



Wood Family Trust

2013 Chairman's Review

This Annual Review reflects the Chairman's Report as detailed in the Wood Family Trust's audited accounts for the financial period 1st April 2012 to 31st March 2013, with an update on key activities undertaken during the 2013 calendar year.

About us

The Wood Family Trust was established in March 2007 by Sir Ian Wood and his immediate family. Now, in its sixth year, the Wood Family Trust is continuing to invest in the two original areas of activity: Making Markets Work for the Poor in Sub Saharan Africa (75% of annual investment) and Developing Young People in Scotland (25% of annual investment).

The Trust applies the principles of Venture Philanthropy, investing both money and expertise to achieve systemic change within its chosen areas. Whether it's leading projects or taking an active supporting role with strategic partners, the Wood Family Trust aims to be involved in development, implementation, training, guidance, and evaluation to enable sustainable and successful programmes.

Established
March
2007

Sub Saharan
Africa
75%

Young People
Scotland
25%

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Executive summary



The Wood Family Trust is now in its sixth year of operation and we continue to develop the Venture Philanthropy model by applying sound business principles and practice to our charitable investments and partnerships. We remain focused on supporting smallholder farmers in the East African tea sector and continue to be significantly involved in Scottish education and the wider youth agenda.

Against a backdrop of our growing experience in effective philanthropy, we are now seeing some genuine success in both 'Making Markets Work for the Poor' in Sub Saharan Africa (75%) and 'Developing Young People in Scotland' (25%).

Our project management role has increased as we have taken a more substantial operational lead in several of our strategic projects both in Sub Saharan Africa and the UK. We are keen to ensure that our achievements are built upon innovation in our application of management and finance, while continuing to engage with other private, public, and charitable partners.

In our Sub Saharan Africa portfolio, working alongside Lord David Sainsbury's Gatsby Foundation, we have developed a range of partnership projects in the Tanzanian and Rwandan tea sectors.

In Tanzania, our early initiatives under the Chai project are now delivering tangible impact, and we are about to participate in a significant Greenfield development in the Southern Highlands. In December 2012 our Rwanda project, Imbarutso (through a joint venture charitable company RTI) acquired the majority shares of two tea factories. The aim here is to eventually transfer ownership to the 11,000 local smallholder tea farmers. We are confident that, successfully executed, this process will establish a model to be followed by others working with smallholder farmers, significantly increasing incomes and building business expertise at grassroots level.

In Scotland, our 'Developing Young People in Scotland' portfolio has remained focused on growing the Youth and Philanthropy Initiative, as well as developing a fit for purpose global citizenship project, which can be owned and led by Local Authorities across Scotland.

We continued our participation in the Prince's Trust 'Get Into' programme which is proving to be extremely effective in finding sustainable training and employment opportunities for many disengaged, young people across Scotland. We have also recently started working to make some contribution to help alleviate child poverty in Scotland through our investment in the STV Appeal. We particularly like the dual approach of the Appeal in addressing the symptoms of child poverty while also tackling the underlying causes.

I have continued to contribute to Trust funds and, with the Trust likely to have spent approximately £3 million in 2013, our funds going into 2014 are approximately £118 million.



2012/13
Africa
£8,935,000

"Against a backdrop of our growing experience in effective philanthropy, we are now seeing some genuine success"

2012/13
Scotland
£455,470

Making Markets Work for the Poor in Sub Saharan Africa

We believe that we can best effect change in Sub-Saharan Africa if we provide opportunities in which local people and communities can help themselves in a way that is consistent and coherent with their culture and way of life. We realise that money alone cannot solve the inequalities in the world, nor can it realise the vision. With this in mind we apply our management and market analysis skills, as well as commercial and implementation experience, to engage with industry and the private sector to help develop small businesses, buy-down risk, demonstrate competitive behaviour, and kick-start a market response. Most importantly, through focusing on a clear exit strategy from the outset, we ensure our commitment to create sustainable business and change.

WFT Africa's methodology places heavy emphasis on having a dedicated professional team on the ground in each country of operation, thus ensuring the necessary managerial and technical skills are in place to engage with stakeholders, identify opportunities, and oversee implementation. Such field presence is critical for adding quality and commitment to our ventures.

We are currently focused on the tea industry in Tanzania and Rwanda. Working in partnership with The Gatsby Foundation (the philanthropic vehicle of Lord David Sainsbury), WFT is leading on two main projects – 'Chai' in Tanzania and 'Imbarutso' in Rwanda.



Investment
to date
£10,962,000

"We realise that
money alone cannot
solve the inequalities
in the world"

Smallholders
Engaged
38,000

Chai – Kwa Maendeleo ya Tanzania

(charitable activities including direct project costs and grant commitments committed during the 2012/13 financial year – this figure includes the Gatsby contribution)

Charitable activities
£835,000

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

When Chai first became operational, tea was the fourth largest export crop in Tanzania, generating US\$28.7million in export earnings. There were approximately 27,000 smallholders directly engaged in tea production. From a combination of estate workers and smallholder producers, the sector supported over 50,000 families. However, despite it being a valuable export, the Tanzanian tea industry's growth was limited due to a number of significant challenges:

- Lack of business experience of farmers
- Poor industry regulation
- Low quality of made tea and poor reputation on the world markets
- Low smallholder productivity and yields (the national average in 2007 was 850kg made tea per hectare, compared to 2,000kg in Kenya)
- Limited access to inputs such as fertilisers and ineffective extension services
- Poor rural road and Greenleaf collection infrastructure
- Low Greenleaf price and poor margins for farmers (small holders were paid only 26% of the made tea price)
- Smallholders lacking the ability to represent their commercial interests in the processing factories

Now, over half-way through the original six year plan, Chai has undertaken a series of interventions supporting the Tea Board and Smallholder Tea Development Agency on a number of industry level regulatory activities, including introduction of a market-based payment mechanism which has increased the average smallholder share of the made tea final price from 27% to 34%. This intervention has resulted in an additional US\$2 million in farmer revenues per annum, and has been successfully replicated in neighbouring Rwanda. Chai has also supported a series of match-funding engagements with private factories that are designed to facilitate opportunities for the factories to invest

in the farmer, and, over time, build a strategic relationship that maximises yield and quality as well as significantly enhancing the Greenleaf input to the factories.

Throughout 2012/13, WFT has been working closely with the UK Government's Department for International Development (DFID), and it is very likely that a £5.2million capital injection in grant funding will be made over a 5 year period to the Chai programme. This will significantly enhance Chai's ability to engage in a number of structural opportunities that could provide significant step-change for the industry. One of these is a very large, smallholder-friendly Greenfield project in Tanzania's Southern Highlands, to be developed in partnership with DFID and a well-respected multinational investor.

Since the inception of Chai, with the support of structured and focused finance and management, the following changes for the 27,000 smallholders in Tanzania have taken place:

- Average smallholder profits per hectare have increased by 138% from around US\$108 in 2009 to around US\$257 in 2011/12, although the average tea farmer only has 0.4 hectares of tea.
- Average smallholder yields have risen from 855kg made tea per hectare to 945kg made tea per hectare, an increase of 11%
- A quality bonus scheme was introduced in April 2013 in addition to the Greenleaf price. This has resulted in a nation-wide increase in smallholder income from tea by 16% from the previous year.

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



CHAI
Kwa maendeleo ya Tanzania

Smallholder profits
increase per hectare
138%

Annual additional
farmer revenue
\$2,000,000

Smallholders
benefitting
27,000

Imbarutso - Win Win for Rwandan Tea

(charitable activities including direct project costs and grant commitments committed during the 2012/13 financial year – this figure includes the Gatsby contribution)

Charitable activities
£772,000

Imbarutso is WFT's second project in the 'Making Markets Work for the Poor' portfolio. Launched in March 2011 in partnership with the Gatsby Foundation, Imbarutso focuses on improving the smallholder farmers' performance and earnings in the tea industry.

Rwandan tea is among the highest quality in the world. With production spread throughout 11 districts, tea is Rwanda's second biggest export earner and a vital source of income, supporting the livelihoods of over 30,000 smallholder businesses, and 60,000 households.

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

- Increasing smallholder tea farmers' net income
- Turning smallholder tea farmers into viable and efficient Micros & Small Enterprises (MSEs)
- Increasing the competitiveness of the sector

There are some barriers to industry competitiveness. Firstly, Rwanda produces 24,000 MTs per annum of made tea (approximately 7% of Kenya's annual output). Even with a

planned increase to 35,000 MTs 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. This tea is then sold to the large tea plantations that have a monopoly position in their immediate catchment area, thus it is vital that the smallholder farmers are well incentivised to encourage significant expansion of their tea activities.

In order to expand the area under production, and significantly increase the volume and quality of tea, a win-win balance must be achieved. The aim is for smallholder farmers to have the appropriate financial incentive and professional support services, whilst factories are able to improve their quantities and profitability. If successful, WFT can potentially transform 30,000 smallholder farmers into viable and efficient MSEs, with the capability of improving their rural economies.

To summarise, 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 and quality.




IMBARUTSO
Win-Win for Rwandan Tea

Rwanda Tea Investments

(charitable investment and grants committed during the 2012/13 financial year – this figure includes the Gatsby contribution)

Charitable activities
£7,328,000

In January 2012, during Imbarutso's initial years of operation, an opportunity arose through the Government of Rwanda's tea privatisation process to purchase majority shares in the country's last two publically-owned tea factories; Mulindi and Shagasha.

Following the experience and success of the Kenya Tea Development Agency (KTDA), WFT recognises that one way to increase smallholder tea farmer margins is to vertically integrate, and have farmers own their processing factories with appropriate professional management in place to support the running of the business. This combination, WFT believes, will have a positive impact on yields, productivity, and ultimately the Greenleaf price paid to farmers.

Therefore, after significant investigation and discussion with key stakeholders, Gatsby and WFT, in partnership with the smallholder farmers at each factory, bid for the majority stake in the two tea factories under Government privatisation (Mulindi and Shagasha), while the 11,000 farmers established a company at each factory to represent their minority positions.

Rwanda Tea Investments – RTI – the charitable company jointly established between Gatsby and WFT to represent these majority shares, successfully completed a deal with the Government of Rwanda, taking majority ownership and management control of both factories on the 6th December 2012.

Key principles of the deal:

- RTI are providing the general management support with KTDA providing the operational management teams for both factories, reporting to each factory board, whilst building the capacity of Rwandan tea professionals for future positions.

- WFT and Gatsby, through RTI, have provided £5,456,000 in upfront finance to purchase 55% shares in Mulindi and 60% shares in Shagasha, and have also provided £1,647,462 (up to the 31st March 2013) in shareholder loans for required working capital and capex.
- Both factories will deliver professional agronomic services, production logistics, and management services to the smallholder farmers with the aim of increasing yield, quality, and Greenleaf price.
- The annual free cash flow is to 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, through RTI, will transfer the shares held in both factories, at nil consideration, to the farmer shareholders after a period of 7 years and upon achievement of Key Performance Indicators related to business professionalism and governance, thus establishing the first smallholder-owned tea factories in Rwanda.

During the first three quarters of 2012/13, the WFT Africa Management Team was entirely focused on completion of the two factory deals and preparation for operational management once the deal was completed. The main focus for the last quarter of the year has been on start-up operations and stabilising both businesses. For the remainder of 2013/14, there will be a continued focus on business stabilisation and improvement, as well as ensuring more effective services to farmers.


Rwanda Tea Investments

Developing Young People in Scotland

The Wood Family Trust's principal objective in this portfolio is to improve tolerance, citizenship values, and enterprise in Scotland's young people. At present, the programmes focus on:

- Citizenship, including global citizenship and the encouragement of philanthropy in young people
- Enabling positive destinations into employment, education and training
- Enterprise education
- Youth poverty

Young people
engaged
59,487

Educators
engaged
3173

Local Authorities
engaged
94%

The Youth and Philanthropy Initiative (YPI)

(charitable activities including direct project costs and grant commitments committed during the 2012/13 financial year)

Charitable activities
£395,568

The Wood Family Trust is responsible for the management of the Youth and Philanthropy Initiative in Scotland. Originally created in Canada by the Toskan Casale Foundation, YPI is now emerging as a programme of national significance within the Scottish education system.

Embedded in over 100 Scottish schools this year, YPI has been cited by seven of Her Majesty's Inspectorate for Education (HMIE) reports as an example of best practice in citizenship education. Fully aligned with the Curriculum for Excellence, YPI is specifically referenced for its ability to develop wider achievement and enrich the life of the school.

Delivered by lead teachers and YPI staff, the programme is fully resourced and supported within the curriculum. A whole year group (between S2 – S6) begins the programme by working together in small teams to research their community and identify a prominent issue they feel strongly about. They then explore the local grassroots charities engaged with the issue they've chosen. Upon selection of one charity, each team then focuses on investigating their operations and challenges. The groups then present their views on their charity to a panel of judges, the most discerning presentation in each school is awarded the prize of £3000 for their chosen charity.

Generally delivered over a school term (8-12 weeks), YPI is now established in a broad range of curricular areas including Guidance, Modern Studies, RMPs, and Business Studies.

During the 2012/13 academic year, YPI was delivered in 80 secondary schools across 12 Local Authorities (Aberdeen, Aberdeenshire, Glasgow, Renfrewshire, East Dunbartonshire, West Dunbartonshire, North Ayrshire, Edinburgh, East Lothian, Perth & Kinross, Highlands and Moray). During this time, 10,500 young people and 620 teachers were engaged in the programme. Over 400 small local charities were represented throughout the year, with a total of £240,000 being granted to 80 local charities across Scotland.

Key YPI impacts for 2012/13 are as follows:

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

- 100% of students know more about the issues in their local community through participation in YPI
- 93% of teachers state that YPI has helped them deliver Curriculum for Excellence
- 92% of teachers state that YPI has a positive impact upon traditionally disengaged students
- 72% of schools reporting post programme engagement
- 56% of schools raised additional funds for YPI charities
- All participating charities benefitted from increased local awareness and opportunities for volunteer recruitment.

Following participation, schools are increasingly reporting the continued engagement of YPI pupils within the wider school and local community, whether it's through pupils presenting to the wider school, teachers using YPI as a tool for in-service days, or additional fundraising and volunteering.

In 2012/13, WFT made a significant investment in additional support materials and teaching resources, resulting in longer term operational cost efficiencies whilst further enhancing support for teachers to independently deliver YPI and embed it into the curriculum, across their school.

To further support the sustainability of YPI, and continue expansion across Scotland, WFT has worked in partnership with The Gannochy Trust (Principal Funder in Perth & Kinross), Scottish & Southern Energy (Partner in the Highlands), the Speratus Group (co-funders in Edinburgh), and Bank of Scotland (co-funders in Glasgow) during 2012/13.

Looking ahead, WFT will continue to find efficient and effective ways of delivering YPI without compromising experiential learning and quality programme delivery. WFT aims to build upon our experience to introduce YPI in up to 300 learning communities over the next 7 years.

During the 2013/14 academic year, YPI will be delivered in 110 Scottish secondary schools with new regions, including Inverclyde, Falkirk, East Ayrshire and Lanarkshire.

ypi[®]
YOUTH AND
PHILANTHROPY
INITIATIVE
SCOTLAND

Global Learning Partnerships

(£261,066 including grant committed during 2011/12 and charitable activities including direct project costs for 2012/13)

Charitable activities
£261,066

During 2011/12, the Wood Family Trust began some early work on a Global Teachers Pilot, with a programme to enable nine teachers from Aberdeenshire to enhance education delivery within host schools in Uganda, as well as providing an opportunity to develop global citizenship education in Scotland through their unique insight into another culture. In August 2012, all nine teachers returned home with exciting global learning opportunities to share.

Over the last academic year, the pilot programme has clearly had a significant impact on the nine schools with a number of teacher and pupil led global citizenship projects delivered within the classroom, to neighbouring schools, the wider education network, and the local community.

As a result of the pilot, WFT estimate 3,500 pupils have been exposed to various international initiatives with approximately 400 additional teachers, student teachers, and probationary teachers, engaging in global citizenship activities or continued professional development. The experience has also been used to inform the review and development of Aberdeenshire Council Education Department's strategy for global citizenship.

During the 2012/13 year, WFT decided to assimilate the results of the pilot programme and its impact, and spend time focusing on more direct management and implementation at each stage. WFT also decided to support Glasgow City Council educators with £25,000 for a schools

based, education capacity building trip to Malawi. One of WFT's Aberdeenshire teachers joined the 4 week trip to capture and share best practice, and maximise learning opportunities for global citizenship education across Scotland.

WFT is now pursuing the opportunity of creating a sustainable, Local Authority led, scalable global citizenship initiative within Scottish education. We are working in partnership with Aberdeenshire and Aberdeen City Councils to launch a refined pilot model for the 2013/14 academic year which we are calling Global Learning Partnerships.

Global Learning Partnerships was launched in late 2013. The intention is that in the summer of 2014, there will be a significant extension of the pilot with 15 primary and secondary school teachers from Aberdeen City and Aberdeenshire Councils spending four weeks on a professional and personal development placement in Rwanda.

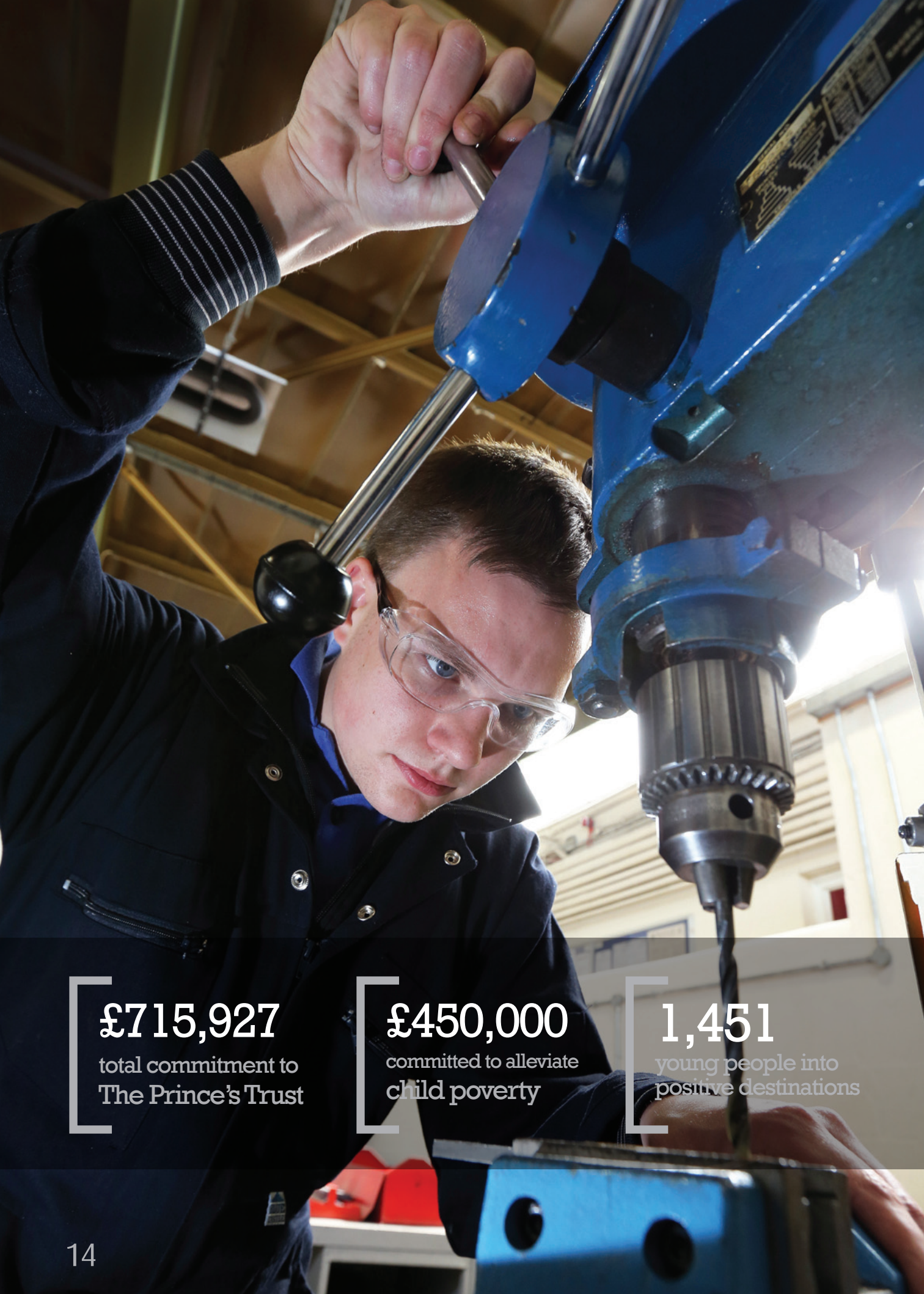
On this occasion, WFT has conducted the local investigation and will be managing the local presence ourselves, with the support of our management team in Rwanda. The reciprocal learning experience will offer participants the unique opportunity to share their skills to improve education delivery within their Rwandan host schools, whilst gaining an insight into another culture and, in turn, enriching the international education component in their Scottish schools.

3,500
pupils exposed to
global learning

"Maximise learning
opportunities for global
citizenship education
across Scotland"

400
additional
teachers engaged





£715,927

total commitment to
The Prince's Trust

£450,000

committed to alleviate
child poverty

1,451

young people into
positive destinations

The Prince's Trust: Get Into

(£242,210 committed during 2007/08; £49,353 during 2009/10; £424,364 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, across a diverse range of sectors such as Oil & Gas, Hospitality, Construction, and Social Care.

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

In 2009/10, the Wood Family Trust made a second, three year commitment to The Prince's Trust, this time supporting the introduction of Get Into programmes to Aberdeen through a new franchise delivery model.

During 2011/12, and based on the success of the first two investments, WFT made a third, three year commitment of £424,364 to The Prince's Trust and the Get Into programme to allow development of new delivery models, industry sectors, and regions across Scotland.

Between 2011/12 and 2013/14 this investment will enable The Prince's Trust to double the number of courses provided per annum from 24 to 48, providing positive destination opportunities for 1,451 young people within established and emerging employment sectors over the three years. The Prince's Trust is on track to achieve this objective.



STV Appeal

(£450,000 grant committed during 2013/14)

In September 2013 the Wood Family Trust committed a total of £450,000 to the STV Appeal, mainly to support projects in the North East of Scotland over three years.

The STV Appeal was launched in 2011 by Scottish Media Company STV and The Hunter Foundation to raise funds and help the 220,000 children and young people living in poverty in Scotland. The STV Appeal directs funds to alleviate the symptoms of child poverty, while also addressing the root causes behind the issue.

In the first two years of the STV Appeal, £3.3million was raised, allowing the charity to invest in almost 100 large and small projects across all 32 Local Authorities in Scotland,

helping over 9,000 children. The STV Appeal works closely with Scotland's leading experts in the field of child poverty, sharing knowledge and expertise with small community groups and national charities to address the challenges of the problem in Scotland.

At the time of committing to the investment, Wood Family Trust Chairman, Sir Ian Wood, also joined the STV Appeal board. WFT recognises that in order to genuinely support Scotland's next generation of enterprising, tolerant, independent citizens, we must address the poverty challenge in early years to facilitate the best possible start in life for our young people.

City Garden Project

(over £1million committed to the front end investigation of this project)

Last year we reported that we had withdrawn the offer of financial support following Aberdeen City Council's narrow margin vote to reject the Granite Web City Garden Project (after the positive vote to go ahead in the Aberdeen City referendum).

Because we believed in the very strong economic, cultural, and business case for a transformational city centre project, we indicated to the Council that if the Granite Web, or a similar transformational city centre project, came alive in 2013, the Trustees would consider reinstating the £50m contribution.

WFT reminded Aberdeen City Council at the end of November 2013 of the time limit on WFT funds being available. The Council decided on 18th December that they were unable to make a decision because they "can't meet the criteria at this time". It was clear that there was no hope that the more ambitious transformational project which WFT would have been prepared to help fund would be supported by the current Council Administration and thus the offer of funds has been withdrawn.

Management and Staff

Venture philanthropy is very similar to a business, in that the success of WFT's efforts is dependent on the quality and commitment of the management team and staff. Under the overall leadership of Jo Mackie, David Knopp in Africa,

and Alison MacLachlan in the UK, WFT has a professional, innovative, dedicated, and caring team giving confidence that the increasingly ambitious objectives will be achieved.

Plans for the year ahead

The Wood Family Trust's Sub Saharan Africa programmes during 2014 will be focused on:

- Stabilising the Mulindi and Shagasha Tea Factories whilst successfully delivering smallholder services through both factories.
- Developing WFT's partnership with DFID (Department for International Development) and investigating a significant Greenfield tea development in Tanzania which will have direct impact on smallholder farmers.
- Continue the growth of the WFT's in-house knowledge and expertise in the tea industry.

The Wood Family Trust's activities in the UK for 2014 will be focused on:

- Developing YPI in a sustainable manner in order to support our ambitions for growth across Scotland.
- Developing the Global Learning Partnerships programme in readiness for the next cohort of Scottish teachers to visit Rwanda in summer 2014.
- Continued engagement with, and support of, the Prince's Trust's development of Get Into, and the STV Appeal.



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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.