



Summary

1. **Volume of investments required – \$1300 thousand.**
2. **Production – sector:** toys, electronic games, books for children, developing games and puzzles, children's educational literature; **products:** electronic speaking books, speaking puzzles, speaking cubes and toys.
3. **Trade marks –** currently in a stage of development.

Company profile

Date of establishment – June 2005. The company was established by specialists, developers of electronic systems and components, and programmers. In 2006 the company received grant to the sum of \$ 30 ths from The Foundation for assistance to small innovative enterprises. The volume of investments already provided for in the company has made \$ 440 ths of own capital funds.

Signs of public recognition – diploma and 1st place at the 8th Competition of business ideas and research and development works “Young, Daring, Prospective” held in St. Petersburg, May 2005; Diploma in regional competition SPIBA – St.-Petersburg International Business Association of Northwest for the most original business idea; Honorary Diploma “Start-2006”, given to the team of authors of innovational project “Speaking Book”, Moscow, by The Foundation for assistance to small innovative enterprises; diploma and 1st place in the Competition of Developers and Innovations “Multy Voice of Business”, Moscow; Publication – Dzhanibekova Anna, “Business Petersburg” № 101 (2423), 07.06.2007.

Number of employees – permanently 5 persons, attracted 80 persons.

Team

Mishin Anton – Director General, 28 y.o. Higher education. Art-expert, TFD Director, programmer, has work experience in a team of software product and environment developers. Additional education – the Academy of Economics and Management (MBA), co-author of all the company's developments; English-speaking.

Mishin Andrey – Deputy Director General, 50 y.o. Higher education. Radio engineer, has great management experience, carries out staff administration, is co-author of all company's developments.

Mishina Anastasia – Chief Artist, 27 y.o. Higher education. Graphic design artist, experienced in layout of polygraph issues, prepress and printing arrangement.

Obolemova Alexandra – Programmer & Mathematician, 23 y.o. Higher education. Additional education – Academy of Economics and Management (MBA); English-speaking.

Stanina Tatyana – Financial Director, Economist, 25 y.o. Higher education. Probation training in America.

Products characteristics

In the world market of toys the volume of which makes almost \$ 90 billion a redistribution of influence spheres has begun. Traditional hard toys surrender under the pressure of virtual computer games. Hanne Eckfeldt Boutrop, one of the main developers of the famous Danish company, Lego, and its marketing director, told us how modern toys were created. The main purpose of the company is making such toys that could facilitate a child's development. Certain important factors such as abilities of a child to make certain operations, a child's sex, the world's latest moods and tendencies, should be taken into account in the process of each toy creation. Today, computer games are considered the major competitor, and the toy of the nearest future will be an original “mix” between a TV, a computer and a palpable toy.

Thus, Speaking Electronic Book is the book which sings and talks. Speaking book is the helper for children and adults, which can play back sound and music, read fairy tales, sing songs, and also record the voices of daddy or mum. The useful model “Speaking Book” relates to the system of devices and methods of combining audio and visual information parameters. It can be used in polygraph, printing and radio electronic industry.

The patent №43676, agreement for the exclusive license №РД0009701 has been registered on 21.06.2006.

Matching the company's products with its constructive and functional analogues(1=bad,2=average,3=good):

Parameter	Teaching computers	Interactive games	My first LeapPad	Musical book	Speaking book
Child's safety	2	3	2	3	3
Developing functions	3	3	3	2	3
Environment-friendly materials	2	3	2	2	3
Age recommendations	2	2	2	2	3
Design	3	2	3	3	3
Price	2	3	3	3	2
Average estimation	2.3	2.7	2.5	2.5	2.8

Current state

1st year of research and development has passed. Work with artists has been completed at 60% (750 illustrations to 50 fairy tales). Prepress preparation and layout are being done; sound recording and work with readers, musicians, singers, and also sound reduction works are being carried out. Production arrangements are under way. De-

velopment of new prototypes – cubes, brainteasers, puzzles. Works with methodologists of school and preschool education.

Development strategy

Use of funds

1. R&D (creation of serial samples)	20%
2. Acquisition of fixed assets (organization of production and cost reduction)	70%
3. Marketing	5%
4. Acquisition of current assets	5%

Prospective outcome of investment

The electronic speaking book for children of preschool age: speaking fairy tales; speaking alphabet with pictures (learning to read); speaking numbers (learning to count); for children of school and senior age: speaking textbooks; speaking devices (for sight invalids); speaking comics; electronic newspapers; speaking journals; speaking encyclopedias; speaking "puzzles"; Audio CD + DVD.

Marketing & Markets

According to the official statistics, about 28.5 million children younger than 16 y.o. (which is about 20% of the population) live in our country. Experts of Symbol-Marketing agency evaluate general capacity of the Russian market of goods for children's as \$ 4.5–7.5 bln. The gain of the market makes 20–25% every year, and in some directions, for example in toys, the market grows 30% annually (please, see Marketing Industry 2006, №10, May 15–31).

Today, market of children's goods in Russia is one of the most saturated segments of retail trade. According to the data provided by agency "Step by Step", the turnover of the market of children's goods in the period from 2002 to 2005 has grown for \$ 2 bln.

Experts predict growth of the market 20–25% per annum for another several years.

Summing up, it can be said that the market of children's goods is one of the most saturated and at the same time perspective markets. Children grow providing for turn-over of the market. On the background of this tendency, and also due to tough competition in the other segments, investments in children's industry may be very favorable.

Strategy for entering the market. Organization of the department of sales and advertising in our company, search for partners in the regions (there are some arrangements with potential partners (performing artwork in their locations) in the Ukraine, Kazakhstan, Uzbekistan, Israel, Germany, England, which are ready to assume some part of circulation and to sell it, and also there is work devoted to conclusion of supply (sale) agreements, extension of the product range, work and interaction with the retail trade systems already existing in Moscow and St Petersburg and in some other cities of Russia.

As advertising steps we consider the following: development and production of corporate stands of our products, advertising posters describing the range for accommodation in retail trade systems. Negotiations concerning organization of children's holidays "New year" and "Day of knowledge" for realization, within the framework of these holidays, of the advertising company and sale of products, are under way. Creation of the corporate brand.

Interaction with investor

We are ready to assign up to 50% of share in the company. The break-even point shall be reached in the 4th quarter from the moment of initial launch of the project. Expected simple payback time is 1.1 years; discount payback time – 1.2 years. NPV (net present value of the project) is estimated as \$ 1688 ths; IRR (internal rate of return) – 91%.