

Kids Brands House N.V.
Amsterdam

Annual report 2013

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REPORT OF THE AUDITORS

Kids Brands House N.V.
Laan van Diepenvoorde 3
5582 LA WAALRE

For the attention of Mr. F.C. Pfingsten

Waalre, June 24, 2014

Dear Mr. Pfingsten,

We hereby send you the report regarding the financial statements for the year 2013 of your company.

1 SCOPE OF ENGAGEMENT

In accordance with your instructions we have audited the annual account 2013 of your company, including the balance sheet with counts of € 2,709,670 and the profit and loss account with a negative result after taxes of € 186,351.

1.1 Independent auditor's report

Please refer to page 28 of this report for the independent auditor's report.

Kind regards,

WS

F.A.A. Stroeken RA
Stroeken Rossieau B.V.

FINANCIAL REPORT

- Directors' report**
- Financial statements**
- Other information**

Kids Brands House N.V.
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1 DIRECTOR'S REPORT

In accordance with article 2:396 part 7 of the Dutch Civil Code no report of the Managing Directors for 2013 has been prepared.

FINANCIAL STATEMENTS

1 BALANCE SHEET AS PER DECEMBER 31, 2013

(after appropriation of result)

	December 31, 2013		December 31, 2012	
	€	€	€	€
ASSETS				
FIXED ASSETS				
Intangible fixed assets	(1)			
Goodwill		454,356		-
Financial fixed assets	(2)			
Group companies		710,765		703,874
Participations		395,644		-
Loans to participations		800,000		-
Other securities		2		49,798
		<u>1,906,411</u>		<u>753,672</u>
CURRENT ASSETS				
Receivables, prepayments and accrued income	(3)			
Taxes		1,236		375
Other receivables, deferred assets		1,545		3,568
		<u>2,781</u>		<u>3,943</u>
Securities	(4)			
		-		77,970
Cash and cash equivalents	(5)			
		346,122		557,982
		<u><u>2,709,670</u></u>		<u><u>1,393,567</u></u>

	December 31, 2013		December 31, 2012	
	€	€	€	€
EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY (6)				
Issued share capital	1,000,000		793,000	
Share premium reserve	3,877,000		3,880,000	
Other reserves	-4,198,563		-4,012,212	
		678,437		660,788
NON-CURRENT LIABILITIES (7)				
Convertible bonds	1,000,000		-	
Loans from group companies	695,000		388,000	
		1,695,000		388,000
CURRENT LIABILITIES (8)				
Trade creditors	-		6,065	
Loans from participations in group companies	-		318,223	
Other liabilities and Accruals and deferred income	336,233		20,491	
		336,233		344,779
		<u>2,709,670</u>		<u>1,393,567</u>

2 PROFIT AND LOSS ACCOUNT 2013

		2013		2012	
		€	€	€	€
Other operating expenses	(9)		154,773		68,618
Operating result			<u>-154,773</u>		<u>-68,618</u>
Result from securities	(10)	7,897		-455	
Financial income and expenses	(11)	-26,570		-10,328	
Result in participations	(12)	-19,796		-722,078	
Financial income and expenses			<u>-38,469</u>		<u>-732,861</u>
Result from general operations before tax			<u>-193,242</u>		<u>-801,479</u>
Taxation on result of ordinary activities			-		-
			<u>-193,242</u>		<u>-801,479</u>
Share in result of group companies	(13)		6,891		-581,800
Result after tax			<u><u>-186,351</u></u>		<u><u>-1,383,279</u></u>

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3 NOTES TO THE STATEMENTS

GENERAL

Activities

The activities of Kids Brands House N.V., mainly consist of the following: To participate in, finance and management companies and other companies, obtaining, maintaining, disposing or in any way manage all types of and interests in other companies, associations and companies, how ever named, acting as a holding company, borrowing and lending money, and to provide guarantees and providing security for the debts of third parties including group companies. The company has her statutory seat in Amsterdam and her office in Waalre.

On 3 February 2014 the name of the company has been changed to Kids Brands House N.V. (formerly Nanoventure N.V.).

Consolidation

In accordance with article 2:407 part 2A of the Netherlands Civil Code no consolidated annual accounts have been prepared.

LIST OF PARTICIPATING INTERESTS

The company participates (in) directly in the capital of the following companies.

A summary of the information as required in accordance with Articles 2:379 and 2:414 of the Netherlands Civil Code is given below:

	Share in issued capital
	%
Nanoventure GmbH Hamburg (Germany)	100.00
JUNIOR BRANDS GROUP GmbH Pliezhausen (Germany)	49.00
Bellybutton International GmbH Hamburg (Germany)	22.67
Digital Pioneers N.V. Amsterdam	5.27
Vinna AG Höhr-Grenzhausen	4.80

GENERAL ACCOUNTING PRINCIPLES FOR THE PREPARATION OF THE ANNUAL ACCOUNTS

The financial statements have been prepared in accordance with Title 9 Book 2 of the Netherlands Civil Code.

Valuation of assets and liabilities and determination of the result takes place under the historical cost convention. Unless presented otherwise at the relevant principle for the specific balance sheet item, assets and liabilities are presented at nominal value.

PRINCIPLES OF VALUATION OF ASSETS AND LIABILITIES

Intangible fixed assets

Intangible fixed assets are presented at cost less accumulated amortisation and, if applicable, less impairments in value. Amortisation is charged as a fixed percentage of cost, as specified in more detail in the notes to the balance sheet. The useful life and the amortisation method are reassessed at the end of each financial year.

Financial fixed assets

Participating interests where significant influence is exercised over the business and financial policy are valued according to the equity method on the basis of the nett asset value. Participating interests without such influence, are valued at the acquisition price, taking into account a provision for value decreases.

Upon initial recognition the receivables on and loans to participations and other receivables are valued at fair value and then valued at amortised cost, which equals the face value, after deduction of any provisions.

Trade and other receivables

Trade and other receivables are stated at nominal value, less any provision for doubtful debts. Provisions are designated on basis of individual assessment of recoverability of the receivables.

Securities

The securities (listed and non-listed) are valued at the cost or lower market value, with which both realised and unrealised changes in value are directly accounted for in the profit and loss account, under the financial income and expense.

Cash and cash equivalents

The cash is valued at face value. If cash equivalents are not freely disposable, then this has been taken into account in the valuation.

Liabilities

Liabilities are valued at nominal value, unless determined differently.

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Long-term liabilities

Recorded interest-bearing loans and liabilities are valued at amortized cost.

PRINCIPLES FOR THE DETERMINATION OF THE RESULT

Determination of the result

The result is determined based upon the difference between the net turnover and the costs and other expenses taking into account the accounting principles mentioned before. Income and expenses are accounted for on accrual basis. Profit is only included when realized on the balance sheet date. Losses originating before the end of the financial year are taken into account if they have become known before preparation of the financial statements.

Financial income and expenses

Financial income and expenses comprise interest income and expenses of loans for the current reporting period.

Share in result of group companies

Where significant influence is exercised over participations, the group's share in the participations' results is included in the profit and loss account. This result is determined on the basis of the accounting principles applied by Kids Brands House N.V.

Taxes

Corporate income tax is calculated at the applicable rate on the result for the financial year, taking into account permanent differences between profit calculated according to the annual account and profit calculated for taxation purposes, and with which deferred tax assets (if applicable) are only valued insofar as their realisation is likely.

4 NOTES TO THE BALANCE SHEET AS OF DECEMBER 31, 2013

Fixed assets

1. Intangible fixed assets

	Goodwill
	€
<i>Book value as of January 1, 2013</i>	
Purchase price	-
Cumulative depreciation and impairment	-
	-
	-
<i>Movement</i>	
Investments	454,356
Amortization	-
	454,356
<i>Book value as of December 31, 2013</i>	
Purchase price	454,356
Cumulative depreciation and impairment	-
	454,356
<i>Amortisation rates</i>	%
Goodwill	10

2. Financial fixed assets

Group companies

Nanoventure GmbH

	2013	2012
	€	€
Book value as of January 1	703,874	1,285,674
Result	6,891	-581,800
Book value as per December 31	710,765	703,874

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	31-12-2013	31-12-2012
	€	€
<i>Participations</i>		
JUNIOR BRANDS GROUP GmbH	1	-
Bellybutton International GmbH	395,643	-
	395,644	-
	2013	2012
	€	€
<i>JUNIOR BRANDS GROUP GmbH</i>		
Book value as of January 1	-	-
Investments	1	-
Book value as per December 31	1	-
<i>Bellybutton International GmbH</i>		
Book value as of January 1	-	-
Investments	395,643	-
Book value as per December 31	395,643	-
	31-12-2013	31-12-2012
	€	€
<i>Loans to participations</i>		
Loan (I) JUNIOR BRANDS GROUP GmbH	300,000	-
Loan (II) JUNIOR BRANDS GROUP GmbH	500,000	-
	800,000	-
<i>Loan (I) JUNIOR BRANDS GROUP GmbH</i>		
The Debtor is obliged to repay the outstanding loan by 31 December 2016 at the latest. Interest rate is 2%.		
<i>Loan (II) JUNIOR BRANDS GROUP GmbH</i>		
The Debtor is obliged to repay the outstanding loan by 31 December 2016 at the latest. Interest rate is 4%.		
<i>Other securities</i>		
Vinna AG	1	1
Squeezy Sports Nutrition N.V.	-	30,592
Digital Pioneers N.V.	1	19,205
	2	49,798

The participation Squeezy Sports Nutrition N.V. has been sold as per January 31, 2013.

Current assets

3. *Receivables, prepayments and accrued income*

	<u>31-12-2013</u>	<u>31-12-2012</u>
	€	€
<i>Taxes</i>		
Value added tax	<u>1,236</u>	<u>375</u>
<i>Other receivables</i>		
Interest Loan (I) JUNIOR BRANDS GROUP GmbH	559	-
Interest Loan (II) JUNIOR BRANDS GROUP GmbH	986	-
Interest securities	-	3,568
	<u>1,545</u>	<u>3,568</u>
4. <i>Securities</i>		
Securities	<u>-</u>	<u>77,970</u>
5. <i>Cash and cash equivalents</i>		
Deutsche Bank	343,419	454,300
BNP Paribas	2,703	103,682
	<u>346,122</u>	<u>557,982</u>

6. **Shareholders' Equity**

Issued share capital

Subscribed and paid up 1,000,000 ordinary shares at par value € 1.00	<u>1,000,000</u>	<u>793,000</u>
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The statutory share capital amounts to € 5.000.000.

As per July 2013 the company issued 207.000 with a nominal value of € 1,00 per share.

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	2013	2012
	€	€
<i>Share premium reserve</i>		
Book value as of January 1	3,880,000	3,880,000
Cost increase share capital	-3,000	-
Book value as per December 31	<u>3,877,000</u>	<u>3,880,000</u>
<i>Other reserves</i>		
Book value as of January 1	-4,012,212	-2,628,933
Appropriation of the net result	-186,351	-1,383,279
Book value as per December 31	<u>-4,198,563</u>	<u>-4,012,212</u>

7. Non-current liabilities

	31-12-2013	31-12-2012
	€	€
<i>Convertible bonds</i>		
Convertible bonds	<u>1,000,000</u>	<u>-</u>

The company issued a convertible bond of € 1.000.000 with an interest rate of 6%.
The company is authorized to convert the convertible bonds into share capital at any moment, at a price of € 1,-, per nominal share of € 1,-. If not converted before 31 December 2016, the convertible bond has to be repaid at that date.

Loans from group companies

Nanoventure GmbH	<u>695,000</u>	<u>388,000</u>
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An annual interest of 3% is calculated. Of the total amount concerning long-term liabilities an amount of € 0 has a remaining term of more than five years.

8. Current liabilities

Trade creditors

Creditors	<u>-</u>	<u>6,065</u>
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	<u>31-12-2013</u>	<u>31-12-2012</u>
	€	€
<i>Loans from participations in group companies</i>		
Nanoventure GmbH	-	<u>318,223</u>

An interest rate of 3% has been calculated.

Accruals and deferred income

Audit costs	14,500	8,000
Interest convertible bond	9,370	-
Administration costs	2,000	11,683
Interest loans Nanoventure GmbH	20,029	808
Share premium participation	290,334	-
	<u>336,233</u>	<u>20,491</u>

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5 NOTES TO THE PROFIT AND LOSS ACCOUNT 2013

Staff

During the 2013 financial year the company had no employees (2012: 0).

	2013	2012
	€	€
9. Other operating expenses		
Accommodation expenses	300	300
Office expenses	750	4,748
Selling and distribution expenses	2,463	1,487
General expenses	151,260	62,083
	<u>154,773</u>	<u>68,618</u>
<i>Accommodation expenses</i>		
Domiciliation fee	<u>300</u>	<u>300</u>
<i>Office expenses</i>		
Contribution	<u>750</u>	<u>4,748</u>
<i>Selling and distribution expenses</i>		
Commercial and promotion	499	163
Travelling costs	1,964	1,324
	<u>2,463</u>	<u>1,487</u>

	2013	2012
	€	€
<i>General expenses</i>		
Audit costs	16,186	4,419
Administration costs	7,986	8,633
Advice costs	110,500	41,864
Lawyer costs	-	2,018
Notary costs	5,599	2,124
Corporate services	750	-
Supervisory Board	-	1,000
Various general expenses	10,013	-3
Computer and software costs	226	2,028
	<u>151,260</u>	<u>62,083</u>

Financial income and expenses

10. Result from securities

Result from securities

Result from sale and revaluation from securities	<u>3,089</u>	<u>-5,138</u>
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Interest other receivables

Interest bonds	3,263	4,683
Interest Loan (I) JUNIOR BRANDS GROUP GmbH	559	-
Interest Loan (II) JUNIOR BRANDS GROUP GmbH	986	-
	<u>4,808</u>	<u>4,683</u>

11. Financial income and expenses

Interest Microbox GmbH	-	2,035
Other paid interest	2,841	-2,087
Interest loans Nanoventure GmbH	-20,041	-10,276
Interest convertible bond	-9,370	-
	<u>-26,570</u>	<u>-10,328</u>

12. Result in participations

Share in result of Squeezy Sports Nutrition N.V.	-592	-
Share in result of Digital Pioneers N.V.	-	-63,650
Result sale of participation in Microbox GmbH	-	-237,932
Impairment Squeezy Sports Nutrition N.V.	-	-45,888
Impairment Digital Pioneers N.V.	-19,204	-374,608
	<u>-19,796</u>	<u>-722,078</u>

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13. **Share in result of group companies**

	<u>2013</u>	<u>2012</u>
	€	€
Share in result of Nanoventure GmbH	<u>6,891</u>	<u>-581,800</u>

Signing of the financial statements

Waalre, June 24, 2014

Management Board

Supervisory Board

F.C. Pfingsten

J. Bodenkamp

K.Ö. Bender

M. Kanz

Kids Brands House N.V.
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OTHER INFORMATION

1 INDEPENDENT AUDITOR'S REPORT

To: The management of Kids Brands House N.V.

Report on the financial statements

We were engaged to audit the accompanying financial statements 2013 of Kids Brands House N.V., Waalre, which comprise the balance sheet as at December 31, 2013, the profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with Dutch law, including the Dutch Standards on Auditing. Because of the matter described in the Basis for disclaimer of opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

In the course of 2013 the company acquired two participations. The related figures 2013 were not audited. The respective participations are carried at € 395,644 on the company's balance sheet, which represents over 14% of the company's net assets as at 31 December 2013. We were not able to obtain sufficient appropriate audit evidence

The related goodwill is carried at € 454.356 on the company's balance sheet, which represents over 16% of the company's net assets as at 31 December 2013. Given the limited information available concerning the future cash flows, we were not able to obtain sufficient appropriate audit evidence.

Disclaimer of opinion with respect of the financial statements

Because of the significance of the matters described in the Basis for disclaimer of opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

Waalre, June 24, 2014

Stroeken Rossieau B.V.

Was signed on June 24, 2014 by F.A.A. Stroeken RA
(# 71001)

Kids Brands House N.V.
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2 STATUTORY APPROPRIATION OF PROFIT

The articles of Association of the company provide that the appropriation of the result after tax for the year is decided upon at the Annual General Meeting of Shareholders. Awaiting the decision by the shareholders, the result after tax is added to the other reserves.

3 RECOGNITION OF THE LOSS FOR 2013

The board of directors proposes to add the 2013 result to the other reserves for an amount of € 186,351 negative. The General Meeting of Shareholders Shareholders will be asked to approve the appropriation of the 2013 result, this proposition is already recognised in the financial statements.

