

Executive Summary

DiscovaCam is a new company that is being established to market 'access to privacy'. The company will market a range of new products based upon recently developed technology that detects hidden surveillance cameras.

The target market is the mass consumer, who is feeling increasingly pressured by loss of privacy in all aspects of modern life. The ability to know when one's privacy is being compromised can allow people to be on guard, and return the balance of private versus public lives back to pre-surveillance days. A person will know when they have crossed the boundary into the public world, with its different standards of behaviour.

The company has exclusively licensed new technology to meet this market need. The licence acts as a barrier to competition and provides DiscovaCam with an opportunity to build a dominant position before potential competitors can develop other methods to address the market.

Hence, DiscovaCam has a superior strategic position that it is being established to exploit.

The company is primarily staffed with marketing and call centre staff, as it will initially market through Internet E-marketing. The distribution, manufacturing, research and development functions have been outsourced.

DiscovaCam's emphasis is to enable innovation to maintain its "first mover advantage". The organisation has been designed and will be staffed to meet that requirement. The product licences and outsourcing arrangements have been completed, and the Internet domain name obtained.

The plan to achieve these goals requires access to intellectual property and capital. The intellectual property access has been secured and the initial capital raised to bring the company to launch stage. The final capital to launch the product into full production is now being sought and is expected to be secured soon.

With these resources, it is expected that DiscovaCam will generate in excess of 40 million New Zealand Dollars revenue in the first two years of business, and will experience strong growth for at least five years.

The company will provide an excellent return to shareholders, while providing a high return to other stakeholders.

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Company Description

The average person in the United Kingdom is exposed to video camera surveillance an estimated 250 times per day, and the use of hidden video cameras is rapidly increasing in all other countries. The mass availability of inexpensive miniature video cameras has led to their use in a multitude of public and private uses, usually without the knowledge of the filmed subjects. In addition, ordinary people can no longer be guaranteed that recorded video will not be misused, as a number of well-publicised court cases have demonstrated. Furthermore, the Internet is full of sexually explicit material that has been secretly filmed by spy video cameras.

As a result, people can no longer be certain that their actions are not being recorded for the purposes of others. This situation has created a market for a product that can restore a degree of privacy.

DiscovaCam is a start-up company that is designed to create and address the market demand for personal surveillance detection devices.

The company's launch product is the first device capable of rapidly detecting the presence of hidden video cameras. This device is simple and quick to use, and is suitable for operation by the average person. Its small size, similar to a cellphone, allows discrete use in lifts, corridors, rooms and areas that may have been wired for hidden surveillance by other people. The inexpensive retail price is targeted to appeal to the mass market.

Market Analysis

The Market

DiscovaCam's aim is to generate a new market.

The erosion of people's privacy and the extension of public scrutiny into areas that previously had been considered private have created this market. 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 uncertainty of surveillance, as people do not know when or where they will become under surveillance heightens the anxiety that people feel at this change of power in their lives.

The DiscovaCam market is to reintroduce privacy into people's lives, by warning people when surveillance equipment is currently monitoring them. This information allows people to modify their behaviour in public, returning to the historical status quo before surveillance equipment become widespread.

In short, DiscovaCam sells 'access to privacy'.

Market Potential

The latent potential of the market is large, but like all new markets, difficult to define.

Initial estimates of the British market alone are 2 million units per year, or over 1 unit for every 30 people.

A conservative estimate of the combined North American and European markets suggests a market potential in excess of 20,000,000 units per year, based upon approximately one unit per hundred people.

In addition, substantial Asian market potential exists, though at a reduced rate allowing for the greater cultural tolerance for loss 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.

DiscovaCam has the ability to dominate the international market and capture a substantial percentage of market-share. Sales are anticipated to grow from an initial 2,500 units per month to 30,000 units per month within one year and reaching a maximum of approximately 200,000 units per month within five years – as the market matures.

The speed of this growth is dependent upon the success of DiscovaCam's marketing programme.

Strategic Framework

External Environment

An analysis based upon 'Porter's Five Forces' techniques demonstrates that DiscovaCam has a strong strategic position vis-à-vis the external environment.

The competition is weak. The only competitors for DiscovaCam's products are based upon military technology, and are generally bulky, expensive and unsuitable for consumer use. However, there is an opportunity for potential competitors to copy DiscovaCam's products and produce functionally equivalent devices. DiscovaCam's position is protected by a licencing arrangement preventing competition, hence requiring competitors to develop completely different technologies or face legal action from the licensor. These alternatives provide substantial barriers to entry.

DiscovaCam's suppliers have a weak strategic position. The DiscovaCam technology uses standard microchip designs, with several alternative manufacturers producing functionally equivalent products. DiscovaCam can switch between different suppliers with limited difficulty, creating a low potential for hold-up by any supplier. In addition, the components are available on the open market at commodity pricing – allowing DiscovaCam to simply change suppliers at will. The only supplier capable of affecting DiscovaCam is the supplier of the Intellectual Property used by DiscovaCam, and DiscovaCam's perpetual licence to use technology has negated this potential threat.

The potential customers also have low power. The customers have little alternative to DiscovaCam's products, allowing DiscovaCam to extract superior profits from the market.

Finally, there are not substitute products from other industries.

Therefore, DiscovaCam faces practically no rivalry for its position in the short term, and only modest potential rivalry in the longer term. This strategic environment will allow DiscovaCam to extract large profits and grow rapidly to dominate the market, thereby creating a strong brand image and a further barrier to entry to potential competitors.

Internal capacity to meet the Strategic Environment

DiscovaCam will require strategic strengths to meet the external environment challenges. The required strengths can be evaluated using the 'Core Competency' concept.

E-Marketing

The growth rate of DiscovaCam's market depends upon its ability to generate demand – i.e. marketing. It is intended to use Internet-based communication to develop the initial demand through product education, to attract the early adopters. However, a mass-market programme will supplement this communication once the education programme matures, to appeal to ordinary consumers as a mass-market consumer appliance. DiscovaCam marketing will ignore the tail, the technophobes, as they represent a poor return on investment.

This blend of marketing skills is rare, as few organisations understand how to e-Market. However, the mass-market programme uses less rare skills and is easier to imitate. Hence, the e-Marketing core competency provides a temporary competitive advantage, until the market matures.

Innovation

It has been said that all companies require a core competency in Innovation. Sadly, few organisations are successful in capturing innovation.

DiscovaCam incorporates double-loop learning into its organisational design, to ensure that ideas flow from consumers' back to influence product design direction. DiscovaCam's first-mover status in the market will provide an opportunity to quickly move further along the learning curve, driving down costs and improving customer benefits. Hence, innovation offers the only method to remain ahead of potential competition and achieve a sustainable competitive advantage.

Economic Value Chain

It has been estimated that a 30% value advantage over competition leads to dominance in any market segment. DiscovaCam has a greater than 30% advantage over potential new entrants, primarily due to its flexible manufacturing and e-marketing core competencies.

Hence, DiscovaCam has every opportunity to achieve a dominant position in the new market.

Organisational Design

Governance

DiscovaCam will initially have a single director board during establishment, with the only board member being the project promoter. This board design is to ensure that the company remains true to its original concept and achieves its business goals.

Once established, a new board will be appointed representing the shareholder interests of the company at that time. That board will have the responsibility to manage and update the business plan, and to manage the risk management process.

It is preferable for all board members to be external to the company (i.e. not employees), to prevent management capture of the board, and to more truly reflect shareholder requirements.

Structure

The DiscovaCam corporate group is being structured into a functional form to maximise this flexibility, including the outsourcing of functions as appropriate. The group is a vertically integrated organisation, consisting of:

- an outsourced distribution system to shift product from the manufacturers centre to customers;
- a global marketing using an electronic commerce channel to manage sales processing and to communicate with customers; and
- Other legal entities required to protect DiscovaCam's intellectual property.

Culture

The DiscovaCam company requires a culture that will enhance its core competencies. Using ideas from customers and people at the front-line, rather than just a specialist management team best enhances innovation, in particular.

As a result, DiscovaCam is best served by a low-power culture, with substantial empowerment of all members through a decentralised structure. In addition, wide internal access to corporate information will stimulate innovation, with greater benefits than the risk of information becoming known to potential competitors.

Leadership

DiscovaCam is being established with new leadership. The company requires a leadership style that does not make the company dependent upon the direction provided by any one person. This situation will inhibit innovation in the long-term.

Therefore, the company will have a leadership style that transfers the source of innovation to other people, e.g. a team facilitator style.

The Company leadership will be selected to reflect this need and retained only while the style is effective.

Obligations to Stakeholders

DiscovaCam intends to meet the following obligations to its stakeholder groups. The company's ability to meet these objectives is based upon superior economic performance, which in turn is generated by its stakeholder focus – thus creating a positive reinforcing loop of excellence.

Shareholders

The shareholders deserve a superior return on their investments, with full recognition given to the risks they have undertaken in underwriting the company. These returns include being treated seriously by the board of directors, with timely and meaningful communication by the company. In addition, DiscovaCam will maximise its long-term share values by generating wealth, and will not create short-term improvements by using accounting techniques at the expense of the long-term.

Employees and Directors

The company intends to sustain a creative and innovative environment for its people. Employees will receive a return from the company's success, in addition to a reliable and attractive salary package. Directors will receive stimulating input from employees and appropriate fees to cover the time and value they place into the organisation.

In addition, the company will recognise superior performance by its people and reward where people generate unexpected wealth for the company beyond normal expectations.

Customers

The customers deserve high quality and innovative products that provide extra value to their lives. The products need to be available to customers at a price that reflects the value-added in their lives, and should be widely available with full after-sales support.

Where a customer is not satisfied, DiscovaCam needs to make all efforts to satisfy the customer, and if not practical, to refund the customer. This policy will maximise customer benefits and loyalties, thus leading to superior long-term company performance.

Suppliers

Suppliers deserve to be paid on time and to be treated with respect. Suppliers that have potential impact on the risk management and marketing plans should be taken into confidence, with shared commercial information, to enable them to better meet DiscovaCam's objectives.

Government

The Government deserves to be paid any taxes and duties that are rightly owed to it, and to be treated as a partner in supplying social services that the employees and customers require in order to meet DiscovaCam's objectives.

Community

DiscovaCam intends to be a good community member. Specifically, this goal translates into respect for the environment, including engineering products for long-term disposal or recycling at the end of the product's useful life.

In addition, the company will channel its investments in ways that enrich people's lives as practical.

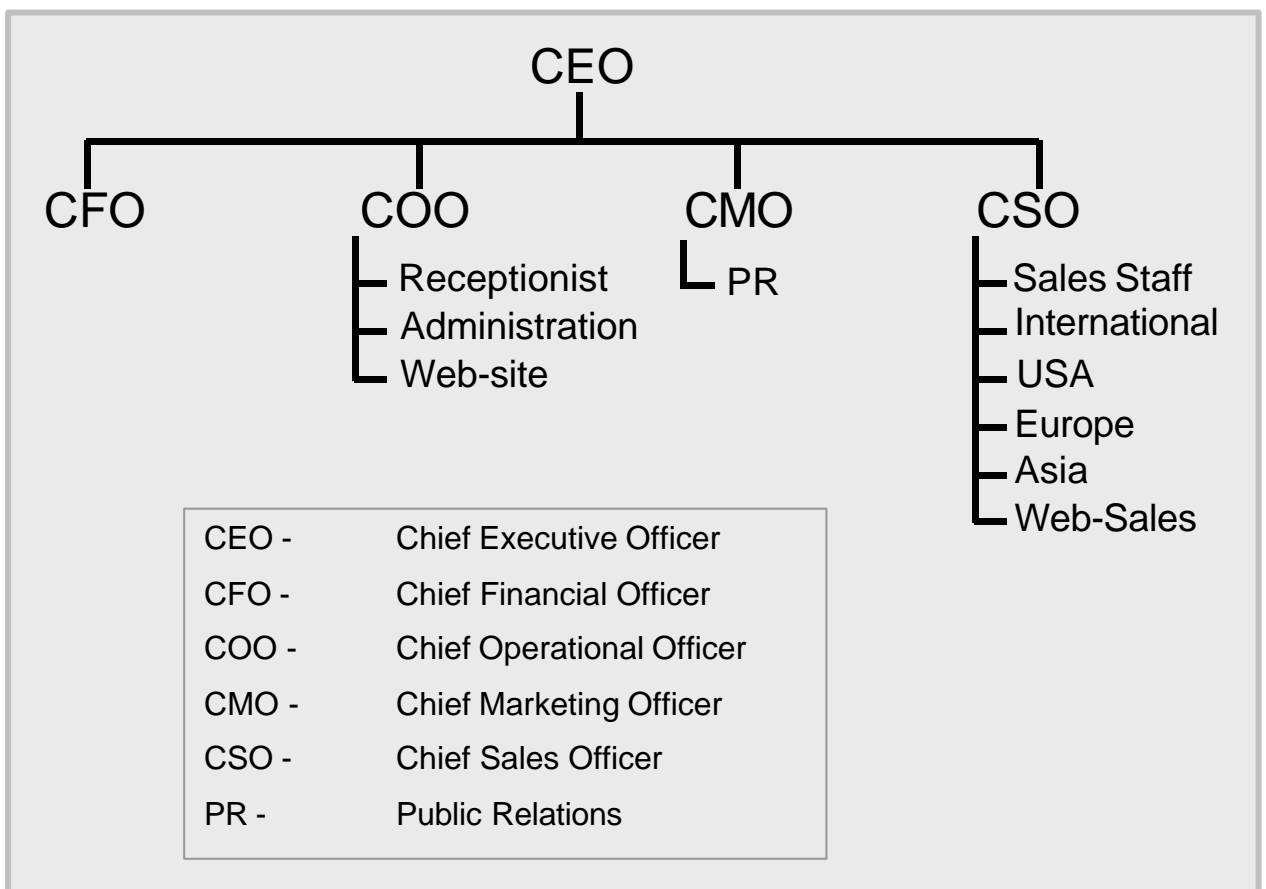
Personnel

DiscovaCam is being established as a 'clean slate' operation, with the transfer of assets, plans and opportunities into the new organisation.

As such, the company will be seeking people that best fit its requirements rather than make use of establishment staff.

This approach has been selected to ensure the company's long-term success.

The following chart illustrates the functions required to operate the company.



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, which will provide a continuing competitive advantage over time.

Price

The DiscovaCam price is initially set at the price of a PDA or sophisticated cell-phone. The consumer will recognise this price as being fair, while DiscovaCam can earn strong profits to fund further development and growth.

Later, less expensive versions will be built as a result of experience with DiscovaCam manufacturing. The lower price point is necessary to provide a gross margin for retailers, while ensuring the product doesn't increase in retail price.

Further price decreases can be expected as technology improves and with greater experience.

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.

Place

DiscovaCam's 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 domain name has been registered.

Product

DiscovaCam's initial product is hidden surveillance camera detection equipment. The company's product is the first device capable of rapidly detecting the presence of hidden video cameras. This device is simple and quick to use, and is suitable for operation by the average person. Its small size, similar to a cellphone, allows discrete use in lifts, corridors, rooms and areas that may have been wired for hidden surveillance by other people.

The device allows people to detect the presence and direction of cameras, and thereby warn them that they are in public and to take care with their actions.

The controls for the initial DiscovaCam are simple, and can be used by novices with written instructions or a few seconds of explanation.

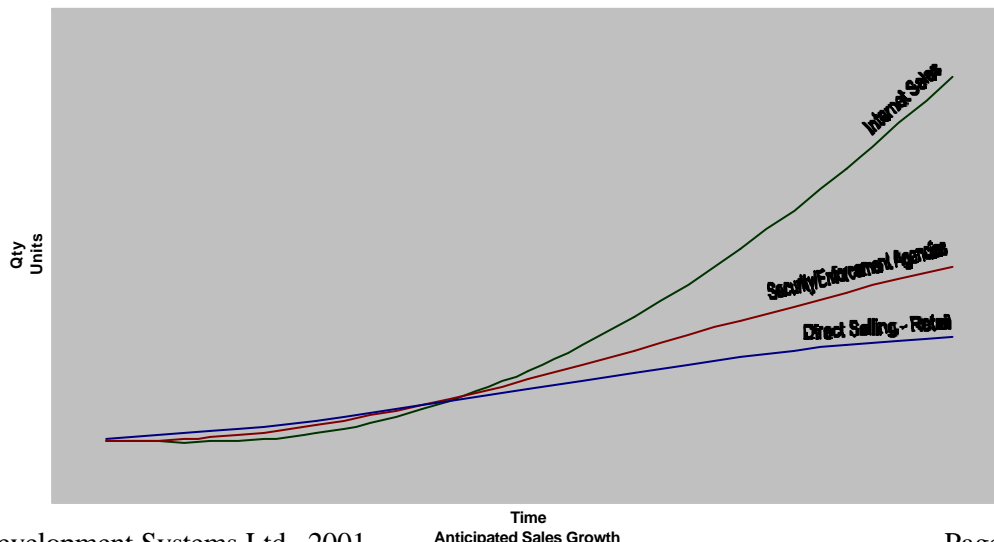
Sales

Initial sales will be direct to customers through the Internet. DiscovaCam will launch a fully-fledged electronic commerce site, with the ability for people to order product for delivery to their address, make payments and to enquire upon delivery status. This site will have full security for customer information and the contract details.

Once the market matures, DiscovaCam will need to occupy the other sales channels to prevent potential competitors gaining a foothold in the market. It is anticipated that new versions of the product will be developed to be channelled through retail outlets selling other electronic devices. These retail chains also provide access to traditional mail and phone ordering systems. The trend lines for the changes in channel distribution is illustrated in the graph below, though the timeliness of these trends will be influenced by the overall growth of e-commerce as a share of overall retailing.

The development of different models will prevent DiscovaCam from cannibalising its own direct sales market through the new channel.

Sales Chart



Manufacturing Operations

DiscovaCam will be one of the first users of the FlexMachine flexible manufacturing services marketed by sister company; The Machine Manufacturing Company (MMC).

MMC provides services based upon the FlexMachine, a self-contained, automated assembly machine system for manufacturing small electronic and electrical devices. This system allows the construction of items built to individual orders, transforming bins of components into shipments of products ready for collection by a courier.

DiscovaCam will use manufacturing time via the use of one FlexMachine located in New Zealand to supply initial production. The manufacturing location will allow any minor changes required to the FlexMachine or to the DiscovaCam product as a result of initial manufacturing runs.

As demand increases, other MMC manufacturing sites will be used to provide production close to the consumer markets. This introduction of parallel manufacturing by different locations solves problems with manufacturing capacity, while allowing reduced shipping costs over time.

In addition, the booking of manufacturing time instead of in-sourced manufacturing systems removes unnecessary overheads from DiscovaCam's assets list, while ensuring adequate production capacity is always available.

Furthermore, MMC has the responsibility to realise the manufacturing of any innovations that DiscovaCam wishes to bring to market – freeing DiscovaCam to focus on the innovation itself rather than the technical implementation details.

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 has been approached to manage the distribution process, and there are no anticipated difficulties.

However, if such difficulties arose, then there are other suppliers available to distribute part or all of DiscovaCam's shipments.

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 misspelling 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 registered.

Capital

The DiscovaCam group is being capitalised in two instalments: initial seed capital of NZ\$0.25 million during early 2002 to develop the technology in preparation for initial production. By mid to late 2002 a further NZ\$4.75 million will be required to enable the completion of pre-production prototypes, the establishment of the e-commerce channel and to begin limited production.

It is planned to ship the first products to the sales channel by late 2002 and to achieve positive cash-flow by mid 2003.

Financial Data

Cash Flow Forecast

	Year 1	Year 2	Year 3	Year 4	Tot 4 Years
Profit before Taxation	14,552,116	56,493,966	76,955,928	87,947,760	235,949,770
Add Back Depreciation	33,772	45,868	57,964	70,060	207,665
Sale of Shares	5,000,000				5,000,000
TOTAL RECEIPTS	19,585,888	56,539,834	77,013,892	88,017,820	241,157,435
PAYMENTS					
Taxation	5,675,325	22,032,647	30,012,812	34,299,626	92,020,410
Capital Expenditure	187,623	67,200	67,200	67,200	389,223
Special Investors exit price	1,681,904	5,074,979	6,987,478	7,987,877	21,732,237
Research & Development Costs	2,500,000	-	-	2,500,000	5,000,000
Dividends	2,831,271	22,871,194	33,606,804	38,569,821	97,879,090
TOTAL PAYMENTS	12,876,123	50,046,020	70,674,293	83,424,524	217,020,960
NET FLOW	6,709,765	6,493,814	6,339,599	4,593,296	24,136,475
OPENING BALANCE	0	6,709,765	13,203,580	19,543,179	39,456,524
Bank	6,709,765	6,493,814	6,339,599	4,593,296	24,136,475
New Loans Required					
Loans repaid					
CLOSING BALANCE	6,709,765	13,203,580	19,543,179	24,136,475	63,592,998

Taxation Forecast

	Year 1	Year 2	Year 3	Year 4	Tot 4 Years
NET PROFIT(LOSS)	14,585,888	56,539,834	77,013,892	88,017,820	236,157,435
add					
Accounting Depreciation					
Less					
Tax Depreciation 18%	(33,772)	(45,868)	(57,964)	(70,060)	(207,665)
TAXABLE PROFIT	14,552,116	56,493,966	76,955,928	87,947,760	235,949,770
Loss brought forward					
TAX TO BE PAID ON	14,552,116	56,493,966	76,955,928	87,947,760	235,949,770
Taxation 39%	5,675,325	22,032,647	30,012,812	34,299,626	92,020,410
NET PROFIT AFTER TAX	8,804,791	34,353,319	46,835,116	53,540,134	143,533,360
Less Working Capital retained	5,973,520	11,482,125	13,228,313	14,970,313	45,654,270
Available for Dividends	2,831,271	22,871,194	33,606,804	38,569,821	97,879,090

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Statement of Performance Forecast

	Year 1	Year 2	Year 3	Year 4	Tot 4 Years
Number of Units Sold	12,989	109,697	153,613	176,124	452,423
GROSS SALES	20,766,240	95,562,100	129,349,363	147,503,850	393,181,553
Made up of:					
Internet	16,065,225	77,020,200	104,251,725	118,883,700	316,220,850
Security Organisations	2,742,675	11,125,140	15,058,583	17,172,090	46,098,488
Private	1,958,340	7,416,760	10,039,055	11,448,060	30,862,215
COST OF SALES					
R&D - DSL - Ongoing	703,869	3,155,193	4,164,685	4,707,103	12,730,850
Manufacturing Contract	4,542,300	34,231,200	46,334,100	52,837,200	137,944,800
TOTAL COST OF SALES	5,246,169	37,386,393	50,498,785	57,544,303	150,675,650
Staff Commitments	84,095	253,749	349,374	399,394	1,086,612
Power	8,273	12,600	12,600	12,600	46,073
Telephone	46,881	71,400	71,400	71,400	261,081
Internet	8,273	12,600	12,600	12,600	46,073
Consumables	8,410	25,375	34,937	39,939	108,661
Marketing	84,095	253,749	349,374	399,394	1,086,612
Rent - Building	92,500	130,000	130,000	130,000	482,500
Insurance	10,500	15,600	15,600	15,600	57,300
Rates & shared Costs	3,500	5,200	5,200	5,200	19,100
Lease	126,000	156,000	156,000	156,000	594,000
Maintenance	20,400	31,200	31,200	31,200	114,000
Petrol	51,000	78,000	78,000	78,000	285,000
Insurance	12,750	19,500	19,500	19,500	71,250
TOTAL OVERHEADS	556,677	1,064,973	1,265,785	1,370,827	4,258,262
General Manager	80,769	120,000	120,000	120,000	440,769
Accountant	50,481	75,000	75,000	75,000	275,481
Marketing staff 1	53,615	82,000	82,000	82,000	299,615
Marketing staff 2	28,558	45,000	45,000	45,000	163,558
Sales staff 1	29,423	45,000	45,000	45,000	164,423
Sales staff 2	20,308	32,000	32,000	32,000	116,308
Receptionist	16,154	24,000	24,000	24,000	88,154
Medical Insurance	26,198	39,900	39,900	39,900	145,898
Fringe Benefit Tax	72,000	108,000	108,000	108,000	396,000
Total Staff Costs	377,506	570,900	570,900	570,900	2,090,206
NET PROFIT (LOSS)					
Before Depn	14,585,888	56,539,834	77,013,892	88,017,820	236,157,435
NET PROFIT % ON SALES	70%	59%	60%	60%	
CAPITAL EXPENDITURE					
Desks, Chairs etc	30,015	8,400	8,400	8,400	55,215
Office Equipment	39,031	16,800	16,800	16,800	89,431
Computers	118,577	42,000	42,000	42,000	244,577
TOTAL CAPEX	187,623	67,200	67,200	67,200	389,223

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Statement of Position Forecast

	Year 1	Year 2	Year 3	Year 4	Tot 4 Years
Fixed Assets (Book Value)					
CURRENT ASSETS					
Bank	6,709,765	13,203,580	19,543,179	24,136,475	63,592,998
Debtors	2,076,624	9,556,210	12,934,936	14,750,385	39,318,155
Inventory	1,362,690	10,269,360	13,900,230	15,851,160	41,383,440
TOTAL CURRENT ASSETS	10,149,079	33,029,150	46,378,345	54,738,020	144,294,594
TOTAL ASSETS	10,149,079	33,029,150	46,378,345	54,738,020	144,294,594
SHAREHOLDER'S FUNDS					
Capital					
Revaluation reserve					
Retained Earnings	8,253,363	18,995,775	27,393,299	33,092,490	87,734,927
CURRENT LIABILITIES					
Overseas Creditors	1,362,690	10,269,360	13,900,230	15,851,160	41,383,440
Creditors	533,026	3,764,014	5,084,816	5,794,370	15,176,226
TOTAL CURRENT LIABILITIES	1,895,716	14,033,374	18,985,046	21,645,530	56,559,666
Term Loans					
TOTAL LIABILITIES & SH/FUNDS	10,149,079	33,029,150	46,378,345	54,738,020	144,294,594

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Explanation of Forecast

- 1) The company can produce 100,000 units per annum and the growth rate per annum is five percent.
- 2) That there are three types of markets that we can supply:
 1. The Internet market whereby units will be sold directly to end users at full margins; these sales are paid for prior to shipment.
 2. The security market, for example the United States of America based Police Departments and other law enforcement bodies: both for their Personal use and a unit in each of their cars; these sales are paid for by way of Letter of credit
 3. The private or personal protection market for individuals who have something to fear and want that fear resolved. These sales will be through retail chains.
- 3) The company will use out-sourced manufacturing facilities that will be contracted to the company for three years.
- 4) That the company will have on-going research and development costs establishing ways to add value to the product by introducing new features at the appropriate time.
- 5) That there is nothing extraordinary about the cost of overheads to the company and they are staff dependent.
- 6) That the Staff costs are determined by the number of units sold and their ability to manage their own areas of responsibility
- 7) That the number of staff determines the Capital expenditure required to operate this business.
- 8) That the retained earnings is purely from a cash flow view point and is dependent upon dividend policy and the extent of overseas purchases of components by way of Letters of Credit.
- 9) The Debtors contain sales based upon Letters of Credit for receipt in 60 days from date of shipment
- 10) The Creditors are based upon 10% of purchases and 10% of Overheads not being paid for in the month of commitment.
- 11) The amount available for dividends is based upon the company's dividend policy
- 12) The Company's dividend policy is based upon the company's constitution which we have abbreviated below:
 1. The Company dividend policy will be determined by the Company's Board of Directors from time to time, but
 2. must reflect the amount of risk that Shareholders have participated in.
 3. such policy to be determined on a three monthly basis in advance of distribution ,or
 4. as the directors agree.
- 13) There have been no allowances in the cash flow forecasts for Directors fees and costs, however, the shareholders may wish to pay directors fees and costs in the future.
- 14) Future product development will be focused on "adding value" to the existing product.

Risk Management

Risk Management is a key concern of DiscovaCam strategy and governance. In line with the general trend towards more sophisticated risk management, DiscovaCam will focus on best practice and actively manage the risks facing the organisation. Active management will in turn reduce the overall risk incurred, leading to greater company value and increased returns to shareholders.

All organisations face four types of risk – financial, behavioural, reputation and hazard.

Financial

The traditional risk. DiscovaCam faces financial risk from

1. the potential loss of its licence from Development Systems;
2. losing market leadership;
3. legal threats using competition law, challenging a dominant position;
4. warranties, due to poorly manufactured or designed product;
5. goods shipped going astray;
6. the loss of product at a manufacturing centre from disaster, such as fire or flood;
7. the copying of intellectual property, enabling 'clone' manufacturers to compete;
8. theft by employees; and
9. any loss of service from the www.discovacam.com website, preventing order taking and resulting in lost sales.

Financial Risk can be contained by a combination of spreading risk through insurance, by active systemic measures to reduce risk exposure and by transferring risk by contractual mechanisms, such as the licence agreement.

Behavioural

Behavioural risk is the risk encountered by stakeholders undertaking actions that damage the company. DiscovaCam risks:

1. employees failing to fully implement the business plan;
2. employees acting sub-optimally, reducing marketing quality and innovation;
3. suppliers performing poorly, and provided sub-optimal inputs into DiscovaCam's processes;
4. customers not using the products effectively; and
5. by Government intervening to destroy wealth.

These behavioural risks are most effectively managed through training and public relations programmes.

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Hazard

Hazard risks are physical dangers involving loss of property and life, as well as activities that disrupt DiscovaCam's processes. Failure to meet these risks can generate retaliatory legal action, as well as flow on damage to reputation and behaviour. The hazard risks that face DiscovaCam are:

1. goods shipped going astray;
2. the loss of product at a manufacturing centre from disaster, such as fire or flood;
3. the copying of intellectual property, enabling 'clone' manufacturers to compete; and
4. theft by employees.

These hazards equate to some financial risks, and are the direct inputs to financial losses. In addition, other hazards that do not necessarily involve material financial losses are:

1. business failure of a supplier;
2. the inability of a licensor to enable DiscovaCam's innovations;
3. shipping delays from weather, vehicle problems or congestion of transit points;
4. loss of trained staff, and
5. Internet issues.

Hazards can be moderated by putting into place contingency plans, to minimise disruption effects.

Reputation

Reputation risk involves damage to the DiscovaCam brand, and hence, its ability to attract revenues. Risk to reputation arises from all three of the above forms to risk. In addition, reputation risk arises from:

1. Failure of the product to meet customer expectations; and
2. Internet spamming (i.e. miscommunication maligning DiscovaCam's products and services).

Reputation risks can be countered by an active and fast response using public relations, both through online Internet sessions and through traditional media. The objective is to diffuse the situation as quickly as possible, to minimise damage.

In addition, where DiscovaCam is at fault, then an honest public admission reduces reputation risk, and can in fact create positive support for the company – improving long-term customer loyalty.

Representation of completed DiscovaCam Units



Front View



Rear View