



Wood Family Trust

2012 Chairman's Review



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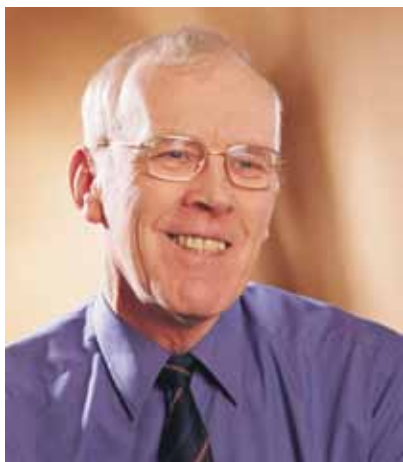
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This Annual Review reflects the Chairman's Report as detailed in the Wood Family Trust's audited accounts for the financial period 31st March 2011 to the 1st April 2012 with an update on key activities undertaken during the 2012 calendar year.



Executive summary



The Wood Family Trust (WFT) is now in its fifth year of operation and we continue to develop our Venture Philanthropy model by applying good business principles and practice to our charitable investments and partnerships. Our role in project management has increased as we have taken the operational lead in several of our strategic investments both in Sub Saharan Africa and the UK, and our direct staff costs are increasing accordingly.

During the last twelve months, we have seen some real signs of success in both the Making Markets Work in Sub Saharan Africa and the Developing Young People in Scotland programmes. We are obviously keen to ensure this success is sustained and will remain innovative in our application of

management and finance as well as working with other private, public, and charitable partners.

In our Sub Saharan Africa portfolio, WFT, working with Lord David Sainsbury's Gatsby Charitable Foundation (Gatsby), has developed a diverse range of partnership projects in the Tanzanian and Rwandan Tea Sectors aimed to benefit the approximately 60,000 smallholder farmers across the two countries. In Tanzania, our early initiatives under our Chai Project (Chai means "tea" in Kiswahili) are now beginning to have positive impact, and in Rwanda our Imbarutso Project (Imbarutso means "to catalyse" in Kinyarwanda) has recently acquired two tea factories from the Government of Rwanda which, in time, we will pass over to the local smallholder tea farmers.

Thus our focus is on working with smallholder farmers in the tea industry and we have become specialists in this sector.

Since our inception in 2007, WFT's focus in the UK has shifted significantly to concentrate on the citizenship, tolerance and enterprise agendas. We have focused the majority of our finance and management on two key projects:

- Youth and Philanthropy Initiative (Scotland)
- Get Into (Scotland)

Through our work in citizenship and enterprise we are learning that the best opportunities to create systemic impact is through the Scottish School system and, in addition to the Youth and Philanthropy Initiative, we are looking at a Global Teachers Pilot, which has the potential to develop into a significant project. We also continue to support a number of young people in the North East of Scotland to volunteer in some of the more challenging countries around the world.

Sir Ian Wood has continued to contribute significantly to Trust funds and, with the Trust having spent about £13 million to the end of 2012, our funds going into 2013 are approximately £114 million. This will be applied to continuing to develop the programmes outlined in this Report, but we are also looking at one or two potential large projects in the UK, one of which is the Aberdeen City Garden Project.



We believe we will only effect change by helping local people and communities to help themselves in a way that is consistent with their culture and way of life.



Making Markets Work for the Poor in Sub Saharan Africa



We believe we will only effect change by helping local people and communities to help themselves in a way that is consistent with their culture and way of life. Money alone cannot realise the vision, but the effective application of market analysis, quality minds, effective delivery partners and local private enterprise will, we believe, create sustainable change. Our role is to facilitate employment and business activities through supporting local enterprise and market development in growth sectors. We analyse sector value chains and unblock key constraints from primary production through to processing, distribution, and eventually to the end market and consumer. We are focused on the tea industry and our initial countries are Tanzania and Rwanda.

WFT Africa is currently working in partnership with The Gatsby Foundation (Lord David Sainsbury's philanthropic vehicle) on two tea projects; Chai in Tanzania and Imbarutso in Rwanda with WFT leading, but working in full consultation with Gatsby.



The aim of this investment is to double smallholder tea production, increase farmers' profits and increase the competitiveness of the sector.





“Chai – Kwa Maendeleo ya Tanzania” - £835,000

(charitable activities including direct project costs and grant commitments committed during the 2011/12 financial year - This figure includes the Gatsby contribution)

“Chai” was launched in September 2009 with the intention of committing up to US\$9 million, over a six year period, in the Tanzanian tea sector. The aim of this investment is to double smallholder tea production, increase farmers’ profits and increase the competitiveness of the sector.

When Chai became operational, tea was the fourth largest export crop in Tanzania with US\$28.7 million in export earnings. There were approximately 30,000 smallholders directly engaged in tea production and from a combination of estate workers and smallholder producers, the sector supported over 50,000 families. However, despite being a valuable export, the Tanzanian tea industry’s growth was limited due to a number of significant challenges:

- Low smallholder productivity and yields (the national average in 2007 was 900 kg made tea per hectare compared to 2,000 kg in Kenya)
- Limited access to inputs such as fertilisers, and ineffective extension services
- Poor industry regulation
- Lack of business experience of farmers
- Low green leaf price and poor

margins for farmers (small holders were paid 26% of the made tea price)

- Poor rural road and green leaf collection infrastructure
- Low quality of made tea and poor reputation on the world markets
- Smallholders lacking the ability to represent their commercial interests in the processing factories.

We are now nearing the halfway point with respect to the original six year timeline and have made some progress towards sustainable impact against the original targets by tackling some of the challenges outlined above, with a portfolio of activities working well with the processing factories, smallholder associations and the public institutions responsible for tea.

Chai has specifically placed three matching grants with private processing factories to encourage commercially sustainable services to 21,000 smallholder farmers; supported the Tea Board of Tanzania to introduce a new pricing mechanism for all 30,000 smallholder tea farmers; worked with a smallholder tea farmer association to improve its management and efficiency as the representation body of 15,000 tea farmers; and is working

with the Tanzania Smallholder Tea Development Agency to pilot a land titling project in a district of Tanzania, which if successful, will be rolled out nationally.

In summary, with the support of Chai finance and management, the following changes for all 30,000 smallholders in Tanzania have taken place since the inception of the project:

- Average smallholder share of made tea prices has risen from 26% to 34%
- Average smallholder yields have risen from 950kg made tea per hectare to 1,100kg made tea per hectare, an increase of 22%
- Average smallholder profits per hectare have increased by 70% from around US\$126 in 2009 to around US\$218 in 2011/12 although the average tea farmer only has 0.4 hectares of tea.

Where Chai has concentrated support with specific interventions and geographies, the impact on yields and profit per hectare is higher than the national average shown above.



Imbarutso – Win Win for Rwandan Tea - £359,000

(charitable activities including direct project costs and grant commitments committed during the 2011/12 financial year - This figure includes the Gatsby contribution)



Launched in March 2011, “Imbarutso” will focus on improving the smallholder farmers’ performance and earnings in the tea industry. This is WFT’s second Making Markets Work for the Poor project in Sub Saharan Africa, and is again in partnership with the Gatsby Charitable Foundation.

“Imbarutso” will invest up to US\$9 million over a six year period with the aim of:

- Increasing smallholder net income
- Turning smallholder farmers into viable and efficient Micro & Small Enterprises (MSE’s)
- Increasing the competitiveness of the sector

Rwandan tea is among the highest quality in the world. With production spread throughout 11 Districts, tea is Rwanda’s second most significant export earner and a vital source of income, supporting the livelihood of over 30,000 smallholder businesses and 60,000 households.

In looking to successfully develop Rwanda’s tea industry, there are two important competitiveness issues. Firstly, Rwanda produces 24,000

Metric Tonnes per annum of made tea (approximately 7% of Kenya’s annual output) and even with a planned increase to 35,000 Metric Tonnes by 2015, Rwanda’s relative production will remain modest. Secondly, through existing and new planting, about 65% of Rwanda’s tea will come from smallholder farmer production which is sold to the large tea plantations that have a monopoly position in their immediate catchment area.

To expand the area under production and significantly increase the volume and quality of tea, a win-win balance must be achieved whereby smallholder farmers have the appropriate financial incentive and professional support services, whilst factories are able to improve their throughput and profitability. If successful, we will potentially transform 30,000 smallholder farmers, into viable and efficient MSE’s with the capability of improving their rural economies. In addition, there is a requirement to ensure a fairer distribution of the value chain proceeds between the producer and processor to encourage smallholder farmers to invest in increased yield, quality and quantity.





"Imbarutso" developed an action plan during the first half of 2011/2012 which looked at working with Government, Private Factories, and Smallholder co-operatives to develop projects which would have significant benefits to the smallholder farmer as well as the industry. During this process an opportunity arose through the Government of Rwanda's Tea Privatisation process to competitively bid for the majority stake of two tea factories, Mulindi and Shagasha, which after privatisation, would have smallholder minority shareholding of 45% and 30% respectively, with approximately 12,000 smallholder farmers as the shareholders.

There is clear learning from Kenya that a key way to increase smallholder tea farmers' margins is for them to own their own processing factories. Kenyan smallholder tea farmers, on average, earn an unparalleled 75% of the made tea price, while Rwandan farmers earn 25%. A large number of the factories in Kenya are managed by the Kenya Tea Development Agency on behalf of the smallholder farmers.

After significant investigation and discussion with key stakeholders; Gatsby and WFT in partnership with the smallholder farmers at each factory, and with the intention of using Kenya Tea Development Agency as managers, competitively bid for both factories on the following basis:

- WFT and Gatsby would provide the upfront finance to purchase the Government shares (55% Mulindi and 60% Shagasha)
- The Kenya Tea Development Agency would act as operational managers of both factories reporting to each factory board whilst training Rwandans to assume overall factory management in the future
- The annual free cash flow would be distributed to the farmers as additional payment for the Greenleaf tea and to WFT and Gatsby to recover their investment over a period of time
- WFT and Gatsby will transfer the shares held in both factories, at nil consideration, to the farmer shareholders after a period of 7 years, or when certain KPI's have been achieved in the development of the farmers business and governance performance, whichever is the later

A Scottish based Charitable Company, Rwanda Tea Investments (RTI) a WFT and Gatsby jointly owned company, was registered to bid for the factories, investing about \$12m USD including working capital for both businesses.

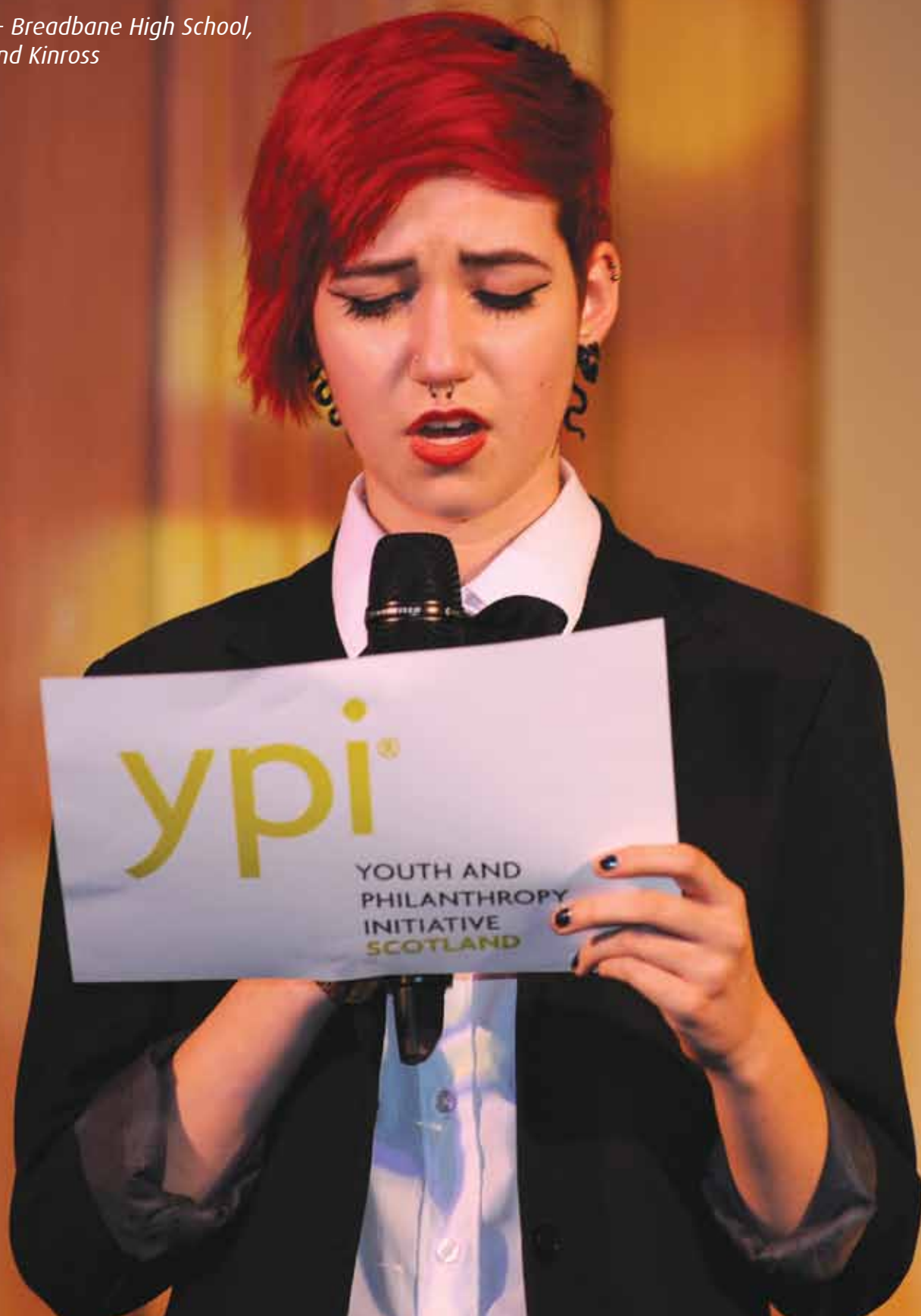
This deal, now successfully concluded, is an innovative philanthropic intervention which hopefully, over a period of time, will transform the viability of smallholder tea farmers in Rwanda.



Rwanda Tea Investments

"Our daughter never speaks to us about school, but she hasn't stopped speaking about YPI"

*Parent - Breadbane High School,
Perth and Kinross*



Developing Young People in Scotland

Our principal objective is to improve tolerance and encourage citizenship values and enterprise in Scotland's young people. Our programmes focus on:

- Citizenship including Global Citizenship and encouraging philanthropy in young people
- Enterprise Education
- Enabling Positive Destinations into Employment, Education and Training

The Youth and Philanthropy Initiative (YPI) - £311,000

(charitable activities including direct project costs and grant commitments committed during the 2011/12 financial year)

WFT is responsible for the management of YPI in Scotland under an agreement with its creators, the Toskan Casale Foundation in Canada. This project has now emerged as a significant programme within the Scottish secondary education system. YPI has been cited by six of Her Majesty's Inspectorate for Education (HMIE) in Scotland Reports as an example of best practice in Citizenship Education, specifically referencing its ability to develop wider achievement and enrich the life of the school.

YPI is a fully resourced and supported, curricular based, active citizenship programme which is delivered by teachers, with YPI staff support. Within each YPI secondary school, a whole year group (which varies from S2-S6 in different schools) embarks on a research based project in small teams. Each team works together to analyse their community, identify a prominent social issue they feel strongly about, and research the local, grassroots charities involved in working on their chosen issue. After selecting their

charity, each team then focuses on how it is financed, how it operates and what its main challenges are. Selected teams from the school then present to a panel of judges, and the most discerning and impassioned presentation group is awarded £3,000 for their chosen charity. YPI is generally delivered over a school term (8-12 weeks), and is now established in a broad range of curricular areas including Guidance, Modern Studies, RMPS, and Business Studies.



YPI continued



During the 2011/12 academic year, YPI was delivered in 54 schools across seven local authorities (Aberdeen, Aberdeenshire, Glasgow, Renfrewshire, East Dunbartonshire, Edinburgh and Perth & Kinross), engaging 6,680 young people and 280 teachers. There was in excess of 200 charities represented at school finals, and a total of £162,000 granted to 54 local charities across Scotland.

To evidence the positive impacts and outcomes YPI has on schools, young people, charities and communities, WFT commissioned York Consulting to undertake a two year UK wide evaluation of the programme. The results, finalised in March 2012, place YPI as a peer leader in citizenship education, citing its importance in the delivery of Curriculum for Excellence key learning outcomes. The final report concluded that YPI enhances pupils' skills acquisition and development, supports school engagement and develops relationships with the broader school community. Key findings from the report and our own internal monitoring and evaluation systems show:

- 100% of teachers who engaged with YPI felt that both students' teamwork and presentation skills had been developed.

- 100% of teachers state that YPI has a positive impact upon lower achieving students.
- 93% of teachers state that YPI has helped them deliver Curriculum for Excellence.
- 98% of students know more about the issues in their local community through participation in YPI.
- 82% of students are making charity visits.
- 99% of students stated their teamwork and communication skills have developed as a result of YPI.
- All participant charities benefited from increased local awareness and opportunities for volunteer recruitment.

Furthermore, an increasing number of schools have reported continued engagement with the wider school community post YPI, either through pupils presenting their final presentations to the whole school during assemblies, teachers using YPI as a tool for in service days, additional fundraising or volunteering.

To ensure YPI continues to expand, WFT is currently working in partnership with the Bank of Scotland (regional funders of the Greater Glasgow area) and The Gannochy Trust (regional funders in Perth & Kinross). In the 2012/13 academic year, YPI will be operational

in 81 Scottish secondary schools. The Highlands will become the eighth local authority to participate in the programme and WFT will be working in partnership with Scottish and Southern Energy who will fully fund the delivery of YPI in seven secondary schools across the Highlands.

Looking ahead, WFT will continue to find efficient and effective ways of delivering YPI without compromising experiential learning. WFT has made a significant investment into additional support materials and teaching resources, enabling WFT to make operational cost efficiencies whilst supporting teachers to independently deliver YPI and embed it into the curriculum and across the school.

"I have spoken with the school group since they won and they are so excited. At least one member of the team is going to help on a voluntary basis so we are double winners!"

CLAN, Aberdeen



Get Into: The Prince's Trust

(£242,210 committed during 2007/08; £49,353 committed during 2009/10; and £424,364 committed during 2011/12)

Aimed at 16-25 year olds, the Get Into programme is a short, fast paced course designed to give young people the skills and qualifications necessary to gain employment. Get Into helps prepare participants for the world of work by offering work experience, industry recognised certification, mentoring and confidence building.

The Wood Family Trust's initial investment into The Prince's Trust was to facilitate the expansion of the Get Into programme over a three

year period, supporting 47 courses in Glasgow and Edinburgh. During the three year investment, 622 young people engaged with the programme, 90% completed it and 65% moved onto a positive destination within three months of completing the programme.

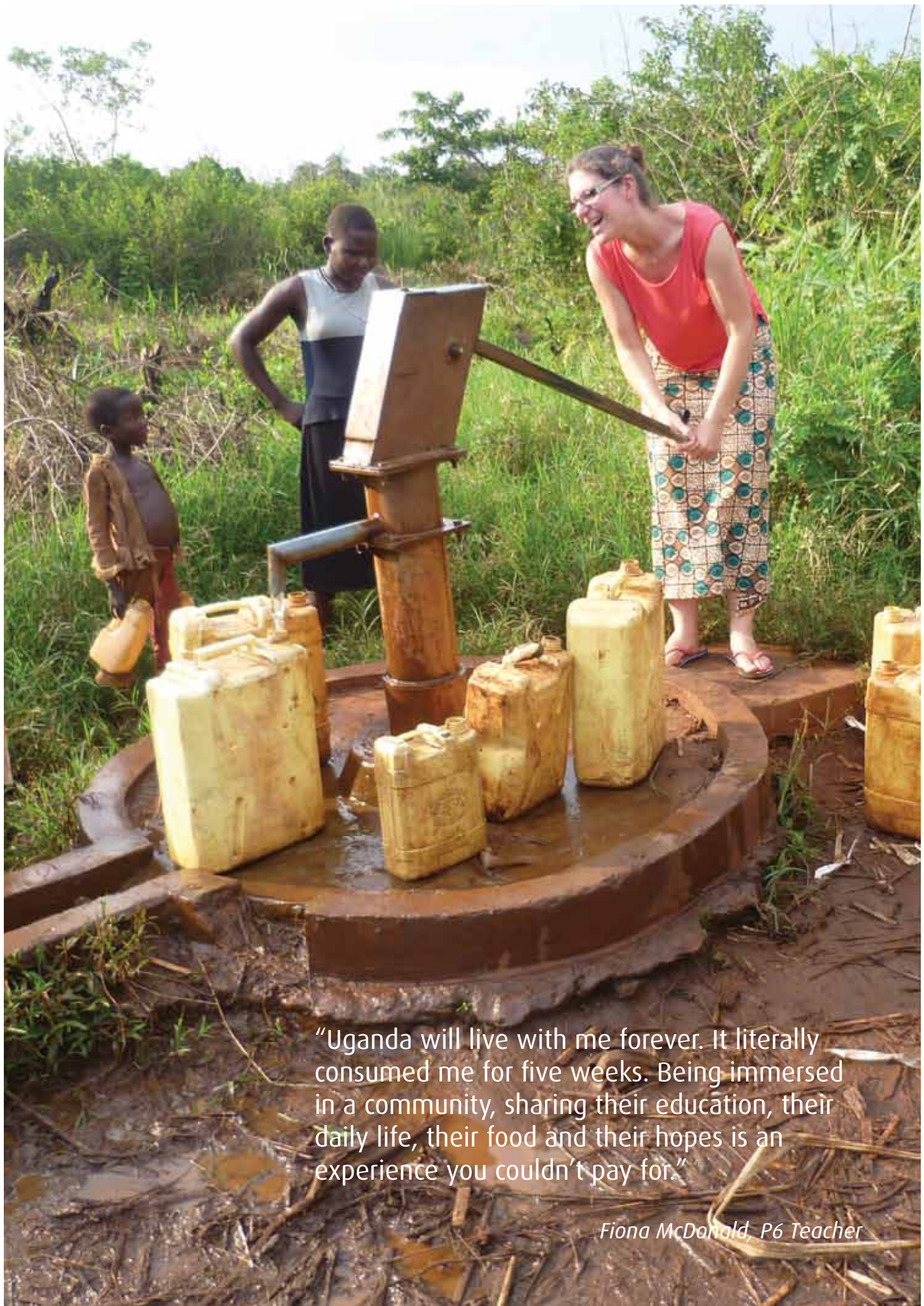
In 2009/10, WFT made a second, three year commitment to The Prince's Trust, this time supporting the expansion of Get Into Retail in Aberdeen through a new franchise delivery model.

Based on the success of the first two investments, during 2011/12 the Wood Family Trust made a further three year commitment of £424,364 to The Prince's Trust and the Get Into programme across Scotland. Between 2011/12 and 2013/14 the investment will enable The Prince's Trust to double the number of courses provided per annum from 24 to 48 and provide positive destination opportunities for 1,451 young people within established and emerging employment sectors.



"My son has changed over the 5 weeks of training and we, as a family, are excited for the coming year now that my son has a job and things will change for the better."

Claire Porter, parent of Dylan Porter - Get Into Construction



"Uganda will live with me forever. It literally consumed me for five weeks. Being immersed in a community, sharing their education, their daily life, their food and their hopes is an experience you couldn't pay for."

Fiona McDonald, P6 Teacher

Wood Family Trust Global Teachers Pilot

During 2011/12 the Wood Family Trust developed a pilot, in association with LINK Community Development, to support the enhancement of Global Citizenship and International Education within Scottish primary schools and the wider learning community.

Developed in line with the Scottish Curriculum for Excellence, the pilot provides an opportunity for teachers to undertake a five week placement in a developing country during the Scottish summer holidays. The experience is designed to provide participating teachers with a unique insight into another culture enabling them to enhance their delivery of international education. Upon return to Scotland, the teachers will be supported to further embed Global Citizenship into their school and the wider school

community through curricular based activity, activity grants and school linking.

The first cohort of teachers spent five weeks in Uganda during the summer of 2012; this included two Head teachers and seven teachers from nine Aberdeenshire Primary Schools.

Since the new term started in August 2012 we have already seen immediate impact. All nine teachers within the first cohort believe they have benefited both professionally and personally from their experience. As a result, they have been quick to introduce exciting global learning opportunities for colleagues, pupils, and pupils' parents not just within their school locality, but also their neighbouring schools and communities.

A return Global Teacher recently hosted a Ugandan Experience Day for four primary schools within their Community Schools Network. In addition, two return Global Teachers were invited to speak to student teachers at Aberdeen University about their experience overseas and how it supports their delivery of Global Citizenship and International Education in school.

Throughout 2013 WFT will closely monitor and evaluate the sustainable impact of the Global Teachers Pilot. The findings will enable us to assess the future direction of the project.

Project Exits

As part of our strategy to focus on programmes in which we are operationally involved, WFT has exited from the Positive Coaching Scotland project with whom we have very much enjoyed our association and contribution over the last four years. Our role has been positively acknowledged.

The Enterprise Education pilot, launched at Kincorth and Ellon Academies during 2010, in partnership with Aberdeen

City Council and Aberdeenshire Council, has also come to a conclusion at the end of the 2011/12 academic year. The pilot developed a number of enterprise challenges as well as placing a revolving fund in both schools to encourage and set up student run school businesses. Both schools are now delivering the challenges independently as well as starting two school businesses which we hope will benefit the wider school community in the longer term.



City Garden Project

Wood Family Trust had undertaken to provide £50m as part of the private sector anticipated £70m contribution to a major £140m infrastructure project in Aberdeen to create a new city centre garden, civic space and significant cultural and recreational facilities. WFT also undertook to meet cost over-run on the project, up to £35m. The balance of the finance was to be £20m from the private sector and £70m from a Scottish Government Tax Incremental Finance scheme.

The project had been developed by Aberdeen City Gardens Trust under the direction of the Aberdeen City Council led Project Management Board and supported by Aberdeen City and Shire Economic Future. In the course of the year under review, an international design competition led to the design jury choosing a preferred design.

Because there were clearly diverse views in the City, WFT undertook to meet 80% of the cost of a Referendum held by Aberdeen City Council. This was carried out in February 2012 and resulted in a positive vote for the project to go ahead.

The Scottish Local Authority election on the 3rd May 2012 resulted in a change in Aberdeen City Council Administration and the new Council, by a narrow majority, voted not to proceed with the scheme, leaving Wood Family Trust with no alternative but to withdraw the offer of financial support. We continue to believe there is a very strong economic and cultural case for the project and have indicated that, if there is a change in Council thinking over the next 12 months, we would be prepared to re-discuss possible support for the project, although no guarantee

could be given that the funds would still be available.

Wood Family Trust has supported and financed the preparation and start up costs, plus paid for 80% of the cost of the Referendum and the commencement of the design programme with the chosen architects. Altogether, we will have spent more than £1 million and this is clearly a very disappointing outcome. However, the Trustees judged this to be a high value transformational project for Aberdeen which would have facilitated the regeneration of its city centre with significant positive implications for the City's long term economy. Thus the risk involved in providing the front end investigation and early design capital was deemed worthwhile.

Plans for the year ahead

Our Sub Saharan Africa programmes during 2013 will be focused on:

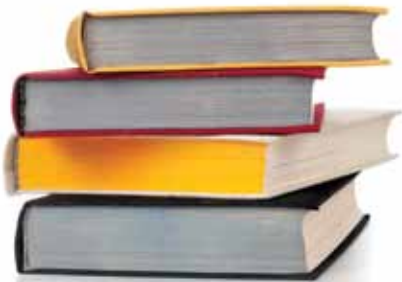
- Improved performance of the two Rwandan Tea Factory businesses.
- Development of the Imbarutso project in Rwanda.
- Continuing the successful implementation of the Chai Project in Tanzania.
- Developing a third tea sector project. However, the timing will depend on the resource requirement for Chai and Imbarutso.
- Growing our in-house knowledge and expertise in the tea industry with additional resource and skills.

Our activities in the UK for 2013 will be focused on:

- Developing the YPI project across Scotland with a view to increasing to 81 schools during the 2012/13 year and 105 schools during the 2013/14 year.
- Assessing the opportunity to develop the Wood Family Trust Global Teachers pilot post 2012/13.
- Supporting the The Prince's Trust's expanding 'Get Into' Programme in Scotland.

01

Increase our
Knowledge...



03

Build on Success...



02

Utilise our Learning...





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The Wood Family Trust, Scottish Registered Charity No. SC037957 is the Parent Charity of WFT Africa, registered in Scotland as a company limited by guarantee and having charitable status. Company No. SC361033. Scottish Charity No. SC040580.