

Company Registration No. 03722366 (England and Wales)

OKA DIRECT LIMITED
ANNUAL REPORT AND FINANCIAL
STATEMENTS
FOR THE YEAR ENDED
26 DECEMBER 2020



OKA DIRECT LIMITED

COMPANY INFORMATION

Directors	Viscountess Astor S C Jones E G Foa R K Mills
Secretary	R K Mills
Company number	03722366
Registered office	Purchas Road Didcot Oxfordshire OX11 7BF United Kingdom
Auditor	RSM UK Audit LLP Chartered Accountants 25 Farringdon Street London EC4A 4AB United Kingdom

OKA DIRECT LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 26 DECEMBER 2020

The directors present the strategic report and financial statements for the year ended 26 December 2020.

In the period under review the principal activity of the company was selling furniture and home furnishings through the web site, direct mail order, showrooms, trade and special projects.

Review of the business

OKA Direct Limited was established in 1999 and is a high-end, omnichannel retailer renowned for high quality and beautifully created furniture and home accessories under the OKA brand. The focus on a differentiated and curated product and how the business presents it makes OKA stand out from its peers. The company sells a broad range of home lifestyle products directly to the end consumer and in recent years has invested significantly in its website to provide an enhanced customer experience alongside its retail stores, interior design service and trade offer. Several collaborations with leading designers have been launched, which has been complemented by further investment in a brand marketing campaign both online and in traditional media as well as via the company's retail stores.

Results for the year were significantly impacted by COVID-19, with temporary closures of its retail stores, closure of its offices, disruptions to the supply chain, and a high level of uncertainty across all areas of operations. The business reacted quickly to the pandemic in line with government guidelines. Communication channels were established with employees and customers to ensure they remained informed of the latest situation and office-based teams transitioned effectively to working from home.

The business continued to operate through its distribution centres throughout the year, and whilst retail stores were temporarily closed, the performance of online channels provided partial mitigation to the lost revenue during that period.

Recognising the potentially severe cashflow impact of the COVID-19 pandemic, a series of cost reduction measures aimed at conserving cash were implemented in 2020, including delaying non-essential capital expenditure and reviewing employee headcount requirements, alongside accessing the UK Government Job Retention Scheme and business rates relief scheme and negotiating property rent concessions. Alongside the cost reduction measures, the business engaged with the majority shareholder to explore new funding arrangements. In June 2020, new funding of £9m was completed by way of a secured loan note maturing in June 2027.

The board would like to express its gratitude to stakeholders for their support through this challenging period including our landlords, who agreed to a combination of payment deferrals and rent reductions.

Whilst the initial impact on revenues from the pandemic was severe, the website and digital channels soon picked up a significant proportion of the lost revenue from the retail stores, and underlying trends such as consumers investing in their homes during lockdown, combined with a buoyant housing market, meant that the overall impact on the company's revenues was limited. All stores fully re-opened in April 2021 after the third national UK lockdown. OKA's customers are now navigating between channels more than ever before, combining offline and online interactions within single purchases through a seamless customer journey. OKA's direct-to-consumer strategy and significant IT investments have allowed the company to take advantage of the latest technology to interact with its customers. Alongside the increased focus on digital improvements, OKA has continued to work to redefine the in-store experience, creating a comfortable and safe environment while transforming physical stores into engaging multichannel showrooms.

The business moved to a new 166,000 sq ft centralised warehouse, head office and retail store facility in Didcot, Oxfordshire in February 2020. This facility ensures the future growth plans can be operationally met and will deliver operational efficiencies.

Overseas, the offices opened in China and India in 2019 have established themselves, building closer relationships with the company's manufacturing partners and overseeing the supply chain, enabling improved local purchasing, quality assurance, and efficient shipping of product to the UK distribution centres.

Revenue totalled £29.8m, consistent with last year. At an operating profit level, the company reported a loss of £5.0m (2019: £11.7m). Revenues from the company's websites and other digital channels represented 54% of the total.

OKA DIRECT LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 26 DECEMBER 2020

Review of the business (continued)

The business has continued to invest in its operational infrastructure, management team, marketing activities and the further development of the digital channel.

This has resulted in an increase in Adjusted EBITDA to £3.6m for the year to December 2020 (2019: £0.5m). Exceptional costs of £4.8m (2019: £9.3m) were incurred relating to restructuring activities, COVID-19 related costs, and other one-off material items as set out in note 4.

The company remains in a strong liquidity position with cash reserves of £8.7m at the year end (2019: £5.2m).

Business model

The company operates the OKA brand through an Omni-channel distribution network optimising customer reach and maximising brand strength:

- Retail showrooms: OKA operates 13 strategically placed stores across the UK (as at the date of issue of these financial statements).
- Website: OKA operates a scalable and growing e-commerce business.
- Mail order: OKA distributes over 2 million brand magazines by post and operates phone-based ordering systems via call centres based in the UK.
- Interior design: the brand employs a team of Interior Designers in the UK who work with clients to install new interiors in their homes and offices using OKA products.
- Trade: the brand works with high-end 3rd party interior designers who use OKA products for many of their installations.

Future developments

The company will continue to focus on providing its customers with a constantly improving and adapting shopping experience to meet their expectations, through a multi-channel offering in the UK.

Principal risks and uncertainties

The directors understand the need for robust risk management and continue to monitor trading performance on a regular basis.

The directors consider the following matters to be the principal risks and uncertainties to the company:

- Economic and financial conditions resulting in challenging trading conditions. The company may be affected by falls in consumer confidence and changes in buying habits. The company continues to build its business through all of its channels to mitigate the effect of each channel and develop a broad range of products to mitigate the decline of individual product categories.
- Any current or future health epidemic or other adverse public health development, such as the COVID-19 pandemic, could result in business disruption, and might have a material adverse effect on the business and operating results. Governments worldwide have imposed varying degrees of preventative and protective actions, such as travel bans, forced business closures, and stay-at-home orders, all in an effort to reduce the spread of the virus, which has resulted in supply shortages and other business disruptions in many regions. It is impossible to predict the ultimate effect and impact of the COVID-19 pandemic as the situation keeps on evolving. Accordingly, the directors cannot predict for how long and to what extent this crisis will impact its business operations or the global economy as a whole.
- The company operates in a competitive market and so continues to differentiate itself through high quality premium products and ongoing range development.
- The company bears a risk of unfavourable changes in the currency markets where payments to suppliers are based in US\$ and Euro€. The movements in exchange rates may have an impact on margins achieved by the company. The company hedges some of its exposure, monitors exchange rates and reviews its overall exchange exposure on a regular basis.
- The principal internal risk arises from the growth of the business putting pressure on key resources. The company depends on its ability to manage its people and infrastructure. The company regularly reviews its future requirements for people, space and systems to understand the impact on the business.

OKA DIRECT LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 26 DECEMBER 2020

Principal risks and uncertainties (continued)

- The management of the supply chain from sourcing through to the company's distribution centre is key to the business. The company continually reviews the management of product delivery to ensure any problems are managed appropriately and in a timely manner.
- OKA's IT systems are interdependent and a failure in one system may disrupt the efficiency and functioning of its operations. Furthermore, OKA cannot guarantee absolute protection against unauthorised attempts to access its IT systems, including malicious third-party applications that may interfere with or exploit security flaws in its products and services.
- Following the United Kingdom's departure from the European Union, there may be further changes to the trade regulations that govern the import and export of products to consumers in and out of the United Kingdom. Changes to the trade agreements could result in increased customs duties along with potential delays in the supply chain in importing products to the United Kingdom.

Financial risk management objectives and policies

The company uses financial instruments comprising cash and other liquid resources and various other items such as trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations. The main risk arising from the company's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The directors review and agree policies for managing each of these risks and they are summarised below. The policies have remained unchanged from previous periods.

Interest rate risk

Interest rate risk is minimal as the company does not have any bank loans or overdrafts and interest on shareholder loan notes is only payable on maturity or on an exit.

Liquidity risk

The company is funded by a mixture of permanent equity and long-term shareholder loan notes to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs. Primarily this is achieved through close management control of working capital. A restructuring of the company's financial composition, including equity and shareholder loan notes, was completed in June 2020, resulting in an additional £9.0m of liquidity provided by the majority shareholder.

Foreign currency risk

The majority of the company's stock purchases are invoiced in US dollars and results are therefore subject to fluctuations in the exchange rate between Pound Sterling, the company's reporting currency, and the US Dollar. It is company policy to enter into forward currency contracts to buy US Dollars to partially reduce the uncertainty of exchange rate fluctuations impacting results to any material extent.

Key performance indicators

The directors use various measures to assess the performance of the business. Indicators are measured at channel and company level. The directors believe the most appropriate measure of overall business performance is earnings before interest, tax, depreciation, amortisation, loss on disposal of fixed assets and exceptional costs ("Adjusted EBITDA"), and Adjusted EBITDA as a percentage return on turnover.

Adjusted EBITDA for the period under review was £3.6m (2019: £0.5m) which delivered a margin of 12.1% (2019: 1.7%).

Other key performance indicators are:

	52 weeks to 26 December 2020	52 weeks to 28 December 2019
Sales £000's	29,885	30,164
Margin £000's	20,471	21,369
Employees	262	262

OKA DIRECT LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 26 DECEMBER 2020

Key performance indicators (continued)

In addition the directors use a number of commercial performance measures including cashflow, average order value, demand, back orders and stock availability. Specific measures are also reviewed in relation to each business channel:

- Retail stores performance includes store openings, average order value, product mix, footfall and weekend participation.
- Web performance includes visits, conversion and response to activity.
- Interior design and trade performance includes pipeline of projects.
- Mail order performance includes average call duration, conversion and outstanding queries.

COVID-19

The directors recognise the rapidly changing environment as people learn to live with COVID-19. This will require the business to be agile in how it provides a safe workplace for its employees and a safe and enjoyable shopping experience for customers. The company continues to regularly assess the ongoing impact of COVID-19 and will adjust safeguards and policies accordingly.

Going concern

The directors have prepared and considered detailed trading and cash flow projections for a period of at least 12 months from the date of approval of these financial statements.

Recognising the ongoing uncertainty caused by the COVID-19 pandemic, the directors have maintained a balance between tight cost controls to conserve cash whilst continuing to making judicious investment decisions for the long term benefit of the business. As mentioned previously, the refinancing in June 2020 with £9m of new funds put the business on a much more stable footing. A 13 week cashflow is updated weekly to review cashflow inflows and outflows over the short term, and a longer term integrated financial model is used to review cashflow requirements over a 3 year horizon. Ongoing actions include negotiations with landlords to achieve property rent concessions, and accessing the UK government restart grants and the business rates relief scheme for retail businesses. The business maintains an active dialogue with its major shareholder around potential future funding requirements.

As with any business placing reliance on future forecasts, the directors acknowledge that there can be no certainty that budgeted sales will be achieved given the general macro-economic uncertainties affecting discretionary consumer spend. The company has a flexible multi-channel business model which affords partial protection of revenue if temporary store closures for any reason are enforced by the authorities in the UK.

In the seven months to July 2021, which has included the impact of store closures during the UK's third national lockdown from January to April 2021, the company's sales have been trading in line with the Board-approved budget and EBITDA profitability has been ahead of budget.

Consequently, the directors believe that the company is well placed to manage their business risks successfully and have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. They have therefore concluded that there is no material uncertainty about the ability of the company to continue as a going concern and that it remains appropriate to continue to prepare the financial statements on a going concern basis.

Post balance sheet events

In June 2021, OKA successfully transitioned from its legacy finance, sales and stock systems onto the Netsuite ERP platform. This ERP is the cornerstone of the company's IT infrastructure and is fully scalable for future growth plans, enabling better integration with the rest of the company's systems, as well as delivering improved reporting, a stronger control framework and more efficient processing.

In the UK, the lease for the retail store in Parsons Green, London came to an end in August 2021 and has not been renewed as the small size of the store, with a footprint of only 1,300 trading sq ft, does not allow the full demonstration of the OKA brand.

OKA DIRECT LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 26 DECEMBER 2020

Business management and management team

The organisation benefits from a highly experienced management team which includes one of the original founders of the business. Each department manager manages their department within the guidance provided by the company.

Statement of Director's Duties to Stakeholders

The Directors are aware of their duty under section 172 of the Companies Act 2006 to act in a way which they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders and, in doing so, to have regard (amongst other matters) to:

- the interests of the company's employees;
- the importance of the company's relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company to maintain a reputation for high standards of business conduct;
- the need to act fairly between members of the company; and
- the likely consequences of any decision in the long term;

The Board considers it crucial that the company maintains a reputation for high standards of business conduct. The Board is responsible for setting, monitoring and upholding the culture, values, standards, ethics, brand and reputation of the company. Management drives the embedding of the desired culture throughout the organisation. The Directors of the company have sought to balance the needs of its shareholders with the section 172 matters throughout the year, ensuring that the company's obligations with all stakeholders are met.

The company has identified its most important stakeholders based on past experience and continues to engage with these and new stakeholders to ensure comprehensive and appropriate levels of communication are maintained, including investigating, analysing and responding to any stakeholder concerns.

Employee engagement

Employees are the most valuable assets of the company, and regular engagement is carried out through staff surveys, team meetings, quarterly 'all company' presentations, and an online platform encompassing the following topics:

- Company and brand values
- Employee welfare and wellbeing, including support with working from home
- Employee benefits
- Employee training and development opportunities
- Diversity and inclusion
- Charitable initiatives
- ESG and sustainability strategies and their implementation
- Health & Safety and work environment, including compliance with safe practices at work
- Company news and performance updates, including product development and progress on strategic initiatives

OKA is committed to recruiting, training and retaining the best talent available. The company has clear policies and procedures to ensure non-discrimination in employment policy, and employees are provided with comprehensive training and career development opportunities, including the development of a new digital training platform. Throughout the COVID-19 pandemic, the company has put the safety and welfare of employees foremost, while always following government guidelines.

Supplier engagement

OKA proudly partners with skilled independent craftsmen and family-run businesses all over the world, often with relationships built up over many years. OKA works closely with its partners to ensure that all of OKA suppliers conform to the company's Supplier Code of Conduct which covers legal, ethical, environment and employee related standards, including the relevant anti-bribery and modern slavery regulations.

OKA DIRECT LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 26 DECEMBER 2020

Statement of Director's Duties to Stakeholders (continued)

Product development and creative teams work with suppliers at the design conception and sampling stages of new products in order to resolve any design, manufacturing and quality issues ahead of manufacture. All OKA suppliers must ensure that all their products comply with OKA's strict testing requirements, which go beyond the relevant regulatory minimums for fire safety and quality standards. Audits of selected suppliers by an independent third party take place to measure supplier compliance with ESG targets and legal obligations.

Customer engagement

OKA's principles of customer engagement include:

- a seamless journey – clear and consistent customer communication through all channels
- understand and connect – to gain a deeper understanding of the customer mindset
- excite through new experiences – not just through the product, but through brand experiences and events
- recognising loyalty – using data to enable meaningful personalised communication

OKA engages with customers across all channels on a regular basis to understand their behaviour and offer intelligent marketing solutions for each channel, while maintaining a physical presence through the retail stores. Regular customer surveys and focus company's are held to collect feedback from customers on all aspects of the OKA customer experience.

ESG (Environmental, Social and Governance)

The company is committed to protecting the environment and enhancing the lives of its customers, employees and suppliers. OKA published its first Sustainability report in 2020, setting out the company's sustainability strategy and commitments for the future in line with three sustainability pillars:

- Creating through innovation and craftsmanship: including improvements to product safety, quality and circularity
- Enhancing all lives: working with suppliers, customers and employees to build an ethical and trusted business, and to engage with local UK and overseas communities through charitable partnerships
- Designing for a better planet: promoting a low carbon supply chain, sourcing ethical and renewable materials, and improving waste management.

On behalf of the board



R K Mills
Director

Date: 16 September 2021

OKA DIRECT LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 26 DECEMBER 2020

The directors present their annual report and financial statements for the year ended 26 December 2020.

Principal activities

The principal activity of the company continued to be that of selling furniture and home furnishings through the web site, direct mail order, showrooms, trade and special projects.

Results and dividends

The results for the year are set out on page 13.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

The directors assess trading performance using the measure of "Adjusted EBITDA" which is defined as the earnings before deduction of interest, tax, depreciation and amortisation and any exceptional, one-off or non-recurring items of income or expenditure.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Viscountess Astor

S C Jones

L I Waterhouse

(Resigned 31 December 2020)

M J J Little

(Resigned 19 March 2021)

E G Foa

R K Mills

(Appointed 19 March 2021)

Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the reporting date.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company's continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

The company's policy is to consult and discuss with employees matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

Auditor

The auditor, RSM UK Audit LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

OKA DIRECT LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 26 DECEMBER 2020

Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the strategic report information required to be contained in the directors' report, including financial risk management, future developments and post balance sheet events.

On behalf of the board



R K Mills

Director

Date: 16 September 2021

OKA DIRECT LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 26 DECEMBER 2020

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101: Reduced Disclosure Framework ("FRS 101"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the or of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OKA DIRECT LIMITED

Opinion

We have audited the financial statements of OKA Direct Limited (the 'company') for the year ended 26 December 2020 which comprise the statement of comprehensive income, the statement of financial position and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework"

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 26 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards 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 ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OKA DIRECT LIMITED (CONTINUED)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit;

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine 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, the directors are 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 unless the directors either intend to liquidate the company or to cease operations, or have 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 (UK) 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OKA DIRECT LIMITED (CONTINUED)

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 101, the Companies Act 2006 and UK tax compliance. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, assessing accounting policies for compliance with the reporting framework, and agreeing tax calculations to supporting documentation.

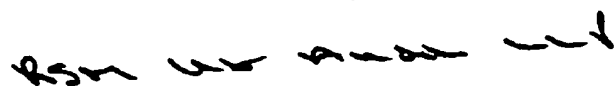
The most significant laws and regulations that have an indirect impact on the financial statements are General Data Protection Regulation (GDPR). We performed audit procedures to inquire of management and those charged with governance whether the company is in compliance with these laws and regulations, inspected documentation of procedures and policies and reviewed legal expenditure for evidence of unrecorded disputes or breaches.

The audit engagement team identified the risk of management override of controls and revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, reconciling revenue to cash receipts and sales platforms, and reviewing controls in relation to revenue recognition.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities> This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Paul Newman BSc ACA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB
United Kingdom
16 September 2021

OKA DIRECT LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 26 DECEMBER 2020

	Notes	2020 £	2019 £
Revenue	3	29,885,243	30,163,767
Cost of sales		(9,414,215)	(8,794,566)
Gross profit		20,471,028	21,369,201
Administrative expenses		(26,211,564)	(33,028,816)
Other operating income	3	706,786	-
Adjusted EBITDA*		3,607,674	505,238
Amortisation		(79,424)	(29,411)
Depreciation		(3,752,848)	(2,677,162)
Exceptional items	4	(4,809,152)	(9,308,821)
Profit/(loss) on disposal of property, plant and equipment		-	(149,459)
Operating loss	7	(5,033,750)	(11,659,615)
Investment income	8	455,754	453,530
Finance costs	9	(4,412,038)	(2,261,360)
Other gains and losses	10	36,383	(150,397)
Loss before taxation		(8,953,651)	(13,617,842)
Tax on loss	11	-	25,672
Loss and total comprehensive income for the financial year	24	(8,953,651)	(13,592,170)

* Earnings before interest, tax, depreciation, amortisation, profit/(loss) on disposal of fixed assets and exceptional costs

OKA DIRECT LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 26 DECEMBER 2020**

	Notes	2020 £	2019 £
Non-current assets			
Intangible assets	12	97,085	94,616
Property, plant and equipment	13	20,040,704	19,794,702
		<u>20,137,789</u>	<u>19,889,318</u>
Current assets			
Inventories	16	6,367,653	6,445,697
Trade and other receivables falling due after more than one year	17	6,286,406	5,713,289
Trade and other receivables falling due within one year	17	10,300,726	8,245,101
Cash and cash equivalents		8,678,133	5,166,975
		<u>31,632,918</u>	<u>25,571,062</u>
Current liabilities			
Borrowings	19	-	12,014
Trade and other payables	18	7,221,825	6,083,239
Taxation and social security		1,117,676	671,503
Derivative financial instruments		62,434	98,817
Lease liabilities	20	2,271,319	1,425,267
		<u>10,673,254</u>	<u>8,290,840</u>
Net current assets		<u>20,959,664</u>	<u>17,280,222</u>
Total assets less current liabilities		<u>41,097,453</u>	<u>37,169,540</u>
Non-current liabilities			
Borrowings	19	9,461,944	-
Trade and other payables	18	26,192,076	23,856,087
Lease liabilities	20	16,120,185	15,037,881
		<u>51,774,205</u>	<u>38,893,968</u>
Provisions for liabilities			
Other provisions	21	1,197,746	1,196,419
Net liabilities		<u>(11,874,498)</u>	<u>(2,920,847)</u>

OKA DIRECT LIMITED**STATEMENT OF FINANCIAL POSITION (CONTINUED)****AS AT 26 DECEMBER 2020**

	Notes	2020 £	2019 £
Equity			
Called up share capital	23	162,567	162,567
Share premium account		5,879,110	5,879,110
Retained earnings	24	(17,916,175)	(8,962,524)
Total equity		<u>(11,874,498)</u>	<u>(2,920,847)</u>

The financial statements were approved by the board of directors and authorised for issue on 16 September 2021 and are signed on its behalf by:



R K Mills
Director

OKA DIRECT LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 26 DECEMBER 2020

	Share capital £	Share premium account £	Retained earnings £	Total £
Balance at 30 December 2018	162,567	5,879,110	4,629,646	10,671,323
Year ended 28 December 2019:				
Loss and total comprehensive income for the year	-	-	(13,592,170)	(13,592,170)
Balance at 28 December 2019	162,567	5,879,110	(8,962,524)	(2,920,847)
Year ended 26 December 2020:				
Loss and total comprehensive income for the year	-	-	(8,953,651)	(8,953,651)
Balance at 26 December 2020	162,567	5,879,110	(17,916,175)	(11,874,498)

OKA DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 26 DECEMBER 2020

1 Accounting policies

Company information

OKA Direct Limited is a private company limited by shares and is registered and incorporated in England. The registered office is Purchas Road, Didcot, Oxfordshire, United Kingdom, OX11 7BF.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost basis. The principal accounting policies adopted are set out below.

The company meets the definition of a qualifying entity under FRS 101, The Financial Reporting Standard applicable in the UK and Republic of Ireland. These financial statements for the year ended 26 December 2020 are the first financial statements of OKA Direct Limited prepared in accordance with FRS 101. The company transitioned from UK GAAP: FRS 102 to FRS 101 for all periods presented and the date of transition to FRS 101 was 30 December 2018.

An explanation of how transition to FRS 101 has affected the reported financial position and financial performance is given in note 27.

OKA DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 26 DECEMBER 2020

1 Accounting policies (Continued)

As permitted by FRS 101, the company has taken advantage of the following disclosure exemptions from the requirements of IFRS:

- inclusion of an explicit and unreserved statement of compliance with IFRS;
- disclosure of the effect of financial instruments on the Statement of Comprehensive Income;
- presentation of a Statement of Cash Flows and related notes;
- disclosure of the objectives, policies and processes for managing capital;
- disclosure of key management personnel compensation;
- disclosure of the categories of financial instrument and the nature and extent of risks arising on these financial instruments;
- comparative period reconciliations for the number of shares outstanding and the carrying amounts of property, plant and equipment and intangible assets;
- disclosure of the future impact of new International Financial Reporting Standards in issue but not yet effective at the reporting date;
- for financial instruments measured at fair value, the valuation techniques and inputs used to measure fair value, the effect of fair value measurements with significant unobservable inputs on the result for the period and the impact of credit risk on the fair value;
- disaggregated and total revenue from contracts with customers;
- explanation of significant changes in contract assets and liabilities;
- description of when performance obligations are satisfied, significant payment terms, and the nature of goods and services to be transferred;
- aggregate transaction price allocated to unsatisfied performance obligations and when revenue is expected to be recognised;
- significant judgements in determining the amount and timing of revenue recognition and the amount of capitalised costs to obtain or fulfil a contract;
- comparative narrative information;
- related party disclosures for transactions with the parent or wholly owned members of the group;
- presentation of a third statement of financial position for retrospective adjustments or reclassifications at the date of transition to IFRS.

Where required, equivalent disclosures are given in the group accounts of Luxury British Design Holdings Limited. The group accounts of Luxury British Design Holdings Limited are available to the public and can be obtained as set out in note 27.

Exemption from preparing consolidated financial statements

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

OKA DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 26 DECEMBER 2020

1 Accounting policies (Continued)

Going concern

The directors have prepared and considered detailed trading and cash flow projections for a period of at least 12 months from the date of approval of these financial statements.

Recognising the ongoing uncertainty caused by the COVID-19 pandemic, the directors have maintained a balance between tight cost controls to conserve cash whilst continuing to making judicious investment decisions for the long term benefit of the business. As mentioned previously, the refinancing in June 2020 with £9m of new funds put the business on a much more stable footing. A 13 week cashflow is updated weekly to review cashflow inflows and outflows over the short term, and a longer term integrated financial model is used to review cashflow requirements over a 3 year horizon. Ongoing actions include negotiations with landlords to achieve property rent concessions, and accessing the UK government restart grants and the business rates relief scheme for retail businesses. The business maintains an active dialogue with its major shareholder around potential future funding requirements, for example, to accelerate the store opening programme in the USA.

As with any business placing reliance on future forecasts, the directors acknowledge that there can be no certainty that budgeted sales will be achieved given the general macro-economic uncertainties affecting discretionary consumer spend. The company has a flexible multi-channel business model which affords partial protection of revenue if temporary store closures for any reason are enforced by the authorities in the UK or US.

In the seven months to July 2021, which has included the impact of store closures during the UK's third national lockdown from January to April 2021, the company's sales have been trading in line with the Board-approved budget and EBITDA profitability has been ahead of budget.

Consequently, the directors believe that the company is well placed to manage their business risks successfully and have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. They have therefore concluded that there is no material uncertainty about the ability of the company to continue as a going concern and that it remains appropriate to continue to prepare the financial statements on a going concern basis.

Revenue

Revenue is generated from the sale of furniture and home accessories plus related goods and services through the company's stores after deducting returns, any discounts given and VAT. Revenue is recognised when the company has satisfied its performance obligations to its customers and the customer has obtained control of the goods and services being transferred. These conditions are met at the point of sale.

Revenue from website, mail order, interior design and trade activities is recognised when control of the goods is passed to the customer.

Cost of sales

Cost of sales consists of the cost of products the company sells, freight charges for transportation of products from suppliers to the warehouses, import duties, sample costs and product testing costs. The comparative results in the Income Statement include the reallocation of £4,991,301 from cost of sales to administration expenses to allow for better year on year comparison.

OKA DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 26 DECEMBER 2020

1 Accounting policies (Continued)

Intangible assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Domain names	straight line over 10 years
Trademarks	straight line over 10 years

Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Right-of-use assets	over the term of the lease
Leasehold improvements	over the term of the lease
Fixtures and fittings	at various rates between 3 and 10 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

Impairment of tangible and intangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

OKA DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 26 DECEMBER 2020

1 Accounting policies (Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost is calculated on a weighted average method and consists of materials and freight transportation expenditure. At each reporting date, the company assesses whether stocks are impaired. Any excess of the carrying amount of stock over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss.

Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of three months or less.

Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

At initial recognition, financial assets classified as fair value through profit and loss are measured at fair value and any transaction costs are recognised in profit or loss. Financial assets not classified as fair value through profit and loss are initially measured at fair value plus transaction costs.

Financial assets at fair value through profit or loss

When any of the above-mentioned conditions for classification of financial assets is not met, a financial asset is classified as measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss are recognized initially at fair value and any transaction costs are recognised in profit or loss when incurred. A gain or loss on a financial asset measured at fair value through profit or loss is recognised in profit or loss, and is included within finance income or finance costs in the statement of income for the reporting period in which it arises.

OKA DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 26 DECEMBER 2020

1 Accounting policies (Continued)

Financial assets held at amortised cost

Financial instruments are classified as financial assets measured at amortised cost where the objective is to hold these assets in order to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interest. They arise principally from the provision of goods and services to customers (eg trade receivables). They are initially recognised at fair value plus transaction costs directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment where necessary.

Impairment of financial assets

Financial assets, other than those measured at fair value through profit or loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Financial liabilities

Basic financial liabilities, including trade and other payables and loans from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as measured at fair value through profit or loss when the financial liability is held for trading. A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of selling or repurchasing it in the near term, or
- on initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit taking, or
- it is a derivative that is not a financial guarantee contract or a designated and effective hedging instrument.

Financial liabilities at fair value through profit or loss are stated at fair value with any gains or losses arising on remeasurement recognised in profit or loss.

Other financial liabilities

Derivatives, including forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in or in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

OKA DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 26 DECEMBER 2020

1 Accounting policies (Continued)

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event and it is probable that the company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

OKA DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 26 DECEMBER 2020

1 Accounting policies (Continued)

Leases

At inception, the company assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the company recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are included within property, plant and equipment, apart from those that meet the definition of investment property.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs and an estimate of the cost of obligations to dismantle, remove, refurbish or restore the underlying asset and the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of other property, plant and equipment. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the company is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in: future lease payments arising from a change in an index or rate; the company's estimate of the amount expected to be payable under a residual value guarantee; or the company's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less, or for leases of low-value assets including IT equipment. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

Grants

Government grants are recognised when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Coronavirus Job Retention Scheme ("CJRS")

Under this scheme, HMRC will reimburse up to 80% of the wages of certain employees who have been asked to stop working, but who are being kept on the payroll ("furloughed"). The scheme is designed to compensate for staff costs, so amounts received are recognised in the Income Statement over the same period as the costs to which they relate. In the Income Statement payroll costs are shown net of grant income.

OKA DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 26 DECEMBER 2020

1 Accounting policies (Continued)

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

Exceptional items

These represent exceptional, one-off or non-recurring items of income or expenditure which because of their nature and the events giving rise to them merit separate presentation in the Income Statement to allow shareholders to better understand the elements of financial performance in the year, facilitate comparison with prior years and assess more accurately trends in financial performance.

2 Critical accounting estimates and judgements

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The directors do not consider there to be any key judgements or sources of estimation uncertainty present in the preparation of these financial statements.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Inventory provision

The company has recognised provisions for impairment of inventories in the financial statements which requires management to make judgements. The judgements, estimates and associated assumptions necessary to calculate these provisions are based on historical experience and other relevant factors.

Dilapidations

The company provides for its legal responsibility for dilapidation costs following advice from chartered surveyors and previous experience of exit costs (including strip out costs and professional fees). The estimated cost of fulfilling the leasehold dilapidations obligations is discounted to present value and analysed between non-capital and capital components. Managements estimates are based on categorisation of stores by size and capital works performed and price per square foot.

OKA DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 26 DECEMBER 2020

2 Critical accounting estimates and judgements (Continued)

Carrying value of investments in/amounts owed by group undertakings

The directors have reviewed the carrying value of the company's investment in its subsidiary undertakings and amounts owed at the balance sheet date. Provisions for impairment have been recognised based on forecasted trading results and cash flow projections.

Leases

Judgement is used to assess whether the interest rate implicit in the lease is readily determinable. When the interest rate implicit in the lease is not readily determinable, the management estimate the incremental borrowing rate based on equivalent external borrowings secured against similar assets, adjusted for the term of the lease.

Carrying value of property, plant and equipment

The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations which require estimates in respect of the future cash flows and an appropriate discount rate. The key inputs to the value in use calculations are the discount rate and the future earnings growth. These calculations use cash flow projections based on financial budgets approved by management. The calculations inevitably involve the use of estimates. During the year an impairment charge of £541,792 (2019: £nil) has been recognised.

3 Revenue

	2020 £	2019 £
Revenue analysed by class of business		
Turnover derived from the company's principal activity predominantly in the UK	29,885,243	30,163,767
	<u>29,885,243</u>	<u>30,163,767</u>
	2020 £	2019 £
Other operating income		
Government grants received	706,786	-
	<u>706,786</u>	<u>-</u>

OKA DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 26 DECEMBER 2020

4	Exceptional items	2020 £	2019 £
	Restructuring costs	1,602,159	1,101,242
	Pre-opening costs	660,749	252,932
	Insurance compensation	372	3,423
	Non-recurring retail costs	876,391	-
	Impairment of intercompany debtors	1,127,689	4,762,570
	Impairment of investment	-	3,188,654
	Impairment of fixed assets	541,792	-
		<u>4,809,152</u>	<u>9,308,821</u>

Restructuring costs include redundancies, settlements, recruitment, temporary staff costs and additional one-off costs incurred in relation to the relocation of warehouses. It also includes legal and professional costs incurred in relation to the debt refinancing detailed in note 19.

Pre-opening costs includes the initial setup of warehouses and showrooms.

Non-recurring retail costs includes fixed costs incurred during forced store closures and additional health and safety costs as a result of COVID-19, including the purchase of personal protective equipment at the head office, showrooms and warehouses.

The impairment of intercompany debtors relates to balances owed to a fellow group company which went into liquidation during the year. The amounts owed were impaired to their recoverable value.

The impairment of fixed assets relates to certain store assets impaired to their recoverable value.

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2020 Number	2019 Number
Management and administration	150	151
Showrooms	112	111
	<u>262</u>	<u>262</u>

OKA DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 26 DECEMBER 2020

5 Employees (Continued)

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	7,370,114	7,059,718
Social security costs	598,359	703,291
Pension costs	266,937	270,449
	<u>8,235,410</u>	<u>8,033,458</u>

6 Directors' remuneration

	2020 £	2019 £
Remuneration for qualifying services	447,999	415,417
Company pension contributions to defined contribution schemes	20,555	22,152
	<u>468,554</u>	<u>437,569</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 4 (2019 - 4).

Remuneration disclosed above include the following amounts paid to the highest paid director:

Remuneration for qualifying services	152,625	142,100
Company pension contributions to defined contribution schemes	7,927	7,826
	<u>160,552</u>	<u>149,926</u>

7 Operating loss

	2020 £	2019 £
Operating loss for the year is stated after charging/(crediting):		
Exchange losses	121,232	339,073
Government grants	(706,786)	-
Fees payable to the company's auditor for the audit of the company's financial statements	31,500	40,000
Depreciation of property, plant and equipment	3,752,848	2,677,162
(Profit)/loss on disposal of property, plant and equipment	-	149,459
Amortisation of intangible assets	79,424	29,411
Cost of inventories recognised as an expense	9,414,215	8,794,566
Impairment of fixed assets	541,792	-
	<u>13,934,236</u>	<u>12,030,071</u>

OKA DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 26 DECEMBER 2020

8 Investment income

	2020 £	2019 £
Interest income		
Interest receivable from group companies	455,754	453,530
	<u> </u>	<u> </u>

9 Finance costs

	2020 £	2019 £
Interest on financial liabilities measured at amortised cost:		
Interest payable to group undertakings	2,335,989	1,222,410
Interest on other loans	461,944	-
	<u> </u>	<u> </u>
	2,797,933	1,222,410
Interest on other financial liabilities:		
Interest on lease liabilities	1,614,105	1,038,950
	<u> </u>	<u> </u>
Total interest expense	4,412,038	2,261,360
	<u> </u>	<u> </u>

10 Other gains and losses

	2020 £	2019 £
Change in value of financial assets at fair value through profit or loss	36,383	(150,397)
	<u> </u>	<u> </u>

11 Taxation

	2020 £	2019 £
Current tax		
Adjustments in respect of prior periods	-	(25,672)
	<u> </u>	<u> </u>

OKA DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 26 DECEMBER 2020

11 Taxation (Continued)

The total tax charge/(credit) for the year included in the income statement can be reconciled to the loss before tax multiplied by the standard rate of tax as follows:

	2020 £	2019 £
Loss before taxation	(8,953,651)	(13,617,842)
Expected tax credit based on a corporation tax rate of 19.00% (2019: 19.00%)	(1,701,194)	(2,587,390)
Effect of expenses not deductible in determining taxable profit	609,538	1,795,594
Income not taxable	(16,397)	-
Group relief	254,421	-
Other permanent differences	1,900	-
Under/(over) provided in prior years	-	(25,672)
Fixed asset timing differences	47,534	21,704
Adjust deferred tax to average rate	(120,401)	64,764
Deferred tax not recognised	924,599	705,328
Taxation charge/(credit) for the year	-	(25,672)

The company has tax losses of £10,065,874 (28 December 2019: £6,852,565) to carry forward against future trading profits. A potential deferred tax asset of £1,912,516 (28 December 2019: £1,164,936) has not been recognised on these tax losses due to uncertainty as to the timing of utilisation.

In the March 2021 Budget, it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the company's future tax charge.

OKA DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 26 DECEMBER 2020

12 Intangible fixed assets

	Domain names £	Trademarks £	Total £
Cost			
At 28 December 2019	146,554	-	146,554
Transfer from property, plant and equipment	-	54,862	54,862
Additions	44,260	23,138	67,398
Disposals	(15,532)	-	(15,532)
At 26 December 2020	175,282	78,000	253,282
Amortisation and impairment			
At 28 December 2019	51,938	-	51,938
Transfer from property, plant and equipment	-	40,367	40,367
Charge for the year	74,255	5,169	79,424
Eliminated on disposals	(15,532)	-	(15,532)
At 26 December 2020	110,661	45,536	156,197
Carrying amount			
At 26 December 2020	64,621	32,464	97,085
At 28 December 2019	94,616	-	94,616

OKA DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 26 DECEMBER 2020

13 Property, plant and equipment

	Right-of-use assets £	Leasehold improvements £	Fixtures and fittings £	Total £
Cost				
At 28 December 2019	17,945,667	1,105,900	7,118,934	26,170,501
Additions	1,807,014	69,573	2,678,550	4,555,137
Disposals	-	(179,344)	(1,038,416)	(1,217,760)
Transfer to intangible fixed assets	-	(54,862)	-	(54,862)
At 26 December 2020	19,752,681	941,267	8,759,068	29,453,016
Accumulated depreciation and impairment				
At 28 December 2019	1,817,279	432,459	4,126,061	6,375,799
Charge for the year	2,072,374	35,662	1,644,812	3,752,848
Impairment loss	275,064	32,484	234,244	541,792
Eliminated on disposal	-	(179,344)	(1,038,416)	(1,217,760)
Transfer to intangible fixed assets	-	(40,367)	-	(40,367)
At 26 December 2020	4,164,717	280,894	4,966,701	9,412,312
Carrying amount				
At 26 December 2020	15,587,964	660,373	3,792,367	20,040,704
At 28 December 2019	16,128,388	673,441	2,992,873	19,794,702

14 Investments

	Current 2020 £	2019 £	Non-current 2020 £	2019 £
Investments in subsidiaries	-	-	-	-

OKA DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 26 DECEMBER 2020

14 Investments (Continued)

Movements in non-current investments

	Shares in group undertakings £
Cost or valuation	
At 29 December 2019 & 26 December 2020	3,188,654
Impairment	
At 29 December 2019 & 26 December 2020	(3,188,654)
Carrying amount	
At 26 December 2020	-
At 28 December 2019	-

15 Subsidiaries

Details of the company's subsidiaries at 26 December 2020 are as follows:

Name of undertaking	Registered office	Direct ownership interest (%)	Indirect ownership interest (%)	Nature of business
Luxury American Design Holding, LLC	13780 Benchmark Drive, Farmers Branch, TX 75234, United States	100	-	Holding company
Newsom Designs, LLC	As above	-	100	Furniture and home furnishings sales
OKA USA, LLC	As above	-	100	Furniture and home furnishings sales

During the financial year one of the company's subsidiaries, Newsom Designs, LLC, ceased trading.

16 Inventories

	2020 £	2019 £
Finished goods	6,367,653	6,445,697

OKA DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 26 DECEMBER 2020

17 Trade and other receivables

	Current 2020 £	2019 £	Non-current 2020 £	2019 £
Trade receivables	38,500	745,877	-	-
Other receivables	769,256	216,809	2,491,974	1,833,888
Amounts owed by subsidiary undertakings	-	-	3,794,432	3,879,401
Amounts owed by fellow group undertakings	7,350,481	4,452,844	-	-
Prepayments and accrued income	2,142,489	2,829,571	-	-
	<u>10,300,726</u>	<u>8,245,101</u>	<u>6,286,406</u>	<u>5,713,289</u>

Included within non-current other receivables is £968,757 (2019: £549,266) relating to accrued interest receivable.

Included within amounts owed by subsidiary undertakings (non-current) is an interest in loan notes totalling £3,794,432 (2019: £3,879,401) which are due to be received on 14 September 2028. Interest is accrued at 10% per annum and is payable on the earlier of a change of control event or the final repayment date. Any unpaid interest compounds yearly on the anniversary of each loan.

18 Trade and other payables

	Current 2020 £	2019 £	Non-current 2020 £	2019 £
Trade payables	2,167,898	2,040,855	-	-
Amounts owed to fellow group undertakings	421,694	416,338	22,043,926	22,043,926
Accruals and deferred income	4,476,463	3,556,675	-	-
Other payables	155,770	69,371	4,148,150	1,812,161
	<u>7,221,825</u>	<u>6,083,239</u>	<u>26,192,076</u>	<u>23,856,087</u>

Included within non-current other payables is £3,761,830 (2019: £1,425,841) relating to accrued interest payable.

Included within amounts owed to subsidiary undertakings (non-current) is £7,004,941 (2019: £7,004,941) due for repayment on 14 September 2028, £3,624,871 (2019: £3,624,871) due for repayment on 12 April 2029, £6,369,810 (2019: £6,369,810) due for repayment on 17 August 2029 and £5,044,304 (2019: £5,044,304) due for repayment on 19 December 2029. Interest on all loans is accrued at 10% per annum and is payable on the earlier of a change of control event or the final repayment date. Any unpaid interest compounds yearly on the anniversary of each loan.

OKA DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 26 DECEMBER 2020

19 Borrowings

	2020	2019
	£	£
Unsecured borrowings at amortised cost		
Bank overdrafts	-	12,014
Other loans	9,461,944	-
	<u>9,461,944</u>	<u>12,014</u>

Analysis of borrowings

Borrowings are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2020	2019
	£	£
Current liabilities	-	12,014
Non-current liabilities	9,461,944	-
	<u>9,461,944</u>	<u>12,014</u>

During the year the company issued £9,000,000 unsecured loan notes maturing in June 2027. Interest on these loan notes accrues at a rate of 10% per annum compounding quarterly. On repayment the amount repaid, including principal and interest, must equal twice the principal amount of the loan notes. The amount of principal and accrued interest at the June 2027 repayment date is, in any event, expected to equal £18m. The amount of accrued interest payable at the year end is £461,944 (2019: £nil).

The loan notes are secured by way of fixed and floating charges over the assets of the company.

20 Lease liabilities

	2020	2019
	£	£
Maturity analysis		
Within one year	2,271,319	1,425,266
Over one year but within five years	7,708,376	8,357,568
After five years	8,411,809	6,680,313
	<u>18,391,504</u>	<u>16,463,147</u>

OKA DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 26 DECEMBER 2020

20 Lease liabilities (Continued)

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2020 £	2019 £
Current liabilities	2,271,319	1,425,267
Non-current liabilities	16,120,185	15,037,881
	<u>18,391,504</u>	<u>16,463,148</u>

	2020 £	2019 £
Amounts recognised in profit or loss include the following:		
Interest on lease liabilities	<u>1,614,105</u>	<u>1,038,950</u>

The fair value of the company's lease obligations is equal to its carrying value.

21 Provisions for liabilities

	2020 £	2019 £
Dilapidations	<u>1,197,746</u>	<u>1,196,419</u>

Provisions for dilapidations are made where the company is required to perform repairs on its leased properties. Provision for such costs are made when a present legal obligation has been incurred and the liability can be reasonably quantified. The obligations will ordinarily be incurred at the end of the lease period to which they relate.

Movements on provisions:	Dilapidations £
At 29 December 2019	1,196,419
Additional provisions in the year	<u>1,327</u>
At 26 December 2020	<u>1,197,746</u>

22 Retirement benefit schemes

Defined contribution schemes

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The charge to profit or loss in respect of defined contribution schemes was £266,937 (2019 - £274,068).

OKA DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 26 DECEMBER 2020

23	Share capital	2020 £	2019 £
	Ordinary share capital		
	<i>Issued and fully paid</i>		
	16,069,963 Ordinary shares of 1p each	160,700	160,700
	1,867,000 Growth shares of 0.1p each	1,867	1,867
		<hr/>	<hr/>
		162,567	162,567
		<hr/>	<hr/>

The growth shares have no voting rights and offer the holders their right to participate upon an exit event above a predetermined level.

24 Reserves

Profit and loss reserve

Cumulative profit and loss net of distributions to owners.

Share premium

The excess of consideration received for shares issued above their nominal value net of transaction costs.

25 Events after the reporting date

In June 2021, OKA successfully transitioned from its legacy finance, sales and stock systems onto the Netsuite ERP platform. This ERP is the cornerstone of the company's IT infrastructure and is fully scalable for future growth plans, enabling better integration with the rest of the company's systems, as well as delivering improved reporting, a stronger control framework and more efficient processing.

In the UK, the lease for the retail store in Parsons Green, London came to an end in August 2021 and has not been renewed as the small size of the store, with a footprint of only 1,300 trading sq ft, does not allow the full demonstration of the OKA brand.

On 30 April 2021 the company acquired 100% of the share capital of Luxury Hong Kong Design Ltd and OKA Asia Central Services Ltd for nominal consideration.

26 Related party transactions

The company has taken advantage of the exemptions provided by Section 8 of FRS 101 'Related Party Disclosures' not to disclose transactions entered into between two or more members of the group, provided that any subsidiary undertaking which is party to the transactions is wholly owned by a member of the group.

During the period the company sold goods to certain directors and connected family members amounting to £38,186 (2019: £53,212) at the company's usual list prices. £10,989 (2019: £18,945) was outstanding at the year-end.

Certain related parties, which have a small shareholding in the company's parent undertaking Luxury British Design Holdings Limited, have an interest in loan notes amounting to £9,000,000 (28 December 2019: £nil) and were owed accrued interest of £743,982 (28 December 2019: £nil) at the balance sheet date.

OKA DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 26 DECEMBER 2020

27 Controlling party

The immediate parent company is Luxury British Design 2 Limited, a company incorporated in the United Kingdom.

Luxury British Design Holdings Limited, a company incorporated in the United Kingdom, is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Luxury British Design Holdings Limited consolidated financial statements for the year ended 26 December 2020 are publicly available and can be obtained from Companies House.

The ultimate parent undertaking is Global Industrial Holding S.a.r.l., a company incorporated in Luxembourg.

28 Transition adjustments

A reconciliation is provided here of the Company's total equity and total comprehensive income reported previously under UK GAAP to the equivalent reported in accordance with IFRS. In accordance with IFRS the reconciliations below show adjustments to total equity and total comprehensive income rather than line by line:

Reconciliation of equity

	30 December 2018 £	28 December 2019 £
Equity as previously reported	9,678,354	(3,345,559)
Adjustments arising from transition:		
Net impact of right-of-use assets and lease liabilities	992,969	424,712
Equity as restated	<u>10,671,323</u>	<u>(2,920,847)</u>

Reconciliation of loss for the financial period

	2019 £
Loss as previously reported under FRS 102	(13,023,913)
Adjustments arising from transition:	
Reversal of rent expense on operating leases	2,287,972
Depreciation of right of use assets	(1,817,279)
Interest on lease liabilities	(1,038,950)
Loss as restated under FRS 101	<u>(13,592,170)</u>

OKA DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 26 DECEMBER 2020

28 Transition adjustments (Continued)

Notes to reconciliations

(i) Right of use assets and lease liabilities

Under IFRS 16 a right-of-use asset and a lease liability are recognised for all leases except 'low-value' and 'short' term leases where lease payments are recognised on a straight-line basis over the lease term. The main change from UK GAAP on application of IFRS 16 is in respect of the accounting for 'operating leases' where rentals payable (as adjusted for lease incentives) were previously expensed on a straight-line basis over the lease term.

At 30 December 2018 right-of-use assets of £10,183,583 and lease liabilities of £9,932,856 have been recognised, with a corresponding adjustment of £992,969 within equity. The net impact on profit or loss of additional depreciation and interest expense for the year ended 31 December 2019 in excess of the rental expense is £568,257.