



## AsiaTeak Valuation Report 2021

### 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 for the year ending March 2021.

AsiaTeak has taken a very cautious approach to these valuations. Over the last year 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.
- 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 it is 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. Sri Lanka and Thailand have suffered economically from the Covid-19 pandemic. Both countries rely heavily on tourism which has almost completely collapsed leading to a worsening of exchange rates. This is particularly severe in Sri Lanka where the Sri Lankan Rupee dropped by over 17% over the last year and 26% over the last 2 years.
- b. As these countries recover from the pandemic the exchange rates are expected to gradually return to previous rates, however, it is also expected that this will take at least two if not more years.

#### 5. Harvest Fees

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



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### 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](http://www.xe.com) on 1<sup>st</sup> April 2021
  - a. Thailand 1 Pound (GBP) = 43.18 Thai Baht (THB)
  - b. Sri Lanka 1 Pound (GBP) = 275.81 Sri Lankan Rupees (LKR)

### AsiaTeak Valuations GBP per Final Harvest Tree

Country	Investment Value on 1 <sup>st</sup> April 2021	Projected Value at Earliest Harvest Date	
Sri Lanka	£151	January 2030	£196
Thailand	£323	January 2024	£331