

comparisons are a good guide

In order to get some sort of indication as to whether Future Forests Fiji is taking the right path, is to review other companies that are engaged in the same industry as we are.

Most Teak companies around the world are owned by private investors. Others are timber investment schemes where investors buy blocks of trees. Our company is a straightforward corporation that is owned by the shareholders. This makes us rare.

One such company that we have been following for the last four years is PROTEAK, as in many ways they are very similar to FFF.

Founded in 2000, PROTEAK has consistently grown year by year. In 2010, it began to produce products made from the timber of its own plantations. Prior to this, the company sold small logs into the international and domestic markets. From its establishment to 2011, the company has planted 8000 acres of Teak in both Mexico and Panama. Future Forests Fiji has a minimum target of 7000 acres.

In 2010, PROTEAK listed on the Mexican Stock Exchange, where it made its debut with a share price of US\$10.00 per share. Future Forests Fiji is targeting a share price of F\$0.80 cents. As a result FFF may be releasing its shares too cheaply? Only history will tell.

Also in 2010, PROTEAK generated approximately 3.3 million dollars of revenue. Yet by 2011, this revenue generation had grown to be 10.4 million dollars. Keep in mind that this company reports in US Dollars.



Another interesting fact is that PROTEAK has in excess of 160,000,000 shares on issue and Future Forests Fiji has only 30,000,000 available. Therefore, Future Forests Fiji is more likely to get a higher share price over time.

Finally, the reporting to the Mexican Exchange has stated that PROTEAK as a company is valued at 2 billion US dollars.

These comparisons are of great interest to us. Both companies have clear goals of planting the same size timber plantations and both companies intend to value-add to the timber production. So if Future Forests Fiji continues on the path that its management has devised, then the future is looking very bright for FFF.



we launched

On Wednesday 21 September 2011, Future Forests (Fiji) Ltd officially commenced its registration process (Initial Public Offer), offering the public to invest in the company by buying Shares or Notes.

Chief Guest, Permanent Secretary for Fisheries and Forestry, Commander Viliame Naupoto, addressed the over 80 interested investors in attendance, and praised FFF's vision and dedication in developing the Teak industry in Fiji. He stated that the Company's initiatives helped propel Fiji towards the Ministry's vision of "Our future generation inheriting a prosperous and enhanced forestry sector". Plantation forests, he said, were potentially a big step towards building a better Fiji for all.

FFF Chairman Kaliopate Tavola informed, via podcast, that while FFF was focused on maintaining world-class operations and commercial success, the Company also saw a wider role in the community. He emphasised how establishing Teak in rural areas gave rise to rural development, employment and entrepreneurship, and also brings cohesion to rural communities. This, he said was a very direct way of addressing poverty alleviation.

A statement from Kontiki Stockbroking Ltd said the investment opportunity allowed investors to choose between two instruments; shares at \$0.80 and converting notes at a \$1.00. Notes pay a 7.5% per annum interest rate for up to five years before converting into shares on a 1:1 basis. Shares offer strong potential share dividends from 2017 onwards, and no tax on Share dividends for companies listed on the SPSE.

-Future Forests (Fiji) Ltd in Brief-

FFF is a Fiji-incorporated company focused on the sustainable, large-scale planting, harvesting and processing of one of the world's great hardwood timbers- Teak (*Tectona Grandis*).

Established in 2005, the Company has since invested considerable funds and planted over 140,000 Teak trees on freehold and leased land in the Province of Ra, Viti Levu, Fiji, where they also established the largest commercial timber nursery of Fiji with a capacity of 400,000 seedlings per annum.

The Public Offer closes on Friday 28 October 2011.

For further information or to obtain a copy of the Prospectus and Kontiki's Investment Report, all interested investors should contact the IPO Managers Kontiki Stockbroking on (+679) 3307284 or visit www.kontikicapital.com, or **our NEW website www.fff.com.fj**.

Copies of all public speeches at the launch, including the pod cast by the Chairman, are available by contacting mail@fff.com.fj.



why value-add

Many people speak of 'Value Adding' whereby a raw material is processed to additional levels of function and utility. In the case of FFF this would be creating useful items such as furniture or furniture componentry from the timbers grown in our forests.

However the impacts of Value Adding are not fully understood. So let us take an example.

Should FFF simply sell its logs to another party the company would only generate revenue from the sale of logs. In the case of Teak this may be up to \$400 per cubic metre. However, FFF realises that this would not create the best financial return for the shareholders and as a result, the company has proposed in its strategic plan to develop a timber milling facility close to our plantations. This would allow the company to transform the \$400 dollar price for a cubic metre of log to \$2000/cube for sawn lumber. Yet we have plans to even improve further value adding.

To achieve our goal of obtaining the best price possible for our trees, the company plans to develop a joinery facility adjacent to the saw milling facility. For example, we plan to manufacture well designed furniture – such as in the photographs, because they use little timber



and possibly generate up to and exceeding \$10,000 per cubic metre of timber value.

The financial propositions will be more than significant for FFF, and therefore for the shareholders. Shareholders may even want to consider greater levels of value-adding and marketing where the company establishes its own retail outlets in overseas markets.

It all starts from growing the best possible tree.

Interesting Facts

In Burma, the traditional way to get Teak logs to the mill is to float them down a river. However, the logs have to be cut 12 months before and dried otherwise they simply sink to the bottom as they are so heavy!

Interesting Facts - World Cup Rugby impressed by Teak!

WELLINGTON: South Africa made it 2 wins out of 2 in the defence of their World Cup crown with a comfortable 49-3 victory over a misfiring Fiji today.

The Springboks showed a steely grit, and lots of flair, in dispatching a Fijian side that started well but whose preferred ball-in-hand game crumbled badly the longer they were unable to break the **tough-as-teak** South African defence.

<http://investing.businessweek.com/research/stocks/snapshot/snapshot.asp?ticker=TEAKCPO:MM>

