



Royal Spice Gardens Indonesia



INVESTMENT PROSPECTUS



WE HAVE A DREAM ...

... to return Indonesia to its rightful preeminent position as the Spice Islands, growing healthy organic spices sold as fresh produce, not the thousands of years old system of desiccated, tasteless spices packed for shipping by sail. Spices grown by farmers who grow wealthy and healthy, creating a healthy agrarian society, with a rich culture and strong ecosystem.

MISSION

The very best companies are profitable, socially responsible and care for the environment. We go further.

We aim to be VERY profitable; improving farmers' lives is a core objective of our social program; care for the environment is a given through our agricultural practices while we also nurture and sustain culture and participate in breeding programs for endangered species on our plantations.



INTRODUCTION

Royal Spice Gardens is an Indonesian Foreign Investment Company, a Perusahaan Modal Asing, known as a PMA, NIB Licence number 0220100502286. NPWP: 94.830.504.0-905.000. Its remit is in primary agriculture, growing and exporting as well as local sales.

Our methodology eschews the use of feeds and fertilisers that we do not manufacture ourselves. We note that many operations have excessive costs in these areas, more than 65% of aquaculture costs can be feed, and this methodology gives us tremendous financial advantage. At the same time, this makes us ecologically friendly.

The company was formed by Rex Sumner and Dwitra Ariana, along with Raja Samusamu, in January 2020, although the disruption caused by the pandemic meant that it took 9 months to obtain all the required licences.

We are active in our CSR. As well as helping local entrepreneurs work with us, we actively fund local culture through the Royal Association and reintroduce endangered species into our gardens where possible.

The company focuses on high value agricultural products, especially those where RSGI brings knowledge to Indonesia. We especially seek to process Indonesian produce in Indonesia before export, rather than exporting raw materials. We work closely with local farmers and producers, in effect forming co-operatives. **This gives win-win situations**, for the Indonesian producers gain a ready market and better prices, while we greatly increase our capacity with little investment.



RAJA SAMU SAMU



DWITRA J ARIANA



REX SUMNER

CORPORATE SOCIAL RESPONSIBILITY

We divide our CSR into 4 areas. First, there is active financial help to farmers, which is through our win-win deals and what are essentially co-operatives.

Further, we are able to rent suitable land at Rp 150million per hectare for 25 years. We do, but at least half our land is on a joint venture arrangement, where **the landowner gets 20% of the sales**. We need to be careful here, as people will rent the land in order to work with us... We also create associates, who grow vanilla following our methods and we sell for them, keeping 30%.

Were the landowner to grow rice on this land, he would get at best Rp 60 million per year, before costs of labour, seed and fertiliser. **When we work together, he can expect to get Rp 200 million per year**, although he must wait four years. And if he grows it himself, he should be earning over 2 billion per year.

Our Royal Association means we are part of the Association of Indonesian Kings, who have a remit from the Government to safeguard and nurture the disparate culture of the many peoples of Indonesia. We actively encourage culture, with a plan to take 2% from vanilla sales and use that to fund local artists to teach the school children. This is done purely in the villages in which we operate. In due course we expect we shall sponsor exhibitions.

“RSGI embodies the New Paradigm for Bali, profitable agriculture while looking after the people and culture. I love it.”
AGUNG RAI
founder of the ARMA Museum and chairman of the Bali Museum Association.

This is another win-win deal, for it embeds us deeper into the villages and ensures the locals appreciate and want us, thus they help with security for our valuable crops. Further, this brings us into the orbit of politicians who view us as a force for good, which they can take advantage of politically.

We are not an NGO, and we don’t tell farmers what to do. But they come and see how we farm without fertiliser, making compost, how



we don’t use pesticides, and we explain how this saves money and alternatives. We are free with our knowledge. Slowly, slowly, they are beginning to be interested and copy us. So, not only is our land free of harmful residues, but other land is becoming organic where it was once a barren chemical desert. Local farmers are really excited about making compost, which is something they haven’t done for at least three generations. And the vanilla grows better.

We encourage wildlife on our farms, and our nursery is inside a huge aviary. We did plan to breed and release the Bali starling, an Icon. Sadly, the birds were bored and snapped off the vanilla shoots for entertainment... So, we are sticking to finches, owls, bees, and other wildlife, as well as planting flowering plants that have nectar.

As this is written, we employ 40 people, and this year the number should double. We pay a competitive wage, but not outside the norm to create the wrath of other companies. At present 5% of the shares are allocated to an employee fund to look after bonuses, pensions and health assistance.

Our plans do not include promoting culture until we harvest; nevertheless, there is one aspect of culture we are nurturing in our preferred method – by using it. Lontar are the traditional books of the Orient, like scrolls but on paper made from palm leaves and constructed accordion style. They are hand painted with amazing images and calligraphy. Indonesian law does not require share certificates, but we create a beautiful certificate as a lontar (pictured), for anybody purchasing in excess of 50 shares. This makes a unique gift for shareholders, and provides employment for the lontar makers.

Indonesian law allows us to make another gift to shareholders. An investor who purchases 1,000 shares will have invested sufficient income to receive an Investor’s Visa, which allows for multiple entry into Indonesia for 2 years. We provide these free of charge to investors of 1,000 shares and above.



VANILLA

Allowing the beans to fully mature is the secret to quality

The true treasure of the Incas, vanilla is the only species of orchid to have a culinary use. Its powerful flavour is used in over 20,000 products, and correct production is difficult, thus causing the high price for quality vanilla.

Artificial vanilla is nowhere near the same, possibly because the real thing has over 250 different bio constituents, while the artificial but a few, including one allegedly based on the extract of a beaver's bottom. Another reason to prefer the real thing.

In the wild, the vanilla orchid climbs a rainforest giant for three years till it bursts out of the canopy into the sunlight, whereupon it flowers, and is pollinated by a Central American bee.

We grow our vanilla in raised beds, under the shade of a framework from trained *Gliciridia trees*. We start them in a bed of cocopeat, ground coconut husks, and then build up the bed with compost from the weeds and trimmings over the following years.

We do not allow the vanilla to grow high and out of reach, but circle it around and back to the medium two or three times, then along the shade trees trained in espalier fashion. After 3 years we prune the shade trees and the vanilla will flower, although not much in the first years. Pollination is done by hand, lacking the bee or a trainable substitute, and the beans take 7-9 months to mature.

Allowing the beans to fully mature is the secret to quality, for most vanilla is purchased from subsistence farmers by middlemen, and there is no incentive for the farmers to wait. When allowed to fully ripen, drying and fermenting the beans is a simple exercise taking perhaps a month, after which they need to mature for at least three months before being ready for shipping.

Although vanilla was US\$600 a kilo as little as four years ago, today it is US\$262 per kilo. We expected the price to fall further, as the only country with a sizable increase in production was Madagascar which is the benchmark for quality. However, Madagascar has been hit by yet another disaster, this time famine in the south and civil war in the north. While this should not affect the production

A vanilla garden is like a silver mine, but renewable

areas, it seems the crop is small enough for the price to be stable and even increase.

Today, we are constantly visited by buyers ranging from local Indonesian buyers to international buyers like Unilever. As this is written, the Indonesian buyers are offering Rp 3 million per kg, about US\$200, while the international buyers appear to be making a concerted effort to reduce the price to US\$100. There are a lot of mentions of Madagascan vanilla quantity deteriorating, which saddens but does not surprise us. Government interference and the legacy of internal warfare.

This hardens our resolve to focus on quality.

Currently, we have some 40,000 plants in the ground and we are planting about 15,000 new ones each year. We shall stop in a couple of years, and focus on our Vanilla Co-operative, assisting local farmers to plant vanilla which we shall process for them. They get 70% of finished product, which at today's prices would be Rp 2,100,000. Currently, they are getting Rp 200,000 for a green kilo, which would work out as about Rp 1,000,000 per processed kilo, so it

should double their income. And force them to focus on quality.

In 2023 we are in the third year of heavy rains, with no real dry season. The vanilla doesn't like it, mainly because the goodness is leached out of the soil by the constant rains and the roots rot in the sodden earth. We are countering this, and have learnt how to grow vanilla in these conditions. Next year we expect a return to normal conditions and a proper harvest. We have come up with a method of forecasting the crop and we are confident it will prove correct in 2023 - we can forecast the crop before flowering.

To mimic nature, we let the vanilla grow up a support tree. When it gets to the top, we let the shoot fall back to the ground, root again and up again. This repeats itself until the vanilla is at least 20m long. There will be several shoots doing this, as each time round the top the vanilla will put out a new shoot. In June, we cut back the shade tree to bathe the vanilla with sunshine and shortly after we cut the loops of the bigger vines close to the ground, thus creating dead-end branches. These dead-end branches create enough stress for the vanilla to put out flowers



PRODUCING HIGH QUALITY VANILLA IS ENSURED BY HARVESTING THE INDIVIDUAL PODS AT THE PEAK OF RIPENESS, BEFORE BURSTING, A DIFFICULT SKILL FOR THE FARMER.

in the dead-end branch. If we do not create this stress, the vanilla will flower in unpredictable ways. And not very much.

Each branch will put out perhaps three clusters of up to 20 flowers a year for the next three years. We will pollinate up to half of these (more is too much for the plant), so we can forecast that each dead-end branch is worth 24 x 17g green beans per year. That's 408g, so we can forecast that 2.5 dead-end branches will gain us 1 kilo of green beans. We need 5 kilos of green beans to make 1 kilo of cured vanilla, so we need 12.5 dead-end branches to achieve 1 kilo of cured vanilla per plant.

We aim for ten dead-end branches per vine, but can increase if we have reason to think it is a good year.

We forecast that 20% of the vines will flower in the third year, 40% in the fourth year and 60% thereafter. Of course, more should do so but this is conservative. For our calculations here, we are also forecasting no more than 8 dead-end branches per plant.

These are the assumptions that underline our vanilla growing.

Pricing. The world market is supposedly 7,500 tons, growing at 4% per year, with Indonesia supplying 20% and Madagascar 40%. This ignores the internal Indonesian market, which is large and growing. Madagascar is seeing government interference and price fixing, which is backfiring in terms of quality and providing opportunity for us.

A quick note on harvesting. The vanilla bean grows to full size in four months, but needs another four months to mature, when black lines appear longitudinally, the green fades and it starts to turn yellow just before bursting. This is the time to pick. Sadly, many farmers are paid by agents who cannot tell the difference, and they harvest after 4 months... giving young, smoky vanilla which gets a low price. We want that vanillin content over 2%! This is our objective, to produce top quality vanilla which will always find a market, no matter how much poor-quality vanilla is on the market.



There are many lobster farmers in Indonesia. They all sell them at 40g. We sell ours at 100g. That's a plateful



LOBSTERS

We breed Australian Redclaw crayfish, which are actually lobsters by the definition that they do not have a larval stage. The lobsters from the sea of Indonesia are actually crayfish...

We work on developing more robust, faster growing bloodlines, using traditional selective breeding. **We raise Black Soldier fly on fruit and vegetable rubbish that we collect FOC from the markets**, and feed the young lobster on these. This is a work in progress, and currently we supplement with pellets as we discover the best way to raise the lobsters,



WE SELL OUR LOBSTERS INDIVIDUALLY BY SIZE, NOT WEIGHT. THIS MAKES IT EASIER FOR RESTAURANTS.

Young lobsters are distributed to members of our lobster cooperative, who fatten them and return them to us for sale. We sell them in various sizes, and are unique in selling by size rather than total weight, which allows the restaurants to be specific with their plating.

The world market is enormous, with **the Chinese eating 90% of the world's crayfish** and they are on our doorstep. By using the cooperative, we can expand exponentially. Our current breeding operation can produce at least 100,000 babies per month. We plan to install a freezing plant in 2024 which will expand our market. We keep the price low, so the demand stays high.

Breeding the Black Soldier fly is key, as this allows us to develop future products. We are already looking at eels and frogs, both of which have ready markets, while the BSF provide us with that essential for animal husbandry, protein

So, we are able to use the technology to raise anything from pigs to chickens at a competitive advantage. Naturally, we won't choose something which is not highly profitable and beneficial to the local people.

COOPERATIVES

These are a vital cog in the Indonesian agricultural plan. There is a specific ministry to look after them, and lots of government funding.

For vanilla, we aim to supply young vanilla, educate members, ensure they do not harvest too early, process the beans for them and sell them. Absolutely vital services for the farmers that they desperately need. The only issue is trust, and first we need to buy vanilla from them so they are able to see the whole process. The following year, they can benefit from being a member and get a better price of 70% of sale price, rather than the current approximately 30-40%.

A 'BERRIED' LOBSTER. THE FEMALES CAN CARRY FROM 60 TO 600 EGGS, DEPENDING ON THEIR SIZE.



With lobster, the cooperative is slightly different. The local business bureau already gives fish farmers grants to build tanks, so we need to supply members with baby lobsters. We can either sell them, or give them to the farmer who must then sell back to us. We will monitor their facility each week. We need a lot of space for the lobsters, and while we can easily produce 100,000 babies per month, we don't have the space to grow them to a good size. By working with the cooperative, we can get as many as we want grown to the size we determine.



SOME PEOPLE WANT YOU TO EAT INSECTS. WE FEED THEM TO THE LOBSTERS, YOU EAT THE LOBSTERS. WE THINK THIS IS BETTER.

AGARWOOD

A common tree in the forest of Southeast Asia, there are several species all with a similar characteristic. If the tree is injured and attacked by fungus, they produce an oil to protect against the fungal infection. This oil, when extracted, is known as Oud oil, highly prized in the Middle East. The wood, when infused with the oil, is aromatic and burnt as incense.

Wild Agarwood can command huge sums for ancient, black wood, resinous with oil. As such, this wood is virtually extinct, having been harvested. The Indonesian government has long realised this, and established plantations to grow the wood. We still do not have much industry processing it to remove the oil and much wood is exported as wood.

RSGI has connections in Sulawesi, where there are 100,000 trees in plantations, through the Royal connection of the company. Also, in Central Kalimantan, through Rex Sumner's relations. His grandfather in law owns a plantation. There are issues to be solved with inoculation in Kalimantan, which has been solved in Sulawesi.

Oud oil, the treasured perfume of Arabia, also a healing oil



We plan to build a factory to extract the oil. This factory will also be able to extract essential oils from spices, which gives an alternative way of supplying them.

Once extracted, there are ready markets in India and throughout the Middle East. **The current market price is in excess of US\$50,000 per kilo.**

At the same time as we set up the factory, we intend to start growing our own Agarwood, interspersed with food trees to encourage wildlife and biodiversity. This very diversity provides fertility for the agarwood trees.



THE WOOD CHIPS ARE BURNED TO RELEASE THE SCENT, FRAGRANT SMOKE DRIFTING THROUGH THE CASBAH.

INCOME STATEMENT (IDR BILLIONS)															
		2022	2023	2024	2025	2026		2027	2028	2029	2030	2031	2032	2033	2034
Vanilla															
Harvest (cured) kg			377	1,364	5,317	10,259		16,764	19,754	21,204	22,704	22,204	22,704	22,704	22,704
Income Rp Billions			1.24	4.50	17.55	33.85		55.32	65.19	69.97	74.92	73.27	74.92	74.92	74.92
Cooperative income				1.08	3.24	6.48		8.10	9.72	11.34	13.50	16.20	16.20	16.20	16.20
Bought Green, Sold Dry			0.35	1.75	2.80	2.80		3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Lobsters Local			1.45	3.68	5.00	10.00		15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00
Lobsters Export				1.95	3.90	7.80		11.70	11.70	11.70	11.70	11.70	11.70	11.70	11.70
Total Revenue		-	3.04	12.96	32.49	60.93		93.62	105.11	111.51	118.62	119.67	121.32	121.32	121.32
Landowner Share			(0.36)	(1.02)	(3.09)	(5.47)		(8.59)	(10.02)	(10.72)	(11.44)	(11.20)	(11.44)	(11.44)	(11.44)
Buying Green			(0.25)	(1.25)	(2.00)	(2.00)		(2.50)	(2.50)	(2.50)	(2.50)	(2.50)	(2.50)	(2.50)	(2.50)
Vanilla production cost	0.00		(0.02)	(0.06)	(0.24)	(0.46)		(0.75)	(0.89)	(0.95)	(1.02)	(1.00)	(1.02)	(1.02)	(1.02)
Overhead (salaries etc)		(1.40)	(1.40)	(1.70)	(2.00)	(2.30)		(2.60)	(2.90)	(3.20)	(3.50)	(3.80)	(4.10)	(4.40)	(4.70)
CSR					(0.65)	(1.22)		(1.87)	(2.10)	(2.23)	(2.37)	(2.39)	(2.43)	(2.43)	(2.43)
Gross income		(1.40)	1.01	8.93	24.50	49.49		77.31	86.69	91.91	97.79	98.78	99.84	99.54	99.24
R&D		(1.40)	(1.40)	(1.40)	(0.81)	(1.52)		(2.34)	(2.63)	(2.79)	(2.97)	(2.99)	(3.03)	(3.03)	(3.03)
Early investor Bonus				(1.03)	(3.42)	(5.08)		(5.14)	(5.14)	(5.14)	(5.14)	0	0	0	0
Net income before tax		(2.80)	(0.75)	6.51	20.60	42.50		66.38	74.04	78.40	83.38	84.59	85.36	85.06	84.76
Income taxes	22%		0.00	(1.43)	(4.53)	(9.35)		(14.60)	(16.29)	(17.25)	(18.34)	(18.61)	(18.78)	(18.71)	(18.65)
Net income after tax		(2.80)	(0.75)	5.08	16.07	33.15		51.77	57.75	61.15	65.04	65.98	66.58	66.35	66.11
Crop reserve				(0.41)	(0.96)	(1.66)		(2.59)	(2.89)	(3.06)	(3.25)	(3.30)	(3.33)	(3.32)	(3.31)
Net income		(2.80)	(0.75)	4.67	15.10	31.49		49.19	54.87	58.10	61.79	62.68	63.25	63.03	62.81
\$USD	0	(200,000)	(53,384)	333,824	1,078,681	2,249,337		3,513,227	3,918,931	4,149,675	4,413,394	4,477,186	4,518,113	4,502,234	4,486,356
Dividends/share \$USD		(8)	(2)	13	41	87		135	151	160	170	172	174	173	173

CASHFLOW STATEMENT (IDR BILLIONS)															
Operational cash balance 1-1		0.04	0.03	1.88	2.93	9.0		21.0	43.5	68.8	96.2	126	156	187	219
Share issue in 2023 (2500 @ \$100/share)		3.50	3.50												
Net income		(2.80)	(0.75)	4.67	15.10	31.49		49.19	54.87	58.10	61.79	62.68	63.25	63.03	62.81
Vine maintenance	BS	(0.81)	(0.91)	(1.29)	(1.52)	(3.74)		(2.10)	(2.10)	(1.68)	(1.26)	(0.84)	(0.42)	0	0
Other	BS	0													
Balance before dividend		(0.08)	1.88	5.26	16.51	36.7		68.1	96.2	125	157	188	219	251	282
Dividends/share \$USD		0	0	13	41	87		135	151	160	170	172	174	173	173
Total dividend		-	0	(2.34)	(7.55)	(15.75)		(24.59)	(27.43)	(29.05)	(30.89)	(31.34)	(31.63)	(31.52)	(31.40)
Cash balance after dividends		0.03	1.88	2.93	9.0	21.0		43.5	68.8	96.2	126	156	187	219	250
Crop reserve (in savings account)			-	0.41	1.37	3.03		5.62	8.50	11.56	14.81	18.11	21.44	24.76	28.06

Note 1: Dividends are paid out with deduction of 20% withholding tax unless recipient provides Indonesia tax ID. Then 10% withholding tax is deducted
Note 2: The actual currency is Indonesian Rupiah and all profits and dividends will be paid in Indonesian Rupiah

Note 3: This forecast is made based on an exchange rate of IDR 14,000 per USD
Note 4: Founder shares at 0% dividend value - reviewed after other shares have achieved ROI

HISTORY AND USE OF FUNDS

In the first two years of operation, RSGI has raised 7 billion rupiah, about US\$500,000. This has been spent on operating expenses, planting and the 20-year lease of our factory building on 1800 m² of roadside prime business land, 1.5 hours from the harbour, while centrally located for receiving crops from around the island.

RSGI has 24 gardens ranging from 500 to 5,000 plants, with a total of 40,000 planted vines. While a few are coming into flower, most won’t produce until 2024/5. This number increases by about 15,000 per year. So, it has cost US\$12.50 per plant, Rp 175,000, to create the plantation. In

BUDGET 2023 (US\$)	
Operating Expenses	250,000
Renovate building to become offices, warehouse, factory and distribution centre	50,000
Set up and obtain machinery for laboratory	50,000
Roof lobster ponds with polycarbonate	10,000
Set up freezer factory for lobsters	50,000
Buy green vanilla for processing	250,000
Conduct Agarwood/Oud oil experiment	50,000
Remainder for contingency	290,000

addition, we have the lobster farm with 32 concrete lined ponds, and the factory. RSGI expects the sales of lobster to cover costs by May 2023.

BALANCE SHEET (IDR)	
Assets	
Cash and Bank	33,198,618
Receivables	656,600,927
Prepayments	30,350,000
Vine Inventories	3,562,860,000
Maintenance	24,000,000
Goodwill	79,088,800,000
Fixed assets	1,069,700,715
Total Assets	85,987,670,500
Payroll Accrual Payables	(116,475,000)
Taxes payable	(7,305,642)
Long Term Liabilities	(866,600,000)
Total Liabilities	(1,105,673,652)
Net Assets	83,891,616,206
Equity	85,927,800,000
Agio Above Par	91,700,000
Retained Earnings	(1,362,112,115)
Current Earnings	(2,651,808,353)
Total Equity	82,179,537,457
Plus 30,000 unsold shares	60,000,000,000

APPLICATION FORM

Please use **invest@royalspicegardens.com**, scan the QR Code below or simply email **paul@royalspicegardens.com** with the following details:

- Name
- Address
- Email address
- Phone no.
- Passport Number and copy of passport
- How many shares required.

Successful applications will receive a completed Share Agreement to sign. Once returned and the amount paid, RSGI will use a notary to redraw the Akta of the company to include your shareholding. This will be accomplished within 3 months.



Please note that vanilla is affected by the weather, which has an effect on dividends. Our original forecast anticipated that there would be an El Nina year every 9 years, so to be conservative, we said no harvest every six years. We’ve just had 3 El Nina years in a row... The forecast in this prospectus is based on the reduced yields from the El Nina years.



Royal Spice Gardens Indonesia

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