



AsiaTeak Sri Lanka Valuation Report June 2023

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.

This year, AsiaTeak has taken an extremely cautious approach to these valuations. During the last few 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.
- c. We have taken into account the Mean Annual Increment of our teak plantations across Sri Lanka and have downturned the projected average yield from these trees from 0.85 cubic meters to 0.6 cubic meters.

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 in 2022 caused a severe weakening of the Sri Lankan Rupee which fell from 1:235 on 1st April 2020 to 1:448 on 1st June 2022, a drop of 52%. During 2023 this slightly recovered to 1:405.92 by 1st April 2023
- 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

Audit Dates:

All audits were conducted in April 2023 by AsiaTeak senior management headed by MD; Paul Rockwood and Director of Plantations; Mr. Jayalath and supervised by Independent Forestry Consultant Dr. Nimal Ruwanpathirana.

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 have been projected according to the mean annual increment of the trees. Note: this is a change to the previous method and has produced a lower size projection.
3. Current Teak Market Pricing is taken from the Sri Lanka State Timber Corporation Sale Rate of Quality Teak Logs Price List
4. Inflation Rate is set at Zero%
5. Exchange Rate is taken from www.xe.com on 1st April 2023:
 - a. 1 Pound (GBP) = 405.92 Sri Lankan Rupees (LKR)

AsiaTeak Valuations GBP per Final Harvest Tree

Country	Investment Value on 1 st April 2023	Projected Value at Earliest Harvest Date	
Sri Lanka	£107	January 2030	£111