

Executive Summary

DiscovaCam Limited is a three-year old company that was founded to bring new camera detection technology to market. The increasing proliferation of inexpensive cameras and their embedding in consumer devices such as cellular telephones has heightened the threat to individual's privacy both in public places and areas previously considered private areas. DiscovaCam's technology provides a counter-measure to restore people's security and peace of mind that they are not being recorded for the benefit of others.

The company's strategy is to fully prepare its product line prior to initial product release, to maximise the strategic surprise in the existing market. It is anticipated that imitators will rapidly reverse engineer the product and attempt to swamp the market with imitations. Hence, the company wishes to use this period of surprise to establish a degree of brand recognition as a barrier to entry for imitators and to gain experience to further develop the camera detection technology to surpass the actions of potential imitators.

Further, DiscovaCam intends to achieve the aim in original business plan of generating "in excess of 40 million New Zealand dollars revenue" by mid-2005.

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Company Background

DiscovaCam Limited was registered in New Zealand in 2001 to market a new camera detection technology. Equity was raised to develop the product range and to create an Internet website as a mass market channel. The company is an unlisted company with in excess of thirty shareholders at the beginning of 2004.

However, the original launch target for the first product was missed due to a protracted development process and a slower than anticipated uptake of the offered equities following the Twin Towers disaster in September, 2001. The product delay has not compromised the business plan as the company has not released technology that could be duplicated by imitators, but has merely delayed the returns from the technology.

By the beginning of 2004 DiscovaCam had developed its fourth generation of DiscovaCam equipment, significantly enhancing the original capabilities, but restrained from releasing the initial earlier versions into the market to maintain strategic surprise and to delay the onset of imitations. Further, DiscovaCam has expanded its product offering from personal devices into area protection and professional series suitable for protecting locations and property.

DiscovaCam currently plans to direct sell small volumes of the area protection product into targeted launch customers during February-March 2004, as suitable reference sites, and then to introduce the full product range to the general market in April 2004.

Market Analysis

The Market

The DiscovaCam market is a new market with no current competition and requiring customer education to develop the full customer appreciation of the need that the product fills. The market has been created by the erosion of people's privacy and the extension of public scrutiny into areas that previously had been considered private. This market dynamic takes the form of work-place and retail surveillance, the monitoring of public areas and the use of traditionally private information to judge people, in both a professional and personal sense.

The DiscovaCam product line allows people to protect individual privacy and property, by warning users of surveillance equipment operation. This information allows people to modify their behaviour in public or to protect threatened property or people, returning to the historical status quo before surveillance equipment become widespread.

Market Potential

The latent potential of the market is large, but like all new markets, is difficult to define. A conservative estimate of the combined North American, European and Australasian markets suggests a market potential in excess of 20,000,000 units, based upon approximately one unit per forty people. A substantial Asian market potential also exists, with the region's historic greater cultural tolerance for loss of privacy currently being eroded by numerous high profile abuses of privacy.

Market Size

It is expected that the market will grow exponentially towards its potential, following the classic 'S' curve typical of new technological products. As first mover, DiscovaCam has the ability to shape the international market and capture a substantial percentage of marketshare. Sales are anticipated to grow from an initial low base to high volumes within five years. The speed of this growth is dependant upon the success of DiscovaCam's marketing programme and the ability to capitalise on first mover advantage.

The financial data has been calculated on a market size of 3500 units per month after nine months of trading, which represents an annualised penetration rate of approximately 0.5% of the total market potential. This conservative estimate provides a baseline for financial risk analysis. However, DiscovaCam can rapidly scale up its production capabilities if the market grows at a higher rate than projected.

Organisational Design

Governance

DiscovaCam has had a single director board during its establishment phase. This board design has ensured that the company remains true to its original concept, but has restricted the breadth of skills available compared with most multi-director boards.

Hence, as the company has completed its establishment phase, the current board will be replaced by a new board elected by shareholders according to the company's constitution. The new multi-member Board of Directors will have the responsibility to manage and update the business plan, to manage the risk management process and meet statutory requirements.

Structure

The DiscovaCam corporate group is structured into a functional form to maximise this flexibility, including:

- an outsourced distribution system to shift product from the distribution centre to customers;
- an administrative capability to manage order processing;
- a global marketing capability using an electronic commerce channel to manage sales processing and to communicate with customers; and
- an account management group to manage specific industry requirements and to promote the technology in industry forums.

Research and Development

DiscovaCam is a licence holder for surveillance detection technology from Development Systems Limited. This licence gives DiscovaCam sole rights to retail the licenced technology.

In this business model, Development Systems will continue to undertake research and development as directed by DiscovaCam. As a result, DiscovaCam has access to a dedicated technology group for realising the product and technical innovations that DiscovaCam wishes to bring to market.

Marketing and Sales

Marketing

DiscovaCam's strategy is to adopt a market leading strategy, and not a market-led strategy. The market does not yet understand the benefits of the DiscovaCam technology, so marketing will initially be education-orientated.

Once the market starts to mature, and customers start to understand the usefulness of the product, then a traditional mass market pull strategy will stimulate increased demand. At the same time, DiscovaCam will be building brand strength as a barrier to imitators.

The marketing strategy is based upon introducing products into predicted product categories, setting prices to meet the those categories expectations while ensuring sufficient profits to develop the company further, promotions to build brand effectiveness and effective channels for customers to access the product.

Product

DiscovaCam has developed four different variants of its camera detection technology for different market needs.

First, a small personal device is used to allow people to discretely detect cameras. The product is simple and quick to use, and is suitable for operation by the average person. Its small size, similar to a cellular telephone, allows discrete use in lifts, corridors, rooms and areas that may have been wired for hidden surveillance by other people.

The second product range operates in conjunction with the latest generation of high-end mobile phones. The DiscovaCam unit is similar to the size and shape of a large packet of cigarettes and communicates with the cellular telephone using the Bluetooth wireless standard. The phone's touch screen is used to operate the DiscovaCam using simple to operate software in the phone. The units miniaturised size and wireless technology allows belt or pocket operation to maximise discretion in operation.

The third product line is a fixed unit design to warn of camera operations within a given location. The unit is design to protect secure locations, such as banks, or items, such as valuable art, from unwanted surveillance or damage. The product is design to resemble an electrical fitting, to disguise the purpose of the unit from intruders. Multiple units can be used to protect an area.

The fourth product range is a large location protection device designed to be visible. A camera is mounted to allow the operators to visually record camera operators for later identification and potentially as legal evidence. The units is designed to allow communications with personal computers using a variety of standards currently available, including CD-ROM, USB and Ethernet, to allow images to be transferred to other systems.

Price

The DiscovaCam pricing is initially set around the price of a PDA or sophisticated cell-phone for the personal devices, and at the price of comparable security equipment for the fixed units. The pricing strategy is based upon customer expectation rather than upon product cost, to allow DiscovaCam early significant profits to fund further development and growth. It is expected that pricing will later need to be reduced in response to imitators entering the market, while taking advantage of lower costs as a result of experience, improved manufacturing procedures and newly released components.

The initial prices vary from US\$990 to US\$4000, depending on the product.

Promotion

Initial promotion will use on-line news groups and the corporate web page to promote the product. Internet-based news releases and marketing spreads the news into the traditional print and broadcast media and into the mass market. The unique marketing proposition of the DiscovaCam product, and the increasing concern by people throughout the world, will create a rapidly increasing potential market, and hence a strong market-pull for the product through the e-commerce channel.

At a later time, more traditional advertising will be required to reach the mass market. The form of that advertising will depend upon the Internet penetration of the market by that time. However, by today's standards, newspaper and magazine advertising can be expected to significantly increase demand in the mass market segment.

In addition, an account management team will be created to carry out more traditional relationship management of key industries, such as the security and film industries. These staff will build upon DiscovaCam's technological position to build barriers to entry based on new standards and brand.

Place

DiscovaCam's primary place of business is the Internet. The www.discovacam.com web page is the primary point of contact with customers, whether direct customers or retailers. The web page has an electronic commerce capability, allowing customers to order and pay for product online. The web page also lists product information and will provide support capability as enhancements to existing DiscovaCam products are released.

Second, a small business centre will be maintained in Auckland, New Zealand, to manage the website and as a centre for relationship marketing activities. The account management personnel will be located in areas suitable to access customers as required. It is anticipated that the scale of the relationship marketing function will be apparent only as the market fully develops and the shape of the future market becomes more certain.

Manufacturing Operations

DiscovaCam has access to sufficient manufacturing capability through a sister company. The current production capability is some 500 units per week, and this can be enhanced to around 2500 units per week by subcontracting some assemblies to local organisations.

It is anticipated that this production capability will meet DiscovaCam's requirements throughout 2004.

Distribution

Product will be shipped directly to customers by courier. This method ensures customer receipt of product, while allowing DiscovaCam to manage the flow of its inventory. A major international courier firm will manage the distribution process, and there are no anticipated difficulties.

Assets required

Intellectual property

The Intellectual property is the primary asset required by DiscovaCam and comprises its license for the technology, the company name and the domain name.

Licence

The DiscovaCam product is based upon intellectual property developed by Development Systems Limited. This intellectual property has been made available for commercial exploitation under a licensing agreement.

Name

DiscovaCam is a functional name with deliberate mis-spelling to ensure that the name can be used for trademark purposes. The name conveys the purpose of the product, and as such, enhances the brand awareness.

Domain Name

The third element of intellectual property is DiscovaCam's Internet domain name. This domain name has been in use for over two years, with full product information since July 2003 as a teaser for future sales. E-mail addresses for contact have been established using the name@discovacam.com format.

Capital

The DiscovaCam group has been capitalised to enable the completion of pre-production prototypes, the establishment of the e-commerce channel and to begin limited production. It is expected that the company will achieve positive cash flow during 2Q 2004, and reserves will be build up to support projected growth.

Financial Data

Profit and Loss Forecast

	Tax Year, April - March 2004-5
<i>Revenues</i>	182,635,715
Cost of Sales	44,819,552
<i>Gross Profit</i>	137,816,163
Company Expenses	7,970,900
<i>Net Profit before tax</i>	129,845,263
Taxation	50,672,362
<i>Net Profit after tax</i>	79,172,901

The above profit and loss forecast is based upon New Zealand dollars and a US:NZ exchange rate of US\$0.68:NZ\$1.00.