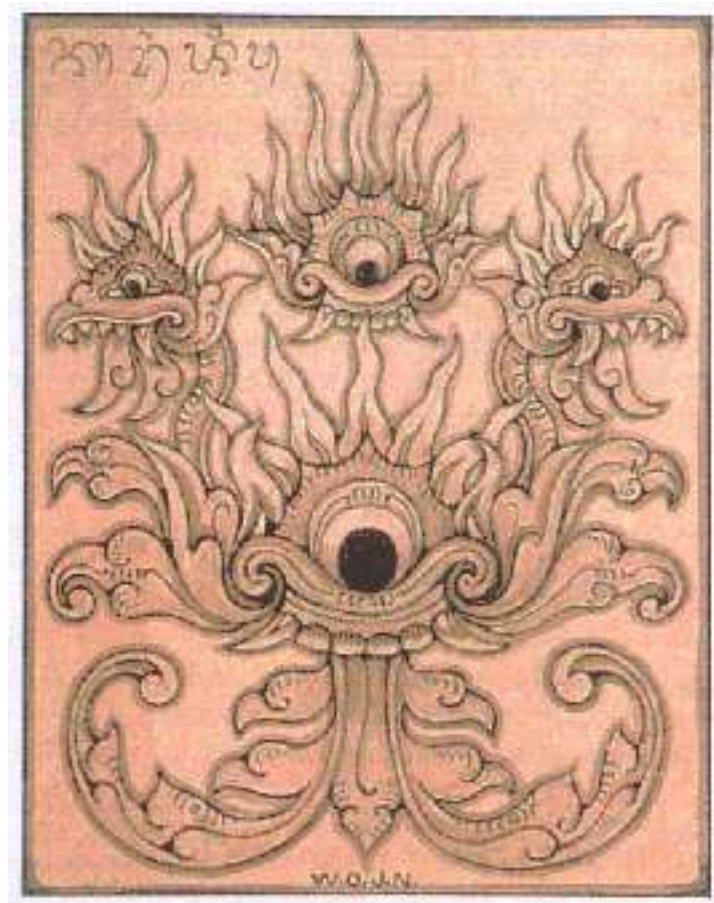


GEDONG

Restaurant & Bar



Kedonganan, Bali

Investment Proposal
Michael Donnelly
October 2004

Gedong at Kedonganan

Executive Summary

The same team behind Kori Restaurant & Bar, Gary Hewson and Michael Donnelly, will open a new restaurant called Gedong in Kedonganan in 2006. The 36 ara site is located across a small road from an unspoiled beach and within easy reach of the bypass in Jimbaran.

The target market includes hotel guests, villa guests and expatriates of Nusa Dua, Jimbaran and Sanur who now have no easily accessible quality restaurants or evening entertainment destinations. With its seafront location, Gedong can offer activities to guests from early morning through late night.

The building is designed to maximize views to the sea and will feature the same original Bali atmosphere found in Kori Restaurant and the Uluwatu shops. Features include a two story main restaurant with a full sunset view, a large separate bar / lounge with sea view, a spectacular open display kitchen, and a preparation kitchen large enough to support a major catering operation. Although the main restaurant will offer a premium dining and wine menu, more casual dining will also be available on the sea terrace.

Estimated costs to build and open are USD 1,600,000. Opening is scheduled for June 2006.

Profit projections may be extended from Kori operations or from comparisons with other similar restaurants such as KuDeTa. Under different scenarios, payback may be expected for between one to four years. These projections are of course highly subject to conditions affecting tourism in Bali and the world in general.

Investment opportunities are based on a “waterfall / flip” structure in which financial backers receive an accelerated payback with interest from the early profits, and then a permanent percentage of long term profits after all financial investments are fully repaid.

Table of Contents

<u>Introduction</u>	<u>3</u>
<u>Site and Location</u>	<u>4</u>
<u>Design and Management Team</u>	<u>7</u>
<u>Target Market</u>	<u>9</u>
<u>Layout</u>	<u>11</u>
<u>Design Concept</u>	<u>20</u>
<u>Construction and Building Design</u>	<u>21</u>
<u>Restaurant Walk-through</u>	<u>22</u>
<u>Phase I and Phase II</u>	<u>26</u>
<u>Budget</u>	<u>27</u>
<u>Timetable</u>	<u>28</u>
<u>Projections</u>	<u>29</u>
<u>Alternative Projections</u>	<u>34</u>
<u>Strengths and Weaknesses, Opportunities and Threats</u>	<u>35</u>
<u>Investment Opportunities</u>	<u>36</u>
<u>Menu Concepts</u>	<u>37</u>
<u>A Short History of Gedong: the Founding Story</u>	<u>38</u>

Introduction

Kori Restaurant & Bar opened in 1998 in a torrential June rainstorm, an auspicious sign according to Balinese tradition. And Kori has accordingly been successful from the start. A quick check of the guest comment book tells us some of the reasons why: “Excellent food...”, “romantic atmosphere...”, “beautiful staff...”, “great music...”, “a lovely Balinese experience...” Other reasons are less obvious but equally important, including highly professional operational management by Gary Hewson and a smooth working relationship between Gary and designer / business manager Michael Donnelly.

Kori’s limitations are its small size and difficult location on a small lane in Kuta. But in spite of the difficult access we find that guests readily make the journey from as far as Sanur or Kerobokan, and Nusa Dua hotel managers frequently recommend Kori as a dinner destination. We have always felt that the Kori concept could support a much larger restaurant if we could improve the location.

We have the opportunity now to build a new restaurant by moving up-market into an exciting new area and extending the Kori concept into a dream of a Balinese palace called **Gedong** at Kedonganan.

Site and Location

Gedong is located on 36 ara on the beachfront in Kedonganan at the border of Jimbaran. A small asphalt road runs along the beach in front of the restaurant. The beach itself is now used for *jukung* repair and storage and has numerous trees on it. Towards the airport along the beach is a group of fish restaurants starting about 200 meters north. Another group of fish restaurants starts about 400 meters south in Jimbaran. There is tourist foot traffic along the beach between hotels and the fish restaurants. Four Seasons and Intercontinental hotels are both in walking distance along the sand.

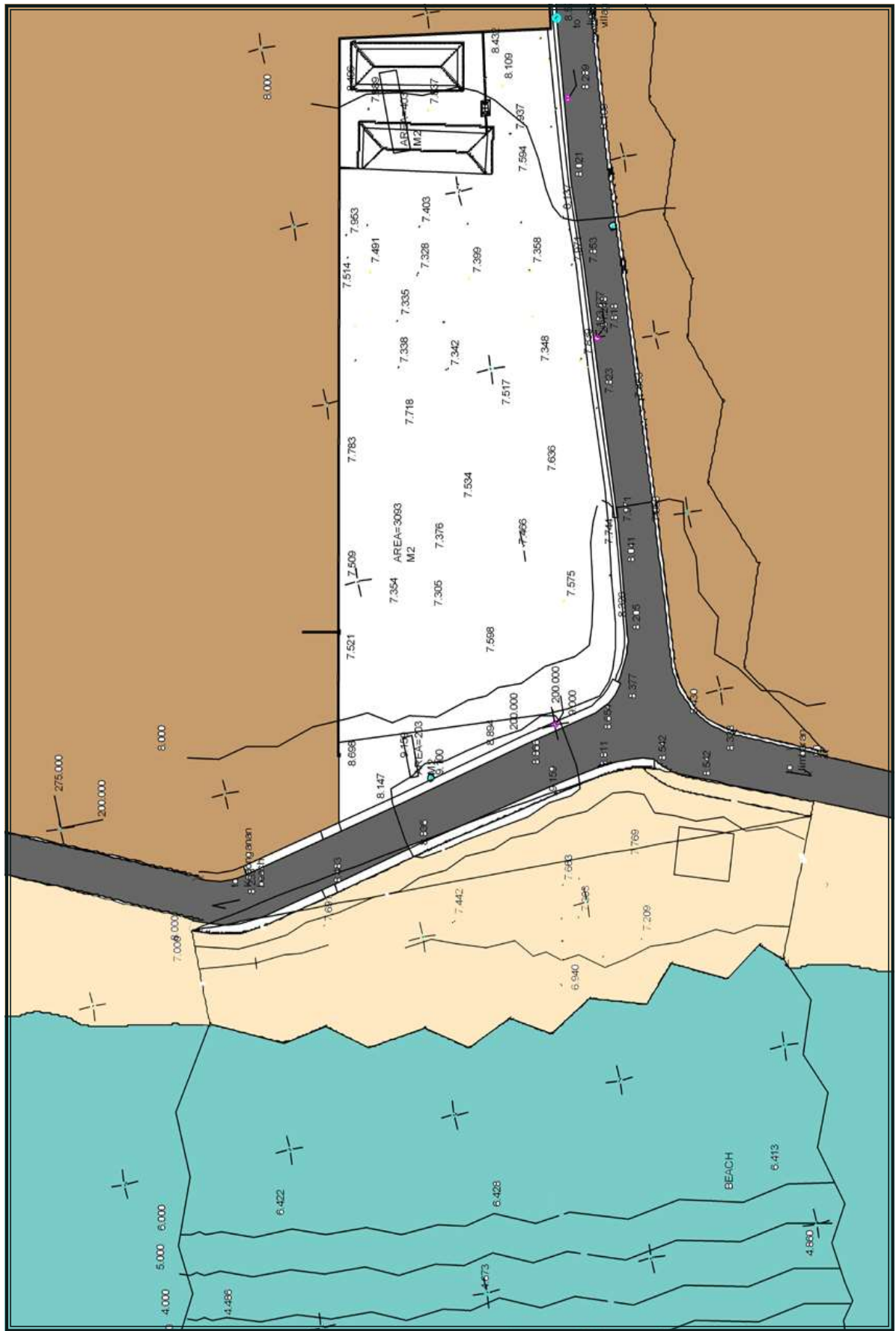
The property is easily accessible from Jalan Uluwatu in Jimbaran and the Nusa Dua bypass. A side road gives access the south side as well as the beach front. Even large tour busses have access to the location and there are many nearby vacant lots available for lease to provide off-site parking.

The entire area appears ready for development. Many luxury villas and major hotels are within a short drive from Gedong, but there is a surprising lack of restaurants in Jimbaran / Nusa Dua other than in the major hotels. On opening, Gedong will be the only quality independent restaurant and nightspot south of Tuban. Villas, hotels and private homes from Nusa Dua and Jimbaran to Sanur will find Gedong to be the first exciting dining and nightlife destination to free them from the traffic-ridden struggle into Seminyak.

Being the first restaurant south of Tuban may be a great start and will enable an early customer base, but it is not a long term success strategy. Other restaurants will undoubtedly soon join Gedong on the Jimbaran / Kedonganan beach, and success at Gedong will come from the same attention to detail that has made a success of Kori. Gedong will welcome new neighbors as it expands the definition of Kedonganan as a fun destination area. We hope that Gedong will form the nucleus of a Jimbaran Bay restaurant zone as KuDeTa anchors the Seminyak restaurant area.



Helicopter view from over the beach toward the land.



Design and Management Team

Michael Donnelly and Gary Hewson are the core team for Gedong just as for Kori. At Kori we have developed a formula for collaboration that allows maximum expression of our individual talents. The result has been a smooth working relationship with few conflicts, and we have no doubts that this productive relationship will bring even more favorable results at Gedong.

Michael Donnelly

Michael's activities at Kori are in two major areas: 1) Design and 2) business management.

Michael is the designer of Kori restaurant as well as the chain of Uluwatu shops. Design in this case does not stop with the building, but includes furniture, menu graphics, music selection, staff uniforms, lighting and everything else which contributes to mood and atmosphere. Sixteen years in Bali have given him a solid background in not just the surface of Bali design, but the deeper currents behind the design. .

Business management includes control of accounting, IT and financing operations in connection with Kori's position as part of the Uluwatu group.

A quick Curriculum Vitae:

- Graduate University California San Diego 1975, Bachelor of Arts with High Honors.
- Two years PhD program graduate work and research at UCLA Institute Molecular Biology - before leaving to find a more exciting lifestyle.
- Subsequent graduate work at various times:
 - UCLA – Anthropology - one year
 - UCLA – Film Production – various courses
 - UCLA – MBA program - two years
- Work in Los Angeles film industry as independent Production Manager (not quite successfully) – four years.
- USA manager and Indonesian “troubleshooter” for Indonesian wood and trading group PT Daya Sakti. Includes extensive experience in plywood and sawn timber production and marketing, plus design and startup of furniture factory PT Domusindo Perdana, Pasuruan, Jawa Timor – eight years.
- Owner / manager (and designer) of PT Uluwatu and PT Kori Restaurant from 1989 to present.

Gary Hewson

Describing Gary as “the best restaurateur in Bali” would cause little dissent among those who know Bali. His ability, professionalism and energy are clearly on display at Kori as well as through his many activities with organizations including Bali Culinary Professionals, the KSBA Food Festival, Rotary and the Kori Wine Club. His tireless promotion and innovation at Kori has pulled the restaurant

through some very tough times with impressive results.

Gary operates Kori independently in every detail, including staff, training, menu, purchasing and even most major investment and renovation decisions.

As a quick Curriculum Vitae:

- Graduate Otago Polytechnic, Dunedin, New Zealand 1975.
- Certificates in Basic and Advanced Cookery for the Catering Industry, City and Guilds.
- Numerous Chef and Executive Chef positions since 1975 including:
 - Oskars On The Beach, Gold Coast, Australia 1981 – 1983.
 - Own restaurant, Melbourne, Australia 1983 – 1986.
 - Old Melbourne Hotel, Australia 1986 – 1990.
 - Cumberland Resort, Lorne, Australia 1990 – 1991.
 - Eden On The Park, Melbourne, Australia 1991 – 1994.
 - Park Grand Hotel, Sydney, Australia 1994
 - St. Kilda Sea Baths, Melbourne, Australia 1995.
 - Mount Butler Chalet Hotel, Mount Buller, Australia 1995.
 - Nusa Dua Beach Hotel, Bali 1995 – 1998.

In many of these positions, Gary has been part of or the leader of opening teams. At the Nusa Dua Beach Hotel, Gary created and opened Chess Restaurant. And of course, Gary opened Kori.

The Team

Gary and Michael's working relationship is based on a mutual respect for one another's areas of expertise; we frequently consult with one another but the ultimate decision always lies with the one or the other according to the area of responsibility. Six years of collaboration have witnessed no conflicts that have not been quickly resolved by this relationship.

Going ahead with Gedong we have strong practical experience to build upon. There is little new at Gedong from design, construction, staffing, operations or administration that we have not faced and overcome before. What problems will arise we are confident of being able to meet based upon our long relationship and various talents and resources.

The team at Kori also extends to the existing well trained and talented Kori staff. Many Kori staff will form seed staff for Gedong and expertise will be shared back and forth between Kori and Gedong.

Target Market

The surge in upscale restaurants in Seminyak in the last few years demonstrates the potential for quality restaurants catering to the sophisticated villas, expatriate, and four-star hotel customer base. The most successful of these new restaurants combine the same elements that make restaurants successful anywhere else in the world: great atmosphere, quality food and service, professional management, and location.

Seminyak is arguably overbuilt with restaurants at the moment, but the best are doing well. The success of Seminyak is based on its reasonable accessibility to the Seminyak customer base, and more importantly its acceptance by the public as the center of the restaurant scene in Bali.

Gedong is a new location which we will need to establish as a new restaurant center. This is more difficult than simply crowding into the existing Seminyak scene, but ultimately far more rewarding.

With an ocean view and easy beach access, Gedong can be active from breakfast, brunch, lunch, sunset drinks, dinner, and late night. Each of these times may target different customer profiles and we are planning facilities and activities to accommodate 18 hours a day of business. Activities, customer characteristics and facilities include:

- Breakfast – business people, morning joggers, expatriates and villa/hotel guests– a quick breakfast or leisurely morning coffee on the terrace overlooking the sea – 7AM to 10 AM.
- Ladies Who Lunch – Air conditioned Sea Room or sea terrace brunch while the kids play in the central courtyard splash pool – 10 AM to 3 PM.
- Lunch – business people, hotel guests – a relaxing lunch in the main restaurant, or a business lunch in the air conditioned annex – 11 AM to 2 PM.
- Saturday / Sunday Brunch – expatriates and villa guests – weekend beach activities, service on the terrace or on the beach while the kids play in the sea – showers available on the beach side for a clean up before dinner at Gedong – a great place to meet husbands coming back from a surf – 10 AM to 6 PM.
- Business and Club Gatherings – small business groups and clubs – air conditioned meeting in the Sea Room for small group meetings in an elegant atmosphere.
- Sunset Happy Hour – anybody – great sunset views from anywhere in the complex including terrace, bar, main floor and especially second floor.
- Dinner – everybody – when Gedong really comes alive – dining in a multitude of locations from the sea terrace to busy party rooms to romantic courtyards – repeated visits bring new experiences – 6 PM to 11 PM.

- Bar and Lounge – a separate bar and lounge accommodates pre-dinner drinks, post dinner relaxing and an independent bar scene – casual dining available in the bar – a pool table and comfortable armchairs invite guests to stay through the evening – 6 PM to 2 AM.
- Live Music – Traffic Blues and more – beach location and no neighbors allows music loud and late – Gedong can schedule bands and events to create nightlife independent of the restaurant – large events drink service available from multiple bars – 10 PM to 2 AM.
- Special Events – weddings and business groups – Gedong can be booked for special events – easy bus access and parking allows even large groups that are impractical for Kori.

The restaurant itself is up-market: KuDeTa has proven the demand for top quality food and dining experience and the Jimbaran region is a prime location. But while white tablecloth dining is available in the main room, Gedong also invites guests to the sea or bar terrace for a more casual dinner. Anything from bare feet to Gucci's has a place somewhere at Gedong.

Layout

Characteristics of the site influence many features of the layout. These include:

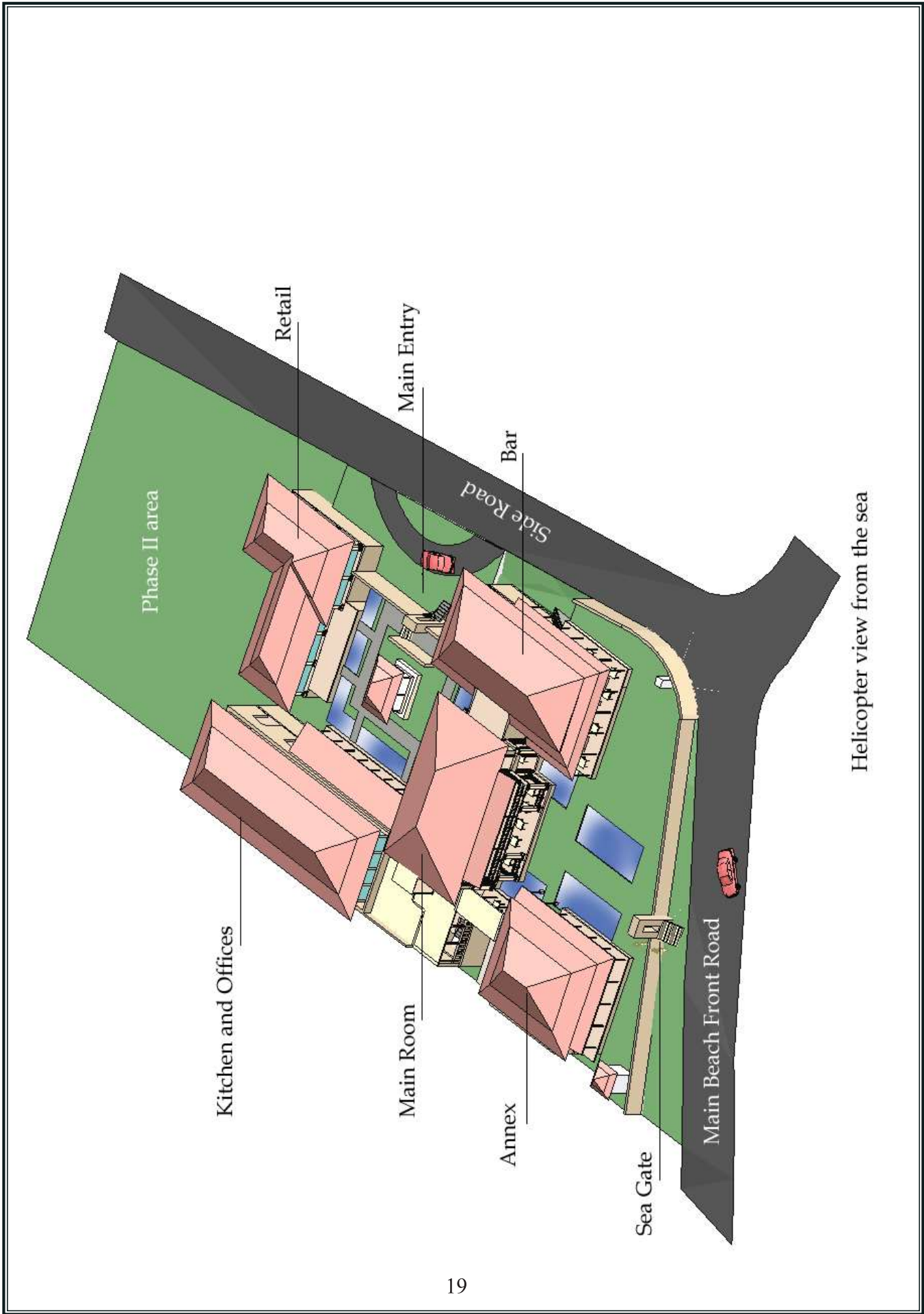
- Maintain maximum view to the sea over the beachfront road.
- Bring customer main entry to the side road away from the beachfront.
- Bring delivery traffic to the farthest east (inland) side of the property.
- Locate kitchen at center of property.
- Raise the entire site well above road level.
- Maximize garden space and views.

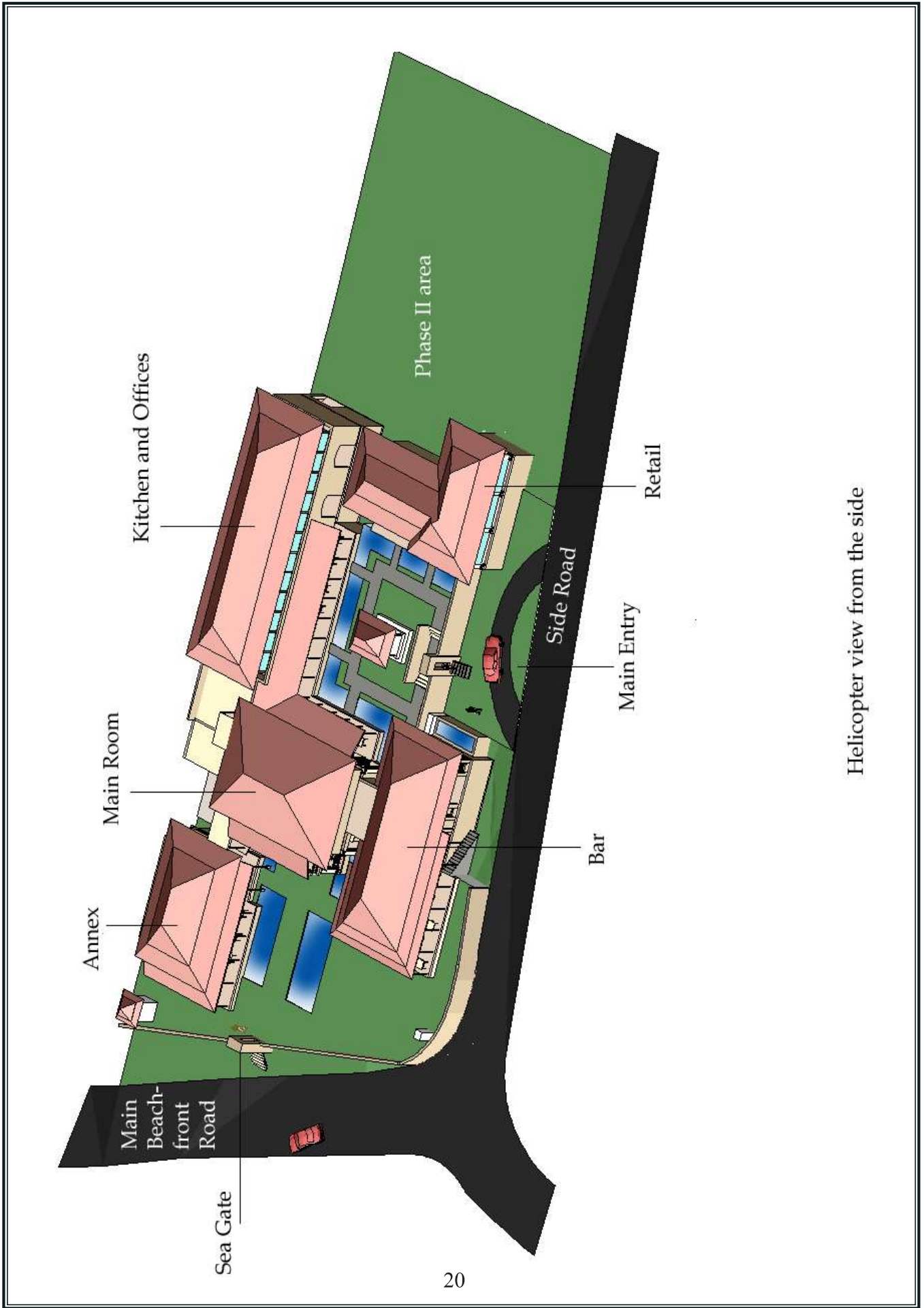
The result is a complex built around three courtyards.

1. The sea terrace sets back from the beachfront the main building, the Sea Room, and the Bar in a U shape to maximize beach views.
2. The central courtyard is the main guest entry, moving the distraction of traffic away from the ocean front and providing a dramatic entry to the complex which culminates in a view from the main room entry through to the Kori Laut and the sea beyond.
3. The small eastern courtyard provides a quiet center to the conference, retail and spa area.

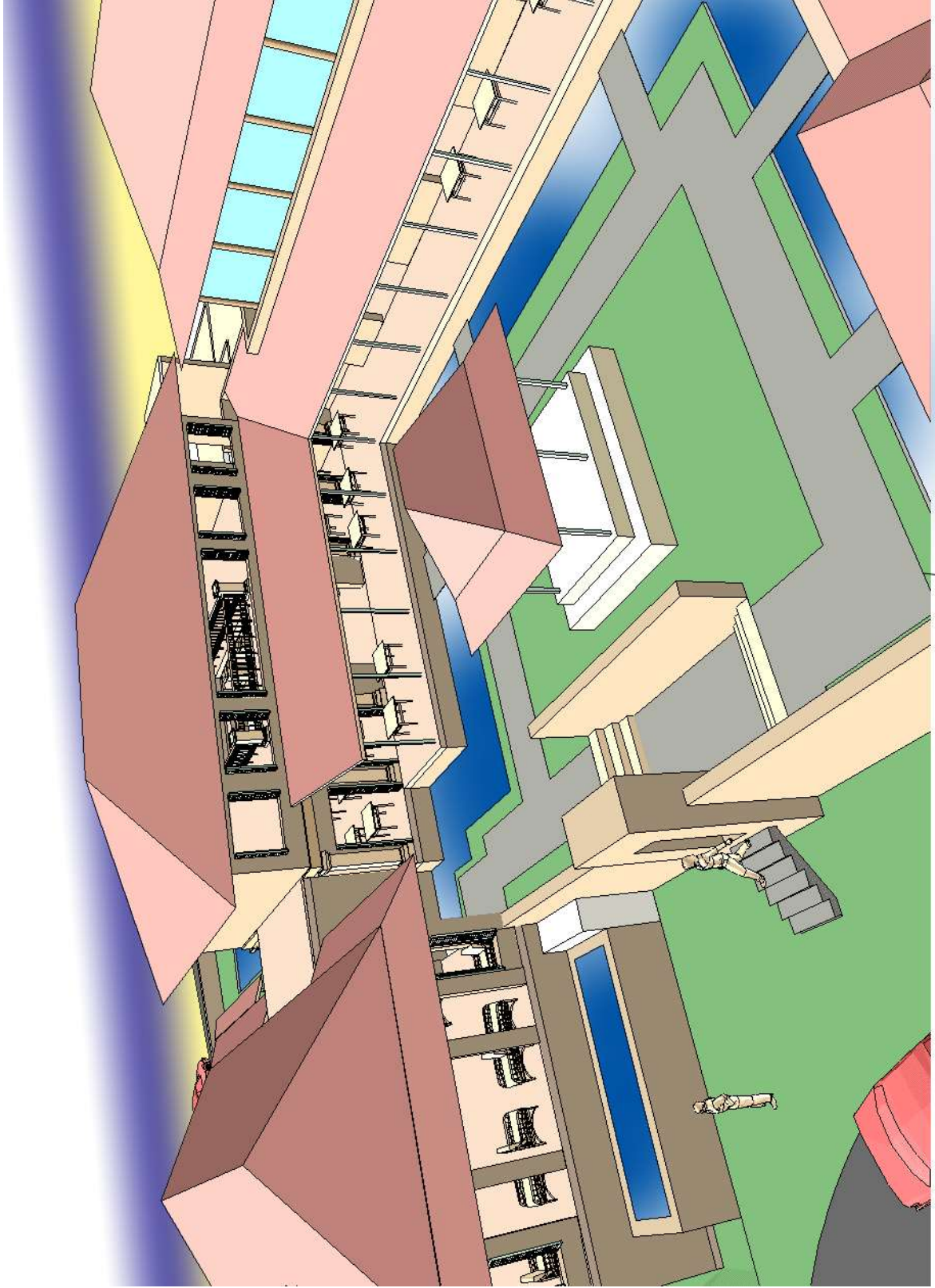
The site now is 1.7 meters below the beachfront road level. The sea terrace and central courtyards will be raised to at least 1 meter above road level to prevent flooding, to give allowance for future road projects, and to provide a view to the sea while blocking a view of beachfront traffic. This allows us to easily construct extensive basement areas under the main buildings before we fill around to build the terraces. These basements provide storage, delivery and utility areas, restrooms, and a large wine cellar.

The delivery road is located at the far inland edge of the property, and due to the site level and fill plan vehicles will drive into the basement level of the kitchen building. This large kitchen and prep space will support a major catering business as still another activity of Gedong.

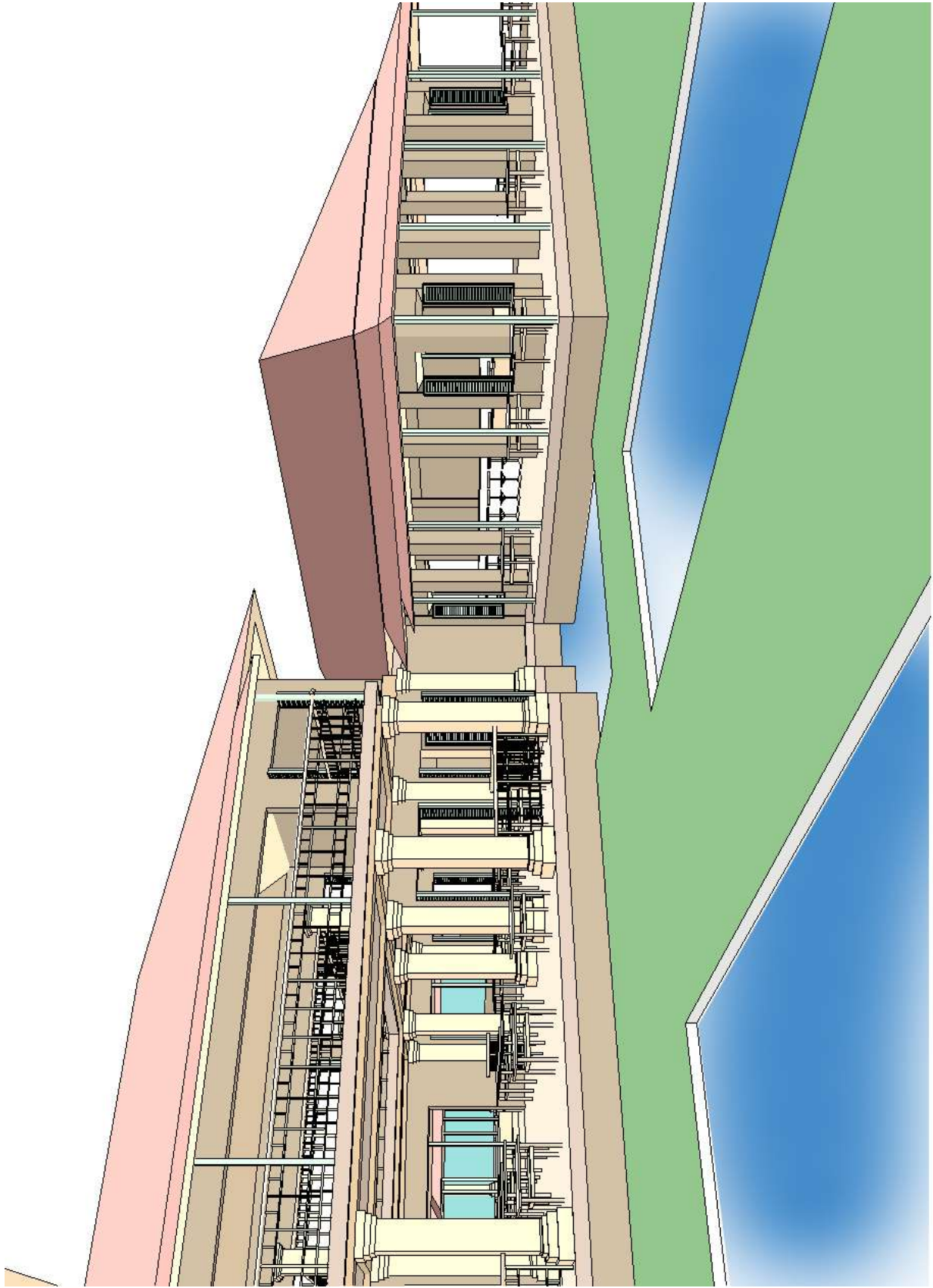




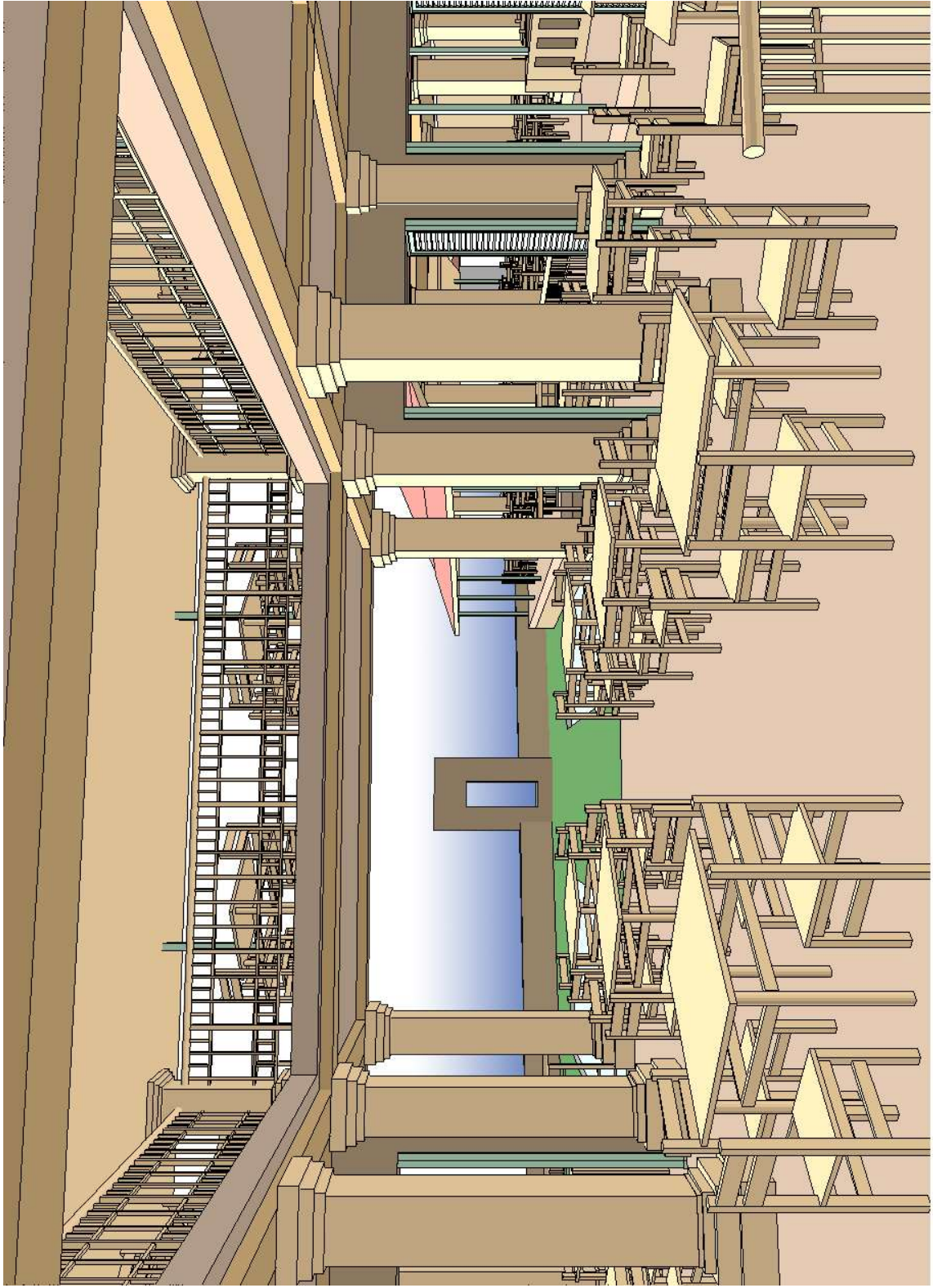
Helicopter view from the side



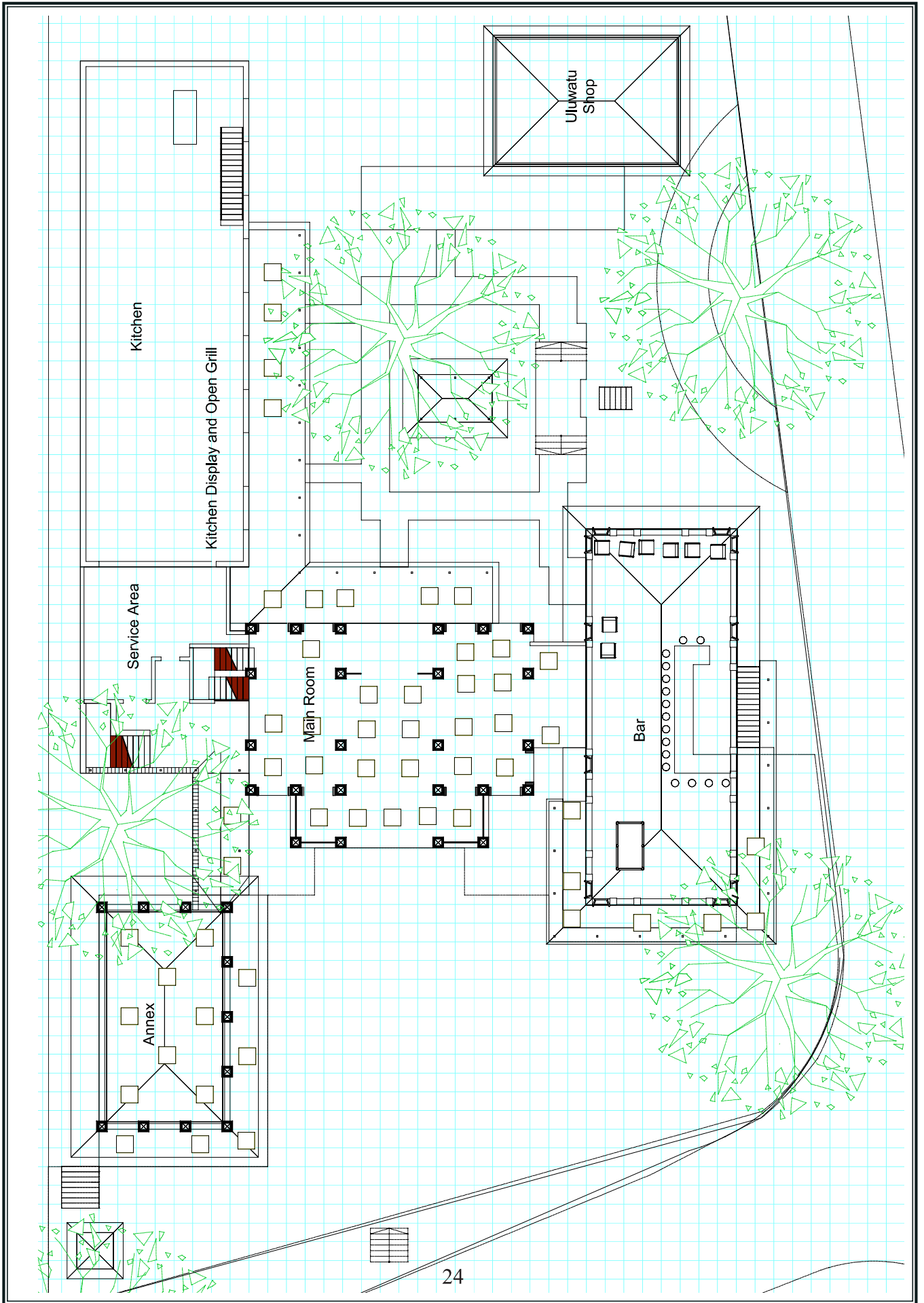
Helicopter View from east, looking into Entry Courtyard towards Main Room and sea.

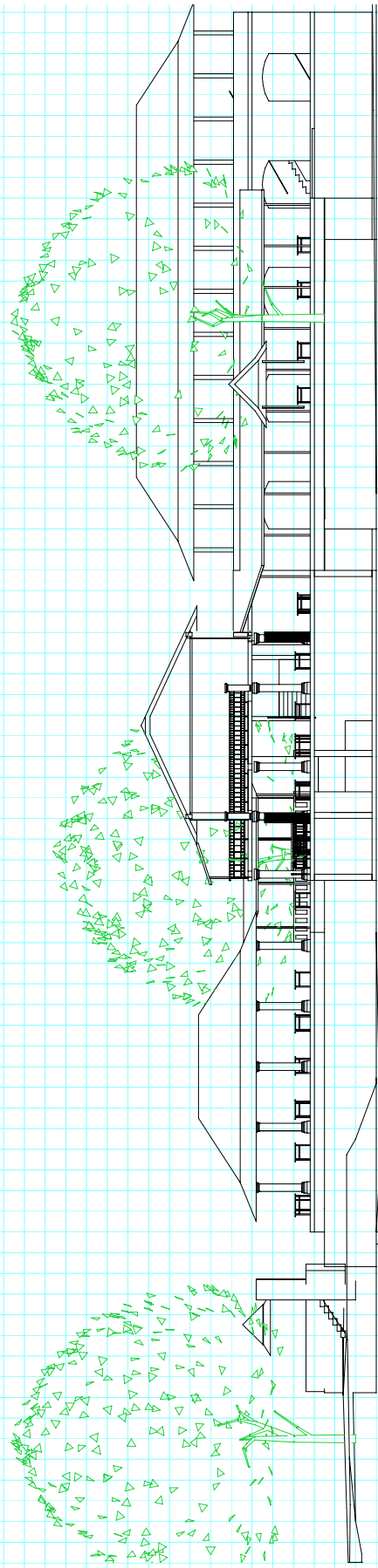


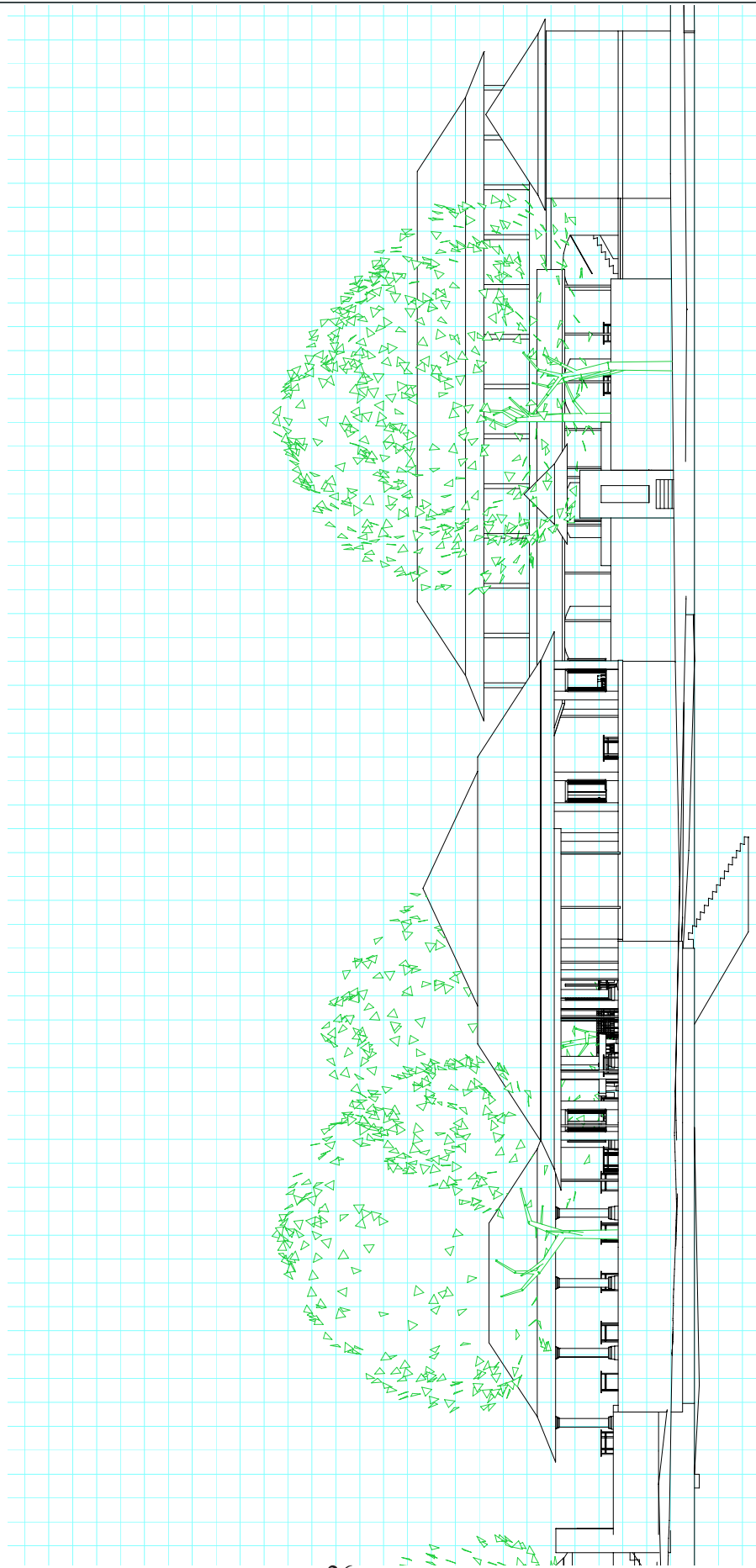
View from Sea Gate east towards Main Room and Bar



View from Main Room Entry looking towards the Sea Gate.







Design Concept

Just as is Kori and Uluwatu, Gedong is based around a story, in fact the same story as Kori and Uluwatu. A seven page script describes the setting for all the businesses, and although the story will never be made public to our customers, it is the touchstone for design which ensures that every detail remains true with authenticity to a real Balinese time and place.

A brief of the story includes that Gedong is the site of a palace, built around a still older Dutch trading post, owned by a Balinese prince and his American son-in-law in the 1930's. Together they developed the complex into a hotel / restaurant / nightclub which was world renowned in the years before World War II. International celebrities including Duke Ellington, Noel Coward, and Greta Garbo were frequent visitors. The palace fell into disrepair after the war, but is now being revived by his grandchildren. Elements of the old days remain mixed with the detritus of every era up to the present, including treasures of such questionable taste as Lava Lamps and tiger skin velour throw pillows. The old prince, now over 100 years old, still occasionally comes in for a dry martini.

This story allows a multilayered design with seemingly disparate elements pulled together to form a world with a surprising consistency. The task of the designer is to see this world vividly enough to know exact what does and what does not belong. For the guest the many layers provide a deep experience in which each element adds richness to the environment. Repeated visits reveal new details. The goal is a sort of theatre utilizing the "suspension of disbelief" in which the restaurant is a setting, the music a soundtrack, and our guests feel themselves stars in a film of their own imagination.

Kori and Uluwatu already do this. Gedong will do it better. Kori and Uluwatu are branches based upon the concept, but Gedong is where it all started.

Construction and Building Design

The site has been surveyed and the enclosed building design plans are complete and near final for dimensions and layout. Government standards have been checked and are being reconfirmed for distance to high tide, distance from roads and boundaries, neighborhood approval, sewage and water quality treatments and other required standards.

These plans will be sent to an architectural firm to generate field construction and engineering drawings including material and methods specifications. The construction drawings will be “cold shell” specifications without most finishing details. Bids for cold shell construction will then be solicited based on engineering drawings.

A second round of design will be necessary to bring the cold shell drawings to final décor drawings; this will be done both in-house and in conjunction with an outside design firm. Basic construction and finishing décor may be assigned to separate contractors.

The enclosed drawings illustrate schematic layout and dimensions only, not the actual finished appearance of the building. The computer rendering engines that generate these images automatically assign a style that does not represent the actual appearance of Gedong.

Restaurant Walk-through

A walk-through of the complex would start at the beachfront:

Beach and beach road – The beach is now occupied by local *jukung* sheds and trees. The local village head has affirmed to us that he can arrange to have the boats and shed removed and that we are free to prune back the trees to improve the view and to use and maintain the beach. We expect that this will need to be carefully handled and will involve some kind of lease payment to the village for use of the beach, but it certainly can be negotiated.

We would light the trees and use tiki torches on the sand and even an anchored fishing boat with kerosene lamps 100 meters offshore to dramatize the night view.

Beach wall – A wedge shaped piece of land in front of the property is under our control but does not belong to us. We can landscape it but cannot build on it. Showers on the wall here provide a convenient place to wash off the sand and salt.

A wall 1.9 m high runs across the front of the complex. This guards the privacy of Gedong from views from the street, but because the interior terrace is raised over one meter from the road, Gedong guests are able to see over the wall to the sea. From seating in the main room 1st floor or bar, the sea is easily visible but the road traffic is blocked by the wall.

A *Kori Laut* (sea gate) gives access from the beach road to the sea courtyard. This is not intended as the main guest entrance, although many guests will undoubtedly enter this way. The Kori Laut gives a dramatic entrance from the sea and an equally dramatic view from the main restaurant entrance back through the gate to the sea.

Guest entry and porte cochere – The south side road is the main guest entry. Cars can pull into a U shaped drive, protected by a porte cochere in the rainy season and drop their car for valet parking. To the left is the bar, to the right is an Uluwatu shop, and straight ahead is the main guest entrance. Our hostess meets our guests at the bottom of the stairs and guides them to their destination.

Guests going direct to the bar have the option of entering the bar from an outside stairway near the south road without going through the main courtyard.

Main courtyard – The main courtyard makes up the center of the complex. In the center is an open *alang-alang* roofed balai surrounded by garden and ponds. It might be a place for dining on low tables with pillows, or a place for offerings on important temple days. To the southwest is the bar where guests can enjoy a pre-dinner cocktail. A row of small tables looks out over the porte cochere area, making a pleasant transition from arrival to relaxation and a great place to wait for other members of your party to arrive.

Around the west, north and east sides of the courtyard stretch connected terraces with tables looking into the courtyard garden. These tables provide quieter seating than the

main restaurant building.

To the west is the main entrance to the restaurant. Entry through the main door gives a striking view of the Kori Laut and the sea beyond.

To the north is the kitchen building, built in the style of a renovated Dutch trading warehouse. Through the large arched doors an open kitchen is visible, inviting guests to visit and watch the food preparation. Just inside the door are displays of fresh fish, fruits and vegetables, and immediately behind the display the chefs are cooking on open grills. Farther to the east in the kitchen is a glass walled wine room.

Continuing on around to the east is a terrace in front of a building available for conferences and meetings, and the Uluwatu shop.

Bar – Returning to the bar we see that it is built in a style also derived from a Dutch era trade post, similar to the kitchen though much smaller. It is largely open sided with some louver windows standing open. The thick walls provide window sills 50 cm high which are inviting as a place to set drinks, to sit on as an extra chair, or to hang through to talk to your neighbors on the other side of the wall.

A long oiled-teak island bar connects the bar to the main restaurant. A pool table stands in the center of the room. Tables along the terrace outside have an excellent view of the sea terrace and the sea and make a fine place for casual dining.

Main Building – The main building can be entered from the bar or through the main courtyard entry. The building itself has more the look of a Balinese palace than the Dutch warehouse of the bar and kitchen. The long bar extends into the main building, providing beverage service for the restaurant and also creating a lounge area at the south end of the main room. The definition of lounge or dining in both the main and bar buildings is flexible; depending upon customer demand we can expand or contract dining or lounge areas.

From the main courtyard entry we have a view through a central dual stairway out to the sea. The view is dramatic. The area between the stairs is for display and balances the need for a view and display features with several service stations to bring a bustle of activity to the space.

For those going up to the 2nd floor, two short steps up brings them to a small turning from which the guests look out from a slight vantage point over the dining or lounge area. Proceeding to the top of the stair there is another turning, providing a second view back over the entrance before continuing on up to the main level of the 2nd floor.

Back on the 1st floor we look to the north to see a dining area and the main access for the wait staff from the kitchen area. To the west is an outdoor terrace with a line of tables with an excellent view of the courtyard and sea.

Sea courtyard – In the center of the sea courtyard is a splash pool with fountains lined up with the Kori Laut. Children play in the pool afternoons, while in the evenings it reverts

to its function as a reflecting pool for the Kori Laut.

The rest of the courtyard is extensively landscaped with pohon jepun and several ponds. At the outside edges of the courtyard grow several large flamboyant trees. The view to the sea is not wide open at every point, emphasizing that this is a beautiful sea front courtyard rather than a courtyard constructed to confront the guest with a pie-in-your-face view of the sea. The difference is subtle but important, again bringing to mind the layers of history evidence in the design.

There are several small balai's in the courtyard inviting guests to relax and dine on pillows next to the ponds. A row of tables along the wall at the sea front look down on to the road – a view of activity on the road makes a nice trade off to guests who don't mind putting up with the road traffic.

A small, odd and very Balinese closed building sits in the southwest corner next to a small temple facing the crossroads. The building is a *gedong*, the building housing sacred relics that gave Gedong and Kedonganan their names.

Annex – At the north end of the sea terrace is a single story building with folding glass doors. The annex can be air conditioned, providing a great ladies-who-lunch room with view to the children's splash pool outside. It is also an elegant location for small business meetings or events.

Folding doors at the back open into a storage area allowing tables and a bar to be moved easily in and out of the space. During events the dining room can be converted into an auxiliary bar or even a dance area.

The Pit – Between the Annex and Main Building there is a covered walkway bordered on the north by a well with a large stone stairway. The stairs lead to a luxurious air-conditioned restroom area below ground.

Also opening onto this well is another door, opened only for club members, leading into the private wine cellar. The wine cellar is a cavern completely lined and carved out of large white bukit limestone blocks. Locked storage areas are available for private wine collections. A massive table of solid teak surrounded by leather armchairs completes the private tasting room.

Upstairs – Up the double staircase is the largest single dining space in the restaurant. The row of tables on the balcony have an excellent view west to the sea and into the sea courtyard. Tables to the east have a view into the central courtyard. The central areas around the stairwell atrium are excellent places for large tables and parties. A door to the north gives access to a service area and dispense bar on the upstairs service terrace.

Service Area and Kitchen – Back on the ground floor between the main building and the kitchen is the main service area. The exact layout of the kitchen and service areas is still being decided, but there is adequate room on the first and basement floors for all the necessary functions including receiving, dry and cold storage, preparation, washing, main kitchen, wait stations, main cashier, and stairs to upper and lower levels. The east end

of the kitchen may incorporate additional cooking areas to be used mainly for baking and catering preparation.

Upstairs Offices – Upstairs from the kitchen are the offices for Gedong and related companies.

Utilities – Near the northeast corner a building houses the generator, biochem sewage treatment plant and other maintenance and utility facilities.

Phase I and Phase II

Features presented so far comprise Phase I of the project and cover the west end of the 36 ara site. Temporary buildings on the east end of the site will be included in the IMB plan. Later the plan will be amended to continue to Phase II.

In Phase I, the terrace east of the central courtyard will be backed with a garden wall between the kitchen and the Uluwatu shop. East of the wall will be a temporary parking area. Existing buildings will be converted to office and workshop space.

Before we go on to Phase II we want to gather experience with Gedong to assess most accurately what would be the most productive use of the remaining space. We are projecting now that we could build a large event hall to book conferences with close access to the kitchen to support banqueting. A retail arcade and a spa arranged around another courtyard to the east could complete the project.

To maximize the value of the 36 ara we would move the parking off-site, but parking is required for IMB approval. The Phase I IMB will show on-site parking, but we would like to look for nearby lease land to secure for parking as soon as possible during Phase I.

Budget

Detailed budget breakdowns are available under separate cover. A summary budget includes:

		<u>USD</u>
Construction		
Architectural, engineering and design consulting	20,000	
Basic construction	800,000	
Finish construction	200,000	
		1,020,000
Equipment (FFE)		
Equipment	150,000	
Furniture	80,000	
Table and flatware, other working equipment	30,000	
		260,000
Other Equipment		
Music system	20,000	
Office	30,000	
		50,000
Utilities		
Generator	30,000	
Water treatment	20,000	
		50,000
Pre-opening Expenses		
Pre-opening payroll	30,000	
Food, beverage, operating supplies	50,000	
Working capital	20,000	
		100,000
Planned Budget Total		<u>1,480,000</u>
Contingency	10%	148,000
Grand Total		<u>1,628,000</u>

Timetable

	<u>Start</u>	<u>Months</u>	<u>Finish</u>
Organization			
Preliminary organization and company foundation	Oct-04	2	Dec-04
IMB approval	Nov-04	2	Jan-05
Liquor and other license approvals	Jan-05	2	Mar-05
Construction			
Prepare architectural / engineering drawings	Oct-04	1	Nov-04
Construction bid and approval	Nov-04	1	Dec-04
Construction start	Jan-04	11	Dec-05
Design drawings	Oct-04	5	Mar-05
Detail and finishing	Apr-05	8	Dec-05
Purchase kitchen equipment	Jun-05	3	Aug-05
Install kitchen equipment	Aug-05	4	Dec-05
Purchase furniture	Aug-05	4	Dec-05
Management Preparation			
Staffing and training			
Preliminary staff hiring	Sep-05	2	Nov-05
Secondary staff hiring	Nov-05	1	Dec-05
Staff training	Dec-05	1	Jan-06
Opening			Jan-06

Projections

Projections for any venture are highly speculative but are a useful exercise to help explore parameters and define feasibility at the limits. Projections for Gedong could be based on two models: a) an extension of Kori scaled up to a larger size, or b) KuDeTa as a target model.

1. Actual figures at Kori from August 03 through March 04 are presented in Projection 1. The results include actual depreciations and tax payments, and exclude expatriate salaries. Actual F&B and other direct materials costs range from 28% to 33% during this period, averaging 30%. Wage costs run from 6% to 10%, averaging 8%. Operational expenses run from 15% to 20%, averaging 17%

Projection 1					
Sales at Kori August 2003 through March 2004 average					
Sales			per day	per month	per year
Food		1,040			
Beverage		588			
Merchandise		31			
Other income		174			
	Total income		1,833	54,990	659,880
F & B costs	30%	550			
All wages	8%	147			
Operational costs	17%	312			
	Total direct expenses		1,008	30,245	
Other expenses					
Depreciation, tax, etc			102	3,060	
Net profit			723	21,686	260,226
(Before expatriate salaries)					
At 130 pax average => about \$14.00 average check.				Margin	39%

2. Scaling up from Kori in Projection 2 doubles the sales, and also adds lease costs at 4% of gross sales, an expatriate chef, depreciations to cover the budget as presented, and double the previous tax expenses.

Projection 2					
Projection of sales at Gedong based on Kori x 2					
Sales			per day	per month	per year
Scale up by	2.0				
Food		2,080			
Beverage		1,176			
Merchandise		62			
Other income		348			
	Total income		3,666	109,980	1,319,760
F & B costs	30%	1,100			
All wages	8%	293			
Operation costs	17%	623			
	Total direct expenses		2,016	60,489	
Other expenses					
Depreciation		350			
Tax and other exps		100			-
Expat chef		137			
50,000 /yr					
Lease	4%	147			
	Total other expenses		734	22,009	
Net profit			916	27,482	329,787
At 200 pax average => about \$18.00 average check.				Margin	25%

Clearly this scale of investment is out of line if our only goal is to double the business at Kori. A positive conclusion of this projection is that there is still a profit at only a doubling of Kori business, although not sufficient to pay back the investment at a reasonable rate.

We could also compare Gedong to KuDeTa. Kori sales at the above rate are about \$660,000 per year. Good estimates of KuDeTa sales are in the range from \$ 6 to 10 million per year. This includes income from catering and events as well as direct F & B sales. Six expatriate staff include two Chefs, two Hosts or PR Managers, one General Manager and one Marketing / Catering Manager.

3. Projection 3 shows Gedong at about ½ KuDeTa sales. This projection includes three expatriate staff averaging \$100,000 per year salary. A tax rate of 30% on profit is included. At this rate payback on investment is about three years.

Projection 3					
Projection of sales at Gedong based on 1/2 KuDeTa minimum current estimate.					
Sales			per day	per month	per year
Food			4,680		
Beverage			2,646		
Merchandise			140		
Other income			783		
		Total income	8,249	247,455	2,969,460
F & B costs	30%	2,475			
All wages	8%	660			
Operation costs	17%	1,402			
		Total direct expenses	4,537	136,100	
Other expenses					
Depreciation		350			
Expat staff	3	822			
		100,000 /year			
Lease	4%	330			
		Total other expenses	1,502	45,056	
PreTax Profit			2,210	66,299	795,588
Tax	30%			19,890	238,676
Net Profit				46,409	556,912
				Margin	19%

4. Projection 4 shows Gedong at the current minimum estimate of KuDeTa sales, and includes five expatriate staff. Payback on investment occurs in about 1 ½ years.

Projection 4				
Projection of sales at Gedong based on KuDeTa minimum current estimate.				
Sales		per day	per month	per year
Food		9,464		
Beverage		5,351		
Merchandise		282		
Other income		1,583		
	Total income		16,680	500,409
				6,004,908
F & B costs	30%	5,004		
All wages	8%	1,334		
Operation costs	17%	2,836		
	Total direct expenses		9,174	275,225
Other expenses				
Depreciation		350		
Expatriate staff	5	1,370		
	100,000 /year			
Lease	4%	667		
	Total other expenses		2,387	71,612
PreTax Profit			5,119	153,572
Tax	30%		46,072	552,858
Net Profit			107,500	1,290,003
			Margin	21%

5. Projection 5 shows Gedong at current maximum estimate of KuDeTa sales, with six expatriate staff and full 35% tax rate. Payback occurs in less than one year.

Projection 5				
Projection of sales at Gedong based on KuDeTa maximum current estimate.				
Sales		per day	per month	per year
Food		14,248		
Beverage		8,056		
Merchandise		425		
Other income		2,384		
	Total income	25,112	753,363	9,040,356
F & B costs	30%	7,534		
All wages	8%	2,009		
Operation costs	17%	4,269		
	Total direct expenses	13,812	414,350	
Other expenses				
Depreciation		350		
Expatriate staff	6	1,644		
	100,000 /year			
Lease	4%	1,004		
	Total other expenses	2,998	89,950	
PreTax Profit		8,302	249,064	2,988,765
Tax	35%		87,172	1,046,068
Net Profit			161,891	1,942,697
			Margin	21%

Alternative Projections

We could also estimate profit margin as a simple percentage of sales: all our detailed projections will still land us in a range of expected margins on sales. Kori currently returns 40% margin on sales, exclusive of expatriate salaries. Projection 2 margin drops to 25% margin on sales due to high depreciations on the large investment compared to small sales increase over Kori. Projections 3 through 5 vary from 19% to 21% margin on sales, due to high tax payments and expatriate salaries.

A margin of 20% to 30% is typical of the industry in the USA. It would be disappointing if Gedong can achieve only a 20% return, but even 20% on a KuDeTa level of sales is attractive. At the higher sales level a fair amount of income is derived from events and catering rather than direct F & B sales, which would decrease the percentage F & B direct expenses as well as other material and operational expenses. Expected tax savings might also push the profit margin on sales closer to 30%.

These sales figures and margins cannot be expected in the first year, of course, but Projection 2 indicates that even modest sales generate modest profits. KuDeTa needed several years of experimentation to reach current sales levels; it may be that Gedong can shorten this trial period by learning from observations of the Seminyak area as well as experience from Kori. There is also no reason to limit maximum possible sales at Gedong to be only the equal of KuDeTa.

Strengths and Weaknesses, Opportunities and Threats

It is traditional at this point to do a SWOT analysis. The strengths and opportunities are clear enough from the preceding presentation, but threats will be covered here.

The nature of business in Indonesia is probably the most significant threat to any project in Bali. We face problems of political instability, economic instability, currency devaluations, harassment by various government authorities, and unexpected changes or reinterpretations of laws.

Gedong will be a high profile project and there is no hope of staying “under the radar” for government authorities. The biggest danger from authorities is unreasonable demands for payments, whether justified by law or not. We are doing careful groundwork now to structure the companies to minimize this.

The world also faces threats to tourism in general including acts of terrorism that might inhibit tourist travel, the rapid inflation of oil prices that could make jet travel prohibitively expensive, and worldwide economic recession. These risks are not unique to Bali but are common to a broad range of investments world wide.

A threat also exists in Kedonganan. Jimbaran and Kedonganan villages have carried on a traditional feud for many years. Gedong is located right on the borderline between the two. Kedonganan village elders have assured us that they are highly supportive of Gedong and that their problem with Jimbaran is under control. Nevertheless we need to work very carefully with both villages to ensure that we are creating friends in the region. Gedong is the first major development in Kedonganan and villagers may have an unrealistic view of what benefits will accrue to them. Fortunately, we have resources to draw on and experience in these situations and there is no reason to believe that we cannot solve neighborhood problems as we go.

If the past five years is any indication of the next five years, we can expect the unexpected and that there will be disruptions to our business. Nevertheless, if properly handled these are not threats to the survival and long term success of Gedong, but only to the short term cash flow. We have already brought Kori and Uluwatu through some tough times in the last six years. Bali has so far shown tremendous resilience to blows to tourism. And at the best we can expect a rapid payback and high profitability in a booming tourist market.

Investment Opportunities

Investment opportunities at Gedong are planned around a “waterfall / flip” structure. A distinction is made between the equity and the financial participants, in which the Creative / Promote / Management Lead (CPML) receive direct equity with voting stock, and Money Investor (MI) financiers receive in effect non-voting stock.

The “waterfall” specifies an accelerated payback with interest to the MI in the early years of the business, helping reduce risk and increase NPV on the investment for the MI. Favorable payback continues until all MI investment is repaid.

Until full payback of principal plus interest to the MI, the CPML equity holders receive a minimal share of the profits. At full payback, a “flip” to the final equity structure occurs. From the flip point on, the MI financiers have a permanent claim on a specific share of net profits.

The advantages of the waterfall / flip are:

- High rate of return and reduced investment risk through accelerated payback for financial investors, such that prospects for repayment of principal plus interest even before the flip provide an attractive investment opportunity,
- Post-flip permanent share of profits as an additional incentive to financial investors.
- Strong incentive for CPML to accelerate payback to MI,
- Strong management structure with clear authority to CPML managers to manage to maximum profitability for both CPML and MI backers.

Details of company and investment structures are available under separate cover.



DAILY BREADS - with olive oil and Bali pesto.

Old Fashion Garlic Stick.....	Rp 22,000
Mixed Bread Board.....	Rp 22,000

APPETIZERS

Char Grilled Bruschetta.....	Rp 28,000
Topped with tomato and garlic, shitake mushroom salsa and avocado mash.	
Tamisan Smoked Salmon Parcel with Fresh Prawn Tempura	Rp 38,000
Served on crispy noodle and chili tomato sauce.	
Cumi-Cumi (Calamari).....	Rp 32,000
Lightly breaded cumi-cumi (calamari) fried and served with tartar sauce.	
Shrimp Avocado Tian "Cocktail".....	Rp 36,000
Fresh shrimp chopped with avocado and topped with julienne salad, dressed in tequila cocktail sauce.	
Blue Swimmer Crabmeat Spring Rolls.....	Rp 36,000
Crab spring rolls - roll them in lettuce leaf then dip in sweet chili sauce.	
Gedong Win Sum Basket.....	Rp 30,000
Wonton, spring roll, and samosa with mango chutney, sweet and sour sauce.	

SALADS

Cajun Chicken Salad.....	Rp 32,000
Chicken strips marinated with Cajun seasoning served on mesclun salad and passion fruit dressing.	
Tropical Crabmeat Salad.....	Rp 34,000
Fresh blue swimmer crabmeat tossed in mango, papaya and red onion salad with a lime and mild chili dressing.	
Classic Caesar Salad.....	Rp 32,000
Romaine and iceberg leaves tossed with crispy hazon lardons, anchovies and grated Parmesan.	

SOUPS

Seafood Chowder.....	Rp 32,000
With mussel, prawn, tuna and squid. Served with garlic toast and Bali pesto.	
Grilled Papaya Gazpacho.....	Rp 28,000
With coriander, lime salsa and fresh yoghurt.	
Roast Tomato and Basil Soup.....	Rp 30,000
Finished with grilled focaccia and black olive tapenade.	

AND MORE

Grilled Focaccia with Dips.....	Rp 29,000
Thick sliced focaccia grilled with olive oil, dips of guacamole and spicy lentil.	
Big Chunky Potato Wedges.....	Rp 28,000
Fried potatoes with avocado dip and sour cream.	
Steak Sandwich.....	Rp 58,000
Grilled sirloin steak served on French bread, grilled onion, herb butter, coleslaw and fries.	
Pineapple and Tuna Sandwich.....	Rp 48,000
An open sandwich, tasty and filling, accompanied with French fries and coleslaw.	

GEDONG CAFE

Nusa Dua

Bali 47

All prices are subject to 15% government tax and service charge.

