

## Assumptions to 5 year projections

DiscovaCam is a classical technology company in its life development. These companies often develop novel products to meet a need that few have identified as a business opportunity. Technology companies pass through an establishment period usually based on founder capital where they translate their basic idea into a solid business proposition.

The second stage generally requires a capital injection and time, to develop prototypes and to establish a manufacturing capability. In most countries venture capitalists provide this service, but the practical non-existence of a venture capital industry in New Zealand forces local firms to seek direct investment from personal contacts of the founders.

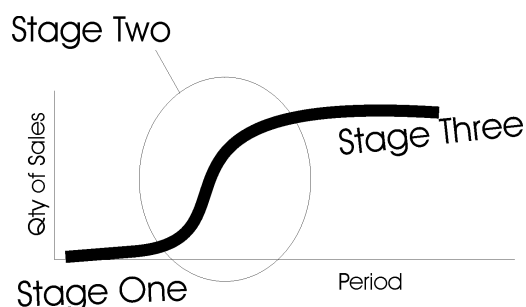
In the third stage the company begins actively trading, and typically seeks to establish a brand and market presence before competition can react to the company's innovation. Further capital is normally required to provide working capital at this stage, and as traditional banking tends to be unwilling to provide such services for technology firms, most companies raise equity on the share market. However, again, in New Zealand, the relatively high costs, slow pace and low returns of listing technology firms leads most firms to seek equity from individual investors or to constrain growth by relying on retained earnings. DiscovaCam Limited has currently elected to take the individual investor route, to maximise the growth rate of the company.

Having been fully capitalised, the company faces a new market where customers do not understand the need met by the company's products and need to be taught the value of the company's product range. In this situation, one can expect an incrementally increasing growth as customers learn of benefits through personal experience, contacts or literature. This early adopter stage emphasises targeted marketing on groups with special needs and those with an interest in novel equipment.

Having established itself, the technology company then passes into a second business stage where a second wave of customers becomes available who have a genuine need for the product, but can only be reached through mass market channels.

Finally, the firm's growth slows after a classic S-curve pattern, and a consolidation period is reached where the original innovation has been fully exploited. Most firms tend to evolve into a traditional management, to further develop the market niche over time. The company's shareholding tends to change at this time, with original investors cashing out and institutions buying shares as part of their balanced portfolio management.

DiscovaCam Limited is three years into this life cycle, and we fully expect to achieve a significant presence in the international market over the next few years.



# Notes for the attached 5 year projections

- Note:01
- Note:02
- Note:03
- Note:04
- Note:05
- Note:06
- Note:07
- Note:08
- Note:09
- Note:10
- Note:11
- Note:12
- Note:13
- Note:14
- Note:15
- Note:16
- Note:17
- Note:18
- Note:19
- Note:20
- Note:21
- Note:22
- Note:23
- Note:24
- Note:25
- Note:26
- Note:27
- Note:28

**CONFIDENTIAL**      DiscovaCam 5 Year projection (minimum)

**DiscovaCam - Quantity**  
 Variations      Seasonal  
 Monthly      (All values are NZ\$)

Quantities	Annual Qty	max	rate/month	End Mth	Start Mth	Growth PA
New qty	13,000	1,084	8.33%	16	4	9.00%
Total Qty	26,000	2,167	8.33%	16	4	9.00%
New qty	26,000	2,167	8.33%	17	5	9.00%
Total Qty	52,000	4,334	8.33%	15	3	9.00%
New qty	750	63	8.33%	18	6	4.50%
Total Qty						

Sales Prices (reduce)	reducing	USD	NZD	Min NZD	USD equiv
FLU	0.75%	1,800	\$2,628	\$1,050	719
Annunciator	0.75%	2,100	\$3,066	\$1,350	925
Handheld	0.75%	2,700	\$3,942	\$1,200	822
Personal	0.75%	1,800	\$2,628	\$880	603
Professional	0.75%	7,500	\$10,949	\$2,350	1,810

**Total Income**

---

**Expenditure**

to DevMan		
FLU	NZ\$	\$550
Annunciator	\$850	
Handheld	\$700	
Personal	\$380	
Professional	\$1,850	
to DevSys	\$850,000	25% :per cent of Income (Max)
R&D Surcharge	1%	
Freight	\$75.00 per unit	
Running costs	\$150.00 per unit	1,000,000 :Max per month

**Total Outgoings**

---

Return to shareholders	
return per share	100,000
cumulative per share	
Dividend due	
Tax PAYE	39%
Per Share return (after Tax)	

©Development Systems Ltd., 2004      Page 1 of 12      printed at 04:33 PM on 25/02/04

## Notes for the attached 5 year projections

- Note: 01 **Growth PA** : After the initial initial stage two growth, the rate of increase in this products growth is indicated as a percentage growth Per Annum (PA)
- Note: 02 **Start Mth**: This number is representative of the month that the product will be available for sale (4 = the fourth month from the initial start month. This number may not be equivalent to 'THE' fourth month ie. April.)
- Note: 03 **End Mth**: This number is representative of the month that product sales will have peaked from the stage two, and be entering stage three. From this month onwards all sales growth figures are based on the 'Growth PA'.
- Note: 04 **Rate/Month**: This figure is the stage two monthly rate of growth of sales after product introduction (this is the average of the period, from start month to end month).
- Note: 05 **Max**: This figure is the anticipated maximum number of units to be sold in an average month during stage two growth
- Note: 06 **Annual Qty**: This figure represents the anticipated quantity of sales during the 12 months following the stage two, assuming the 'growth PA' was zero.
- Note: 07 **Variations - Seasonal**: If any seasonal have been made to the figures they will appear in the following rows based upon a percentage. (Note: 100% means normal figures, 90% means 10% loss, 110% means a 10% gain; in anticipated sales due to seasonal variations)
- Note: 08 In this area is the Product name, and sales quantities as follows:
- 'Product Name' is in the dark area
  - **New Qty**: the sales that are anticipated for that month
  - **Total Qty**: the total of all sales to the given month for that product
- Note: 09 **USD Equiv**: The United States Dollar Equivalent price of the 'Min NZD' price
- Note: 10 **Min NZD**: The minimum price that we expect this product to sell for in New Zealand Dollars
- Note: 11 **NZD**: this has two parts the lower is the equivalent New Zealand Dollar price that we anticipate the products to be sold for, while the upper part contains the exchange rate that the conversions were calculated on.
- Note: 12 **USD Start Price**: The price that we anticipate selling the product for initially, in United States Dollars.
- Note: 13 **reducing**: Over a period of time the sales price will drop. This figure is representative of the anticipated drop in price per month.
- Note: 14 **Sales Price (Reduced)**: Lists the names of the products. The entire area describes the anticipated maximum and minimum prices that the projections have allowed for, (both in NZD and USD)
- Note: 15 **Total Income**: This row gives the total anticipated income for the given month.
- Note: 16 **To DevMan**: Development Manufacturing Ltd. (DevMan) has a two year contract to supply the finished products, as designed by DevSys (Development Systems Ltd.), for DiscovaCam to sell. Each product has a fixed price to purchase from DevMan, the purchase price will be reviewed every six months (as purchasing power increases due to more sales). NOTE:- This purchase price reduction has not been included on the projections.
- Note: 17 'Product names' showing the amount paid to DevMan for sourcing, manufacturing, assembling, testing, packaging, and dispatching each product named.

- Note: 18 **To DevSys:** To Development Systems Ltd.,- DevSys, initiated the R&D (Research and Development) of the products and markets for the inventor of the camera finder product. DevSys was charged with organising the product, company, manufacturing, systems and services for the 'on-selling' of the finished product. DevSys, in taking all the initial risk, signed a contract with the new reselling company it formed (DiscovaCam Ltd.) allowing it to have full international rights for selling the completed product. The purchase price was NZD1,250,000. Thus far DiscovaCam has forwarded to DevSys approximately NZD400,000, this leaves an outstanding amount (which has been rounded and estimated) as per the sheet, to be paid over an initial period of DiscovaCam operation. Taxes due on this payment will be due and paid upon completion of the final payment. The sheet shows the amount rounded, followed by (per cent of Income (Max)) the maximum amount returned to DevSys each month of income by DiscovaCam Ltd. until the balance is paid.
- Note: 19 **R&D Surcharge:** (Research & Development) is performed by DevSys (Development Systems Ltd.). for each product sold there is a corresponding charge for future proofing the product line and range, this is covered by this payment. The payment is a percentage of the selling price.
- Note: 20 **Freight:** This is an indicative amount showing the freight charge for each product sold. While the freight charge is dependant on where the product is being delivered and the volume of that product, this sheet utilises a fixed amount for all products, it is on the high side of all courier charges.
- Note: 21 **Running Costs:** DiscovaCam Ltd. needs an allowance for normal operation, the best method of describing this for a start-up company is as a fixed amount against each sale. At some point in the future, the value of the sales will have increased to a point that any more operating capital would be excessive, this amount is found as 'Max per month'.
- Note: 22 **Total Outgoings:** The addition of all the above expenditure results in a monthly outgoing of this amount (per month).
- Note: 23 **Return to Shareholders:** This area gives indicative amounts for returns that are anticipated to shareholders based on the projections given.
- Note: 24 **Return per share:** Shows the number of shares on issue, and then the NZD amount that is anticipated to be available to be returned to shareholders each month, (Not including Tax).
- Note: 25 **cumulative per share:** This number shows the total amount that should have been returned to shareholders to date. (Not including tax)
- Note: 26 **Dividend due:** Dividend are likely to be paid every three months. The projections show an indicative period for those payments (post tax).
- Note: 27 **Tax PAYE:** The amount payable to IRD for the income received (per share). This amount has been calculated using the highest rate of tax applicable, (while this won't necessarily apply to all shareholders, it was considered that a tax rebate was more acceptable than a tax bill).
- Note: 28 **Per share return (after Tax):** This shows the amount that the projections expect to pay for each share held,- after tax.