

Build-A-Bear Workshop Denmark ApS

Philip Heymans Alle 7
2900 Hellerup

CVR no. 36 49 27 24

Annual report for 2015

(1. financial year)

Adopted at the annual general meeting
on 30 May 2016

Vojin Todorovic
Chairman/CFO

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Statement by management on the annual report

Today, the executive board has discussed and approved the annual report of Build-A-Bear Workshop Denmark ApS for the financial year 19 January - 31 December 2015.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In my opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2015 and of the results of its operations for the financial year 19 January - 31 December 2015.

In my opinion, management's review includes a fair review of the matters dealt with in the management's review.

We recommend the adoption of the annual report at the annual general meeting.

Copenhagen, 30 May 2016

Executive Board

Vojin Todorovic
CFO

Independent auditor's report

To the Shareholder of Build-A-Bear Workshop Denmark ApS

Report on the financial statements

We have audited the financial statements of Build-A-Bear Workshop Denmark ApS for the financial year 19 January - 31 December 2015, which comprise summary of significant accounting policies, income statement, balance sheet and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the financial statements

The management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as the management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish Audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The audit has not resulted in any qualification.

Opinion

In our opinion, the financial statement give a true and fair view of the company's financial position at 31 December 2015 and of the results of the company's operations for the financial year 19 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Independent auditor's report

Emphasis of matter

Without having any influence on our opinion, we draw the reader's attention to the information in the financial statement note 8 Uncertainty about the continued operation (going concern), in which the management has informed about the plans for the re-establishment of the share capital and in this way state why the financial statements has been rendered under the condition of continuous operation.

Statement on management's review

Pursuant to the Danish Financial Statements Act, we have read the management's review. We have not performed any further procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the management's review is consistent with the financial statements.

Hellerup, 30 May 2016

CVR-no.33 25 68 76

 Crowe Horwath

Lasse Nørgård
State Authorised Public Accountant

Company details

The company

Build-A-Bear Workshop Denmark ApS
Philip Heymans Alle 7
2900 Hellerup
Website: www.buildabear.dk

CVR no.: 36 49 27 24
Financial year: 1 January - 31 December
Incorporated: 19 January 2015
Domicile: Copenhagen

Executive board

Vojin Todorovic, CFO

Auditors

Crowe Horwath
Statsautoriseret Revisionsinteressentskab
Rygårds Allé 104
2900 Hellerup

Management's review

The Company's business activities

The principal activity of the company is the retailing of custom made soft toys which can be dressed in a variety of clothes and accessories.

Business review

The company's income statement for the year ended 31 December 2015 shows a loss of DKK 881,864, and the balance sheet at 31 December 2015 shows negative equity of DKK 831,864.

Build A Bear Workshop Holdings UK Ltd. has issued a support letter, which financially secures the company's operations until 31 December 2016. The company expects to restore equity either through future operations or by further funding by the Group. We also refer to note 8 in the Annual Report.

Post balance sheet events

No events have occurred after the balance sheet date which could significantly affect the company's financial position.

Accounting policies

The annual report of Build-A-Bear Workshop Denmark ApS for 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

The annual report for 2015 is presented in Danish kroner.

As 2015 is the Company's first reporting period, no comparatives are included.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company's and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company's and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any instalments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

Income statement

Gross profit

The gross profit reflects an aggregation of revenue and other operating income less cost of goods, consumables and other external expenses.

Revenue is recognised in the income statement, if delivery is made and risk has been passed to the buyer before the end of the year.

Cost of sales

Cost of sales comprises costs incurred to achieve revenue for the year. Cost comprises merchandise, consumables, trademark and transport costs.

Distribution expenses

Distribution expenses comprise expenses for payroll, advertising, rent, utilities, maintenance, consultants, creditcard fee and depreciation, etc.

Accounting policies

Administrative expenses

Administrative expenses comprise expenses for office expenses, legal fee, auditor and management fee etc.

Financial income and expenses

Financial income and expenses include interest.

Tax on profit/loss for the year

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, including changes arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to entries directly in equity.

Balance sheet

Tangible assets

Items of Tangible assets are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Depreciation is provided on a straight-line basis over the expected useful life of the asset based on the following expected useful lives:

	Useful life
Other fixtures and fittings, tools and equipment	3 years
Leasehold improvements	3 years

Assets costing less than DKK 12,800 are expensed in the year of acquisition.

Gains or losses are recognised in the income statement as other operating income or other operating expenses, respectively.

Impairment of fixed assets

The carrying amount of equipment is reviewed for impairment, other than what is reflected through normal depreciation, on an annual basis.

Where there are indications of impairment, an impairment test is performed for each individual asset or group of assets, respectively. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The value in use is determined as the present value of the anticipated net cash flows from the use of the asset or group of assets and the anticipated net cash flows from the disposal of the asset or group of assets after the end of their useful life.

Accounting policies

Stocks

Stocks are measured at using average cost. Where the net realisable value is lower than the cost, inventories are carried at this lower value.

The cost of finished goods comprises the purchase price plus delivery costs.

The net realisable value of stocks is determined as the selling price less costs of completion and costs incurred to effect the sale, taking into account marketability, obsolescence and developments in the expected selling price.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable is impaired, an impairment loss for that individual asset is recognised.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Equity

Dividend

Proposed dividends are disclosed as a separate item under equity. Dividends are recognised as a liability at the date of declaration by the annual general meeting.

Income tax and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities.

Deferred tax is measured on the basis of the taxation rules and taxation rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Liabilities

Liabilities are measured at net realisable value.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign-exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Accounting policies

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Income Statement

19 January - 31 December 2015

	Note	2015 DKK
Gross profit		7,935,253
Distribution expenses		-8,068,345
Administrative expenses		-711,481
Operating profit/loss		-844,573
Financial expenses	2	-37,291
Profit/loss before tax		-881,864
Tax on profit/loss for the year	3	0
Net profit/loss for the year		-881,864
Proposed distribution of profit		
Retained earnings		-881,864
		-881,864

Balance Sheet at 31 December 2015

	<u>Note</u>	<u>2015</u> DKK
Assets		
Other fixtures and fittings, tools and equipment		147,828
Leasehold improvements		<u>84,287</u>
Tangible assets	4	<u>232,115</u>
Fixed assets total		<u>232,115</u>
Finished goods		<u>452,311</u>
Stocks		<u>452,311</u>
Other receivables		<u>1,043,941</u>
Receivables		<u>1,043,941</u>
Cash at bank and in hand		<u>9,478,883</u>
Current assets total		<u>10,975,135</u>
Assets total		<u><u>11,207,250</u></u>

Balance Sheet at 31 December 2015

	<u>Note</u>	<u>2015</u> DKK
Liabilities and equity		
Share capital		50,000
Retained earnings		<u>-881,864</u>
Equity total	5	<u>-831,864</u>
Payables to affiliated companies		<u>10,085,089</u>
Long-term debt	6	<u>10,085,089</u>
Trade payables		930,076
Other payables		<u>1,023,949</u>
Short-term debt		<u>1,954,025</u>
Debt total		<u>12,039,114</u>
Liabilities and equity total		<u><u>11,207,250</u></u>
Uncertainty about the continued operation (going concern)	1	
Contingencies, etc.	7	
Collateral and security	8	
Staff	9	

Notes to the Annual Report

1 Uncertainty about the continued operation (going concern)

Build-A-Bear Workshop Holdings UK Ltd. has issued a support letter, which financially secures the company's operations until 31 December 2016. The company expects to restore equity either through future operations or by further funding by the Group.

	<u>2015</u>
	DKK
2 Financial expenses	
Financial expenses, affiliated companies	<u>37,291</u>
	<u>37,291</u>
3 Tax on profit/loss for the year	
	<u>0</u>

Notes to the Annual Report

4 Tangible assets

	Other fixtures and fittings, tools and equipment	Leasehold improvements
Cost at 19 January 2015	0	0
Additions for the year	368,481	113,275
Cost at 31 December 2015	368,481	113,275
Impairment losses and depreciation at 19 January 2015	0	0
Impairment losses for the year	123,885	0
Depreciation for the year	96,768	28,988
Impairment losses and depreciation at 31 December 2015	220,653	28,988
Carrying amount at 31 December 2015	147,828	84,287

5 Equity

	Share capital	Retained earnings	Total
Equity at 19 January 2015	50,000	0	50,000
Net loss for the year	0	-881,864	-881,864
Equity at 31 December 2015	50,000	-881,864	-831,864

6 Payables to affiliated companies

	Debt at the beginning	Debt at the end	Payment within 1 year	Debt after 5 years
Payables to affiliated companies	0	10,085,089	0	10,085,089
	0	10,085,089	0	10,085,089

Notes to the Annual Report

7 Contingencies, etc.

The Company has provided a bank guarantee towards leaseholder amounting to TDKK 450

The Company has entered into rent agreement of TDKK 1,575

8 Collateral and security

None

9 Staff

	<u>2015</u> DKK
Wages and Salaries	2,733,236
Pensions	51,541
Other social security expenses	<u>22,220</u>
	<u>2,806,997</u>

Wages and Salaries, pensions and other social security expenses and other staff expenses are recognised in the following items:

Distribution expenses	<u>2,806,997</u>
	<u>2,806,997</u>