before the survey is conducted.

Organisation


The Board of Trustees is responsible for the overall management and control of the Charity and meets quarterly. Two years ago the Board planned for the Chair's succession and formed a Board Succession Working Group to put in place plans for selection of the new Chair which reported back to the Board in October 2013. In December 2013 Stephen Watson stepped down as Chair and Trustee after nine years with us and we welcome Helena Molyneux who took over the role as Chair from December.

During the year Ruth McNeil, Sean Sutcliffe and John Heskett also stepped down from the Board after nine years with us. Roger Clarke took over the role of Vice Chair when Ruth McNeil stepped down from the Board.

The two Sub Committees of the Board are listed below. Their Terms of Reference have been agreed by the Board:

The Finance Audit and Risk Sub Committee oversees matters of financial control, external and internal audit and organisational risk affecting the Charity;

The Remuneration and Nominations Sub Committee oversees the terms and conditions of employment of the senior management. It also reviews the composition and balance of the Trustee Board and oversees 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 or SLT) has executive responsibilities and comprises the Chief Executive and 12 directors which includes the seven Country/Regional Directors responsible for managing each of our international programmes. The Managing Directors of Practical Action Consulting Ltd and Practical Action Publishing Ltd also participate in SLT meetings. See Legal and Administrative Details section of this Report for a detailed list. Mark Woodbridge our Finance & Services Director left the Company in December 2013 after 15 years with us. John Lockett was appointed new Finance & Services Director in April 2014.

As from March 2014 we will be phasing out some of our activities in Sri Lanka while maintaining a minimum presence in country overseen by our South Asia office. We will be continuing some projects on for the duration of the next three years until the end of our current Group Strategy 2012-2017. Please see the Trustees’ Annual Strategic Report for details of our future plans.

We have an Equal Opportunities Policy in place and the Charity is committed to promoting equality of opportunity for all staff and job applicants. We aim to create a working environment in which all individuals are able to make best use of their skills, free from discrimination or harassment.

We have staff representation in the UK with the Unite Union. We have a UK staff working group which is non-representative but is consulted and assists management in giving them views and opinions of staff.

Related parties

The Charity has two wholly owned trading subsidiaries:

Practical Action Publishing 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 – Provides high quality, independent and professional advice to governments, NGOs, aid agencies and the private sector. It operates regional offices in the UK, Eastern, Western and Southern Africa, Asia and Latin America. During the year it has expanded its operations in these areas opening offices in Nepal, Rwanda, India, Bangladesh and developing activities in Malawi and West Africa. 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 continues the practice of nominating a Trustee Representative 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 ten business areas – the seven individual country/regional office programmes, 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 two 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 four times a year, reviewed by the UK Directors and, together with internal audit reports put to each Finance Audit and Risk Sub Committee meeting 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 Audit and Risk 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.

Charity's main objectives

The objects of the Charity, as set out in its Memorandum which form part of the Articles of Association, 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 nearly 50 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.

How well we have performed so far to these objectives is explained in the Trustees' Annual and Strategic 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 in undertaking current activities, planning future activities and measuring outcomes. The Trustees' Annual and Strategic 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' Annual Report and Accounts (which includes the Trustees' Annual and Strategic Report as well as the Trustees' Administrative Report being the Companies Act Directors' Report) 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;
- 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.

- 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 or she ought to have taken in his duty as a director, in order to make himself or herself 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 the Trustees' Report and Accounts for the Charity for the year ended 31st March 2014 which have been prepared in accordance with the Charity Statement of Recommended Practice – SORP 2005 and the Companies Act 2006.

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ii. Legal and administrative details

Charity Name:

Practical Action. Practical Action is a company limited by guarantee and is a Charity.

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

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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

Helena Molyneux (Chair)
Roger Clarke (Vice Chair)
Nigel Saxby-Soffe (Treasurer)
Mary Chadwick
Emma Crewe
Dominic Haslam
Mahmood Hassan
John Heskett (resigned 18 June 2014)
Imran Khan
Brenda Lipson
Ruth McNeil (resigned 27 March 2014)
Alison Marshall
James Smith
Sean Sutcliffe (resigned 11 December 2013)
Paul Turner
Veronica Walford
Angus Walker
Stephen Watson (resigned 11 December 2013)

Trustees' sub committees

Remuneration & Nominations Sub Committee

Helena Molyneux (Chair)
Roger Clarke
Nigel Saxby-Soffe

Finance Audit & Risk Sub Committee

Nigel Saxby-Soffe (Chair)
Veronica Walford
Angus Walker

Secretary

Pat Adey



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Executives

Chief Executive Officer

Simon Trace

Bangladesh

Veena Khaleque

East Africa

Grace Mukasa

Finance and Services Director

John Lockett

International Director, Policy & Practice, Programmes

Paul Smith Lomas

Latin America

Alfonso Carrasco

Marketing & Communications Director

Margaret Gardner

Director for Policy & Practice

Astrid Walker-Bourne

Director, Programme Support

Barnaby Peacocke

South Asia

Achyut Luitel

Southern Africa

Ernest Mupunga

Sri Lanka

Vishaka Hidellage

Sudan

Waleed Elbashir

Practical Action Consulting Ltd

Greg Beeton – Managing Director

Practical Action Publishing Ltd

Toby Milner – Managing Director

This report, which incorporates the Directors' Report, was approved by the Board on 28 July 2014 and signed on their behalf by

Helena Molyneux

Director

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 2014 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 24.

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 Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 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.



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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

7 August 2014

Financial statements

Consolidated statement of financial activities for the year ended 31 March 2014

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

	Note	Unrestricted £'000	Restricted £'000	Total 2014 £'000	Total restated 2013 £'000
INCOMING RESOURCES					
Incoming resources from generated funds:					
Voluntary income [donations, legacies etc.]	2	10,746	1,696	12,442	10,578
Investment income	2	73	1	74	116
Income resources from activities in furtherance of the charity's objectives:					
Contracts for operational programmes		4,742	10,871	15,613	13,106
Other incoming resources		1,923	200	2,123	2,437
TOTAL INCOMING RESOURCES	2	17,484	12,768	30,252	26,237
RESOURCES EXPENDED					
Cost of generating funds:					
Cost of generating voluntary income	3,6	4,238	-	4,238	4,229
Fundraising trading: cost of goods sold and other costs		5	-	5	6
TOTAL COSTS OF GENERATING FUNDS		4,243	-	4,243	4,235
Charitable Activities:					
Energy access	3	1,837	1,353	3,190	3,588
Food and agriculture	3	2,080	3,561	5,641	5,931
Urban water and waste	3	929	2,078	3,007	4,083
Disaster risk reduction	3	1,839	3,381	5,220	4,426
Knowledge broking	3	2,284	14	2,298	2,593
Other	3	2,386	1,511	3,897	2,277
TOTAL COSTS OF CHARITABLE ACTIVITIES		11,355	11,898	23,253	22,898
Governance costs	3	328	-	328	384
TOTAL RESOURCES EXPENDED	3	15,926	11,898	27,824	27,517
Net incoming/ (Outgoing resources before recognised gains and losses)		1,558	870	2,428	(1,280)
(Loss)/Gain on investment assets	8	(2)	-	(2)	8
Actuarial gain/(losses) on defined benefit pension scheme	16	126	-	126	(296)
NET MOVEMENT ON FUNDS		1,682	870	2,552	(1,568)
Balance brought forward 1 April 2013		6,352	631	6,983	8,551
Fund balances carried forward as at 31 March 2014	14,15	8,034	1,501	9,535	6,983

All amounts relate to continuing activities

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

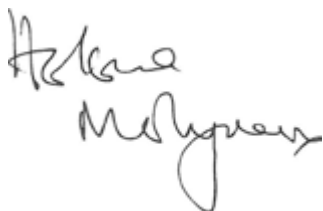
The notes on pages 35 to 52 form part of these financial statements.

Consolidated and company balance sheet at 31 March 2014

		Group		Charity	
	Note	2014 £'000	2013 £'000	2014 £'000	2013 £'000
FIXED ASSETS					
Intangible assets	7	11	-	-	-
Tangible assets	7	1,612	1,709	1,611	1,707
Investments	8	4,417	4,250	4,417	4,250
Programming investments	8	-	10	259	269
Total fixed assets		6,040	5,969	6,287	6,226
CURRENT ASSETS					
Stock	9	107	110	-	-
Debtors	10	4,504	4,877	3,853	4,031
Investment property	10	500	-	500	-
Cash at bank & in hand		4,128	3,709	4,052	3,313
Total current assets		9,239	8,696	8,405	7,344
Creditors: amounts falling due within one year	11	(4,708)	(6,177)	(4,256)	(5,256)
Net current assets		4,531	2,519	4,149	2,088
Creditors: amounts falling due after more than one year	12	(83)	(126)	(83)	(126)
Provisions for liabilities and charges	13	(312)	(441)	(210)	(441)
Net assets before pension liability		10,176	7,921	10,143	7,747
Defined benefit pension scheme liability	17	(641)	(938)	(641)	(938)
NET ASSETS AFTER PENSION LIABILITY		9,535	6,983	9,502	6,809
FUNDS					
Restricted	14	1,501	631	1,501	631
Unrestricted funds representing functional:					
Fixed assets	14	1,398	1,427	1,398	1,427
Free reserve	14	6,580	4,866	6,547	4,692
Revaluation reserve		56	59	56	59
Unrestricted funds including pension liability		8,034	6,352	8,001	6,178
TOTAL FUNDS	16	9,535	6,983	9,502	6,809

The notes on pages 35 to 52 form part of these financial statements.

The financial statements were approved by the Board on 28 July 2014.



H. Molyneux
Director



N. Saxby-Soffe
Director

Consolidated cash flow statement for the year ended 31 March 2014

	Note	2014 £'000	2013 £'000
Net cash inflow/(outflow) from operating activities	17	937	(290)
Returns on investment and servicing of finance			
Interest received	2	49	74
Capital expenditure and financial investment			
Purchase of tangible fixed assets	7	(361)	(361)
Cash investment	8	(169)	540
Financing			
(Decrease) in bank loans		(37)	(10)
Increase/(decrease) in cash	18	419	(47)

The notes on pages 35 to 52 form part of these financial statements.

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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 (pages 21 to 22). 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 consolidated financial statements incorporate the results of Practical Action and all of its subsidiary undertakings as at 31 March 2014, except for ATS Property Holdings which is dormant, using the acquisition method of accounting. The results of subsidiary undertakings are included from the date of acquisition. No statement of financial activities is presented for the charitable company alone as the results of the subsidiary companies are separately identified within the group accounts and the charitable company is exempt from presenting such a statement under S230 Companies Act 2006. The group net incoming resources include net incoming resources from the charitable company itself of £2,726,341 (2013: net outgoing resources £1,203,000).

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

	Unrestricted £'000	Restricted £'000	Total 2014 £'000	Total 2013 £'000
Agencia Espanola de Cooperación Internacional	-	-	-	2
Big Lottery Fund	-	421	421	261
Christian Aid	22	298	320	-
Comic Relief	-	411	411	419
DFID	3,785	2,082	5,867	6,446
European Commission	-	3,506	3,511	3,662
Fondo Empleo	-	300	300	-
Ministry of Infrastructure (Rwanda)	-	-	-	130
The Brooke	-	-	-	177
United Nations Children's Fund	-	530	530	365
United Nations Development Programme	357	632	989	923
USAID	-	717	717	434
Zurich Insurance Company Ltd and its Z Zurich Foundation	13	1,064	1,077	218
Other (donations under £250k)	13,307	2,807	16,109	13,200
TOTAL	17,484	12,768	30,252	26,237

	Unrestricted £'000	Restricted £'000	Total 2014 £'000	Total Restated 2013 £'000
Voluntary income				
Donations & gifts	7,754	1,696	9,450	8,999
Legacies*	2,992	-	2,992	1,579
	10,746	1,696	12,442	10,578
Investment income				
Rental	25	-	25	42
Interest	48	1	49	74
	73	1	74	116
Grants	2,896	10,871	13,767	11,363
Other income	1,503	200	1,703	2,010
Subsidiaries	2,266	-	2,266	2,170
TOTAL	17,484	12,768	30,252	26,237

* Approximately £655k of residual and £155k of reversionary legacies have not been recognised as income in the year to 31 March 2014. Although probate was granted prior to 31 March 2014, it is not possible to establish the amount or timing of receipts with sufficient accuracy.

3. Total resources expended

	Grants payable £'000	Direct costs £'000	Support costs £'000	2014 Total costs £'000	2013 Total costs £'000
Fundraising:	-	3,352	891	4,243	4,235
Charitable Activities:					
Energy access	349	2,332	509	3,190	3,588
Food and agriculture	1,335	3,406	900	5,641	5,931
Urban water and waste	525	2,002	480	3,007	4,083
Disaster risk reduction	337	4,050	833	5,220	4,426
Knowledge broking	6	1,925	367	2,298	2,599
Other	832	2,443	622	3,897	2,271
Total Charitable Activities	3,384	16,158	3,711	23,253	22,898
Governance	-	-	328	328	384
TOTAL RESOURCES EXPENDED*	3,384	19,510	4,930	27,824	27,517

During the year ended 31 March 2014, 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.

Other Charitable activities includes 20% of rural water, sanitation and health programme activities in Southern Africa with the remaining 80% of costs cutting across the other themes.

*Total resources expended includes £200k of costs relating to irrecoverable VAT in the UK.

Charitable Activities: Expenditure split by country/region	Grants payable £'000	Direct costs £'000	Support costs £'000	2014 Total costs £'000	2013 Total costs £'000
Charitable Activities:					
Eastern Africa	214	2,263	575	3,052	3,620
Latin America	85	4,005	724	4,814	5,318
South Asia	643	1,922	293	2,858	2,201
Southern Africa	454	1,877	565	2,896	2,834
Bangladesh	1,186	1,753	378	3,317	2,628
Sri Lanka	265	1,328	166	1,759	1,540
Sudan	105	1,529	329	1,963	2,054
Head Office direct programme work	432	1,481	681	2,594	2,703
TOTAL CHARITABLE ACTIVITIES	3,384	16,158	3,711	23,253	22,898

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.

Governance costs

	2014 £'000	2013 £'000
Salaries	76	81
Company secretarial/legal costs	5	8
Internal and external audit costs	153	170
Meeting expenses (including trustees travel)	24	39
Trustee international project visit	2	2
Apportionment of support costs	68	84
TOTAL	328	384

3. Total resources expended (cont.)

External audit costs

	2014 £'000	2013 £'000
Fees payable to company's auditors for the audit of the company's annual accounts	44	38
Fees payable to company's auditors for the audit of the company's subsidiaries pursuant to legislation	7	7
Fees payable to the company's auditors for the audit of the company's overseas branches	40	43
TOTAL AUDIT FEES	91	88
Tax services	3	4
Other services	13	-
TOTAL NON-AUDIT FEES	16	4

4. Employees

	2014 £'000	2013 £'000
Staff costs consist of:		
Wages and salaries	9,648	9,815
Social security costs	784	835
Pension costs (see note 16)	210	210
Pension (stakeholder scheme)	306	275
Overseas staff end of service costs*	303	365
Total emoluments of employees	11,251	11,500
Other staff costs	470	560
TOTAL STAFF COSTS	11,721	12,060

* In order to meet the local employment regulations, 'end of service' payments are made to employees in country programmes when they leave employment with Practical Action. The amount 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 number of full time equivalent employees

	2014 Number	2013 Number
Eastern Africa	63	74
Latin America	115	126
South Asia	73	60
Southern Africa	44	46
Bangladesh	138	152
Sri Lanka	45	53
Sudan	73	76
UK	101	97
Total	652	684

Average number of employees

	2014 Number	2013 Number
Eastern Africa	63	74
Latin America	115	127
South Asia	74	61
Southern Africa	44	46
Bangladesh	138	152
Sri Lanka	45	53
Sudan	72	76
UK	110	107
Total	661	696

4. Employees (cont.)

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

	2014 Number	2013 Number
£60,001- £70,000	5	6
£70,001- £80,000	1	1
£80,001- £90,000	-	-
£90,001- £100,000	1	1
£100,001- £110,000	-	1
£110,001- £120,000	1	-

The earnings of the highest paid employee include expatriate allowances. Benefits are accruing to four (2013: five) higher-paid employees under Practical Action's stakeholder pension scheme, which is open to all eligible employees. Employer contributions of £33,748 (2013: £35,015) have been made into this stakeholder scheme for these higher-paid employees. Within Practical Action's Employee Benefits Scheme, benefits are accruing for three (2013: three) higher-paid employees.

The Trustees receive no remuneration for their services. Expenses reimbursed to Trustees during the year amounted to £6,725 (2013: £6,971), which related to travel and refreshment costs for meetings, telephone and postage.

Expenses were reimbursed to seven Trustees (2013: twelve 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 2014 £'000	Practical Action Publishing Limited 2014 £'000	Practical Action Consulting Limited 2013 £'000	Practical Action Publishing Limited 2013 £'000
Income	1,998	599	1,983	565
Expenditure	(2,144)	(592)	(2,059)	(564)
Net profit/(loss)	(146)	7	(76)	(1)

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

Income per subsidiary accounts	1,845	420	1,743	427
Plus interest receivable	5	-	-	-
Plus grants from parent company	148	179	240	138
	1,998	599	1,983	465
Expenditure per accounts	(2,144)	(592)	(2,059)	(564)
Less group charges	98	89	92	77
	(2,046)	(503)	(1,967)	(487)
Net effect on Group results for the year	(48)	97	(224)	(60)

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

	Practical Action Consulting Limited 2014 £'000	Practical Action Publishing Limited 2014 £'000	Practical Action Consulting Limited 2013 £'000	Practical Action Publishing Limited 2013 £'000
Summary balance sheet				
Fixed assets	3	11	2	1
Net current assets	218	60	367	64
Loans from parent charity	(160)	(80)	(160)	(80)
Net assets/(liabilities)	61	(9)	209	(15)
Called up share capital	-	-	-	-
Profit & loss account	61	(9)	209	(15)
Surplus/(deficit) on shareholders' funds	61	(9)	209	(15)

6. Cost of generating funds: Fundraising costs

	2014 £'000	2013 £'000
Costs related to donations, gifts and legacy income	4,328	4,195
Costs related to applying for charitable grants and contracts for operational programmes	-	34
TOTAL	4,238	4,229

7. Tangible assets

	Freehold property £'000	Motor vehicles £'000	Computer equipment £'000	Fixtures & fittings £'000	Total £'000
Group Cost					
At 1 April 2013	1,203	2,068	1,672	930	5,873
Additions	12	132	150	54	348
Disposals	-	(225)	(557)	(59)	(841)
At 31 March 2014	1,215	1,975	1,265	925	5,380
Depreciation					
At 1 April 2013	-	1,846	1,488	830	4,164
Charge for the year	-	195	161	49	405
Disposals	-	(201)	(555)	(45)	(801)
At 31 March 2014	-	1,840	1,094	834	3,768
Net Book Value (NBV)					
At 31 March 2013	1,203	222	184	100	1,709
At 31 March 2014	1,215	135	171	91	1,612

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 2014 £'000	NBV 2013 £'000
Computer equipment	3	3

Intangible assets

	Total £'000
Group Cost	
At 1 April 2013	-
Additions	13
At 31 March 2014	13
Amortisation	
At 1 April 2013	-
Charge for the year	2
At 31 March 2014	2
Net Book Value (NBV)	
At 31 March 2013	-
At 31 March 2014	11

8. Investments

	Group		Charity	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Cash investments				
Cash investments	4,314	4,145	4,314	4,145
Common investment fund	103	105	103	105
TOTAL	4,417	4,250	4,417	4,250
Programme investments				
Capital loans to subsidiaries	-	-	240	240
Programme investments	-	10	19	29
TOTAL	-	10	259	269

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.

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 2013	105
Recognised loss	(2)
Closing balance at 31 March 2014	103

9. Stock

	Group		Charity	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Finished goods	102	100	-	-
Work in progress	5	10	-	-
TOTAL	107	110	-	-

10. Debtors

	Group		Charity	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Trade debtors	1,717	1,500	1,221	709
Prepayments & accrued income	1,974	2,757	1,830	2,703
Other debtors	813	620	802	619
TOTAL	4,504	4,877	3,853	4,031

Valuation of investment property as provided by John Roberts & Co (Hertfordshire) as at 8 April 2014 (£500k).

11. Creditors: amounts falling due within one year

	Group		Charity	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Payments received in advance	2,284	2,829	2,198	2,742
Trade creditors	508	646	338	497
Taxation and social security	241	377	199	246
Accruals	358	443	326	396
Other creditors	1,298	1,859	1,176	1,352
Bank loan: one year	19	23	19	23
TOTAL	4,708	6,177	4,256	5,256

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	2,829	2,742
Released to income	(2,829)	(2,742)
Received in year	2,284	2,198
BALANCE CARRIED FORWARD	2,284	2,198

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

	Group		Charity	
	2014	Restated 2013	2014	Restated 2013
	£'000	£'000	£'000	£'000
Bank loan: unsecured				
1-2 years	19	23	19	23
2-5 years	45	69	45	69
More than 5 years	10	20	10	20
Other creditors: unsecured				
2-5 years	9	14	9	14
TOTAL	83	126	83	126

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 1.4.13	Provision created	Provision utilised	Balance at 31.3.14
	£'000	£'000	£'000	£'000
Project issues	47	125	(46)	126
Rent/tax liability	110	-	-	110
Redundancy	284	10	(218)	76
TOTAL	441	135	(264)	312

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

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

The redundancy provision relates to Sri Lanka staff redundancies. The office will close as at March 2014 but there will be a number of staff contracts that end between April 2014 to March 2017.

14. Funds note

	Opening balance £'000	Incoming resources £'000	Expenditure £'000	Transfer £'000	Closing balance £'000
Designated reserves					
Fixed asset fund	1,427	-	-	(29)	1,398
Revaluation reserve	59	-	(3)		56
TOTAL	1,486	-	(3)	(29)	1,454
Free reserves	4,866	17,484	(15,799)	29	6,580
Total unrestricted funds	6,352	17,484	(15,802)	(0)	8,034
Energy access	39	1,391	(1,353)	-	77
Food and agriculture	124	3,688	(3,561)	-	251
Urban water and waste	120	1,998	(2,078)	-	40
Disaster risk reduction	199	4,139	(3,381)	-	957
Other	149	1,552	(1,525)	-	176
Total restricted funds	631	12,768	(11,898)	-	1,501
TOTAL FUNDS	6,983	30,252	(27,700)	-	9,535

15. Total funds

	Unrestricted funds £'000	Restricted funds £'000	2014 Total £'000	2013 Total £'000
Fixed assets	1,466	157	1,623	1,709
Investments	4,417	-	4,417	4,250
Programme related investments	-	-	-	10
Stock	107	-	107	110
Debtors and short-term investments	3,287	1,717	5,004	4,877
Cash at bank & in hand	4,427	(299)	4,128	3,709
Creditor: amount due within one year	(4,708)	-	(4,708)	(6,177)
Creditor: amount due after more than one year	(9)	(74)	(83)	(126)
Provisions for liabilities and charges	(312)	-	(312)	(441)
Pension liability	(641)	-	(641)	(938)
TOTAL	8,034	1,501	9,535	6,983

16. Pension costs and FRS17

The charity has accounted for pension costs in accordance with Financial Reporting Standard FRS17. This scheme was closed to contributions in 2002.

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 2014 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 AVCs.

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

	2011
Inflation assumption	
RPI	3.4%
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 2014 by an independent qualified actuary.

	2014 £'000	2013 £'000
a) The amounts recognised in the balance sheet are as follows:		
Present value of funded obligations	(8,943)	(8,953)
Fair value of plan assets	8,302	8,015
Deficit	(641)	(938)

Amounts in the balance sheet:		
Liabilities	(641)	(938)
Assets	-	-
Net liability	(641)	(938)

	2014 £'000	2013 £'000
b) Changes in the present value of the defined benefit obligation are as follows::		
Opening defined benefit obligation	8,953	7,956
Service cost	63	40
Interest cost	384	389
Employee contributions	-	-
Actuarial losses (gains)	(133)	806
Benefits paid	(324)	(238)
Defined benefit obligation at end of year	8,943	8,953

16. Pension costs and FRS17 (cont.)

	2014	2013
	£'000	£'000
c) Changes in the fair value of the scheme assets are as follows:		
Opening fair value of scheme assets	8,015	7,132
Expected return	408	401
Actuarial gains (losses)	(7)	510
Employer contributions	210	210
Employee contributions	-	-
Benefits paid	(324)	(238)
Fair value of scheme assets at the year end	8,302	8,015

	2014	2013
	£'000	£'000
d) The amounts included within the Statement of Financial Activities are as follows:		
Current service cost	(63)	(40)
Interest on pension liabilities	(384)	(389)
Expected return on scheme assets	408	401
Past service cost	-	-
Total amount charged within net incoming/(outgoing) resources	(39)	(28)
Actuarial losses	0	(296)
Total amount charged to the Statement of Financial Activities	(39)	(324)

Practical Action expects to Contribute £210,000 to its defined benefit pension scheme in 2014
The cumulative total of recognised actuarial losses is (£1107K)

e) The major categories of scheme assets as a percentage of total Scheme assets are as follows:	2014	2013
Equities	49%	47%
Bonds	50%	46%
Cash	2%	7%

The expected rates of return to apply from the valuation date forward (ie. over the year to 31 March 2015) 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 4.1%. 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, 7%.
3. The net return on cash for the next period is 3.5%, this is set equal to the return on gilts – ie. 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.

	2014	2013
	£'000	£'000
The actual return on the scheme assets in the year	401	911

16. Pension costs and FRS17 (cont.)

f) Principal assumptions at the balance sheet date (expressed as weighted averages)	2014	2013
Discount rate	4.40%	4.30%
Expected return on scheme assets	5.47%	5.13%
Rate of increase in salaries	4.90%	4.80%
Rate of increase of pensions in payment	3.40%	3.30%
Rate of increase of pensions in deferment	2.70%	2.60%
Assumes life expectancy on retirements 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:	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Defined benefit obligation	8,943	8,953	7,956	7,268	7,258
Scheme assets	8,302	8,015	7,132	6,951	6,571
Surplus / (deficit)	(641)	(938)	(824)	(317)	(687)
Experience adjustments on scheme liabilities	69	(43)	258	(16)	48
Experience adjustments on scheme assets	(7)	510	(224)	38	1,262
Total (loss)/gain on STRGL	126	(296)	(719)	165	(114)

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

	2014 £'000	2013 £'000
Net incoming/(expenditure) resources	2,428	(1,280)
Interest received	(49)	(75)
Depreciation charge	408	497
Loss on disposal of fixed assets	40	3
Decrease/(Increase) in stocks	3	12
(Increase) in debtors and short-term investments	(118)	(130)
(Decrease)/Increase in creditors and provisions	(1,604)	865
Difference between pension contributions and current service costs	(171)	(182)
Net cash inflow / (outflow) from operating activities	937	(290)

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

	2014 £'000	2013 £'000
Movement in cash in the period	419	(47)
Cash movement from change in debt financing	47	39
Movement in net funds in the period	466	(8)
Net funds brought forward	3,560	3,568
Net funds carried forward	4,026	3,560

19. Analysis of changes in net funds

	1.4.13 £'000	Cash £'000	31.3.14 £'000
Cash at bank and in hand	3,709	419	4,128
Debt due within 1 year	(23)	4	(19)
Debt due after 1-2 years	(23)	4	(19)
Debt due after 2-5 years	(69)	24	(45)
Debt due after 5 years	(34)	15	(19)
NET FUNDS	3,560	466	4,026

20. Contingent liability

The charity has entered into a range of agreements, in support of charitable activities, resulting in contingent liabilities totalling £44,170.

The Charity has entered into an agreement with Barclays Bank to provide a bank guarantee to the value of USD 10,000 (c. £6,000) to the agency UNDP as required under the contract CHTDF-2012/PSC25 – To provide technical services relating to value chain upgrading and analysis in Chittagong Hill Tracts (CHT) under the Community Empowerment & Economic Development Cluster of CHTDF. Dissolution of this agreement will take place during 2014-15.

In fulfilment of contract requirements, the charity has also entered into three agreements with Banco de Credito. The first agreement is to provide a bank guarantee to the value of S/- 83,215 (c. £18,164) 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/-49,994.21 (c. £10,912) as required by Fondo Empleo (Peruvian donor) on the project – Promoting Rural Youth Entrepreneurship link to productive chains in San Martin Region. The third agreement is to provide a bank guarantee to the value of S/- 41,666 (c. £9,094) as required by Fondo Empleo (Peruvian donor) on the project – Increasing commercial and productive competitiveness of coffee producers from Alfonso De Alvarado district in San Martin Region.

21. Big Lottery Fund

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

2014	Socioeconomic ¹ Empowerment of Tsunami £'000	Sustainable ² Lagoons and Livelihoods £'000	Practical ³ Solutions livelihoods Crisis £'000	Total £'000
Opening Balance	-	-	-	-
Income Deferred from 12/13	(42)	-	-	(42)
Income Accrued from 12/13	-	-	1	1
Income claimed in 12/13 but not paid until 13/13	-	-	21	21
Income Received in 13/14	(55)	(235)	(121)	(411)
Income Accrued for 13/14	-	-	-	-
Income Deferred to 14/15	-	6	4	10
TOTAL INCOME	(97)	(229)	(95)	(421)
Expenditure	97	229	95	421
CLOSING BALANCE	-	-	-	-

2013	Socioeconomic ¹ Empowerment of Tsunami £'000	Sustainable ² Lagoons and Livelihoods £'000	Practical ³ Solutions livelihoods Crisis £'000	Total £'000
Opening Balance	-	-	-	-
Income Deferred from 11/12	(40)	(19)	(11)	(70)
Income Accrued from 11/12	-	-	-	-
Income Received in 12/13	(124)	(93)	(16)	(233)
Income Accrued for 12/13	-	-	-	-
Income Deferred to 13/14	42	-	-	42
TOTAL INCOME	(122)	(112)	(27)	(261)
Expenditure	122	112	27	261
CLOSING BALANCE	-	-	-	-

1. Socioeconomic Empowerment of Tsunami affected communities (SET)

2. Sustainable Lagoons and Livelihoods

3. Practical Solutions for the livelihood crisis of indigenous/migrant communities



LOTTERY FUNDED

22. Department for International Development grants

	2014 £'000	2013 £'000
Grants	2,891	2,891

2014: Project funding details required by DFID

	Contract Number	DFID Funding
DFID Partnership Programme Agreement	-	2,891



23. Commitments under operating leases

As at 31 March 2014, the company had annual commitments under non-cancellable operating leases as set out below:

	2014		2013	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire:				
Within one year	125	-	89	-
In two to five years	736	-	178	-
Over five years	63	-	57	-
TOTAL	924	-	324	-

The net income for the year has been stated after charging £307k (2013: £347k) for the hire of assets under operating leases.

24. Related Party Transactions

The group has taken advantage of the exemption under Financial Reporting Standard 8 not to disclose transactions with subsidiary companies included in these consolidated accounts. There were no other related party transactions.



Producing charcoal briquettes provides affordable household energy, as well as offering business opportunities to local people in Nakuru, Kenya.

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Cover image: Irrigation schemes and vouchers for agricultural inputs help smallholder farmers in Zimbabwe improve their livelihoods. © Practical Action / Killron Dembe

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