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## Volume of investments required – \$ 1 million

### Summary

1. **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.
2. **Trade marks** – «Zhili-Bili».
3. **Sales 2007** – \$ 470 ths.

### Company profile

**Date of establishment** – June 2005. The company has been established by specialists, developers of electronic systems and components, and programmers.

**Description and value of capital assets** – \$350 ths – 2500 illustrations of 100 artists, the fairy tales sounded by actors (10 CDs), computers and office equipment, patent №43676, three contracts of the exclusive license for inventions and useful model.

**Previous rounds of investments** – In 2006 \$ 30 ths grant from Fund supporting small enterprises' development. In 2007 the company received second tranche of the grant of \$ 60 ths under the program "Start-2006". Also the company has involved \$ 800 ths investments from a private investor for realization of the project.

**Signs of public recognition** – 2005: 1st place at the 8th Competition of business ideas and research and development works "Young, Daring, Prospective", St. Petersburg; Diploma of regional competition SPIBA – St. Petersburg International Business Association of Northwest for the most original business idea, St. Petersburg; Honorary Diploma "Start-2006", Moscow, from Fund supporting small enterprises' development; Diploma and 1st place in Competition of Developers and Innovations "Multy Voice of Business", Moscow.

Publication – Dzhanibekova Anna, "Business Petersburg" №101 (2423) of 07.06.2007; Dzhanibekova Anna, "Business Petersburg" №008 (2574) of 28.01.2008.

**Number of employees** – 15 persons.

### Structure of ownership

Natural persons (3)	100% (49% + 48% + 3%)
Aggregate share of government property	0%

### Team

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

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

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

**Ovchinnikov Nikolay Anatolyevich** – 45 y.o. Higher education. Engineer electrician. Experienced in carrying out scientific and marketing researches. Additional education in the field of sales organization.

### Production

Today in the Russian market there are many foreign training systems not adapted for needs of domestic buyers. The given devices can be used at the best for studying foreign languages.

With development of information technologies, various high-tech devices acquire the increasing value in our life. More and more information attacks children every day. But at the same time new technologies allow to create devices helping a child to adapt easier to new information streams, easier to perceive the information, and accordingly to be trained more quickly.

The speaking electronic Book is a book which sings and talks. The speaking book can reproduce a sound and music, to read a fairy tale, to sing songs, and also to record voice of daddy or mum or the child himself telling a fairy tale or singing a song.

The technology on which "The Speaking book" is based is connected with the area of devices and methods of audio and visual indexes of the information overlapping. Can be used in the polygraphist, printing and radio-electronic industry, the entertaining industry of toys and souvenirs, books, including books-toys, magazines, children's developing games, in particular for children of younger school age.

The device can be used in devices of educational, entertaining and advertising purpose in which sound messages supplement the printed text and graphic illustrations.

Comparative analysis of the electronic speaking book and production of competitors is presented in the table. Production is estimated with 5 ball scale on the basis of expert interrogation.

Characteristics	Teaching computers	Interactive games	"My first LeapPad"	Speaking book
	Child's safety	4	5	4
Developing functions	5	5	5	<b>5</b>
Environment-friendly materials	3	5	4	<b>5</b>
Age recommendations	4–8 years	1–6 years	3–9 years	<b>1–10 years</b>
Design	4	3	5	<b>5</b>
Price	2300	500	2000	<b>500/800</b>

### Current state

The 1st year of research and development has passed. Work with artists has been completed at 80% (1000 illustrations to 70 fairy tales). The company prepares for release three from ten collections of Russian National Fairy tales and albums with audio records of the same Russian National Fairy tales (30 fairy tales). Preparation of preprinting and imposition precedes the sound recording and work with readers, musicians, singers, and also work under data of a sound is carried out. On involved investments there is begun release of speaking games, «the Sound Alphabet», speaking books and the speaking puzzles which pre-production models have been received as a result of the researches spent by the company. There is begun work with methodologists of school and preschool formation. There is begun development of the new device "The Sound Pen" for scoring books and the educational literature. It is begun by research and development, patenting is conducted.

### Development strategy

#### Use of funds

- |   |     |
|---|-----|
| 1. Research and development (creation of serial samples)                        | 20% |
| 2. Purchase of permanent assets (organization of production and cost reduction) | 30% |
| 3. Marketing  | 10% |
| 4. Circulating assets   | 40% |

#### Prospective outcome of investment

The electronic speaking book (for children of preschool age: speaking fairy tales; the speaking alphabet with pictures (we study to read); speaking figures (we study to consider); for children school and advanced age: speaking textbooks; speaking devices (for invalids of sight); speaking comics; electronic newspapers; speaking magazines; speaking "puzzle".

#### Marketing & Markets

In 2007 the volume of toys' market in Russia according to agency Step-by-step was equal to \$0.8 bln. In 2012 the increase volumes is up to \$1.8 bln.

In 2007 were predicted marked rates of growth of the market of toys at a level of 25%. However, since 2008 gradual delay of rates of growth is predicted, and 2012 they will make the order of 15%.

According to Comcon, total expenses for toys in St. Petersburg grew in 2006 by 31% – with \$ 46 mln in 2005 up to \$ 60 mln. At the same time total expenses for purchases of children's toys by urban population grow – they increased in 2006 by 21% and made \$ 716 mln, and in 2007 mark \$ 880 mln was reached. Segment of sets of developing games and books for children is estimated at 5–12% of the market and makes \$ 44–105 mln. Market of developing games in Moscow makes near \$ 21.5 mln, and in St. Petersburg – \$ 8 mln.

Strategy of output to the market: organization in our company of a department of sales and a department of advertising, search of regional partners. There are arrangements with potential partners in Ukraine, Kazakhstan, Uzbekistan, Israel, Germany and England.

As advertising measures are considered: development and manufacture of advertising stands for production, advertising boards representing assortment for accommodation in retail networks. Negotiations on organization of children's holidays "New year" and "Day of knowledge" for realization within the limits of these holidays of the advertising company and realization of production are carried on. Creation of a brand.

#### Interaction with investor

We are ready to give a share of the company up to 20%. The point of break-even comes in 4 quarter from the moment of the project's launch.

### Financial characteristics, \$ thousand

Data	Facts			Forecast	Forecast with the investment required			
	2005	2006	2007	2008	2009	2010	2011	2012
Sales	-	-	470	2 707	3 600	5 000	8 000	11 000
Operating income	-	-	17	1 425	1 580	2 440	4 810	7 000