

OKA Direct Limited
ANNUAL REPORT AND FINANCIAL STATEMENTS
31 December 2010

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COMPANIES HOUSE

Company Registration No 03722366

OKA Direct Limited

DIRECTORS AND ADVISERS

DIRECTORS

Viscountess Astor
M Christie
A K Hadden-Paton ACA
A J Hickin ACMA
S C Jones
L I Waterhouse
G E Frost
H W B Sallitt

SECRETARY

A J Hickin ACMA

REGISTERED OFFICE

Unit 17 Farm Lane Industrial Estate
101 Farm Lane
Fulham
London
SW6 1QJ

AUDITOR

Baker Tilly UK Audit LLP
Chartered Accountants
25 Farringdon Street
London EC4A 4AB

OKA Direct Limited

DIRECTORS' REPORT

The directors submit their report and the financial statements of OKA Direct Limited for the year ended 31 December 2010

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was that of sale of furniture and accessories through direct mail order, showrooms and the website

RESULTS AND DIVIDENDS

The results for the year are set out on page 6 The directors are unable to recommend the payment of a dividend

REVIEW OF THE BUSINESS

2010 has been another year of investment for OKA This has included the opening of a new flagship store in Chelsea and the rebranding of Cath Collins products as Scent for Living These investments have been funded partially by the provision of £750,000 of loans by certain of the directors and parties connected to them It is anticipated that these loans will be repaid from free cash flow in 2011

Turnover for 2010 was 9.4% ahead of 2009 with the new flagship showroom at Chelsea performing particularly well since its opening in September 2010 Heavy snow in late December 2010 hampered Christmas sale performance and resulted in the temporary closure of some of the country stores for approximately one week The overall trading results show an adjusted EBITDA of £472,487 for the year EBITDA has been adjusted to exclude material one-off charges incurred during 2010 created amongst other things by the opening of the Chelsea store and the rebranding of Cath Collins products

Trading remains strong in 2011 with like for like sales 18% ahead of last year up to the end of May 2011

FUTURE DEVELOPMENTS

Certain showroom leases expire in early 2012 and the opportunity is being taken to re-balance the property portfolio In particular, the planned disposal of the Berinsfield, Sloane Avenue and Haslemere sites will result in improved profitability from 2012 onwards

The business has continued to make advancements in improving the overall customer experience so as to set OKA apart from the competition This includes the addition of new showroom tills, enhanced web functions and a number of other improvements in order to meet the ever-increasing customer expectations

RISKS AND UNCERTAINTIES

The economic environment is expected to remain difficult, especially for retail businesses, throughout 2011 However, as in previous years, OKA continued to hedge its US dollar exposure, significantly reducing the risk of large fluctuations This strategy will continue to be implemented throughout 2011 Exposure to the Euro is very limited

Overseas manufacturers are expected to continue to cause concern during 2011, with price instability and the inability to deliver to deadlines Alternative sources are continuously being considered

KEY PERFORMANCE INDICATORS

Sales	Up 9.4%
Gross profit margin	Up 5.0 percentage points
Operating loss	(£519,831)
Adjusted EBITDA*	£472,487

*Earnings before interest, tax, depreciation, amortisation, share-based payments and exceptional items

OKA Direct Limited

DIRECTORS' REPORT

GOING CONCERN

The financial statements have been prepared on a going concern basis. The statement headed "Going Concern" on page 11 sets out certain factors relevant to the directors' consideration in reaching this assessment.

EVENTS AFTER THE BALANCE SHEET DATE

In April 2011, the company received loans totalling £250,000 from various directors and parties connected to them. These loans are repayable on or before 30 November 2011.

DIRECTORS

The following directors have held office since 1 January 2010 unless otherwise stated:

Viscountess Astor	
M Christie	
A K Hadden-Paton ACA	
A J Hickin ACMA	
S C Jones	
L I Waterhouse	
G E Frost	
T C Alston ACMA	- resigned 11/08/2010
E W Dawnay FCA	- resigned 25/11/2010
H W B Sallitt	

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the directors has confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

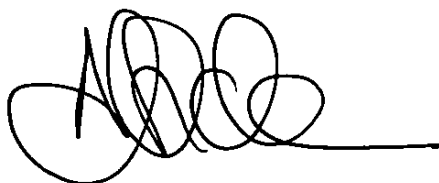
AUDITOR

Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

By order of the board



A Astor
Managing Director



A Hickin
Director

27/06/2011

OKA Direct Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing 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).

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 profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- a select suitable accounting policies and then apply them consistently,
- b make judgements and accounting estimates that are reasonable and prudent,
- c state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- d 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

We have audited the financial statements on pages 6 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.



PAUL NEWMAN (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

Chartered Accountants

25 Farringdon Street

London EC4A 4AB

27/06/2011

OKA Direct Limited
PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2010

	<i>Notes</i>	2010 £	2009 £
TURNOVER	<i>1</i>	14,989,671	13,696,831
Cost of sales		(7,495,474)	(7,529,463)
GROSS PROFIT		<u>7,494,197</u>	<u>6,167,368</u>
Share-based payments	<i>18</i>	(35,460)	(63,446)
Depreciation		(425,599)	(506,300)
Exceptional pre-opening costs of flagship showroom		(531,259)	-
Other administrative expenses		(7,078,585)	(5,788,976)
Total administrative expenses		<u>(8,070,903)</u>	<u>(6,358,722)</u>
Other operating income		56,875	1,376
OPERATING LOSS	<i>3</i>	<u>(519,831)</u>	<u>(189,978)</u>
Interest receivable and similar income		-	47
Interest payable and similar charges	<i>4</i>	(77,910)	(48,502)
Exceptional impairment of investment in subsidiary undertaking	<i>7</i>	(300,095)	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(897,836)</u>	<u>(238,433)</u>
Taxation	<i>5</i>	9,150	15,614
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	<i>16</i>	<u>(888,686)</u>	<u>(222,819)</u>

RECONCILIATION OF ADJUSTED EBITDA	2010 £	2009 £
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(897,836)	(238,433)
Exceptional impairment of investment in subsidiary undertaking	300,095	-
Exceptional pre-opening costs of flagship showroom	531,259	-
Depreciation	425,599	506,300
Share-based payments	35,460	63,446
Interest payable and similar charges	77,910	48,502
Interest receivable and similar income	-	(47)
ADJUSTED EBITDA	<u>472,487</u>	<u>379,768</u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current or previous year

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the loss for the current and previous year

OKA Direct Limited

BALANCE SHEET

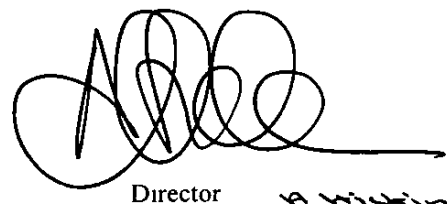
31 December 2010

Company Registration No 03722366

	Notes	2010 £	2009 £
FIXED ASSETS			
Tangible assets	6	1,855,921	1,070,206
Investments	7	-	300,095
		<u>1,855,921</u>	<u>1,370,301</u>
CURRENT ASSETS			
Stocks	8	3,180,387	2,455,345
Debtors	9	1,655,943	910,306
Cash at bank and in hand		71,972	748,921
		<u>4,908,302</u>	<u>4,114,572</u>
CREDITORS Amounts falling due within one year	10	(3,821,539)	(1,716,489)
NET CURRENT ASSETS		<u>1,086,763</u>	<u>2,398,083</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,942,684	3,768,384
CREDITORS Amounts falling due after more than one year	11	(3,015)	(64,296)
PROVISIONS FOR LIABILITIES	12	(195,193)	(106,386)
NET ASSETS		<u>2,744,476</u>	<u>3,597,702</u>
CAPITAL AND RESERVES			
Called up share capital	14	140,000	140,000
Share premium	15	4,932,160	4,932,160
Profit and loss account	15	(2,327,684)	(1,474,458)
SHAREHOLDERS' FUNDS	16	<u>2,744,476</u>	<u>3,597,702</u>

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


Managing Director


Director

OKA Direct Limited
CASH FLOW STATEMENT
for the year ended 31 December 2010

	<i>Notes</i>	2010 £	2009 £
CASH FLOW FROM OPERATING ACTIVITIES	(i)	(431,290)	1,742,593
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(ii)	(77,910)	(48,455)
TAXATION		-	9,114
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	(ii)	(1,211,314)	(512,529)
ACQUISITIONS	(ii)	-	(80,000)
CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(1,720,514)	1,110,723
FINANCING	(ii)	408,339	(109,212)
(DECREASE)/INCREASE IN CASH IN THE YEAR		<u>(1,312,175)</u>	<u>1,001,511</u>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET (DEBT)/FUNDS			
(DECREASE)/INCREASE IN CASH IN THE YEAR		(1,312,175)	1,001,511
Cash inflow from director's loan		(500,000)	-
Cash outflow from hire purchase financing		91,661	122,298
Change in net (debt)/cash resulting from cash flows		<u>(1,720,514)</u>	<u>1,123,809</u>
New hire purchase contracts		-	(13,086)
MOVEMENT IN NET (DEBT)/FUNDS IN THE YEAR		<u>(1,720,514)</u>	<u>1,110,723</u>
NET FUNDS/(DEBT) AT 1 JANUARY 2010		<u>581,620</u>	<u>(529,103)</u>
NET (DEBT)/FUNDS AT 31 DECEMBER 2010	(iii)	<u>(1,138,894)</u>	<u>581,620</u>

OKA Direct Limited

NOTES TO THE CASH FLOW STATEMENT

for the year ended 31 December 2010

(i)	RECONCILIATION OF OPERATING LOSS TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	2010 £	2009 £
	Operating loss	(519,831)	(189,978)
	Share-based payments	35,460	63,446
	Depreciation	425,599	506,300
	Loss on disposal of tangible fixed assets	-	37,471
	(Increase)/decrease in stocks	(725,042)	1,523,768
	(Increase)/decrease in debtors	(736,497)	10,681
	Increase/(decrease) in creditors	1,000,214	(209,095)
	Increase in provisions	88,807	-
	NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	(431,290)	1,742,593
(ii)	ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT	2010 £	2009 £
	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
	Interest received	-	47
	Interest paid	(62,983)	(22,049)
	Interest element of hire purchase contracts	(14,927)	(26,453)
	NET CASH OUTFLOW FOR RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(77,910)	(48,455)
	CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
	Purchase of tangible fixed assets	(1,211,314)	(512,529)
	NET CASH OUTFLOW FOR CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	(1,211,314)	(512,529)
	ACQUISITIONS		
	Purchase of minority interest in subsidiary undertaking	-	(80,000)
	FINANCING		
	Capital element of hire purchase rental payments	(91,661)	(122,298)
	New hire purchase contracts	-	13,086
	Director's loan	500,000	-
	NET CASH INFLOW/(OUTFLOW) FROM FINANCING	408,339	(109,212)

OKA Direct Limited

NOTES TO THE CASH FLOW STATEMENT for the year ended 31 December 2010

(iii)	ANALYSIS OF CHANGES IN NET FUNDS/(DEBT)	At 1 January 2010 £	Cash flow £	Other non-cash changes £	At 31 December 2010 £
	Cash at bank and in hand	748,921	(676,949)	-	71,972
	Bank overdraft	-	(635,226)	-	(635,226)
		<u>748,921</u>	<u>(1,312,175)</u>	<u>-</u>	<u>(563,254)</u>
	Hire purchase contracts	(167,301)	91,661	-	(75,640)
	Director's loan due within one year	-	(500,000)	-	(500,000)
		<u>(167,301)</u>	<u>(408,339)</u>	<u>-</u>	<u>(575,640)</u>
	TOTAL	<u>581,620</u>	<u>(1,720,514)</u>	<u>-</u>	<u>(1,138,894)</u>

OKA Direct Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

The financial statements present information about the company as an individual undertaking and not about its group. The company is exempt from preparing consolidated financial statements because all of its subsidiaries are dormant.

GOING CONCERN

The company's business activities together with the factors likely to affect its future development, performance and position are set out in the directors' report.

In common with many other retailers, the company's working capital requirements are met at certain times of the year through an overdraft facility that was renewed in January 2011. In addition, the company received a loan of £500,000 from a director during the year together with further loans of £250,000 from directors and parties connected to them.

The current economic environment is expected to remain difficult, especially for retail businesses, throughout 2011 and this creates uncertainty over the level of demand for the company's products. The directors are confident that the company's trading forecasts and cash flow projections, taking account of the possible changes in trading performance, show that the company will continue to be able to operate within the existing overdraft facility and is likely to meet the contractual repayment terms of the above loans as and when they become due.

The directors are therefore satisfied that the company has adequate financial resources to continue to operate for the foreseeable future and is financially sound. For this reason, the going concern basis is considered appropriate for the preparation of the financial statements.

TANGIBLE FIXED ASSETS

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Short leasehold improvements	-	over the term of the lease
Fixtures, fittings and equipment	-	at various rates between 3 and 10 years
Motor vehicles	-	straight line over 3 years
Website	-	straight line over 3 years

INVESTMENTS

Fixed asset investments are stated at cost. Provision is made for any impairment.

STOCKS

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.

PROVISIONS

Provisions are recognised for dilapidations when the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation.

OKA Direct Limited

ACCOUNTING POLICIES

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

LEASED ASSETS AND OBLIGATIONS

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor. Lease payments are treated as consisting of capital and interest elements and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are "operating leases" and the annual rentals are charged to profit and loss on a straight line basis over the lease term.

Rent free periods or other incentives received for entering into a lease are accounted for over the period of the lease so as to spread the benefit received over the lease term or, if shorter, the period ending when prevailing market rentals will become payable.

TURNOVER

Turnover represents net invoiced sales of goods, excluding value added tax and is recognised in the financial statements on a despatch basis.

SHARE BASED PAYMENTS

The company has applied the requirements of FRS20 *Share-based Payments* which requires equity-settled share-based payments to be measured at fair value at the date of grant. The fair value measured by use of the Trinomial Lattice option pricing model at the grant date is expensed on a straight-line basis over the vesting period, based on the company's estimate of the number of shares that will eventually vest.

PENSIONS

The company contributes towards the personal pension plans of certain directors and senior employees. Pension costs charged to the profit and loss account represent the amounts payable in the year.

PRE OPENING COSTS

Pre-openings costs represent costs incurred up to the date of opening a new showroom. These costs are written off to the profit and loss account in the period in which they are incurred.

FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

OKA Direct Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The company's turnover and loss before taxation were all derived from its principal activity Sales were made solely in the United Kingdom

2 STAFF COSTS	2010 £	2009 £
Wages and salaries	3,277,695	3,250,347
Social security costs	301,087	312,912
Pension costs	38,390	34,315
Share-based payments	35,460	63,446
	<u>3,652,632</u>	<u>3,661,020</u>

The average monthly number of employees during the year was as follows

	2010 No	2009 No
Directors	9	11
Administrative	65	72
Shops	67	61
	<u>141</u>	<u>144</u>

DIRECTORS	2010 £	2009 £
Emoluments	484,585	575,626
Contributions to money purchase pension schemes	14,576	12,502
Share-based payments	35,460	60,888
Compensation for loss of office	123,600	-
	<u>658,221</u>	<u>649,016</u>

The number of directors to whom retirement benefits are accruing under money purchase pension schemes was 5 (2009 5)

Directors' emoluments disclosed above included emoluments in respect of the highest paid director as follows	2010 £	2009 £
Emoluments	43,965	128,000
Contributions to money purchase pension schemes	5,975	-
Share-based payments	-	20,466
Compensation for loss of office	123,600	-
	<u>173,540</u>	<u>148,466</u>

OKA Direct Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

3	OPERATING LOSS	2010 £	2009 £
	The operating loss is stated after charging		
	Operating lease rentals		
	Land and buildings	1,548,484	1,382,685
	Other	26,242	24,462
	Depreciation – owned assets	370,139	430,924
	Depreciation – assets on hire purchase contracts	55,460	75,376
	Auditor's remuneration for audit work	30,000	30,000
	Auditor's remuneration for taxation services	7,000	8,816
	Loss on disposal of tangible fixed assets	-	37,471
4	INTEREST PAYABLE AND SIMILAR CHARGES	2010 £	2009 £
	Bank interest	58,816	22,049
	Hire purchase interest	14,927	26,453
	Other interest	4,167	-
		77,910	48,502
5	TAXATION	2010 £	2009 £
	Tax on loss on ordinary activities for the year was as follows		
	Current tax		
	UK corporation tax	-	10
	Overprovision in previous year	(9,150)	(15,624)
	Tax on loss on ordinary activities	(9,150)	(15,614)
	Factors affecting the tax credit for the year	2010 £	2009 £
	The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 28%. The differences are explained below		
	Loss on ordinary activities before tax	(897,836)	(238,433)
	Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009 28%)	(251,394)	(66,761)
	Effects of		
	Expenses not deductible for tax purposes	96,986	28,570
	Income not taxable	(2,660)	-
	Depreciation in the year greater than capital allowances	12,703	29,113
	Other timing differences	(1,370)	(88)
	Tax losses not utilised	145,735	9,176
	Corporation tax adjustment in respect of prior period	(9,150)	(15,624)
	Current tax for the year	(9,150)	(15,614)

The company has a potential deferred tax asset of £436,815 (2009 £291,080) in respect of tax losses carried forward of £1,560,054 (2009 £1,039,572) that has not been recognised due to uncertainty as to the timing of losses being utilised. A further potential deferred tax asset of £28,091 (2009 £26,825) in respect of other timing differences has similarly not been recognised.

OKA Direct Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2010

6 TANGIBLE FIXED ASSETS

	Short leasehold improvements £	Fixtures, fittings and equipment £	Motor vehicles £	Website £	Totals £
Cost					
1 January 2010	355,920	2,469,562	63,279	112,723	3,001,484
Additions	903,203	290,767	14,200	3,144	1,211,314
Disposals	-	(900)	-	-	(900)
31 December 2010	1,259,123	2,759,429	77,479	115,867	4,211,898
Depreciation					
1 January 2010	222,498	1,554,828	44,862	109,090	1,931,278
Charge for the year	48,304	360,617	12,910	3,768	425,599
Disposals	-	(900)	-	-	(900)
31 December 2010	270,802	1,914,545	57,772	112,858	2,355,977
Net book value					
31 December 2010	988,321	844,884	19,707	3,009	1,855,921
31 December 2009	133,422	914,734	18,417	3,633	1,070,206

Fixed assets, included in the above, which are held under hire purchase contracts, are as follows

	Fixtures, fittings and equipment £	Motor vehicles £	Totals £
Cost			
1 January 2010 and 31 December 2010	384,180	36,371	420,551
Depreciation			
1 January 2010	183,023	24,376	207,399
Charge for the year	51,098	4,362	55,460
31 December 2010	234,121	28,738	262,859
Net book value			
31 December 2010	150,059	7,633	157,692
31 December 2009	201,157	11,995	213,152

OKA Direct Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

7	FIXED ASSET INVESTMENTS	Shares in subsidiary undertakings £
	COMPANY	
	Cost and net book value	
	1 January 2010	300,095
	Impairment	(300,095)
	31 December 2010	-

The impairment in the year represents the write down of the company's investment in OKA Direct (Scent for Living) Limited (formerly Cath Collins Limited) since the trade of this company has now been transferred into OKA Direct Limited

The company retains a 100% interest in the ordinary share capital of two dormant companies namely OKA Direct (Scent for Living) Limited and RAPT Direct Limited

8	STOCKS	2010 £	2009 £
	Stocks	3,180,387	2,455,345

9	DEBTORS amounts falling due within one year	2010 £	2009 £
	Trade debtors	85,119	83,134
	Corporation tax	9,140	-
	Other debtors	957,721	367,639
	Prepayments and accrued income	603,963	459,533
		1,655,943	910,306

10	CREDITORS Amounts falling due within one year	2010 £	2009 £
	Bank overdraft	635,226	-
	Hire purchase contracts	72,625	103,005
	Trade creditors	1,109,853	788,923
	Corporation tax	-	10
	Other taxation and social security	600,077	504,027
	Other creditors	500,000	-
	Accruals and deferred income	903,758	320,524
		3,821,539	1,716,489

The bank overdraft is secured by a debenture on the bank's standard form giving a fixed and floating charge over the assets of the company

Hire purchase contracts disclosed above and in note 11 are secured on the related assets

OKA Direct Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2010

11	CREDITORS	Amounts falling due after more than one year	2010 £	2009 £
	Hire purchase contracts		3,015	64,296
12	PROVISIONS FOR LIABILITIES		2010 £	2009 £
	Dilapidations		195,193	106,386
				£
	Provision at 1 January 2010			106,386
	Charge to the profit and loss account			88,807
	Provision at 31 December 2010			195,193
13	OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS		2010 £	2009 £
	Net obligations repayable under hire purchase contracts			
	Within one year		72,625	103,005
	Between two and five years		3,015	64,296
			75,640	167,301
14	SHARE CAPITAL		2010 £	2009 £
	Authorised 20,000,000 ordinary shares of £0.01 each		200,000	200,000
	Allotted, issued and fully paid 13,999,976 ordinary shares of £0.01 each		140,000	140,000
	Share options			Number of shares for which rights are exercisable at 31.12.10
	Scheme	Grant Date	Subscription price per share	Period within which options are exercisable
	EMI Scheme	07 May 2008	28 pence	23.07.10 to 23.07.17
	Unapproved Scheme	07 May 2008	28 pence	23.07.10 to 23.07.17

OKA Direct Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2010

15	RESERVES	Profit and loss account £	Share premium £	Totals £
	1 January 2010	(1,474,458)	4,932,160	3,457,702
	Loss for the year	(888,686)	-	(888,686)
	Credit to equity for share-based payments	35,460	-	35,460
	31 December 2010	<u>(2,327,684)</u>	<u>4,932,160</u>	<u>2,604,476</u>

16	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	2010 £	2009 £
	Loss for the financial year	(888,686)	(222,819)
	Credit to equity for share-based payments	35,460	63,446
	Opening shareholders' funds	3,597,702	3,757,075
	Closing shareholders' funds	<u>2,744,476</u>	<u>3,597,702</u>

17 OPERATING LEASES

The company was committed to making the following payments during the next year under non-cancellable operating leases expiring as follows

	Land and buildings		Other operating leases	
	2010 £	2009 £	2010 £	2009 £
Within one year	-	27,300	26,000	1,842
Between two and five years	404,890	503,385	72,388	22,620
In more than five years	1,655,264	688,400	-	-
	<u>2,060,154</u>	<u>1,219,085</u>	<u>98,388</u>	<u>24,462</u>

18 SHARE BASED PAYMENTS

As set out in note 14, the company granted options to subscribe for ordinary shares on 7 May 2008. The fair value of the options at date of grant was calculated using the Trinomial Lattice model. The inputs into the Trinomial Lattice model were as follows

Theoretical share price at date of grant	28p
Exercise price	28p
Vesting period	2.21 years
Expected volatility of the theoretical share price	35%
Expected life of the option	10 years
Risk free rate	4.79%
Expected dividends	0%
Employee exercise multiple	2
Employee exit rate	10%

Based on the inputs set out above, the fair value of the options granted expensed on a straight line basis over the vesting period has resulted in a charge to the profit and loss account during the year of £35,460 (2009 £63,446)

OKA Direct Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

19 EVENTS AFTER THE BALANCE SHEET DATE

In April 2011, the company received loans totalling £250,000 from various directors and parties connected to them. These loans are repayable on or before 30 November 2011.

20 RELATED PARTY TRANSACTIONS

Other creditors includes a director's loan of £500,000 which was made to the company during the year by G E Frost, accruing interest of £4,167.

21 FINANCIAL INSTRUMENTS

The company hedges its exposure to large fluctuations in the US dollar to sterling exchange rate through the use of a "window forward plus option" agreement provided by its bankers. The fair value of this instrument at the year end is not material to the financial statements.

22 CONTROLLING PARTY

The directors consider the ultimate controlling party to be Rose Nominees Limited, a company controlled by FF&P Private Equity, the private equity division of Fleming Family & Partners.