

## **Build-A-Bear Workshop Denmark ApS**

Philip Heymans Alle 7  
2900 Hellerup

CVR no. 36 49 27 24

**Annual report for 2017**

(3rd Financial year)

Adopted at the annual general meeting on  
21 May 2018

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Vojin Todorovic  
Chairman/CFO

## **Contents**

	Page
<b>Statements</b>	
Statement by management on the annual report	1
Independent auditor's report	2
<b>Management's review</b>	
Company details	5
Management's review	6
<b>Financial statements</b>	
Accounting policies	7
Income Statement	11
Balance Sheet	12
Notes to the annual report	14

## **Statement by management on the annual report**

The executive board has today discussed and approved the annual report of Build-A-Bear Workshop Denmark ApS for the financial year 1 January - 31 December 2017.

The annual report is 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 2017 and of the results of the company's operations for the financial year 1 January - 31 December 2017.

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

Management recommends that the annual report should be approved at the annual general meeting.

Copenhagen, 21 May 2018

### **Executive board**

Vojin Todorovic  
CFO

## **Independent auditor's report**

### **To the shareholder of Build-A-Bear Workshop Denmark ApS**

#### **Opinion**

We have audited the financial statements of Build-A-Bear Workshop Denmark ApS for the financial year 1 January - 31 December 2017, which comprise a summary of significant accounting policies, income statement, balance sheet and notes. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2017 and of the results of the company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Material uncertainty related to going concern**

Without having any influence on our opinion, we draw the reader's attention to the information in the financial statement note 1 Uncertainty about the continued operation (going concern), in which the management has informed about the plans for the reestablishment of the share capital and in this way state why the financial statements has been rendered under the condition of continuous operation.

#### **Management's responsibilities for the financial statements**

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

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

## **Independent auditor's report**

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## **Independent auditor's report**

### **Statement on management's review**

Management is responsible for management's review.

Our opinion on the financial statements does not cover management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read management's review and, in doing so, consider whether management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of management's review.

Hellerup, 21 May 2018

CVR no. 33 25 68 76

 Crowe Horwath.

Lasse Nørgård  
State Authorised Public Accountant  
MNE no. mne10675

## Company details

### The company

Build-A-Bear Workshop Denmark ApS  
Philip Heymans Alle 7  
2900 Hellerup

Website: [www.buildabear.dk](http://www.buildabear.dk)

CVR no.: 36 49 27 24

Reporting period: 1 January - 31 December 2017

Incorporated: 19. January 2015

Domicile: Copenhagen

### Executive board

Vojin Todorovic, CFO

### Auditors

Crowe Horwath  
Statsautoriseret Revisionsinteressentskab  
Rygårds Allé 104  
2900 Hellerup

## **Management's review**

### **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 shows a loss of DKK 716,716, and the balance sheet at 31 December 2017 shows negative equity of DKK 2,949,485.

Build-A-Bear Workshop Inc. has issued a support letter, which financially secures the company's operations until 31 December 2018. The company expects to restore equity either through future operations or by further funding by the Group. We also refer to note 1 in the Annual Report.

### **Significant events occurring after end of reporting period**

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 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act concerning reporting class B entities.

The accounting policies applied are consistent with those of last year.

The annual report for 2017 is presented in DKK.

### **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 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 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**

In pursuance of section 32 of the Danish Financial Statements Act, the company does not disclose its revenue.

Gross profit reflects an aggregation of revenue and cost of sale.

#### **Revenue**

Revenue is measured at the fair value of the agreed consideration, excluding VAT and other indirect taxes. Revenue is net of all types of discounts granted.

#### **Cost of sales**

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

## Accounting policies

### Distribution expenses

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

### Administrative expenses

Administrative costs comprise expenses for management, administrative staff, office expenses, depreciation, 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 fixtures and fittings, tools and equipment and leasehold improvements 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.

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

	Useful life	
Other fixtures and fittings, tools and equipment	up to 7	years
Leasehold improvements	up to 10	years

Assets costing less than DKK 13,200 are expensed in the year of acquisition.

Gains or losses from the disposal of property, plant and equipment are recognised in the income statement as administrative expenses.

### Impairment of fixed assets

The carrying amount of equipment and leasehold improvements is reviewed for impairment, other than what is reflected through normal amortisation and 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).

## **Accounting policies**

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.

### **Stocks**

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

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

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

### **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 in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

## **Accounting policies**

### **Liabilities**

Liabilities, which include trade receivables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal 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.

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**  
**1 January 2017 - 31 December 2017**

	<u>Note</u>	<u>2017</u> DKK	<u>2016</u> DKK
<b>Gross profit</b>		<b>6,941,798</b>	<b>6,782,307</b>
Distribution expenses		-7,182,445	-7,664,603
Administrative expenses		<u>-690,903</u>	<u>-1,274,422</u>
<b>Operating profit/loss</b>		<b>-931,550</b>	<b>-2,156,718</b>
Financial income		373,055	1,390,404
Financial costs	2	<u>-158,221</u>	<u>-634,591</u>
<b>Profit/loss before tax</b>		<b>-716,716</b>	<b>-1,400,905</b>
Tax on profit/loss for the year	3	<u>0</u>	<u>0</u>
<b>Net profit/loss for the year</b>		<b><u>-716,716</u></b>	<b><u>-1,400,905</u></b>
 <b>Proposed distribution of profit</b>			
Retained earnings		<u>-716,716</u>	<u>-1,400,905</u>
		<b><u>-716,716</u></b>	<b><u>-1,400,905</u></b>

## Balance sheet at 31 December 2017

	<u>Note</u>	<u>2017</u> DKK	<u>2016</u> DKK
<b>Assets</b>			
Other fixtures and fittings, tools and equipment		668,452	872,504
Leasehold improvements		<u>1,618,533</u>	<u>1,764,150</u>
<b>Tangible assets</b>	4	<b><u>2,286,985</u></b>	<b><u>2,636,654</u></b>
Deposits		<u>1,000,000</u>	<u>1,000,000</u>
<b>Fixed asset investments</b>		<b><u>1,000,000</u></b>	<b><u>1,000,000</u></b>
<b>Fixed assets total</b>		<b><u>3,286,985</u></b>	<b><u>3,636,654</u></b>
Finished goods and goods for resale		<u>509,031</u>	<u>404,526</u>
<b>Stocks</b>		<b><u>509,031</u></b>	<b><u>404,526</u></b>
Prepayments		<u>290,035</u>	<u>4,901</u>
<b>Receivables</b>		<b><u>290,035</u></b>	<b><u>4,901</u></b>
<b>Cash at bank and in hand</b>		<b><u>2,225,389</u></b>	<b><u>3,783,872</u></b>
<b>Current assets total</b>		<b><u>3,024,455</u></b>	<b><u>4,193,299</u></b>
<b>Assets total</b>		<b><u>6,311,440</u></b>	<b><u>7,829,953</u></b>

## Balance sheet at 31 December 2017

	<u>Note</u>	<u>2017</u> DKK	<u>2016</u> DKK
<b>Liabilities and equity</b>			
Share capital		50,000	50,000
Retained earnings		<u>-2,999,485</u>	<u>-2,282,769</u>
<b>Equity</b>	5	<u><b>-2,949,485</b></u>	<u><b>-2,232,769</b></u>
Payables to affiliated companies		<u>7,710,009</u>	<u>8,239,536</u>
<b>Long-term debt</b>	6	<u><b>7,710,009</b></u>	<u><b>8,239,536</b></u>
Trade payables		747,767	589,942
Other payables		<u>803,149</u>	<u>1,233,244</u>
<b>Short-term debt</b>		<u><b>1,550,916</b></u>	<u><b>1,823,186</b></u>
<b>Debt total</b>		<u><b>9,260,925</b></u>	<u><b>10,062,722</b></u>
<b>Liabilities and equity total</b>		<u><b>6,311,440</b></u>	<u><b>7,829,953</b></u>
Uncertainty about the continued operation (going concern)	1		
Contingent assets, liabilities and other financial obligations	7		
Charges and securities	8		
Staff	9		

## Notes

### 1 Uncertainty about the continued operation (going concern)

Build-A-Bear Workshop Inc. has issued a support letter, which financially secures the company's operations until 31 December 2018. The company expects to restore equity either through future operations or by further funding by the Group.

	<u>2017</u> DKK	<u>2016</u> DKK
<b>2 Financial costs</b>		
Interest paid to affiliated companies	<u>158,221</u>	<u>634,591</u>
	<b><u>158,221</u></b>	<b><u>634,591</u></b>
<b>3 Tax on profit/loss for the year</b>	<u>0</u>	<u>0</u>
<b>4 Tangible assets</b>		
	Other fixtures and fittings, tools and equipment	Leasehold improvements
Cost at the beginning	1,104,253	1,898,022
Additions for the year	<u>6,483</u>	<u>92,328</u>
Cost at the end	<u>1,110,736</u>	<u>1,990,350</u>
Impairment losses and depreciation at the beginning	231,748	133,873
Depreciation for the year	<u>210,536</u>	<u>237,944</u>
Impairment losses and depreciation at the end	<u>442,284</u>	<u>371,817</u>
<b>Carrying amount at the end</b>	<b><u>668,452</u></b>	<b><u>1,618,533</u></b>



## Notes

### 5 Equity

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at the beginning	50,000	-2,282,769	-2,232,769
Net profit/loss for the year	0	-716,716	-716,716
<b>Equity at the end</b>	<b><u>50,000</u></b>	<b><u>-2,999,485</u></b>	<b><u>-2,949,485</u></b>

### 6 Long term debt

	<u>Debt at the beginning</u>	<u>Debt at the end</u>	<u>Payment within 1 year</u>	<u>Debt after 5 years</u>
Payables to affiliated companies	8,239,536	7,710,009	0	0
	<b><u>8,239,536</u></b>	<b><u>7,710,009</u></b>	<b><u>0</u></b>	<b><u>0</u></b>

### 7 Contingent assets, liabilities and other financial obligations

The Company has entered into rent agreement of TDKK 1,721.

### 8 Charges and securities

None.

## Notes

	<u>2017</u>	<u>2016</u>
	DKK	DKK
<b>9 Staff</b>		
Wages and Salaries	2,454,539	2,627,012
Pensions	58,659	75,412
Other social security expenses	<u>14,681</u>	<u>80,418</u>
	<b><u>2,527,879</u></b>	<b><u>2,782,842</u></b>
 Wages and Salaries, pensions and other social security expenses are recognised in the following items:		
Distribution expenses	<u>2,527,879</u>	<u>2,782,842</u>
	<b><u>2,527,879</u></b>	<b><u>2,782,842</u></b>
 Average number of employees		
	<u>6</u>	<u>8</u>