

# KIDS WORLD GROUP



JULY 23, 2009

Business Report of the  
Kids World Group Corporation

[www.kidsworldgroup.com](http://www.kidsworldgroup.com)

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July 17, 2009
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## *Dear Madam/Sir*

*The Board of Directors of the Kids World Group Corporation has accepted and fulfilled the tasks set according to statute and the company's Articles of Association with the appropriate care and attention in the past financial year.*

*The Kids World Group Corporation is a modern company with a leading position in research and development; the company has a range of services that addresses the challenges of today.*

*The Kids World Group Corporation exercises exacting values with levels of transparency and compliance amongst the best in the world serving as a guiding principle.*

# CORPORATE RESPONSIBILITY

Corporate Responsibility is a wide-ranging concept at the Kids World Group Corporation, a concept that spans responsibility for society, the environment and our own business dealings, a philosophy that is mirrored in our values and vision.

Our shareholders and children expect great achievements with ethical awareness. We act according to our values – responsibility, excellence and innovation – in rendering these services. Apart from that, the Kids World Group Corporation has set its aims on becoming a role model in transparency and compliance.

**Worldwide programs emphasise our corporate responsibility, projects such as:**

Kids Sporting International Management Ltd. for sports and IT projects.

Kids Virtual University LLC for our education segment – Nobel Prize winners answer children’s questions

Kids World Health Services Ltd. for improved children’s healthcare

KWG Credit Union Ekonomisk Förening – the children’s bank

World Virtual Business School Ltd. for school-leaver training

Kids World Entertainment for art, culture and children’s music

Kids World Trade Center Ltd. – the children’s store

Our aim is to break down barriers in a worldwide business arena and provide the initial impetus for long-term projects with our technology as our core competency. Apart from donations that are often necessary, we aim towards alliances that benefit our children in the Kids World Group Foundation.

# THE KIDS WORLD GROUP CORPORATION CAMPUS

## THE MILLENNIUM OF CITIES

The nineteenth century was an era of empires and the enormous power they wielded, while the twentieth century shifted towards nations and their drive towards independence, dominance and self-awareness. As to the twenty-first century, we see an age of cities approaching; the future is with cities, not states.

Not long ago, the city as we know it was declared dead – suffocated under heaps of refuse and polluted air, riddled with crime and inner-city poverty just begging for alternative concepts of human cohabitation to take over; but there are no alternatives – no cities on the seabed, and no colonies in the clouds. The classical urban centre has come to flourish and prosper, attracting new citizens to the wealth of opportunity it provides.

Many futurologists have predicted a global village that we will be developing into to be able to communicate with the entirety of humanity from wherever we are. However, great cities such as the British capital and other “hip” centres from Barcelona to Sidney need not have any fear of the global virtual village, as globalisation also needs centres to control the flow of goods and capital. More importantly, the more autonomous and cocooned we become due to information technology, the greater our need for human contact will be.

Cities make this kind of contact possible – or even unavoidable. As London has shown, the more multicultural the city, the more attractive it is, the patchwork of cultures and lifestyles in these boomtowns laying the foundations for technological elite and artistic avant-garde alike, each augmenting the other's achievements. Those conurbations most often condemned have become the cradles of progress in our civilisation.

Toady's Berlin is on the way towards becoming one such source in this extraordinary development. Its pulsating energy and ethnic diversity has produced an attractive blend of the past, present and future. Berlin is not Germany's only megacity to play a key role in the future – but it will definitely be the most exciting.

The Kids World Group Corporation is currently building a Campus for children from all over Germany and their international guests in Berlin – a Campus providing cultural opportunities and selected sports disciplines from across the world. School education – as critics say – should not concentrate on traditional achievement and provable knowledge. Or as they say in Germany's teachers' union, weighing a pig won't fatten it.

Then there were the international studies that showed Germany's children to lag behind the global competition – by years in some subjects; this aroused public awareness that school cannot work without achievement, and that the human will to achieve is not only biologically programmed, but plays an especially important role in any export nation – a country's competitive edge does not start on the factory floor or research lab, but in the classroom.

Political boundaries are as unimportant to children as geographic boundaries.

Individuality supersedes nationality by far, and any human being's individuality deserves a thousand times as much recognition as nationality.

Children at the Kids World Group Corporation Campus experience the thrill of competition in learning.

# HOLISTIC BRAND COMMUNICATION

## THE HIGH ROAD TO CONSUMER MARKETS

It takes more than great intentions to rethink the branding approach.

It takes new rules of the game and new strategies.

The time has come to look for a completely new and holistic approach to brands, and to customer relations management using the full wealth of activities available.

This is the ideal way towards a consistent brand and product image that turns a brand into an experience in quality, fascination and innovation.

There has never been a better time to deal with national, international and global markets in a single address.

We have more individuals living within networks across the world than ever before, individuals that have become accustomed to receiving information of any type in an environment that provides ideal conditions for intensifying market and consumer relations.

### **Brand communication is:**

Multimodal

Multimedial

Digital

Integral

The future of powerful branding lies in focussing on customers and customer experience rather than the product itself. Opinion and vox pop rather than product markets will set the course for business in this new millennium.

Brands will have to be presented in a realistic, authentic fashion – in terms of corporate atmosphere, brand architecture, merchandising, additional services such as arts exhibitions, and naturally, the products. This is the noble art of brands strategy, and covers all of the components needed in holistic brands management.

Branding will need to integrate two and three-dimensional management that reflects the lifestyle of the target market – a powerful strategic concept that covers the wealth of individual advertising activity while still keeping a single, uniform address – to remain successful in the future.

### **How does corporate atmosphere develop?**

First of all, in the mind, in strategy; simply communicating brand commitment at an emotional level in classical advertising and marketing campaigns is no longer enough – a far better approach is to integrate this commitment into a brands management master plan from the start

The new approach towards branding by focussing on emotionalisation in holistic brands communication strategy is a great step in the right direction.

Brands create a certain image through the identity they embody, such as by assuring customers that they will be buying safety or quality, ideally reflecting the reality the customers' lives and the confidence that this conveys.

Brands communication is more than corporate identity, more than a logo, a claim, an annual report, a campaign above the line or below the line. Brands communication conveys character and personality, and integrated brands communication creates a lasting USP that helps brands position themselves within the market.

It's all about looks, aura, taste, smell, colour, texture and typeface.

It's all about experience.

Consumers – especially in younger generations – have developed in leaps and bounds; they are critical, self-empowered and quality-conscious, not only in the quality of goods and services, but in the quality of their own experience.

# RESPONSIBILITY OF THE ECONOMY

## THE KIDS WORLD TRADE CENTER

### **Intellectual values**

Our capital lies in applied knowledge and the inventive, resourceful initiative of our staff, which is why suggestions for improvement have taken a firm footing in our corporate philosophy.

### **Procurement**

Efficient procurement structures and a strategic approach are essential in reaching our corporate aims and securing customer satisfaction at all times. Our own suppliers play a major role in our business success due to the large proportion that external value-added processes take – more than half of our total expenses come in the form of payables to suppliers. We can only optimise the entire value-added chain and secure measurable competitive edge together with our partners.

The Kids World Group Corporation's procurement system is organised in a network integrating our procurement departments across the world. High-volume materials are jointly managed, purchased across the world and negotiated across the Corporation. Suppliers are selected and evaluated according to a holistic and integrated supplier-management system. Corporate responsibility is an essential component in the Kids World Group Corporation procurement strategy, and has been integrated into existing systems, procedures and tools that are subject to constant review and, wherever necessary, optimisation.

# GREAT ACHIEVEMENTS WITH ETHICAL AWARENESS

High levels of achievement and ethics are far from mutually exclusive. Companies that fulfil the requirements of their stakeholders and operate according to their own corporate values and vision have proven to be most successful in the long term; we at the Kids World Group Corporation have committed ourselves towards a responsible and ethical approach in our business activities.

The Kids World Group Compliance Programme consists of three levels of activity – prevention, recognition, action. This covers a complete package of actions that keep our business operations completely compliant with statute and our own internal corporate regulations.

Consistent communication plays a major role in reaching compliance targets; this applies to our staff and our stakeholders as well as to our suppliers, who play a major role in our business processes.

# VALUES AND VISION

## **Responsibility**

We are committed to complying with all statutory and ethical standards, or even exceeding them wherever possible. Our responsibility lies in managing our company according to the highest professional and ethical standards and practices without leaving room for non-conformant behaviour. The principles that make up responsibility as a value serve as a compass that we refer to in reaching business decisions. Apart from that, we encourage our partners and other stakeholders to take a similar approach to corporate ethics.

## **Excellence**

We have set ourselves ambitious goals, and we do all we can to reach them. We support our customers in their search for perfect quality, and offer solutions that surpass their expectations. We can only stake this claim to excellence by following a set path of constant improvement and process review. This also means accepting changes and keeping our options open for new business opportunities. Excellence also means keeping ourselves attractive for the best minds that the market has to offer.

## **Innovation**

Innovation is a key success factor at the Kids World Group Corporation. We have aligned our research and development efforts closely to our business strategy; we own major patents, and have taken a major position in technologies both established and new. Our aim is to set new trends in every one of our business areas. We make sure that our staff members are free to act on their creativity and energy, and we take new and unusual approaches. We are inventive, resourceful, innovative and creative while applying sound business principles, and our innovations have proven successful across the globe; we measure our own innovative success by the success of our children. We continuously review and adjust our range of services in order to provide answers to the challenges that face society.

## **Vision**

A world with the best training and healthcare for our children

Implementing cutting-edge innovations

Giving our children a unique competitive edge

Supporting societies in overcoming the challenges they face

Creating reliable values

## AUDITORS' REPORT

The annual report for the 2008 financial year has been audited by KBC-Basel GmbH, 4010 Basel, Switzerland, selected as auditors, and have been given unqualified approval. The Board of Directors approved the result of the audit at a meeting of July 23, 2009, after reviewing the audit report and conducting its own internal audit.

A representative of the auditing company took part and gave explanations at the general meeting and shareholders' meeting.

The Kids World Group Corporation has seen a series of eventful and successful financial years. Many challenges have been met, and we face many challenges in the future. However, we are confident that we will continue to be able to rise to these challenges with the motivation, commitment and capability of our staff at the Kids World Group Corporation.

The shareholders and their representatives would like to thank the Board of Directors, the managers and the staff of the company for the great dedication they have shown for the benefit of the Kids World Group Corporation.

Zurich, July 23, 2009



**Dr. Norbert Drusel**  
Chairman & CEO



**Dr. Herbert Litzenberger**  
Chief Investment Officer

## DISCLAIMER

This Annual Report contains forward-looking statements and information that is, statements related to future, not past, events. These statements may be identified by words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “will,” or words of similar meaning. Such statements are based on our current expectations and certain assumptions and are, therefore, subject to certain risks and uncertainties. A variety of factors, many of which are beyond Kids World Group Corporation’s control, affect its operations, performance, business strategy, and results and could cause the actual results, performance, or achievements of the Kids World Group Corporation to be materially different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements. For us, particular uncertainties arise, among others, from changes in general economic and business conditions ( including the development of margins in the most important business segments ); developments on the financial markets including fluctuations in interest rates and foreign exchange rates, commodity prices, credit spreads, and the value of financial assets in general; increasing volatility on and the further deterioration of the capital markets; worsening conditions on the lending markets and especially the increasing uncertainty arising from the mortgage, financial market, and liquidity crisis; the future operational success of our core areas of business including without limitation the Industry, Energy, and Healthcare Sectors; challenges resulting from the integration of key acquisitions and the implementation of joint ventures and other material portfolio changes; the introduction of competing products or technologies by other companies; the lack of acceptance of new products or services by customers targeted by Kids World Group Corporation; changes in business strategy.

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove to be incorrect, actual results may vary materially in a positive or negative sense from those described in the relevant forward-looking statement as anticipated, believed, estimated, expected, intended, planned, or projected. Kids World Group Corporation does not intend or assume any obligation to update or revise these forward-looking statements in light of developments which differ from those anticipated.

## © **KBC Basel GmbH**

Financial Services, Consulting

Member of VQF Verein zur Qualitätssicherung im  
Bereich der Finanzdienstleistungen  
Member of STV Schweiz.Treuhänder-Verband

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Attn.: Annual General Meeting of  
Shareholders  
Kids World Group Corporation  
Zürich

Basel, July 20, 2009

### *Audit report – Kids World Group Corporation for the IPO balance sheet as of July 17, 2009*

Dear Madam/Sir

Acting on your order of January 2, 2009, we, the party responsible for auditing your company, have audited the financial reports as of July 17, 2009, submitted to us for plausibility. We note that your company will not be subject to mandatory financial accounting until its IPO.

We note that Kids World Group Corporation has liabilities of US\$ 19,934,497.50, of which US\$ 19,627,287.50 are to be seen as having extended payment terms, all of which have arisen from services rendered by parties involved, or with a vested interest, in the project.

Apart from corporate participations according to Telekurs evaluated as of October 2008, the assets list US\$ 62,829,600.00 in foundation and organisation costs that were mainly due to loans from the main shareholder (see loans from shareholders as equity security at the same figure).

An administrative committee is responsible for reviewing and assessing the balance sheet. We have also consulted senior management and gained an impression of the preparations made.

In preparing this audit report, we note that the great efforts made by all involved are represented in the balance sheet presented to us, and that the balance sheet represents a true and fair view of the organisational costs incurred in preparation for the IPO.

We wish the company a good start and the best of success.

Yours faithfully  
*KBC Basel GmbH*  
R. Kaufmann



CEO, accounting and controlling expert

#### Enclosures:

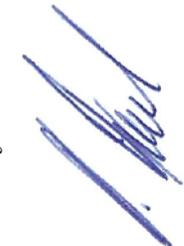
- Signed balance sheet as of July 17, 2009
- Signed balance-sheet appendix, share evaluation and shareholder loans (organisational costs)
- Signed balance-sheet appendix (patents, etc.)
- Breakdown of organisational costs up to 2005
- Breakdown of organisational costs from 2005 to the IPO



Kids World Group Corporation

Balance Sheet	
Assets	Liabilities
<b>fixed assets</b>	<b>equity</b>
<i>intangible assets</i>	issued capital
cost for incorporation & organization	rating profit
patents & trademarks etc.	shareholders' loans (accumulated until 2005)
deposits	<i>total</i>
<i>financial assets</i>	
company investments (s. a. equity valuations & loans)	<b>provisions</b>
shareholdings	tax provisions
securities	others
others	<i>total</i>
<i>total</i>	
<b>current assets</b>	<b>liabilities</b>
first installments	to affiliates
receivables and other assets	to participations
	others
	creditors (deferred payments)
<i>total</i>	<i>total</i>
<b>\$ 245'843'600.00</b>	<b>\$ 245'843'600.00</b>

Zurich, July 17, 2009



**Dr. Norbert Drusel**  
Chairman & CEO



**Dr. Herbert Litztenberger**  
Chief Investment Officer



Kids World Group Corporation

<b>Balance Sheet - Annex: equity valuations &amp; loans</b>				
<b>subsidiary companies</b>	<b>number of shares</b>	<b>bid price*</b>	<b>value</b>	<b>total</b>
Kids Sporting International Management Ltd.	9'500'000	\$6.35	\$60'325'000.00	\$60'325'000.00
World Virtual Business School Ltd.	2'200'000	\$6.18	\$13'596'000.00	\$73'921'000.00
Kids World Trade Center Ltd.	6'500'000	\$6.03	\$39'195'000.00	\$113'116'000.00
Kids World Entertainment Ltd.	3'600'000	\$6.13	\$22'068'000.00	\$135'184'000.00
Kids CyberCash House Ltd.	2'400'000	\$6.26	\$15'024'000.00	\$150'208'000.00
Kids World Financial Services Ltd.	4'800'000	\$6.49	\$31'152'000.00	\$181'360'000.00
Investments	<u>29'000'000</u>		<u>\$181'360'000.00</u>	
<i>* by Telekurs</i>				
shareholders' loan	€ 45'120'000.00	<b>exchange rate</b>		\$62'829'600.00 = org. costs
deferred accounts	€ 14'095'000.00	1.3925		\$19'627'287.50 = creditor
services rendered by third parties		1.3925		<u>\$82'456'887.50</u>

Zurich, July 17, 2009

**Dr. Norbert Drusel**  
Chairman & CEO

**Dr. Herbert Litzenberger**  
Chief Investment Officer



## Kids World Group Corporation

### Kids World Group Corporation Notes to the Balance Sheet 2008

#### Patents, Trademarks etc.

Germany	Patent No. DE 38 02 655 C2
Europe	Patent No. 0325995
Japan	Patent No. 3802655.4
USA	Patent No. 4,927,142

#### Word and figurative Trademarks, Brands & Logos

Kids World Group Corporation	smaller than	No. 005759188
Kids World Entertainment	smaller than	No. 008308975
Kids World Trade Center	smaller than	No. 008276081
Kids World Group Private Bank	smaller than	Young Today Rich Tomorrow No. 008309015

#### Liabilities to affiliated companies

Reinvested fees (accumulated) BHI since 2005

Reinvested fees (accumulated) KBC Basel since 2005

Amounts owed by associated companies

Payment of bills by Dr. Herbert Litzenberger for Kids Sporting International

Management Ltd., expenses for meetings, etc.

Zurich, July 17, 2009

Chairman & CEO Dr. Norbert Drusel

Chief Investment Officer Dr. Herbert Litzenberger