



SMARTCRYPTO

Business Plan

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1. Executive Summary

There can be very few adults in the UK who do not use a credit card at all in the course of a working week. Consumer borrowing is growing along with card use. In addition, we find more and more in today's society that we need to identify ourselves more and more, for our jobs, club memberships, communications and other tasks. There is a need for devices which can ease the burden of authentication for people who are increasingly being overwhelmed by the required tasks.

Integrated Circuit Cards, or smart cards, seem to provide a good answer to this problem. These are credit card style plastic cards with a microchip embedded within the plastic surface. These cards are being introduced to replace older fashioned cards. It is important that the smart card technology rests on a provably secure basis.

We are in the position to be able to improve current levels of security. We can exploit a relatively new field known as Elliptic Curve Cryptography to provide a faster, cheaper and more secure environment in which to perform transactions on a smart card.

Elliptic Curve Cryptography provides a way to reduce the size of the large numbers involved when we encrypt data. We can provide the core of an elliptic curve security system for a smart card, which can fill the gap in the market for a robust and compact security system, allowing cards to become cheaper and more flexible.

The product will be marketed and sold to card issuers, from financial companies to governments and local councils, on a royalty basis, of a small payment for each card. There are over 1 billion cards in circulation, projected to increase 10% year-on-year. If we can provide software for just 5% of the cards in circulation this will provide a substantial revenue stream, and it is expected that we would be able to capture a far more substantial market share.

We forecast a potential profit of roughly £450,000 in the second year of operation, which will allow us to repay the requested investment of £650,000 within three years. It is expected that revenues will rise steadily in conjunction with a broadening of the market and increased opportunity.

2. Product

The Mondex Company first led a trial of its Smart Card technology some years ago, in trials that included a high-profile test programme in the city of Swindon. This ran into problems for various reasons, not the least of which was the question of whether information stored on the cards was secure.

Smart Cards are now far more common - nearly all credit and bank cards issued in the UK double as Smart Cards - and the technology is in resurgence. There are still few software houses in the UK which specialise in Smart Card application development. Our first product, the ECC system, will enable the company to gain a foothold in this burgeoning market.

The product at present consists of a piece of software which does certain pieces of mathematics on the smart card. This forms the basis of the cryptographic system (cryptosystem). We would need to perform further market research to find out what our customers want from the system before extending it further. Once we have an idea about what is required by the market, we can adapt the software we already have to provide a complete cryptosystem that can be marketed and sold to the card issuers who will supply it on any cards and card readers they supply.

What this means is that when an assistant in a shop puts the card into the card reader, our software comes into play and is used to encrypt and decrypt any data transferred from the card to the reader and vice-versa. This data will normally include the customer's name and account details. It is the plan of the credit card companies to offer a PIN system at checkouts, so that instead of, or in addition to, signing for a card, customers will have to type a PIN into the card reader. The software will also be able to cope with this.

The product is a good choice for these companies as it provides a low-cost route to secure communications on the smart card. This is a requirement of such transactions, as the data involved is highly sensitive. Credit card fraud is a serious matter for customers, shops and card companies, and new systems are required to keep up with the pace of fraudsters.

The current systems for data encryption as used on cards are adequate, but not the optimal solution. The product we are offering provides a better solution to current problems, as it is smaller and will be faster than the current systems. This leads to the companies being able to store more data on the cards, increasing their flexibility, or being able to use cheaper and smaller cards, and thus reducing the overall cost.

We believe this to be a highly attractive proposition for an industry hoping to cut costs and increase customer confidence. The system is also flexible enough at the moment to be able to tailor it to the needs of the customer. If different customers have different requirements, then these can also be encompassed, as we are building upon existing routines, which may be adapted in different ways for different clients and uses.

The product, if funding is granted, will be developed in conjunction with the industrial market research we carry out, as this will indicate the way in which we should be targeting the final product. In addition we will be carrying out research and development on new products and enhancements to the service, as it is entirely possible, in this fast-moving high-technology sphere, that products will come out which are in competition to ours, or even which supersede ours as a better product.

In this case we would have to adapt the business to provide a still better security solution. This is once again plausible, since there is new research in the area continually being carried out, both in making and breaking codes, and in conjunction with external research (in terms of published academic papers), we can continue to develop innovative products. Since we will by then have experience of developing products for the smart cards, and experience of developing and selling in the card marketplace, this shift in our product range will not be too difficult.

We have not so far applied for patents on the technology. This will come hand in hand with the certification we need to achieve and it would be best served when the product is better developed. Once we have a more complete product, we can apply for the patent, as well as taking the product to the appropriate agencies for authentication and certification, as required in general for security vendors.

3. Market and Marketing

The market for these cards is large. The European Union credit card company Visa began their chip card¹ migration programme in February 1998, and in October 2001 they made the requirement that all new card terminals (as used in shops and other businesses) be chip card compliant. By January 2005, the Visa plans are scheduled to have all EU card terminals converted to be chip card reader terminals².

By 2005 it is also assumed that 95% of Visa and Electron³ cards will be VSDC compliant, which means they will be chip cards meeting the Visa Smart Debit Credit standards. At present there are 250 million chip cards being used for payment purposes in circulation worldwide⁴. This figure will increase year on year as finance companies meet their targets for converting magnetic stripe cards to smart chip cards as their customers' cards expire and are replaced with next generation cards.

With growing requirements for more secure payment systems, all major card issuing companies are moving to smart card based systems, with almost all UK issuing banks having already moved to issuing hybrid cards (these have a magnetic stripe on the reverse in addition to a chip, and can be used in both types of reader while old cards are phased out). It is possible to easily phase out old cards, as all payment cards are currently issued with an expiry date (the expiry period being two to four years). This means that when a card expires it may be easily replaced, without needing to institute a complex program of replacement 'on-the-fly'.

This means that the issuing of smart cards is on the increase in substantial amounts for the next few years, with growth levelling out but still increasing once current stripe cards are replaced. The opening up of other worldwide markets to this technology, such as south Asia, China and parts of Africa and South America, means that there will be continued growth in these markets as well. This company will be well

¹ Chip card, IC card and smart card are synonymous terms.

² Source: Visa

³ Visa's debit card (linked to a bank account) product

⁴ Source: Visa

placed to exploit this market by supplying our encryption technology to some or all of the competitors in these markets

Our likely customers are therefore the card issuers, in the form of companies such as Visa, Mastercard and Europay (who together form the EMV consortium for smart card development). These are the companies who handle worldwide monetary transactions, and through EMV we will be able to market the product to all three. Orders coming from these companies will be in the order of millions of installations (per card) at a time.

In addition there are companies such as the UK-based Mondex International (who supplied the test cards for the project) who will be carrying out further electronic cash tests and will be likely to require encryption products for their cards. Also, we can market to other (non-payment) card issuers, such as manufacturers of corporate identity cards, who will be switching to smart technology in the future. All of these customers are institutional, and we will be issuing the software to be loaded onto their cards licensed on a per installation (i.e. per card) basis. This means a small number of large orders.

Competitors in this market consist of a small number of encryption development companies, including a number who specialise in the same area of smart card development. In addition we are competing against the research and development divisions of the large card issuers such as the previously mentioned EMV consortium and Mondex.

4. Finance

The product, an optimised cryptosystem for use on a smart card, will be sold on a license-royalty basis, to large card issuers, who will install it upon the IC cards they issue to consumers (the public). This will provide a revenue stream to the company through the royalties flowing from the per-installation licence on the technology we supply.

What this means is that we offer the system to the card issuers who, if they choose to use it, will pay to us an amount for each card on which they install it. The normal fee in these situations is in the order of £0.05 (Sterling) per card. With a take-up rate of 10% of the 250 million payment smart cards in circulation, (25 million cards using our technology) this gives us a revenue of £1,250,000 every two years (when the cards are renewed and re-issued), from renewed cards alone.

There are currently 900 million smart cards in circulation in total, and this number is projected to increase by around 100 million within the next year⁵, with more growth forecast after that. Our system can be applied to all of these areas (the three main areas being Mobile Communications, Banking and e-Government). If we are able to achieve a take-up rate of 5% this will give us a presence on over 100 million cards worldwide. Again, these cards will be renewed every two to four years, which will drive the revenue stream.

The other side of the revenue stream will come from the company offering consultancy services to other companies in the sector. With experience of developing in the smart card environment and having marketed a product to other companies, we would be able to offer both advice and development services in this area.

We will be selling direct to industrial customers, via their high-level executives. Since there are only a small number of potential customers, the sales will be carried out by the managing director himself in coordination with the marketing team (it takes the form of client liaison more than sales). The sales pitch will emphasise the points made

⁵ Source: SchlumbergerSema via ePayNews, March 2002

in Section 2 of this document, including the need to enhance current security protocols, and the speed and size optimisations our product offers over existing solutions. We would look to negotiate a bulk licensing deal with these major companies, based on how many cards they choose to license per year. However it is hoped that the royalty fee will be in the region of that described above.

The company would likely be based in Bristol. This would give us the opportunity to make use of connections at the University including BEC and the Department of Computer Science. This will give us the ability to rent out rooms in the Merchant Venturers' Building at preferential rates to begin with. Our development cards will come from MULTOS, who manufacture the cards. They will also supply development kits, and we will use standard PCs on which to develop. Other standard office equipment such as telephones, fax and broadband Internet connection would be required. The card development environment is Windows NT on PCs which will give us the ability to use one environment for both office tasks (e.g. for the marketing team) and development (e.g. for the technical team). Premises costs as well as standard expenses have been factored into the financial forecasts to be found in Appendices D and E.

The company will be instituted as a Limited Company. This requires us to register with the Registrar of Companies, and provide a Memorandum of Association, Articles of Association and a Statutory Declaration. This gives the shareholders limited liability if the business gets into financial trouble, and the board of directors and management (who would in this case be on the board) will control the company. Capital will be raised by issuing shares, to Venture Capitalists and to the directors. This also gives shareholders the opportunity to sell all or some of the shares in the company at a later date.

As you can see from the financial projections, we are requesting initial funding of £450,000 for development costs, which will be supplemented by a secondary round of funding to the value of £250,000 to sustain the product while we move into the sales stage. We project that there will be an operating loss of just over £500,000 in the first year with a profit of just under £500,000 in the second year. If we keep to these initial minimal sales targets we stand to be able to begin paying off investors within two years of operation, with the initial investment fully paid off by the beginning of the fourth year of operation.

The cashflow forecasts show that we intend not to go into the red at current sales targets; however if we do not meet these initial targets a standing bank overdraft facility will give us the flexibility to ride through these times with a view to future profits.

It is difficult to predict the future of the business over a longer term, but the long term forecasts at the end of this document show how the business should sustain a steady growth through to the fifth year if we are able to keep meeting sales targets. The targets we have set are on the pessimistic side but are clearly substantially higher than ‘break-even’ giving us room to manoeuvre on both sides, i.e. if sales are either higher or lower than expected. Given initial sales figures we can then adjust the predictions to give slightly more accurate values.

We anticipate the business growing such that we can take on extra staff during the second year, with the appropriate rise in costs being offset by the appropriate rise in income from sales and consultancy. In the longer term, we would again look to expand as the market and the business grows.

5. Personnel

Current Personnel

ANTHONY DHANENDRAN is in the final year of a four-year degree programme at the University of Bristol. His experience in computing includes individual and group projects in game design and general software and system design. In addition to this, at University Mr Dhanendran has taken courses in Software Engineering, Design Methodology, Cryptography and Information Security, Communications, Networking and general Computer Systems. He is at present the only member of the company. Until now all of the programming and design work for this product has been completed in solo. We will be looking to recruit further staff to take the product and the company further.

A detailed *Curriculum Vitae* is available upon request.

Recruitment

The product is now at a stage where it can benefit from further development. In order to be able to promote this as a full product it needs to be adapted for the target market. Once we are ready with a product, we are also going to need further people to handle the business aspects. The staff we will need to bring in, therefore, are as follows [further details may be found in Appendix C].

Managing Director

The managing director will oversee day-to-day running of the business, with responsibility for general staffing (although team leaders will be appointed for the two small teams, as below), in addition to major client liaison, policy and operational standards. We would hope to recruit somebody with a background in the financial sector, preferably with experience in financial technology. The managing director will liaise with the appropriate team leaders when considering or drawing up policy in the relevant areas. The managing director would be remunerated at around £60,000 per annum.

Accountant

The business would clearly need to take on an accountant, who would be responsible for all aspects of financial planning and day-to-day running. He or she would report to the managing director for all issues, and liaise with the managing director to develop financial policy. The accountant would be remunerated at around £40,000 per annum.

Technical Team

The product needs to be optimised and enhanced in line with customer requirements. In addition we would need to conduct research into new technology and innovative ways to develop for the card. This will require a technical team of three people in addition to myself. The technical team will work in coordination with a technical team leader, who will organise research and development in liaison with the managing director. The technical team members would be remunerated at around £40,000 per annum. The team leader position would attract a bonus upon this. I see myself fulfilling the role of technical team leader.

Marketing Team

We will require three people to market the product to potential customers. Their tasks will include research into the market as well as client liaison. It will initially be a case of primary and secondary market research, but moving on once we have targeted the product, to marketing the product itself. The marketing team would be remunerated at around £40,000 per annum, with a team leader position attracting a bonus upon this.

Non-Executive Directors

In addition to the initial staff and myself we would look to appoint certain non-executive directors to the board of the company. These people would come from the venture capitalists and investors if they so wished (who could also provide valuable business advice), and technical experts in the computing and financial sectors who would be able to provide technical advice. These directors would be offered equity in the company in the form of share options.

6. Risk Assessment and Assumptions

This venture is heavily linked to the ability to deliver a provably secure product for smart card use. The risks come largely from problems with the delivery of the software, as well as the risk of competitors developing a product to supersede ours.

Detailed analyses of the risks are to be found in the SWOT analysis [Appendix A] and PEST analysis [Appendix B]. The PEST shows how the product and the company as a whole are affected by outside factors, categorised into Political, Social, Economic and Technological conditions. The product is heavily affected by the political and economic situations, as what we are providing is a function of a monetary product, which is dependent on regulation and licensing from the state. The SWOT analysis takes a more detailed look at the nature of the business, its Strengths and Weaknesses, Opportunities for us, and Threats to the business.

In addition, since it is a technological product it is dependent on the state of technology – if the cryptographic protocols we use are superseded then our product is no longer useful. In addition if the smart card technology is superseded we are in a position where we would need to change our development platform.

The assumptions we make here are that the customers in the market are willing to trust us, as a small and so far unproven company. We also assume that the market is not going to contract significantly within the next few years, as this will severely affect our income possibilities. Any short term restriction on the growth of the global smart card market will mean that we will have to reassess our financial and sales projections.

7. Current Status and Future Prospects

What we have

- A working and robust ECC framework
- An experienced and knowledgeable developer
- A foothold in the marketplace through Mondex
- A fresh outlook and flexibility
- Willingness to succeed

What we want to achieve

- A market foothold for the ECC system
- Building upon this, a dominant position in the market
- A broad and reliable industrial customer base
- The ability to offer consultancy based on our position and experience
- Building upon this, a selection of products involving IC card technology

What we require

- An initial funding injection
- A secondary funding injection in future
- Working capital (overdraft facility)
- Business advice

Company Objectives

- Produce a working cryptosystem within the six month development time, tailored to customer needs working hand in hand with market research and customer liaison.
- Obtain certification for the product as required by clients as appropriate to the product itself.
- Begin sales of the product after six months of development, with sales rising to a break even point after 12 months.
- Expand the business with extra staff and extended products and consultancy after 18 months.
- Be in a position to begin repaying initial investment within two years and to have initial investment fully paid off by the beginning of the fourth year.

Finance Required

- We are requesting an initial investment of £400,000 to cover development time which we anticipate to be six months.
- Following this, as the company moves to the sales phase of operation we would require additional investment of £250,000 to sustain the business through initial sales stages.
- Once the business is meeting sufficient sales targets, projected to be within two years of operation, we would be able to begin paying investors back.
- In addition we will require a flexible bank overdraft facility of around £25,000. This should not be required for use if we meet sales targets but as a contingency it will be useful.

Appendix A: SWOT Analysis

<p>Strengths</p> <ul style="list-style-type: none"> ○ The company is flexible because it is small and new ○ We are totally focused on smart card development 	<p>Weaknesses</p> <ul style="list-style-type: none"> ○ There are a number of large competitors ○ There are competitors who are longer-established ○ We are a relative unknown in the market
<p>Opportunities</p> <ul style="list-style-type: none"> ○ There is a gap in the market for this product ○ The technology is relatively new and there are few people in a position to develop it 	<p>Threats</p> <ul style="list-style-type: none"> ○ A competitor could come up with rival software ○ A newer technology could supersede smart cards ○ The cryptographic protocols used could be broken

Appendix B: PEST Analysis

The PEST analysis shows us what the conditions are which will affect the product and the company in terms of the Political, Economic, Social and Technological conditions of the world.

Political Conditions

Data Security is a highly charged political issue. There is much concern in the media and in the public mind about the rights and wrongs of encryption. We would have to work with the press and appropriate standards and certification authorities to ensure that our product meets with specifications to guarantee the security it provides.

Economic Conditions

Economically, the ECC product is subject to fluctuations and trends, chiefly in consumer spending. If this drops then fewer cards will be issued. Our customers will be affected by this and will place fewer orders. However, there will still be a turnover of cards as they are renewed, which will provide a revenue stream in spite of a drop in new card issues.

Social Conditions

Socially there are few factors that affect our product. It is at the mercy of trends in consumer credit use, but it is unlikely that these, other than in the other three categories, will affect take-up.

Technological Conditions

Clearly, as this is a technology product, we need to keep abreast of technical advances in the field. At the moment the product is at the forefront of the technology, as it provides a better service than current systems. However the large amount of research and high rate of change in the product area mean that we will need to keep refining and optimising the product, and developing new protocols to avoid falling behind.

Appendix C: Staff Requirements

Managing Director

Experience: Technology and financial management, good market contacts

Skills: Project management, IT management, some marketing

Salary Range: to £60,000

Accountant

Experience: Business accountancy

Skills: Appropriate qualifications

Salary Range: to £40,000 or pro rata

Technical Staff

Experience: Ideally card development experience

Skills: Assembler, C programming

Salary Range: to £40,000

Marketing Staff

Experience: Technology marketing and customer services, financial marketing

Skills: Customer-focussed attitude, manner, major projects

Salary Range: to £40,000

Appendix D: Profit and Loss Forecasts

All figures are irrespective of tax.

SmartCrypto	Profit/Loss Projection Year 1												All figures are in £UK Pounds Sterling
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Full Year
Incoming													
Contract Sales	0	0	0	0	0	0	20000	20000	20000	20000	20000	20000	120000
Consultancy	0	0	0	0	0	0	0	0	0	5000	5000	5000	15000
Total income	0	0	0	0	0	0	20000	20000	20000	25000	25000	25000	135000
Outgoing													
Cash purchases	32000	32000	2000	2000	2000	2000	500	500	500	500	500	500	75000
Staff Wages	32000	32000	32000	32000	32000	32000	32000	32000	32000	32000	32000	32000	384000
Premises	7500	7500	7500	7500	7500	7500	7500	7500	7500	7500	7500	7500	90000
Transport	7500	7500	7500	7500	7500	7500	7500	7500	7500	7500	7500	7500	90000
Marketing	4500	4500	4500	4500	4500	4500	4500	4500	4500	4500	4500	4500	54000
General expenses	1500	1500	1500	1500	1500	1500	1500	1500	1500	1500	1500	1500	18000
Other	0	0	0	0	0	0	0	0	0	0	0	0	0
Total expenses	85000	85000	55000	55000	55000	55000	53500	53500	53500	53500	53500	53500	711000
Net profit/loss	-85000	-85000	-55000	-55000	-55000	-55000	-33500	-33500	-33500	-28500	-28500	-28500	-576000

SmartCrypto Profit/Loss Projection Year 2 All figures are in £UK Pounds Sterling

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Full Year
Incoming													
Contract Sales	60000	60000	60000	60000	60000	60000	150000	150000	150000	150000	150000	150000	1260000
Consultancy	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	120000
Total income	70000	70000	70000	70000	70000	70000	160000	160000	160000	160000	160000	160000	1380000
Outgoing													
Cash purchases	24000	16000	5000	5000	500	500	500	500	500	500	500	500	54000
Staff Wages	40000	40000	40000	50000	50000	50000	50000	50000	50000	50000	50000	50000	570000
Premises	7500	7500	7500	9000	9000	9000	9000	9000	9000	9000	9000	9000	103500
Transport	7500	7500	7500	10000	10000	10000	10000	10000	10000	10000	10000	10000	112500
Marketing	4500	4500	4500	6000	6000	6000	6000	6000	6000	6000	6000	6000	67500
General expenses	1500	1500	1500	1750	1750	1750	1750	1750	1750	1750	1750	1750	20250
Other	0	0	0	0	0	0	0	0	0	0	0	0	0
Total expenses	85000	77000	66000	81750	77250	77250	77250	77250	77250	77250	77250	77250	927750
Net profit/loss	-15000	-7000	4000	-11750	-7250	-7250	82750	82750	82750	82750	82750	82750	452250

Appendix E: Cashflow Forecasts

All figures are irrespective of tax.

SmartCrypto	Cashflow Projection Year 1												Full Year
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	
	All figures are in £UK Pounds Sterling												
Opening balance	0	315000	230000	175000	120000	65000	10000	226500	193000	159500	131000	102500	0
Incoming													
Contract Sales							20000	20000	20000	20000	20000	20000	120000
Consultancy									5000	5000	5000		15000
Investment	400000						250000						650000
Total income	400000	0	0	0	0	0	270000	20000	20000	25000	25000	25000	785000
Outgoing													
Cash purchases	32000	32000	2000	2000	2000	2000	500	500	500	500	500	500	75000
Staff Wages	32000	32000	32000	32000	32000	32000	32000	32000	32000	32000	32000	32000	384000
Premises	7500	7500	7500	7500	7500	7500	7500	7500	7500	7500	7500	7500	90000
Transport	7500	7500	7500	7500	7500	7500	7500	7500	7500	7500	7500	7500	90000
Marketing	4500	4500	4500	4500	4500	4500	4500	4500	4500	4500	4500	4500	54000
General expenses	1500	1500	1500	1500	1500	1500	1500	1500	1500	1500	1500	1500	18000
Other													0
Total expenses	85000	85000	55000	55000	55000	55000	53500	53500	53500	53500	53500	53500	711000
Net cash flow	315000	-85000	-55000	-55000	-55000	-55000	216500	-33500	-33500	-28500	-28500	-28500	74000
Closing Balance	315000	230000	175000	120000	65000	10000	226500	193000	159500	131000	102500	74000	74000

SmartCrypto	Cashflow Projection Year 2												All figures are in £UK Pounds Sterling
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	
<u>Opening balance</u>	74000	59000	52000	56000	44250	37000	29750	112500	195250	278000	360750	443500	74000
<u>Incoming</u>													
Contract Sales	60000	60000	60000	60000	60000	60000	150000	150000	150000	150000	150000	150000	1260000
Consultancy	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	120000
Investment													0
Total income	70000	70000	70000	70000	70000	70000	160000	160000	160000	160000	160000	160000	1380000
<u>Outgoing</u>													
Cash purchases	24000	16000	5000	5000	500	500	500	500	500	500	500	500	54000
Staff Wages	40000	40000	40000	50000	50000	50000	50000	50000	50000	50000	50000	50000	570000
Premises	7500	7500	7500	9000	9000	9000	9000	9000	9000	9000	9000	9000	103500
Transport	7500	7500	7500	10000	10000	10000	10000	10000	10000	10000	10000	10000	112500
Marketing	4500	4500	4500	6000	6000	6000	6000	6000	6000	6000	6000	6000	67500
General expenses	1500	1500	1500	1750	1750	1750	1750	1750	1750	1750	1750	1750	20250
Other													0
Total expenses	85000	77000	66000	81750	77250	77250	77250	77250	77250	77250	77250	77250	927750
<u>Net cash flow</u>	-15000	-7000	4000	-11750	-7250	-7250	82750	82750	82750	82750	82750	82750	452250
<u>Closing Balance</u>	59000	52000	56000	44250	37000	29750	112500	195250	278000	360750	443500	526250	526250

Long Term Forecasts

SmartCrypto	Profit/Loss Projection			Years 3-5		
	Month 1	Month 2	Month 3			
Incoming						
Contract Sales	2000000	3000000	5000000			
Consultancy	250000	350000	500000			
Total income	2250000	3350000	5500000			
Outgoing						
Cash purchases	50000	60000	80000			
Staff Wages	600000	600000	600000			
Premises	120000	140000	160000			
Transport	100000	120000	150000			
Marketing	60000	75000	90000			
General expenses	25000	30000	40000			
Other	0	0	0			
Total expenses	955000	1025000	1120000			
Net profit/loss	1295000	2325000	4380000			

SmartCrypto	Cashflow Projection			Years 3-5		
	Year 3	Year 4	Year 5			
Opening balance						
	526250	1821250	4146250			
Incoming						
Contract Sales	2000000	3000000	5000000			
Consultancy	250000	350000	500000			
Investment						
Total income	2250000	3350000	5500000			
Outgoing						
Cash purchases	50000	60000	80000			
Staff Wages	600000	600000	600000			
Premises	120000	140000	160000			
Transport	100000	120000	150000			
Marketing	60000	75000	90000			
General expenses	25000	30000	40000			
Other						
Total expenses	955000	1025000	1120000			
Net cash flow	1295000	2325000	4380000			
Closing Balance						
	1821250	4146250	8526250			