SUPREME
PLC

ANNUAL REPORT & ACCOUNTS
For the year ended 31 March 2021

A leading manufacturer, supplier and brand owner of fast-moving consumer products

Contents

1 Attractive Markets

Large and **fast-growing** markets serving customers who themselves are growing

2 Vertically Integrated

UK manufacturing facilities for Vaping and Sports Nutrition & Wellness products enhance quality, margins and flexibility

3 Best in Class Distribution Platform

Extensive distribution platform with **embedded relationships** within retailers, fast-growing discounters and the UK prison service

4 Product Expansion Success

Track record of **leveraging platform** to **generate growth** in **new product categories** including Vaping and Sports Nutrition & Wellness

5 Financial Profile

Resilient and **growing revenues** and **EBITDA**
Growth driven by the highest gross margin categories
Capex-light and cash generative model

Leveraging our vertically integrated platform to take fast-moving consumer brands to our extensive customer network

+33%	+24%	+21%	+17%
Revenue £122.3m (2020 92.3m)	Gross Profit £33.0m (2020 £26.6m)	Adjusted EBITDA 19.3m (2020 £16.0m)	Adjusted EPS 12.0p (2020 10.3p)

Financial highlights

- Strong organic growth across all key categories coupled with **encouraging performances** from the recent acquisitions. The strongest sales growth was generated in the two highest margin categories:
  - Vaping **36%** revenue growth
  - Sports Nutrition & Wellness **38%** revenue growth
- Gross profit grew by **24%** driven by increases for manufactured lines. Gross profit as a percentage of sales was marginally lower (1.8ppt) reflecting the change in the sales mix
- The Balance Sheet was notably stronger, with net assets of **£18.8 million** (FY20: £4.1 million) and net debt of only £7.6 million (FY20: £21.3 million) at the end of FY21

Operational highlights

- Successfully admitted to trading on AIM in February 2021 and achieved an oversubscribed fundraising with a register of high calibre institutional investors
- Strong new business momentum achieved throughout the year:
  - In June 2020, secured contract with Scottish Prison Service for bespoke vaping products providing further endorsement of vaping from the public sector;
  - In March 2021, completed the roll-out of 88vape products across McColl's estate adding a further **1,180 retail convenience stores** nationwide; and
  - Continued progress in product and category development by expanding the Sports Nutrition & Wellness category into protein snack bars and meal replacements.
- Rapid response to COVID-19:
  - Undisrupted manufacturing and distribution operations throughout the pandemic;
  - Early-adoption of full-site weekly testing to ensure the safety of all our staff; and
  - Seamless business adaptations to manage the changes to our distribution channels.

Post period-end highlights and outlook

- The current financial year to 31 March 2022 ("FY22") has started well, including 2 new customers wins – Sainsburys (who will begin to stock 88vape in **400 stores** starting in late Summer) and Core Communications who aim to supply 88vape to their network of **25,000** independent retailers
- All areas of the business are performing in line with management expectations
- In June 2021, completed the acquisitions of:
  - Vendek Limited, Ireland's leading distributor of batteries and lighting products; and
  - the stock and brands of Sci-MX Nutrition Limited, a **leading sports nutrition** and supplements business.
- Maiden dividend payment expected following publication of FY22 interim results
- The Board and management of Supreme continue to monitor the COVID-19 situation closely but remain confident in the growth prospects for the Group in the medium-term

[1]Adjusted EBITDA means operating profit before depreciation, amortisation and Adjusted items (as defined in Note 7 of the financial statements). Adjusted items include share-based payments charge, fair value movements on non-hedge accounted derivatives and other non-recurring items (including all IPO-related costs)

[2]Adjusted Profit before tax means profit before tax and Adjusted items (as defined in Note 7 of the financial statements). Adjusted items include share-based payments charge, fair value movements on non-hedge accounted derivatives and other non-recurring items (including all IPO-related costs)

[3]Adjusted EPS means Earning per share, where Earnings are defined as profit after tax but before amortisation of acquired intangibles and Adjusted items (as defined in Note 7 of the financial statements). Adjusted items include share based payments, fair value movements on non-hedge accounted derivatives and other non-recurring items (including all IPO-related costs)

Our Categories

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Lighting

11% revenue CAGR between FY16-21

Batteries

200 million batteries supplied each year

Vaping

88vape is the UK's number 1 value vaping brand

Sports Nutrition and Wellness

From start-up to revenues of £7m in three years

Household Goods

Continuing to develop this new category

- Licensed supplier for leading brands, with own and white label offering
- Growing resilient category, utilising existing customer relationships
- Global license with Eveready / Energizer valid until 2025, JCB license valid until 2024

- One of the UK's largest independent battery suppliers
- Stable, core revenue product
- Drives sticky customer relationships and opportunity to cross-sell higher margin categories
- 22-year relationship with Duracell, Energizer and Panasonic
- 11-year relationship with JCB and 7-year relationship with Philips

- Over one million 88vape users
- Fast-growing consumer online proposition accelerated by the pandemic
- Used as a smoking cessation aid
- High level of regulation creates barriers to entry
- Established and extensive in-house manufacturing capabilities, driving high margins with capacity to expand

- Rapidly growing category driven by ability to cross-sell products to existing customers
- Expanded into protein snacks with recent acquisition of Battle Bites
- Exciting growth opportunity through expansion into vitamin and supplement market
- In-house manufacturing capabilities yield superior returns

- Acquisition of Provider Distribution in February 2020
- Promising first year under Supreme's ownership
- Complementary segment alongside our other FMCG products

Chairman's Statement

Paul McDonald
Non-executive Chairman

> To achieve sustained growth and progress in all categories during a year of disruption and uncertainty is a testament to the strength of Supreme's team and the Company's underlying business structure.

It is a pleasure to provide our first set of results for Supreme as a public company. Our February 2021 IPO was a major milestone for the Company, which received positive support from the investor community. We are extremely proud to be publicly quoted and look forward to capitalising on the many benefits that our public quotation brings.

Supreme traded strongly in the year ended 31 March 2021, achieving a 33% increase in revenues to £122.3 million (2020: £92.3 million) and a 21% increase in Adjusted EBITDA to £19.3 million (2020: £16.0 million), which was ahead of expectations. We maintained our attractive financial profile during the year, with strong EBITDA and cash flow growth, underpinned by our capital light model and strong balance sheet.

Despite the broader impact of COVID-19 on the UK economy, the Company was able to maintain strong business continuity, successfully trading throughout and navigating the challenges presented, by adapting to the ever-evolving situation. Supreme continued to benefit from operating in attractive markets, including the large and fast-growing vaping, lighting and sports nutrition markets as well as being vertically integrated, our manufacturing facilities remaining fully operational throughout the pandemic with the majority of our customers remaining open for business.

Demand for Supreme's everyday items withstood the economic pressures of the pandemic and we were able to leverage our vertically integrated platform and extensive retail network that includes over 3,300 accounts and 70,000 active online accounts.

I firmly believe that our team's hard work and talent was core to our business overcoming the many obstacles presented by COVID-19. To achieve sustained growth and progress in all categories during a year of disruption and uncertainty is testament to the strength of Supreme's team and the Company's underlying business structure.

Ahead of the IPO, we put together a high calibre, well-balanced Board with a strong blend of skills and relevant experience. Sandy Chadha, our CEO, was joined by our CFO, Suzanne Smith, as the Executive Directors. Concurrently, three independent non-executive directors were appointed including Mark Cashmore as Senior Non-Executive Director and Chair of the Remuneration Committee and Simon Lord as Chair of the Audit & Risk Committee. They have each brought diverse and informed perspectives, enabling our committees to be fully functional from an early stage and, I am confident, will also continue to apply independent judgement and diligent oversight to the operation of the Board.

Looking to the future, we have a highly experienced management team, great value products, an almost unrivalled distribution platform and a proven business model, in addition to a focused growth strategy centred around domestic and overseas expansion.

Finally, I would like to put on-record my gratitude to the whole Supreme team for their dedication and tenacity in the last 18 months in navigating our business through the pandemic. This commitment has been reflected in a strong set of results and we look to the future with confidence.

Paul McDonald
Non-executive Chairman

19 July 2021


SCI-MX
HIGH PROTEIN
LOW SUGAR
SOY FREE
ULTRA WHEY
ULTRA DIET
ULTRA PLANT


BATTLE BITES
HIGH PROTEIN BAR


SOLO


sealions
Available at Sealions.com
1 YEARS SUPPLY OF VITAMINS!
View our full range, including Vitamin C, D,
Multivitamins, Omega 3, Cod Liver Oil and more.


Protein Dynamix™
LEAN PROTEIN
MASS GAINER


Millions & Millions
BEAUTY FORMULA
A-Z MULTIVITAMIN & MINERALS
VITAMIN D3


88vape.
The UK's No1. Best Selling £1 E-Liquid
Menthol Chill
This product contains nicotine which is a highly addictive substance


Energizer MAX
#1 Longest Lasting MAX Batteries
FREE GRATIS


NEW
Energizer


PHILIPS


JCB
BUILT TO LAST


DURACELL

Business Model

NEW PRODUCTS

Marketing

R&D

Bespoke packaging

Design

In-house manufacturing

Contract manufacturing

Integrated warehousing systems

B2B online ordering

Fast delivery

Display solutions

Logistics

Online D2C

Brands

- **Own brands**: 88vape, Protein Dynamix, GoNutrition and Battle Bites
- **Licensed brands**: Energizer, JCB and Eveready
- **Distribution agreements** with battery brands: Panasonic, Energizer and Duracell

Product development

- Continued product development for **own brands**
- Provides customers with **private label service**

Manufacturing

- **In-house manufacturing** for 88vape e-liquids, powders and vitamins in Sports Nutrition & Wellness
- Other products are **manufactured by third parties**

Services

- **Online ordering and integrated management system** for retailers: >750 active accounts with average order value of **>£950**

Extensive customer network

- **10,000+ branded retail outlets** and thousands of independent stores
- Close relationships drive **collaborative product innovation**
- Selling own brands D2C through **proprietary online stores**

Chief Executive Officer's Review

Sandy Chadha
Chief Executive Officer

Introduction
I am delighted to announce our first set of results as a quoted company, in what was a fantastic year for our business, with the IPO of the Company a clear highlight. In the year ended 31 March 2021, we achieved significant progress across all of our key categories, in particular, within our two key growth categories of Vaping and Sports Nutrition & Wellness, whilst producing a very strong performance in our Lighting and Batteries categories. This performance further establishes Supreme as one of the leading suppliers and manufacturers of fast-moving consumer goods and a trusted partner to our customers and suppliers.

Supreme delivered a 33% increase in revenues to £122.3 million in the year (2020: £92.3 million) and a 21% increase in Adjusted EBITDA to £19.3 million (2020: £16.0 million), which was ahead of expectations. Central to our strong financial performance is the prominence of our brands and our diverse and extensive retail network, which includes 3,300 active accounts across wholesale, discount, supermarket, high street, international and public sector customers, in addition to 70,000 active online accounts.

Specifically, Supreme delivered a 36% increase in revenues in its Vaping division, with its 88vape brand continuing to achieve strong customer traction, as demonstrated by the recent agreement with McColl's. Furthermore, the Group's Sports Nutrition & Wellness category delivered 38% revenue growth, which was underpinned by the success of the acquisition of Battle Bites protein snack bars in October 2020, the expansion of the powdered protein range into meal replacements under the Solo brand and the early success of private label vitamins, which will be further complemented by additional product launches later in 2021.

I am also extremely proud of the way the Supreme team has responded throughout the COVID-19 pandemic, which has touched the lives of every individual and had a huge impact on the broader UK economy. Most importantly, we have kept our people safe throughout this period, whilst ensuring strong business continuity. We introduced testing for all our staff well ahead of our peers and have ensured PPE equipment and social distancing guidelines were implemented across the Group.

Operational Review
The Supreme business model is simple. We leverage our vertically integrated platform to introduce new consumer brands and increase the penetration of our existing brands and products across our customer base. These brands may be licensed, own-brand or acquired, as well as white-labeled for certain customers. We typically distribute over 2,000 products daily across our five product categories. Whether it be our brands or distribution agreements with battery brands like Panasonic, Energizer and Duracell, we continue to strive to maximise our routes to market to ultimately generate a greater return on our investment.

In addition, our state-of-the-art manufacturing facilities continue to ensure we yield superior returns for our products, most notably for our 88vape e-liquids as well as our powders and vitamins within the Sports Nutrition & Wellness division. We also made further progress in developing our online fulfilment ordering and integrated management systems for retailers during the year.

The past financial year has highlighted both the robustness and versatility of our vertically integrated platform. With this strong platform firmly at the heart of our business, management will continue to focus on the following strategic growth drivers, which are to:

- concentrate on high growth and high margin categories such as Vaping and Sports Nutrition & Wellness which have strong market tailwinds;
- expand our international footprint through existing customer relationships and strategic acquisitions;
- broaden our customer base and increase penetration through cross-sell opportunities and increasing the average revenue per customer;
- continue to develop innovative products and enter additional verticals to cater for Supreme's broad customer base, focused on a high quality yet good value consumer proposition;
- increase our manufacturing efficiencies through further economies of scale and bringing the manufacture of certain products in-house;
- evaluate complementary acquisitions to add immediate value, through increased efficiencies and synergies with the Group's existing activities; and
- enhance online distribution and services to further grow our B2B and D2C sales channels.

Batteries
We have over 20 years' experience in the consumer battery market, holding license agreements with household names including Panasonic, Duracell and Energizer since the 1990s, in addition to an exclusive 11-year relationship with JCB, and a 7-year relationship with Philips. We have grown to become one of the UK's largest independent distributors of batteries, delivering over 200 million a year. This division performed well in the year ended 31 March 2021, with a 10% gross profit margin and a number of successes in capitalising on cross-sell opportunities. The category brings stability due to repeat customers, which results in high revenue visibility. Nonetheless, avenues to further growth exist, including an increase in our B2B sales offering.

Pleasingly, we have seen growth across all of our major brands and retailers during the year, with unprecedented demand experienced during lockdown. This excellent performance against a backdrop of extremely challenging times further highlights our distribution capabilities and the strength of our relationships with global battery brands.

Lighting
From licensed, private, and white-label lighting to LED light fittings, our continued investment in this category has seen us develop into an expert supplier for the world's leading brands. The division reported gross profit of £8.0 million, representing 24% of the Group's total gross profit, driven by sales of licensed brands including Eveready, Energizer and JCB.

Supreme maintained the core revenue base and profitability within the lighting category during the year, despite a widespread

> This performance further establishes Supreme as one of the leading suppliers and manufacturers of fast-moving consumer goods and a trusted partner to our customers and suppliers.

technology shift from halogen to LED during the year, with LEDs carrying a lower unit selling price. However, our distribution-based business model ensured Supreme was able to maintain a strong gross margin of 31%.

Our international expansion plans for our lighting business have been delayed as a result of the pandemic, but we firmly believe there are some exciting growth prospects across Europe, and we are now actively pursuing a number of opportunities.

Vaping

It was an exceptional year for our industry-leading value vaping brand, 88vape, in which revenues increased by 36% to £39.5 million in the period whilst achieving the milestone of 1 million regular users worldwide. Now perceived as a healthier alternative to smoking, we have witnessed heightened demand for our products, resulting in £6.3 million in direct sales to consumers in the period via our 88vape-branded website. The Group now distributes over 1,800 orders per day and 6 million bottles of e-liquid every month, following our successful move to a dedicated fulfilment centre. We have also seen an expansion of core underlying manufacturing margins delivered through purchasing economies and changes to core operating procedures.

We added the Scottish Prison Service to our list of public sector customers including Her Majesty's Prison & Probation Service ("HMPPS") in the year. We create bespoke products specially designed for use in prisons, including closed-system vaping products. This contract is an excellent example of how vaping and e-cigarettes continue to be supported by the UK Government, NHS England and a large number of public health organisations as a means to lower the number of active smokers in the UK, with the UK government working to make the UK smoke-free by 2030. We continue to see solid growth trends and, whilst e-cigarettes are not risk-free, they are a safer alternative compared to traditional cigarettes.

Finally, we continue to explore ways to bring more of our manufacturing in-house, which ultimately helps gross margin progression. This includes exploring opportunities to manufacture our range of vaping pre-filled cartridges in-house, rather than importing them from China.

Favourable market conditions and consumer habits, including strict regulation and low levels of consumer brand switching, makes 88vape well-positioned to increase its footprint in the vaping market.

Sports Nutrition & Wellness

The Sports Nutrition & Wellness category was one of our leading performers in the year ended 31 March 2021, growing revenues by 38% during the period. Following the GT Divisions Limited acquisition, we diversified our range, adding Battle Bites protein snacks to our existing own brand powder and beverage products, Protein Dynamix and GoNutrition. This acquisition of a recognised protein snack bar brand delivered an extensive customer base and an established consumer website with 5,000 visitors per week.

We have made significant progress in this division since entering the market just a few years ago, with revenues growing 187% between March 2019 and March 2021. After enjoying some early success following our expansion into the vitamin supplements market, we remain optimistic about further growth opportunities which will be facilitated by our brand-new manufacturing facility dedicated to vitamin and powder production. In addition, we have two vitamin launches scheduled for this year, with the introduction of Sealions, our first digital-only brand, in July 2021, and our retail brand, Millions & Millions, is due for launch in September 2021, with Davina McCall as brand ambassador. We also continue to progress developing our private label vitamins business and have already delivered £0.5 million sales ahead of the official launch.

Branded Household Consumer Goods

We continue to develop our nascent Branded Household Consumer Goods category following the acquisition of Provider Distribution in February 2020. It delivered a strong first year under Supreme's ownership, undoubtedly boosted by the pandemic, and a £1 million pharmaceutical bottling contract, which we believe is unlikely to be repeated in the current financial year.

Regardless, we believe the characteristics of this segment, alongside our other FMCG products, offer potentially significant market opportunity given the breadth of our distribution capabilities.

COVID-19 Response

First and foremost, I would like to thank all our staff for their incredible efforts throughout COVID-19. Health and safety at all factory sites and office buildings has always been Supreme's top priority, and our employees have made a concerted effort to adhere to social distancing guidelines in a difficult period for all.

Despite the inevitable disruption caused by COVID-19, Supreme has performed strongly throughout the pandemic. Supply across all channels to market was uninterrupted throughout the year, with warehousing and manufacturing facilities remaining operational. Even between April and July 2020, the strictest period of lockdown, sales across all categories grew year-on-year, manifesting our resilience and adaptability. I am extremely proud of all our staff for reaching their targets and helping to achieve record growth.

Dividend

As highlighted at the time of our IPO, we intend to pay dividends to shareholders in an aggregate annual amount equivalent to approximately 50% of net profits, retaining the balance of earnings from operations to finance our future expansion. Our dividend payments are expected to be split into a one third interim dividend and a two thirds final dividend and we expect to declare our first interim dividend following the publication of our interim results for the six-month period to 30 September 2021.

Outlook

Having successfully completed our IPO on the London Stock Exchange and delivering a record financial performance in the year ended 31 March 2021, the business is ideally placed for ongoing sustainable growth. We continue to invest in launching new products, as well as expanding both our manufacturing and distribution capabilities whilst maintaining a well-managed cost base.

We have made an encouraging start to the current financial year with strong demand across all our divisions. Our Vaping segment continues to be a key profit driver, as we seek to expand our market share through our B2C online offering, and our Sports Nutrition & Wellness category is poised for expansion following the launch of our Sealions and Millions & Millions vitamins brands and the acquisition of the brands and stock of Sci-MX Nutrition.

The Board and management of Supreme continue to monitor the COVID-19 situation very closely but remain confident in the outlook for the business for the current financial year and beyond. ■

Sandy Chadha
Chief Executive Officer

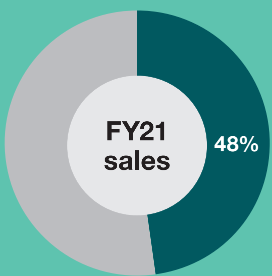
19 July 2021

Sticky Customer Relationships

Discounters

Smyths Toys Superstores, Home Bargains, Poundland, The Range, Sports Direct.com, Poundstretcher, Matalan, One Below, Heron Foods, B&M, QD Stores

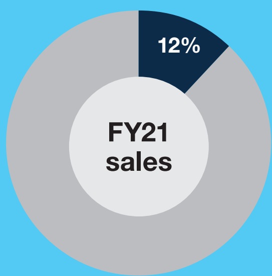
- **Established supplier** across all categories and leading vaping supplier
- Discounters are the **fastest growing retailers** in the UK



Wholesalers

Halfords, Londis, Booker, Bestway Wholesale, Costcutter, McColl's Retail Group, Parfetts, Bunzl

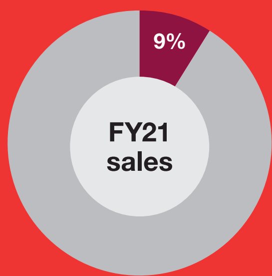
- **Heritage** of the Group
- Provides strong **cross-selling** opportunity



Grocers

Sainsbury's, Asda, Iceland, Morrisons

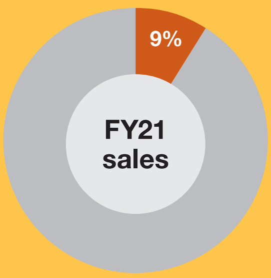
- **Branded** and **white label** products
- Increasing penetration of **vaping** and **batteries**



UNDERPENETRATED CUSTOMER BASE

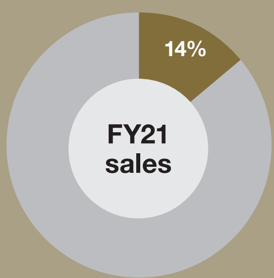
International

- Building **international footprint** across all categories
- Acquisition of **Vendek**, with existing storage and distribution capabilities in Republic of Ireland, provides a base to explore **European growth opportunities** cost-effectively



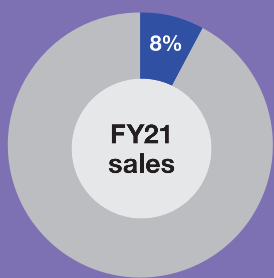
Online

- Over **100,000** monthly visits to **88vape's** online store
- **19%** conversion rate
- Supreme offers **B2B online**



Public Sector

- Supreme collaborates with government bodies to deliver bespoke products to prison services



PROVIDES CROSS-SELLING OPPORTUNITIES

Case Study: Vaping

HMPPS (Her Majesty's Prison and Probation Service) – England and Wales

Challenge

To create a bespoke, closed-system, single use e-cigarette ("pod") that met the specific and extensive constraints required to be sold in prisons, including ensuring the system couldn't be tampered with, whilst still remaining competitively priced.

Activities

HMPPS (via its fulfilment partner) collaborated exclusively with Supreme who leveraged its supplier network to design and develop a unique product that remained at a competitive price to the end consumer. Significant product testing was carried out by a combination of engineers and ex-prison inmates, before it was deemed safe to distribute inside prisons.

Outcome

Since rolling out the product in November 2019, Supreme has supplied over 30 million units to HMPPS. In addition, the product has also provided Supreme with a platform to cross-sell other products, most notably within its Sports Nutrition & Wellness category into the public sector. The product has also been rolled out to the Scottish Prison Service, which underpins the ongoing support of public bodies for vaping as a less harmful alternative to smoking.

The e-liquid is manufactured at Supreme's facility in Manchester and the hardware is manufactured in China. The filling process initially began in China but Supreme began supplementing this process from within its UK manufacturing facility in early 2021. Within 12 months, it expects to handle all of the filling process here in the UK which will further improve margins.

£10.2m
FY21 Revenue

30m
units sold

Case Study: Lighting

Licensing the Energizer Brand

Challenge

To enter the lighting vertical where own brand products and new entrants to the market were often struggling to establish a strong reputation as a trusted supplier.

Activities

Supreme's aim was to disrupt the market with a range of products that were priced alongside retailers' own labels but with the reassurance of a well-recognised brand. Energizer was already a supplier of batteries to Supreme and management identified the opportunity to license the Energizer and Eveready brands for high quality but competitively priced lighting products.

Outcome

By licensing such a reputable, global, well-recognised brand as Energizer, the end consumer immediately trusted the Energizer lighting products, which was the main challenge being faced by other own label competitors. The lighting division now contributes over £25 million in annual revenue, of which over 70% comes from licensed products.

Crucially, Supreme has replicated the licensing model elsewhere in the business, most notably JCB, with other licenses under consideration for the future.

Chief Finance Officer's Review

Suzanne Smith
Chief Finance Officer

Introduction

The year ended 31 March 2021 was a year of unprecedented change for Supreme. We successfully integrated new operations and people following the acquisitions undertaken in FY20; changed the Group's capital structure and Board as a result of the IPO; and implemented a number of operational changes as a result of the COVID-19 pandemic. Pleasingly, the financial performance of the business remained strong, delivering revenue growth of 33% to £122.3 million (FY 20: £92.3 million), an increase in gross profit of 24% to £33.0 million (FY20: £26.6 million) and an increase in Adjusted EBITDA[1] of 21% to £19.3 million (FY20: £16.0 million).

	FY21 (£ million)	FY20 (£ million)	% Change
Revenue	122.3	92.3	+33%
Gross Profit	33.0	26.6	+24%
Gross Profit %	27.0%	28.8%	-1.8%
Adjusted EBITDA[1]	19.3	16.0	+21%
Adjusted Items	3.4	0.4	
Profit before Tax	13.0	13.2	-2%
Adjusted Profit before tax[2]	16.4	13.6	+21%
Operating Cash Flow	12.3	17.0	-27%
Adjusted Operating Cash flow[4]	14.7	17.5	-16%
Net Assets	18.8	4.1	+358%
Net Debt	7.6	21.3	-64%
EPS	8.9p	9.9p	-10%
Adjusted EPS[3]	12.0p	10.3p	+17%

Revenue

Revenue for FY21 was £122.3 million (FY20: £92.3 million), an increase of 33%. Around half of this growth can be attributed to recent acquisitions, and the remainder to strong organic growth across all categories. This organic growth was against the backdrop of national lockdowns that impacted the majority of this reporting period, where we estimate around 10% of our customers were closed and many reported lower footfall through their stores.

Revenue by division

- Revenue for **Batteries** was £34.4 million (FY20: £30.9 million). This growth of £3.5 million (11%) was entirely organic and reported across all major brands and distribution channels. The extent of the COVID-19 "bounce" in these results will be determined in the coming months.
- Revenue for **Lighting** was £25.9 million (FY20: £25.3m). Considering the revenue reported in FY20 included a one-off benefit as a result of the technology shift from halogen to LED, management are pleased with the deemed underlying revenue growth.
- Revenue for **Vaping** was £39.5 million (FY20: £29.0 million). This growth (36%) was a result of the full year impact of the HMPPS contract, increased sales to consumers via the 88vape.com website plus underlying organic growth of e-liquids via our core retail and wholesale channels.
- Revenue for **Sports Nutrition & Wellness** was £6.9 million (FY20: £5.0 million). Year on year growth of 38% was a result of the incremental revenues from the acquisition of GT Divisions in October 2020 combined with the success of new product launches and growth in the core range.
- **Revenue for Branded Household Consumer Goods** was £15.5 million (FY20: £2.0 million) – the full year impact of the acquisition of Provider Distribution (acquired in February 2020) accounts for 93% of the growth, with the remainder arising from a pharmaceutical bottling contract that generated £1 million of revenue in FY21 that is not expected to re-occur in FY22.

Gross profit

Gross profit for FY21 was £33.0 million (FY20: £26.6m), representing growth of 24%. Gross profit as a percentage of turnover decreased during the year by 1.8ppt from 28.8% to 27.0%, reflecting the change in sales mix (specifically the addition of the Branded Household Consumer Goods category where reported gross profit percentage is around 10%).

By category, gross profit margins were largely unchanged year-on-year (a positive result for Lighting given the technology changes underpinning FY21 sales and also for Sports Nutrition & Wellness where the addition of Battle Bites (distribution only) diluted the impact of the manufacturing margins within the category. The gross profit gains in Vaping are noteworthy – driven by the gains in manufacturing (both in terms of process and volume).

By the end of FY21, gross profit generated from manufactured categories (Vaping and Sports Nutrition & Wellness) accounted for 58% of the total gross profit of the Group (FY20: 52% of total gross profit).

Adjusted EBITDA

Adjusted EBITDA[1] increased by £3.3 million (21%) in the year, driven by growth in revenue and gross profit offset by some modest investment in the overhead base to support growth.

Adjusted Items

Adjusted Items of £3.4 million (FY20: £0.4 million) comprised:

- £2.0 million relating to the Group's admission to AIM in February 2021 (which include £1.7 million of adviser fees and commission, £0.2 million of accelerated debt arrangement fees (associated with the tranche of debt that was settled on admission to AIM) and £0.1 million in relation to Company bonuses that were contingent on the transaction;
- £0.4 million in relation to a group-wide reorganisation that took place during the year following the integration of businesses and assets acquired in FY20; and
- £0.8 million in relation to the fair value movements on non-hedge accounted derivatives.

Finance costs

Finance costs were £0.7 million in the year (FY20: £0.8 million) arising from the interest-bearing Senior Facility held throughout the period (£0.6 million) plus the interest relating to the lease liabilities under IFRS16 (£0.1 million).

"

Pleasingly, the financial performance of the business remained strong, delivering revenue growth of 33% to £122.3 million

Taxation
Total tax charge in the year was £3.1 million (FY20: £2.3 million), giving rise to an effective tax rate of 24% (FY20: 18%). The increase in the rate arose from the disallowed expenses in relation to the IPO. Going forward, we expect the Group's effective tax rate to re-align to the UK corporation tax rate.

Profit After Tax and Earnings per share
Profit after tax was £9.8 million compared to £10.9 million in FY20 and the fully diluted earnings per share were 8.7p (FY20: 9.8p). On an adjusted profit after tax basis, which we consider to be a better measure of performance, adjusted earnings were £13.3 million (FY20: £11.3 million) and Adjusted earnings per share[3] was 12.0p (FY20: 10.3p)

Dividends
The Group's dividend policy is to pay an annual amount equivalent to around 50% of net profit. In line with the Group's policy set out at IPO, the Directors do not intend to declare a dividend in respect of FY21. The Directors plan to declare its maiden dividend to shareholders following the FY22 interim results which, in line with policy, is expected to be 1/3 of the full year dividend.

Cash flow

	FY21 (£ million)	FY20 (£ million)	Change (£ million)
Adjusted EBITDA[1]	**19.3**	**16.0**	**3.3**
Movement in working capital	(1.6)	3.2	(4.8)
Taxation paid	(3.0)	(1.7)	(1.3)
Adjusted operating cash flow[4]	**14.7**	**17.5**	**(2.8)**
Cash-impacting Adjusted Items:			
IPO fees	(2.0)	–	(2.0)
Restructuring	(0.4)	(0.3)	(0.1)
Acquisition costs	–	(0.2)	0.2
Operating cash flow	**12.3**	**17.0**	**(4.7)**
Debt (servicing) / raising	(14.2)	4.4	(18.6)
Capex (incl M&A)	(2.1)	(5.1)	3.0
Dividends	(3.0)	(11.0)	8.0
Proceeds from IPO	7.8	–	7.8
Net cash flow	**0.8**	**5.2**	**(4.4)**

We continued to be cash generative in FY21 with Adjusted operating cash flow[4] of £14.7 million (FY20: £17.5 million). This result is a combination of the continued growth in the Group's EBITDA offset by the planned investment into working capital to support growth of £1.6 million outflow (FY20: £3.2 million inflow) – last year's closing stock balance was unusually low (due to delayed shipments from China at the onset of the pandemic) and last year's reported trade creditors balance was unusually high, as the Group sought to manage cash cautiously given the initial uncertainty brought about by COVID-19. The working capital position reported in FY21 is more aligned to the "normal" cash flows associated with the Group.

With reference to cash flows associated with the Group's admission to AIM, the IPO raised funds of £7.8 million for the Group (£7.5 million of which was used to repay a tranche of its senior debt facility). There was also a cash outflow of £2.0 million associated with adviser fees, commission and staff bonuses directly attributable to the IPO.

In reference to cash flows from investing, we report a cash outflow of £1 million in respect of the acquisition of GT Divisions, and Financing cash outflows represented the servicing of the Senior Debt facility in ordinary course, plus a further £7.5 million on admission to AIM as outlined above.

Net debt

	FY21 (£ million)	FY20 (£ million)	Change (£ million)
Cash	(7.5)	(6.7)	(0.8)
Bank Loan	9	21.6	(12.6)
Amounts owed to related parties	3.4	3.4	–
IFRS 16 lease liability	1.5	1.5	–
Other	1.1	1.4	(0.3)
Total net debt	**7.6**	**21.2**	**(13.7)**

Borrowings significantly reduced in the year as a result of the (normal) debt servicing profile of the senior facility, further enhanced by the £7.5 million repayment following the IPO fund raise. At year end, the Group reported net debt of £7.6 million (FY20: £21.3 million), only 0.4x Adjusted EBITDA[1]. Immediately after the period end, the Group also repaid 50% of its related party obligations (amounting to £1.7 million).

Events after the Balance Sheet Date
On 10 June 2021 Supreme acquired the entire share capital of Vendek Limited, a leading Dublin-based distributor of batteries and lighting products, for an initial consideration of €1.07 million. The acquisition is expected to be immediately earnings-enhancing.

On 30th June 2021, Supreme acquired the brands and stock of Sci-MX Nutrition Limited, a leading sports nutrition and supplements business, for £2.3 million. The Acquisition added a number of well-known brands (including Sci-MX and PRO2GO) to the Group's growing Sports Nutrition & Wellness category.

Brexit
In light of the EU-UK Trade and Cooperation Agreement signed in December 2020, the Board continues to monitor the impact of Brexit. A multi-functional project steering committee manages the impact on the Group's operations prior to and following Brexit.

The Group has experienced an increased administrative burden post-Brexit although its exposure to EU-UK trade is relatively low (only 8% of revenue originated in Europe in FY21). The acquisition of Vendek Limited shortly after year end, based in the Republic of Ireland, is expected to mitigate some of the impacts of Brexit by providing a European distribution hub for Supreme within Europe to better serve the existing and target EU customers.

Use of non-GAAP measures in the Group financial statements
Certain measures have been used to increase understanding of the Group's Report and Accounts. These measures are not defined under IFRS and therefore may not be directly comparable with adjusted measures presented by other companies. The non-GAAP measures are not intended to be a substitute for or superior to any IFRS measure of performance; however they are considered by management to be important measures used in the business for assessing performance. The non-GAAP measures used in this strategic review and more widely in this Annual Report are defined in the footnotes below and set out in Note 2.17 ■

Suzanne Smith
Chief Finance Officer

19 July 2021

[1]Adjusted EBITDA means operating profit before depreciation, amortisation and Adjusted items (as defined in Note 7 of the financial statements). Adjusted items include share-based payments charge, fair value movements on non-hedge accounted derivatives and other non-recurring items (including all IPO-related costs)

[2]Adjusted Profit before tax means profit before tax and Adjusted items (as defined in Note 7 of the financial statements) Adjusted items include share-based payments charge, fair value movements on non-hedge accounted derivatives and other non-recurring items (including all IPO-related costs)

[3]Adjusted EPS means Earning per share, where Earnings are defined as profit after tax but before amortisation of acquired intangibles and Adjusted items (as defined in Note 7 of the financial statements). Adjusted items include share based payments, fair value movements on non-hedge accounted derivatives and other non-recurring items (including all IPO-related costs).

[4]Adjusted Operating Cash Flow means net cash from operations before the cash impact of Adjusted items (as defined in Note 7 of the financial statements).

ESG Policies

Supreme recognises the importance of maintaining the highest standards of corporate behaviour and setting the right example for others to follow. Environmental, social and governance ("ESG") is at the core of our business and we conduct our operations with integrity, fairness and transparency.

Environment

We are passionately committed to manufacturing and distributing products which support social responsibility and environmental sustainability.

Localised supply chains and customers
When it comes to manufacturing, Supreme is extremely proud of its localised supply chain. Raw materials are largely sourced from the UK (with the balance coming from Europe) and manufacturing takes place onshore at our facility in Manchester and finished goods are stored in our distribution facility located at the same site.

Over 90% of our customer base (by reference to revenue) is located in the UK and over 50% of customers take products from more than one of our five categories, meaning we can leverage distribution synergies whilst simultaneously respecting the environment.

With reference to Far East sourcing, we endeavour to ship directly to our customers to avoid unnecessary shipping and "double-handling", and in FY21, this accounted for £15m of revenue.

We have recently entered into backhaul arrangements with some of our biggest retailers, filing otherwise-empty wagons enroute back to their own distribution hubs.

Reduction of single use plastic
Throughout FY21, we have taken steps to reduce the quantum of single-use plastic packaging.

In FY21 we substituted the acetate-wrapped counter-top 88vape counter display units with cardboard trays wrapped in recyclable film, saving an estimated 156 tonnes of single-use plastic per annum.

The Sealions vitamins range, which launched in July 2021, is completely plastic free and our longer-term objective is to extend this across our various vitamins ranges.

Reduction of energy use
More generally, we manage our energy consumption cautiously by utilising only energy efficient LED lighting and operating PIR motion sensors for all manufacturing, office and warehousing facilities.

Social

Vaping – 95% safer than smoking
Vaping is widely accepted as an aide to smoking cessation, reducing the significant negative impacts of smoking. Smoking is believed to be the biggest preventable cause of death in the UK and a significant drain on the National Health Service ("NHS"). Vaping is recognised by the NHS and other public health organisations as a means to lower the number of active smokers in the UK, with the UK government working to make the UK smoke-free by 2030. In the UK alone there are 2.2 million regular vapers who attest to being ex-smokers.

Sports Nutrition products contribute to a healthy lifestyle
Within Sports Nutrition & Wellness, our brands of vitamins, meal replacements and protein snack bars promote healthy, active lifestyles and a positive wellbeing.

Ethical sourcing
Driven by our own initiative and a duty to protect the integrity and reputation of the global brands and licensors we partner with, Supreme strives to uphold the highest standards of ethical sourcing within Europe and the Far East. We use third parties to carry out our audits routinely to assess social and economic conditions for workers as well as quality control and health and safety procedures. Many of the audits are unannounced and we employ a Quality Control Officer based in Shanghai who also carries out regular visits. We inspect any new factory before we place our first order and we require the factory to pass BSCI audits.

Making consumer goods available to low-income households
Supreme operates largely in the discount sector, bringing high quality, branded, consumer products to the mass-market at low price points, relative to branded alternatives. Supreme is proud to give consumers access to choice when making routine purchases.

Governance

A primary function of any Board is governance. As part of the process of becoming a listed company, new structures and processes are being put in place, or extended, by the Board. We are committed to continuing to evolve and develop these in line with corporate governance best practices and guidance moving forward.

QCA Code
We are committed to effective corporate governance as the basis for meeting our shareholders' expectations for proper leadership and oversight and delivering long-term value growth. In adhering to these principles, the Company has chosen to adopt the Corporate Governance Code for Small and Mid-sized Quoted Companies 2018 published by the Quoted Companies Alliance (the "QCA Code"). For details on how we adhere to the ten principles of the QCA Code see pages 24 to 25.

Ethical corporate culture
Starting with the Board and echoed across the Group formally through its employee policies and through the culture it has fostered over its 30-year history, Supreme promotes an ethical corporate culture, with a zero-tolerance approach towards any form of discrimination or unethical behaviour in the context of bribery, corruption or business conduct. At Board level, there are terms of reference for each of its committees, requiring regular disclosure of Directors' other interests and following a share-dealing code.

Principal Risks and Uncertainties

The Board is responsible for the Group's risk management and internal control systems and for reviewing their effectiveness, supported by the Audit Committee. We review our business regularly to identify and document key business risks. Once identified, risks are assessed according to their likelihood and impact of the risk, with the risk being scored between 1 (indicating very low likelihood and very low impact) up to 25 (indicating highest likelihood and greatest impact). The table below sets out the Group's principal risks as determined by the Board, the current risk score and the mitigating actions. This represents the Group's current risk profile and is not intended to be an exhaustive list of all risks and uncertainties that may arise.

1. COVID-19 ▼

The outbreak of COVID-19 has negatively impacted economic conditions globally and continues to have an adverse and disruptive effect on the UK economy. To date, the Group has adapted to the challenges the pandemic has presented and is likely to need to continue to remain agile over the coming months in response to any further developments relating to the outbreak. If the COVID-19 pandemic continues for a prolonged period of time, this may result in operational challenges, delays in receiving payments from clients and may impact the Group's ability to secure new business. The pandemic may therefore have an adverse effect on trading, cash flows, profitability, results of operation and financial condition.

Mitigating factors / actions

Supreme continued to operate and trade throughout the pandemic. Operationally, the business adapted swiftly and strictly, adhering to government guidelines relating to social distancing and PPE when it came to manufacturing and warehousing staff, including onsite regular testing and financial support for all staff who tested positive. The business also made provisions for administrative staff to work from home. To date, Supreme has not experienced wide-spread manufacturing or distribution delays and any cases have been isolated and managed accordingly. With reference to trading, the financial impact of the pandemic has been, on balance, fairly limited. We attribute this to the fact that discount retailers remained open (our largest tranche of customers), our direct-to-consumer websites and the segregated nature of our 5 principal product categories.

At the time of this Report being published, reported case levels in the UK were falling and restrictions were lifting and, as a result, our risk score was reducing. However, the Board will continue to monitor the risk closely.

Risk score 10

2. Dependence on customers ▶

The Group's customers are not contractually committed to purchase the Group's products on a long-term basis and may cease to buy or reduce their purchases of the Group's products. The Group's largest ten customers account for 55% of the Group's turnover. If any of these customers cease to buy or reduce their purchases of the Group's products, and those customers and their former levels of purchases are not replaced with new customers or increased purchasing by existing customers, then this could materially and adversely affect the Group's business, revenue, financial condition, profitability, results, prospects and/or future operations.

Mitigating factors/actions

The majority of Supreme's revenue originates in brands only sold by Supreme (either Supreme own brands, or exclusively licensed brands) which locks-in customer loyalty. Supreme has been trading with its largest customer, B&M stores ("B&M"), for over 30 years. B&M currently has Supreme's own brands advertised across its fleet of vehicles and has also invested (capex) in its store fit-outs across its portfolio to display 88vape.com. The Eveready and Energizer lighting cannot be purchased from other distributors and B&M would have to go direct to manufacturers to source other brands, which would require disproportionate investment in the working capital lag. The category leaders across Supreme each hold relationships with the relevant buyers at B&M and this extends to Supreme's CEO. The business is very responsive to B&M's requirements and monitors its EPOS data on a daily basis.

The collaborative, responsive and close working relationship is characteristic of the relationships Supreme endeavours to build with all of its customers.

Risk score 10

3. Dependence on key executives and personnel ▼

The Group's future development and prospects depend to a significant degree on the experience, performance and continued service of its senior management team including the Board. Supreme has invested in its management team at all levels. The Board believes the senior management team is appropriately structured for the Group's size and is not overly dependent upon any particular individual. Supreme has also entered into contractual arrangements with these individuals with the aim of securing the services of each of them. However, retention of these services or the identification of suitable replacements cannot be guaranteed. The loss of the services of any of the Board or other members of the senior management team and the cost of recruiting replacements may have a material adverse effect on the Group's business, revenue, financial condition, profitability, results, prospects and/or future operations.

Mitigating factors/actions

The Group has appropriate incentive arrangements for all senior management including executive management in place. The Group has further invested in its Board and senior management in the past twelve months, which diversifies responsibilities and reduces the reliance on individuals.

Risk score 8

4. Licensing agreements ▶

The Group has in place several licensing agreements which allow the manufacture, production and distribution of products using an external brand, notably JCB and Energizer. The Group may not be able to renew its existing license agreements and may not be able to negotiate new agreements in the future. The Group's inability to obtain renewed licensing agreements or comparable terms could have an adverse effect on the Group's business, financial condition and future operations.

Mitigating factors/actions

The licensing agreements in place have been so without change for several years. For example, the license agreement with JCB for batteries has been in place since 2009. All agreements are commercially beneficial for both parties, with pre-agreed KPIs for Supreme to adhere to in order to maintain each agreement. There is no history of existing license agreements being revoked or cancelled.

Risk score 4

5. Single site operations ▼

The Group manufactures, distributes and retains stocks of both e-liquids (vaping) and protein powders and vitamins (sports nutrition) at its distribution centre located in Trafford Park, Manchester and is dependent on the distribution of these and other products to and from this central distribution centre. A fire, damage or other issue preventing the normal running of the Group's manufacturing facility and/or distribution centre could significantly hinder the Group and may prevent or delay the manufacture and/or distribution of its products.

A material or prolonged disruption to the logistics and distribution networks (including road, rail, air and shipping networks) could also have the same effect. A disruption to the Group's logistics and distribution networks could arise for a number of reasons, including a failure to expand logistics and distribution processes or capacity, inclement weather, labour unrest, political or diplomatic events or circumstances, acts (or threatened acts) of terrorism, failures on the part of logistics partners and other events which may be outside of the control of the Group.

Depending on the severity of the issue concerned and regardless of the proceeds of any insurance policy which may be available, a material interruption to the Group's ability to receive and distribute products to its customers could have a material adverse effect on its business, revenue, financial condition, profitability, results, prospects and/or future operations and reputation.

Mitigating factors/actions

Business continuity plans are in place which are tested at regular intervals. Business continuity plans include spare machinery stored off-site that could be utilised should manufacturing be interrupted. The Group is also in the process of establishing "shadow manufacturing" for Vaping with partners in the Far East that would enable the swift and cost-effective spin up of manufacturing should the requirement arise.

Whilst the Trafford Park site remains the Group's primary site and acts as a Head Office, the Group has opened new sites during the year through both acquisition and expansion.

Risk score 6

6. Exchange rate risk ▶
Due to the international nature of its business, the Group is exposed to changes in foreign currency rates. Supreme's functional currency used in its financial statements is Pounds Sterling. However, it conducts, and will continue to conduct, transactions in currencies other than Pounds Sterling, including Euro and US Dollar. The Group sets the sales prices for its products at periodic fixed intervals. If there is a significant weakening of the exchange rate between the local currency in which the revenue is generated prior to the sale and subsequent to its fixing of prices, then its expected margins may be reduced. Although Supreme seeks to manage its foreign currency risks in order to minimise any negative effects caused by exchange rate fluctuations, including by engaging in foreign exchange hedging transactions, there can be no assurance it will be able to do so successfully, and fluctuations in exchange rates could have a material adverse effect on the Group.

Mitigating factors/actions
When it is considered appropriate, the Group enters into forward contracts to cover the Group's US Dollar purchasing requirement for up to one year to reduce exposure to currency risk, however these may not always be effective and there may be some residual currency risk.

Risk score 2

7. Far East supply chain ▲
Battery and lighting products are principally manufactured and/or sourced in markets outside the UK, notably the Far East. There are a variety of risks generally associated with importing products from such regions. Notably, a reduction in availability of shipments and/or increases to shipping prices could have a material and adverse impact on the Group's business, revenue, financial condition, profitability, results and/or future operation.

Mitigating factors/actions
Supply from the Far East has become a greater concern over the past 12 months as a direct result of the COVID-19 pandemic. Supreme employs dedicated staff who are responsible for managing and forecasting stock levels to ensure availability isn't disrupted. More recently, Supreme has begun extending its network of freight forwarders and shipping agents to ensure greater choice of securing containers in a timely and cost-effective manner.

Risk score 4

8. Regulatory environment ▶
As the Group has grown in size and sophistication, it has continued to develop its risk management and compliance procedures in conjunction with its advisers in order to ensure compliance with current legislation, regulation, rules and practices, and the Board's interpretation thereof. Such interpretation may not be correct and legislation, regulation, rules and practice may change, possibly with retrospective effect. Any such changes may require the Group's risk management and compliance procedures to be amended and require investment in ensuring ongoing legal compliance.

The Group's risk management and compliance procedures is monitored, and where necessary or advisable it will invest in the Group's risk management and compliance procedures in order to ensure ongoing legal compliance. Any change in legislation, regulation, rules, or practice may result in the Group being required to incur additional costs, as would further investment in the Group's risk management and compliance procedures. Each of these could have an adverse effect on the returns available on an investment in the Company.

Mitigating factors/actions
Management will continue to stay close to the regulatory landscape with reference to its own product categories.

Risk score 1

9. Health & Safety ▶
The preservation of the health and safety of its staff, site visitors, contractors and consumers is of overarching importance to Supreme. The Group has identified a number of risks associated with the manufacture of vaping and sports nutrition and the storage and distribution of batteries, lighting and branded consumer goods, specifically the hazardous nature of some of its raw materials, chemicals and distributed lines, the dangers of the plant and machinery used in manufacturing when used improperly or without appropriate training and the hazardous nature of warehousing operations where people and vehicles operate simultaneously.

Mitigating factors/actions
The Group employs a full-time onsite Health & Safety Manager who is responsible for all Health & Safety assessments, safe systems of work, policies, inductions, training and ensures the company complies with its statutory obligations. She reports directly to the Chief Executive Officer, has 29 years' experience as a Health and Safety Manager and is developing a positive safety culture, whilst promoting a proactive approach to health and safety throughout the whole group at Supreme. The Health & Safety Manager also consults with third party advisers as well as the Health & Safety Executive (the "HSE") to ensure the group considers the health and safety implications in all of its operational decision-making.

Risk score 6

10. Volatility of raw material prices ▲
The Group's product portfolio is concentrated on a number of key raw materials in its manufacture of e-liquids (namely propylene glycol, vegetable glycerin and nicotine) and protein powders (whey). The price and availability of these raw materials has fluctuated in the past and may fluctuate in the future, a degree of which Supreme may not be able to pass on to customers and so profitability could be impacted.

Mitigating factors/actions
Where possible, Supreme will forward-purchase key commodities to ensure certainty of supply and transparency of future margins. Supreme has an extensive network of suppliers and the responsibility for nurturing and extending this network extends across the management team and to the Executive Board. The shadow manufacturing (discussed above) also provides an alternative supply for manufactured lines if local raw material prices are temporarily cost-ineffective. In terms of price point, Supreme's product offering operates in the discount space which means in times of price inflation Supreme can in fact benefit from brand switching where consumers move to Supreme brands in favour of more expensive alternatives.

Risk score 6

11. Material disruption in IT systems ▼
Supreme relies to a significant degree on its IT systems to track inventory, manage its supply chain, record and process transactions, summarise results and manage its business. The failure of the IT systems to operate effectively, even for a short period of time, could adversely affect its business, revenue, financial condition, profitability, results, prospects and/or future operations

Mitigating factors/actions
The Group has an experienced and dedicated IT team who are assisted by third party consultants where necessary. The Group has put in place business continuity and disaster recovery procedures in the event of failure of, or disruption or damage to, the Group's network or IT systems. Management consider the cybersecurity processes and controls to be robust whilst the new site investments in FY21 have provided the group with an extensive offsite back-up storage.

Risk score: 6

Key:

▼ Risk rating lower than last year

▲ Risk score higher that last year

▶ Risk rating unchanged

Our Stakeholders

Section 172 Statement

The Board of Directors of Supreme consider both individually and together that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company, for the benefit of its members as a whole (having regards to the stakeholders and matters set out in section 172(1)(a-f) of the Act) in the decisions taken during the year ended 31 March 2021. The Directors recognise that evaluating and considering the interests of its stakeholders are key to the Group's success. The Group is committed to being a responsible business and its behaviour is aligned with the expectations of its people, customers, suppliers, investors and its local community.

The Directors have, below, set out how Supreme engages with the groups identified as its key stakeholders. In addition, they have set out the key strategic decisions taken by the Board during the year and how they consulted with (or considered the impact on) stakeholders during this decision-making.

Our people

The Group's long-term success is predicated on the commitment of our highly talented and dedicated employees and we are committed to developing and bringing through talent, whilst ensuring the Group operates as efficiently as possible.

We aim to be a responsible employer in our approach to the pay and benefits our employees receive. Their health, safety and wellbeing are our primary considerations in the way we do business and we engage with our people to ensure that we are fostering an environment that they are happy to work in and that best supports them.

How we engage with our people

Supreme boasts a flat management structure, with senior management involved in core business operations daily. Relative to its revenue, we employ a small number of people, the vast majority of whom would ordinarily be based at its principal site in Trafford Park which makes employee engagement easy to facilitate, timely and direct without the requirement for formal surveys or initiatives. However, as a result of remote working during FY21, we transitioned to formal and regular company-wide updates online to ensure transparent communication with all staff, particularly early on in the pandemic when remote working was a novelty and people were having to adapt quickly. Where possible, we adapted our offices to provide a safe working environment to allow individuals who wished to work from the office to return safely. We hosted live webinars with motivational speakers as a means to keep in touch with people and ensured management remained contactable and visible – both physically and virtually – throughout.

The Group considers the health and safety of all its employees of the utmost importance. In FY21 this was brought into heightened focus for our manufacturing and warehouse teams who remained onsite and operational throughout the pandemic, including during the strictest lockdowns. We adopted company-wide, weekly onsite testing well before this was a mandatory requirement and we offered full pay for all staff who had to quarantine after testing positive. We assigned dedicated COVID-19 officers (representatives of management and HR) across the facility to ensure people remained safe by adhering to social distancing etc., and, more importantly, to address any concerns our staff had in real time.

Equality, Diversity & Inclusion

Supreme is an equal opportunities employer.

As of 31 March 2021: 54% of our employees identified as female, 0% non-binary, and 46% male. Our Board of Directors is 80% male and 20% female.

We know there is more that can be done to reduce inequality in the workplace, and we will continue in our efforts to address these imbalances wherever we can.

Our customers

Supreme's largest customers are among some of the leading retailers in the UK and are underpinned by established long-term relationships, facilitated by ongoing engagement.

How we engage with customers

We interact with customers daily and at multiple levels, typically through face-to-face meetings, events and exhibitions. This year we have transitioned largely to virtual meetings – to understand customers' needs, seek feedback and nurture collaborative working practices. Discussions with our customers include brand and category strategy and new product development (as highlighted in the HMPPS case study presented on page 12). We monitor like-for-like sales performance and EPOS data shared by customers on a daily basis which can trigger relevant and timely engagement with customers.

Our suppliers

The quality of our products and ensuring we meet our high standards of conduct is heavily influenced by the suppliers we select and how we engage with them.

How we engage with suppliers

Supreme's global buying function and our category leaders meet regularly with our suppliers, historically via trade fair meetings or factory visits and audits in China, Europe and UK. Some of these audits are conducted by third parties to ensure impartial assessments and to maintain the integrity of our supply chain. Most of this moved online during FY21 (albeit, the rigor and timeliness of social and quality audits was not affected for any significant time).

Investors / Shareholders

As a newly listed company, we are beginning our journey in the public markets. Even before the IPO, we were keen to attract shareholders who were aligned with our long-term objectives, that understood our business model and bought in to our strategy. Through open and transparent engagement with the investor community, we aim to provide information that enables individuals to make informed judgements about Supreme.

We review all feedback from investors which is shared with the Board.

How we engage with investors

Our aim is to establish a strong and supportive investor base which is closely aligned to the growth and ambitions of the Company.

As well as the formal meetings for full year and interim results, trading updates and ongoing updates to our investor website, the Chief Executive Officer and Chief Finance Officer will endeavour to engage with both existing or potential shareholders as and when requested. We also continue to work closely with our Broker, Nomad and sell-side analysts to take feedback and improve the channels of communication where possible. In future, we would also anticipate hosting investor-focused events such as a capital markets day or similar, to give access to the wider Supreme team and engender greater understanding of the investment proposition.

How we Engage with

Our People

The Group's long-term success is predicated on the commitment of our highly talented and dedicated employees and we are committed to developing and bringing through talent, whilst ensuring the Group operates as efficiently as possible.

Our Customers

Supreme's largest customers are among some of the leading retailers in the UK and are underpinned by established long-term relationships, facilitated by ongoing engagement.

Our Suppliers

The quality of our products and ensuring we meet our high standards of conduct is heavily influenced by the suppliers we select and how we engage with them.

Our Investors

Our aim is to establish a strong and supportive investor base which is closely aligned to the growth and ambitions of the Company.

Principal decisions made in the year:

1 Expansion of Sports Nutrition into vitamins

Customer-led new product development ("NPD") is a well-established means of expansion for Supreme and stakeholder engagement was at the heart of our decision to expand into vitamins in FY21. The initial idea was borne out of a customer meeting and the commercial rationale was later supported by additional customers. The existing supply chain supported Supreme to identify a reliable and cost-effective route to market and market-testing for branding and packaging was undertaken by our own employees. Sourcing, sales and distribution, which is to be followed by manufacturing once scale has been established, will all be undertaken at Supreme's Trafford Park facility providing further employment opportunities for the local community.

2 COVID-19 Business Adaptations

Throughout the COVID-19 pandemic, the business evolved its operations and working environments with the aim of keeping its employees safe whilst continuing to manufacture and distribute product. Whilst decisions often had to be made quickly, the diligence and consultation was extensive. Employee safety was paramount to the planning process, consulting with the workforce was critical and, as a result, the changes were welcomed by staff and supported by the Health & Safety Executive. The changes included a re-organisation of working patterns (start times, breaks, training, one-way systems etc), protection (PPE and extensive and continuous dedicated onsite cleaners) and financial support for those testing positive. To safeguard the mental wellbeing of our people (particularly those working from home) there were increased business-wide communications throughout the pandemic, as well as motivational speakers and mentoring sessions. To protect the financial strength of the business, management also recognised that, due to the operational changes enacted, a number of roles had become redundant. Through established channels of communication, the decision to permanently remove these roles was communicated directly, sensitively and with compassion.

3 Admission to AIM

Before deciding to list, the Board considered the impact of an IPO on all its key stakeholders. With regards to its customers and strategic suppliers, we evaluated the impact that the additional transparency in reporting required of a public company might have, and, for our employees, the influence on our culture and entrepreneurial spirit that might occur as a result of the formalities required of the public markets. The Board concluded that the IPO would provide access to further opportunities to grow the business and expand strategically, and improve its product offering and unrivalled supply chain, thus attracting more customers and partners to Supreme. Employees would ultimately benefit from these opportunities to progress their careers and participate in the success of the Group.

The Strategic Report, which includes the Chairman's statement, the Chief Executive Officer's review, the business model and strategy, the Chief Finance Officer's review and principal risks and uncertainties was approved by the Board and signed on its behalf by

Sandy Chadha
Chief Executive Officer
25 August 2021

Corporate Governance Statement:

Chairman's Introduction

Dear Shareholder

I am pleased to present our corporate governance report following our IPO in February 2021.

The Board of Directors (“the Board”) is committed to effective corporate governance and all Directors are fully aware of their duties and responsibilities. In accordance with Rule 26 of the AIM Rules for Companies, the Company has adopted and observes the Quoted Companies Alliance ("QCA") Corporate Governance Code (the “QCA Code”). The Board believes that adherence to the QCA Code provides a strong foundation for delivering shareholder value.

It is the role of the Board, led by the Chairman, to ensure that the Company is managed in a way that nurtures and protects the medium to long-term benefit of all shareholders, supported by effective and efficient decision-making. Applying the QCA Code forms an important part of this process, which serves to mitigate and minimise risk and add value to our business.

Set out on pages 24 to 25 is a description of each of the principles of the QCA Code, together with an explanation of how these are applied by the Company.

Following Admission in February 2021, a number of key corporate governance changes have taken place, including the review and publication of the Company’s strategic pillars, and an assessment of the risk management framework. Given the short time the Board have been together, a formal board evaluation has not yet taken place.

This statement was issued on 25 August 2021 and will be reviewed and updated at least annually.

Paul McDonald
Chairman

Board of Directors

Paul McDonald
Non-Executive Chairman

Paul joined B&M as Finance Director in 2011 and continued as Chief Financial Officer through the IPO of B&M in 2014 until he retired from the Board in November 2020. During his tenure at the UK's leading variety goods value retailer, revenue and EBITDA at B&M grew from £764 million and £62.8 million in 2012, to £3.8 billion and £342 million in 2020, respectively. Paul has over 25 years of experience in the discount retail sector having held senior roles at Littlewoods, Ethel Austin and TJ Hughes. Paul was educated at Leeds University and is a Fellow of the Association of Chartered Certified Accountants.

N A R

Meetings attended:

Board Meetings:	3/3
Nominations Committee	1/1
Audit Committee meetings:	1/1
Remuneration Committee meetings:	1/1

Sandy Chadha
Chief Executive Officer

Sandy joined the business from school and has been involved in the management of Supreme since 1988. Sandy has grown the Group from a revenue of approximately £1 million to a revenue of approximately £92.3 million for the year ended 31 March 2020. He has been responsible for establishing the business in its current form including the entry into batteries, the substantial growth in the business since 2008, leveraging customer relationships to create the lighting category, and identifying the opportunity to develop a market-leading vaping business and a sports nutrition and wellness business.

Meetings attended:

Board Meetings:	3/3

Suzanne Smith
Chief Finance Officer

Suzanne joined Supreme in August 2020 having spent 15 years in high growth businesses with varied corporate structures, spanning manufacturing, distribution, and software, including 4imprint Group plc, Brand Addition (now The Pebble Group plc) and Fourth Limited. Suzanne was part of the management team that led Fourth Limited through its sale to Insight Venture Partners in 2016 and then to Marlin Equity Partners in 2019, during which time the business experienced significant organic and investment-led growth and geographical expansion. Suzanne is a Chartered Accountant having qualified at Pricewaterhouse Coopers in Audit and Corporate Finance.

Meetings attended:

Board Meetings:	3/3

Mark Cashmore
Independent Non-Executive Director

Mark served from 2006 and 2018 as the Group Chief Executive Officer at Connect Group PLC (previously called Smiths News plc), a London Stock Exchange main market listed specialist distribution group that demerged from WH Smith plc in 2006 and which operated mainly in the business-to-business market focused on serving high volume, time sensitive early morning deliveries and the demands of mixed and irregular freight. From 1999 to 2006 he served variously as Managing Director, Commercial Director, Sales Director, and Sales and Marketing Controller of Smiths News. Prior to his appointment at Smiths News, he held senior positions in several news distribution businesses, including United Magazine Distribution Limited, USM and Seymour Distribution Limited.

N* A R*

Meetings attended:

Board Meetings:	3/3
Nominations Committee	1/1
Audit Committee meetings:	1/1
Remuneration Committee meetings:	1/1

Simon Lord
Independent Non-Executive Director

Simon is a corporate finance and mergers and acquisition specialist with over 20 years' experience leading transactions in a variety of sectors including tech-enabled support services and Industrials. He has significant private equity experience and has acted for both buyers and sellers on behalf of financial institutions and owner managers. He is currently a Managing Partner at Arete Capital Partners LLP, a multi-family office investment business based in Manchester. Prior to his 16 years as a Managing Director and Head of the Manchester office for GCA Altium Limited, he was a Corporate Finance Director at Clearwater International Limited for six years. He qualified as a Chartered Accountant in 1997.

N A* R

Meetings attended:

Board Meetings:	3/3
Nominations Committee	1/1
Audit Committee meetings:	1/1
Remuneration Committee meetings:	1/1

Key:

- N Nomination Committee
- A Audit Committee
- R Remuneration Committee
- * Indicates Chair

Corporate Governance Report

QCA Corporate Governance Code
Compliance Statement
Principle 1: Establish a strategy and business model which promote long-term value for shareholders
The Board has a clear strategy for delivering long-term shareholder value.

Supreme is committed to being Europe's leading distributor of fast-moving consumer goods, delivering well-known brands at attractive prices with honesty and exceeding expectations at all times. This will enable our customers to achieve high margins per square foot in their outlets for our products. Our team are recognised as passionate, professional and motivated in the industry. We will continue to develop our people by building on our success in a challenging and learning environment.

The Company's strategy is to continue its profitable growth in the following ways:

- concentrate on high growth and high margin categories such as vaping and sports and nutrition, which have strong market tailwinds;
- expand our international footprint through existing customer relationships and strategic acquisitions;
- broaden our customer base and increase penetration through cross-sell and increasing the average revenue per customer;
- continue to develop innovative products and enter additional verticals to cater for Supreme's broad customer base, focused on a high quality yet good value consumer proposition;
- increase our manufacturing efficiencies through further economies of scale and bringing the manufacture of certain products and raw materials in-house;
- evaluate complementary acquisitions to add immediate value, through increased efficiencies and synergies with the Group's existing activities; and
- enhance online distribution and services to further grow our B2B and D2C sales channels.

The Board holds at least one strategy session each year. There is a risk management framework in place (as set out on pages 18 to 19 of this report) through which the risk of any adverse effects in the implementation of the strategy are monitored.

Principle 2: Seek to understand and meet shareholder needs and expectations
Prior to Admission, the Company's executive management undertook a roadshow which has informed the Company as to its shareholders' expectations following Admission. An active dialogue has been maintained with shareholders since Admission through an investor relations programme. This activity is a keystone of the Company's corporate communications programme and is headed by the Chief Executive Officer and Chief Financial Officer of the Group.

The Company has engaged advisers to support the Group Finance team with both presentation of key information to the market and to provide feedback directly to the Board from investor meetings, webinars, and events. An update on investor sentiment and or shareholding changes is provided at every Board meeting.

There is also a designated email address for Investor Relations, investors@supreme.co.uk, and all contact details are included on the Company's website.

The CEO and CFO will regularly meet with shareholders and analysts following the release of key information (including financial information) to the market, as occurred at the recent final results, and the Chairman is also available to meet with major shareholders as required. All members of the Board are available to answer questions by contacting investors@supreme.co.uk

Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success
We recognise that we are responsible not only to our shareholders and employees, but to a wider group of stakeholders (including our customers and suppliers) and the communities in which we operate.

The Company is committed to the highest standards of corporate social responsibility. The Company's key stakeholder groups are:

- Employees
- Shareholders (both institutional and private)
- Customers
- Suppliers

Further details on how the Company engages with these key stakeholder groups are detailed in Section 172 on pages 20 to 21 of this report.

Social responsibility
The Company is committed to sourcing and offering products which support social responsibility and environmental sustainability. The Company collaborates with all stakeholders including its customers and suppliers to ensure the integrity and reputation of the brands it works with. The Directors consider it important to create and maintain an environmental management system to ensure that the Company's environmental impact is minimised. Over the medium term, the Company will strive to enhance its environmental and social reporting to provide investors and the wider public with further transparency on the Company's commitment to positive environmental and social impact.

Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation
The Board uses a considered approach to risk management with the need to accept a certain level of strategic risk to achieve its objectives of capital growth for shareholders. The risks facing the business along with the monitoring processes and mitigating actions in place are set out on pages 18 to 19 of this report.

The Company has in place a risk management framework and risk register which assists the Board in identifying, assessing, and mitigating the risks faced by the Company to an acceptable level. This covers:

- The Board's appetite to risk,
- The responsibility for internal control,
- The Board process for the review of processes and controls, including independent checking by other departments or a formal internal audit function,
- Risk responsibility, mitigating actions and monitoring processes in place.

The risk management framework is reviewed at Audit Committee meetings and reported to the Board on a bi-annual basis.

Principle 5: Maintain the Board as a well-functioning, balanced team led by the chair
The Directors acknowledge the importance of high standards of corporate governance and believe the QCA Code provides the best fit for the Company by setting out a standard best practice for small and mid-sized quoted companies, particularly those on AIM.

The Board includes a balance of executive and non-executive directors, with three non-executive directors and two executive directors. The Board is managed by the Chairman who has the overall responsibility for strategy, risk, and corporate governance. The Board's activities are supported by Nomination, Audit and Remuneration Committees. The terms of reference of these committees are set out on the corporate governance pages of the Group's website and pages 26 to 30 of this report. The Board and its committees receive high quality, accurate and timely information on a regular basis (daily, weekly, or monthly as appropriate). The Board meets at least six times per year. All the Directors have appropriate skills and experience for the roles they perform at the Company, including as members of Board Committees. They are subject to re-election at least every three years.

The Company is satisfied that the current Board is sufficiently resourced to discharge its governance obligations on behalf of all stakeholders and will consider the requirement for additional non-executive directors as the Company fulfils its growth objectives.

The Board have determined that notwithstanding the role of Paul McDonald as the former Chief Financial Officer to B&M, one of the Company's largest customers by revenue, he is considered to be independent in character and judgement at the date of his appointment with respect to the Company because (i) his board position at B&M ceased in November 2020 and his employment ceased in January 2021, and (ii) the value of goods supplied by Supreme to B&M represent an immaterial proportion of B&M cost of sales in any given year and as such, any financial impact derived from this trading relationship on his ongoing financial interests in B&M (which include shares and outstanding share awards) is considered inconsequential. The Board believes that the three non-executive directors are independent, with Mark Cashmore fulfilling the role of Senior Independent Director.

Principle 6: Ensure that between them the directors have the necessary up-to-date experience, skills, and capabilities
The Board is represented by an appropriately diverse mix of individuals, given its size. Experiences are varied and contribute to maintaining a balanced board that has the appropriate level and range of skill to push the Company forward. Details of the skills and experience of the Directors are set out on page 23 of this report as well as on the website. The Board is not dominated by any one individual and all Directors have the ability to challenge proposals put forward to the meeting and decisions are reached democratically. The Board and Committees will receive training as appropriate, including technical updates on the latest accounting, auditing, tax, and reporting developments, as well as regulatory updates pertaining to the sectors in which Supreme operates, particularly for battery and vape regulations. The balance of skills of the Board will be reviewed at least on an annual basis. The Board has access to professional advisers at the Company's expense if necessary.

The Directors also receive regular briefings and updates from the Company's Nominated Adviser in respect of continued compliance with, inter alia, the AIM Rules.

The Company's statement on its Audit, Remuneration and Nomination Committees can be found in its Admission Document and on the website.

Principle 7: Evaluate board performance based on clear and relevant objectives, seeking continuous improvement
The Board has committed to performing a formal evaluation of performance in its first year of existence as described in this report.

The key assessments that are made in relation to the effectiveness of the Directors are:

- Contributions are relevant and effective;
- Skills remain current and relevant for their role on the Board;
- They are committed and able to devote a suitable amount of time to undertaking their duties as a Director; and
- If their role is as an independent Director, that they remain independent.

The Nomination Committee may use the results of the evaluation process when reviewing the composition of the Board for selecting any new Board members, and in succession planning for the Directors of the Board as well as key executive team members. The Board considers succession planning to be a matter of high priority and this is reviewed annually by the Nomination Committee where recommendations are then presented to the Board for consideration. Succession planning requirements relating to all members of the executive management team are considered by the CEO regularly.

Principle 8: Promote a corporate culture that is based on ethical values and behaviours
The Company has a responsibility towards its employees and other stakeholders. The Board promotes an ethical corporate culture by having a documented Code of Conduct within the Employee Handbook, with any areas of non-compliance reported to the Board.

At Board level, there are terms of reference for each of its committees, requiring regular disclosure of Directors' other interests, and following a share dealing code, all of which require high standards of behaviour.

The Company's employment policies, such as those applying to Whistleblowing and Anti-bribery also assist in embedding a culture of ethical behaviour for all employees and the Company's commitment to upholding human rights of all individuals is clearly documented in its Modern Slavery Act 2015 Statement: https://www.supreme.co.uk/msaht/

The Company's policies set out its zero-tolerance approach towards any form of discrimination or unethical behaviour relating to bribery, corruption, or business conduct.

This culture is set by the Board and regularly considered and discussed at Board meetings.

Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board
The Board has a formal schedule of matters reserved for its attention, including approval of strategic plans and acquisitions and meets at least six times per year.

The role of each member of the Board is clearly defined. The Chairman is responsible for the operation of the Board. The Chief Executive Officer is responsible for proposing the strategic direction of the board and implementing the strategy once approved. The Chief Financial Officer is responsible for all financial matters and engagement with shareholders. Board roles can be found on the Corporate Governance section of the website and set out on page 23 of this report.

The Board is supported by the Audit, Remuneration and Nomination Committees in discharging its responsibilities. Each of the Committees has access to information and external advice, as necessary, to enable the Committee to fulfil its duties.

The Audit Committee has primary responsibility of monitoring the quality of internal controls to ensure that the financial performance of the Company is properly measured and reported on.

The Remuneration Committee reviews the performance of the executive directors, chairman of the Board and senior management of the Company and make recommendations to the Board on matters relating to their remuneration and terms of service.

The Nomination Committee will lead the process for Board appointments and make recommendations to the Board.

The terms of reference of these committees can be found on the Corporate Governance section of this website and set out on pages 26 to 30 of this report.

Principle 10: Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders
The Company will communicate with its shareholders through:

- the Annual Report and Accounts
- half-year report announcements
- Regulatory Information Service ("RIS") announcements
- the Annual General Meeting ("AGM")
- one-to-one meetings with large existing or potential new shareholders

As outlined in principle 2, the Company maintains an active dialogue with its shareholders through a planned programme of investor relations.

A range of Company information is included on the website (www.investors.supreme.co.uk) and further information can be requested from investors@supreme.co.uk.

Audit Committee Report

Simon Lord
Independent Non-Executive Director

Dear shareholder,

I am pleased to present the Audit Committee Report for the year ended 31 March 2021.

The Audit Committee was formed at IPO and since the year end the priorities for the committee have been the actions required in support of the year-end audit process, audit planning with the external auditors, approval of audit fees, review of the Annual Report and Accounts and review of the risk register and internal controls.

Composition and experience of the Audit Committee
The Audit Committee is chaired by me as an Independent Non-executive Director and consists of all the Non-executive Directors. Two of the three Non-executive Directors are qualified Chartered Accountants, and all have considerable industry experience in senior financial and operational roles.

Responsibilities
The Audit Committee will have the primary responsibility of monitoring the quality of internal controls, monitoring the integrity of the Group's financial statements and the external announcements of the Group's results to ensure that the financial performance of the Group is properly measured and reported on. It will receive and review reports from the Group's management and external auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. The Audit Committee will meet not less than three times in each financial year and will have unrestricted access to the Group's external auditors.

External audit
The Audit Committee has responsibility for the appointment and remuneration of the Group's external auditors and satisfying itself that they maintain their independence regardless of any non-audit work performed by them. The Group has been monitoring the updated Ethical Standard guidance governing the performance of non-audit work by the auditors regarding the provision of such services. The total fees payable to the external auditors in respect of the year under review amount to £212,000 (2020: £87,000) of which £120,000 (2020: £15,000) related to non-audit services primarily relating to the IPO.

The respective responsibilities of the Directors and external auditors in connection with the Group financial statements are explained in the Statement of Directors' Responsibilities on page 33 and the Auditors' Report on pages 34 to 38 of this report.

One of the principal duties of the Audit Committee is to make recommendations to the Board in relation to the appointment of the external auditors. BDO have been the Company's external auditors for eight years and in line with best practice guidance are required to rotate the audit partner responsible for the Group and subsidiary audits every five years whilst it is a public company.

Internal control and risk management
The Audit Committee will support the Board in reviewing the risk management methodology and the effectiveness of internal control. Regular internal control updates will be provided to the Audit Committee; these will include reviewing and updating the risk register and assessing the mitigating actions in place and updates to action plans agreed in previous meetings.

Significant issues considered in relation to the financial statements
At the request of the Board, the Audit Committee considered whether the 2021 Annual report and Accounts were fair, balanced and understandable and whether they provided the necessary information for shareholders to assess the Group's performance, business model and strategy. The Committee was satisfied that, taken as a whole, the 2021 Annual Report and Accounts are fair, balanced and understandable.

The Audit Committee assesses whether suitable accounting policies have been adopted and whether appropriate estimates and judgements have been made by management. The Committee also reviews accounting papers prepared by management, and reviews reports by the external auditors. The specific areas reviewed by the Committee during the year were:

- appropriateness of the treatment of costs in relation to the IPO and the presentation in the Group financial statements;
- appropriateness of the disclosure in the financial statements, given the first year as a listed company;
- appropriateness of the carrying value of goodwill, intangibles and investments; and
- review of the potential impact and disclosure of the impact of COVID-19.

Simon Lord
Chairman of the Audit and Risk Committee

Remuneration Report

Mark Cashmore
Independent Non-Executive Director

Dear Shareholder

I am delighted to have been appointed as the Chairman of the Remuneration Committee, and I am pleased to present the Company's first remuneration report as a listed company. The Remuneration Committee understands the emphasis placed on, and the scrutiny of, executive pay, and as a newly listed company we have been focused on transitioning effectively into a listed environment.

Following Admission onto AIM in February 2021, we adopted the corporate governance code published by the Quoted Companies Alliance (the "QCA Code"). The Remuneration Committee is satisfied it has met the standards set by the QCA Code.

Main responsibilities
The Committee's main responsibilities are:

- to determine the framework and broad policy for setting remuneration for the Chief Executive Officer and all executive directors;
- to attract, retain and motivate executive management of the quality required to run the company successfully without paying more than is necessary, having regard to views of shareholders and other stakeholders;
- to review the establishment of all share incentive plans for approval by the Board and shareholders and determine each year whether awards will be made, and if so, the overall amount of such awards and the individual awards per person to executive directors and other senior management; and
- to produce an annual report on the Company's remuneration policy.

Remuneration decisions
In preparation for IPO, the Company considered the appropriate ways to structure the pay and incentives for its executive directors. A number of approaches were considered, that took into account market practice in the listed environment and also the individual circumstances of the executive directors. As the CEO retained a large shareholding following IPO, the incentive structure for him is based on stretching targets alongside a significant upside if those targets are met. For the CFO, a more standard market aligned incentive structure was deemed to be appropriate.

Summary
The Committee believes that the current remuneration arrangements are in the best interests of the Company and are appropriately aligned to strategic goals, delivering shareholder value and supporting the long-term success of the business.

The Remuneration Committee takes the views of its shareholders seriously and intends to maintain an open dialogue to seek their views. I am always happy to hear from the Company's shareholders and you can contact me via the Company Secretary if you have any questions on this Report or more generally in relation to the Company's remuneration.

Directors' Remuneration Report
Summary of remuneration policy
In setting the remuneration arrangements, the Remuneration Committee takes into account:

1. The responsibilities of each individual's role and their experience and performance as well as the material shareholding of the CEO;
2. The design of remuneration policies and practices to support strategy and promote long-term sustainable success, with executive remuneration aligned to the Company's purpose and values, clearly linked to the successful delivery of the Company's long-term strategy;
3. The need to attract, retain and motivate executive directors and senior management, ensuring an appropriate mix between fixed and variable pay;
4. The pay and benefits arrangements elsewhere in the Group, and in the sector;
5. The periodic external benchmarking to consider market conditions, and remuneration practices for roles of a similar size and complexity; and
6. The need to align the overall reward arrangements with the Company's strategy, both in the short and long-term.

Mark Cashmore
Chairman of the Remuneration Committee

Remuneration Report continued

A summary of the remuneration arrangements applicable to remuneration in FY 2021 and FY 2022 is set out below for reference to assist with the understanding of the contents of this report and to demonstrate alignment with strategy.

Purpose and link to strategy	Operation	Opportunity	Performance metrics used, weighting and time period applicable
Base salary Provides a base level of remuneration to support recruitment and retention of executive directors with the necessary experience and expertise to deliver the Company's strategy.	Salaries are reviewed at the discretion of the Committee.	Base salaries will be set by the Committee at an appropriate level, with consideration given to comparable listed companies, experience in role and the Company's performance.	None
Benefits and pension Provides a competitive level of benefits and pension.	The executive directors receive benefits which includes private medical insurance. Further benefits may also be provided for relocation following the appointment of new executives.	Currently no pension contributions are paid to the executive directors. The maximum value of other benefits will be set at the cost of providing the benefits described.	None
Annual bonus The annual bonus provides a significant incentive to the executive directors linked to achievement in delivering strategic goals, including financial performance. Maximum bonus is only payable for achieving demanding targets.	Performance is measured annually against a range of pre-determined performance conditions. Outcomes are determined by the Committee after the year end based on performance against these targets. All bonus payments are at the ultimate discretion of the Committee and the Committee retains an overriding ability to ensure that overall bonus payments reflect its view of corporate performance during the year. Annual bonuses are paid in cash after the end of the financial year to which they relate.	The maximum normal bonus opportunity is currently 100% of base salary.	Performance is measured over the financial year. Targets are set annually by the Committee. Performance metrics may include: • Adjusted EBITDA; • strategic/personal targets The Remuneration Committee has discretion to use other metrics as required.
Long-term incentive plans ("LTIP") The LTIP provides a significant incentive to the executive directors linked to achievement in delivering longer term strategic goals, including sustained financial performance. Maximum awards are only payable for achieving demanding targets.	***CEO award*** One off award to CEO in the form of nil cost options measured over three and five years. ***CFO award*** Annual LTIP awards are made using nominal cost share options. Performance is measured over three financial years against a range of pre-determined performance conditions	***CEO award*** The CEO award is in two tranches, each equal to 2.5% of issued share capital. ***CFO award*** The normal maximum LTIP award is 100% of base salary. Only the CFO receives awards under the current LTIP going forward.	***CEO award*** Tranche 1 – vests after 3 years if TSR is 100% or greater over the period since IPO. Tranche 2 – vests after 5 years if TSR is 200% or greater over the period since IPO. ***CFO award*** Performance is measured over a minimum three-year performance period. Targets are set for each performance period by the Committee. Performance metrics for the awards are based on total shareholder return (TSR).
Non-executive director fees Provides a level of fees to support recruitment and retention of non-executive directors with the necessary experience to advise and assist with establishing and monitoring the Company's strategic objectives.	Non-executive directors are paid a base fee. Fees are reviewed from time to time at the Remuneration Committee's discretion based on equivalent roles in an appropriate comparator group also used to review salaries paid to the executive directors.	The base fees for non-executive directors are set at a market rate. No additional fees are awarded for committee chairmanship or membership.	None

Malus is applied up to the date of the bonus determination and during the relevant performance period from grant to vesting for the LTIP. Clawback will apply for two years from the date of bonus determination and for the two year period post-vesting for the LTIP.

Annual Report on Remuneration

Executive director remuneration

The table below sets out the total remuneration with a breakdown for each executive director in respect of the 2021 financial year. Comparative figures for the 2020 financial year have also been provided.

£'000	Base salary[1]		Benefits[2]		Annual Bonus		Pension[3]		Other		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Sandy Chadha	£141,667	£9,039	£2,105	–	–	–	–	–	–	–	£143,772	£9,039
Suzanne Smith	£93,665	–	–	–	£50,000	–	–	–	–	–	£143,665	–

[1]Annual base salary for Sandy Chadha was £250,000 and Suzanne Smith was £150,000.

[2]The taxable benefits received in 2021 were private medical insurance.

[3]Executive directors do not receive a pension contribution.

Non-executive directors (Audited)

The table below sets out the total remuneration and breakdown for each non-executive director.

	Fees[1]		Total	
£'000	2021	2020	2021	2020
Mark Cashmore	£8,261	–	£8,261	–
Simon Lord	£9,294	–	£9,294	–
Paul McDonald	£11,359	–	£11,359	–

[1]Annual fees are £40,000 for Mark Cashmore, £45,000 for Simon Lord and £55,000 for Paul McDonald.

The Remuneration Committee considers that performance conditions for all incentives are suitably demanding, having regard to the business strategy, shareholder expectations, the markets in which the Group operates and external advice. To the extent that any performance condition is not met, the relevant part of the award will lapse. There is no retesting of performance.

Bonus awards

The bonus of £50,000 paid to Suzanne Smith was a performance-related bonus in relation to FY21.

Share interests

The interests of directors and their connected persons in Ordinary Shares and share options as at 31 March 2021 are presented in the table below.

		Options held		
Director	Ordinary shares at 31 March 2021	Vested but not exercised	Unvested and subject to continued employment	Unvested and subject to performance criteria
Sandy Chadha	66,126,845	–	–	5,825,000
Suzanne Smith	18,656	–	–	111,940
Mark Cashmore	29,850	–	–	–
Simon Lord	37,313	–	–	–
Paul McDonald	7,462	–	–	–

Base salary

There was no increase in base salary for the executive directors from 1 April 2021.

Remuneration Report continued

Annual bonus
FY 2022 will be a critical year for the Group and the Committee believes it is vital that the executive directors, and broader senior management team, are incentivised to deliver strong results for our shareholders as we emerge from the global pandemic.

Normal bonus opportunities for executive directors will be 100% of salary. The performance targets for the FY 2022 bonus will be:

- Adjusted EBITDA (70% weighting)
- Strategic/personal targets (30% weighting)

The Remuneration Committee is of the opinion that given the commercial sensitivity arising in relation to the detailed financial targets used for the annual bonus, disclosing precise targets for the bonus plan in advance would not be in shareholder interests. Actual targets, performance achieved and awards made will be published at the end of the performance periods so shareholders can fully assess the basis for any pay-outs under the annual bonus.

Long-term incentive
The CFO will be eligible to participate in any long-term incentive awards granted during FY 2022. However, the CEO is not eligible for long term incentive award grants in FY 2022. The Remuneration Committee will keep this under review in future years.

Pension
The Company does not pay any pension contributions to the executive directors.

Non-executive director fees
The fees for the non-executive directors are reviewed periodically to ensure that they remain in line with the market.

Advisers to the Committee
Following the IPO, the Committee appointed and received independent advice from PwC. As a founder member of the Remuneration Consultants Group, PwC voluntarily operate under the Voluntary Code of Conduct in relation to executive remuneration consulting in the UK. The Remuneration Committee is satisfied that the advice received was objective and independent.

Approval
This report is approved by the Board on 25 August 2021.

Mark Cashmore
Chairman of the Remuneration Committee

Directors' Report

The Directors present their report together with the audited financial statements of the Parent Company ("the Company") and the Group for the year ended 31 March 2021.

Business review and future developments
A review of the performance of the Group during the year, including principal risks and uncertainties, key performance indicators and comments on future developments, is given in the Strategic Report.

Results and dividends
The Group recorded revenue in the year of £122.2 million (2020: £92.3 million) and profit after tax of £9.8 million (2020: £10.9 million).

Interim dividends of £3,000,000 were declared and paid during the year. There was no final dividend proposed.

Events after the balance sheet date
On 8 June 2021, a total of 127,094 share options were exercised by a former employee under the Company's EMI Scheme as an acknowledgement of his contribution and long service to the Company. Pursuant to the exercise of the above share options, 127,094 new ordinary shares were admitted to trading on AIM on 10 June 2021. At the date of signing these financial statements the total number of Ordinary Shares in issue is 116,627,074 and the total number of voting rights is 116,627,074.

On 10 June 2021, Supreme Imports Limited acquired the entire share capital of Vendek Limited, a leading Dublin-based distributor of batteries and lighting products, for an initial consideration of €1.07 million. The completion mechanism has not been finalised at the date of signing these financial statements and this, together with a full purchase price allocation exercise, will be finalised and reported in the interim accounts for the period to 30 September 2021.

On 29 June 2021, the Company announced the acquisition of the brands and stock of Sci-MX Nutrition Limited, a leading sports nutrition and supplements business for £2.3 million.

Financial risk management
Information relating to the principal risks and uncertainties of the Group have been included within the Strategic Report. Further information relating to the financial risks of the Group have been included within note 23, Financial instruments.

Directors and their interests
The Directors of the Company who were in office during the year and up to the date of signing the Group financial statements were:

P McDonald	(appointed 11 January 2021)
S Chadha	
S Smith	(appointed 17 August 2020)
S Lord	(appointed 11 January 2021)
M Cashmore	(appointed 10 January 2021)
D Clinch	(appointed 12 February 2020 and resigned 11 January 2021)
M Clinch	(resigned 11 January 2021)

All the Directors are subject to election by the shareholders at the forthcoming AGM following their appointment during the year.

The Directors who held office during the year and at 31 March 2021 had the following interests in the ordinary shares of the Company:

Name of Director	Number
P McDonald	7,462
S Chadha	66,126,845
S Smith	18,656
S Lord	37,313
M Cashmore	29,850

In addition to the interests in ordinary shares shown above, the Group operates a number of long-term incentive arrangements for certain employees, senior executives and Directors. The executive directors were granted share options under the Supreme plc Unapproved Share Option Scheme 2021 (the "Scheme") on 9 March 2021, further details of which can be found in the Remuneration Report on page 29.

The market price of the Company's shares at the end of the financial year was 180.0p (On Admission 1 February 2021: 134.0p) and the range of market prices during the period post-Admission was between 150.0p and 197.0p.

No changes took place in the interests of Directors between 31 March 2021 and the date of signing the Group financial statements.

Further details on related party transactions with Directors are provided in note 29 of the Group financial statements.

Directors' indemnities and insurance
The Company has made qualifying third-party indemnity provisions for the benefit of the Directors, which were in force during the year and up to the date of this report.

Substantial shareholdings
As at 9 August 2021, the Company has been advised, in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority, of the following notifiable interests in 3% or more of its voting rights:

Sandy Chadha	56.70%
Canaccord Genuity Wealth Management	7.23%
Slater Investments Limited	4.80%
Blackrock Investment Management	4.64%
Premier Milton Group Plc	3.85%
Jupiter Fund Management Plc	3.42%

Employees
Employees are consulted throughout the organisation and are given many opportunities to provide feedback during regular meetings and annual appraisals. Recruitment and retention have also been supported by this regular communication. There is a comprehensive Code of Conduct in place setting out the ethical expectations of all employees. A key element to the strategy is to continue to attract, develop and retain high quality team members who share our brand values to support the wider growth ambitions.

The Group has an established policy of encouraging the employment of disabled persons wherever this is practicable and endeavours to ensure that disabled employees benefit from training and career development programmes in common with all other employees. The Group's policy includes, where practicable, the continued employment of those who may become disabled during their employment.

The Group encourages the involvement of employees in the Company's performance through performance related commissions and bonuses, open to individuals at every level in the business. Consultation with employees takes place regularly where the views of employees are considered when making decisions that are likely to affect their interests. Communication with all employees continues through the Group intranet and regular briefing meetings to provide information on the Group's Financial performance and other factors affecting the business.

Directors' Report continued

Political donations
The Directors confirm that no donations for political purposes were made during the year (2020: nil).

Share capital and voting
The Company has one class of equity share, namely £0.10 ordinary shares. The ordinary shares have full voting, dividend and capital distribution rights, including on winding up. They are non-redeemable. The rights and obligations attaching to these shares are governed by the Companies Act 2006 and the Company's Articles.

As at 31 March 2021, the Company's issued share capital comprised of 116,499,980 ordinary £0.10 shares totalling £11,649,998.

Rules governing the appointment and replacement of Directors, and those relating to the amendment of the Company's Articles of Association, are contained within those Articles of Association, a copy of which is located on the Company's website (https://investors.supreme.co.uk).

Notice of Annual General Meeting
The Annual General Meeting will be held on 30 September 2021. The ordinary business comprises receipt of the Directors' report and audited financial statements for the period ended 31 March 2021, the re-election of Directors, the reappointment of BDO LLP as auditor and authorisation of the Directors to determine the auditor's remuneration. Special resolutions are also proposed to authorise the Directors, to a limited extent consistent with Pre-Emption Group guidelines, to allot new shares, to disapply statutory pre-emption rights, and to make market purchases of the Company's shares. The Notice of Annual General Meeting sets out the ordinary and special resolutions to be put to the meeting. A Notice of AGM, with explanatory notes, accompanies these Group financial statements.

Corporate governance
The Group's statement on Corporate Governance can be found in the Statement on Corporate Governance which is incorporated by reference and forms part of this Directors' Report.

Disclosure of information to auditors
The Directors of the Company at the date of the approval of this report confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Going concern
Supreme PLC is funded by external banking facilities provided by HSBC until December 2022, as well as through surplus cash held at bank. Taking account of these facilities, having considered the strong trading and cash flow forecasts and after assessing reasonably worst case sensitivities, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the Group Financial Statements.

UK Greenhouse gas emissions
and energy usage

	FY21		FY20	
	Consumption kWh	**Emmission tC02e**	**Consumption kWh**	**Emmission tC02e**
Electricity	1,016,118	237	698,597	163
Gas	590,356	152	619,168	159
Transport	61,638	16	149,916	38
TOTAL	**1,668,112**	**405**	**1,467,681**	**360**

Intensity Metric:
KwH per full time equivalent during the year was 8,299KwH (FY20: 7,375KwH).

TCO2e per full time equivalent during the year was 2TCO2e (FY20: 2TCO2e).

Please also see page 16 which outlines the measures taken in the year to reduce carbon emissions.

Independent auditors
The auditor, BDO LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the AGM.

The Directors' Report was approved on behalf of the Board on 25 August 2021

By order of the Board

S Smith
Chief Finance Officer
Supreme plc
Registered number: 05292196

25 August 2021

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual 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 prepared the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the company 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 group and company and of the profit or loss of the group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

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 they have been prepared in accordance with IFRSs as adopted by the European Union, 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 requirements of 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.

Website publication
The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

S Smith
Chief Finance Officer
Supreme plc
Registered number: 05292196

25 August 2021

Independent Auditor's Report to the Members of Supreme Plc

Opinion on the financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Supreme Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2021 which comprise the consolidated statement of comprehensive income, consolidated and company statements of financial position, consolidated and company statements of changes in equity, consolidated statement of cash flows 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 international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the Parent Company financial statements, as applied in accordance with the provisions 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We remain independent of the Group and the Parent 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 as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

Obtaining management's assessment of the going concern status of the Group and the Parent Company which included forecasts and stress-testing covering a period of 12 months from the date of sign off of the financial statements and performing the following:

- Evaluating management's method of assessing going concern in light of market volatility and the current uncertainties associated with COVID-19 and adequacy of banking facilities;
- We have reviewed and challenged, through enquiry and consideration of historical performance the key assumptions of management in preparing the cash flow forecasts, including growth assumptions, margins and movements in base costs; and We reviewed management's reverse stress testing of forecasts and modelling scenarios and considered the likelihood of occurrence and reasonableness of mitigating actions to increase headroom.

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 group's and parent 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.

Overview

Coverage	95% of Group profit before tax 95% of Group revenue 95% of Group total assets	
Key audit matters	Revenue recognition	2021 ✔
Materiality	Group financial statements as a whole £614k based on a 3 year average of 5% of Profit before tax adjusted for exceptional items.	

An overview of the scope of our audit
Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group manages its operations from one principal location in the UK and has common financial systems, processes and controls covering all significant components. In assessing the risk of material misstatement in the group financial statements, of the 9 reporting components of the group, we determined that three components (Supreme Imports Limited, VN Labs Limited and Supreme Plc) represented the principal business units within the group, which included the Parent Company.

For the three significant components (Supreme Imports, VN Labs & Supreme Plc), we performed full scope audit procedures. For the six insignificant components, we performed other procedures including analytical review, and specified audit procedures over specific accounts within each component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile. As a consequence of the audit scope determined, we achieved coverage of approximately 95% of revenue, profit before tax and total assets.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter		How the scope of our audit addressed the key audit matter
Revenue Recognition (accounting policy in note 2 and 5)	We considered there to be a significant audit risk arising from the recognition of revenue, including relating to management override, cut off of revenue transactions at the year-end and whether the accounting policy is not aligned with IFRS 15. The presumed risk of improper recognition of revenue due to fraud has also been identified as a significant risk. Revenue Recognition is one of the primary focuses of the engagement team. Due to this focus, revenue recognition is considered to be a key audit matter.	Our procedures have included reviewing the group's adopted revenue recognition policy to ensure that it complies with accounting standards and has been consistently applied throughout the year giving particular attention to IFRS 15. We have tested a sample of revenue transactions that recorded near the year end and subsequent to the year end to confirm appropriate recognition in the year under audit. We have tested a sample of revenue transactions throughout the period to confirm existence & completeness of the revenue. We have tested journal entries in relation to revenue for any unusual / inappropriate entries such as unexpected double entries that were present in revenue. Key observation: Based on the procedures performed, we consider management's judgements made in their determination of revenue recognition to be appropriate.

Independent Auditor's Report to the Members of Supreme Plc continued

Our application of materiality
We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements 2021 £'000	Parent company financial statements 2021 £'000
Materiality	641	332
Basis for determining materiality	3 year average of 5% of profit before tax,adjusted for exceptional items.	1% of total assets.
Rationale for the benchmark applied	Adjusted profit before tax is considered to be the most appropriate benchmark based on market practice and investor expectations.	This is considered an appropriate basis as the Parent Company does not trade and principal activity is that of a holding company.
Performance materiality	480	249

Basis for determining performance materiality	75% of materiality on the basis of our risk assessment, assessment of the overall control environment and there being one main location in the UK.

Component materiality
We set materiality for each component of the Group based on a percentage of between 51% and 80% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £332k to £514k. In the audit of each component, we further applied performance materiality levels of 75% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold
We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £12,250. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report and accounts other than the financial statements and our auditor's report thereon. 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.

Other Companies Act 2006 reporting
Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	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. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company 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 statement of Directors' responsibilities statement, 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 Group's and the Parent 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 Group or the Parent 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.

Extent to which the audit was capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding and accumulated knowledge, we obtained an understanding of the legal and regulatory framework applicable to the Group and Parent Company and the sector in which it operates. We considered the significant laws and regulations to be the applicable accounting framework, the UK Companies Act 2006, value added tax act, income tax act ,and those that relate to the payment of employees.

We assessed the financial statements for material misstatement, including fraud and evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries, management bias in accounting estimates and improper revenue recognition associated with year-end cut-off.

Independent Auditor's Report to the Members of Supreme Plc continued

Our audit procedures included, but were not limited to:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to goodwill impairment, right of use assets and valuation and completeness of accruals and other provisions;
- The procedures performed in the key audit matters section above;
- Identifying and testing journal entries, in particular any journal entries posted with specific unusual narrative, manual journals to revenue and cash, and review of journals posted to least used accounts;
- We have made enquiries of management and those responsible for legal and compliance procedures regarding known or suspected instances of non-compliance with laws and regulation and fraud. We corroborated our enquiries through our review of board minutes and other evidence gathered during the course of the audit; and
- We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: 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 Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Julien Rye
(Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester
United Kingdom

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

25 August 2021

Consolidated Statement of Comprehensive Income

for the Year Ended 31 March 2021

	Note	Year Ended 31 March 2021 £'000	Year Ended 31 March 2020 £'000
Revenue	5	**122,253**	92,329
Cost of sales	6	**(89,211)**	(65,717)
Gross Profit		**33,042**	26,612
Administration expenses	6	**(19,416)**	(12,619)
Operating profit		**13,626**	13,993
Adjusted EBITDA[1]		**19,272**	16,001
Depreciation	14 & 22	**(1,998)**	(1,548)
Amortisation	13	**(225)**	(25)
Adjusted items	7	**(3,423)**	(435)
Operating profit		**13,626**	13,993
Finance income	9	**–**	3
Finance costs	10	**(671)**	(783)
Profit before taxation		**12,955**	13,213
Income tax	11	**(3,117)**	(2,318)
Profit for the year		**9,838**	10,895
Other comprehensive income/(loss)			
Currency translation differences		**–**	(9)
Total comprehensive income for the year		**9,838**	10,886
Earnings per share – basic	12	**8.9p**	9.9p
Earnings per share – diluted	12	**8.7p**	9.8p

Note 1: Adjusted EBITDA, which is defined as operating profit before depreciation, amortisation and Adjusted items (as defined in Note 7) is a non-GAAP metric used by management and is not an IFRS disclosure.

All results derive from continuing operations.

Consolidated Statement of Financial Position

as at 31 March 2021

	Note	As at 31 March 2021 £'000	As at 31 March 2020 £'000
Non-current assets			
Assets			
Goodwill and other intangibles	13	**2,628**	1,778
Property, plant and equipment	14	**2,787**	3,458
Right of use asset	22	**1,476**	1,495
Investments	15	**7**	7
Total non-current assets		**6,898**	6,738
Current assets			
Inventories	17	**19,865**	14,458
Trade and other receivables	18	**16,052**	16,738
Derivative financial instruments	23.9	**–**	209
Income tax recoverable		**–**	9
Cash and cash equivalents	19	**7,505**	6,718
Total current assets		**43,422**	38,132
Total assets		**50,320**	44,870
Liabilities			
Current liabilities			
Borrowings	21	**10,476**	10,573
Trade and other payables	20	**13,295**	10,289
Derivative financial instruments	23.9	**559**	–
Income tax payable		**2,370**	2,340
Total current liabilities		**26,700**	23,202
Net current assets		**16,722**	14,930
Borrowings	21	**4,658**	17,413
Deferred tax liability	16	**141**	191
Total non-current liabilities		**4,799**	17,604
Total liabilities		**31,499**	40,806
Net assets		**18,821**	4,064
Equity			
Share capital	24	**11,650**	11,001
Share premium		**7,195**	–
Merger reserve		**(22,000)**	(22,000)
Share-based payments reserve		**75**	–
Retained earnings		**21,901**	15,063
Total equity		**18,821**	4,064

The notes on pages 43 to 70 are an integral part of these financial statements.

The financial statements on pages 34 to 42 were approved by the Board of Directors and authorised for issue on 25 August 2021, and were signed on its behalf by:

S Smith
Director

Registered number: 05844527

Consolidated Statement of Changes in Equity

For the Year Ended 31 March 2021

	Share Capital £'000	Share Premium £'000	Merger reserve £'000	Share-based payments reserve £'000	Retained earnings £'000	Total equity £'000
As at 1 April 2019	11,001	–	(22,000)	–	15,177	**4,178**
Profit for the year	–	–	–	–	10,895	**10,895**
Other comprehensive loss	–	–	–	–	(9)	**(9)**
Total comprehensive income for the year	–	–	–	–	**10,886**	**10,886**
Transactions with shareholders:						
Dividends	–	–	–	–	(11,000)	**(11,000)**
As at 31 March 2020	**11,001**	**–**	**(22,000)**	**–**	**15,063**	**4,064**
Profit for the year	–	–	–	–	9,838	**9,838**
Total comprehensive income for the year	–	–	–	–	9,838	**9,838**
Transactions with shareholders:						
Issue of shares – options exercised	89	255	–	–	–	**344**
Issue of shares – IPO shares	560	6,940	–	–	–	**7,500**
Employee share schemes – value of employee services	–	–	–	75	–	**75**
Dividends	–	–	–	–	(3,000)	**(3,000)**
	649	**7,195**	**–**	**75**	**(3,000)**	**4,919**
As at 31 March 2021	**11,650**	**7,195**	**(22,000)**	**75**	**21,901**	**18,821**

Consolidated Statement of Cash Flows

For the Year Ended 31 March 2021

	Note	Year Ended 31 March 2021 £'000	Year Ended 31 March 2020 £'000
Net cash flow from operating activities			
Profit for the year		**9,838**	10,895
Adjustments for:			
Amortisation of intangible assets	13	**225**	25
Depreciation of tangible assets	14 & 22	**1,998**	1,548
Fixed asset investment written off	15	**–**	60
Finance income	9	**–**	(3)
Finance costs	10	**671**	783
Amortisation of capitalised finance costs		**177**	149
Income tax expense	11	**3,117**	2,318
Movement on forward foreign exchange contracts	23.9	**768**	–
Share based payments expense	25	**75**	–
Working capital adjustments			
(Increase)/decrease in inventories		**(5,286)**	2,472
Decrease/(increase) in trade and other receivables		**970**	(942)
Increase in trade and other payables		**2,726**	1,442
Taxation paid		**(3,003)**	(1,716)
Net cash from operations		**12,276**	17,031
Cash flows used in investing activities			
Purchase of intangible fixed assets	13	**(125)**	(26)
Purchase of property, plant and equipment	14	**(1,667)**	(1,655)
Purchase of subsidiaries net of cash acquired	26	**(1,005)**	(3,547)
Proceeds from sale of property, plant and equipment		**890**	–
Interest received		**–**	3
Net cash used in investing activities		**(1,907)**	(5,225)
Cash flows used in financing activities			
Drawdown of loans	21	**–**	6,000
Repayment of loans	21	**(13,021)**	(4,066)
Drawdown of other loans	21	**–**	3,735
Proceeds from IPO		**7,500**	–
Proceeds from issue of options		**344**	–
Payment of deferred consideration		**(195)**	–
Dividends paid		**(3,000)**	(11,000)
Finance costs paid		**(591)**	(691)
Lease payments	22	**(619)**	(579)
Net cash used in financing activities		**(9,582)**	(6,601)
Net increase in cash and cash equivalents		**787**	5,205
Cash and cash equivalents brought forward		**6,718**	1,543
Foreign exchange		**–**	(30)
Cash and cash equivalents carried forward		**7,505**	6,718
Cash and cash equivalents	19	**7,505**	6,718
		7,505	6,718

Notes to the Group Financial Statements

as at 31 March 2021

1. Basis of preparation

Supreme PLC ("the Company") is a public company limited by shares, registered in England and Wales and domiciled in the UK, with company registration number 05844527. The principal activity is the manufacture (vaping and sports nutrition & wellness only) and wholesale distribution of batteries, lighting, vaping, sports nutrition & wellness and branded household consumer goods. The registered office is 4 Beacon Road, Ashburton Park, Trafford Park, Manchester, M17 1AF.

These Group financial statements have been prepared on a going concern basis under the historical cost convention, modified for the revaluation of certain financial instruments; in accordance with both international accounting standards in conformity with the requirements of the Companies Act 2006.

Initial public offering ("IPO")

In preparation for the IPO, the Company re-registered as a public limited company on 28 October 2020 and the Company's shares were admitted to trading on the Alternative Investment Market ("AIM"), a market operated by the London Stock Exchange, on 1 February 2021.

The preparation of Group financial statements requires the Directors to exercise their judgement in the process of applying accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group financial statements are disclosed in Note 4.

The Group financial statements are presented in sterling and, unless otherwise stated, amounts are expressed in pounds, to the nearest thousand. The financial information presented in respect of the year ended 31 March 2020 has been prepared on a basis consistent with that presented in the Company's Admission Document.

The principal accounting policies adopted are set out below.

2. Summary of significant accounting policies

2.1 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The Group financial statements incorporate the results of business combinations using the acquisition method. In the Consolidated Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases. The merger reserve arose on a past business combination of entities that were under common control. The merger reserve is the difference between the cost of investment and the nominal value of the share capital acquired.

2.2 New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Judgements made by the Directors in the application of these accounting policies that have a significant effect on these financial statements together with estimates with a significant risk of material adjustment in the next year are discussed in Note 4.

2.3 Going concern

Supreme PLC provides essential products to well established retailers. The nature and price point of the products offered means that the Group is well positioned to overcome any volatility in the economic climate, which is further supported by a customer base who perform consistently strongly and are household names.

The COVID-19 pandemic has not had a material impact on the Group, with many of Supreme's customers being able to remain open throughout. This has allowed the Group to continue its growth, both organically and through acquisition.

The group is funded by external banking facilities provided by HSBC until December 2022, as well as through surplus cash held at bank. The Board and Senior Management regularly reviews revenue, profitability and cash flows across the short, medium and longer term.

Management has assessed the Company's Going Concern status by undertaking a 3 year cash flow forecast where the modest levels of growth to revenue and costs have been applied and held all working capital assumptions in line with existing trends. No new categories or acquisitions have been assumed nor any significant economies of scale or manufacturing efficiencies. In terms of cash projections and overall liquidity, the Group reported cash of £7.5m and unused credit facilities of £11.8m (comprising an invoice discounting facility and an import loan facility). The cash flow forecasts show increasing levels of cash generation in FY22 and later years.

Notes to the Group Financial Statements continued
as at 31 March 2021

2. Summary of significant accounting policies (continued)
In addition to the 3 year forecast, a more detailed forecast of trading and cash flows has been performed for a the 12 month period following the date of these financial statements, including a downside sensitivity analysis, showing that profit would need to fall by 47% before an unpermitted breach of banking covenants occurs or facilities are exhausted.

Taking account of these facilities and having considered future strong trading and cash flow forecasts, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the Group Financial Statements.

2.4 Currencies
Functional and presentational currency
Items included in the Group financial statements are measured using the currency of the primary economic environment in which the Company operates ("the functional currency") which is UK sterling (£). The Group financial statements are presented in UK sterling.

Transactions and balances
Foreign currency transactions are translated into the functional currency using a standard exchange rate for a period if the rates do not fluctuate significantly. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2.5 Revenue recognition
Revenue solely relates to the sale of goods and arises from the wholesale distribution and online sales of batteries, lighting, vaping sports nutrition & wellness and branded household consumer goods.

To determine whether to recognise revenue, the Company follows the 5-step process as set out within IFRS 15:

1. Identifying the contract with a customer.
2. Identifying the performance obligations.
3. Determining the transaction price.
4. Allocating the transaction price to the performance obligations.
5. Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is measured at transaction price, stated net of VAT, and other sales related taxes. Rebates to customers take the form of volume discounts, which are a type of variable consideration, and the transaction price is constrained to reflect the rebate element. The transaction price equates to the invoice amount less an estimate of any applicable rebates and promotional allowances that are due to the customer. Rebate accruals are recognised under the terms of these agreements, to reflect the expected promotional activity and our historical experience. These accruals are reported within trade and other payables.

Revenue is recognised at a point in time as the Company satisfies performance obligations by transferring the promised goods to its customers as described below. Variable consideration, in the form of rebates, is also recognised at the point of transfer, however the estimate of variable consideration is constrained at this point and released once it is highly probable there will not be a significant reversal.

Contracts with customers take the form of customer orders. There is one distinct performance obligation, being the distribution of products to the customer, for which the transaction price is clearly identified. Revenue is recognised at a point in time when the Company satisfies performance obligations by transferring the promised goods to its customers, i.e. when control has passed from the Company to the customer, which tends to be on receipt by the customer. In respect of certain direct shipments control passes when an invoice is raised, payment received, and title formally transferred to the customer; at which point the customer has the risks and rewards of the goods.

2.6 Goodwill
The carrying value of goodwill has arisen following the acquisition of subsidiary entities, where the trade and assets have subsequently been hived up into this company immediately post acquisition, and the related investment balance transferred to goodwill. Such goodwill is subject to an impairment review, both annually and when there is an indication that the carrying value may be impaired. Any impairment is recognised immediately in the Statement of Comprehensive Income and is not reversed.

2.7 Other intangible assets
Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses.

The amortisation is charged on a straight-line bases as follows:

Domain name – 10%

Trademarks – 10%

Customer relationships – 20%

Trade names – 20%

2. Summary of significant accounting policies (continued)

2.8 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is charged so as to write off the costs of assets over their estimated useful lives, on a straight-line basis starting from the month they are first used, as follows:

Plant and machinery – 25%

Fixtures and fittings – 25%

Motor vehicle – 25%

Fashion hire assets – 25%

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Statement of Comprehensive Income.

At each reporting date, the Company reviews the carrying amounts of its property, plant and equipment 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).

Fashion Hire assets are presented within property, plant and equipment. Revenue is generated from these assets through hire to third party customers. In the year ended 31 March 2021 these assets were sold to a director of the Company.

2.9 Inventories

Inventories are valued using a first in, first out method and are stated at the lower of cost and net realisable value. Cost includes expenditure incurred in the normal course of business in bringing the products to their present location and condition.

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the income statement. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the income statement.

2.10 Income tax

The tax expense or credit represents the sum of the tax currently payable or recoverable and the movement in deferred tax assets and liabilities.

(a) Current income tax

Current tax is based on taxable income for the year and any adjustment to tax from previous years. Taxable income differs from net income in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years or that are never taxable or deductible. The calculation uses the latest tax rates for the year that have been enacted or substantively enacted by the dates of the Statement of Financial Position.

(b) Deferred tax

Deferred tax is calculated at the latest tax rates that have been substantively enacted by the reporting date that are expected to apply when settled. It is charged or credited in the Statement of Comprehensive Income, except when it relates to items credited or charged directly to equity, in which case it is also dealt with in equity.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Group financial statements and the corresponding tax bases used in the computation of taxable income, and is accounted for using the liability method. It is not discounted.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which the asset can be utilised. Such assets are reduced to the extent that it is no longer probable that the asset can be utilised.

Deferred tax assets and liabilities are offset when there is a right to offset current tax assets and liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Notes to the Group Financial Statements continued

as at 31 March 2021

2. Summary of significant accounting policies (continued)

2.11 Leases

The Company applies IFRS 16 in the Group financial statements. At inception of a contract, the Company assesses whether a contract is, or contains, a lease. 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.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. 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 incurred and an estimate of costs to restore the underlying asset, 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. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liabilities.

The lease liability is initially measured at the present value of lease payments that were not paid at the commencement date, discounted using the Company's incremental borrowing rate.

The lease liability is measured at amortised cost using the effective interest method. If there is a remeasurement of the lease liability, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded directly in profit or loss if the carrying amount of the right of use asset is zero.

Short-term leases and low value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term lease of machinery that have a lease term of 12 months or less or leases of low value assets. These lease payments are expensed on a straight-line basis over the lease term.

2.12 Payroll expense and related contributions

The Company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

Short-term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

2.13 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of Financial Position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Group keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the Statement of Comprehensive Income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Statement of Comprehensive Income is charged with fair value of goods and services received.

2.14 Pension costs

The Company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Company. The annual contributions payable are charged to the statement of comprehensive income.

2.15 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of operating segments.

The Directors consider that there are five identifiable business segments, being the manufacture (vaping and sports nutrition & wellness only) and distribution of batteries, lighting, vaping, sports nutrition & wellness, and branded household consumer goods.

2.16 Dividends

Dividends are recognised as a liability and deducted from equity at the time they are approved. Otherwise dividends are disclosed if they have been proposed or declared before the relevant financial statements are approved.

2. Summary of significant accounting policies (continued)

2.17 EBITDA and Adjusted EBITDA

Earnings before Interest, Taxation, Depreciation and Amortisation ("EBITDA") and Adjusted EBITDA are non-GAAP measures used by management to assess the operating performance of the Company. EBITDA is defined as profit before finance costs, tax, depreciation and amortisation. Adjusted items are excluded from EBITDA to calculate adjusted EBITDA.

The Directors primarily use the Adjusted EBITDA measure when making decisions about the Company's activities as this provides useful information for shareholders on underlying trends and performance. As these are non-GAAP measures, EBITDA and Adjusted EBITDA measures used by other entities may not be calculated in the same way and hence are not directly comparable.

2.18 Exceptional costs and adjusted items

The Company's income statement separately identifies djusted items. Such items are those that in the Directors' judgement are one-off in nature or non-operating and need to be disclosed separately by virtue of their size or incidence and may include, but are not limited to, professional fees and other costs directly related to refinancing, acquisitions and capital transactions, fair value movements on open forward contracts, share based payment charges, material impairments of inventories and fashion hire assets. In determining whether an item should be disclosed as an adjusted item, the Directors consider quantitative and qualitative factors such as the frequency, predictability of occurrence and significance. This is consistent with the way financial performance is measured by management and reported to the Board.

2.19 Financial instruments

Financial assets and financial liabilities 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 de-recognised when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Financial liabilities are de-recognised when the obligation specified in the contract is discharged, cancelled or expired.

Trade and other receivables

Trade and other receivables are initially measured at transaction price less provisions for expected credit losses. The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance. This lifetime expected credit losses is used in cases where the credit risk on other receivables has increased significantly since initial recognition. In cases where the credit risk has not increased significantly, the Group measures the loss allowance at an amount equal to the 12-month expected credit loss. This assessment is performed on a collective basis considering forward-looking information.

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'.

Recognition of credit losses is determined by considering a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions and reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Credit Insurance is applied to all accounts over £2,500 with exception of proforma accounts and accounts agreed by the CEO.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade and other payables

Trade and other payables are initially measured at their fair value and are subsequently measured at their amortised cost using the effective interest rate method; this method allocates interest expense over the relevant period by applying the "effective interest rate" to the carrying amount of the liability.

Invoice discounting facility

The company has entered into an invoice discounting arrangement with the bank, where a proportion of the debts have been legally transferred but the benefits and risks are retained by the Company. Gross receivables are included within debtors and a corresponding liability in respect of the proceeds received from the bank are shown within liabilities. The interest element of the bank's charges are recognised as they accrue and included in the statement of comprehensive income within other interest payable.

Borrowings

Interest-bearing overdrafts are classified as other liabilities. They are initially recorded at fair value, which represents the fair value of the consideration received, net of any direct transaction costs associated with the relevant borrowings. Borrowings are subsequently stated at amortised cost and finance charges are recognised in the Statement of Comprehensive Income over the term of the instrument using an effective rate of interest. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accruals basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Notes to the Group Financial Statements continued
as at 31 March 2021

2. Summary of significant accounting policies (continued)
Classification as debt or equity
Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs. The excess of proceeds of a share issue over the nominal value is presented within share premium.

Derivatives
Derivatives are initially recognised at the fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the income statement within cost of sales, on the basis that is where the related expense is recognised, unless they are included in a hedging arrangement. Where the instruments have been traded to take advantage of currency movements and not directly linked to the settlement of purchase requirements the gain or loss is recognised separately in the statement of comprehensive income as other operating income/expense. Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

3. Financial risk management
3.1 Financial risk factors
The Company's activities expose it to certain financial risks: market risk, credit risk and liquidity risk. The overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Risk management is carried out by the Directors, who identify and evaluate financial risks in close co-operation with key staff, for further details see Note 23.

(a) Market risk
Market risk is the risk of loss that may arise from changes in market factors such as competitor pricing, interest rates, foreign exchange rates.

(b) Credit risk
Credit risk is the financial loss to the Company if a customer or counterparty to financial instruments fails to meet its contractual obligation. Credit risk arises from the Company's cash and cash equivalents and receivables balances. Credit Insurance is applied to all accounts over £2,500 with exception of proforma accounts and accounts agreed by the CEO and therefore credit risk is considered low.

(c) Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. This risk relates to the Company's prudent liquidity risk management and implies maintaining sufficient cash. The Directors monitor rolling forecasts of the Company's liquidity and cash and cash equivalents based on expected cash flow.

3.2 Capital risk management
The Company is funded by equity and loans. The components of shareholders' equity are:

(a) The share capital account arising on the issue of shares.

(b) The retained reserve or deficit reflecting comprehensive income to date.

(c) The banking facilities comprising a supply chain and invoice discounting facility.

The Company's objective when managing capital is to maintain adequate financial flexibility to preserve its ability to meet financial obligations, both current and long-term. The capital structure of the Company is managed and adjusted to reflect changes in economic conditions. The Company funds its expenditures on commitments from existing cash and cash equivalent balances, primarily received from issuances of shareholders' equity. There are no externally imposed capital requirements. Financing decisions are made based on forecasts of the expected timing and level of capital and operating expenditure required to meet the Company's commitments and development plans. Quantitative data on what the Company manages as capital is included in the Statement of Changes in Equity and in Note 23 to the Group Financial Statements.

3.3 Fair value estimation
The carrying value less impairment provision of trade receivables and payables are assumed to approximate to their fair values because of the short-term nature of such assets and the effect of discounting liabilities is negligible.

4. Critical accounting estimates and judgements

The preparation of the Group financial statements require management to make judgements and estimates that affect the reported amounts of assets and liabilities at each Statement of Financial Position date and the reported amounts of revenue during the reporting periods. Actual results could differ from these estimates. Information about such judgements and estimations are contained in individual accounting policies. The key judgements and sources of estimation uncertainty that could cause an adjustment to be required to the carrying amount of asset or liabilities within the next accounting period are outlined below:

Accounting estimates

4.1 Goodwill impairment

The Company tests goodwill for impairment every year in accordance with the relevant accounting policies. The recoverable amounts of cash-generating units are determined by calculating value in use. These calculations require the use of estimates.

Goodwill relates to various acquisitions and amounts to £1,602,000 at 31 March 2021 (31 March 2020: £1,214,000). Management consider that the estimates used in the impairment calculation are set out in Note 13. There are no reasonably possible scenarios in which the goodwill would be impaired.

4.2 Useful economic lives of property, plant and equipment

Property, plant and equipment is depreciated over the useful lives of the assets. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are reviewed annually for continued appropriateness. The carrying values are tested for impairment when there is an indication that the value of the assets might be impaired. When carrying out impairment tests these would be based upon future cash flow forecasts and these forecasts would be based upon management judgement. Future events could cause the assumptions to change, therefore this could have an adverse effect on the future results of the Company.

The useful economic lives applied are set out in the accounting policies (Note 2.8) and are reviewed annually.

4.3 Valuation of acquired intangibles

IFRS 3 requires separately identifiable intangible assets to be recognised on acquisitions. The principal estimates used in valuing the acquired intangible assets are the future cash flows estimated to be generated from these assets, expected customer attrition, growth in revenues and the selection of appropriate discount rates to apply to the cash flows. The Directors' assessment of these estimates is based on up-to-date information and evidence available at the time of finalising the valuation.

Accounting judgements

4.4 Inventory obsolescence

Management make use of judgement in determining whether certain inventory items are obsolete. Should these judgements be incorrect there could be a material difference in the recoverable value of inventory.

4.5 Right of use assets – discount rate

Management make use of judgements in determining the discount rate to be applied to the IFRS 16 'Leases' right of use asset and liability. This judgement determines the carrying value of the assets and liabilities, and the resulting depreciation and interest charge that is incurred.

5. Segmental analysis

The Chief Operating Decision Maker ("CODM") has been identified as the Board of Directors. The Board reviews the Company's internal reporting in order to assess performance and allocate resources. No balance sheet analysis is available by segment or reviewed by the CODM. The Board has determined that the operating segments, based on these reports, are the sale of:

- batteries;
- lighting;
- vaping;
- sports nutrition & wellness; and
- branded household consumer goods.

Notes to the Group Financial Statements continued
as at 31 March 2021

5. Segmental analysis (continued)
The Gross profit before foreign exchange shows the results using standard foreign exchange rates that are used throughout the year. The foreign exchange adjustment shown before gross profit is to adjust back to the actual rates incurred.

	Batteries £'000	Lighting £'000	Vaping £'000	Sports nutrition & wellness £'000	Branded household consumer goods £'000	Year Ended 31 March 2021 £'000
Revenue	34,434	25,905	39,544	6,856	15,514	**122,253**
Cost of sales	(31,156)	(17,913)	(23,186)	(4,210)	(13,867)	**(90,332)**
Gross profit before foreign exchange	**3,278**	**7,992**	**16,358**	**2,646**	**1,647**	**31,921**
Foreign exchange						**1,121**
Gross Profit						**33,042**
Administration expenses						**(19,416)**
Operating profit						**13,626**
Adjusted earnings before tax, depreciation, amortisation and adjusted items						**19,272**
Depreciation						**(1,998)**
Amortisation						**(225)**
Adjusted items						**(3,423)**
Operating profit						**13,626**
Finance income						**–**
Finance costs						**(671)**
Profit before taxation						**12,955**
Income tax						**(3,117)**
Profit for the year						**9,838**

5. Segmental analysis (continued)

	Batteries £'000	Lighting £'000	Vaping £'000	Sports nutrition & wellness £'000	Branded household consumer goods £'000	Year Ended 31 March 2020 £'000
Revenue	30,944	25,347	29,029	4,980	2,029	**92,329**
Cost of sales	(27,662)	(16,869)	(17,363)	(2,863)	(1,703)	**(66,460)**
Gross profit before foreign exchange	3,282	8,478	11,666	2,117	326	**25,869**
Foreign exchange						**743**
Gross Profit						**26,612**
Administration expenses						**(12,619)**
Operating profit						**13,993**
Adjusted earnings before tax, depreciation, amortisation and adjusted items						**16,001**
Depreciation						**(1,548)**
Amortisation						**(25)**
Adjusted items						**(435)**
Operating profit						**13,993**
Finance income						**3**
Finance costs						**(783)**
Profit before taxation						**13,213**
Income tax						**(2,318)**
Profit for the year						**10,895**

Information about major customers
The Group has generated revenue from individual customers that accounted for greater than 10% of total revenue. The total revenue from each of these 2 customers (2020: 2 customers) was £19,406,000 and £17,114,000 (2020: £20,853,000 and £12,462,000). These revenues related to all segments.

Analysis of revenue by geographical destination

	Year Ended 31 March 2021 £'000	Year Ended 31 March 2020 £'000
United Kingdom	**112,700**	82,482
Ireland	**3,035**	3,734
Netherlands	**1,918**	2,488
France	**983**	1,353
Rest of Europe	**2,606**	2,208
Rest of the World	**1,011**	1,305
	122,253	92,329

The above revenues are all generated from contracts with customers and are recognised at a point in time. All assets of the Group reside in the UK.

Notes to the Group Financial Statements continued

as at 31 March 2021

6. Expenses by nature

	Year Ended 31 March 2021 £'000	Year Ended 31 March 2020 £'000
The profit is stated after charging expenses as follows:		
Inventories recognised as an expense	**80,070**	57,926
Impairment of inventories	**406**	–
Impairment of trade receivables	**20**	14
Staff costs – Note 8	**7,026**	6,561
Adjusted items – Note 7	**3,423**	435
Establishment and general	**1,365**	839
Depreciation of property, plant and equipment	**1,998**	1,548
Amortisation of intangible assets	**225**	25
Auditor's remuneration for audit services	**92**	73
Auditor's remuneration for non-audit services	**197**	69
Furlough grant income	**(342)**	–
Other operating expenses	**14,147**	10,846
Total cost of sales and administrative expenses	**108,627**	78,336

7. Adjusted items

	Year Ended 31 March 2021 £'000	Year Ended 31 March 2020 £'000
IPO costs	**1,953**	–
Fair value movements on financial derivatives	**768**	(208)
Restructuring costs	**421**	318
Share based payments charge (note 25)	**75**	–
Acquisition costs	**15**	176
Refinancing costs	**191**	149
	3,423	435

IPO costs relate to the Group's admission to AIM in February 2021, which include £1.81m of adviser fees and commission, £0.19m of accelerated debt arrangement fees (associated with the tranche of debt that was settled on admission to AIM) and £0.14m in relation to company bonuses that were contingent on the transaction.

The financial derivatives relate to open foreign exchange forward contracts (the Group typically holds 1 years' worth of USD-denominated purchases on open forward contracts). The charge in both years reflects the movement in the fair value of these open forward contracts at the balance sheet date year-on-year.

Restructuring costs in FY21 and FY20 relate to the integration of businesses and subsequent streamlining of operations following the acquisitions of Provider Distribution, the assets of LED Hut and the wider restructuring that took place as a result of COVID-19.

In FY21 and FY20, acquisition costs relate to the adviser fees relating to the acquisitions that took place during the year.

Refinancing costs represent the amortisation of arrangement fees and associated adviser fees incurred in obtaining the HSBC Senior Debt in F20. In FY21, the amortisation of some of these costs were accelerated and reported as IPO costs as a result (following early repayment of a tranche of the senior facility).

8. Employees and Directors

	Year Ended 31 March 2021 No.	Year Ended 31 March 2020 No.
Average number of employees (including Directors):		
Management and administration	**53**	49
Warehouse	**57**	52
Sales	**26**	31
Development	**65**	67
	201	199

	Year Ended 31 March 2021 £'000	Year Ended 31 March 2020 £'000
Aggregate remuneration of staff (including Directors):		
Wages and salaries	**6,300**	5,747
Social security costs	**621**	564
Other pension costs	**105**	250
	7,026	6,561

Directors' remuneration

	Year Ended 31 March 2021 £'000	Year Ended 31 March 2020 £'000
Directors' emoluments	**314**	9
Social security costs	**80**	–
Company contributions to defined contribution pension schemes	**1**	–
	395	9

The highest paid director received remuneration of £144,000 (2020: n/a).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £1,000 (2020: n/a).

During the year retirement benefits were accruing to 2 directors (2020: 2) in respect of defined contribution pension schemes.

9. Finance income

	Year Ended 31 March 2021 £'000	Year Ended 31 March 2020 £'000
Other interest receivable	**–**	3
	–	3

10. Finance costs

	Year Ended 31 March 2021 £'000	Year Ended 31 March 2020 £'000
Bank interest payable	**164**	55
Other interest payable	**430**	637
Interest on right-of-use assets	**77**	91
	671	783

Other interest payable represents interest payable in respect of the invoice discounting and supply chain facilities.

Notes to the Group Financial Statements continued
as at 31 March 2021

11. Taxation

	Year Ended 31 March 2021 £'000	Year Ended 31 March 2020 £'000
Current tax		
Current year – UK corporation tax	**3,156**	2,459
Adjustments in respect of prior periods	**–**	(374)
Foreign tax on income	**17**	13
Total current tax	**3,173**	2,098
Deferred tax		
Origination and reversal of timing differences	**(56)**	118
Adjustment for prior periods	**–**	94
Effect of tax rate change	**–**	8
Total deferred tax	**(56)**	220
Total tax expense	**3,117**	2,318

Factors affecting the charge

	Year Ended 31 March 2021 £'000	Year Ended 31 March 2020 £'000
Profit before taxation	**12,955**	13,213
Tax at the UK corporation tax rate of 19% (2021: 19%)	**2,461**	2,510
Effects of expenses not deductible for tax purposes	**128**	88
Disallowed IPO fees	**385**	–
Disallowed foreign exchange	**146**	(40)
Fixed asset differences	**–**	36
Adjustments to tax charge due to change in rates	**–**	8
Adjustments to tax charge in respect of prior periods	**–**	(280)
Recognition of previously unrecognised losses	**(3)**	–
Income not taxable for tax purposes	**–**	(5)
Difference in foreign tax rates	**–**	1
Total tax expense	**3,117**	2,318

Factors that may affect future tax charges
In the Spring Budget 2020, the Government announced that the previously enacted decrease in the corporate tax rate from 19% to 17% from 1 April 2020 would no longer happen and that rates would remain at 19% for the foreseeable future. The new law was substantively enacted post year end by a resolution under the Provisional Collection of Taxes Act 1968 on 17 March 2020. As the new law was substantively enacted pre year end, the impact of the change to 19% was reflected in the Group financial statements for the year ended 31 March 2020.

In the Spring Budget 2021, the Government announced an increase in the corporation tax rate from 19% to 25% from 1 April 2023. As the new law had not been substantively enacted by the balance sheet date, its impact has not been reflected in the financial statements. The impact of the increase would be to increase the deferred tax liability by approximately £45,000.

12. Earnings per share

Basic earnings per share is calculated by dividing the net income for the year attributable to ordinary equity holders after tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated with reference to the weighted average number of shares adjusted for the impact of dilutive instruments in issue. For the purposes of this calculation an estimate has been made for the share price in order to calculate the number of dilutive share options.

The basic and diluted calculations are based on the following:

Statutory EPS

	Year Ended 31 March 2021 £'000	Year Ended 31 March 2020 £'000
Profit for the year after tax	**9,838**	10,895
	No.	No.
Weighted average number of shares for the purposes of basic earnings per share	**111,087,502**	110,005,000
Weighted average dilutive effect of conditional share awards	**2,124,446**	1,256,158
Weighted average number of shares for the purposes of diluted earnings per share	**113,211,948**	111,261,158
	Pence	Pence
Basic profit per share	**8.9**	9.9
Diluted profit per share	**8.7**	9.8

Adjusted EPS

The calculation of adjusted earnings per share is based on the post-tax profit after adding back certain costs as detailed in the table below, namely the amortisation of acquired intangibles and Adjusted items. Management considers that this measure shows the underlying performance of the Group and enables comparisons to be drawn to other listed business who also use this measure.

	Year Ended 31 March 2021 £'000	Year Ended 31 March 2020 £'000
Adjusted earnings (see below)	**13,353**	11,288
	No.	No.
Weighted average number of shares for the purposes of basic earnings per share	**111,087,502**	110,005,000
Weighted average dilutive effect of conditional share awards	**2,124,446**	1,256,158
Weighted average number of shares for the purposes of diluted earnings per share	**113,211,948**	111,261,158
	Pence	Pence
Adjusted basic profit per share	**12.0**	10.3
Adjusted diluted profit per share	**11.8**	10.1

The calculation of basic adjusted earnings per share is based on the following data:

	Year Ended 31 March 2021 £'000	Year Ended 31 March 2020 £'000
Profit/(loss) for the year attributable to equity shareholders	**9,838**	10,895
Add back/(deduct):		
Amortisation of acquisition related intangible assets	**196**	7
Adjusted items	**3,423**	435
Tax effect of the above	**(104)**	(49)
Adjusted earnings	**13,353**	11,288

Notes to the Group Financial Statements continued

as at 31 March 2021

13. Goodwill and other intangible assets

	Domain name £'000	Trademarks £'000	Customer £'000 relationships	Trade name £'000	Goodwill £'000	Total £'000
Cost						
At 1 April 2019	124	50	–	–	613	787
Arising on business combinations	–	–	419	–	601	1,020
Additions	–	15	–	–	–	15
At 31 March 2020	124	65	419	–	1,214	1,822
Arising on business combinations	–	–	341	221	388	950
Additions	125	–	–	–	–	125
At 31 March 2021	**249**	**65**	**760**	**221**	**1,602**	**2,897**
Accumulated amortisation						
At 1 April 2019	16	3	–	–	–	19
Amortisation charged in the year	12	6	7	–	–	25
At 31 March 2020	28	9	7	–	–	44
Amortisation charged in the year	22	7	152	44	–	225
At 31 March 2021	**50**	**16**	**159**	**44**	**–**	**269**
Carrying amount						
At 1 April 2019	108	47	–	–	613	768
At 31 March 2020	96	56	412	–	1,214	1,778
At 31 March 2021	**199**	**49**	**601**	**177**	**1,602**	**2,628**

Goodwill arises on acquisitions where the fair value of the consideration given for the business exceeds the fair value of the assets acquired and liabilities assumed.

Following acquisition of a business, the directors identify the individual Cash Generating Units (CGUs) acquired and, where possible, allocate the underlying assets acquired and liabilities assumed to each of those CGUs. The carrying value of goodwill has arisen following the acquisition of subsidiary entities, where the trade and assets have subsequently been hived up into this company, and the related investment balance transferred to goodwill. The carrying value of goodwill is allocated to the following cash generating units:

	As at 31 March 2021 £'000	As at 31 March 2020 £'000
Lighting	**159**	159
Batteries	**492**	492
Vaping	**121**	121
Sports Nutrition & Wellness	**400**	12
Branded Household Consumer Goods	**430**	430
	1,602	1,214

The Customer relationships, Trade name, and Goodwill arising in the year ended 31 March 2021 related to the acquisition of GT Divisions Limited, see note 26 for further detail. Goodwill arising in the year ended 31 March 2020 related to the acquisition of Provider Distribution Limited, Holding Esser Affairs B.V. and its subsidiary AGP Trading B.V. and Monocore Limited. Goodwill arising before 1 April 2019 related to the acquisition of Powerquick, Vape Importers and Sub Ohm that was hived up into Supreme Imports Ltd.

Impairment testing of goodwill is performed at least annually by reference to value in use calculations which management consider to be in line with the requirements of IAS 36. These calculations show no reasonably possible scenario in which any of the goodwill balances could be impaired as at 31 March 2021 or 31 March 2020. There were no charges for impairment of goodwill in 2021 (2020: nil). The pre-tax discount rate used in the value in calculations was 13%, the long-term growth rate assumed was 2% and the gross profit margins applied were 10% for batteries, 33% for lighting, 47% for vaping, 35% for sports nutrition & wellness and 10% for branded household consumer goods.

14. Property, plant and equipment

	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Computer equipment £'000	Fashion hire assets £'000	Total £'000
Cost or valuation						
At 1 April 2019	2,513	466	32	–	1,306	4,317
Additions	1,342	301	12	–	–	1,655
Acquisition of subsidiary	15	2	7	–	–	24
At 31 March 2020	3,870	769	51	–	1,306	5,996
Additions	1,566	1	–	100	–	1,667
Disposals	(120)	–	–	–	(1,306)	(1,426)
At 31 March 2021	**5,316**	**770**	**51**	**100**	**–**	**6,237**
Depreciation and impairment						
At 1 April 2019	797	314	6	–	392	1,509
Depreciation charged in the year	815	135	10	–	69	1,029
At 31 March 2020	1,612	449	16	–	461	2,538
Depreciation charged in the year	1,197	192	11	11	37	1,448
Eliminated on disposal	(38)	–	–	–	(498)	(536)
At 31 March 2021	**2,771**	**641**	**27**	**11**	**–**	**3,450**
Carrying amount						
At 1 April 2019	1,716	152	26	–	914	2,808
At 31 March 2020	2,258	320	35	–	845	3,458
At 31 March 2021	**2,545**	**129**	**24**	**89**	**–**	**2,787**

The depreciation charge for the year has been included in Administrative expenses in the Statement of Comprehensive Income.

15. Investments

	As at 31 March 2021 £'000	As at 31 March 2020 £'000
At beginning of year	**7**	60
Amounts written off	**–**	(60)
On acquisition of subsidiaries	**–**	7
At end of year	**7**	7

The balance of £7,000 arising on acquisition of subsidiaries relates to shares held in public entities, by the acquired subsidiary, who are listed on the stock market.

The Company owns 20% of the share capital of Elena Dolce Limited, with a registered office of 111 Deansgate, Manchester, M3 2BQ. This was written off in the prior year.

Notes to the Group Financial Statements continued
as at 31 March 2021

15. Investments (continued)
At 31 March 2021 the Company directly owned 100% of the following subsidiaries, which are incorporated in England and Wales unless stated:

Subsidiary	Registered address	Principal activity	Class of share	Percentage holding
Supreme Imports Limited	4 Beacon Road, Ashburton Park, Trafford Park, Manchester M17 1AF	Distribution of consumer goods	Ordinary	100%
Provider Distribution Limited	Unit 1 Rosewood Park, St James Road, Blackburn, Lancashire BB1 8ET	Distribution of consumer goods	Ordinary	100%
SI Holdings (Jersey) Limited	11 Bath Street, St Helier, Jersey, JE4 8UT	Holding company	Ordinary	100%

At 31 March 2021 the Company indirectly owned 100% of the following subsidiaries, which are incorporated in England and Wales unless stated:

Subsidiary	Registered address	Principal activity	Class of share	Percentage holding
GT Divisions Limited		Distribution of consumer goods	Ordinary	100%
VN Labs Limited		Distribution of consumer goods	Ordinary	100%
Battery Force Limited	4 Beacon Road, Ashburton Park, Trafford Park, Manchester M17 1AF	Dormant	Ordinary	100%
Saira Shoes Limited		Dormant	Ordinary	100%
Powerquick Limited		Holding company	Ordinary	100%
Sub OHM Juice Limited		Dormant	Ordinary	100%
Supreme 88 Limited		Holding company	Ordinary	100%
Supreme Nominees Limited		Holding of shares as nominee	Ordinary	100%
Holding Esser Affairs B.V.	Vanadiumweg 13, 3812 PX, Armersfoort, Netherlands	Holding company	Ordinary	100%
AGP Trading B.V.		Distribution of consumer goods	Ordinary	100%
SI Jersey Limited	11 Bath Street, St Helier, Jersey, JE4 8UT	Dormant	Ordinary	100%

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

16. Deferred tax
Deferred tax consists of the following timing differences

	As at 31 March 2021 £'000	As at 31 March 2020 £'000
Excess of depreciation over taxable allowances	**(171)**	(221)
Short-term timing differences	**25**	25
Tax losses carried forward	**5**	5
	(141)	(191)

Movement in deferred tax in the year

	As at 31 March 2021 £'000	As at 31 March 2020 £'000
Balance brought forward	**(191)**	31
Credited/(charged) to profit or loss	**56**	(220)
Arising on acquisitions	**–**	(3)
Transfer	**(6)**	1
Balance carried forward	**(141)**	(191)

The Directors consider that the deferred tax assets in respect of timing differences and tax losses carried forward are recoverable based on the forecast future taxable profits of the Company.

17. Inventories

	As at 31 March 2021 £'000	As at 31 March 2020 £'000
Goods for resale	**15,849**	12,282
Raw materials	**4,016**	2,176
	19,865	14,458

The Directors believe that the replacement value of inventories would not be materially different than book value.

Inventories at 31 March 2021 are stated after provisions for impairment of £270,000 (2020: £96,000).

18. Trade and other receivables

	As at 31 March 2021 £'000	As at 31 March 2020 £'000
Trade receivables	**13,321**	13,588
Amounts owed by related parties	**1,790**	1,790
Other receivables	**172**	405
Prepayments	**769**	955
	16,052	16,738

The Directors believe that the carrying value of trade and other receivables represents their fair value. In determining the recoverability of trade receivables, the Company considers any change in the credit quality of the receivable from the date credit was granted up to the reporting date.

The movement in provisions for impairment are shown below:

	As at 31 March 2021 £'000	As at 31 March 2020 £'000
Balance at the beginning of the year	**26**	52
Charged to the statement of comprehensive income	**20**	14
Utilisation of provision	**(9)**	(40)
Balance at the end of the year	**37**	26

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the reporting date but against which the Company has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable.

Ageing of receivables

	As at 31 March 2021 £'000	As at 31 March 2020 £'000
Current	**10,814**	12,683
31 – 60 days	**1,969**	197
61 – 90 days	**126**	3
90 days +	**449**	731
Less provisions for impairment	**(37)**	(26)
	13,321	13,588

In determining the recoverability of a trade receivable the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Credit insurance is also in place.

Details on the Company's credit risk management policies are shown in Note 23. The Company does not hold any collateral as security for its trade and other receivables.

Notes to the Group Financial Statements continued
as at 31 March 2021

19. Cash and cash equivalents

	As at 31 March 2021 £'000	As at 31 March 2020 £'000
Cash at bank	**7,505**	6,718

20. Trade and other payables

	As at 31 March 2021 £'000	As at 31 March 2020 £'000
Trade payables	**7,299**	6,907
Accruals and deferred income	**4,343**	1,618
Other tax and social security	**1,648**	1,541
Other payables	**–**	27
Directors loan account	**5**	1
Deferred consideration	**–**	195
	13,295	10,289

Trade payables principally consist of amounts outstanding for trade purchases and ongoing costs. They are non-interest bearing and are normally settled on 30 to 60 day terms.

The Directors consider that the carrying value of trade and other payables approximates their fair value. Trade and other payables are denominated in Sterling, Euros and US Dollars. Supreme PLC has financial risk management policies in place to ensure that all payables are paid within the credit timeframe and no interest has been charged by any suppliers as a result of late payment of invoices during the period.

21. Borrowings

	As at 31 March 2021 £'000	As at 31 March 2020 £'000
Current		
Bank loans	**5,304**	5,310
Amounts owed to related parties	**3,392**	3,392
Other loans	**1,165**	1,378
IFRS 16 lease liability (Note 22)	**615**	493
	10,476	10,573
Non-current		
Bank term loan	**3,695**	16,317
IFRS 16 lease liability (Note 22)	**963**	1,096
	4,658	17,413
Total borrowings	**15,134**	27,986

The earliest that the lenders of the above borrowings require repayment is as follows:

Please note: amounts owed to related parties were previously presented within trade and other payables.

	As at 31 March 2021 £'000	As at 31 March 2020 £'000
In less than one year	**10,476**	10,573
Between two and five years	**4,658**	17,413
In more than five years	**–**	–
	15,134	27,986

21. Borrowings (continued)

The Company is funded by external banking facilities provided by HSBC. Current bank borrowings includes invoice discounting facilities, which are secured by an assignment of, and fixed charge over the trade debtors of Supreme Imports Limited. Furthermore, current bank borrowings include an amount of £1,165,000 at 31 March 2021, (2020: £1,378,000) due under a supply chain facility which is secured by fixed and floating charges over all assets of the company. This facility is denominated in US Dollars.

The total facilities available were a £8.5m invoice discounting facility (repayable on demand) and a £4.5m supply chain facility (renewed each year). Therefore undrawn but committed facilities at 31 March 2021 were £8,500,000 and £3,335,000 respectively (2020: £8,500,000 and £3,122,000).

The supply chain facility is utilised to provide short-term cash flow to settle liabilities arising out of purchases made in the normal course of business. The amount advanced takes into consideration the cash requirements of the Company and the working capital cycle.

The bank term loan is made up of £12,500,000 repayable in quarterly instalments of £781,000 over a 5 year term, and £7,500,000 repaid on maturity. In March 2020, the facility was increased by £6,000,000, which is repayable in quarterly instalments of £545,000 per quarter over the 5 year term. Interest is charged at a rate of 5% over LIBOR. The bank loan is secured by way of a fixed and floating charge over all assets. On Admission to AIM on 1 February 2021, £7,5000,000 of the £12,500,000 facility was repaid at the request of the lender.

There are three principal covenants attached to the Senior Facilities. These are tested quarterly and include gross leverage, cash flow and interest cover.

22. Leases

Amounts recognised in the Statement of Financial Position

The balance sheet shows the following amounts relating to leases:

Right-of-use assets	£'000
Balance at 1 April 2019	2,014
Depreciation charge for the year	(519)
Balance at 31 March 2020	1,495
Additions	531
Depreciation charge for the year	(550)
Balance at 31 March 2021	1,476

The net book value of the right of use assets is made up as follows:

	As at 31 March 2021 £'000	As at 31 March 2020 £'000
Buildings	**1,447**	1,414
Cars	**29**	81
	1,476	1,495

Notes to the Group Financial Statements continued
as at 31 March 2021

22. Leases (continued)

Lease liabilities	As at 31 March 2021 £'000	As at 31 March 2020 £'000
Maturity analysis – contractual undiscounted cash flows		
Less than one year	**678**	559
More than one year, less than two years	**654**	559
More than two years, less than three years	**180**	535
More than three years, less than four years	**120**	60
More than four years, less than five years	**60**	–
More than five years	**–**	–
Total undiscounted lease liabilities at year end	**1,692**	1,713
Finance costs	**(114)**	(124)
Total discounted lease liabilities at year end	**1,578**	1,589
Lease liabilities included in the statement of financial position		
Current	**615**	493
Non-current	**963**	1,096
	1,578	1,589

Amounts recognised in the Consolidated Statement of Comprehensive Income
The Consolidated Statement of Comprehensive Income shows the following amounts relating to leases:

	Year Ended 31 March 2021 £'000	Year Ended 31 March 2020 £'000
Depreciation charge – Buildings	**498**	445
Depreciation charge – Cars	**52**	74
	550	519
Interest expense (within finance expense)	**77**	91

23. Financial instruments
The Company is exposed to the risks that arise from its financial instruments. The policies for managing those risks and the methods to measure them are described in Notes 2 and 3. Further quantitative information in respect of these risks is presented below and throughout These Group financial statements.

23.1 Capital risk management
Details of the Company's capital are shown in Note 24, as well as in the Statement of Changes in Equity.

23.2. Market risk
Competitive pressures remain a principal risk for the Company. The risk is managed through focus on quality of product and service levels, coupled with continuous development of new products to offer uniqueness to the customer. Furthermore, the Company's focus on offering its customers a branded product range provides some protection to its competitive position in the market. Stock obsolescence risk is managed through closely monitoring slow moving lines and prompt action to manage such lines through the various distribution channels available to the Company.

In addition, the Company's operations expose it to a variety of financial risks that include price risk, credit risk, liquidity risk, foreign currency risk and interest rate cash flow risk. The Company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company by regularly monitoring the financial risks referred to above.

Given the size of the Company, the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the Board are implemented by the Company's finance department.

23.3. Credit risk
The Company's sales are primarily made with credit terms of between 0 and 30 days, exposing the Company to the risk of non-payment by customers. The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed regularly by the Board. In addition, the Company maintains a suitable level of credit insurance against its debtor book. The maximum exposure to credit risk is £2,500 per individual customer, being the insurance excess.

An analysis of past due but not impaired trade receivables is given in Note 18.

23. Financial instruments (continued)
23.4. Liquidity risk management
The Company is funded by external banking facilities provided by HSBC. Within these facilities, the Company actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the Company has sufficient available funds for operations and planned expansions. This is monitored on a monthly basis, including re-forecasts of the borrowings required.

23.5. Foreign currency risk management
The Company's activities expose it to the financial risks of changes in foreign currency exchange rates. The Company's exposure to foreign currency risk is partially hedged by virtue of invoicing a proportion of its turnover in US Dollars. When necessary, the Company uses foreign exchange forward contracts to further mitigate this exposure.

The following is a note of the assets and liabilities denominated at each period end in US dollars:

	As at 31 March 2021 £'000	As at 31 March 2020 £'000
Trade receivables	**1,481**	266
Net cash and overdrafts	**58**	1,370
Supply chain facility	**(1,165)**	(1,378)
Trade payables	**830**	(89)
	1,204	169

The effect of a 20 percent strengthening of Pound Sterling at 31 March 2021 on the foreign denominated financial instruments carried at that date would, all variables held constant, have resulted in a decrease to total comprehensive income for the year and a decrease to net assets of £201,000, (2020: £28,000). A 20 percent weakening of the exchange rate on the same basis, would have resulted in an increase to total comprehensive income and an increase to net assets of £301,000 (2020: £42,000).

The following is a note of the assets and liabilities denominated at each period end in Euros:

	As at 31 March 2021 £'000	As at 31 March 2020 £'000
Inventory	**–**	289
Trade receivables	**42**	483
Net cash and overdrafts	**–**	322
Trade payables	**(269)**	(464)
	(227)	630

The effect of a 20 percent strengthening of Pound Sterling at 31 March 2021 on the foreign denominated financial instruments carried at that date would, all variables held constant, have resulted in an increase to total comprehensive income for the year and an increase to net assets of £38,000 (2021: £105,000 decrease). A 20 percent weakening of the exchange rate on the same basis, would have resulted in a decrease to total comprehensive income and a decrease in net assets of £57,000 (2021: £158,000 increase).

Derivative financial instruments – Forward contracts
The Company mitigates the exchange rate risk for certain foreign currency creditors by entering into forward currency contracts. The Company's forex policy is to purchase forward contracts to mitigate changes in spot rates, based on the timing of purchases to be made. Management forecast the timing of purchases and make assumptions relating to the exchange rate at which the Company costs its products and take out forward contracts to mitigate fluctuations to an acceptable level. At 31 March 2021, the outstanding contracts mature between 1 and 12 months of the year end, (2020: 1 and 12 months). At 31 March 2021 the Company was committed to buy $24,000,000 (2020: $1,726,000) in the next financial year.

The forward currency contracts are measured at fair value using the relevant exchange rates for GBP:USD and GBP:EUR. The fair value of the contracts at 31 March 2021 is a liability of £559,000 (2020: asset of £209,000). During the year ended 31 March 2021, a loss of £768,000 (2020: gain of £209,000) was recognised Adjusted items for changes in the fair value of the forward foreign currency contracts.

Notes to the Group Financial Statements continued

as at 31 March 2021

23. Financial instruments (continued)

Forward currency contracts are valued using level 2 inputs. The valuations are calculated using the year end exchange rates for the relevant currencies which are observable quoted values at the year-end dates. Valuations are determined using the hypothetical derivative method which values the contracts based on the changes in the future cash flows based on the change in value of the underlying derivative.

23.6. Interest rate cash flow risk

The Company's interest-bearing liabilities relate to its variable rate banking facilities. The Company has a policy of keeping the rates associated with funding under review in order to react to any adverse changes in the marketplace that would impact on the interest rates in place. The effect of a 1% increase in interest rates would have resulted in a decrease in net assets of £136,000 (2020: £230,000 decrease).

23.7. Price risk

The Company's profitability is affected by price fluctuations in the sourcing of its products. The Company continually monitors the price and availability of materials but the costs of managing the exposure to price risk exceed any potential benefits given the extensive range of products and suppliers. The Directors will revisit the appropriateness of this policy should the Company's operations change in size or nature.

23.8. Maturity of financial assets and liabilities

All of the Company’s non-derivative financial liabilities and its financial assets at the reporting date are either payable or receivable within one year, except for borrowings as disclosed in Note 21.

23.9. Summary of financial assets and liabilities by category

The carrying amount of financial assets and liabilities recognised may also be categorised as follows:

	As at 31 March 2021 £’000	As at 31 March 2020 £’000
Financial assets		
Financial assets measured at amortised cost		
Trade and other receivables	**15,283**	15,783
Cash and cash equivalents	**7,505**	6,718
	22,788	22,501
Financial liabilities		
Financial liabilities measured at amortised cost		
Non-current:		
Borrowings	**(4,658)**	(17,413)
Current:		
Borrowings	**(10,476)**	(10,573)
Trade and other payables	**(7,304)**	(7,130)
Accruals	**(4,343)**	(1,618)
	(26,781)	(36,734)
Financial liabilities measured at fair value through profit and loss		
Derivative financial instruments	**(559)**	209
	(559)	209
Net financial assets and liabilities	**(4,552)**	(14,024)
Non-financial assets and liabilities		
Plant, property and equipment	**2,787**	3,458
Right of use assets	**1,476**	1,495
Goodwill and other intangible assets	**2,628**	1,778
Investments	**7**	7
Inventory	**19,865**	14,458
Prepayments and accrued income	**769**	955
Deferred tax liability	**(141)**	(191)
Other taxation and social security	**(1,648)**	(1,541)
Income tax recoverable	**–**	9
Income tax payable	**(2,370)**	(2,340)
	23,373	18,088
Total equity	**18,821**	4,064

24. Share capital

Number of shares authorised and in issue

	A Ordinary £0.10 No.	B Ordinary £0.10 No.	Ordinary £0.10 No.	Total No.	Total £
At 31 March 2020	82,503,750	27,501,250	–	110,005,000	11,000,500
Re-designated in year	(82,503,750)	(27,501,250)	110,005,000	–	–
Issued to settle EMI awards on IPO	–	–	897,965	897,965	89,796
Issued on IPO	–	–	5,597,015	5,597,015	559,702
At 31 March 2021	–	–	116,499,980	116,499,980	11,649,998

Rights of share capital

The A Ordinary shares had attached to them full voting, dividend and capital distribution rights. They did not confer any rights or redemption. The Ordinary B shares were entitled to an initial dividend of £16,500,000. In all other aspects the A Ordinary and B Ordinary shares shared the same rights.

On 2 September 2020, the two share classes were designated as “Ordinary shares” of £0.10.

The Company invited each holder of outstanding options under the EMI scheme (see note 25) to exercise up to 35% of the options held conditional upon Admission and as a result, 897,965 new Ordinary £0.10 shares were issued to satisfy the options at a subscription price of £0.38, generating a premium of £254,753.

On Admission 5,597,015 new Ordinary £0.10 shares were issued at a subscription price of £1.34, generating share premium of £6,940,299.

Dividends

Dividends of £3,000,000 (2020: £11,000,000) were declared in the year. This amounted to £0.027 per share (2020: £0.10).

25. Share based payments

The Company operates a number of share incentive arrangements as set out below.

The Supreme plc Enterprise Management Incentive Scheme (“the EMI Scheme”)

On the 14 September 2018, the Company implemented an Enterprise Management Incentive Scheme. This was granted to employees to acquire shares in the Company for a number of ordinary shares of 10p each at the exercise price at the option of the employee. These options may not be granted unless a relevant event attached to the option has occurred. These options vested immediately and will expire after 10 years from grant date.

These option were fairly valued upon a valuation of the entity that had been performed by an independent expert.

On 4 January 2021 the Company granted options to one employee over 594,914 shares at the same exercise price under an individual unapproved option arrangement pursuant to a longstanding commitment.

	Weighted average exercise price 2021 £	2021 No.	Weighted average exercise price 2020 £	2020 No.
Outstanding at the beginning of the year	0.38	2,174,120	0.38	2,174,120
Lapsed	–	(187,704)	–	–
Granted during the year	–	594,914	–	–
Exercised on IPO	–	(897,965)	–	–
Outstanding at the end of the year	0.38	1,683,365	0.38	2,174,120

The profit and loss expense that has been recognised in the current year is £nil (2020: £nil) and included within administrative expenses.

The Supreme plc Sharesave Scheme 2021 (“the SAYE Scheme”)

The Company established the SAYE Scheme on 26 January 2021. The SAYE Scheme is open to all employees who have achieved the qualifying length of service at the proposed date of grant (initially set at 3months). Under the SAYE Scheme, an individual who wishes to accept an invitation to apply form options to be granted to him or her much take out a 3 or 5 year savings contract with an approved savings body selected by the Company. The individual makes a fixed monthly contribution over the life of the savings contract and on maturity receives a tax-free bonus. The monthly contribution can be a minimum of £10 and a maximum of £500.

The price at which options may be exercised will be set by the Directors at the date of grant and may be at a discount of up to a maximum of 20 per cent. against the market value at the date of grant of the Shares over which they are granted. The Option will generally be exercisable by the holder within six-month period after the bonus becomes payable on his or her relevant savings contract.

Notes to the Group Financial Statements continued

as at 31 March 2021

25. Share based payments (continued)
All employees of the Group (including executive directors) at 3 March 2021 were invited to participate in the SAYE Scheme. Employees were invited to subscribe for options over the Company's ordinary shares of 10p each with an exercise price of 152p, which represents a 20% discount to the closing middle market price of 190p per Share ("Options") on 2 March 2021, being the trading day before the invitation for employees to participate was made. Other than in the case of a takeover or demerger or similar event, an option will generally be exercisable by the holder in relation to the SAYE Scheme within the 6-month period after the bonus becomes payable on his or her relevant savings contract. Any option not so exercised will lapse. There are no conditions of exercise in relation to options granted under the SAYE Scheme.

A total of 100 Eligible Employees elected to participate in the SAYE Scheme, including and pursuant to these elections, options over a total of 438,620 Shares have been granted. No charge in respect of these awards has been recorded given the immateriality of the amounts in the 1-month period to year-end.

The Supreme plc Company Share Option Plan 2021 ("the CSOP Scheme")
The Company established the CSOP Scheme on 26 January 2021. Grants under the CSOP Scheme may be made by the Company as subscription Options or, with the consent of the Remuneration Committee, by an existing shareholder over shares already issued.

Under the CSOP Scheme certain eligible employees have been granted options to subscribe for ordinary shares in the Company of 10p each with an exercise price of 174 pence per ordinary share equal to the closing middle market price on 15 February 2021. The options were granted on 16 February 2021 and may be exercisable by the holder at any time between the third and tenth anniversaries of the date of the grant. Upon exercise, the relevant Shares will be allotted. A number of employees have been granted additional options on the same basis under the Unapproved Scheme detailed below to the extent that the total number of options granted to them exceeded the maximum number permitted to be granted under the CSOP Scheme by HMRC rules.

23 employees have been granted options under the CSOP over a total of 206,886 shares and 4 employees have been granted options under the Unapproved Scheme over a total of 94,825 Shares, being in aggregate 301,711 shares.

The Supreme plc Unapproved Share Option Scheme 2021 ("the Unapproved Scheme")
The Company established the Unapproved Scheme on 26 January 2021. Grants under the CSOP Scheme may be made by the Company as subscription Options or, with the consent of the Remuneration Committee, by an existing shareholder over shares already issued.

As described in the Directors' Remuneration Report, on 9 March 2021 the Company awarded the following options to the executive directors under the Unapproved Scheme.

Options to subscribe for a total of 5,825,000 Shares at nominal value were granted to the CEO in two equal tranches. Each tranche of options will be subject to a performance condition which must be wholly satisfied for the relevant option to be exercisable. The performance condition for the first tranche of options is that total shareholder return per Share ("TSR") from Admission until the third anniversary of Admission is at least 100 per cent. of the placing price of 134 pence as at Admission (the "Placing Price"). The performance condition for the second tranche of options is that the TSR from Admission until the fifth anniversary of Admission is at least 200 per cent. of the Placing Price.

Options to subscribe for up to 111,940 Shares at nominal value were granted to the CFO. The options are subject to a performance condition requiring an average annual TSR of 7.5 per cent. to become exercisable in part and an annual average TSR of 10 per cent. to become fully exercisable, in each case measured over a period of 3 years from Admission as against the Placing Price.

Under the CSOP and Unapproved Schemes, the Group has made awards over 6,238,651 conditional shares to certain Directors and employees.

The vesting of most of these awards is subject to the Group achieving certain performance targets under the Unapproved Scheme, measured over a three or five year period, as set out in the Remuneration Report. The options will vest depending on achievement of the Group's absolute total shareholder return ("TSR") as follows:

	Measurement period	Absolute TSR p.a	% of element vesting
CFO awards	1 February 2021 – 1 February 2024	=>10%	100%
	1 February 2021 – 1 February 2024	7.5%	0%
	1 February 2021 – 1 February 2024	=<7.5%	0%
CEO awards	1 February 2021 – 1 February 2024	=>100%	100%
	1 February 2021 – 1 February 2024	<100%	0%
CEO awards	1 February 2021 – 1 February 2026	=>200%	100%
	1 February 2021 – 1 February 2026	<200%	0%

The awards under the CSOP Scheme and Unapproved Scheme to employees other than as noted above are not subject to performance conditions and vest subject to continued employment only.

25. Share based payments (continued)

In respect of the CFO and CFO awards, the fair value at grant date is independently determined using a Monte Carlo simulation model which calculates a fair value based on a large number of randomly generated projections of the company's future share prices. In respect of the CSOP and Unapproved Schemes, the fair value at grant date has been determined using a Black-Scholes model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, and the risk-free interest rate for the term of the option as shown below:

	CSOP/ unapproved scheme	CFO awards	CEO awards – 3 year performance period	CEO awards – 5 year performance period
Grant date	16 February 2021	9 March 2021		
Share price at grant date	176p	185p		
Exercise price	174p	Nil		
Expected volatility		45%		
Projection period (years)	N/A	2.89		4.89
Expected life (years)	6.5	3		5
Expected dividend yield	4.10%		3.90%	
Risk-free interest rate	0.34%	0.12%		0.31%
Fair value per award	50p	109p	74p	59p

The expected volatility has been estimated based upon the historical volatility of the FTSE AIM Retailers and Personal & Household goods sub sectors.

A summary of the awards made during the year is set out below:

	CSOP/ unapproved scheme	CFO awards	CEO awards – 3 year performance period	CEO awards – 5 year performance period
At the start of the year	–	–	–	–
Awards granted in year	301,711	111,940	2,912,500	2,912,500
At the end of the year	301,711	111,940	2,912,500	2,912,500

No awards are exercisable at the end of the year. The charge for share-based payments in the year was £75,000 which is included within Adjusted items.

Notes to the Group Financial Statements continued
as at 31 March 2021

26. Business combinations
Acquisition of GT Divisions Limited
On 30 October 2020, the Company purchased 100% share capital of GT Divisions Limited for consideration of £1,072,000 excluding costs of acquisition of £15,000.

Recognised amounts of identifiable assets acquired and liabilities assumed

	Book value £'000	Fair value adjustment £'000	Fair value £'000
Fixed assets			
Customer relationships	–	341	341
Trade name	–	221	221
	–	**562**	**562**
Current assets			
Inventory	121	–	121
Debtors due within one year	284	–	284
Cash at bank and in hand	67	–	67
	472	**–**	**472**
Total assets	**472**	**562**	**1,034**
Creditors			
Due within one year	(350)	–	(350)
	(350)	**–**	**(350)**
Total identifiable net assets			**684**
Goodwill			388
Total purchase consideration			**1,072**
Consideration			
Cash			1,000
Deferred consideration			72
Total purchase consideration			**1,072**
Cash outflow on acquisition			
Purchase consideration settled in cash, as above			1,072
Less: cash and cash equivalents acquired			(67)
Net cash outflow on acquisition			**1,005**

Following an extensive purchase price allocation exercise the company considers customer relationships to be the primary asset acquired. The multi-period excess earnings method was used in order to value the customer relationships. The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets. In addition, the company considers the trade name to be a secondary asset acquired, which was valued using the relief from royalty method. There were no further intangible assets identified and as such the remaining consideration is represented as goodwill, which stems from expected synergies from combining the operations of Supreme Imports Limited and GT Divisions Limited

The deferred consideration was due for payment on finalisation of the completion accounts, which occurred shortly after the acquisition.

The revenue from GT Divisions Limited included in the Statement of Comprehensive Income for 2021 was £478,000. GT Divisions Limited also incurred a profit of £72,000 over the same period.

If the acquisition had occurred on 1 April 2020, and we had not hived up trade and assets of the business into Supreme Imports, consolidated pro-forma revenue and profit for the year ended 31 March 2021 would have increased by £2,000,000 and £200,000 respectively.

27. Ultimate controlling party

The Directors consider the ultimate controlling party to be S Chadha and his concert party.

28. Other financial commitments

See note 23.5 or details of the financial commitments under US dollar forward exchange contracts.

29. Related party transactions

29.1. Remuneration of key personnel

Remuneration of key management personnel, considered to be the Directors of the Company and members of the senior management team is as follows:

	Year Ended 31 March 2021 £'000	Year Ended 31 March 2020 £'000
Short-term employee benefits	**806**	560
Post-employment benefits	**6**	6
Total compensation	**812**	566

29.2. Transactions and balances with key personnel

	As at 31 March 2021 £'000	As at 31 March 2020 £'000
Loan balances with Directors:		
Balance outstanding from director	**(5)**	(1)

During the year S Chadha purchased certain fashion hire assets, with a net book value of £583,000, for £552,000, which was deemed to be market value.

29.3. Transactions and balances with related companies and businesses

	Year Ended / As at 31 March 2021 £'000	Year Ended / As at 31 March 2020 £'000
Transactions with related companies:		
Rent paid to Chadha Properties Limited	**180**	180
Loans provided to Nash Peters Limited	**–**	174
Balances with related companies:		
Amounts owed by Nash Peters Limited	**1,790**	1,790
Amounts owed to Supreme 8 Limited	**(3,392)**	(3,392)

The above companies are related due to common control and Directors.

Amounts owed by Nash Peters, related due to common directorships, are due for repayment on demand and interest is charged on the outstanding balance at a rate of 5%. This balance was repaid in full shortly after year end.

Amounts owed to Supreme 8 Limited, a minority shareholder, are for a loan due for repayment on demand and interest is charged on the outstanding balance at a rate of 3%. £1,790,000 of this balance was settled shortly after year end.

Notes to the Group Financial Statements continued

as at 31 March 2021

30. Analysis and reconciliation of net debt

	01-Apr-19	Acquisitions	Other non-cash changes	Cash flow	31-Mar-20
Cash at bank and in hand	1,694	–	(30)	5,054	6,718
Current borrowings	(4,799)	–	(835)	(4,939)	(10,573)
Non-current borrowings	(18,082)	–	669	–	(17,413)
Net debt	**(21,187)**	**–**	**(196)**	**115**	**(21,268)**

	01-Apr-20	Acquisitions	Other non-cash changes	Cash flow	31-Mar-21
Cash at bank and in hand	6,718	67	–	720	7,505
Current borrowings	(10,573)	–	(741)	838	(10,476)
Non-current borrowings	(17,413)	–	(47)	12,802	(4,658)
Net debt	**(21,268)**	**67**	**(788)**	**14,360**	**(7,629)**

31. Post balance date events

On 8 June 2021, a total of 127,094 share options were exercised by a former employee under the Company's EMI Scheme as an acknowledgement of his contribution and long service to the Company.

Pursuant to the exercise of the above share options, 127,094 new ordinary shares were admitted to trading on AIM on 10 June 2021.

At the date of signing these financial statements the total number of Ordinary Shares in issue is 116,627,074 and the total number of voting rights is 116,627,074.

On 10 June 2021 Supreme Imports Limited acquired the entire share capital of Vendek Limited, a leading Dublin-based distributor of batteries and lighting products, for initial cash consideration of €1.07m. The completion mechanism has not been finalised at the date of signing these financial statements and this, together with a full purchase price allocation exercise, will be finalised and reported in the interim accounts for the period to 30 September 2021.

On 30 June 2021, Supreme Imports Limited acquired the brands and stock of Sci-MX Nutrition Limited, a leading sports nutrition and supplements business for cash consideration of £2.3m, the accounting for which (given the proximity to the date of signing these financial statements) had not been finalised.

Company Statement of Financial Position
as at 31 March 2021

	Note	As at 31 March 2021 £'000	As at 31 March 2020 £'000
Fixed assets			
Investments	5	**25,587**	25,587
		25,587	25,587
Current assets			
Debtors	6	**7,646**	1
Cash and cash equivalents		**4**	250
		7,650	251
Creditors: amounts falling due within one year	7	**(3,484)**	(5,186)
Net current assets/(liabilities)		**4,166**	(4,935)
Total assets less current liabilities		**29,753**	20,652
Net assets		**29,753**	20,652
Capital and reserves			
Share capital	8	**11,650**	11,001
Share premium	8	**7,195**	–
Share-based payments reserve		**75**	–
Retained earnings		**10,833**	9,651
		29,753	20,652

The Company has taken advantage of the exemption permitted by Section 408 of the Companies Act 2006 not to produce its own profit and loss account. The profit for the year dealt within the financial statements of the Company was £4,182,000.

The notes on pages 73 to 78 are an integral part of these Company financial statements.

The Company financial statements on pages 71 to 78 were approved by the Board of Directors on 25 August 2021 and were signed on its behalf by:

S Smith
Director

Registered number: 05844527

Company Statement of Changes in Equity

	Share Capital £'000	Share premium £'000	Share-based payments reserve £'000	Retained earnings £'000	Total equity £'000
As at 1 April 2019	11,001	–	–	11,000	22,001
Profit for the year	–	–	–	9,651	9,651
Total comprehensive income for the period	–	–	–	9,651	9,651
Transactions with shareholders:					
Dividends	–	–	–	(11,000)	(11,000)
Total transactions with owners, recognised in equity	**–**	**–**	**–**	**(11,000)**	**(11,000)**
As at 31 March 2020	**11,001**	**–**	**–**	**9,651**	**20,652**
Profit for the year	–	–	–	4,182	4,182
Total comprehensive income for the year	–	–	–	4,182	4,182
Transactions with shareholders:					
Dividends	–	–	–	(3,000)	(3,000)
Issue of shares in year	89	255	–	–	344
Issue of shares on IPO	560	6,940	–	–	7,500
Employee share schemes – value of employee services	–	–	75	–	75
	649	**7,195**	**75**	**1,182**	**9,101**
As at 31 March 2021	**11,650**	**7,195**	**75**	**10,833**	**29,753**

The notes on pages 73 to 78 form part of these Company financial statements.

Notes to the Company financial statements

1. General Information
Supreme PLC ("the Company") is a public company limited by shares, registered in England and Wales and domiciled in the UK, with company registration number 05844527. The principal activity is that of a holding company. The registered office is 4 Beacon Road, Ashburton Park, Trafford Park, Manchester, M17 1AF.

2. Summary of significant accounting policies
2.1 Initial public offering ("IPO")
In preparation for the IPO, the Company re-registered as a public limited company on 28 October 2020 and the Company's shares were admitted to trading on the Alternative Investment Market ("AIM"), a market operated by the London Stock Exchange, on 1 February 2021. These Group financial statements are the Company's first subsequent to its admission to AIM. The Group financial statements were approved and authorised for issue by a duly appointed and authorised committee of the Board of Directors 25 August 2021.

2.2 Reporting framework
The separate financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101, "Reduced Disclosure Framework" ("FRS 101"), on the going concern basis under the historical cost convention, and in accordance with the Companies Act 2006 as applicable to companies reporting under FRS 101. This is the first year in which the financial statements have been prepared under FRS 101. The date of transition to FRS 101 was 1 April 2019 and no transition adjustments have been identified.

The financial information is presented in sterling and has been rounded to the nearest thousand (£'000).

The principal accounting policies, which have been applied consistently to all the years presented, are set out below.

2.3 Financial Reporting Standard 101 – reduced disclosure exemptions
The following exemptions from the requirements in IFRS have been applied in the preparation of these financial statements:

- The requirement of IFRS 1, 'First-time adoption of International Financial Reporting Standards', to present a statement of financial position at the date of transition.
- IFRS 7, "Financial Instruments: Disclosures".
- Paragraphs 91 to 99 of IFRS 13, "Fair value measurement" (disclosure of valuation techniques and inputs used for fair value measurements of assets and liabilities)
- Paragraph 38 of IAS 1, "Presentation of financial statements" – comparative information requirements in respect of:

  i. Paragraph 79(a)(iv) of IAS 1;
  ii. Paragraph 73 (e) of IAS 16, "Property, plant and equipment"; and
  iii. Paragraph 118 (e) of IAS 38, "Intangible assets" (reconciliations between the carrying amount at the beginning and end of the period).

- The following paragraphs of IAS 1, "Presentation of financial statements":

  iv. 10(d) (statement of cash flows);
  v. 16 (statement of compliance with all IFRS);
  vi. 38A (requirement of minimum of two primary statements, including cash flow statements);
  vii. 38B-D (additional comparative information);
  viii. 111 (statement of cash flows information); and
  ix. 134-136 (capital management disclosures).

- IAS 7, "Statement of cash flows".
- Paragraphs 30 and 31 of IAS 8, "Accounting policies, changes in accounting estimates and errors" (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, "Related party disclosures" (key management compensation).
- The requirements in IAS 24, "Related party disclosures", to disclose the related party transactions entered into between two or more members of a group.
- Paragraphs 130(f)(ii)(iii), 134(d)-(f) and 135(c)-(e) of IAS 36, "Impairment of assets"
- Paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 and the second sentence of paragraph 110 of IFRS 15

This information is included in the consolidated financial statements found earlier in this report.

2.4 Company profit and loss account
The Company has not presented its own profit and loss account as permitted by Section 408 of the Companies Act 2006. The Company's profit after taxation for the period was £4,182,000 (2020: £9,651,000). There are no material differences between the loss after taxation in the current period and its historical cost equivalent. Accordingly, no note of historical cost profits and losses has been presented.

2.5 Going concern
Supreme PLC is funded by external banking facilities provided by HSBC until December 2022., as well as through surplus cash held at bank. Taking account of these facilities and having considered future strong trading and cash flow forecasts, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the Group Financial Statements.

Notes to the Company financial statements continued

2. Summary of significant accounting policies (continued)

2.6 Dividend distribution

The distribution of a dividend to the Company's shareholders is recognised as a liability in the Company's financial statements in the year in which it is approved by the Company's shareholders.

2.7 Investment in subsidiary undertakings

Investments in subsidiaries are stated at cost less accumulated impairment.

2.8 Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where events or transactions that result in an obligation to pay more tax in the future, or a right to pay less tax in future, have occurred at the balance sheet date. Timing differences are differences between the Group'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.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the 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.

2.9 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds of issue.

Share premium represents the difference between the nominal value of shares issued and the fair value of consideration received. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

2.10 Retained earnings

Retained earnings includes all current and prior period retained profits and losses, including foreign currency translation differences arising from the translation of financial statements of the Company's foreign entities.

All transactions with owners of the parent are recorded separately within equity.

2.11 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

2.12 Financial instruments

Financial assets and financial liabilities 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 de-recognised when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Financial liabilities are de-recognised when the obligation specified in the contract is discharged, cancelled or expired.

Trade and other receivables

Trade and other receivables are initially measured at transaction price less provisions for expected credit losses. The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance. This lifetime expected credit losses is used in cases where the credit risk on other receivables has increased significantly since initial recognition. In cases where the credit risk has not increased significantly, the Group measures the loss allowance at an amount equal to the 12-month expected credit loss. This assessment is performed on a collective basis considering forward-looking information.

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'.

Recognition of credit losses is determined by considering a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions and reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Credit Insurance is applied to all accounts over £2,500 with exception of proforma accounts and accounts agreed by the CEO.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

2. Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade and other payables

Trade and other payables are initially measured at their fair value and are subsequently measured at their amortised cost using the effective interest rate method; this method allocates interest expense over the relevant period by applying the “effective interest rate” to the carrying amount of the liability.

Invoice discounting facility

The company has entered into an invoice discounting arrangement with the bank, where a proportion of the debts have been legally transferred but the benefits and risks are retained by the Company. Gross receivables are included within debtors and a corresponding liability in respect of the proceeds received from the bank are shown within liabilities. The interest element of the bank's charges are recognised as they accrue and included in the statement of comprehensive income within other interest payable.

Borrowings

Interest-bearing overdrafts are classified as other liabilities. They are initially recorded at fair value, which represents the fair value of the consideration received, net of any direct transaction costs associated with the relevant borrowings. Borrowings are subsequently stated at amortised cost and finance charges are recognised in the Statement of Comprehensive Income over the term of the instrument using an effective rate of interest. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accruals basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

2.13 Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of Financial Position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Group keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the Statement of Comprehensive Income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Statement of Comprehensive Income is charged with fair value of goods and services received.

Notes to the Company financial statements continued

3. Critical accounting estimates and judgements
In the preparation of the Company financial statements, the Directors, in applying the accounting policies of the Company, make some judgements and estimates that effect the reported amounts in the financial statements. The following are the areas requiring the use of judgement and estimates that may significantly impact the financial statements.

Accounting estimates
Information about estimates and assumptions that may have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Non-current asset impairment
The carrying value of the Company's investments in subsidiaries was £25,587,000 at 31 March 2021. The Directors have performed an impairment review by comparing the carrying value to the higher of the value-in-use and fair value less costs to sell of the underlying assets. The value-in-use calculations require the use of estimates in calculating the future cash forecasts based upon management judgement. Future events could cause the assumptions to change, therefore this could have an adverse effect on the future results of the Company. The fair value less costs to sell calculations include an element of judgement.

The estimates used in the impairment calculation are set out in Note 13 to the Group financial statements.

Accounting judgements
Judgements in applying accounting policies and key sources of estimation uncertainty.

The following are the areas requiring the use of judgement that may significantly impact the Company financial statements:

Non-current asset impairment
The calculation of fair value less costs to sell is based upon management's judgement by reference to the Group's market capitalisation. In view of the short time period between Admission and the year-end, and taking into account movements in the share price post year-end, the Directors consider there to be no reasonably possible scenario in which the asset would be impaired.

4. Remuneration of Directors and auditors
Details of Directors' remuneration are shown in the Directors' Remuneration Report on pages 27 to 30 of the Group financial statements. Details of auditors' remuneration are shown in note 6 of the Group financial statements. The Company has no employees.

5. Investments

	As at 31 March 2021 £'000	As at 31 March 2020 £'000
At beginning of period/year	**25,587**	22,000
Amounts written off	**–**	(60)
On acquisition of subsidiaries	**–**	3,587
At end of period/year	**25,587**	25,587

The Company owns 20% of the share capital of Elena Dolce Limited, with a registered office of 111 Deansgate, Manchester, M3 2BQ. This was written off in the 2020 financial year.

At 31 March 2021 the Company directly owned 100% of the following subsidiaries, which are incorporated in England and Wales unless stated:

Subsidiary	Registered address	Principal activity	Class of share	Percentage holding
Supreme Imports Limited	4 Beacon Road, Ashburton Park, Trafford Park, Manchester M17 1AF	Distribution of consumer goods	Ordinary	100%
Provider Distribution Limited	Unit 1 Rosewood Park, St James Road, Blackburn, Lancashire BB1 8ET	Distribution of consumer goods	Ordinary	100%
SI Holdings (Jersey) Limited	11 Bath Street, St Helier, Jersey, JE4 8UT	Holding company	Ordinary	100%

5. Investments (continued)
At 31 March 2021 the Company indirectly owned 100% of the following subsidiaries, which are incorporated in England and Wales unless stated:

Subsidiary	Registered address	Principal activity	Class of share	Percentage holding
GT Divisions Limited	4 Beacon Road, Ashburton Park, Trafford Park, Manchester M17 1AF	Distribution of consumer goods	Ordinary	100%
VN Labs Limited		Distribution of consumer goods	Ordinary	100%
Battery Force Limited		Dormant	Ordinary	100%
Saira Shoes Limited		Dormant	Ordinary	100%
Powerquick Limited		Holding company	Ordinary	100%
Sub OHM Juice Limited		Dormant	Ordinary	100%
Supreme 88 Limited		Holding company	Ordinary	100%
Supreme Nominees Limited		Holding of shares as nominee	Ordinary	100%
Holding Esser Affairs B.V.	Vanadiumweg 13, 3812 PX, Armersfoort, Netherlands	Holding company	Ordinary	100%
AGP Trading B.V.		Distribution of consumer goods	Ordinary	100%
SI Jersey Limited	11 Bath Street, St Helier, Jersey, JE4 8UT	Dormant	Ordinary	100%

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

6. Debtors

	As at 31 March 2021 £'000	As at 31 March 2020 £'000
Amounts owed by group undertakings	**7,645**	–
Called up share capital not paid	**1**	1
	7,646	1

The Directors believe that the carrying value of trade and other receivables represents their fair value. In determining the recoverability of trade receivables, the Company considers any change in the credit quality of the receivable from the date credit was granted up to the reporting date.

All of the amounts owed by Group undertakings shown above are repayable on demand.

7. Creditors: amounts falling due within one year

	As at 31 March 2021 £'000	As at 31 March 2020 £'000
Amounts owed to group undertakings	**–**	1,599
Amounts owed to related parties	**3,392**	3,392
Accruals	**92**	–
Deferred consideration	**–**	195
	3,484	5,186

Amounts owed to group undertakings are interest free and repayable on demand. Amounts owed to related parties accrue interest at 3% and are repayable on demand.

Notes to the Company financial statements continued

8. Share capital
Details of movements in shares are set out in note 24 to the Group financial statements.

9. Related party transactions
The Company has taken advantage of the exemption included in IAS 24 'Related Party Disclosures' not to disclose details of transactions with Group undertakings, on the grounds that it is the parent company of a Group whose financial statements are publicly available.

Included within Creditors: Amounts falling due within one year is a balance of £3,392,000 (2020: £3,392,000) owed to Supreme 8 Limited, a minority shareholder. These amounts accrue interest at 3% and are repayable on demand.

Directors' transactions
Details of the Directors' interests in the ordinary share capital of the Company are provided in the Directors' Remuneration Report.

10. Share based payments
The Company operates a number of share option arrangements for key executives and employees, further details of which can be found in note 24 to the Group financial statements. Further details of the arrangements for senior executives can be found in the Directors' Remuneration Report in the Group financial statements.

The Company recognised total expenses of £75,000 in respect of the equity-settled share-based payment transactions in the year ended 31 March 2021 (2020: £nil).

11. Post balance date events
On 8 June 2021, a total of 127,094 share options were exercised by a former employee under the Company's EMI Scheme as an acknowledgement of his contribution and long service to the Company.

Pursuant to the exercise of the above share options, 127,094 new ordinary shares were admitted to trading on AIM on 10 June 2021.

At the date of signing these financial statements the total number of Ordinary Shares in issue is 116,627,074 and the total number of voting rights is 116,627,074.

Company details

Directors:
Paul McDonald – Non-Executive Chairman
Sandy Chadha – Chief Executive Officer
Suzanne Smith – Chief Finance Officer
Mark Cashmore – Independent Non-Executive Director
Simon Lord – Independent Non-Executive Director

Company Secretary:
Suzanne Smith

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