

**Kids Brands House N.V.**  
**Amsterdam**

**Financial statements for the period of May 1, 2015 to**  
**April 30, 2016**

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**FINANCIAL REPORT**

**-Financial statements**

## **FINANCIAL STATEMENTS**

**1 BALANCE SHEET AS PER APRIL 30, 2016**

(after appropriation of result)

	April 30, 2016		April 30, 2015	
	€	€	€	€
<b>ASSETS</b>				
<b>FIXED ASSETS</b>				
<b><i>Intangible fixed assets</i></b>	(1)			
Goodwill		508,845		572,703
<b><i>Financial fixed assets</i></b>	(2)			
Group companies		2,106,317		2,351,613
Participations		420,629		1
Loans to participations		850,000		850,000
Other securities		1		1
		<u>3,376,947</u>		<u>3,201,615</u>
<b>CURRENT ASSETS</b>				
<b><i>Receivables, prepayments and accrued income</i></b>	(3)			
Taxes		-		798
Other receivables, deferred assets		130,958		95,312
		<u>130,958</u>		<u>96,110</u>
<b><i>Cash and cash equivalents</i></b>	(4)			
		10,183		8,770
		<u>4,026,933</u>		<u>3,879,198</u>

	April 30, 2016		April 30, 2015	
	€	€	€	€
<b>EQUITY AND LIABILITIES</b>				
<b>SHAREHOLDERS' EQUITY</b>	(5)			
Issued share capital	3,150,000		3,150,000	
Share premium reserve	3,877,000		3,877,000	
Other reserves	<u>-4,782,546</u>		<u>-3,901,710</u>	
		2,244,454		3,125,290
<b>NON-CURRENT LIABILITIES</b>	(6)			
Convertible bond loan	1,000,000		-	
Loans from group companies	<u>693,000</u>		<u>693,000</u>	
		1,693,000		693,000
<b>CURRENT LIABILITIES</b>	(7)			
Trade creditors	11,049		15,518	
Other liabilities and accruals	<u>78,430</u>		<u>45,390</u>	
		89,479		60,908
		<u>4,026,933</u>		<u>3,879,198</u>

## 2 PROFIT AND LOSS ACCOUNT FROM MAY 1, 2015 TO APRIL 30, 2016

	May 1, 2015 to April 30,2016		January 1, 2014 to April 30,2015	
	€	€	€	€
<b>Net turnover</b>	(8)	108,000		160,000
		<u>108,000</u>		<u>160,000</u>
Salaries		-	21,579	
Amortisation of intangible fixed assets		63,858	65,878	
Other operating expenses		<u>110,440</u>	<u>216,855</u>	
		174,298		304,312
<b>Operating result</b>		<u>-66,298</u>		<u>-144,312</u>
Result from securities and other investments	(13)	-	107,893	
Financial income and expenses	(14)	<u>10,130</u>	<u>-46,158</u>	
<b>Financial income and expenses</b>		10,130		61,735
<b>Result before tax</b>		<u>-56,168</u>		<u>-82,577</u>
Taxation on result of ordinary activities		-		-
		-56,168		-82,577
Share in result of group companies and other participating interests	(15)	<u>-245,296</u>		<u>379,430</u>
<b>Result after tax</b>		<u><u>-301,464</u></u>		<u><u>296,853</u></u>

### 3 NOTES TO THE FINANCIAL 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.

##### 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
	<u>          </u>
	%
Nanoventure GmbH Hamburg (Germany)	100.00
JUNIOR BRANDS GROUP GmbH Pliezhausen (Germany)	49.00
bellybutton International GmbH Hamburg (Germany)	50.70
Vinna AG Höhr-Grenzhausen	4.80



## **GENERAL ACCOUNTING PRINCIPLES FOR THE PREPARATION OF THE ANNUAL ACCOUNTS**

The financial statements are drawn up in accordance with the provisions of Title 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Dutch Accounting Standards, as published by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving').

Assets and liabilities are generally valued at historical cost, production cost or at fair value at the time of acquisition. If no specific valuation principle has been stated, valuation is at historical cost. In the balance sheet, income statement and the cash flow statement, references are made to the notes.

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.

### **Comparison with previous year**

The comparison figures can be reclassified for presentation purposes.

### **Estimates**

In applying the principles and policies for drawing up the financial statements, the directors of the Company make different estimates and judgments that may be essential to the amounts disclosed in the financial statements. If it is necessary in order to provide the transparency required under Book 2, article 362, paragraph 1, the nature of these estimates and judgments, including related assumptions, is disclosed in the notes to the relevant financial statement item.

## **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 net 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.

### **Impairment of non-current assets**

On each balance sheet date, the company assesses whether there are any indications that a fixed asset may be subject to impairment. If there are such indications, the recoverable amount of the asset is determined. If it is not possible to determine the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined. An impairment occurs when the carrying amount of an asset is higher than the recoverable amount; the recoverable amount is the higher of the realisable value and the value in use. An impairment loss is directly recognised in the profit and loss account while the carrying amount of the asset concerned is concurrently reduced.

The realisable value is initially based on a binding sale agreement; if there is no such agreement, the realisable value is determined based on the active market, whereby usually the prevailing bid price is taken as market price. For the determination of the value in use, an estimate is made of the future net cash flows in the event of continued use of the asset or cash-generating unit; these cash flows are discounted, based on a market-based discount rate.

If it is established that an impairment that was recognised in the past no longer exists or has reduced, the increased carrying amount of the asset concerned is set no higher than the carrying amount that would have been determined if no impairment value adjustment for the asset concerned had been reported.

### **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.

### **Cash and cash equivalents**

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

### **Non-current liabilities**

On initial recognition non-current liabilities are recognised at fair value. After initial recognition non-current liabilities are recognised at the amortised cost price. When there are no premiums, discounts or transaction costs, the amortised cost is equal to the nominal value.

### **Current liabilities**

On initial recognition current liabilities are recognised at fair value. After initial recognition current liabilities are recognised at the amortised cost price. When there are no premiums, discounts or transaction costs, the amortised cost is equal to the nominal value.

## **PRINCIPLES FOR THE DETERMINATION OF THE RESULT**

### **Net turnover**

The net turnover represents amounts invoiced for services supplied during the financial year reported on, net of discounts and value added taxes.

### **Amortisation and depreciation**

The depreciation of the intangible fixed assets is calculated using fixed percentages of the purchase price.

### **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 and other participating interests**

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 PER APRIL 30, 2016

##### Fixed assets

##### 1. Intangible fixed assets

	Goodwill
	€
<i>Book value as May 1, 2015</i>	
Purchase price	638,581
Cumulative depreciation and impairment	<u>-65,878</u>
	<u>572,703</u>
<i>Movement</i>	
Amortization	<u>-63,858</u>
<i>Book value as per April 30, 2016</i>	
Purchase price	638,581
Cumulative depreciation and impairment	<u>-129,736</u>
	<u>508,845</u>
<i>Amortisation rates</i>	
	%
Goodwill	10

##### 2. Financial fixed assets

##### Group companies

	May 1, 2015 to April 30, 2016	January 1, 2014 to April 30, 2015
	€	€
<i>Nanoventure GmbH</i>		
Book value as per beginning financial year	720,208	710,765
Result	<u>16,296</u>	<u>9,443</u>
Book value as per April 30	<u>736,504</u>	<u>720,208</u>
<i>bellybutton International GmbH</i>		
Book value as per beginning financial year	1,631,405	395,643
Investments	-	865,775
Result	<u>-261,592</u>	<u>369,987</u>
Book value as per April 30	<u>1,369,813</u>	<u>1,631,405</u>

*Participations*

	May 1, 2015 to April 30, 2016	January 1, 2014 to April 30, 2015
	€	€
<i>JUNIOR BRANDS GROUP GmbH</i>		
Book value as per beginning financial year	1	1
Movement	420,628	-
Book value as per April 30	<u>420,629</u>	<u>1</u>

	30-04-2016	30-04-2015
	€	€
<i>Loans to participations</i>		
Loan (I) JUNIOR BRANDS GROUP GmbH	300,000	300,000
Loan (II) JUNIOR BRANDS GROUP GmbH	500,000	500,000
Loan (III) JUNIOR BRANDS GROUP GmbH	50,000	50,000
	<u>850,000</u>	<u>850,000</u>

*Loan (I) JUNIOR BRANDS GROUP GmbH*

Junior Brands Group GmbH is obliged to repay the outstanding loan by 31 December 2019 at the latest. The interest rate is 2%.

*Loan (II) JUNIOR BRANDS GROUP GmbH*

Junior Brands Group GmbH is obliged to repay the outstanding loan by 31 December 2019 at the latest. The interest rate is 4%.

*Loan (III) JUNIOR BRANDS GROUP GmbH*

Junior Brands Group GmbH is obliged to repay the outstanding loan by 31 December 2019 at latest. The interest rate is 4%.

*Other securities*

Vinna AG	<u>1</u>	<u>1</u>
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**Current assets**

3. *Receivables, prepayments and accrued income*

*Taxes*

Value added tax	<u>-</u>	<u>798</u>
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	30-04-2016	30-04-2015
	€	€
<i>Other receivables and prepaid expenses</i>		
Interest Loans JUNIOR BRANDS GROUP GmbH	78,008	47,020
Management fee	6,000	-
Prepaid expenses	9,950	23,292
Other receivables on JUNIOR BRANDS GROUP GmbH	21,000	10,000
Other receivables on bellybutton International GmbH	6,000	-
Other receivables on Kids Fashion Group GmbH	10,000	15,000
	<u>130,958</u>	<u>95,312</u>

#### 4. Cash and cash equivalents

Cash and cash equivalents	<u>10,183</u>	<u>8,770</u>
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#### 5. Shareholders' Equity

##### *Issued share capital*

3,150,000 ordinary shares at par value € 1.00	<u>3,150,000</u>	<u>3,150,000</u>
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The statutory share capital amounts to € 15,750,000.

	May 1, 2015 to April 30, 2016	January 1, 2014 to April 30, 2015
	€	€
<i>Share premium reserve</i>		
Book value as per beginning financial year	<u>3,877,000</u>	<u>3,877,000</u>
Book value as per April 30	<u>3,877,000</u>	<u>3,877,000</u>
<i>Other reserves</i>		
Book value as per beginning financial year	-3,901,710	-4,198,563
Appropriation of the net result	-301,464	296,853
Other movements	-579,372	-
Book value as per April 30	<u>-4,782,546</u>	<u>-3,901,710</u>

## 6. Non-current liabilities

	<u>30-04-2016</u>	<u>30-04-2015</u>
	€	€
<i>Convertible bond loan</i>		
Convertible bond	<u>1,000,000</u>	<u>-</u>
	<u>May 1, 2015 to April 30, 2016</u>	<u>January 1, 2014 to April 30, 2015</u>
	€	€
<i>Convertible bond</i>		
Book value as per beginning financial year	-	1,000,000
Convertible bond issued	1,000,000	1,150,000
Conversion into share capital	-	-2,150,000
Long-term part as per April 30	<u>1,000,000</u>	<u>-</u>

An annual interest of 5% is charged. The remaining term of the loan is between 1 and 5 years.

	<u>30-04-2016</u>	<u>30-04-2015</u>
	€	€
<i>Loans from group companies</i>		
Nanoventure GmbH	<u>693,000</u>	<u>693,000</u>

An annual interest of 3% is charged. The remaining term of the loan is between 1 and 5 years.

## 7. Current liabilities

<i>Trade creditors</i>		
Creditors	<u>11,049</u>	<u>15,518</u>
<i>Accruals and deferred income</i>		
Audit costs	27,000	16,250
Administration costs	3,000	1,500
Interest loans Nanoventure GmbH	<u>48,430</u>	<u>27,640</u>
	<u>78,430</u>	<u>45,390</u>

**5 NOTES TO THE PROFIT & LOSS ACCOUNT AS FROM MAY 1, 2015 TO APRIL 30, 2016**

	May 1, 2015 to April 30, 2016	January 1, 2014 to April 30, 2015
	€	€
<b>8. Net turnover</b>		
Management fee	<u>108,000</u>	<u>160,000</u>
<b>Employee expenses</b>		
<b>Staff</b>		
For the period of May 1, 2015 to April 30, 2016 the company had no employees (2014/2015: 0).		
<b>Amortisation and depreciation</b>		
<i>Amortisation of intangible fixed assets</i>		
Goodwill	<u>63,858</u>	<u>65,878</u>
<b>Other operating expenses</b>		
<i>9. Accomodation expenses</i>		
Other accomodation expenses	<u>750</u>	<u>400</u>
<i>10. Office expenses</i>		
Postage	-	55
Contribution	750	1,386
Insurance	<u>3,934</u>	<u>2,457</u>
	<u>4,684</u>	<u>3,898</u>
<i>11. Selling and distribution expenses</i>		
Travelling costs	<u>-</u>	<u>4,832</u>



	May 1, 2015 to April 30, 2016	January 1, 2014 to April 30, 2015
	€	€
<i>12. General expenses</i>		
Audit costs	48,034	26,841
Administration costs	2,103	14,105
Advisory costs	35,000	96,800
Notary costs	100	27,812
Stock exchange costs	18,627	37,183
Corporate services	975	2,255
Supervisory Board	-	2,000
Various general expenses	32	237
Computer and software costs	135	492
	<u>105,006</u>	<u>207,725</u>

**Financial income and expenses**

*13. Result from securities and other investments*

*Result from securities*

Share in result of Digital pioneers N.V.	-	<u>107,893</u>
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*14. Financial income and expenses*

Interest loans Nanoventure GmbH	-20,790	-27,640
Interest convertible bond	-	-64,311
Interest Loan JUNIOR BRANDS GROUP GmbH	30,988	45,475
Other paid interest	-68	318
	<u>10,130</u>	<u>-46,158</u>

**15. Share in result of group companies and other participating interests**

Share in result of Nanoventure GmbH	16,296	9,443
Share in result of bellybutton International GmbH	-261,592	369,987
	<u>-245,296</u>	<u>379,430</u>

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**Signing of the financial statements**

The financial statements are prepared by the Management Board.

Waalre, July 28, 2017

Management Board

A. Schulte  
Supervisory Board

K.Ö. Bender

M. Kanz

H.A. Hepperle

**OTHER INFORMATION**

1 Independent auditor's report

To: the shareholders of Kids Brands House N.V.

A. REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS AT APRIL 30, 2016 INCLUDED IN THE ANNUAL REPORT

*Our disclaimer of opinion*

We were engaged to audit the accompanying financial statements for the year ended April 30, 2016 of Kids Brands House N.V., based in Waalre.

We do not express an opinion on the financial statements of the company. Due to the significance of the matters described in the 'Basis for our disclaimer of opinion' section, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the accompanying financial statements.

*Our opinion with respect to the balance sheet as at April 30, 2016 and the notes*

In our opinion the balance sheet as at April 30, 2016 and the notes are prepared, in all material respects, in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- 1 the balance sheet as at April 30, 2016;
- 2 the profit and loss account for the year then ended; and
- 3 the notes comprising a summary of the accounting policies and other explanatory information.

*Basis for our disclaimer of opinion*

We have been unable to form an opinion retrospectively about whether the balance sheet as at April 30, 2015 gives a true and fair view of the financial position, which opinion can serve as a basis for the audit of the financial statements for the year ended April 30, 2016. If the amounts shown in the balance sheet mentioned were to require adjustment, this would directly affect the results reported for the year ended April 30, 2016. Both the composition and the amount of the result for the year ended April 30, 2016 therefore remain uncertain.

Furthermore the company has participating interests in bellybutton International GmbH and Junior Brands Group GmbH. We were not able to obtain sufficient and appropriate audit evidence regarding the valuation of these participating interests and the completeness of the results of these participating interests, as the underlying figures were not audited and could not be audited by us rationally at reasonable costs. The respective participating interests are carried on the company's balance sheet at € 1,790,442 as at April 30, 2016. The combined results of the respective participating interests amounts to negative € 261,592 over the period of May 1, 2015 to April 30, 2016.

We are independent of Kids Brands House N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

## B. REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- Other information as required by Part 9 of Book 2 of the Dutch Civil Code;

Due to the significance of the matter(s) described in the 'Basis for our disclaimer of opinion' section, we have not been able to consider in accordance with Part 9 of Book 2 of the Civil Code whether or not the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We were engaged to read the other information and, based on our knowledge and understanding to be obtained through our audit of the financial statements or otherwise, to consider whether the other information contains material misstatements.

Management is responsible for the preparation of the other information, including the management board's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

## C. DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

### *Responsibilities of management for the financial statements*

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

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

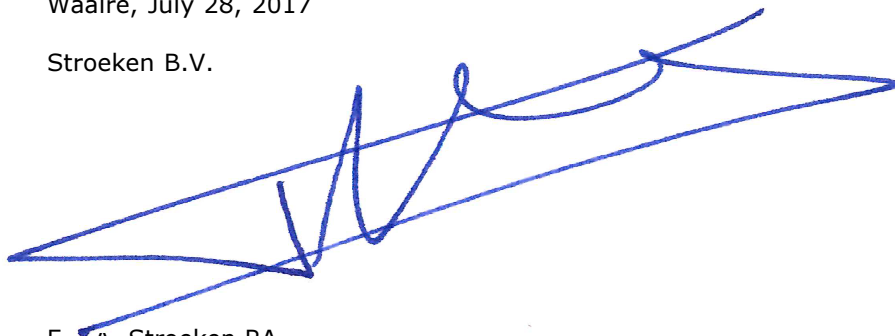
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*Our responsibilities for the audit of the financial statements*

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. However, due to the matter(s) described in the 'Basis for our disclaimer of opinion' paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Waalre, July 28, 2017

Stroeken B.V.

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke, positioned over the text 'Stroeken B.V.' and extending towards the right.

F.A.A. Stroeken RA

**2 PROPOSED APPROPRIATION OF THE RESULT FOR THE FINANCIAL YEAR 2015/2016**

The proposal to the annual General Meeting will be to lower the retained earnings with the loss of the year 2015/2016 after taxes of € 301,464. The balance sheet has been drawn up on the assumption that this motion will be adopted.

**3 APPROPRIATION OF THE RESULT FOR THE 2014/2015 FINANCIAL YEAR**

The annual accounts for 2014/2015 were adopted by the General Shareholders Meeting. The General Shareholders Meeting has determined the appropriation of the result as it was proposed.

**4 STATUTORY ARRANGEMENTS IN RESPECT OF RESULT DISTRIBUTION**

According to the Articles of the Association, the result is at the disposal of the General Meeting of shareholders.