EDC Presentation Transcript

Thank you for attending this presentation today, in which we aim to give an update regarding the current position of our project and aim to address some of the concerns that have been raised regarding this. It is our intention that all parties can be assured of a solid plan upon leaving today, with an open dialogue being fostered between our teams and EDC.

So with regards to the current situation of the project, there are currently 1000 units of the new Synful machine being manufactured. These are being created as per the new specification from Synful and, at this time, cannot be changed. Synful have made considerable changes to the machine which deviate heavily from the originally agreed design, and we understand that EDC are not happy with this. While we can appreciate that Synful feel that they need to make these changes to produce a viable product as per their own needs, I understand that EDC has it's own requirements that were initially agreed. As a development team, we want to ensure that the deliverables that we offer meet the needs of our customers, which in turn allows them to meet the needs of their customers going forward.

For the purpose of ensuring all parties are approaching this from the same position, we have compiled a table of requirements that were initially agreed, and that EDC have explicitly affirmed to us. These are as follows, in order of importance:

· An industry standard Operating System. This ensures wide market coverage and ensures that end users have a well-supported system to use. While Synful have decided to use their own OS, we appreciate that having something to industry standard is a reliable option at this time.

· External peripherals, specifically a keyboard and connector. Useability is key to a viable system, and both of these will ensure that people can interact with the machine in a positive way to achieve what they need to achieve.

· At least 512KB of RAM. We know that performance is a key metric that people use when buying a computer. By having more RAM, the machine will be viable both now and in the near future as developments in computing continue.

· At least one industry standard drive with removeable media. Again, by using the industry standard we can ensure wide market coverage and establish trust with customers due to providing something familiar and reliable.

· A Small Computer System Interface (SCSI) with expandability. This allows for users to interact with and use the machine in the way that they want to, and expandability again protects against future developments.

· At CPU of at least 68000. At previously stated, performance is key to viability, so providing a quality level CPU allows for the machine to do this.

· A minimum of 2 serial ports that support RS 422 / 485 Standard. This is another key aspect of usability and flexibility for users.

· A board that can support a Graphical User Interface and Mouse if required. Again, another key point of useability for customers.

With these requirements in mind and considering that the vast majority of these differ from the direction that Synful are taking, we have taken the executive decision to provide EDC with a completely different machine. While we can appreciate that this will inevitably increase the time it will take for this to make it to market, we believe that the technical specifications of the machine will produce a viable, forward thinking and modern machine which will return sales that will justify any additional costs. We initially planned for all of the requirements to be included in the machine, however upon doing some analysis of the numbers, we have decided to forgo the GUI board due to the cost this would add to the development, which would essentially remove all profit margins. As can be seen, the new delivery date would be November, with a new market cost being initially set at £499. We will turn to the justification for both of these changes shortly.

So turning to the full specifications for the machine, we have considered what can be utilised from the Synful machine in order to reduce time and costs, as well as looking at what offers

the highest ROI in terms of profit margins and long term marketability. As such, we have determined that the machine will be delivered with the follow parts. We have also added unit prices for each of these for reference.

· OS – Micro Computer consultants OS. We have identified that this meets the requirement for an industry standard OS and comes in at £100 per machine.

· Glue Chips G1, G2, G3 and G4 chips which total £20 for the four of them.

· CPU – 68k8 CPU as per requirements, which comes to us at £5.50 a unit. We are reappropriating these from the Synful development.

· I/O – The I/O chips needed are IOP J SC150 at a cost of £15 per unit, IOP X at £5 per unit and IOP J SC100 at £12 per unit, totalling £32 for all of these. These meet the requirements for keyboard and connector compatibility, the minimum required serial ports and SCSI expansion. There is room for an additional I/O port, however we didn’t add this due to costing.

· RAM – 512kb of ram as required, which comes to £10 per unit.

· Luggable case and external keyboard at a cost of £62.50, which is made of £35 for the case, £20 for manufacturing costs of this and £7.50 for the keyboard.

· A38 board at a cost of £15 per unit, which provides the space required for all parts.

· Cartridge media at a cost of £5 per unit, with a total cost of £10 for the two per unit required.

· Miscellaneous costs relating to transistors and caps at around £50 per machine.

This means that in total, in terms of raw material costs, we are looking at around £290 per machine.

As can be seen, we have been able to secure high quality parts for the machine, however this does lead to a slight increase in price per machine. While we could have brought this down, we determined that there needed to be enough of a distinction between this machine and the Synful machine to allow for this to exist in the market. Along with this, we noticed that the requirements very much pointed towards a machine that users could use for a long amount of time, even as the computing landscape changes. This is a feature that users will pay a premium for and will provide strong return on investment.

As we mentioned earlier, due to these changes we are needing to push back the date of delivery for the machine. As with all aspects of software and hardware engineering, it is better to take the time to complete strong development, effective peer review and rigid testing over rushing a machine to market that may fail, thus losing trust in customers. As we are using a sprint structure to track progress, it is easy enough to create a timeline for when we aim to have design, development, peer review, internal test and UAT completed. This timeline is visible in the current slide. As can be seen, we have a quick turnaround on the entire process, with us aiming to have design completed by May 1984, development completed by August of this year (1984), with the testing phases and prototype production completed by October, at which point we would be looking to deliver the machines to market in around November. Naturally, the design and development of a brand-new system does take time, but we are fortunate that we are able to reappropriate some of the work that has previously been completed. Likewise, we have a structure in place for testing and previous sprints have indicated the amount of time this will take, so we have confidence in these dates being accurate. Delivery towards the end of the year may also produce a higher level of market viability due to increased consumer spending that comes with the festive period, as well as increased business expenditure in preparation for the new financial year. It is possible that these dates

could be brought forward, at which point we would liaise with yourselves to ensure you are ready for this. We do not anticipate any delays in this process, however we will notify yourselves at the earliest convenience if we notice that this could happen so that a plan can be put in place to address this.

Financially, as previously stated we have been able to source high quality hardware and software and have unit prices for each of these. In total, we estimate that the raw cost of parts for each machine is £290. In terms of human resources, we have been able to save on some of these due to reappropriating parts previously configured for the Synful machine. While this is beneficial in terms of time and finances, there is still a need for human resources to complete the Software Development Life Cycle to completion. We are optimistic that some of the higher expenditure relating to hardware and software can be recouped here, given that the design of the CPU, board and glue chips has been completed for the Synful machine and as such can go straight into testing and production. Given the

cost per machine in terms of parts, we are looking to allocate a cost of £120 per machine. This accounts for the cost relating to labour and allows a small amount of room for any additional costs that may arise. This also assumes a maximum capacity or 20 units in production per day. Note, this is a bare minimum figure and would remain constant regardless of units made. This gives a total of £410 per machine.

The market price for the machine has been calculated at £499 for each machine. We have concluded on this price as it provides a solid profit margin of around 20%, matches the high quality and performance that can be expected and accounts for any potential variance in the cost of parts and labour which may arise. While we are able to reduce this, be mindful that any reduction would decrease profit margins due to the fixed costs associated with the development. Our market research has indicated that this price would be attractive to consumers when compared to other models from other companies and meets the needs of the vast majority of both general consumers and business users. This price also accounts for the machine’s ability to be expandable in the future, thus allowing an additional revenue stream that

can be sustained over the long run. It is also possible that this price could be increased after an initial marketing phase, as it is assumed that sales will be high and will generate a high level of interest. We would recommend an initial phase of a market price at £499 for around six months, with a raise to £549 after this and £599 at around a year after release or when expansion options become fully available.

We wanted to touch upon the working relationship before concluding today. While we understand that communication hasn't been clear previously during this process, we want to reaffirm today that we remain committed to ensuring that we deliver what is asked of us. Therefore, we would request that a representative from EDC meet with us on a monthly basis going forward, so that we can provide updates regarding progress on the project, address any concerns or changes in demands and ensure that an open dialogue in present until delivery.

To conclude, we hope that this presentation today has reduced some of the concerns that EDC have regarding development. While we fully understand that our proposal to essentially develop a brand-new machine does lead to a delay in a machine to the specifications you require being available, we genuinely believe that this will be a good decision in the long run. Our forward planning and market analysis has shown that even with a delay in production, the machine we are proposing will keep up with changes in the demands of consumers. Pairing this with top quality parts and rigid testing will ensure that the vision for a viable machine is able to be carried out. We are excited to bring this machine to you in the very near future, however we would like to reassure you that we remain open to and actively encourage comments and input from you as we go on this journey.

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