

OVG-PROXY A/S

Gothersgade 14 4., 1123 København K

CVR no. 33 64 49 57

**Annual report for the period
1 January to 31 August 2020**

Adopted at the annual general meeting on 12
February 2021

Jonathan James Diver
chairman



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Statement by management on the annual report

The supervisory and executive boards have today discussed and approved the annual report of OVG-PROXY A/S for the financial period 1 January - 31 August 2020.

The annual report is prepared in accordance with 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 August 2020 and of the results of the company's operations for the financial period 1 January - 31 August 2020.

In our 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 by the company in general meeting.

Copenhagen, 12 February 2021

Executive board

Jesper Bay

Supervisory board

Jonathan James Diver
chairman

Kirankumar Premchand Shah

Michael Spencer Hyde

Jeremiah Healy

Independent auditor's report

To the shareholder of OVB-PROXY A/S

Opinion

We have audited the financial statements of OVB-PROXY A/S for the financial period 1 January - 31 August 2020, which comprise income statement, balance sheet, statement of changes in equity, notes and summary of significant accounting policies. 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 August 2020 and of the results of the company's operations for the financial period 1 January - 31 August 2020 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.

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 the 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.

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.

Independent auditor's report

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.

Copenhagen, 12 February 2021

Baker Tilly Denmark

Godkendt Revisionspartnerselskab
CVR no. 35 25 76 91

Ramazan Turan
State Authorized Public Accountant
MNE no. mne32779

Company details

The company	<p>OVG-PROXY A/S Gothersgade 14 4. 1123 København K</p> <p>CVR no.: 33 64 49 57</p> <p>Reporting period: 1 January - 31 August 2020</p> <p>Incorporated: 5. May 2011</p> <p>Domicile: Copenhagen</p>
Supervisory board	<p>Jonathan James Diver, chairman Kirankumar Premchand Shah Michael Spencer Hyde Jeremiah Healy</p>
Executive board	<p>Jesper Bay</p>
Auditors	<p>Baker Tilly Denmark Godkendt Revisionspartnerselskab Poul Bundgaards Vej 1, 1. 2500 Valby</p>
Consolidated financial statements	<p>The Company is consolidated in the ultimate parent company's financial statement</p> <p>The group annual report of The Character Group Plc. may be obtained at the following address: www.thecharacter.com</p>

Financial highlights

Seen over a 5-year period, the development of the Company may be described by means of the following financial highlights:

	2020 DKK (8 Month)	2019 DKK (12 Month)	2018 DKK (12 Month)	2017 DKK (12 Month)	2016 DKK (12 Month)
Key figures					
Profit/loss					
Gross profit/loss	12.175.106	-2.833.526	21.509.316	8.442.611	11.747.524
Profit/loss before net financials	3.001.479	-17.466.729	6.407.322	-4.376.794	-538.371
Net financials	-2.738.180	-3.726.837	-3.060.990	-9.337.880	-1.614.277
Profit/loss	50.299	-22.668.566	2.486.332	-10.846.674	-1.776.648
Balance sheet					
Balance sheet total	40.250.652	35.278.827	75.823.608	107.919.481	95.593.508
Investment in property, plant and equipment	219.557	1.839.837	485.370	235.261	1.397.685
Equity	-16.423.649	-24.023.513	-1.354.947	-3.841.280	7.005.392
Number of employees	16	20	24	22	20
Financial ratios					
Return on assets	7,9%	-31,4%	7,0%	-4,3%	-1,1%
Solvency ratio	-40,8%	-68,1%	-1,8%	-3,6%	7,3%
Return on equity	-0,2%	178,6%	-95,7%	-685,6%	-50,7%

The financial ratios are calculated in accordance with the Danish Finance Society's recommendations and guidelines. For definitions, see the summary of significant accounting policies.

Management's review

Business review

OVG-PROXY A/S primary activity is to carry out sales and distribution activities in the Nordic region, with a primary focus on toys.

Uncertainty related to recognition and measurement

When preparing the annual report, it is necessary that Management, in accordance with legislative provisions, makes a number of accounting judgements and estimates which form the basis for the annual report. Material accounting judgements and estimates made by Management are described in the financial statement note 9 and related to the recognition and measurement of deferred tax asset.

Such estimates are made on the basis of assumptions which Management consider reasonable and realistic, but which are, by nature, uncertain.

Financial review

The company's income statement for the period ended 31 August 2020 shows a profit of DKK 50.299 (12m to 31 Dec 19: loss of DKK 22,668,566). The balance sheet at 31 August 2020 shows negative equity of DKK 16.423.649 (31 December 19: negative equity dkk 24,023,513).

During the financial period, there has been an outbreak and spread of the coronavirus due to the COVID-19 pandemic. However, the company's sales have not been significantly affected by the outbreak.

Risks and uncertainties

Apart from the industry risks such as supply chain management, competition, FX volatility and cyber crime, the Company's main specific risks are Covid 19 and the sufficiency of the Company's financing.

Although it is not possible to completely assess the impact of the ongoing COVID pandemic, management expects that the outbreak will have not have a material financial impact on the Company during the financial year ahead.

The Company's shareholder and the ultimate shareholder have issued letters of financial support at least until 31 August 2021.

The Company has rationalized its product ranges and now concentrates on products which have longevity such as Pokemon, Goo Jit Zu and Funko. Purchases of products are strictly monitored and this should lead to lower inventory provisions. Customer reaction to the Company's product ranges has been enthusiastic, and it is expected to continue its profit growth.

Management's review

Significant events occurring after the end of the financial year

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

Income statement 1 January 2020 - 31 August 2020

	Note	2020 DKK (8 months)	2019 DKK (12 months)
Gross profit		12.175.106	-2.833.526
Staff costs	2	-8.518.795	-14.027.386
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-654.832	-605.817
Profit/loss before net financials		3.001.479	-17.466.729
Income from investments in subsidiaries		-62.035	-383.167
Financial income		335.634	386.322
Financial costs	3	-3.011.779	-3.729.992
Profit/loss before tax		263.299	-21.193.566
Tax on profit/loss for the period	4	-213.000	-1.475.000
Profit/loss for the period		50.299	-22.668.566
Distribution of profit	5		

Balance sheet at 31 August 2020

	Note	2020 DKK	2019 DKK
Assets			
Other fixtures and fittings, tools and equipment		1.161.919	1.455.730
Leasehold improvements		491.700	708.005
Tangible assets	6	1.653.619	2.163.735
Investments in subsidiaries	7	284.029	389.589
Deposits	8	998.926	1.030.160
Fixed asset investments		1.282.955	1.419.749
Fixed assets total		2.936.574	3.583.484
Trade receivables		23.378.441	24.756.216
Receivables from subsidiaries		7.970.816	1.227.072
Other receivables		2.120.113	1.408.125
Deferred tax asset	9	876.000	876.000
Corporation tax		0	213.000
Prepayments	10	308.099	1.243.646
Receivables		34.653.469	29.724.059
Cash at bank and in hand		2.660.609	1.971.284
Current assets total		37.314.078	31.695.343
Total assets		40.250.652	35.278.827

Balance sheet at 31 August 2020

	Note	2020 DKK	2019 DKK
Equity and liabilities			
Share capital		500.000	500.000
Retained earnings		-16.923.649	-24.523.513
Equity		-16.423.649	-24.023.513
Subordinate loan capital		0	8.000.000
Payables to associated companies		4.350.000	0
Other payables		0	330.985
Total non-current liabilities	11	4.350.000	8.330.985
Short-term part of long-term debt	11	0	3.327.609
Banks		15.534.493	15.935.588
Trade payables		3.875.110	10.566.818
Payables to associated companies		28.245.902	19.269.818
Other payables		4.668.796	1.871.522
Total current liabilities		52.324.301	50.971.355
Liabilities total		56.674.301	59.302.340
Equity and liabilities total		40.250.652	35.278.827
Uncertainty about the continued operation (going concern)	1		
Contingent liabilities	12		
Mortgages and collateral	13		
Related parties with controlling interest	14		

Statement of changes in equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January 2020	500.000	-24.523.513	-24.023.513
Net profit for the period	0	50.299	50.299
Contribution from parent company	0	7.549.565	7.549.565
Equity at 31 August 2020	500.000	-16.923.649	-16.423.649

Notes

1 Uncertainty about the continued operation (going concern)

Due to negative results over the last few years, the company has a strained cash-flow. The parent company and the ultimate parent company have stated that they would support and finance the company. In addition, it is expected that the planned activities for the coming year will generate positive results.

Based on the above Management has prepared the consolidated financial statements on the basis of going concern.

	2020 DKK (8 months)	2019 DKK (12 months)
2 Staff costs		
Wages and salaries	7.540.727	11.449.229
Pensions	624.693	929.741
Other social security costs	63.071	208.883
Other staff costs	290.304	1.439.533
	8.518.795	14.027.386
Average number of employees	16	20

According to section 98 B(3) of the Danish Financial Statements Act, remuneration to the Executive Board has not been disclosed.

3 Financial costs

Impairment losses on financial assets	428.750	0
Interest paid to associated companies	959.335	364.420
Other financial costs	1.623.694	3.365.572
	3.011.779	3.729.992

Notes

	2020 DKK (8 months)	2019 DKK (12 months)
4 Tax on profit/loss for the period		
Deferred tax for the year	0	1.475.000
Adjustment of tax concerning previous years	213.000	0
	213.000	1.475.000
5 Distribution of profit		
Retained earnings	50.299	-22.668.566
	50.299	-22.668.566
6 Tangible assets		
	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost at 1 January 2020	4.391.123	1.304.363
Additions for the period	219.557	0
Disposals for the period	-19.992	-54.848
Cost at 31 August 2020	4.590.688	1.249.515
Impairment losses and depreciation at 1 January 2020	2.935.396	596.358
Depreciation for the period	493.373	161.457
Impairment losses and depreciation at 31 August 2020	3.428.769	757.815
Carrying amount at 31 August 2020	1.161.919	491.700

Notes

	2020 DKK	2019 DKK
7 Investments in subsidiaries		
Cost at 1 January 2020	176.954	176.954
Cost at 31 August 2020	176.954	176.954
Revaluations at 1 January 2020	212.635	181.011
Share of profit/loss for the period	-80.464	-383.167
Exchange rate adjustments	-25.096	0
Investments with negative equity depreciated over receivables	0	414.791
Revaluations at 31 August 2020	107.075	212.635
Carrying amount at 31 August 2020	284.029	389.589

Investments in subsidiaries are specified as follows:

Name	Registered office	Ownership interest
Proxy Sweden AB	Sweden	100%
Proxy Norway AS	Norway	100%
Online Supply ApS	Copenhagen	100%

8 Fixed asset investments

	Deposits DKK
Cost at 1 January 2020	1.030.160
Disposals for the period	-31.234
Cost at 31 August 2020	998.926
Carrying amount at 31 August 2020	998.926

Notes

	2020	2019
	DKK	DKK
9 Provision for deferred tax		
Deferred tax		
Machinery and equipment	-54.000	-76.000
Leasehold improvements	-18.000	0
Tax loss carry-forward	-804.000	-800.000
Transferred to deferred tax asset	876.000	876.000
	0	0
Deferred tax asset		
Calculated tax asset	6.862.903	7.031.741
Write down to assessed value	-5.986.903	-6.155.741
Carrying amount	876.000	876.000

Management has recognized the deferred tax asset with an amount of 876 t.kr. of which 804 t.kr. is related to taxable loss carried forward. The recognition is based on Management's expectations, that the taxable loss will be utilized within the coming two years. Management expects that the majority of the tax loss carried forward will be utilized in 2021, and the remaining part will be utilized in the coming years..

The recognition and measurement of deferred tax asset is on based assumptions which Management consider to be reasonable and realistic, but which, by nature include a level of uncertainty, since the assumptions refers to estimates of future earnings. If the assumptions are not realized as expected, the recognition and measurement of the deferred tax asset can be affected negatively.

10 Prepayments

Prepayments comprise incurred costs relating to subsequent financial years.

Notes

11 Long term debt

	Debt at 1 January 2020 DKK	Debt at 31 August 2020 DKK	Instalment next year DKK	Debt outstanding after 5 years DKK
Subordinate loan capital	11.327.609	0	0	0
Payables to associated companies	0	4.350.000	0	0
Other payables	330.985	0	0	0
	11.658.594	4.350.000	0	0

12 Contingent liabilities

As management company, the company is jointly taxed with other danish related parties and jointly and severally liable with other jointly taxed entities for payment of income taxes as well as for payment of withholding taxes on dividends, interest and royalties.

The Company has filed a complaint against Skattestyrelsen's classification of certain imported goods to the Danish Tax Agency, as a result of disagreement on the classification of these goods. If Skattestyrelsen is fully entitled to the classification made, this could affect the financial statements with an additional amount for up to 2m DKK.

The Company has entered into an operating lease of premises. The lease is interminable until 2025. The total lease commitment amounts to T.DKK 7.645.

The Company has entered into operating lease of cars. The total lease commitment amounts to T.DKK 168.

13 Mortgages and collateral

Company pledge, nom. T.DKK 26.700 in the Company's goodwill, other fixtures, inventory and debtors with a total value of T.DKK 24.540 has been deposited as security for account with a credit institution.

Notes

14 Related parties with controlling interest

The Character Group plc, London, United Kingdom ultimately owns of the shares in the Company.

The Company is consolidated in the ultimate parent company's financial statement.

The group annual report of The Character Group Plc. may be obtained at the following address:

www.thecharacter.com

Accounting policies

The annual report of OVG-PROXY A/S for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act concerning reporting class C (medium).

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

The annual report for 2020 is presented in DKK

Pursuant to sections §112, of the Danish Financial Statements Act, the company has not prepared consolidated financial statements.

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 installments 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

Revenue

Income from the sale of goods for resale and finished goods is recognised in the income statement, provided that the transfer of risk, usually on delivery to the buyer, has taken place and that the income can be measured reliably and is expected to be received.

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.

Accounting policies

Cost of sales

Cost of sales comprises goods consumed in the financial period measured at cost, adjusted for ordinary inventory writedowns.

Other external costs

Other external costs include expenses related to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise the period's amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial period. Net financials include interest income and expenses, realised and unrealised capital/exchange gains and losses on foreign currency transactions etc.

Tax on profit/loss for the period

The company is subject to the Danish rules on compulsory joint taxation.

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, is recognised in the income statement as regards the portion that relates to the profit/loss for the period and directly in equity as regards the portion that relates to entries directly in equity.

Balance sheet

Tangible assets

Items of plant and machinery and fixtures and fittings, tools and equipment 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.

Accounting policies

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers and wages.

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

Other fixtures and fittings, tools and equipment	3-5	years
Leasehold improvements	3-5	years

The useful life and residual value of the company's property, plant and equipment is reassessed annually.

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

Investments in subsidiaries and associates

Investments in subsidiaries and associates are measured at the proportionate share of the net asset value of the entities, calculated on the basis of the group's accounting policies, plus or less unrealised intra-group gains or losses and plus or less any remaining value of positive or negative goodwill stated according to the purchase method.

Investments in subsidiaries and associates with a negative net asset value are measured at DKK 0, and the carrying amount of any receivables from these entities is reduced to the extent that they are considered irrecoverable. If the parent company has a legal or constructive obligation to cover a deficit that exceeds the receivable, the balance is recognised under provisions.

Net revaluations of investments in subsidiaries and associates are taken to the net revaluation reserve according to the equity method in so far as that the carrying amount exceeds the cost. Dividends from subsidiaries which are expected to be declared before the annual report of OVB-PROXY A/S is adopted are not taken to the net revaluation reserve.

Acquisitions are accounted for using the purchase method, cf. the above description of the statement of goodwill.

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.

Accounting policies

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 period, 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.

Liabilities

Financial liabilities are recognised on the raising of the loan at the proceeds received net of transaction costs incurred. On subsequent recognition, the financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest method. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

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

Cash flow statement

No cash flow statement has been prepared for the Company, as the Company's cash flows are included in the cash flow statement of the ultimate parent company.

Financial highlights

Definitions of financial ratios.

Return on assets	$\frac{\text{Profit/loss before financials} \times 100}{\text{Average assets}}$
Solvency ratio	$\frac{\text{Equity at year-end} \times 100}{\text{Total assets at year-end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$