



AsiaTeak Valuation Report June 2022

Overview:

This report is designed to provide a current asset valuation for investment purpose and a projected future value of Final Harvest teak trees supplied by AsiaTeak Group under our standard Purchase Order Terms and Conditions for our clients or their SIPP Administrators.

AsiaTeak continues to take a very cautious approach to these valuations. Over the last two years the teak and wider global timber market has been extremely volatile, and it makes sense to take account of these variations and factor them into the current and projected value of the assets managed by the company. The major factors which affect the value of teak investments managed by AsiaTeak are as follows:

1. Growth rate and eventual expected volume from our trees

- a. We have seen significant changes in climate conditions over the last few years with longer dry spells when the trees don't grow, and shorter but more intense monsoons, which make water management and retention more difficult.
- b. Whilst this is difficult to manage we have made our best possible efforts to counter these effects with careful water management across all our estates and additional manure and fertiliser applications.

2. Local teak market pricing

- a. As mentioned there has been extreme volatility in the market mainly due to the Covid-19 pandemic. Many furniture and construction component factories in South-East Asia suspended manufacturing which led to reduced demand and/or reduced prices. Whilst this situation is improving there is still reduced demand for plantation teak.
- b. It is expected that the previous price stability enjoyed by the teak market will return. We will carefully manage this situation and factor this effect into future valuations.

3. Projected inflation rate

- a. The reduction in the demand and price of teak means that we still feel it prudent to set the inflation rate in our calculations to zero% as opposed to 2.5% previously.
- b. We will monitor this in the hope that it will improve and therefore be able to apply a better rate in future valuations.

4. Exchange Rate

- a. The current economic situation in Sri Lanka has caused a severe weakening of the Sri Lankan Rupee which has fallen against GBP from 1:235 on 1st April 2020 to 1:448 on 1st June 2022, a drop of 52%. This is reflected in the extreme reduction in the GBP valuations.
- b. Sri Lanka's economic situation is not likely to improve for some time but since the earliest harvest date for our trees is January 2030 it is hoped that by that time the exchange rate will have improved substantially.

5. Harvest Fees

- a. Increase in final harvest fees from 10% to 30% due to AsiaTeak re-financing deal in 2019

AsiaTeak Group is a member of
Anglo Asia Forestry Company Limited

A Private Limited Company Registered in the UK #6552385

Registered Office: Century House, Wargrave Road, Henley-on-Thames, RG9 2LT



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Audit Dates:

All audits were conducted by AsiaTeak senior management headed by MD; Paul Rockwood and Director of Plantations; Mr. Jayalath and supervised by Independent Forestry Consultant Dr. Nimal. The Sri Lanka audits were done in March 2022 and the Thai audits in May 2022.

Valuation Method:

All valuations are based on the projected local market value of teak logs produced from 20 year old teak trees. This value is then discounted back to the original standard purchase price in order to calculate the annual Internal Rate of Return (IRR). This IRR is then applied to the original standard purchase price of the trees to calculate the current and projected valuation for the current year and the earliest harvest date. Please refer to the table below.

References:

1. We use a number of sources to project the size of the Final Harvest trees including our own annual tree audits, data from other regional teak plantations and industry standard teak tree measurement statistics.
2. Log volumes are taken from Thai Royal Forest Dept. Standard Teak Log Volume Tables
3. Current Teak Market Pricing is taken from:
 - a. Thai Royal Forest Dept. Minimum Bid Auction Price List
 - b. Sri Lanka State Timber Corporation Price List
4. Inflation Rate is set at Zero%
5. Exchange Rate is taken from www.xe.com on 1st June 2022
 - a. Thailand 1 Pound (GBP) = 42.82 Thai Baht (THB)
 - b. Sri Lanka 1 Pound (GBP) = 448.30 Sri Lankan Rupees (LKR)

AsiaTeak Valuations GBP per Final Harvest Tree

Country	Investment Value on 1 st June 2022	Projected Value at Earliest Harvest Date	
Sri Lanka	£118	January 2030	£124
Thailand	£328	January 2024	£333