

“SporTrack”

Sports Measurement Systems

Group Members:

**Dan Billings
Richard Barber
Korrakot Yaibuathet (Apple)
Alan Lai
Enuh Rosdeni**

Mentors:

**Andrew Greenbury
Micah Atkin**

Executive Summary

SporTrak Innovations has developed a revolutionary three-dimensional positional measurement technology. This technology, which is soon to be patented, is the result of extensive in-house research and development. The three-dimensional measurement device is formed from the novel integration of a number of sensing devices and is miniature in scale. The size and measurement capability of the device is specifically suited for sporting applications and promises to herald the next revolution in sporting performance improvements.

SporTrak Innovations initial product utilising and promoting the application of this three-dimensional positional measurement technology is GolfTrak. GolfTrak is a novel clip-on technology that is aimed at improving the golfer's swing and thereby their game. This is achieved by the integrated sensors providing wireless, real time feedback to a custom software package with data relating to the 3D path of the club, orientation of the club-head during the swing and at impact with the ball. The custom software package, that may be loaded onto a personal data assistant (PDA) or laptop computer, automatically analyses the golf swing and provides corrective feedback to the player. The software also provides a visual representation of their swing compared with an ideal swing and projected information regarding the result of the shot (e.g. 313m length, hooking 40m to the right)

SporTrak has chosen golf to launch its flagship product based on the appropriateness of the technology for golf, but more prominently, because of the sheer size of the market. According to a SGMA Recreation Market Report (2002), the six largest categories of sports equipment sales in the United States are: exercise equipment machines (\$3.61 billion), golf (\$2.59 billion), firearms/hunting (\$1.80 billion), camping (\$1.69 billion), team/institutional (\$1.54 billion), and fishing (\$1 billion). Furthermore, golf equipment sales, as well as popularity, are among the top in Australia, Europe and Japan. Essentially, SporTrak has selected the sport application for its leading technology that will generate the highest possible return.

SporTrak Innovations is seeking an investment of \$2 million to promote, market and distribute its premier product, GolfTrak. Over a period of 5 years, SporTrak Innovations will use this investment to establish itself in the business community. The investment funds will secure international patents, establish product manufacturing and commence marketing. SporTrak will begin to invest its revenue into capital equipment for R&D to begin to expand its technology to other markets. The expected return on the \$2 million investment is 52%, or A\$ 14 million.

SporTrak Innovations – Coaching today's athletes with tomorrow's technology

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1 COMPANY OVERVIEW

1.1 Business Concept

SporTrak Innovations has developed a revolutionary three-dimensional positional measurement technology for performance enhancing in sports. This technology can be applied to many sports; can be used by coaches and athletes from all levels with the goal of improving their performance. The initial product offered by SporTrak Innovations featuring this technology is GolfTrak.

1.2 Current Business Position

The current business position of SporTrak Innovations is as follows:

- Research and Development of the 3D positional measurement technology has been developed over the past two years.
- A working prototype of GolfTrak has been developed
- Refinements to the design, packaging, testing and validation has been completed
- The current position of the company has been funded by the personal investment of the founders. A total of A\$35,000.
- SporTrak is seeking an investment from a venture capitalist of A\$2 million to manufacture, market and distribute its premier product, GolfTrak

1.3 GolfTrak

SporTrak Innovations has developed GolfTrak, a revolutionary clip-on technology, to improve golfer's swing. GolfTrak achieves this by providing real-time feedback to the golfer with information relating to the three-dimensional path and orientation of the clubhead during the swing and at impact with the golf ball. GolfTrak can also determine faults in the shot and provide corrective feedback to the golfer. Feedback of this type will allow golfers of any level to rapidly optimise their golf swing and enhance their game.

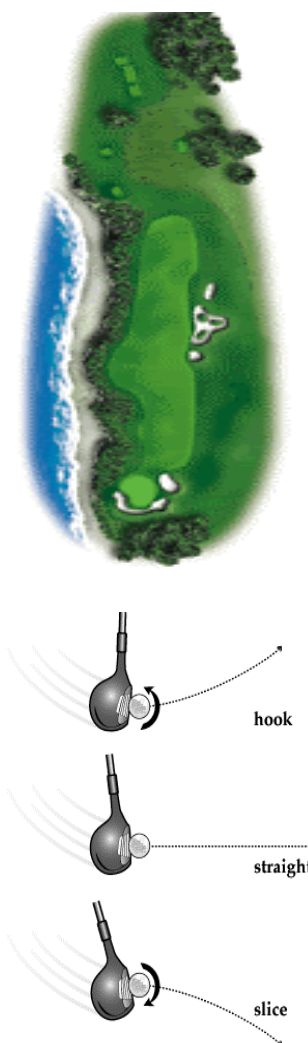
GolfTrak is miniature in size and attaches via a clip directly to the shaft of the golf club above the club head. Data and measurements taken from GolfTrak are streamed wirelessly to a personal computer (PC), Personal Digital Assistant (PDA) or laptop where custom software automatically analyses the swing and provides corrective feedback as soon as the follow through is complete. Along with providing corrective feedback, GolfTrak provides information on pertinent parameters such as:

- 3D path and distance of backswing, downswing and follow-through
- 3D club face angle and speed at impact
- Projected distance of golf shot and flight path of ball (e.g. hook, slice)

All these performance measures will enable a golfer to fine tune stroke mechanics and club selection. GolfTrak may be interchanged between clubs in a matter of seconds. It weighs 10g, which will not affect the finely tuned mechanical balance of the club. The data may also be sent directly to a remote site anywhere around the world enabling interactive multimedia applications and remote coaching.

1.4 GolfTrak and Golf

The golf swing, the succession of movements that culminates in the club head striking the ball, is the central element about which the entire game of golf is built. The full swing consists of four major parts – backswing, downswing, impact, and follow-through. Regardless of club choice (wood, iron or putter), the success of any golf stroke depends largely on the angle and speed of the golf club at the point of impact with the ball. The clubface is in contact with the ball for an average of 0.5 milliseconds. During this time the ball is accelerated to approximately the same speed as the club, and leaves the club in a direction perpendicular to the face of the club. The clubface imparts spin on the ball in the vertical plane and the horizontal plane depending on how the club is swung. During the flight, the spin applied to the ball from the club face exerts aerodynamic forces on the ball. The spin in the vertical plane helps to produce lift and keeps the ball in the air longer for greater distance. The spin in the horizontal plane produces forces that act on the side of the ball causing it to hook or slice. Research has shown that the difference between a professional and amateur golfer is the ability to consistently control the spin imparted by the clubface and the speed of the club head at impact to achieve a desired result.



1.5 GolfTrak Technology

GolfTrak employs a unique combination of microelectromechanical system (MEMS) sensors. MEMS are microscopic sized 'machines' fabricated on silicon chips through the use of microfabrication technology. These 'machines' can be used as sensors, actuators or other similar devices. The major advantage with the application of MEMS sensors in GolfTrak is their small size, low weight, high reliability and functionality and cost compared to conventional macro scale sensors. Three specific MEMS devices are integrated in GolfTrak accelerometers, gyroscopes and magnetometers. Accelerometers measure the linear acceleration, gyroscopes measure the angular acceleration (roll, pitch, yaw, and rotation) and magnetometers provide the direction of travel relative to

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magnetic north (thereby providing a global coordinate system). By coupling a set of three component linear accelerometers and a set of three component rotational sensors (gyroscopes) a translational coordinate system is formed that moves with the club and is aligned with the sensors. With the addition of a three component magnetometer the global coordinate system is established which allows the three-dimensional path and orientation of the club head during the swing and at impact with the golf ball to be determined. Figure 1.3.1 gives a visual example of how GolfTrak will analyse a golfer's swing.

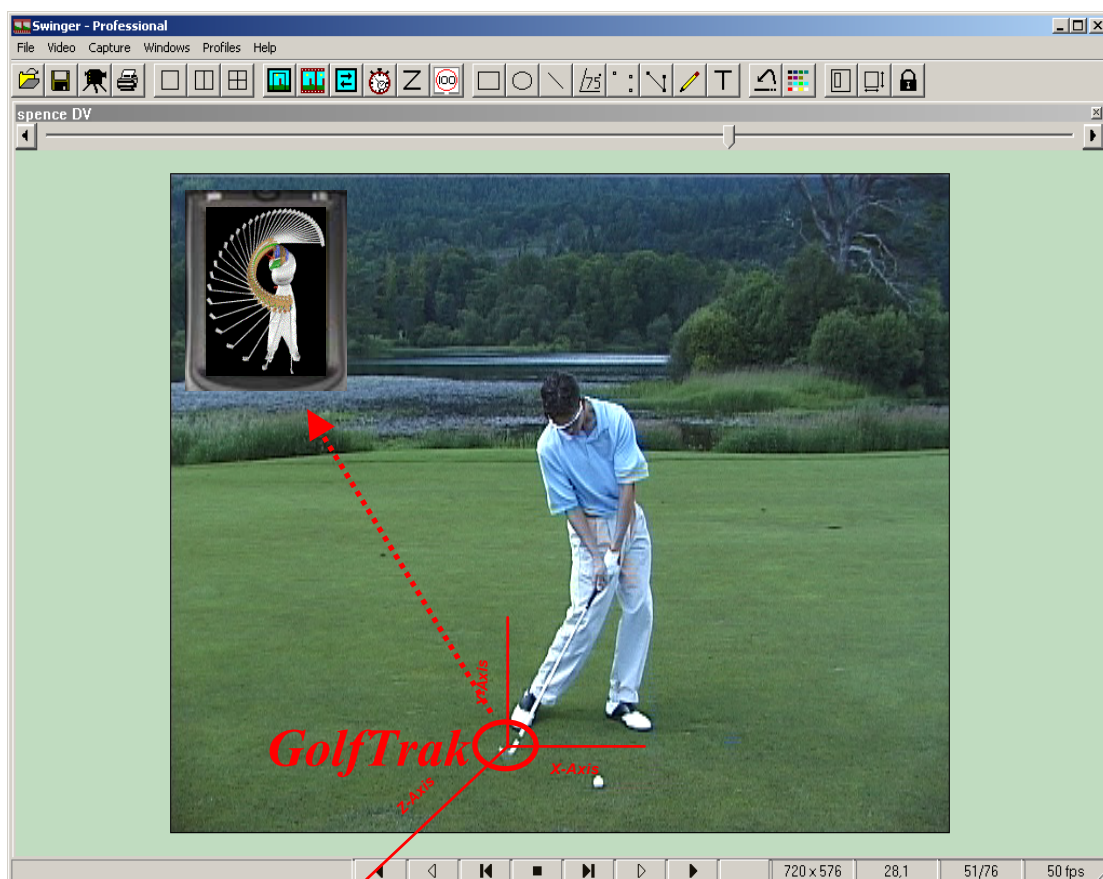


Figure 1.5.1 GolfTrak in Action

1.6 The SporTrak Team

The skills and interests of the SporTrak Team cover a broad range of skills and abilities. A highlight of these skills is given for each team member.

Dan Billing - BAppSc (Human Movement) (Ballarat, VIC)

Mr. Billing is currently a PhD student at Swinburne University in the field of Microengineering. In particular, Mr. Billing is focusing on technology for human movement and sports monitoring.

Richard Barber - BSc (Chemistry) (Victoria, Canada)

Mr. Barber is currently a PhD student at Swinburne University in the field of Microengineering. Mr. Barber has developed skills in the area of microfabrication and has a keen interest in the commercialisation of technology.

Enuh Rosdeni – BEng (Mechanical) (Bandung Institute of Technology, Indonesia)

Mr. Rosdeni is currently a Master of Engineering Student at Swinburne University. His experiences are in project management and marketing.

Alan Lai - BEng(Hons), (Electrical and Computer Systems) (Monash, VIC); MEngSc (Biomedical) (Monash, VIC) (in progress)

Mr. Lai is currently undertaking PhD research in measurement optimisation for complex microsystems in sport applications. He has studied 3 semesters of management as part of his bachelor degree.

Korrakot Yaibuathet – BEng (Industrial Engineering) (Chiang Mai, Thailand)

Ms. Yaibuathet is currently a Master of Engineering student at Swinburne University. Her focus is on Supply Chain Management. Through her project work she has developed skills in the areas of project management, product distribution and financial analysis.

2 Market and Marketing Strategy

2.1 Needs Identification

The most important component in the long game of golf is the golfer's swing. Seemingly small improvements to this swing can have a huge impact on a golfer's score and their satisfaction with their game. Combine this information with the data that show golfers spend large sums of money on golfing aids and that there is currently no portable coaching aid on the market, gives a strong case for the need of GolfTrak.

2.2 Size of Market

2.2.1 United States Market

- 26.7 million golfers aged 12 and over¹
- Approximately 6.3 million are *avid*² golfers

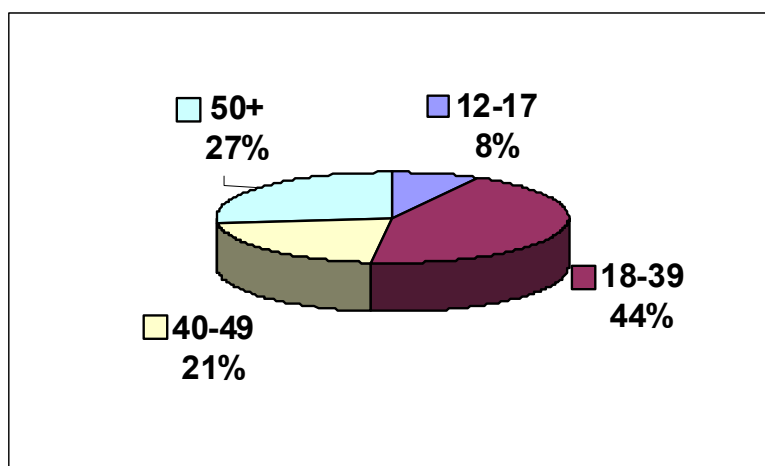


Figure 2.2.1.1 Age Distribution of Golfers in the United States

- A typical golfer in the United States is male, just over 40 years old, has a household income of U.S. \$71,558 and plays 22 rounds per year
- American golfers spent a total of \$22.2 billion in 1999 on golf equipment and fees³. This is broken down as: \$16.3 billion (73%) on green fees and dues, \$2.4 billion (11%) on golf club purchases, and \$3.5 billion (16%) on balls and other goods.
- Avid golfers make up the smallest player segment (25%), but accounted for the largest (53%) golf related spending in 1999.

¹ National Golf Federation – Golf Participation in the U.S./2001 Edition

² Plays more than 25 rounds per year

³ National Golf Federation – Golf Consumer Spending in the U.S./2000 Edition

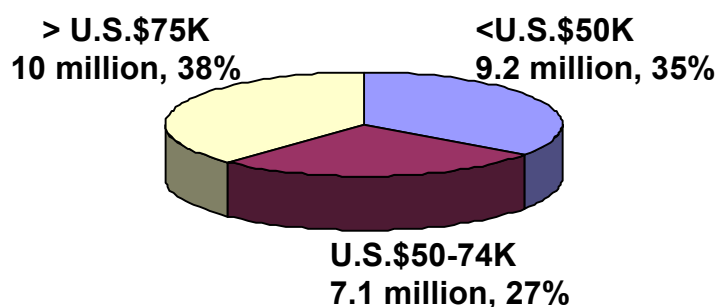


Figure 2.2.1.2 Distribution of Golfers by Household Income in the United States (Millions of Golfers)

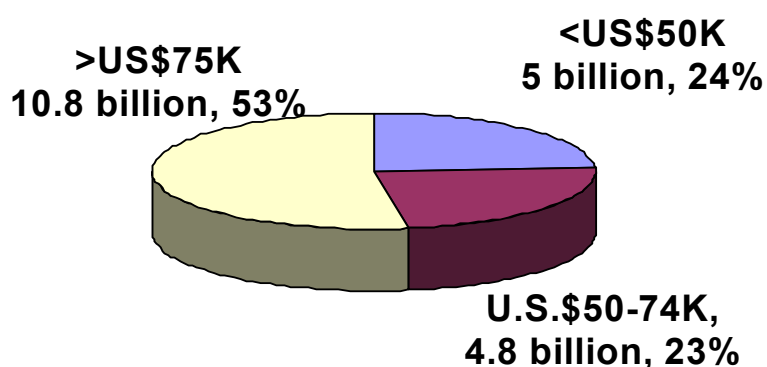


Figure 2.2.1.3 Expenditure and Golfers' Household Income (Billions \$US)

2.2.2 European Market

- 3.4 million European Golf Association members in 30 European nations (2001). This group of golf players includes professional, amateurs and enthusiasts (European Golf Association).

2.2.3 Japanese Market

- The Japanese golf market⁴ is a US\$3.1 billion industry and is the world's second largest market (1999).
- 13 million people played at golf courses and 14 million people went to driving ranges
- The average Japanese golfer plays 25 rounds of golf per year and spends US\$5,900 per year (1999)

⁴ U.S. Department of Commerce – Marketing Research Reports: IMI991012

2.2.4 Australian Market

- There are 1.3 million golfers in Australia⁵; 456,000 of which play more than 26 times per year.
- The average golf related spending per Australian golfer was A\$960 a year. This includes membership, transport, clothing, equipment, and weekly fees.
- The annual spending on golf clothing, equipment totalled A\$121 million while spending on “other products” was at A\$22 million.

2.2.5 Market Survey

A survey of golfers conducted from June 20 – July 05 2002 found the following information:

- 79% of the golfers surveyed were unaware of products with similar features
- 67% spent more than A\$1250 a year
- 83% were computer literate
- 92% of the golfers were willing to pay for the GolfTrak if it costs less than A\$1,000, while 83% expected the cost of this technology to be less than A\$1,000.
- The interest of the golfer acquiring a GolfTrak was evenly distributed. The average score of interest was 6.3 on a scale of 1 to 10.

2.3 Market Segments

The player handicap level primarily segments the golf-improvement-aid market. The improvement aids currently on the market can be categorized into: visual aids, alignment aids, mechanical guides (restricting the swing motion), and measurement systems that provide instant feedback. The first three categories are targeted to the beginning golfer, providing basic training to players at an economical price. Measurement systems that provide instant feedback are training aids regularly pursued by enthusiasts, amateurs and professionals who need to fine-tune their techniques. Thus, the products targeted at this segment are generally highly priced and technologically advanced. GolfTrak is both easy to use and economically priced for a technology product. These factors will fulfill the needs of the amateurs and professionals, and at the same time, attract most enthusiasts to purchase GolfTrak.

⁵ Australian Bureau of Statistics: Participation in sport and physical activities 4177.0 1999-2000

2.4 Competitive Analysis and Unique Capabilities

There are no existing commercial systems that are “fully portable” and provide instant feedback that are both affordable and easy to use. Examples of improvement aids that are currently on the market include:

- Video motion capture & analysis
- 3 D motion capture using electromagnetic field source and sensors placed on body
- Alignment aids
- Visual aids placed on equipment
- Mechanical guides (restricting the swing motion)

Only 3 types of these currently available products provide similar training features to GolfTrak. A summary and comparison of these products is given in Table 2 in the Appendix.

The existing improvement aids that provide similar features are not in direct competition with SporTrak Innovations due to their limitations in affordability, portability and ease of use. In particular, GolfTrak places no constraints on the golf player's freedom of movement. Moreover, GolfTrak is designed for Personal Digital Assistant interface in addition to Personal Computer interface. These unique capabilities of GolfTrak give SporTrak Innovations the market edge in golf improvement aid products

2.5 SWOT Analysis

Strengths	<ul style="list-style-type: none"> • Real time feedback on the golfer's swing • Patented by SporTrak Innovations • Technology can be adapted to other sports • Product is portable
Weaknesses	<ul style="list-style-type: none"> • SporTrak Innovations has no defined track record • New product that needs to be proven
Opportunities	<ul style="list-style-type: none"> • Revolutionary device • Integrates several products into one, portable device • Americans spend large sums of money on Golf every year
Threats	<ul style="list-style-type: none"> • Development of a similar product by a larger firm • Coaches who may feel displaced by GolfTrak

2.6 Product to Market

2.6.1 Market Acceptance

- During the 12 months to November 2000, 9.2 million adults (18 years and over) or 66% of all adults in Australia used a computer. Thus most of the Australian people are computer literate and can adapt to technology. It can be assumed that this statistic would be even higher in technology driven countries like the United States and Japan.
- GolfTrak will target golfers 18 years of age and older. Within this target group, two categories of customers can be found. Golfer's 40 years of age and older can be considered avid, motivating them to improve their game and hence purchase a GolfTrak. The younger generation, however, can be more adaptable and appreciative of technology, and be motivated to purchase GolfTrak from the involvement of technology in the product.
- GolfTrak is competitively priced to compete with current and future competitive products.
- GolfTrak will be promoted through close contact and consultation with coaches and professionals. An endorsement from a professional golf player will be essential for long-term growth of GolfTrak.

2.6.2 Barriers to Entry

- The market might be comfortable with what is currently available and may be resistant to change for a small improvement, in particular older players.
- There are many golf training/improvement aids in the market.
- A market perception that sports training technology is expensive, impractical and not user-friendly.
- The product is not from an established brand line.
- Coaches not recommending GolfTrak based on fears of being put out of a job.

2.7 Target Market and Positioning

2.7.1 Target Market

The target market will be a golfer from around the world that is avid and adaptable to technology. The population of avid players in Australia is 456,000; at least 3.4 million in Europe, and 6.3 million in the United States. There are also several million in Japan. The target market is of ample size to generate a significant product demand.

2.7.2 Positioning

SporTrak Innovations is positioning GolfTrak against other golf training aids, as the most effective for golf-game improvement. It is substantially more affordable when compared to products offering similar features, as well as being fully portable - which these other products cannot offer. GolfTrak is priced to be more expensive than other basic training aids, however, its additional features provide a substantial benefit to a golfer's improvement. SporTrak Innovations will be involved with coaches around the world to promote GolfTrak through their expertise and client foundation.

2.7.3 Pricing

Based on the marketing information and cost analysis, SporTrak Innovations have established that each unit of the GolfTrak (integrated sensors and software) will be retailed at A\$700.

2.8 Marketing Strategy and Promotion Plan

The marketing strategy and promotion of the GolfTrak product will be crucial for its success. Avenues that SporTrak Innovations will use to market GolfTrak will include:

- Product launch at a major golf tournament.
- Magazine advertisement, in particular magazines geared to golfers
- Advertisement on internet sites that are targeted to golfers
- Establish a company website for Internet sales & promotion.
- Product demonstrations at golf tournaments, technology conference, trade shows and golf shops
- Promote GolfTrak to coaches and offer commission to them when they sell GolfTrak to their clients
- Seek out endorsements from professional golfers

3 Operations

3.1 Administration

3.1.1 Purchasing

The main purchases for SporTrak Innovations are in providing the components for the GolfTrak product. In addition, purchases such as key marketing products and services will also be made. Major investments in capital equipment will initially be avoided due to the fact the manufacturing side of the business will be outsourced and the research and development (R&D) conducted through collaboration arrangements. A major expansion in the area of R&D (\$7.6 million) beginning in year two, which will require significant capital purchases.⁶

3.1.2 Personnel

The founding members of the company have developed the prototype product and will remain in a research role during the initial phase of operation. Experts in the fields of management, sales, and manufacturing finance with experience in business start-up will be sought and appointed, to provide direction and leadership to company operations. These individuals will make up the management team. Appointments will be made through the initial phase of the company's life to the management team - financial planner (CFO), and research director – as well as technical and sales staff.

3.2 Facilities

3.2.1 Manufacturer

SporTrak Innovations will contract the services of a manufacturer to produce GolfTrak. The criteria for selecting an appropriate manufacturer will be:

- Experience in assembling micro components
- Satisfaction of other customers
- Reliability for quality and delivery
- Cost

An alternative manufacturer will also be sought to ensure a continuous supply of products in the event of a disruption at the primary manufacturing site. As SporTrak Innovations' focus is global, additional manufacturers will be appointed in strategic locations around the world as the company grows.

⁶ See Cash Flow Sheet in Finance Section

3.2.2 Office

As a small start-up company, only a small office will be required. As the product is a relatively small, large quantities can be stored in a typical office without difficulty, negating the need for a large warehouse. With continued growth in the company, in particular in Year 2, to include a larger R&D team, the office space will be expanded accordingly to accommodate the required space for additional technical and administrative staff.

3.3 Sales

3.3.1 Production versus Sales

SporTrak innovations will produce the GolfTrak product on a batch-by-batch basis. It is more cost effective to produce the devices using a batch process than to have a continuous production line. Therefore, the level of product stock will govern production. The quantity that this has been set at initially is 3000 devices, then to 4,500 devices as the company continues to grow. A gradual increase in stock over the four quarters in year 5 will lead the company strongly into the next phase. The reserve stock will be necessary for product promotion, trial and demonstration purposes. The batch productions will self-correct production by bringing forward or pushing back production on the basis of stock. For example, if sales were to decrease by 20%, the batch-production would be adjusted due to the related increase in stock. Figure 3.3.1 shows a plot of the total sales, total production and stock. A clear correlation between stock and sales can be seen from this plot.



Figure 3.3.1.1 (a) Production, Sales and Stock - Forecasted

3.3.2 Distribution

The GolfTrak device is targeted to the golfer who is technology literate with a desire to improve their game. Therefore, the key distribution channels will be designed to target customers in these markets. These channels will include:

- Sales and technical team to be part of key technology conferences
- Sales team to be involved at key trade shows
- Through coaches and other training professionals
- Through Golf clubs and associations
- TV ads during golf tournaments or on the Golf Channel (US)
- Retail sales through golf and sport stores
- Internet and telephone sales

3.3.3 Income Streams

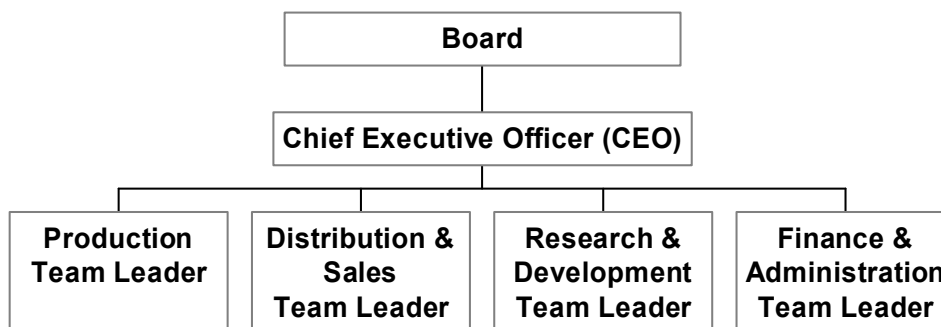
The income stream of SporTrak Innovations will change as the company grows through various phases. Initially, the income stream originates from government grants, members contributions and investors. Once the company has produced and marketed the GolfTrak product, the income streams will be dependent on its sales. Further on in the life of the company, other sources of income could occur, for example through equity sales or product licensing.

3.4 Customer Service and Support

A key part of the marketing and promotion of GolfTrak will be customer support in the areas of hardware and software. SporTrak Innovations anticipates that the customer, in particular customers who are not technically literate, will need some assistance in the operation of GolfTrak. Feedback from the customers will assist the design team in making product modifications and upgrades.

4 Management

4.1 Organisational Structure



SporTrak innovations is owned by the stakeholders and managed by its board of directors, which consists of the company founders and the CEO. The CEO to administers the daily operations of the company. The responsibilities of the CEO include leadership, strategic planning and development and company growth.

The Chief Financial Officer (CFO) is responsible for the company's finances. This person will report to both the CEO and the Board. In cases where appropriate the CFO will act as the deputy CEO.

The key operations of SporTrak Innovations are in the areas of production, sales and R&D. These areas have been divided into appropriate teams that focus on the individual tasks. Each team consists of a team leader who reports directly to the CEO. The team leaders, CEO and CFO are the management team. The relative size of each team will depend on the current market position of SporTrak Innovations and its strategic business plan. An overview of each of the teams is given.

4.2 Team Structure

4.2.1 Finance and Administration Team

Directed by the CFO, this team's responsibility is to control and operate the company's finances and administration. This includes the areas of managing the revenues and expenses, as well as various other administrative tasks – some of which may be out-sourced - such as human resources, secretarial services and purchasing.

4.2.2 Production and Manufacturing Team

Directed by the team leader, the production and manufacturing team is responsible for producing products of high quality, on time, and to specification. As the manufacturing is being contracted out, this team will be in constant liaison with the manufacturer and R&D team to ensure the quality of the product. This relationship is also crucial to implement design modifications and enhancements.

4.2.3 Distribution and Sales Team

Under the leadership of the team leader, the responsibility for the Distribution and Sales Team is to market and sell SporTrak Innovations' products, in particular GolfTrak. A key area in this team will be customer education. A number of demonstrations will be necessary in order to bring awareness of the product to the marketed customers. This will be done through workshops, visits to technical conferences and tradeshow as well as demonstrations in golf clubs or shopping centres. An active program to incorporate the users of the product would also be an asset.

4.2.4 Research and Development Team

The R&D team is an important component of company operations. The team is already in existence and currently consists of the company founders: Dan Billing, Richard Barber, Korrakot Yaibuathet, Enuh Rosdeni and Alan Lai. The team has developed the GolfTrak prototype and will initially focus on bringing that product to market. Exploratory work to determine other potential products for SporTrak Innovations will also be undertaken.

As the company grows, the R&D team will be expanded such that further research in sport monitoring can be thoroughly examined. The goal of this team will be to develop additional products for SporTrak. The team will also be responsible for updating and modifying details to GolfTrak. The team will need to work in close line with the Production Manager in order to streamline product changes and trials for new products to be made.

The development and maintenance of the software to operate SporTrak devices is also part of this team.

4.3 Role of Company Founders

The company's founders strengths lie in R&D technology, and through this have developed the GolfTrak prototype. Initially, they will have responsibilities within the daily operations of the company to support the appointed management staff. Their specific role in the company will be two fold – (1) technology development and liaison

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with manufacturing as part of the initial R&D team and (2) strategic planning as part of their role on the Board of Directors.

As the company grows, in particular with the development of the R&D centre in year 2, the founding members will shift their focus more to product development and away from the general operations. However, they will retain their role in the company's strategic planning as members of the Board.

5 Financial Plan

5.1 Cash Flow Analysis

Cash flows before the first sale of GolfTrak are provided by the investment capital, founder's investment and a government grant amounting to A\$65,000. These investments total A\$ 2.035 million. Cash outflows are related to manufacturing costs, marketing and distribution. Investments in capital equipment will begin to occur with the expansion of R&D beginning in year 2.

Statement of Cash Flows						
	Initial Year	Year 1	Year 2	Year 3	Year 4	Year 5
	\$	\$	\$	\$	\$	\$
Cash Flows from Operating Activities						
Sales Receipts		2,940,000	5,880,000	8,820,000	9,800,000	9,800,000
Payments to Suppliers and Employees		(1,319,458)	(1,958,417)	(2,467,500)	(2,687,500)	(2,852,500)
Net Receipts from Customers		1,620,542	3,921,583	6,352,500	7,112,500	6,947,500
Income Taxes (paid)/refunded		(5,910)		(860,505)	(1,401,045)	(1,527,045)
Legal Fees, Company Registration, Patent Cost	(9,800)	(60,000)	(50,000)	(100,000)	(50,000)	
Other Payments (Admin & Operating)	(50,500)	(2,145,900)	(384,150)	(468,150)	(558,150)	(458,150)
Net (Used in)/Cash Provided by Operating Activities	(60,300)	(591,268)	3,487,433	4,923,845	5,103,305	4,962,305
Cash Flows from Investing Activities						
Payments for property, plant and equipment (R&D)			(2,375,000)	(1,500,000)	(2,000,000)	(1,750,000)
Net (Used in)/Provided by Investing Activities			(2,375,000)	(1,500,000)	(2,000,000)	(1,750,000)
Cash Flows from Financing Activities						
Cash received from venture capitalist investors		2,000,000				
Founder's Investment	35,000					
Government Grant (Small Business) Received	30,000					
Net Cash (Used in)/Provided by Financing Activities	65,000	2,000,000				
Net Increase/Decrease in Cash Held	4,700	1,408,732	1,112,433	3,423,845	3,103,305	3,212,305
Cash at Start of Year	-	4,700	1,413,432	2,525,865	5,949,710	9,053,015
Cash at end of Financial Year	4,700	1,413,432	2,525,865	5,949,710	9,053,015	12,265,320

5.2 Profit and Loss Statement

SporTrak Innovations revenue is obtained solely from product sales. SporTrak Innovations experiences revenue growth once the GolfTrak product reaches the market. Forecasted revenue is expected to be from nil to A\$9.8 million by year 5. The profit through the same 5 years is expected to increase from a loss of \$285,000 to a profit of A\$3.3 million.

Profit and Loss Statement						
	Initial Year	Year 1	Year 2	Year 3	Year 4	Year 5
	\$	\$	\$	\$	\$	\$
Revenues						
Sales	-	2,940,000.00	5,880,000.00	8,820,000.00	9,800,000.00	9,800,000.00
Government Grant	30,000.00					
Less Cost of goods sold		660,000.00	1,320,000.00	1,980,000.00	2,200,000.00	2,200,000.00
Gross Contribution	30,000.00	2,280,000.00	4,560,000.00	6,840,000.00	7,600,000.00	7,600,000.00
Less Operating expenses						
Manufacturing		70,000.00				
Sales, Marketing and Distribution		2,100,000.00	330,000.00	430,000.00	520,000.00	420,000.00
Administration	10,300.00	384,150.00	575,650.00	625,650.00	575,650.00	525,650.00
Depreciation		11,000.00	786,000.00	1,114,200.00	1,414,200.00	1,864,200.00
Total Operating Expenses	10,300	2,565,150	1,691,650	2,169,850	2,509,850	2,809,850
Operating profit after depreciation	19,700	(285,150)	2,868,350	4,670,150	5,090,150	4,790,150
Income Tax Expense	5,910	-	860,505	1,401,045	1,527,045	1,437,045
Net Profit (Loss) after tax	13,790	(285,150)	2,007,845	3,269,105	3,563,105	3,353,105

5.3 Balance Sheet

Balance Sheet						
	Initial Year	Year 1	Year 2	Year 3	Year 4	Year 5
Assets						
Current Assets						
Bank	4,700	1,413,432	2,525,865	5,949,710	9,053,015	12,265,320
Inventory		330,000	495,000	495,000	495,000	660,000
Deposit on Rent	5,000	5,000	5,000	5,000	5,000	5,000
Receivables						
Total Current Assets	9,700	1,748,432	3,025,865	6,449,710	9,553,015	12,930,320
Non Current Assets						
Property, Plant and Equipment	45,000	55,000	2,071,000	3,071,000	4,571,000	5,571,000
Less Accumulated Depreciation		(11,000)	(422,000)	(1,036,200)	(1,950,400)	(3,064,600)
Total Non-current Assets	45,000	44,000	1,649,000	2,034,800	2,620,600	2,506,400
Total Assets	54,700	1,792,432	4,674,865	8,484,510	12,173,615	15,436,720
Liabilities						
Current Liabilities						
Accounts Payable		2,250	2,250	2,250	2,250	2,250
Employee Provisions		26,542	40,625	40,625	40,625	40,625
Provision for tax	5,910		860,505	1,401,045	1,527,045	1,437,045
Total Current Liabilities	5,910	28,792	903,380	1,443,920	1,569,920	1,479,920
Net Assets	48,790	1,763,640	3,771,485	7,040,590	10,603,695	13,956,800
Shareholders Equity						
Share Capital	35,000	2,035,000	2,035,000	2,035,000	2,035,000	2,035,000
Reserves						
Retained Earnings	13,790	(271,360)	1,736,485	5,005,590	8,568,695	11,921,800
Total Shareholder Equity	48,790	1,763,640	3,771,485	7,040,590	10,603,695	13,956,800

The net assets as at the end of year 5 are \$14 million. The major component of this is in the form of cash (\$12.3 million). Liabilities at the end of year 5 account for \$1.4 million.

5.4 Break Even

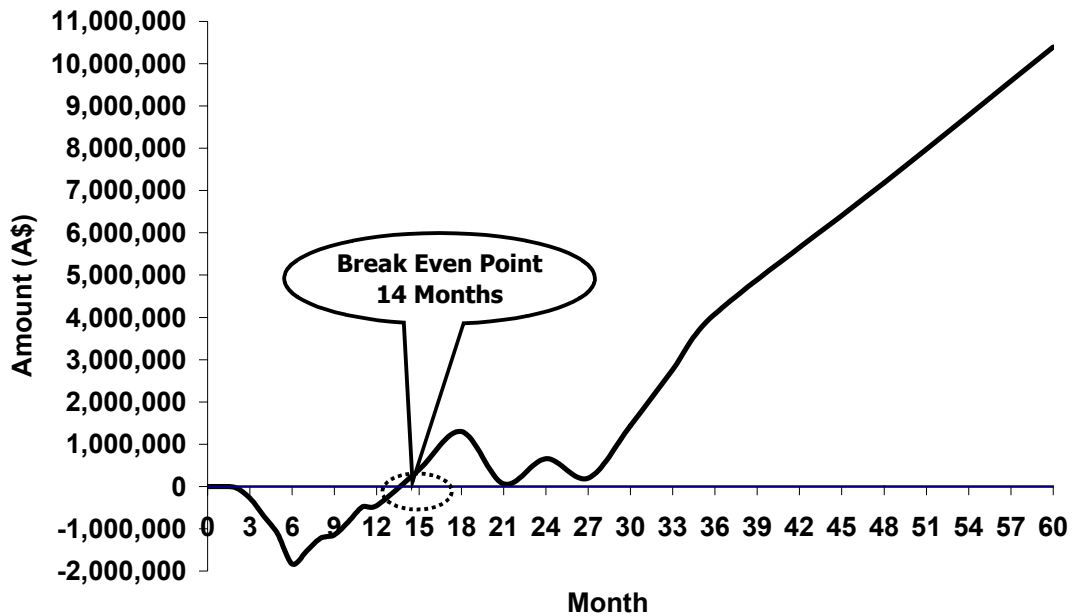


Figure 5.3.1 Cash Flow Analysis

Break-even occurs at 14 months from the start of year one of company operations. This point occurs at 11% of projected revenue. Hence, assuming margins are constant, if revenue were to decrease by 89%, SporTrak Innovations will still break even. If margins were to decrease by 30%, the break-even point will occur at 16% of total revenue. The return on investment is 52% per annum.

5.5 Cost Control

An accounting system will be implemented to form the basis of the management control system (MCS). The board, in conjunction with the CEO and CFO, will develop the MCS, to ensure spending limits are adequately set and that a system for regular reviews of the cost schedule are met.

6 Offering

6.1 Desired Financing

SporTrak Innovations is seeking private equity funding in addition to the resources obtained through the founder's investment and government grants. These funds are sought as a single payment of A\$2 million at the beginning of year 1.

6.2 Return on Investment

The proposed structure will deliver the investors an IRR of 52%.

6.3 Exit Strategy

SporTrak Innovations will consider the most suitable exit among the following options depending on market conditions:

- Revenue provides owners with dividend streams
- Trade sale to a competitor that needs technology to fill a portfolio gap
- Initial Public Offering to fund in house additional R&D, manufacturing and distribution to make SporTrak Innovations a dominant player in the industry
- Sell IP to a sports products competitor

7 Appendix

7.1 Product Comparison with GolfTrak

	Price	Weight	Technology	Portability	Mobility	Convenience
GolfTrak	A\$700	10 grams	MEMS	Fully portable	Golf player is completely mobile (free from restraints introduced by system)	Just clip on golf club and carry a Personal Digital Assistant.
Golftek's Golf Swing Analyzers	U.S.\$350	13 pounds +	Infrared sensors	Not designed for outdoor use (AC power supply)	Player has to ensure swing is above the device.	Affected by mobility and portability.
Swing Solutions Pro-Series	From U.S.\$3,349	25 pounds+ GVA300 model uses laptop and web cam.	Video software and	Designed for outdoor use but 25 pounds +. GVA300 & accessories are estimated to be approx. 10kg.	A player has to set up camera to capture his/her movement.	Affected by portability and set up.

7.2 Market Survey Results

Figure 7.2.1 Average golf related expenditure per year

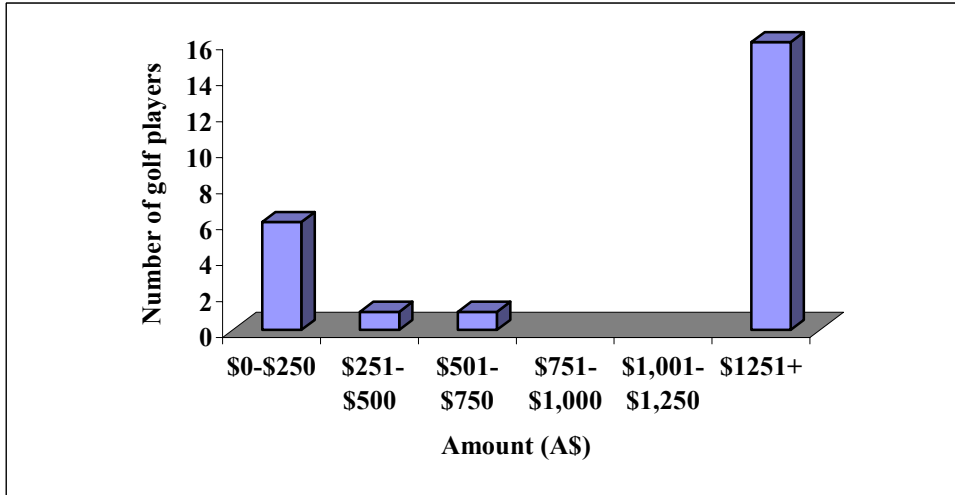


Figure 7.2.2 Golfers interest in GolfTrak

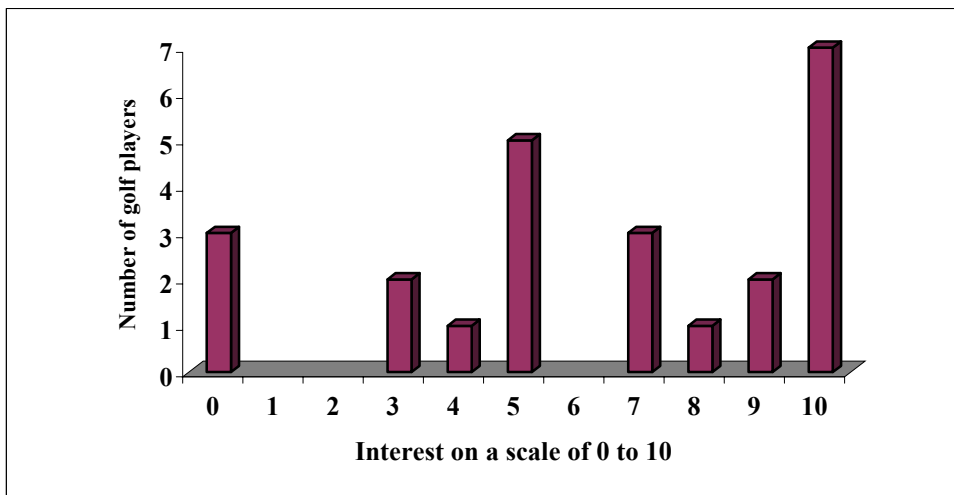


Figure 7.2.3 Computer Literacy

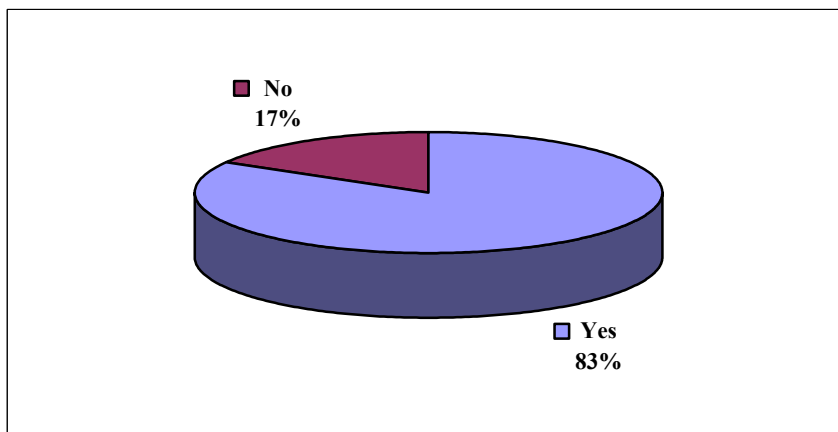


Figure 7.2.4 Annual Household Income of golfers

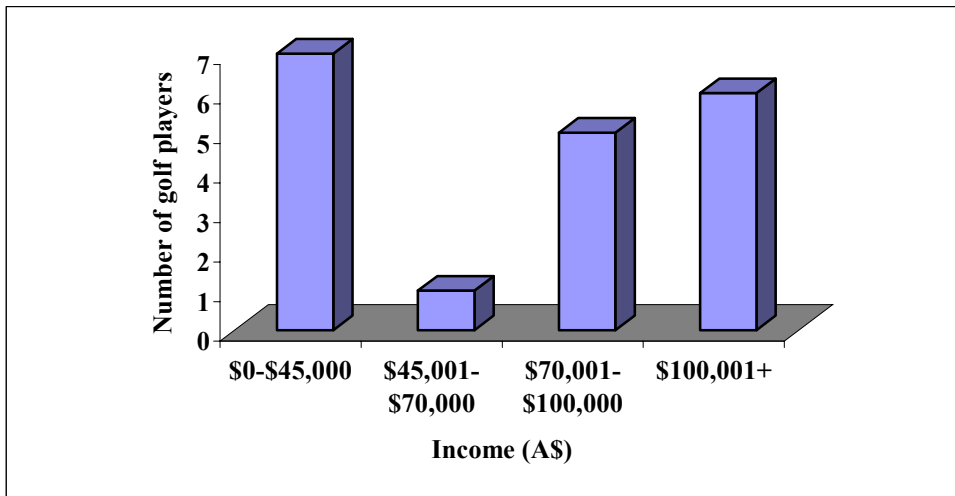


Figure 7.2.5 Amount willing to pay for GolfTrak

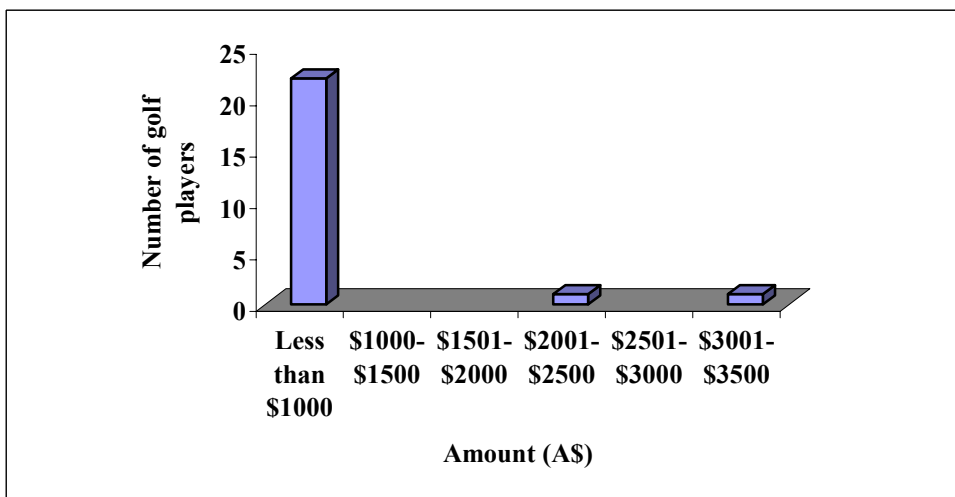
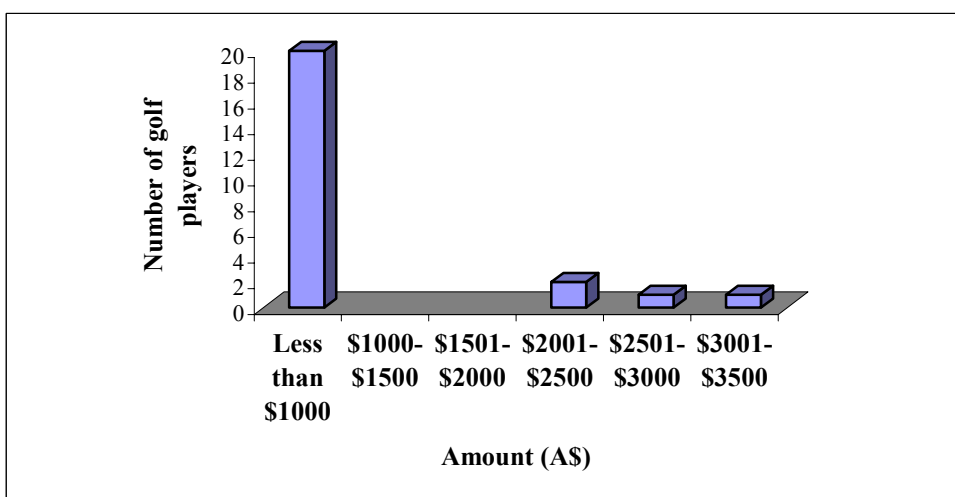


Figure 7.2.6 Expected Price for GolfTrak



7.3 Market Survey Form

GolfTrak

GolfTrak is a wireless clip-on device that tracks the three dimensional path of the golf club head through the entire swing. It can be interfaced to a Personal Digital Assistant (for example, Palm Pilot), laptop or desktop computer. Parameters such as club head speed and club face angle at impact are evaluated, and a visual display of the swing is produced. The device is lightweight, fully portable, easy to use, and with instant feedback. The GolfTrak is a continuous improvement aid that is used for fine-tuning a player's techniques and improves the consistency by identifying the errors in their techniques. The particular benefit is that it is capable of analysing this information throughout an 18-hole game in a real setting, instead of being restricted in a laboratory or the driving range.

Age Group: <input type="checkbox"/> 18-24 <input type="checkbox"/> 25-34 <input type="checkbox"/> 35-44 <input type="checkbox"/> 44+	How often do you play golf in a year? <input type="checkbox"/> 1-6 times <input type="checkbox"/> 7-12 times <input type="checkbox"/> 13-26 times <input type="checkbox"/> More than 26 times
--	---

Have you ever seen or heard of a product with similar features before?

- Yes
- No

If yes, then where did you see it?

How much do you spend on golf each year on average (all expenditure including equipment, membership, transport, clothing, attending golf tournaments, etc.)?

- \$0-\$250
- \$251-\$500
- \$501-\$750
- \$751-\$1,000
- \$1,001-\$1,250
- \$1251+

How interested are you in having this device?
(Please indicate in the scale of 0 to 10)

Coaching today's athletes with tomorrow's technology

Have you ever undertaken coaching lessons before?

- Yes
- No

If yes, please indicate number of times and cost of each session?

Are you computer literate? That is, do you have basic computer knowledge or do you know how to use a computer?

- Yes
- No

Your household income per year (Note: NOT personal income):
(Optional)

- \$0-\$45,000
- \$45,001-\$70,000
- \$70,001-\$100,000
- \$100,001+

How much are you willing to spend on this device?	How much would you expect this device to cost?
<input type="checkbox"/> Less than \$1000	<input type="checkbox"/> Less than \$1000
<input type="checkbox"/> \$1000-\$1500	<input type="checkbox"/> \$1000-\$1500
<input type="checkbox"/> \$1501-\$2000	<input type="checkbox"/> \$1501-\$2000
<input type="checkbox"/> \$2001-\$2500	<input type="checkbox"/> \$2001-\$2500
<input type="checkbox"/> \$2501-\$3000	<input type="checkbox"/> \$2501-\$3000
<input type="checkbox"/> \$3001-\$3500	<input type="checkbox"/> \$3001-\$3500