SUPREME
PLC

ANNUAL REPORT AND ACCOUNTS **2022**

A LEADING MANUFACTURER, SUPPLIER AND BRAND OWNER...

...OF FAST-MOVING CONSUMER PRODUCTS

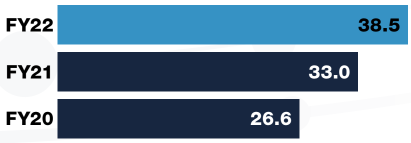
FINANCIAL HIGHLIGHTS

Revenue £m

+7%

Gross Profit £m

+17%



Adjusted EBITDA £m

+9%

Adjusted EPS pence

+7%

OPERATIONAL HIGHLIGHTS

- Strong organic growth supported by new contract momentum and the expansion of the UK sales footprint
  – Launched two vitamins brands; Millions & Millions and Sealions
  – Secured additional vaping contracts with Sainsbury's, Morrisons and in convenience retail via Core Communications
  – Supreme now services over 3,300 retail and public sector customers, in addition to over 70,000 active unique online accounts
- Delivered and integrated two earnings-enhancing acquisitions in the period
  – Acquired Vendek Limited, one of Ireland's leading distributors of batteries and lighting products, providing a cost-effective shelter from export challenges generated by Brexit, whilst creating an additional hub from which to expand Supreme's European footprint alongside facilitating access to some of Ireland's largest retailers and distributors
  – Acquired the stock and brands of Sci-MX Limited, a leading sports nutrition and supplements business, delivering incremental earnings and manufacturing synergies alongside providing access to Tesco and Morrisons, both of which have already generated wider cross-sell opportunities
- Supreme's market-leading 88vape brand continued to grow its market share with new and existing customers, including Sainsbury's and Morrisons, and in convenience retail via Core Communications, in addition to generating sales traction across all its discount retail customers
- Continued to scale in-house manufacturing capabilities to meet future demand and drive longer term margin improvement

STRATEGIC REPORT


88vape.
88vape.
88vape.
88vape.
88vape.


Millions &
Millions
VITAMIN
B12
10 µg
TABLETS
SUPPORTS ENERGY METABOLISM
Vegan
90
AUTY
RMULA

Our strong financial foundations enabled the Board to declare a maiden dividend of 2.2p per share, with the Company delivering a 33% growth in earnings per share to 11.8p (2021: 8.9p).

Paul McDonald
Non-executive Chairman

ONCE AGAIN, SUPREME HAS DEMONSTRATED ITS ABILITY TO DELIVER BOTH ORGANIC AND ACQUISITIVE GROWTH AGAINST THE CURRENT ECONOMIC BACKDROP, AND WE LOOK FORWARD TO REALISING THE BENEFITS OF OUR EARNINGS-ENHANCING ACQUISITIONS AND A NUMBER OF EXCITING PRODUCT LAUNCHES.

Financial year ended 31 March 2022 was another positive year for Supreme, as we continued to build on the strong momentum generated since our IPO. Alongside sustained organic growth, driven by the strong performance of our Vaping category as well as continued progress across the Company's established Lighting and Batteries segments, Supreme completed the strategic acquisitions of Vendek and Sci-MX, our first transactions as a public company. Directly in-line with our strategic development roadmap, both have been seamlessly integrated into the Group and we continue to explore the growth opportunities presented by the acquisitions.

Supreme delivered a strong trading performance in the year-ended 31 March 2022, generating a 7% increase in revenues to £130.8 million (2021: £122.3 million) alongside a 9% increase in Adjusted EBITDA[1] to £21.1 million. (2021: £19.3 million). Our operations remain highly cash-generative, with our robust balance sheet, capital light model and enhanced efficiencies underpinning Supreme's considerable financial and operational progress, which was further boosted by the agreement of a new £25 million RCF facility with HSBC in March 2022. Our strong financial foundations enabled the Board to declare a maiden dividend of 2.2p per share, with the Company delivering a 33% growth in earnings per share to 11.8p (2021: 8.9p).

We consolidated our position as a leading player in the vaping market, securing further mandates with supermarkets including Sainsbury's and Morrisons, whilst increasing our convenience and discount footprint alongside retaining our D2C online offering through the 88vape website. Consequently, Supreme now services over 3,300 retail and public sector customers, which includes over 70,000 active online accounts.

Despite well-documented inflationary pressures and the ongoing impact of the Covid-19 pandemic on global trade and logistics, our Sports Nutrition & Wellness segment delivered a solid performance, underpinned by the launch of our two new vitamin brands, Millions & Millions and Sealions, which continue to increase our market share in the sector. The division currently represents 12% of revenue and we remain confident that the category will provide an additional pillar of growth in the medium to long term.

Providing quality products at attractive prices is at the core of our business, and, given the escalating cost-of-living crisis, we anticipate that demand for Supreme's highly affordable fast-moving consumer goods will continue to increase. Leveraging our vertically integrated platform, Supreme is well positioned to play a pivotal role in minimising the financial impact on retailers and consumers, and our commitment to offering great value to all stakeholders remains the Company's key priority.

As part of our annual review process, we undertook an internal board evaluation to ensure the efficacy of the team. Our current board is made up of hard-working, diligent individuals who bring a wealth of experience and a complementary breadth of perspectives which facilitate the efficient functioning of the Company's committees. Moving forward, we are committed to continuing our cycle of board meetings and strategy days, whilst maintaining access to the senior management team to provide imperative transparency. I am certain that, as a Board, we have the right skill set to ensure Supreme executes on our growth strategy, and we will continue to provide insightful and independent oversight of the Company's operations.

I am profoundly grateful for the perseverance and dedication of the entire Supreme team who have worked tirelessly to mitigate the macroeconomic challenges the business faced across the financial year, most notably mitigating the impact of Covid-19 on staffing levels across our warehousing and manufacturing operations in Q3, a key trading period for the Company.

Once again, Supreme has demonstrated its ability to deliver both organic and acquisitive growth against the current economic backdrop, and we look forward to realising the benefits of our earnings-enhancing acquisitions and a number of exciting product launches. Our business remains focused on leveraging our vertically integrated distribution platform for consumer products that are easily transported and displayed with a simple consumer offering that people do not return.

The Board has the utmost confidence in our management team who continue to drive Supreme's growth. This progress, bolstered by prudent investment in in-house manufacturing facilities, ensures Supreme remains well placed to capitalise on future market tailwinds, alongside delivering both organic and M&A growth in the medium to long term.

Paul McDonald
Non-executive Chairman
4 July 2022

[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)

OUR CATEGORIES

LIGHTING

11%
revenue
cagr between
FY16-22

- 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

BATTERIES

200m
batteries
supplied
each year

- 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
- 23-year relationship with Duracell, Energizer and Panasonic
- 12-year relationship with JCB and 8-year relationship with Philips

VAPING

88VAPE
is the UK's
number 1
value vaping
brand each year

- 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

SPORTS NUTRITION AND WELLNESS

£16m
from start-up to revenues of £16m in four years

- Rapidly growing category driven by ability to cross-sell products to existing customers
- Broadened product offering with recent acquisition of Sci-MX
- Expanded footprint in vitamins and supplements market with recent launches of Sealions and Millions & Millions
- In-house manufacturing capabilities yield superior returns

BRANDED HOUSEHOLD CONSUMER GOODS

£9m
revenue in FY22

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

WE ARE A VERTICALLY-INTEGRATED DISTRIBUTION PLATFORM FOR CONSUMER PRODUCTS THAT ARE EASILY TRANSPORTED AND DISPLAYED WITH A SIMPLE CONSUMER OFFERING THAT PEOPLE DO NOT RETURN

BUSINESS MODEL

NEW PRODUCTS

1

2

MARKETING

R&D

BESPOKE PACKAGING

DESIGN

3

IN-HOUSE MANUFACTURING

CONTRACT MANUFACTURING

4

INTEGRATED WAREHOUSING SYSTEMS

B2B ONLINE ORDERING

FAST DELIVERY

DISPLAY SOLUTIONS

LOGISTICS

5

Online D2C

VERTICAL INTEGRATION OFFERS EXCELLENT ROUTE TO MARKET FOR LEADING BRANDS

1 BRANDS

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

2 PRODUCT DEVELOPMENT

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

3 MANUFACTURING

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

4 SERVICES

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

5 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

We are delighted to have delivered another strong financial performance across FY22, driven by excellent customer traction, alongside completing two strategic acquisitions.

Sandy Chadha
Chief Executive Officer

THE GROUP HAS CONTINUED TO EVOLVE ITS BUSINESS MODEL IN THE PERIOD, ADDING NEW CUSTOMERS AND BRANDS ALONGSIDE BROADENING THE REACH OF OUR EXISTING BRANDS AND PRODUCTS ACROSS OUR ESTABLISHED CUSTOMER BASE. GIVEN THE MAJORITY OF OUR BRANDS ARE EITHER LICENSED, OWN-BRAND OR ACQUIRED, AS WELL AS WHITE-LABELLED, SUPREME HAS ESTABLISHED INCREDIBLY LOYAL AND LONG-TERM CUSTOMER PARTNERSHIPS.

INTRODUCTION

It is my pleasure to announce our results for the year ended 31 March 2022, as the Company delivered another positive financial and operational performance across the year, reporting strong levels of revenue and profit growth. The Group made solid progress across its key categories, with Supreme's market-leading 88vape brand continuing to aggressively increase its market share with new and existing customers.

Supreme delivered a 7% increase in revenues to £130.8 million in the year (FY21: £122.3 million) and a 9% increase in Adjusted EBITDA1 to £21.1 million (FY21: £19.3 million). Gross profit as a percentage of sales grew to 29.4% (FY21: 27.0%) as we focused more closely on our manufactured categories that continue to generate increasing levels of returns. Our brands, alongside Supreme's diverse and extensive retail network, sit firmly at the heart of both the business and our strategy.

The Group has continued to successfully execute on its organic growth strategy through the successful launches of two vitamins brands, Millions & Millions and Sealions, which continue to generate good sales momentum. To complement our organic progress, the Group also completed two acquisitions during the year: Vendek and Sci-MX, both of which are now fully integrated into the business.

The Supreme team has demonstrated its ability to navigate another year of the Covid-19 pandemic, showing skill and tenacity to mitigate the impact to warehousing and manufacturing operations in Q3, a key trading period for the Company. To successfully undertake two sizeable acquisitions and launch two new brands whilst experiencing unprecedented levels of freight disruption and inflationary pressures is a significant achievement, and it cannot be overstated how thankful I am to each and every member of staff for their exceptional work across FY22.

OPERATIONAL REVIEW

The Group has continued to evolve its business model in the period, adding new customers and brands alongside broadening the reach of our existing brands and products across our established customer base. Given the majority of our brands are either licensed, own-brand or acquired, as well as white-labelled, Supreme has established incredibly loyal and long-term customer partnerships.

On average, the Group distributes c.2,000 products daily across our five product categories, ensuring Supreme maximises its unique operational platform which leverages both online ordering and an integrated management system for retailers.

With this strong platform central to our business, management will continue to focus on the following strategic growth drivers, namely:

- expand our international footprint through existing customer relationships and strategic acquisitions;
- further leverage cross-sell opportunities to expand our customer footprint and average-e revenue per customer;
- continue to explore and develop new product verticals that complements Supreme's customer base, focused on a high quality and good value consumer proposition;
- increase manufacturing efficiencies through further economies of scale and bringing the manufacture of certain products in-house;
- continue to explore and execute on complementary earnings enhancing acquisitions; and
- enhance online distribution and services to further grow our B2B and D2C sales channels.

BATTERIES

Our battery category delivered a highly credible performance, increasing revenues to £34.9 million compared to £34.4 million in FY21 (noting that FY21 included a one-off boost in sales as a result of the pandemic). This growth has been driven by an increase in our UK distribution footprint alongside the positive impact of Vendek, one of Ireland's leading distributors of batteries and lighting products, which was acquired in June 2021. Integrating Vendek into our existing battery category also helped to increase the gross margin percentage during the year.

The breadth of our distribution and our position as one of the largest battery distributors of all major brands ensures a high rate of repeat purchasing and creates a high volume of cross-sell opportunities across the wider, higher margin categories. In addition, the Group has continued to seek the mitigation of the environmental impact of our products and has been working hard to drive higher rates of safe, sustainable, battery recycling. We continue to work closely with global partners and the high street retailers which has resulted in changes to packaging to educate the end-consumer.

LIGHTING

Lighting revenues grew to £27.0 million (FY21: £25.9 million). This strong performance has been fuelled by increased sales traction, particularly in H1 22 when the country was largely locked down. Gross margin increased to £9.0 million, underpinned by the Group's hugely successful licensing model.

This strong performance from our established sales footprint is particularly pleasing given the fact that international expansion, a key growth initiative in this category, has been hindered by pandemic restrictions cancelling a number of key international trade shows.

With Vendek fully integrated, and pandemic restrictions now considerably eased, the enlarged group will be able to pursue a number of strategic opportunities going forward, alongside delivering cross-sell opportunities in both Ireland and the UK.

As within the Group's Battery category, there have been some important changes to our product ranges led by our sustainability agenda. In particular we have seen most blister packs being phased out in favour of cardboard packaging and single unit offerings replaced by twin packs to reduce packaging altogether.

The slow-down in FOB sales in FY23 will impact the growth trajectory for the category in the short term. But these setbacks are temporary whilst the supply chain re-bases and consumer spending adjusts. Our longer-term vision is unchanged.

VAPING

The Group's Vaping category delivered another strong performance in the period, growing revenues by 10% to £43.6 million. Supreme's market-leading 88vape brand continued to grow its market share with new and existing customers including Sainsbury's and Morrisons, and in convenience retail via Core Communications. In addition, the Group continued to generate sales traction across all its discount retail customers.

Economies of scale and further efficiencies in manufacturing processes, alongside a more established supply chain for the Group's prison contract, has resulted in improvements in the gross margin for the category.

Our 88vape.com consumer website experienced good traffic throughout FY22, with the multitude of new customers gained across lockdown periods in FY21 remaining loyal to Supreme despite non-essential retail re-opening.

The announcement in October 2021 that the government plans to make e-cigarettes available on prescription is further evidence of the UK government's support for vaping. With the Company already well-established as a supplier to the public sector via the prison contract, Supreme is well-positioned to benefit from this opportunity in the medium term.

With this increasing level of government support for vaping, alongside its established retail and online (direct) footprint, the Group expects the robust organic growth for this category to continue, enhanced further by M&A. The Group's aim is to become the largest vaping player in the UK, supporting a tobacco-free UK by offering both credible and safe alternatives for nicotine consumption.

SPORTS NUTRITION & WELLNESS

The Group's Sports Nutrition & Wellness category continued to gain market traction in FY22, increasing revenues by 132% to £15.9 million, representing 12% of Group revenues. This excellent performance was underpinned by the acquisition of Sci-MX, a leading sports nutrition and supplements brand, and the launch of two vitamins brands, Millions & Millions, and Sealions.

Following its acquisition during the year, Sci-MX is now fully integrated into the Group, with stock, customers and suppliers, intellectual property and websites now part of Supreme's core business. All customers were retained (principally Tesco, Sainsbury's, Morrisons and Amazon), and the acquisition has been earnings enhancing to the Group in FY22.

Battle Bites, Supreme's branded protein snack bar that was acquired in FY21, performed well and, with the incoming High in Fat, Sugar and Salt ("HFSS") regulations, is expected to drive sales as retailers seek to replace chocolate and traditional confectionary for HFSS compliant impulse-purchased snacks.

Moving forward, the Group will seek to migrate Sci-MX away from a third party supply chain to Supreme's in-house manufacturing facility which will serve to increase profitability in the longer term. This will also enable the Group to focus on 100% recyclable packaging with pack sizes prescribed for optimal pallet configurations and reduced transport requirements.

The protein powders market is undergoing transformational change as raw material price inflation for both whey and creatine has risen between two and three times the price versus six months ago. These price increases will be passed onto the consumer during FY23, and the sector could see fluctuations in customer demand as consumers absorb these increases.

Since entering the Sports Nutrition & Wellness sector four years ago, revenues have grown revenue from £nil to £15.9 million and the Board remain confident that Supreme has the robust foundations in place to capitalise on future growth opportunities driven by its strategic acquisition of Sci-MX and brand launches.

Supreme's sizeable vaping sales footprint, underpinned by the recent acquisition of Liberty Flights, together with ongoing new product development, continued market growth and further distribution expansion, underpins the Group's strong cash generation.

M&A continues to be a key feature of our strategy as we seek to complement our organic growth initiatives, and we remain confident in the Group's trading prospects for the current financial year and beyond.

BRANDED HOUSEHOLD CONSUMER GOODS

The category delivered £9.4 million in revenue for FY22 (FY21: £15.5 million), reflecting its pre-pandemic performances. Whilst there were prolonged lockdowns in FY22, these were not characterised by spikes in sales of cleaning products by consumers in the same way as FY21. In addition, a one-off £1 million pharmaceutical bottling contract in FY21 did not repeat in FY22.

The category continues to make a contribution to overall net profitability, has limited working capital requirements, and has also provided the wider group with cross-sell opportunities.

CURRENT TRADING AND OUTLOOK

Whilst the Group expects to deliver another solid year of profits across FY23, overstocking across a number of key customers within the Group's Lighting category will result in lower-than-expected revenue and EBITDA generation for the current financial year.

Supreme's sizeable vaping sales footprint, underpinned by the recent acquisition of Liberty Flights, together with ongoing new product development, continued market growth and further distribution expansion, underpins the Group's strong cash generation.

In addition, management has already taken steps to mitigate a number of external macro headwinds, including buying forward whey, and will also be continually reviewing potential price increases and ongoing manufacturing and distribution rationalisation.

With 60% of gross profit generated by Supreme's UK manufacturing base, the Group has limited exposure to global shipping and logistics delays and foreign currency fluctuations, and remains confident in the Group's core business operations and resilient end markets.

In the longer term, the Group remains fully focused on driving organic growth, closely balanced with strategic acquisitions, having agreed a new £25 million RCF facility with HSBC in March 2022.

Sandy Chadha
Chief Executive Officer
4 July 2022

[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)

LEVERAGING OUR VERTICALLY INTEGRATED PLATFORM TO TAKE FAST-MOVING CONSUMER BRANDS TO OUR EXTENSIVE CUSTOMER NETWORK

WINNING BUSINESS MODEL

"That's not fair" & "we can't compete"

UK manufacturing base, lucrative product licensing agreements and own brands;

privileged access to an extensive and growing customer base

Diverse product portfolio with varied and independent macro tailwinds

STRONG GROWTH

High growth Wellness and Vaping expansion complemented by established Batteries and Lighting

Proven success to enter new categories and replicate the distribution-to-manufacturing model via a de-risked, capital light approach

ABOVE AVERAGE EARNINGS

12% revenue and 22% EBITDA CAGR FY18-22

Cash-generative and relatively capex-light

Discount retailers are in growth and the number of categories and SKUs purchased from Supreme is growing

HIGH QUALITY MANAGEMENT TEAM

PLC board depth alongside highly experienced executive team and Category leader

FORECAST-ABILITY

Consumer staples drive "sticky" repeat purchasing behaviour

Own brands and exclusive licensed products means retailers can only purchase from Supreme

SENSIBLE USE OF THE BALANCE SHEET

Low leverage

Tight working capital (high growth areas are the least working capital intensive)

300 million

88vape retail value across all customers

2000

orders dispatched every day

SCI-MX; THE ACQUISITION OF COMPLEMENTARY AND WELL-KNOWN BRAND, PROFITABLE REVENUE, NEW CUSTOMERS AND THE OPPORTUNITY TO SCALE IN-HOUSE MANUFACTURING

The right opportunity

In July 2021, Supreme purchased the stock and intellectual property of Sci-MX Nutrition Limited, a well-established and leading sports nutrition and supplements brand with listings in major supermarkets, some discounters and online. Supreme identified the acquisition based on the following criteria:

1. Strategically complementary bolt-on brand to accelerate growth in its sports nutrition category;
2. Cross-sell opportunity to Supreme's existing distribution channels;
3. Access to Tesco and Morrisons;
4. Serviced by Supreme's vertically integrated platform with negligible amounts of incremental resource or overheads; and
5. Significant opportunity for future margin expansion by transferring all manufacturing to Supreme's existing facility

A smooth transition

Supreme's M&A integration team (comprised of staff from warehousing, sales support, purchasing and finance) managed the transfer of assets over the course of a month during which time all stock was physically transferred to Supreme's principal site at Trafford Park, and sales, purchasing and online operations were immediately spun up.

Building on success

Sci-MX was fully integrated into Supreme within two months of initiating contact with the sellers of the brand. All customers were retained with zero disruption to service noted. The acquisition was immediately earnings-enhancing to the Group in FY22 and cross-sell initiatives mean that Sci-MX products are now sold to other Supreme customers and inherited customers now buy additional products from Supreme.

The next steps...

Since acquisition, the focus has been to further develop the brand including improved formulations and new (100% recyclable) packaging. In FY23 Supreme will begin to manufacture the vast majority of the Sci-MX range from its existing facility in Trafford Park. This provides scale and efficiencies for the Group's wider manufacturing operations. Thereafter, the focus will be to grow distribution whilst simultaneously focusing on profitability through manufacturing gains.


SCI-MX
NUTRITION
MACROS
BREAK-
DOWN
PER 45g
SERVING
SCI-MX
NUTRITION
SCI-MX
NUTRITION
THE
SCIENCE


sealions
Men's Multivitamin
& Minerals
TABLETS - FOOD SUPPLEMENT
sealions
sealions
Garlic 1,400mg
TABLETS - FOOD SUPPLEMENT WITH SWEETENER

sealions®

WELLNESS, WELL PRICED

MAKING A SPLASH IN THE WELLNESS INDUSTRY

Wellness, well priced. This was our mission when we launched Sealions in July 2021. We knew we could maintain the same high quality as the market-leading vitamin products, without the high price tag. Our vitamins are for everyone, and always affordably priced.

Our first TV advertising campaign ran in July 2021 to coincide with our launch, with our second campaign running during November 2021. Despite both campaigns resulting in a similar number of website visits, our second campaign saw a notable increase in sales, conversion rate and returning customer rate.

These increases can be attributed to the growth of our product range – which has doubled since launch – and the addition of in-demand supplements to our collection, such as our Turmeric, Ginger & Black Pepper capsules. During the campaign, it was our fifth bestseller, and has since continued to be one of our bestselling products.

CREATING A HAPPIER, HEALTHIER WORLD

Our goal is to make wellness affordable for everyone. Our vertically integrated, direct to consumer model means we cut out the middle people and their high margins, and put a year's supply of vitamins into one compostable pouch (no need for 12 costly plastic pots here!). The vitamins are manufactured, packaged and distributed from Supreme's principal site in Trafford Park and the brand is managed by a central online team that manages all Supreme's brands online. The incremental costs to serve are negligible and the brand currently has 3,500 reviews on Trustpilot rating it 4.9/5 on average. End result? Quality vitamins at affordable prices for everyone.

We do our bit to look after the environment too. As well as ensuring that all of our packaging is compostable, we work with animal and environmental charities, raising both money and awareness to support them in their causes. We have previously worked with Sea Life Trust, raising a total of £2,165 in customer donations in 2021, and are currently supporting MOm, a non-profit organisation working to protect the endangered Mediterranean Monk Seal.

Sealions can be found on all major social media channels where we post regular content ranging from new product releases and charity updates, to interesting facts about vitamins.

I am delighted to present these financial results for the year ended 31 March 2022 ("FY22"); our first full year as a public company.

Suzanne Smith
Chief Finance Officer

THE FINANCIAL PERFORMANCE REMAINED STRONG THROUGHOUT FY22; REVENUE AND PROFITABILITY INCREASED, THE BALANCE SHEET STRENGTHENED AND NET DEBT REDUCED.

I am delighted to present these financial results for the year ended 31 March 2022 ("FY22"); our first full year as a public company. The financial performance remained strong throughout FY22; revenue and profitability increased, the balance sheet strengthened and net debt reduced. The table below summarises the key financial measures and the comparisons to prior year. The commentary in this review references alternative performance measures which are described as 'Adjusted', meaning they exclude share-based payment charges, fair value movements on non-hedge accounted derivatives and other non-recurring items outlined in detail in Note 7 to the Financial Statements.

	FY22 £ (millions)	FY21 £ (millions)	% change
Revenue	130.8	122.3	+7%
Gross profit	38.5	33.0	+17%
Gross profit %	29.4%	27.0%	+2.4%
Adjusted EBITDA[1]	21.1	19.3	+9%
Adjusted items	(1.1)	(3.4)	
Profit before taxation	16.3	13.0	+25%
Adjusted profit before tax[2]	17.4	16.4	+6%
EPS	11.8p	8.9p	+33%
Adjusted EPS[3]	12.8p	12.0p	+7%
Operating cash flow	11.7	12.3	-5%
Net assets	32.3	18.8	+72%
Net debt	4.0	7.6	+47%
Adjusted net debt[4]	1.9	6.1	+69%

REVENUE

Revenue for FY22 was £130.8 million (FY21: £122.3 million), an increase of 7%, the drivers for which have been presented in the divisional summaries below.

REVENUE BY DIVISION

Revenue for Batteries was £34.9 million in FY22 (FY21: £34.4 million). This growth was a blend of incremental revenue from the Vendek acquisition offset by a partial reverse of the COVID "bounce" reported in FY21. As a reminder, this category grew by £3.5 million in FY21 so to have retained more than half of this additional revenue in FY22 was a pleasing performance overall.

Revenue for Lighting was £27.0 million (FY21: £25.9m) and was a pleasing performance given the prolonged pause on our international expansion plans owing to the ongoing lockdowns and travel restrictions in FY22.

Revenue for Vaping was £43.6 million (FY21: £39.5 million). This growth of £4.0 million (10%) was entirely organic driven largely by new listings in grocery via Sainsburys and Morrisons and in convenience retail via Core Communications as well as increased sales in the long-standing retailers. The 88vape.com website doubled revenue in FY21 and has continued to service these customers throughout FY22 despite non-essential retail opening back up.

Revenue for Sports Nutrition & Wellness was £15.9 million (FY21: £6.9 million). This growth of £9.0 million (132%) was driven by the acquisition of Sci-MX, the successful launch of twonew vitamins brands; Millions & Millions and Sealions, a full year of sales for Battle Bites, the protein snack bar acquired in FY21 and underlying organic growth from its core protein powder business.

Revenue for Branded Household Consumer Goods was £9.4 million (FY21: £15.5 million). FY21 reported a notable spike in revenue (the product range is dominated by branded domestic cleaning products and hand sanitizers) and a return to pre-COVID levels was always anticipated for FY22. Whilst the prolonged lockdowns continued into FY22, these were not characterised by spikes in sales of cleaning products by consumers in the same way as in FY21. FY21 also benefitted from £1m of one-time revenue in relation to a one-off pharmaceutical bottling contract which was never anticipated to reoccur in FY22.

GROSS PROFIT

Gross profit for FY22 was £38.5 million (FY21: £33.0 million), representing growth of 17%. Importantly, gross profit increased during the year by 2.4ppt from 27.0% to 29.4%, owing to an increased propensity to manufacture plus improved margins reported in Batteries and Lighting. In FY22 Vaping reported gross margin of 44.7% (FY21: 41.4%) – a result of gains in profitability in the HMPPS contract which was consistently imported via sea in FY22 (as opposed to by air as in FY21) combined with the increased efficiency gains in core manufacturing during the year.

The gross margin for Sports Nutrition reduced in FY22 as a result of a change to the sales mix within the category. The addition of the Sci-MX brand via acquisition in July 2021 remained distribution-only throughout FY22 (although there are plans to bring manufacturing inhouse in FY23) whilst vitamins manufacturing was also yet to establish sufficient scale to warrant manufacturing in FY22 so relied on its external supply chain to meet some of this demand (again, inhouse manufacturing is planned for FY23).

ADJUSTED EBITDA[1]

Adjusted EBITDA[1] increased by £1.8 million (9%) in the year to £21.1 million, driven by growth in revenue and gross profit offset by an increase in the overhead base as a result of the IPO-required investments (such as the Board of Directors and additional advisers), advertising costs to support the launch of the 2 new vitamins brands and additional overheads associated with the acquisitions.

ADJUSTED ITEMS

Adjusted Items were £1.1 million compared to £3.4 million the year before which included £2.0 million in relation to the Group's admissions to AIM in February 2021. In FY22, these costs related to share-based payment charges of £1.7 million (FY21: £0.08 million) and £0.4 million of non-recurring items (restructuring, fees in relation to the acquisitions and short-term resource requirements during the COVID-related disruption), offset by a £1.0 million credit in relation to fair value movements on financial derivatives (FY21: £0.8 million charge).

FINANCE COSTS

Finance costs were £0.7 million in the year (FY21: £0.7 million) and included the interest arising on senior facilities held throughout the period of £0.2m (FY21: £0.4 million), interest relating to the accelerated write down of long-standing arrangement fees once the new RCF facility was established of £0.3 million (FY21: £nil) and interest of £0.1 million relating to the lease liabilities under IFRS16 (FY21: £0.1 million).

TAXATION

Total tax charge in the year was £2.6 million (FY21: £3.1 million), giving rise to an effective tax rate of 16% (FY20: 24%). The increase in the rate in FY21 arose from the disallowed expenses in relation to the IPO. The lower rate in FY22 was the result of a prior period adjustment (relating to the tax relief on the exercise of EMI options in FY21) and the deferred tax credit on the Share Based Payments charge.

PROFIT AFTER TAX AND EARNINGS PER SHARE

Profit after tax was £13.7 million compared to £9.8 million in FY21, growth of 39%. Similarly, earnings per share increased by 33% to 11.8p (FY21: 8.9p) and on a fully diluted basis increased from 8.7p to 11.4p, growth of 31%.

On an adjusted profit after tax basis, which we consider to be a better measure of performance, adjusted earnings were £15.0 million (FY21: £13.3 million) and Adjusted earnings per share3 was 12.8p (FY21: 12.0p)

DIVIDENDS

- A final dividend, subject to shareholder approval at the Annual General Meeting on the 15 September 2022, of 3.8 pence per share. This will be paid on 30 September 2022 to shareholders on the register at the close of business on 2 September 2022. The ex-dividend date will be 1 September 2022.
- The Group paid an interim dividend of 2.2p per share, which together with the final dividend take total dividends for the year to 6.0 pence per share.

CASH FLOW

	FY22 £ (millions)	FY21 £ (millions)	% change
Adjusted EBITDA[1]	21.1	19.3	
Movement in working capital	(3.9)	(1.6)	
Acquisition of Sci-MX stock	(0.9)		
Taxation paid	(4.2)	(3.0)	
Cash-impacting adjusted items:	(0.4)	(2.4)	
Operating cash flow	**11.7**	**12.3**	**-5%**
Debt (servicing) / raising	(8.4)	(13.6)	
Lease payments	(1.0)	(0.6)	
Capex (including M&A)	(3.4)	(2.1)	
Dividends	(2.5)	(3.0)	
Proceeds from IPO	-	7.8	
Net cash flow	**(3.6)**	**0.8**	

Cash generated from its trading activities ("Operating cash flow") was £11.7 million (FY21: £12.3 million), a reduction of 5%. This included £0.9 million in relation to the acquisition of Sci-MX stock in July 2021 and a conscious investment in Batteries and Lighting stock in the second half of the year to mitigate any potential freight disruption from the Far East and to forward-buy whey protein to best-manage ongoing price increases. Higher rates of sales across the business in the weeks leading up to year-end unexpectedly increased the closing working capital position at year end.

Specifically in reference to the acquisitions, £1.0 million related to the acquisition of the entire share capital of Vendek Limited (net of cash acquired), with a further £0.6 million of deferred consideration payable in FY23 and FY24. £1.3 million related to the acquisition of the brands of Sci-MX Limited (no further amounts payable in the future).

With respect to financing, the Group repaid £1.6 million of its related party loan in the year, repaid £5.4 million during the year in respect of its existing 5-year facility with HSBC in line with its quarterly interest and repayment obligations and repaid the balance on the supply chain financing facility in the year of £1.2 million.

On the 31 March 2022, the Group committed to a £25 million Revolving Credit Facility ("RCF") with HSBC but this was undrawn at year end. The initial drawdown of £4.1 million on 4 April 2022 was to settle the existing 5-year facility in full and cover the arrangement fee on the RCF whilst the remainder of the RCF is ear-marked largely for acquisitions.

NET DEBT

	FY22 £ (millions)	FY21 £ (millions)	% change
Cash	(3.9)	(7.5)	
Bank loans	4.0	9.0	
Amounts owed to related parties	1.8	3.4	
IFRS 16 lease liability	2.1	1.5	
Other	-	1.1	
Total net debt	**4.0**	**7.6**	**+47%**

EVENTS AFTER THE BALANCE SHEET DATE

On 4 April 2022, the Group drew down £4.1 million on the RCF to fully settle the existing 5-year loan facility with HSBC and cover the arrangement fee attached to the RCF.

On 27 April 2022, the Group repaid the final tranche of its related party loan to Supreme8 Limited. No further related party items exist on the balance sheet.

On 10 June 2022, Supreme acquired the entire share capital of Liberty Flights Holdings, a long-established and leading brand of e-liquids and vaping devices for an initial consideration of £7.75 million. The acquisition is expected to be immediately earnings-enhancing.

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
4 July 2022

[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 net debt means net debt as defined in Note 29 to these financial statements excluding the impact of IFRS16

BUILDING AN ESG AGENDA

FOR AS LONG AS WE HAVE BEEN PROVIDING AFFORDABLE CONSUMER STAPLES TO THE UK MASS-MARKET, WE HAVE ACKNOWLEDGED THE IMPORTANCE OF "DOING THE RIGHT THING" IN HOW WE CONDUCT OURSELVES AND OUR BUSINESS FOR THE GOOD OF THE ENVIRONMENT, OUR COMMUNITY, OUR PEOPLE AND OUR STAKEHOLDERS

A principal strategic priority for FY22 was to consolidate and formalise our efforts across our ESG agenda and this report will provide an insight into how this has evolved and the progress we have made to-date. Supreme is blessed with employees who are passionate about sustainability and social responsibility and this has enabled us to accelerate our efforts across many different initiatives.

In FY22, Supreme's ESG Committee evolved into a number of separate sub-committees to enable maximum engagement and relevant discussion points for those involved. Representatives from Buying, Design, Warehousing, Manufacturing, Finance, Health & Safety & HR are included in the committees and all are overseen by the Chief Finance Officer with direct and regular input from the wider Board of Directors. We acknowledge there is a lot more to do, however, we are proud of the progress to-date and are excited to share some insights with our stakeholders.

ENVIRONMENT

We are working hard to reduce the energy we consume, increase our volume of responsible recycling (and also encouraging the end consumer of our products to do the same), reduce the waste generated from each of our operations, and minimise the impact of packaging and distribution.

SOCIAL

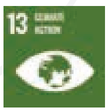
We are extremely proud of our efforts in supporting our diverse employee base; we view talent as a major asset and place a high value on people, in particular their input and their energy; and this is evidenced in our excellent track record of retaining a sought-after pool of talented resource.

GOVERNANCE

We recognise the importance of maintaining the highest standards of corporate behaviour and setting the right example for others to follow. Good governance is at the core of our business and we conduct our operations with integrity, fairness and transparency.

ALIGNING OUR AGENDA

Supreme is now working hard to ensure ESG is at the heart of everything we do, using our corporate values and the UN 17 Sustainable Development Goals ("SDG") as our guide to formulate a longer term strategic plan for ESG. Ultimately, we aim to act responsibly through effective governance and by managing our social and environmental impacts appropriately throughout our operations and across our supply chains. Initially we are focused on the following goals:

Supreme brings high-quality, branded consumer products to the mass-market at low prices, relative to the branded alternatives. Supreme is proud to give consumers access to choice when making routine purchases and its ethos is aligned to the Government's own objectives around "levelling up". Our price-disruptive business model means many consumers have access to products that may otherwise have been reserved for the more economically privileged, and we expect to play an integral role in mitigating the broader economic impacts of the ongoing cost-of-living crisis.	
The continued correlation between the falling number of smokers and the rising number of vapers in the UK is well-documented. There is widespread support for vaping as a safer alternative to smoking and as a proven method to quit smoking. There are now around 3.6 million vapers in the UK and, according to public health charity Action on Smoking & Health ("ASH"), over 95% of these are either ex-smokers or dual-users (interchanging between smoking and vaping). Vaping, as an alternative to smoking, fosters a healthier, cleaner society, reducing the harmful impacts of passive smoking, reducing the pressures on the NHS and making our streets cleaner. Within Sports Nutrition & Wellness, our brands of vitamins, meal replacements and protein snack bars promote healthy active lifestyles and a positive wellbeing.	
Supreme has a passion for nurturing talent within its organisation and providing its people with the tools and opportunities to progress professionally within the organisation.	
Supreme aims to reduce inequality in all forms, including gender and ethnicity, and remains committed to fair pay and working conditions across its business operations.	
Supreme manages a socially and environmentally-conscious supply chain network, to promote effective waste management and to focus on reducing its carbon footprint when it comes to sourcing and distributing product. Responsible consumption also extends to ethical sourcing with regards to social and economic conditions, particularly with respect to its Far East supply chain network.	
Supreme is committed to making a proactive contribution to combat climate change and will encourage others within its network to do the same.	

SUSTAINABILITY

THE SUSTAINABILITY COMMITTEE IS PROUD TO REPORT THE FOLLOWING CHANGES SUCCESSFULLY IMPLEMENTED IN FY22, ALONGSIDE AN UPDATE ON ONGOING INITIATIVES WE ARE COVERING

We will continue to work closely with the world's largest brands and our own supply chain to ensure the UK's consumers have access to efficient, affordable, domestic batteries with understandable and easy-access means to recycle

As the largest battery distributor in the UK, Supreme is committed to promoting the increased recycling of used batteries nationwide There have been setbacks in FY22 when our "freepost return to recycle" scheme was blocked by Royal Mail due to used batteries being outside carriers' guidelines and, as a compromise, we are now working with our retail customers large and small to provide recycling receptacles in-store. We continue to work closely with Valpak, the UK's largest environmental compliance scheme and to whom we contributed almost £1 million during the period in relation to Waste Electrical and Electronic Equipment's ("WEEE") recycling scheme. We are making changes to the packaging of batteries we manufacture under private label or license to increase awareness of responsible battery recycling and we have also enhanced our consumer website check-outs to ensure specific information on recycling is provided.

Vaping is safer than smoking*, it's cheaper than smoking and it's also better for the planet

After removing all virgin plastic from our outer-packaging in FY21, we have now begun to substitute the approximately 60 million 10 ml plastic bottles sold each year with 100% recycled bottles. We estimate that this will remove 138 tonnes of virgin plastic from circulation each year at the current rate of sale.

In FY22, Supreme has focused on packaging with the aim of substituting all of our plastic packaging by the end of FY24. The entire Illuminate and Energizer ranges are now packaged in cardboard packaging (replacing blister packs), and there has been a conscious move towards multiples to replace single-sale items, thus further minimising packaging.

Driven by our own ESG agenda and a duty to protect the integrity and reputation of the global brands and licenses we work with, Supreme continues to strive to uphold the highest standards of ethical sourcing within Europe and the Far East. We utilise third parties to carry out routine audits 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, additionally, Supreme has a Quality Control Officer based in Shanghai who also carries out regular visits. All new factories continue to be inspected prior to any orders being placed and all factories are required to pass BSCI audits.

Our aim is to provide energy-efficient, affordable, ethically-sourced and sustainably packaged lighting to the mass market

Reduced plastic use – increased container fill reducing "fresh air" shipping

▲ Single blister to twin boxed

Twin blister to twin boxed ▶

Despite the rising cost of whey protein concentrate, we remain focused on our objective to replace tubs with pouches and to ensure pouches are made from sustainable materials

Across the financial year, we focused on expanding our warehousing facilities, bringing the manufacture of certain products in-house. With 90% of Supreme's customer base located in the UK, and raw materials predominantly sourced domestically, this rationalisation will have significant long-term environmental benefits, reducing the Group's carbon footprint by minimising transportation emissions and decreasing distances to end markets.

Our core protein brand, Sci-MX, will re-launch in FY23 with improved formulations, flavours, branding and, most notably, 100% recyclable pouches. This represents the start of our shift to more sustainably sourced and efficiently palletised, stored, and transported products which will also benefit the economics of the category for Supreme and the retailers in equal measure.

In FY21, Supreme launched Sealions, our direct-to-consumer digital vitamins brand. As outlined on page 20, the packaging is entirely compostable and carries a years' supply in one delivery; reducing the outer packaging and transport obligations associated with a brand retailing in lower frequencies, for example distributing monthly supplies of products. In addition to these sustainability initiatives, we have collaborated with animal and environmental conservation organisations, supporting important causes through raising funds and awareness. The Sealions brand is closely affiliated with the Sea Life Trust, a global charity dedicated to protecting the world's oceans and marine life. Furthermore, following the launch of Sealions, we have partnered with MOM, a non-profit organisation working to protect the endangered Mediterranean monk seal, and will continue to help the charity to fulfil its goals.

OUR PEOPLE – A SUPREME PLACE OF WORK

We are extremely proud of our efforts in supporting our diverse employee base and this is evidenced in our excellent track record of retaining a sought-after pool of talented resource. Our aim at Supreme is to foster a culture of transparency and progression, where our people can learn, develop and actively contribute to our dynamic working environment. Equally, we want to provide a business that has a diverse and inclusive culture, where people are accepted for their differences and are treated fairly. We believe this will create an inclusive and positive working environment for all employees to thrive. FY22 has been a busy year where we have focused on creating an even happier, more engaged, informed, and diverse workforce.

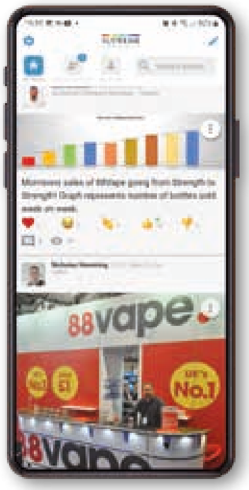
FY22 and FY23 collectively will be transformational years for our employees at Supreme; as we all adjust to being part of a PLC environment, we continue to welcome new people (organically and as part of acquisitions) and we search for new premises from which our people can collaborate and inspire one another. We are currently part-way through our "Employee Journey" initiative which aims to improve how we recruit, induct, reward and engage with our people. The launch of Yapster; our mobile employee communication application, and the launch of our Share Save plan in FY22 were key milestones to this initiative and the pipeline of further announcements is exciting!

Average length of service is +4 years

Average length of service excluding entry-level employees is 5.5 years

Yapster: Our employee engagement application

As outlined on page 37 we launched Yapster, the mobile employee communication application, to enable real time, direct, interactive, 2-way communication with every single member of our staff (noting that many of our warehousing and manufacturing staff do not regularly work at PCs). Yapster has enabled staff to discuss topics such as customer meeting updates and new product development, to celebrate employee and team successes, to announce strategic accomplishments such as trading updates and acquisitions, to gather feedback from other team members, to introduce new starters, and ensure everyone is up to date on all matters relating to health and safety. Information gleaned from polls undertaken on Yapster have already helped to direct the efforts of our Employee Journey, initiative and we believe this mobile application will bring everyone at Supreme closer together and will create a more informed, engaged workforce.



Mental Health Committee

This year has seen unprecedented issues within society in relation to mental health and general wellbeing as the global pandemic endured and continued to disrupt people's lives. In FY22, Supreme launched its own Mental Health Committee to provide support and initiatives to our staff in relation to their mental health and wellbeing. Its overarching objective is to improve conversation, knowledge and support of mental health within the wider company.

OUR PEOPLE – GENDER REPORTING

Women's Forum

Promoting a diverse and inclusive culture includes having a management team that is balanced and representative of the cultures and genders across the business. As reported below, there is disproportionate representation of women at managerial level, something we are committed to improving. Our Women's Forum aims to ensure women at Supreme have a support network within the business where they feel empowered and encouraged to progress and where we identify other future female leaders in our business and ensure they are nurtured in the same way.

Gender reporting

Employees as at 31 March 2022:	Male	Female	Male	Female
Total Emplyees	**152**	**115**	**57%**	**43%**
Quartile 1: <£19K	30	37	45%	55%
Quartile 2: £19K – <£21K	36	31	54%	46%
Quartile 3: £21K – <£28K	29	29	50%	50%
Quartile 4: £28K – <£250K	48	18	73%	27%
Those holding management roles	**32**	**12**	**73%**	**27%**

The table opposite illustrates our median annual salary by gender. The gender pay gap on this measure is currently 8% in favour of our male colleagues. ▶

Correct at 31 March 2022	Male	Female
Median annual salary £	21,500	20,000
Difference £	–	1,500
Gender pay gap %	–	8%

LOCAL COMMUNITY SUPPORT – SUPPORTING OUR LOCAL COMMUNITY

IN FURTHER RESPONSE TO DIRECT EMPLOYEE FEEDBACK, SUPREME IS NOW ALSO COMMITTED TO MORE REGULAR AND FOCUSED EFFORTS TO SUPPORT OUR LOCAL COMMUNITY AND LOOKS FORWARD TO PRESENTING MORE ON THIS IN 2022.

1

2

3

4

5

1 St Lawrence's ladies GAA team ladies football

2 Christmas toy appeal

3 Christmas toy appeal

4 We stand with Ukraine

5 Cake bake for Dementia UK

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 following pages set 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.

MARKET RISKS

1. Volatility of raw material prices

Risk & potential impact: The price and availability of certain raw materials has fluctuated in the past, and may fluctuate in the future, depending on a variety of factors, including supply conditions, government regulation, war, terrorism, labour unrest, the economic climate, exchange rates, global demand for raw materials and other unpredictable factors. Additionally, costs of third-party providers for transportation costs may increase. Any increase in the price of raw materials or transportation costs could cause delays in product deliveries, affect the availability of products and/or increase the cost of products, some or all of which Supreme may not be able to pass on to its customers and so profitability could be impacted. All of the foregoing factors could have a material adverse effect on the Group's business, revenue, financial condition, profitability, results, prospects and/or future operations. Given the current economic climate, specifically referencing the rising cost of whey protein the Board determines that this risk currently has a higher rating, both in term of likelihood and impact.

Mitigating factors: 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. "Shadow manufacturing" (whereby inhouse manufacturing is replicated with third party suppliers) provides 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 rating: 16 ▲

2. COVID-19

Risk & potential impact: Whilst we expect that the commercial and operational impacts of COVID-19 are largely us, during FY22 the matter and associated risks (both in terms of impact & likelihood) remained under closer review by management. If the COVID-19 re-surfaces in the short or medium term, the same risks will prevail – operational challenges, delays in receiving payments from clients, inability to travel and therefore secure new business etc.

Mitigating factors: 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. Board will continue to monitor the risk closely.

Risk rating: 10 ▲

3. Third party production and supply

Risk & potential impact: The Group outsources the production of some of its products to external manufacturers with appropriate expertise and capacity. A significant proportion of its battery and lighting products are manufactured in China. The inability of third-party manufacturers to produce and dispatch orders in a timely and appropriate manner, to the required quality, or to comply with their obligations or other laws and regulations could have a negative impact on its operations and business. Likewise, any supplier failure or any decision by a supplier not to accept some or any orders from the Group could have a negative impact on operations and business. Similarly, if it expands beyond the production capacity of its current suppliers, it may not be able to find new suppliers with an appropriate level of expertise and capacity in a timely manner. If any of these risks were to develop, it could have a material adverse effect on the Group's business, revenue, financial condition, profitability, results, prospects and/or future operations. Associated to the supply chain in China is the risk of shipping – the risk of container / shipping delays, price inflation and general lack of control of a supply chain located so far away from the Group's head office in the UK.

Mitigating factors: The Group does not place reliance on single manufacturers and neither do the global brands that Supreme distributes. Global brands (such as Duracell) spread their production over a small number of factories and Supreme replicates strategy this for manufacture of lighting and batteries under license. 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 rating: 9 ▲

STRATEGIC RISKS

1. Dependency on key customers

Risk & potential impact: 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 more than half 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.

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.

Mitigating factors: As an example, 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. 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 key customers.

Risk rating: 10 ▶

2. Dependency on key executives and personnel

Risk & potential impact: 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: 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. The Board acknowledge that Sandy Chadha, CEO, represents the most significant risk of all. As such, the Nominations Committee is responsible for designing a CEO succession plan in FY23. The Nomination Committee together with the HR Manager will consider the benefit of a talent pipeline to assess the short and medium term resource requirements in line with the company's strategic plans.

Risk rating: 10 ▲

3. Licensing agreements

Risk & potential impact: The Group has several licensing agreements in place 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: 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. Should either the JCB or Energizer license agreement be revoked or not renewed, there is a further license agreement in place with another reputable, well known hardware brand that could take the place of either of these brands in the future.

Risk rating: 4 ▶

FINANCIAL RISKS

1. Exchange rate risk

Risk & potential impact: Supreme's conducts 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: 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 rating: 9 ▲

OPERATIONAL RISKS

1. Material disruption in IT systems

Risk & potential impact: 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. In particular, should it be required as the business expands, the implementation of new IT systems could take longer than expected, disrupt the current systems and/or incur cost overruns. In addition, the Group's IT systems may be subject to damage and/or interruption from: natural disasters; power outages; computer, network and telecommunications failures; computer viruses; security breaches; acts of war or terrorism; and usage errors by its employees. If IT systems are damaged or cease to function properly, it may have to make a significant investment to fix or replace them, and it may suffer loss of critical data and interruptions or delays in its operations. Any significant disruption in the Group's IT systems could harm its operations and reputation, and have a material adverse effect on its business, revenue, financial condition, profitability, results, prospects and/or future operations. Notwithstanding investment in its IT systems, no business or other organisation is immune to hacking and cyberattacks, and accordingly future breaches of cyber security could harm its operations and reputation, and have a material adverse effect on its business, revenue, financial condition, profitability, results, prospects and/or future operations.The warehouse management system which is used to operate the Group's distribution centre located in Trafford Park, Manchester is considered to be a business critical system. The failure of the warehouse management IT system 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: 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 recent years have provided the group with an extensive offsite back-up storage. From a disaster recovery planning perspective, in the event the IT system fails or is unavailable for a period of time the Group has a manual operation contingency plan which in the short term would allow it to operate the distribution centre, processing and despatch system manually and fulfil the needs of retail stores, wholesale customers and other customers, although the manual operating system contingency would not be as efficient as the warehouse management IT system.

Risk rating: 15 ▲

2. Single site operations

Risk & potential impact: The Group conducts all its manufacturing (e-liquids, protein powders and vitamins) at its principal site located in Trafford Park, Manchester. This site also serves as the principal site for the Group to store and distribute product from across all its ranges. 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. Given the size of the site, its multi-faceted usage and the proportion of the group's staff that operate from this location, finding a replacement site within reasonable proximity may be challenging in the future. 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: 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. Supreme's sites (particularly its principal site at Trafford Park) is fully insured, physically secured, alarmed and had 24-hour security and monitoring with smoke and fire detection.

Risk rating: 10 ▲

REGULTAORY RISKS

1. Risks relating to the Vaping market

Risk & potential impact: Vaping is a fairly recent innovation compared to traditional cigarettes, with e-cigarette products being introduced to the European market initially in 2007. Accordingly, there are no long-term health studies of the effect of vaping on users. Whilst recent reports and public bodies widely support vaping as being substantially less (95%) harmful than smoking and a proven aid to cease smoking, future reports may take a different view based on longer term studies which may affect the Group's revenues and profits. Innovation in vaping hardware has led to a progression from cigarette like devices using cartridges to devices that use e-liquids and tanks. Regulation of the vaping market in the UK may change in the future which could threaten the future of the industry.

Mitigating factors: As a member of the UK Vaping Association, Management remain alive to any upcoming changes or considered changes to regulation going on in the UK and across the world. Management acknowledges that there would need to at least by 2 years' notice given for any material changes to the legislation which would give the Group enough time to adapt accordingly.

Risk rating: 10 ▼

2. Health & Safety

Risk & potential impact: 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: 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 rating: 9 ▲

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 2022. 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

Attracting and retaining talent whilst ensuring our people are safe and happy at work continues to be a key objective for Supreme and on page 28 we have outlined how our Employee Journey initiative has progressed in FY22 which aims to improve how we recruit, induct, reward and engage with our staff. The launch of Yapster, the mobile employee communication application, in particular has revolutionised how we engage with our people, enabling real time, direct, interactive, 2-way communication with every single member of our staff on topics such as updates on customer meetings, new product development, celebrating employee successes as well as more serious items pertaining to health & safety and material strategic updates such as acquisitions. More details are provided on pages 28 and 37.

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 our customers

We interact with customers daily and at multiple levels, typically through face-to-face meetings, events and exhibitions (albeit we continued to largely do this via virtual meetings during FY22) – to understand customers' needs, seek feedback and nurture collaborative working practices. Discussions with our customers include brand and category strategy and new product development. 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 our 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 continued to be online during FY22 (albeit, the rigor and timeliness of social and quality audits was not affected for any significant time).

OUR INVESTORS

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 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. 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 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. To accommodate our retail investors we partnered with Equity Developments in FY22 meaning that all investors now have access to analyst research free of charge and are invited to listen and participate in our 6 monthly trading update presentation.

HOW WE ENGAGE WITH

OUR PEOPLE

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OUR INVESTORS

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PRINCIPAL DECISIONS TAKEN IN THE YEAR

1 THE LAUNCH OF YAPSTER
Key stakeholder groups: our people and our investors

Triggered by the onset of remote working, Supreme recognised that whilst it boasted a flat and very visible management structure, it wished to improve and increase its communication with staff. Likewise, the matter was raised by staff around a similar time (albeit this time triggered by the IPO for which many of our employees had questions). Management concluded that having transparent, direct communication with staff would lead to more consistent messaging with customers and suppliers from our workforce. Management also acknowledged the significant interest in the extent of employee engagement from our investor community.

With more than 60% of its staff not having regular access to email or a PC however, Supreme had to think more creatively about how it would achieve this. Yapster, the employee engagement application, allows instant, direct, interactive communication with every single member of our business. Whilst still in its infancy (roll out to all sites and subsidiaries was completed in April 2022) it has been tremendously well received and has revolutionised how we engage with our people. The concept gained Executive Board approval and a committee of champions was formed internally to trial Yapster before it was launched to the wider business. More information on Yapster can be found on page 28.

2 LAUNCH OF SHARE SAVE
Key stakeholder groups: our people and our investors

Supported by the Remuneration Committee, management believed that a Share Save scheme would be viewed by employees as an opportunity to participate in the longer-term value that would be created in Supreme and would therefore be well received by its people. The consensus on Share Save was also very positive during the IPO process with investors welcoming an opportunity to directly align employees to the growth in the share price, plus the positive impact this would have on retaining and motivating existing talent in the business as well as a tool to attract new joiners.

ShareSave was launched in April 2021 with no minimum length of service conditions attached, and over 40% of the employee base joined the scheme.

3 ACQUISITION OF VENDEK LIMITED
Key stakeholder groups: our people, our investors and our customers

Vendek Limited ("Vendek") was acquired by Supreme in June 2021 as an opportunity to establish a European hub to better serve Supreme's customers in Ireland as well as continental Europe, and to create a foothold in the Irish market to explore cross-sell opportunities across Supreme's product categories. The acquisition was well-received by its European customers, some of which had experienced delays and additional expenses since Brexit. Internally, the acquisition was also welcomed by staff on the understanding that this represented further growth and opportunity for the Group and because Vendek's customer base represented immediate selling opportunities. Strategically and financially the acquisition created value for Supreme and therefore the Board was confident that the decision to acquire Vendek would also be welcomed by investors.

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

Suzanne Smith
Chief Finance Officer
4 July 2022

CORPORATE GOVERNANCE

Dear Shareholder,

I have pleasure in presenting Supreme plc's Corporate Governance Statement for the year ended 31 March 2022. As a Board we recognise the value and importance of good corporate governance and are fully aware of our duties and responsibilities to the Group's stakeholders.

In this section of the Annual Report we set out our approach to governance and seek to provide shareholders and stakeholders with a clear understanding of how we discharge our governance duties and apply the principles of good governance set down in the 2018 Quoted Companies Alliance Corporate Governance Code ("QCA Code").

We will continue to review and update our governance framework and our approach as the Company continues to grow and accordingly will update the Corporate Governance statement in the AIM rule 26 section of the Company's website.

Paul McDonald
Non-executive Chairman

COMPLIANCE STATEMENT

The Company is listed on the AIM Market of the London Stock Exchange. The Company has adopted the 2018 Quoted Companies Alliance Corporate Governance Code ('QCA Code') in full. The Board believes that the QCA Code provides the most appropriate governance framework for a company of Supreme plc's size and nature. The Board acknowledges the importance of the QCA Code principles and keeps under review its systems, policies and procedures that support the Company's governance practices. On pages 44 to 45 is a description of the principles of the QCA Code, together with an explanation of how these are applied by the Company.

THE BOARD – COMPOSITION AND ROLE

The Board is comprised of two Executive Directors and three Non-Executive Directors reflecting a blend of different experience and knowledge and ensuring that the Board is comprised of appropriately skilled and capable individuals who have the ability to effectively scrutinise strategy and performance.

The names, biographical details and Committee membership of the current Board members are set out on pages 42 to 43 of this report.

The Board, led by the Chairman, sets the Group's values and standards and is ultimately accountable for the Group's strategy, risk management and performance. The Board is responsible for ensuring that the medium to long-term benefit to shareholders and other stakeholders, including employees, suppliers, customers and the community, are nurtured and protected.

OPERATION OF THE BOARD

The Executive Directors are responsible for business operations and for ensuring that the necessary resources are in place to fulfil the Group's strategy. The Executive Directors are also accountable to the Board for the Group's financial and operational performance. The Non-Executive Directors provide constructive challenge to management; provide assistance in the development of strategy and in ensuring that risk management systems are robust and defensible.

The Chairman, assisted by the Company Secretary, ensures that the Directors receive relevant, up to date and accurate information. The Executive Directors, internal members of staff, advisers and consultants provide reports to the Board that are circulated in advance of each Board meeting which focus on material operational and strategic matters.

There is in place a formal schedule of matters reserved for the Board's decision which is monitored by the Company Secretary and reviewed annually to ensure that it remains current when viewed against the size and growth of the Group and the developments within the sectors that the Group operates within. The Board delegates matters concerning management of the business of the Group that is not reserved to the Board, to the Executive Directors.

The Company Secretary (assisted by the Deputy Company Secretary) supports the Board with compliance and governance matters. All Directors are aware of their right to have any concerns recorded in the Board minutes, to raise questions regarding ongoing governance requirements and to receive independent advice on such matters.

BOARD COMMITTEES

The Board has established an:

- Audit Committee;
- Nomination Committee; and
- Remuneration Committee.

The report of the Audit Committee can be found on pages 46 to 47 and the report of the Remuneration Committee on pages 48 to 51.

Each Committee operates under clear terms of reference which are reviewed annually. Each Committee provides updates to the Board via its Chair.

AUDIT COMMITTEE

The Audit Committee's main responsibilities are to review audit activity, monitor the integrity of the Group's financial statements and to monitor the effectiveness of risk management and internal controls.

NOMINATION COMMITTEE

The Nomination Committee main responsibilities are recruitment to the Board and succession planning to ensure that the Board is balanced and comprises the appropriate skillsets.

The Nomination Committee met once during the year. Given the Board was constituted in February 2022 and there have been no resignations since that date there was consequently no requirement for recruitment to the Board in the year.

NOMINATION COMMITTEE ACTIVITY

During the year the Committee has focused its work on the following:

- Review and consideration of the structure and composition of the Board and its Committees as well as the interests and other external appointments held by the members of the Board;
- The Committee discussed and evaluated the skills, experience and diversity of the current Board and Committee members taking into account the current and future needs of the Group. The Committee believes that the Board has the necessary balance of skills, knowledge and experience for its current needs. The Committee believes that the Directors are able to provide sufficient time to fulfill their duties;
- the Committee discussed long-term succession planning, and the need to identify and develop talent both within the Group and from the wider market; and
- The outcome of the annual evaluation of the Board's and Board Committees' effectiveness.

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for determining all elements of remuneration for the Executive Directors and for reviewing the appropriateness and relevance of the remuneration policy in operation across the Group.

BOARD & COMMITTEE MEETINGS

The Board met 10 times in the year. This included 6 scheduled meetings during the year, at which it considered all matters of a routine and strategic nature as per its adopted annual programme. Key activities covered (by the Board itself or via the Board committees) included:

- monitoring and review of the financial performance of the Group on an ongoing basis including acquisitions and significant projects;
- review of the interim and annual results including supplementary papers;
- review of the effectiveness of the Group's internal financial controls, general internal controls and risk management systems;
- overseeing the relationship with the external auditor;
- approval of the strategy, plans and budget;
- review of the Group's principal risks including assessing the Board's risk appetite; and
- approval of annual bonus targets for the following financial year.

For all Board meetings there is clear agenda supported by written reports and presentations from Executive Directors, internal members of staff as well as external advisers (as necessitated).

The Board also holds strategy days to refresh the Group's strategy and growth focus as deemed necessary. The last strategy day held by the Board was held in Manchester in March 2022.

The table below details the Directors' attendance at Board and Committee meetings in the financial year 2020/2021 along with the maximum number of meetings that it was possible to attend:

Board Meetings:	10 (fully attended)
Audit Committee Meetings:	4 (fully attended)
Nomination Committee Meetings:	1 (fully attended)
Remuneration Committee Meetings:	3 (fully attended)

BOARD EFFECTIVENESS

The Board has established a process for the evaluation of the performance of the Board, its Committees and individual Directors on an annual basis. This process is led by the Senior Non-Executive Director, Mark Cashmore. This year the evaluation was conducted internally, using as part of the process, an anonymous questionnaire formulated to assess the Board's performance, as well as the contribution of each of the Executive and Non-Executive Directors, the balance of Board members' respective skills and experience; relations between Executive Directors and Non-Executive Directors and the overall workings of the Board and its Committees.

The results of this evaluation are reported to the Board and its Committees and were discussed openly and fully at the meeting of the Board held in March 2022.

The overall assessment of the Board and each of its Committees and members was that the Board functions effectively as a whole, and that all Directors properly discharge their duties. Areas where improvement could be made were identified and actions will be taken in the coming year to ensure these are addressed.

DEVELOPMENT

The Company Secretary (supported by the General Counsel & Deputy Company Secretary) ensures all Directors are kept up to date in respect of corporate governance best practice and changes to relevant legislation and regulation, with the assistance of the Group's advisers where appropriate. The Group also supports and facilitates training for any Directors that deem it necessary to undertake training to keep their skills up to date.

CONFLICTS OF INTEREST

At each meeting the Board considers Directors' conflicts of interest. The Company's Articles of Association ("Articles") provide for the Board to authorise any actual or potential conflicts of interest.

SHAREHOLDER ENGAGEMENT

Communication with institutional shareholders is maintained through individual meetings with Executive Directors and webinars hosted by the Executive Directors, particularly following publication of the Company's interim and full year preliminary results. The Board is kept informed of shareholder views as part of the regular reporting processes in place.

Whilst Covid-19 limited the ability of shareholders to attend the last annual general meeting in person, attendance was made possible virtually by means of an audio cast with questions from shareholders accepted in advance of the meeting. The Board recognises the annual general meeting as an important opportunity for communication with both institutional and private shareholders. Shareholders may ask questions of the full Board, including the Chairs of the Audit, Remuneration and Nomination Committees.

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:	10/10
Nominations Committee:	1/1
Audit Committee meetings:	4/4
Remuneration Committee meetings:	3/3

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 £122.3million for Y/E 31st March 2021. 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:	10/10

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:	10/10

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:	10/10
Nominations Committee:	1/1
Audit Committee meetings:	4/4
Remuneration Committee meetings:	3/3

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:	10/10
Nominations Committee:	1/1
Audit Committee meetings:	4/4
Remuneration Committee meetings:	3/3

Key:

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

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:

- expand our international footprint through existing customer relationships and strategic acquisitions;
- further leverage cross-sell opportunities to expand our customer footprint and average revenue per customer;
- continue to explore and develop new products verticals that complements Supreme's customer base, focused on a high quality and good value consumer proposition;
- increase manufacturing efficiencies through further economies of scale and bringing the manufacture of certain products in-house;
- continue to explore and execute on complementary earnings enhancing acquisitions; 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 and the last strategy session was held in March 2022. There is a risk management framework in place (as set out on pages 32 to 34 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

An active dialogue has been maintained with shareholders during the year 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. The Board is kept updated on investor sentiment via reports of the Chief Executive Officer and Chief Financial Officer at Board meetings.

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 our Section 172 Statement on pages 35 to 37.

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 32 to 34 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 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 Effectiveness review highlighted the role of the Chair, the strong positive relationship between the Chair and CEO, and the effective functioning of the Board as positives.

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 pages 42 to 43 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 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 and performance of individual Directors was reviewed as part of the Board evaluation process and it was concluded that there were no issues in respect of individual Director performance and that each Director continued to make an effective and valuable contribution to the Board. The Board also has access to professional advisers at the Company's expense if necessary and the Directorsreceive 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 on its website.

Principle 7: Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

Across February and March 2022, in line with its commitment to perform a formal evaluation, the Board performed an internal formal evaluation of its performance.

The review comprised of:

- The completion of an anonymous questionnaire by all Board members that was formulated to assess the Board's performance, as well as the contribution and performance of each of the Executive and Non-Executive Directors, the balance of Board members' respective skills and experience; relations between Executive Directors and Non-Executive Directors and the overall workings of the Board and its Committees.
- A Board discussion facilitated by the Company Secretary of the outputs of the questionnaire.

The process highlighted many positives and particular strengths in the form of high-quality debate, with open discussions and fair share of voice in operation as well as the existence of a strong positive relationship between the Chair and CEO. It also identified some areas for development and recommendations to be progressed in 2022, including:

- In the context of the Company's targeted growth over the medium to long term, adopting a longer-term outlook to the consideration of, risk appetite and risk management framework in the context of the Company's strategy; and
- A requirement for more comprehensive succession planning to be put in place at both Board and senior management level

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 pages 40 to 43 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.

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.

Simon Lord
Independent Non-Executive Director

Dear Shareholder,

I am pleased to present the Audit Committee Report for the year ended 31 March 2022.

The Audit Committee was formed at IPO in January 2021 and the Committee have been focused on 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 Non-executive Director and consists of all three Non-executive Directors (Paul McDonald, Mark Cashmore and myself). Paul McDonald is a Fellow of the Certified Association of Accountants whilst I am a member of the Institute of Chartered Accountants in England and Wales. Further details of the Committee members, and their respective experience can be found on pages 42 to 43. The Board is satisfied that the Committee members are sufficiently competent in financial matters, in addition to having considerable industry experience in senior financial and operational roles.

RESPONSIBILITIES

The responsibilities and duties of the Audit Committee are defined by the Terms of Reference of the Audit Committee (available on request from the Company Secretary) and are met through its established agenda. These responsibilities include:

- primary responsibility of monitoring the quality of internal controls (including review of the scope and adequacy of the Company's processes and controls in respect of whistleblowing and anti-bribery) and reviewing the Company's risks;
- 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;
- receiving and reviewing 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; and
- discussion with the external auditors to confirm their independence and scope for audit work.

The Audit Committee reports to the Board following meetings on these matters.

MEETINGS

The Committee met formally four times in the year. Although not members of the Audit Committee, the Chief Financial Officer, the General Counsel & Deputy Company Secretary, and representatives of BDO LLP ("BDO"), our external auditor, also attended meetings by invitation. Attendance at Committee meetings during the year can be found on pages 42 to 43.

The Committee has maintained dialogue with the auditors outside of the scheduled meetings and meets with the auditors without the presence of the Executive Directors to discuss audit's remit and any issues arising.

EVALUATION OF THE EFFECTIVENESS OF THE AUDIT COMMITTEE

To ensure that it is operating at maximum effectiveness the Committee used the output of the formal Group Board Effectiveness review carried out over February and March 2022 to review and evaluate its own performance, constitution and Terms of Reference. It concluded that the Committee was operating effectively and no changes were required to be recommended to the Group Board.

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 £112,600 (2021: £212,000) of which £nil (2021: £120,000) related to non-audit services. Those incurred in 2021 primarily related to the IPO in that year or to services that preceded 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 55 and the Auditors' Report on pages 58 to 62.

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 8 years and in line with best practice guidance are required to rotate the audit partner responsible for the Group and subsidiary audits every 5 years whilst it is a public company. This year the committee have pre-empted partner rotation by working with a new BDO partner this year, Steve Roberts prior to the previous BDO partner falling due for rotation.

INTERNAL CONTROL AND RISK MANAGEMENT

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

The Committee discussed and reviewed the Group's risk register twice in FY22. The risk register was updated to reflect the assessment of risks to the Group. The Committee was satisfied that all risks and opportunities had been appropriately identified. Please see the Risk Management section of the Strategic Report on pages 32 to 34 for further details.

RISK AND COMPLIANCE POLICIES

The Audit Committee also considers the Group's attitude towards areas such as anti-bribery, corruption, modern slavery, market abuse prevention and whistleblowing and has in these respects initiated reviews of these policies in these areas so as to ensure they reflect present best practice.

The Group maintains the following policies and codes:

- A whistleblowing policy which sets out the formal process by which an employee of the Group may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. During the period, there were no incidents for consideration and the Committee has initiated review of these policies so as to ensure it is reflective of best practice.
- An anti-bribery and corruption policy which is designed to ensure adherence to the provisions of the Bribery Act 2010. This also covers corporate gifts and hospitality, and appropriate business ethics.
- Group wide dealing and share dealing code policies designed to ensure that Directors and employees do not misuse, create the perception or place themselves under suspicion of misusing, information about the Group which is not available to other investors. They also support compliance with Market Abuse Regulation.
- A supplier code of conduct which prohibits any practices in contravention of modern slavery legislation.

SIGNIFICANT MATTERS CONSIDERED IN RELATION TO THE FINANCIAL STATEMENTS

At the request of the Board, the Audit Committee considered whether the 2022 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 2022 Annual Report and Accounts is 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 of accounting policy and judgements reviewed by the Committee during the year were:

- revenue recognition, in particular direct shipments, cut-off and rebates
- acquisitions and the appropriateness of the carrying value of goodwill, intangibles and investments
- stock valuation, in particular weighted average cost methodology and level of stock provision
- assessment of going concern

INTERNAL AUDIT

At present the Group does not have an internal audit function. The Committee reviewed the need for an internal audit function during the year and was satisfied that having no internal audit function is appropriate given the size and nature of the Group's business and belief that management is able to derive assurance as to the adequacy and effectiveness of internal controls and risk management procedures without a formal internal audit function. This will be kept under review as the business grows in size and breadth.

Simon Lord
Chairman of the Audit Committee

STATEMENT FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE

Mark Cashmore
Independent Non-Executive Director

Dear Shareholder

I am pleased to present the Company's remuneration report following our first full year 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 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.

FY22 INCENTIVE OUTCOMES

As reported in last year's Directors' Remuneration Report, Executive Directors were able to earn up to 100% of salary subject to the achievement of stretching bonus targets for FY22, against Adjusted EBITDA, strategic and personal objectives, with majority weighting (70%) on Adjusted EBITDA.

Whilst Financial outcomes were affected during the year, resulting in nil payouts under the Adjusted EBITDA objectives, the Business made good progress against many of the key strategic and personal objectives set at the beginning of the year; namely improving investor engagement, M&A activity and leading on the ESG agenda for the CEO and improving free cashflow as part of the development of the finance function, developing the finance function following the transition to a listed entity post-IPO and production and completion of the annual report for the CFO.

As such, the Committee determined that the formulaic outcomes were appropriate, resulting in a bonus payout of 20% and 30% of maximum for the CEO and CFO respectively.

FY23 REMUNERATION DECISIONS

The Committee undertook a thorough review of the Executive Directors' remuneration package during the year, cognisant of the key drivers of performance as the company matures as a business post-IPO. Accordingly, the Committee determined that a measure based on Earnings Per Share ("EPS") should be introduced to the LTIP to incentivise profitability and delivery of shareholder value over the longer term. The inclusion of EPS also supports the broader M&A strategy and ensures an appropriate level of funding. As such, the FY23 LTIP award will be subject to Absolute TSR and EPS performance with an equal weighting applied to each measure.

The FY23 bonus will operate in line with FY22, with 70% assessed on Adjusted EBITDA and 30% on strategic / personal performance.

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.

Mark Cashmore
Chairman of the Remuneration Committee

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.

A summary of the remuneration arrangements applicable to remuneration in FY 2022 and FY 2023 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. The normal maximum LTIP award is 100% of base salary. The CFO is the only Board member who 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) and Earnings Per Share (EPS).
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 (Audited)

The table below sets out the total remuneration with a breakdown for each executive director in respect of the 2022 financial year. Comparative figures for the 2021 financial year have also been provided.

£'000	Base salary		Benefits		Annual Bonus		Pension		Other		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Sandy Chadha	£250,000	£141,667	£1,820	£2,105	£50,000	–	£1,101	–	–	–	£302,921	£143,772
Suzanne Smith	£150,000	£93,665	–	–	£45,000	£50,000	£1,321	–	–	–	£196,321	£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 and 2022 were private medical insurance.

NON-EXECUTIVE DIRECTORS (AUDITED)

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

	Fees[1]		Total	
£'000	2022	2021	2022	2021
Mark Cashmore	**£40,000**	£8,261	**£40,000**	£8,261
Simon Lord	**£45,000**	£9,294	**£45,000**	£9,294
Paul McDonald	**£55,000**	£11,359	**£55,000**	£11,359

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

Additional information regarding directors' remuneration

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

As reported in last year's Directors' Remuneration Report, the CEO and CFO had the opportunity to earn a bonus in respect of FY22 of 100% of salary. FY22 performance was assessed against a mixture of Adjusted EBITDA (70%) and strategic & personal targets (30%).

Adjusted EBITDA targets were not met and therefore there was nil payout in respect of this element.

The strategic performance targets were selected to underpin key strategic objectives of the Business aligned with the business strategy. Specific strategic performance considerations included improving investor engagement, M&A activity and leading on the ESG agenda for the CEO. The CFO's personal & strategic considerations included improving free cashflow, developing the finance function following the transition to a listed entity post-IPO and production and completion of the annual report.

The Committee considered that the targets for the strategic/personal objectives element of the bonus had been met in part for the CEO and in full for the CFO, and resolved to pay a bonus at a level of 20% and 30% (out of a maximum of 30%) to the CEO and CFO respectively. The 20% entitlement for the CEO resulted in a total bonus payment of £50,000 and 30% entitlement for the CFO resulted in a total bonus payment of £45,000.

SHARE INTERESTS

The interests of directors and their connected persons in Ordinary Shares and share options as at 31 March 2022 are presented in the table below.

		Options held		
Director	Ordinary shares at 31 March 2022	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**	-	11,8421	111,940
Mark Cashmore	**29,850**	-	-	-
Simon Lord	**37,313**	-	-	-
Paul McDonald	**7,462**	-	-	-

[1]Suzanne Smith elected to participate in the SAYE scheme on 3 March 2021. The SAYE options were granted at a 20% discount to the market price of 190p on 2 March 2021, and therefore have an exercise price of 152p. Share options held in the SAYE scheme can, under normal circumstances, be exercised within the 6 month period following the end of the savings contract.

IMPLEMENTATION OF REMUNERATION AGREEMENTS IN FY 2023

As referenced in the Chairman's statement, the Committee undertook a thorough review of the Executive Directors' remuneration package during the year, cognisant of the key drivers of performance as the company matures as a business post-IPO and determined that an EPS measure should be introduced to the LTIP. Further details on this are below.

ANNUAL BONUS

FY 2023 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 incentivized to deliver strong results for our shareholders.

Normal bonus opportunities for Executive Directors will be 100% of salary. The performance targets for the FY 2023 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 2023. However, the CEO is not eligible for long term incentive award grants in FY 2023. The Remuneration Committee will keep this under review in future years.

LTIP awards will be subject to Absolute TSR and Earnings Per Share (EPS) performance as follows:

Performance metric	Weighting	Threshold performance	Maximum performance	Threshold vesting	Maximum vesting
Absolute TSR (50%)	50%	5% p.a.	10% p.a.	50%	100%
EPS (50%)	50%	33.7p	41.1p	25%	100%

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 was approved on behalf of the Board on 4th July 2022

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 2022. The Group has prepared the financial statements in accordance with UK-adopted International Accounting Standards (IFRS) and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The parent Company financial statements have been prepared under FRS 101 Generally Accepted Accounting Practices (UK GAAP). More information on the preparation of the financial statements is disclosed within note 2 of the accounts.

The principal activity of the Group is the distribution of fast-moving consumer goods across 5 product categories (batteries, lighting, vaping, sports nutrition and household consumer goods) to retailers and wholesalers in the UK. The goods are either manufactured by Supreme in the UK or are sourced by Supreme from elsewhere in the UK, Europe or the Far East.

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 £130.8 million (FY21: £122.3 million) and profit after tax of £13.7 million (FY21: £9.8 million). Interim dividends of £2,565,796 were declared and paid during the year. Directors will recommend a final dividend of 3.8p per share at the 2022 Annual General Meeting to be held on 15 September 2022.

EVENTS AFTER THE BALANCE SHEET DATE

On 4 April 2022, the Group drew down £4.1 million on the RCF to fully settle the existing 5-year loan facility with HSBC and cover the arrangement fee attached to the RCF.

On 27 April 2022, the Group repaid the final tranche of its related party loan to Supreme8 Limited. No further related party items exist on the Balance Sheet.

On 10 June 2022, Supreme acquired the entire share capital of Liberty Flights Holdings, a long-established and leading brand of e-liquids and vaping devices for an initial consideration of £7.75 million. The acquisition is expected to be immediately earnings-enhancing.

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 22, 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
S Chadha
S Smith
M Cashmore
S Lord

All the Directors are subject to election by the shareholders at the forthcoming AGM.

The Directors who held office during the year and at 31 March 2022 had the following interests in the ordinary shares of the Company as at 4th July 2022:

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

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 market price of the Company's shares at the end of the financial year was 180.0p (FY21: 180.0p) and the range of market prices during the period was between 244.0p and 170.5p.

No changes took place in the interests of Directors between 31 March 2022 and the date of signing the Group financial statements.

Further details on related party transactions with Directors are provided in note 28 of the Group financial statements.

DIRECTORS' INDEMNITIES AND INSURANCE

The Company has made qualifying thirdparty 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 30th June 2022, 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:

	Number of shares held	% of issued share capital
Sandy Chadha	66,126,845	56.7%
Canaccord Genuity Wealth Management (Inst)	7,519,119	6.5%
Slater Investments	5,600,000	4.8%
Moneta Asset Management SAS	4,785,432	4.1%
Hargreaves Lansdown	4,234,970	3.6%

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.

POLITICAL DONATIONS

The Directors confirm that no donations for political purposes were made during the year (FY21: 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 2022, the Company's issued share capital comprised of 116,627,074 ordinary £0.10 shares totalling £11,662,707.

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 15 September 2022. The ordinary business comprises receipt of the Directors' report and audited financial statements for the period ended 31 March 2022, the re-election of Directors, the reappointment of BDO LLP as auditor, authorisation of the Directors to determine the auditor's remuneration and declaration of dividend. 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.

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

In assessing the appropriateness of adopting the going concern basis in the preparation of these financial statements, the Directors have prepared cash flow forecasts and projections for the 18-month period to 30 September 2023. The forecasts and projections, which the Directors consider to be prudent, have been further sensitised by applying reductions to revenue and profitability, to consider downside risk. Under both the base and sensitised case the Group is expected to have headroom against covenants, which are based on interest cover and net leverage, and a sufficient level of financial resources available through existing facilities when the future funding requirements of the Group are compared with the level of committed available facilities.

In assessing the going concern basis, the Directors have also considered the current conflict in Ukraine and the resulting sanctions imposed on Russia by governments worldwide. As well as the heightened risk of global economic downturn, Supreme may experience supply challenges for certain components contained within its protein powders (specifically sunflower lecithin and wheat protein). Although this has not directly impacted Supreme to-date, the risk has been reflected in Management's forecast nonetheless. There are not expected to be any further specific, direct and material impacts to the Group as a result of the conflict.

Based on this, the Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Group and Company financial statements.

UK GREENHOUSE GAS EMISSIONS AND ENERGY USAGE

Under the Companies (Directors' Report) and Limited Liabilities Partnerships (Energy & Carbon Report) Regulations 2019, we are mandated to disclose our UK energy use and associated greenhouse gas (GHG) emissions. Specifically, and as a minimum, we are required to report those GHG emissions relating to natural gas, electricity and transport fuel as well as an intensity ratio, under the Streamlined Energy & Carbon Reporting (SECR) Regulations. The Greenhouse gas emissions and energy usage reported below relates to the Group's UK based business operations:

	FY22		FY21	
	Consumption kWh	Emission tC02e	Consumption kWh	Emission tC02e
Electricity	**1,089,568**	**254**	1,016,118	237
Gas	**726,996**	**187**	590,356	152
Transport	**49,100**	**12**	61,638	16
Total	**1,865,664**	**453**	**1,668,112**	**405**

KwH per full time equivalent employee during the year was 7,040KwH (FY21: 8,299KwH). TCO2e per full time equivalent employee during the year was 1.7TCO2e (FY21: 2.0TCO2e). Please also see pages 26 to 29 which outline 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 4 July 2022.

By order of the Board

S Smith
Chief Finance Officer
Supreme plc
Registered number: 05292196

4 July 2022

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 are required to prepare the group and company financial statements in accordance with UK adopted international accounting standards. 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 and company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK adopted international accounting standards 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 group and 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

4 July 2022

FINANCIAL STATEMENTS


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AAA
JCB
7X
SUPER ALKALINE
BUILT TO LAST

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 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 2022 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 the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

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:

- Reviewing the Directors' method for assessing going concern including the relevance and reliability of underlying data used to make the assessment, and whether assumptions and changes to assumptions from prior years are appropriate and where relevant consistent with each other which involved a detailed review of the forecasts prepared and movement inline with the expected business model as well as arithmetical accuracy of these forecasts;
- Reviewing the cash flow forecasts prepared by Directors to assess whether the group has adequate financial resources to continue as a going concern for at least 12 months from the date of this report. Our work included testing that the assumptions adopted in the cashflows were in line with our knowledge of the business. The key assumptions included forecast revenue and costs growth rates;
- Reviewing the Directors' stress testing forecasts to the extent of reasonable worst-case scenarios. We have assessed these assumptions noted above against past performance and the Group's results for the financial year to date;
- Obtaining and reviewing the latest board minutes available for any potential events that might indicate a going concern issue;
- Reviewing publicly available information for any negative publicity or potential issues that may identify a post balance sheet event that could affect going concern; and
- Evaluating management's method of assessing going concern in light of market volatility and the current uncertainties associated with COVID-19, Ukraine War and Inflationary increases such as energy prices.
- We have also assessed the adequacy of banking facilities in place and if these would be sufficient based on the worst-case scenario.

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 and the 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	99% (2021: 95%) of Group profit before tax 96% (2021: 95%) of Group revenue 96% (2021: 95%) of Group total assets		
Key audit matters	Revenue Recognition	2022 ✔	2021 ✔
Materiality	Group financial statements as a whole £816k (2021: £614k) based on 5% (2021: 5% of 3 year average adjusted measure) of Profit before tax		

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. The group has 9 reporting components including the Parent Company. In assessing the risk of material misstatement in the group financial statements, we determined that three components (Supreme Imports Limited, VN Labs Limited and Supreme Plc) represent the significant components being the principal business units within the group.

For the three significant components (Supreme Imports, VN Labs & Supreme Plc), the group audit team performed full scope audit procedures. For the six insignificant components, the group audit team 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 96% of revenue and total assets. 99% coverage was achieved on the profit before tax.

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 year 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 manual revenue journals, recording of revenue in the correct period, unpaid revenue transactions and completeness of rebates in the year. The presumed risk of improper recognition of revenue due to fraud has also been identified as a significant risk. The Fraud risk is considered to be present in journals to revenue and completeness of rebates, as these are the areas which we consider management could effect the revenue for the financial period. 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.	We have tested a sample of revenue transactions that were recorded near the year-end and subsequent to the year-end to confirm appropriate recognition in the year under audit based on the date risks and rewards were transferred to the customer. We have tested a sample of revenue transactions that had not been paid at time of the audit to confirm existence and accuracy of the revenue for the year based upon evidence of delivery of the agreed quantiy of goods. We have tested journal entries in relation to revenue for any unusual / inappropriate entries such as unexpected double entries that were present in revenue. For any journals not within our expectation, we have agreed the journal to supporting documentation. We have obtained confirmations and performed a comparison in respect of customers in the current and prior year that received rebates to verify the completeness of the rebates during the year and the estimated accrued balance at the financial year-end. Key observation: Based on the procedures performed, we consider the assessments made by management's in their determination of revenue recognition to be appropriate.

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		Parent company financial statements	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Materiality	816	641	384	332
Basis for determining materiality	5% of profit before taxation. The change is as result of the prior period including IPO costs that skewed the underlying result, which was not repeated in the current period.	5% of profit before tax,adjusted for exceptional items.	1% of total assets.	1% of total assets.
Rationale for the benchmark applied	Profit before tax is considered to be the most appropriate benchmark based on market practice and investor expectations.	Adjusted profit before tax was considered to be the most appropriate benchmark based on market practice and investor expectations and the activities of the Group.	This is considered an appropriate basis as the Parent Company does not trade and the principal activity is that of a holding company.	This was considered an appropriate basis as the Parent Company did not trade and the principal activity was that of a holding company.
Performance materiality	612	480	288	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. We also did not anticpate errors and management has a positive attitude in relation to proposed adjustments.	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. We also did not anticpate errors and management has a positive attitude in relation to proposed adjustments.	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. We also did not anticpate errors and management has a positive attitude in relation to proposed adjustments.	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. We also did not anticpate errors and management has a positive attitude in relation to proposed adjustments.

Component materiality

We set materiality for each component of the Group based on a percentage of between 50% and 70% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £500k to £700k. 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 £16,000 (2021: £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, 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.

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.

Steven Roberts
(Senior Statutory Auditor)
For and on behalf of BDO LLP
Statutory Auditor
Manchester, UK

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the Year Ended 31 March 2022

	Note	Year Ended 31 March 2022 £'000	Year Ended 31 March 2021 £'000
Revenue	5	**130,789**	122,253
Cost of sales	6	**(92,272)**	(89,211)
Gross Profit		**38,517**	33,042
Administration expenses	6	**(21,498)**	(19,416)
Operating profit		**17,019**	13,626
Adjusted EBITDA[1]		**21,055**	19,272
Depreciation	13 & 21	**(2,563)**	(1,998)
Amortisation	12	**(378)**	(225)
Adjusted items	7	**(1,095)**	(3,423)
Operating profit		**17,019**	13,626
Finance costs	9	**(693)**	(671)
Profit before taxation		**16,326**	12,955
Income tax	10	**(2,579)**	(3,117)
Profit for the year		**13,747**	9,838
Other comprehensive expense			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(32)**	–
Total other comprehensive expense		**(32)**	–
Total comprehensive income		**13,715**	9,838
Earnings per share – basic	11	**11.8p**	8.9p
Earnings per share – diluted	11	**11.4p**	8.7p

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 performance measure.

All results derive from continuing operations.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2022

	Note	As at 31 March 2022 £'000	As at 31 March 2021 £'000
Non-current assets			
Assets			
Goodwill and other intangibles	12	**3,704**	2,628
Property, plant and equipment	13	**2,557**	2,787
Right of use asset	21	**2,116**	1,476
Deferred tax asset	15	**1,312**	–
Investments	14	**7**	7
Total non-current assets		**9,696**	6,898
Current assets			
Inventories	16	**25,898**	19,865
Trade and other receivables	17	**19,035**	16,052
Derivative financial instruments	22.9	**467**	–
Cash and cash equivalents	18	**3,926**	7,505
Total current assets		**49,326**	43,422
Total assets		**59,022**	50,320
Liabilities			
Current liabilities			
Borrowings	20	**6,665**	10,476
Trade and other payables	19	**17,296**	13,295
Derivative financial instruments	22.9	**–**	559
Income tax payable		**1,299**	2,370
Total current liabilities		**25,260**	26,700
Net current assets		**24,066**	16,722
Borrowings	20	**1,294**	4,658
Deferred tax liability	15	**156**	141
Total non-current liabilities		**1,450**	4,799
Total liabilities		**26,710**	31,499
Net assets		**32,312**	18,821
Equity			
Share capital	23	**11,663**	11,650
Share premium		**7,231**	7,195
Merger reserve		**(22,000)**	(22,000)
Share-based payments reserve		**2,368**	75
Retained earnings		**33,050**	21,901
Total equity		**32,312**	18,821

The notes on the following pages are an integral part of these financial statements.

These financial statements on pages were approved by the Board of Directors and authorised for issue on 4 July 2022, 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 2022

	Share Capital £'000	Share Premium £'000	Merger reserve £'000	Share-based payments reserve £'000	Retained earnings £'000	Total equity £'000
As at 1 April 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**
Profit for the year	–	–	–	–	13,747	**13,747**
Other comprehensive expense	–	–	–	–	(32)	**(32)**
Total comprehensive income for the year	–	–	–	–	13,715	**13,715**
Transactions with shareholders:						
Issue of shares	13	36	–	–	–	**49**
Employee share schemes – value of employee services	–	–	–	1,452	–	**1,452**
Deferred tax on share-based payment charge	–	–	–	841	–	**841**
Dividends	–	–	–	–	(2,566)	**(2,566)**
	13	**36**	**–**	**2,293**	**(2,566)**	**(224)**
As at 31 March 2022	**11,663**	**7,231**	**(22,000)**	**2,368**	**33,050**	**32,312**

CONSOLIDATED STATEMENT OF CASH FLOWS
for the Year Ended 31 March 2022

	Note	Year Ended 31 March 2022 £'000	Year Ended 31 March 2021 £'000
Net cash flow from operating activities			
Profit for the year		**13,747**	9,838
Adjustments for:			
Amortisation of intangible assets	12	**378**	225
Depreciation of tangible assets	13 & 21	**2,563**	1,998
Finance costs	9	**404**	671
Amortisation of capitalised finance costs		**289**	177
Income tax expense	10	**2,579**	3,117
Movement on forward foreign exchange contracts	22.9	**(1,026)**	768
Share based payments expense	24	**1,663**	75
Working capital adjustments			
(Increase)/decrease in inventories		**(4,937)**	(5,286)
(Increase)/decrease in trade and other receivables		**(2,226)**	970
Increase in trade and other payables		**2,498**	2,726
Taxation paid		**(4,161)**	(3,003)
Net cash from operations		**11,771**	12,276
Cash flows used in investing activities			
Purchase of intangible fixed assets	12	**(1,454)**	(125)
Purchase of property, plant and equipment	13	**(1,296)**	(1,667)
Purchase of subsidiaries net of cash acquired	25	**(1,040)**	(1,005)
Proceeds from sale of property, plant and equipment		**378**	890
Net cash used in investing activities		**(3,412)**	(1,907)
Cash flows used in financing activities			
Repayment of loans	20	**(8,083)**	(13,021)
Proceeds from IPO		**–**	7,500
Proceeds from issue of options		**49**	344
Payment of deferred consideration		**(66)**	(195)
Dividends paid		**(2,566)**	(3,000)
Finance costs paid		**(285)**	(591)
Lease payments	21	**(955)**	(619)
Net cash used in financing activities		**(11,906)**	(9,582)
Net (decrease)/increase in cash and cash equivalents		**(3,547)**	787
Cash and cash equivalents brought forward		**7,505**	6,718
Effects of exchange rate changes on cash and cash equivalents		**(32)**	–
Cash and cash equivalents carried forward		**3,926**	7,505
Cash and cash equivalents	18	**3,926**	7,505
		3,926	7,505

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 UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

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 2022 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:

Standards and interpretations	Effective date
IFRS 17 Insurance Contracts	1 January 2023
Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16	1 January 2022
Reference to the Conceptual Framework – Amendments to IFRS 3	1 January 2022
Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37	1 January 2022
Annual Improvements to IFRS Standards 2018–2020	1 January 2022
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2022
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023

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 that performs well and are household names.

The Group is funded by external facilities; firstly £25 million revolving credit facility ("RCF") until March 2025 and a £8.5 million invoice financing facility, both of which are provided by HSBC. The Board and senior management regularly review revenue, profitability and cash flows across the short, medium and longer term.

In assessing the appropriateness of adopting the going concern basis in the preparation of these financial statements, the Directors have prepared cash flow forecasts and projections for the 18-month period to 30 September 2023. The forecasts and projections, which the Directors consider to be prudent, have been further sensitised by applying reductions to revenue and profitability, to consider downside risk. Under both the base and sensitised case the Group is expected to have headroom against covenants, which are based on interest cover and net leverage, and a sufficient level of financial resources available through existing facilities when the future funding requirements of the Group are compared with the level of committed available facilities.

In assessing the going concern basis, the Directors have also considered the current conflict in Ukraine and the resulting sanctions imposed on Russia by governments worldwide. As well as the heightened risk of global economic downturn, Supreme may experience supply challenges for certain components contained within its protein powders (specifically sunflower lecithin and wheat protein). Although this has not directly impacted Supreme to-date, the risk has been reflected in Management's forecast nonetheless. There are not expected to be any further specific, direct and material impacts to the Group as a result of the conflict.

Based on this, the Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Group and Company financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

Group companies

The results and financial position of foreign operations (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income

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 Group satisfies performance obligations by transferring the promised goods to its customers, i.e. when control has passed from the Group 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%

Computer software – 50%

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).

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.

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 Group 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 Group 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 rate implicit in the lease. Where there is no rate implicit in the lease then the Group's incremental borrowing rate is used.

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 Group 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 Group 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 adjusted 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 and material impairments of inventories. 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 Group Statement of Financial Position when the Group 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 also in place which also mitigates the credit risk in relation to the respective customer. This insurance is applied to most accounts over £2,500 with exception of proforma accounts and accounts agreed by the CEO, although some accounts are excluded from the credit insurance having been assessed by the Board on a cost-benefit analysis – these equate largely to the largest grocery retailers.

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 Group. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 Group 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 Group 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 Group 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 Group'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 22.

(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 Group if a customer or counterparty to financial instruments fails to meet its contractual obligation. Credit risk arises from the Group's cash and cash equivalents and receivables balances. Credit Insurance is applied to all accounts over £5,000 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 Group will not be able to meet its financial obligations as they fall due. This risk relates to the Group's prudent liquidity risk management and implies maintaining sufficient cash. The Directors monitor rolling forecasts of the Group's liquidity and cash and cash equivalents based on expected cash flow.

3.2 Capital risk management

The Group 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 Group'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 Group is managed and adjusted to reflect changes in economic conditions. The Group 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 Group's commitments and development plans. Quantitative data on what the Group manages as capital is included in the Statement of Changes in Equity and in Note 22 to the Group Financial Statements.

3. FINANCIAL RISK MANAGEMENT CONTINUED

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 Group 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 2022 (31 March 2021: £1,602,000). Management consider that the estimates used in the impairment calculation are set out in Note 12. 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 Group.

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.

4.4 Right of use assets – discount rate

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

4.5 Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. Options with both market and non-market conditions are most impacted by these estimates. The share options charge is subject to an assumption about the number of options that will vest as a result of the expected achievement of certain non-market conditions.

Accounting judgements

4.6 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.

5. SEGMENTAL ANALYSIS

The Chief Operating Decision Maker ("CODM") has been identified as the Board of Directors. The Board reviews the Group'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.

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 2022 £'000
Revenue	34,865	27,022	43,594	15,893	9,415	**130,789**
Cost of sales	(31,184)	(18,066)	(24,092)	(12,351)	(8,219)	**(93,912)**
Gross profit before foreign exchange	3,681	8,956	19,502	3,542	1,196	**36,877**
Foreign exchange						**1,640**
Gross Profit						**38,517**
Administration expenses						**(21,498)**
Operating profit						**17,019**
Adjusted earnings before tax, depreciation, amortisation and adjusted items						**21,055**
Depreciation						**(2,563)**
Amortisation						**(378)**
Adjusted items						**(1,095)**
Operating profit						**17,019**
Finance costs						**(693)**
Profit before taxation						**16,326**
Income tax						**(2,863)**
Profit for the year						**13,463**

5. SEGMENTAL ANALYSIS CONTINUED

	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 costs						**(671)**
Profit before taxation						**12,955**
Income tax						**(3,117)**
Profit for the year						**9,838**

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 (2021: 2 customers) was £21,111,000 and £18,385,000 (2021: £19,406,000 and £17,114,000). These revenues related to all segments.

Analysis of revenue by geographical destination

	Year Ended 31 March 2022 £'000	Year Ended 31 March 2021 £'000
United Kingdom	**115,938**	112,700
Ireland	**7,779**	3,035
Netherlands	**2,807**	1,918
France	**1,617**	983
Rest of Europe	**1,825**	2,606
Rest of the World	**823**	1,011
	130,789	122,253

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 except for total assets of £3,125,000 held in Europe.

6. EXPENSES BY NATURE

	Year Ended 31 March 2022 £'000	Year Ended 31 March 2021 £'000
The profit is stated after charging expenses as follows:		
Inventories recognised as an expense	**81,813**	80,070
Impairment of inventories	**750**	406
Impairment of trade receivables	**30**	20
Staff costs – Note 8	**9,442**	7,026
Adjusted items – Note 7	**1,095**	3,423
Establishment and general	**1,473**	1,365
Depreciation of property, plant and equipment and right of use assets	**2,563**	1,998
Amortisation of intangible assets	**378**	225
Auditor's remuneration for audit services	**112**	92
Auditor's remuneration for non-audit services	**–**	197
Furlough grant income	**–**	(342)
Other operating expenses	**16,114**	14,147
Total cost of sales and administrative expenses	**113,770**	108,627

7. ADJUSTED ITEMS

	Year Ended 31 March 2022 £'000	Year Ended 31 March 2021 £'000
IPO costs	**–**	1,953
Covid-19-related cost	**118**	–
Fair value movements on financial derivatives	**(1,027)**	768
Restructuring costs	**208**	421
Share based payments charge (note 24)	**1,663**	75
Acquisition costs	**133**	15
Refinancing costs	**–**	191
	1,095	3,423

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.

COVID-19 costs relate to the entirely incremental agency staff that was hired during November and December 2021 following widespread absence within our manufacturing workforce due to COVID-related sickness and isolation.

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 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 FY22 these costs related to the restructuring of the sales functions within the Group, specifically around electrical wholesale and brand reps where customers have been redirected to the Supreme trade website for self-service ordering going forward.

The acquisition costs relate to the adviser fees relating to the acquisitions that took place during both years.

Refinancing costs represent the amortisation of arrangement fees and associated adviser fees incurred in obtaining the HSBC Senior Debt in FY20. 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 2022 £'000 No.	Year Ended 31 March 2021 £'000 No.
Average number of employees (including Directors):		
Management and administration	**80**	53
Warehouse	**50**	57
Sales	**30**	26
Development	**105**	65
	265	201

	Year Ended 31 March 2022 £'000	Year Ended 31 March 2021 £'000
Aggregate remuneration of staff (including Directors):		
Wages and salaries	**8,339**	6,300
Social security costs	**765**	621
Other pension costs	**338**	105
	9,442	7,026

Directors' remuneration

	Year Ended 31 March 2022 £'000	Year Ended 31 March 2021 £'000
Directors' emoluments	**635**	314
Social security costs	**88**	80
Company contributions to defined contribution pension schemes	**2**	1
	725	395

The highest paid director received remuneration of £300,000 (2021: £144,000).

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 (2021: £1,000).

During the year retirement benefits were accruing to 2 directors (2021: 2) in respect of defined contribution pension schemes.

9. FINANCE COSTS

	Year Ended 31 March 2022 £'000	Year Ended 31 March 2021 £'000
Bank interest payable	**153**	430
Other interest payable	**133**	164
Amortisation of capitalised arrangement fees	**289**	–
Interest on lease liabilities	**118**	77
	693	671

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

10. TAXATION

	Year Ended 31 March 2022 £'000	Year Ended 31 March 2021 £'000
Current tax		
Current year – UK corporation tax	**3,205**	3,156
Adjustments to tax charge in respect of prior periods	**(163)**	–
Foreign tax on income	**(7)**	17
Total current tax	**3,035**	3,173
Deferred tax		
Origination and reversal of temporary differences	**(320)**	(56)
Adjustments to tax charge in respect of prior periods	**(173)**	–
Adjustments to tax charge due to change in rates	**37**	–
Total deferred tax	**(456)**	(56)
Total tax expense	**2,579**	3,117

Factors affecting the charge

	Year Ended 31 March 2022 £'000	Year Ended 31 March 2021 £'000
Profit before taxation	**16,326**	12,955
Tax at the UK corporation tax rate of 19% (2021: 19%)	**3,102**	2,461
Effects of expenses not deductible for tax purposes	**317**	128
Disallowed IPO fees	**–**	385
Disallowed foreign exchange	**–**	146
Adjustments to tax charge due to change in rates	**37**	–
Adjustments to tax charge in respect of prior periods	**(336)**	–
Recognition of previously unrecognised losses	**–**	(3)
Deferred tax on Share Based Payments	**(471)**	–
Enhanced Relief	**(64)**	–
Income not taxable for tax purposes	**(6)**	–
Total tax expense	**2,579**	3,117

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 by a resolution under the Provisional Collection of Taxes Act 1968 on 17 March 2020.

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25% rather than remaining at 19% as previously enacted. This new law was substantively enacted on 24 May 2021 and as such has been reflected in these financial statements.

11. 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 2022 £'000	Year Ended 31 March 2021 £'000
Profit for the year after tax	**13,747**	9,838
	No.	No.
Weighted average number of shares for the purposes of basic earnings per share	**116,605,892**	111,087,502
Weighted average dilutive effect of conditional share awards	**4,474,425**	2,124,446
Weighted average number of shares for the purposes of diluted earnings per share	**121,080,317**	113,211,948
	Pence	Pence
Basic profit per share	**11.8**	8.9
Diluted profit per share	**11.4**	8.7

Adjusted EPS

The calculation of adjusted earnings per share is based on the after tax adjusted operating profit after adding back certain costs as detailed in the table below. Adjusted earnings per share figures are given to exclude the effects of depreciation, amortisation and adjusted items, all net of taxation, and are considered to show the underlying performance of the Group.

	Year Ended 31 March 2022 £'000	Year Ended 31 March 2021 £'000
Adjusted earnings (see below)	**14,976**	13,353
	No.	No.
Weighted average number of shares for the purposes of basic earnings per share	**116,605,892**	111,087,502
Weighted average dilutive effect of conditional share awards	**4,474,425**	2,124,446
Weighted average number of shares for the purposes of diluted earnings per share	**121,080,317**	113,211,948
	Pence	Pence
Adjusted basic profit per share	**12.8**	12.0
Adjusted diluted profit per share	**12.4**	11.8

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

	Year Ended 31 March 2022 £'000	Year Ended 31 March 2021 £'000
Profit/(loss) for the year attributable to equity shareholders	**13,747**	9,838
Add back/(deduct):		
Amortisation of acquisition related intangible assets	**196**	196
Adjusted items	**1,095**	3,423
Tax effect of the above	**(62)**	(104)
Adjusted earnings	**14,976**	13,353

12. GOODWILL AND OTHER INTANGIBLE ASSETS

	Domain name £'000	Trademarks £'000	Customer relationships £'000	Trade name £'000	Computer software £'000	Goodwill £'000	Total £'000
Cost							
At 1 April 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
Additions	–	1,436	–	–	18	–	1,454
At 31 March 2022	**249**	**1,501**	**760**	**221**	**18**	**1,602**	**4,351**
Accumulated amortisation							
At 1 April 2020	28	9	7	–		–	44
Amortisation charged in the year	22	7	152	44		–	225
At 31 March 2021	50	16	159	44		–	269
Amortisation charged in the year	25	150	152	44	7	–	378
At 31 March 2022	**75**	**166**	**311**	**88**	**7**	**–**	**647**
Carrying amount							
At 1 April 2020	96	56	412	–	–	1,214	1,778
At 31 March 2021	199	49	601	177	–	1,602	2,628
At 31 March 2022	**174**	**1,335**	**449**	**133**	**11**	**1,602**	**3,704**

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

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 2022 £'000	As at 31 March 2021 £'000
Lighting	**159**	159
Batteries	**492**	492
Vaping	**121**	121
Sports Nutrition & Wellness	**400**	400
Branded Household Consumer Goods	**430**	430
	1,602	1,602

The Customer relationships, Trade name, and Goodwill arising in the year ended 31 March 2021 related to the acquisition of GT Divisions Limited. 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. No Goodwill arose on the acquisition of Vendek Limited.

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 2022 or 31 March 2021. There were no charges for impairment of goodwill in 2022 (2021: nil). The pre-tax discount rate used in the value in calculations is 14.4% (2021: 13%). The long term growth rate assumed is 2% (2021: 2%).

STRATEGIC REPORT

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £'000	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 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
Additions	–	802	201	57	236	–	1,296
On acquisition	378	21	22	179	–	–	600
Disposals	(378)	–	–	–	–	–	(378)
At 31 March 2022	**–**	**6,139**	**993**	**287**	**336**	**–**	**7,755**
Depreciation and impairment							
At 1 April 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
Depreciation charged in the year	–	1,411	181	64	92	–	1,748
At 31 March 2022	**–**	**4,182**	**822**	**91**	**103**	**–**	**5,198**
Carrying amount							
At 1 April 2020	–	2,258	320	35	–	845	3,458
At 31 March 2021	–	2,545	129	24	89	–	2,787
At 31 March 2022	**–**	**1,957**	**171**	**196**	**233**	**–**	**2,557**

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

14. INVESTMENTS

	As at 31 March 2022 £'000	As at 31 March 2021 £'000
Balance at the beginning of the year	**7**	7
Balance at the end of the year	**7**	7

The balance of £7,000 relates to shares held in private entities, by the acquired subsidiary, who are unlisted. IFRS 9 require these to be measured at fair value, however due to the nature of the investment, the cost has been deemed the fair value of the investment.

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.

14. INVESTMENTS CONTINUED

At 31 March 2022 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 2022 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%
Powerquick Limited		Holding company	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%
Vendek Limited	Unit C5, South City Business Park, Whitestown Way, Tallaght, Dublin 24, D24 A993	Distribution of consumer goods	Ordinary	100%

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

15. DEFERRED TAX

Deferred tax consists of the following temporary differences

	As at 31 March 2022 £'000	As at 31 March 2021 £'000
Share based payments	**1,312**	–
Excess of depreciation over taxable allowances	**(53)**	(171)
Short term temporary differences	**(103)**	25
Tax losses carried forward	**–**	5
	(156)	(141)
	1,156	(141)

15. DEFERRED TAX CONTINUED

Movement in deferred tax in the year

	As at 31 March 2022 £'000	As at 31 March 2021 £'000
Balance at the beginning of the year	**(141)**	(191)
Credited to profit or loss	**456**	56
Credited to reserves	**841**	–
Transfer	**–**	(6)
Balance at the end of the year	**1,156**	(141)

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

16. INVENTORIES

	As at 31 March 2022 £'000	As at 31 March 2021 £'000
Goods for resale	**20,457**	15,849
Raw materials	**5,441**	4,016
	25,898	19,865

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

Inventories at 31 March 2022 are stated after provisions for impairment of £600,000 (2021: £270,000).

17. TRADE AND OTHER RECEIVABLES

	As at 31 March 2022 £'000	As at 31 March 2021 £'000
Trade receivables	**17,848**	13,321
Amounts owed by related parties	**–**	1,790
Other receivables	**346**	172
Prepayments	**841**	769
	19,035	16,052

The Directors believe that the carrying value of trade and other receivables represents their fair value. In determining the recoverability of trade receivables, the Group 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:

	Year Ended 31 March 2022 £'000	Year Ended 31 March 2021 £'000
Balance at the beginning of the year	**37**	26
Charged to the statement of comprehensive income	**30**	20
Utilisation of provision	**(35)**	(9)
Balance at the end of the year	**32**	37

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the reporting date but against which the Group 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.

17. TRADE AND OTHER RECEIVABLES CONTINUED

Ageing of receivables

	As at 31 March 2022 £'000	As at 31 March 2021 £'000
Current	**12,177**	10,814
31 – 60 days	**4,390**	1,969
61 – 90 days	**1,254**	126
90 days +	**59**	449
Less provisions for impairment	**(32)**	(37)
	17,848	13,321

In determining the recoverability of a trade receivable the Group 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 Group's credit risk management policies are shown in Note 22. The Group does not hold any collateral as security for its trade and other receivables.

18. CASH AND CASH EQUIVALENTS

	As at 31 March 2022 £'000	As at 31 March 2021 £'000
Cash at bank	**3,926**	7,505

19. TRADE AND OTHER PAYABLES

	As at 31 March 2022 £'000	As at 31 March 2021 £'000
Trade payables	**8,149**	7,299
Accruals and deferred income	**6,302**	4,343
Other tax and social security	**2,843**	1,648
Directors loan account	**2**	5
	17,296	13,295

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.

20. BORROWINGS

	As at 31 March 2022 £'000	As at 31 March 2021 £'000
Current		
Bank loans	**3,984**	5,304
Amounts owed to related parties	**1,779**	3,392
Other loans	**–**	1,165
IFRS 16 lease liability (Note 21)	**902**	615
	6,665	10,476
Non-current		
Bank term loan	**–**	3,695
IFRS 16 lease liability (Note 21)	**1,294**	963
	1,294	4,658
Total borrowings	**7,959**	15,134

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

	As at 31 March 2022 £'000	As at 31 March 2021 £'000
In less than one year	**6,665**	10,476
Between two and five years	**1,294**	4,658
In more than five years	**–**	–
	7,959	15,134

The Group is funded by revolving credit facility ("RCF") of £25m provided by HSBC that is secured by way of a fixed and floating charge over all assets. Interest is charged at 2.3%-2.8% over SONIA for all drawn amounts and 35% of this charge for undrawn amounts. The facility is for 3 years and expires 31 March 2025. There are 2 principal covenants attached to the RCF and these are tested quarterly.

Current bank borrowings include an invoice discounting facility of £8.5m, which is secured by an assignment of, and fixed charge over the trade debtors of Supreme Imports Limited. The facility was drawn down £83,000 at year end.

Furthermore, the Group has access to a supply chain facility (also provided by HSBC) of $0.5m which is secured by fixed and floating charges over all assets of the Group. This facility is denominated in US Dollars. At the balance sheet date the facility is undrawn (FY21: £1,165,000).

Therefore undrawn but committed facilities at 31 March 2022 were £25m for the RCF (FY21: £nil), £8.4m for the invoice discounting facility (FY21: £8.5m) and $0.5m for the supply chain facility (FY21: £3.4m).

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 Group and the working capital cycle.

21. 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 2020	1,495
Additions	531
Depreciation charge for the year	(550)
Balance at 31 March 2021	1,476
Additions	1,455
Depreciation charge for the year	(815)
Balance at 31 March 2022	2,116

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

	As at 31 March 2022 £'000	As at 31 March 2021 £'000
Buildings	**2,108**	1,447
Cars	**8**	29
	2,116	1,476

Lease liabilities	As at 31 March 2022 £'000	As at 31 March 2021 £'000
Maturity analysis – contractual undiscounted cash flows		
Less than one year	**988**	678
More than one year, less than two years	**514**	654
More than two years, less than three years	**467**	180
More than three years, less than four years	**407**	120
More than four years, less than five years	**–**	60
More than five years	**–**	–
Total undiscounted lease liabilities at year end	**2,376**	1,692
Finance costs	**(180)**	(114)
Total discounted lease liabilities at year end	**2,196**	1,578
Lease liabilities included in the statement of financial position		
Current	**902**	615
Non-current	**1,294**	963
	2,196	1,578

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 2022 £'000	Year Ended 31 March 2021 £'000
Depreciation charge – Buildings	**794**	498
Depreciation charge – Cars	**21**	52
	815	550
Interest expense (within finance expense)	**118**	77

The above leases relate to buildings and cars.

There are no future cash outflows to which the Group is potentially exposed that are not reflected in the measurement of lease liabilities. There are no restrictions or covenants imposed by leases and there have been no sale and leaseback transactions

Any expense for short-term and low-value leases is not material and has not been presented.

22. FINANCIAL INSTRUMENTS

The Group 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.

22.1 Capital risk management

Details of the Group's capital are shown in Note 23, as well as in the Statement of Changes in Equity.

22.2. Market risk

Competitive pressures remain a principal risk for the Group. 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 Group'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 Group.

In addition, the Group'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 Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group by regularly monitoring the financial risks referred to above.

Given the size of the Group, 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 Group's finance department.

22.3. Credit risk

The Group's sales are primarily made with credit terms of between 0 and 30 days, exposing the Group to the risk of non-payment by customers. The Group 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 Group maintains a suitable level of credit insurance against its debtor book. The maximum exposure to credit risk is £5,000 per individual customer that is covered by the policy, being the insurance excess.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. Expected losses are based on the Group's historical credit losses, adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. The Group's B2B historic credit losses have been minimal on the back of strong credit control, in addition to the insurance cover in place. This results in an immaterial expected credit loss being provided for.

An analysis of past due but not impaired trade receivables is given in Note 17.

22.4. Liquidity risk management

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

22.5. Foreign currency risk management

The Group's activities expose it to the financial risks of changes in foreign currency exchange rates. The Group's exposure to foreign currency risk is partially hedged by virtue of invoicing a proportion of its turnover in US Dollars. When necessary, the Group 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 2022 £'000	As at 31 March 2021 £'000
Trade receivables	**1,498**	1,481
Net cash and overdrafts	**188**	58
Supply chain facility	**–**	(1,165)
Trade payables	**820**	830
	2,506	1,204

The effect of a 20 percent strengthening of Pound Sterling at 31 March 2022 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 £418,000, (2021: £201,000). 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 £627,000 (2021: £301,000).

22. FINANCIAL INSTRUMENTS CONTINUED

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

	As at 31 March 2022 £'000	As at 31 March 2021 £'000
Trade receivables	**51**	42
Net cash and overdrafts	**27**	–
Trade payables	**(261)**	(269)
	(183)	(227)

The effect of a 20 percent strengthening of Pound Sterling at 31 March 2022 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 £31,000 (2021: £38,000). 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 £46,000 (2021: £57,000).

Derivative financial instruments – Forward contracts

The Group mitigates the exchange rate risk for certain foreign currency creditors by entering into forward currency contracts. The Group'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 Group costs its products and take out forward contracts to mitigate fluctuations to an acceptable level. At 31 March 2022, the outstanding contracts mature between 2 and 10 months of the year end, (2021: 1 and 12 months). At 31 March 2022 the Group was committed to buy $18,700,000 (2021: $24,000,000) 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 2022 is an asset of £467,000 (2021: liability of £559,000). During the year ended 31 March 2022, a profit of £1,027,000 (2021: loss of £768,000) was recognised Adjusted items for changes in the fair value of the forward foreign currency contracts.

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 cashflows based on the change in value of the underlying derivative.

22.6. Interest rate cash flow risk

The Group's interest-bearing liabilities relate to its variable rate banking facilities. The Group 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 £69,000 (2021: £136,000).

22.7. Price risk

The Group's profitability is affected by price fluctuations in the sourcing of its products. The Group 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 Group's operations change in size or nature.

22.8. Maturity of financial assets and liabilities

All of the Group'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 20.

22. FINANCIAL INSTRUMENTS CONTINUED

22.9 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 2022 £'000	As at 31 March 2021 £'000
Financial assets		
Financial assets measured at amortised cost		
Trade and other receivables	**18,194**	15,283
Cash and cash equivalents	**3,926**	7,505
	22,120	22,788
Financial liabilities		
Financial liabilities measured at amortised cost		
Non-current:		
Borrowings	**(1,294)**	(4,658)
Current:		
Borrowings	**(6,665)**	(10,476)
Trade and other payables	**(8,149)**	(7,304)
Accruals and deferred income	**(6,304)**	(4,343)
	(22,412)	(26,781)
Financial assets / (liabilities) measured at fair value through profit and loss		
Derivative financial instruments	**467**	(559)
	467	(559)
Net financial assets and liabilities	**175**	(4,552)
Non-financial assets and liabilities		
Plant, property and equipment	**2,557**	2,787
Right of use assets	**2,116**	1,476
Goodwill and other intangible assets	**3,704**	2,628
Investments	**7**	7
Inventory	**25,898**	19,865
Prepayments	**841**	769
Deferred tax asset	**1,312**	–
Deferred tax liability	**(156)**	(141)
Other taxation and social security	**(2,843)**	(1,648)
Income tax payable	**(1,299)**	(2,370)
	32,137	23,373
Total equity	**32,312**	18,821

23. SHARE CAPITAL AND RESERVES

Share capital and share premium

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.

Number of shares authorised and in issue

	Ordinary £0.10 No.	£
At 31 March 2021	116,499,980	11,649,998
Issued	127,094	12,709
At 31 March 2022	116,627,074	11,662,707

On 8 June 2021, 127,094 new Ordinary £0.10 shares were issued at a subscription price of £0.38, generating share premium of £36,057.

Dividends

Dividends of £2,566,000 (2021: £3,000,000) were declared in the year. This amounted to £0.022 per share (2021: £0.027).

Merger reserve

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.

Share-based payments reserve

The share-based payments reserve represents the cumulative impact of the share-based payments charge.

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.

24. SHARE BASED PAYMENTS

The Group 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 Group 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 2022 £	2022 No.	Weighted average exercise price 2021 £	2021 No.
Outstanding at the beginning of the year	**0.38**	**1,683,365**	0.38	2,174,120
Lapsed	**–**	**(20,726)**	–	(187,704)
Granted during the year	**–**	**–**	–	594,914
Exercised during the year	**–**	**(127,094)**	–	(897,965)
Outstanding at the end of the year	**0.38**	**1,535,545**	0.38	1,683,365

The profit and loss expense that has been recognised in the current year is £nil (2021: £nil) and included within administrative expenses.

24. SHARE BASED PAYMENTS CONTINUED

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 3 months). 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.

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.

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.

24. SHARE BASED PAYMENTS CONTINUED

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.

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	SAYE Scheme
At the start of the year	301,711	111,940	2,912,500	2,912,500	438,620
Awards lapsed in year	(5,746)	–	–	–	(35,757)
At the end of the year	295,965	111,940	2,912,500	2,912,500	402,863

No awards are exercisable at the end of the year. The charge for share-based payments in the year was £1,663,000 (2021: £75,000) which is included within Adjusted items. Of this, £211,000 related to Employers National Insurance Contributions and £1,452,000 related to the share-based payments charge.

25. BUSINESS COMBINATIONS

Acquisition of Vendek Limited

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 consideration of £1.3m.

Recognised amounts of identifiable assets acquired and liabilities assumed

	Book value £'000	Fair value adjustment £'000	Fair value £'000
Fixed assets			
Property, plant and equipment	600	–	600
	600	**–**	**600**
Current assets			
Inventory	1,148	(52)	1,096
Debtors due within one year	805	(48)	757
Cash at bank and in hand	271	–	271
	2,224	**(100)**	**2,124**
Total assets	**2,824**	**(100)**	**2,724**
Creditors			
Due within one year	(781)	–	(781)
	(781)	**–**	**(781)**
Total identifiable net assets			1,943
Goodwill			–
Total purchase consideration			**1,943**
Consideration			
Cash			1,311
Deferred consideration			632
Total purchase consideration			**1,943**
Cash outflow on acquisition			
Purchase consideration settled in cash, as above			1,311
Less: cash and cash equivalents acquired			(271)
Net cash outflow on acquisition			**1,040**

Following a purchase price allocation exercise the Company did not identify further acquired intangible assets. The fair value adjustments reflect increases to inventory provisions of £52,000 and trade receivables of £48,000. There was no additional consideration paid over the fair value of the net assets acquired and therefore no goodwill arose on the acquisition. Acquisition costs of £133,000 were incurred and expensed.

The revenue from Vendek Limited included in the Statement of Comprehensive Income for the year ended 31 March 2022 was £3,898,000. Vendek Limited also contributed profit of £227,000 over the same period. If the acquisition had occurred on 1 April 2021, consolidated pro-forma revenue and profit before tax for the year ended 31 March 2022 would have increased by £565,000 and decreased by £154,000 respectively.

In addition, on 30 June 2021, Supreme Imports Limited acquired the intellectual property rights and inventory of Sci-MX Nutrition Limited, a leading sports nutrition and supplements business for a consideration of £2.3m. This purchase does not meet the definition of a business combination under IFRS3 and the consideration has been allocated to the fair value of the assets acquired as follows:

	£'000
Trademarks	1,436
Inventories	893
	2,329

26. ULTIMATE CONTROLLING PARTY

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

27. OTHER FINANCIAL COMMITMENTS

See note 22.5 for details of the financial commitments under US dollar forward exchange contracts.

28. RELATED PARTY TRANSACTIONS

28.1. 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 2022 £'000	Year Ended 31 March 2021 £'000
Short-term employee benefits	**1,030**	806
Social security costs	**126**	104
Employee share schemes	**1,402**	141
Post-employment benefits	**9**	6
Total compensation	**2,567**	1,057

28.2. Transactions and balances with key personnel

	As at 31 March 2022 £'000	As at 31 March 2021 £'000
Loan balances with Directors:		
Balance outstanding from director	**(2)**	(5)

28.3. Transactions and balances with related companies and businesses

	Year Ended/ As at 31 March 2022 £'000	Year Ended/ As at 31 March 2021 £'000
Transactions with related companies:		
Rent paid to Chadha Properties Limited	**180**	180
Balances with related companies:		
Amounts owed by Nash Peters Limited	**–**	1,790
Amounts owed to Supreme 8 Limited	**(1,780)**	(3,392)

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

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

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 repaid during the year and the remainder was paid shortly after year end and is disclosed as a post balance sheet event.

29. ANALYSIS AND RECONCILIATION OF NET DEBT

	1 April 2020 £'000	Acquisitions £'000	Other non-cash changes £'000	Cashflow £'000	31 March 2021 £'000
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)**

	1 April 2021 £'000	Acquisitions £'000	Other non-cash changes £'000	Cashflow £'000	31 March 2022 £'000
Cash at bank and in hand	7,505	271	(32)	(3,818)	**3,926**
Current borrowings	(10,476)	–	(1,817)	5,628	**(6,665)**
Non-current borrowings	(4,658)	–	(331)	3,695	**(1,294)**
Net debt	**(7,629)**	**271**	**(2,180)**	**5,505**	**(4,033)**

30. POST BALANCE DATE EVENTS

On 4 April 2022, the Group drew down £4.1 million on the RCF to fully settle the existing 5-year loan facility with HSBC and cover the arrangement fee attached to the RCF.

On 27 April 2022, the Group repaid the final tranche of its related party loan to Supreme8 Limited. No further related party items exist on the Balance Sheet.

On 10 June 2022, Supreme acquired the entire share capital of Liberty Flights Holdings, a long-established and leading brand of e-liquids and vaping devices for an initial consideration of £7.75 million. The acquisition is expected to be immediately earnings-enhancing.

COMPANY STATEMENT OF FINANCIAL POSITION
as at 31 March 2022

	Note	As at 31 March 2022 £'000	As at 31 March 2021 £'000
Fixed assets			
Investments	6	**25,587**	25,587
		25,587	25,587
Current assets			
Debtors	7	**12,661**	7,646
Cash and cash equivalents		**4**	4
		12,665	7,650
Creditors: amounts falling due within one year	8	**(1,944)**	(3,484)
Net current assets		**10,721**	4,166
Total assets less current liabilities		**36,308**	29,753
Net assets		**36,308**	29,753
Capital and reserves			
Share capital	9	**11,663**	11,650
Share premium	9	**7,231**	7,195
Share-based payments reserve		**1,674**	75
Retained earnings		**15,740**	10,833
		36,308	29,753

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 £7,288,000.

The notes on the following pages are an integral part of these Company financial statements.

The Company financial statements were approved by the Board of Directors on 4 July 2022 and were signed on its behalf by:

S Smith
Director

Registered number: 05844527

COMPANY STATEMENT OF CHANGES IN EQUITY

for the Year Ended 31 March 2022

	Share Capital £'000	Share premium £'000	Share-based payments reserve £'000	Retained earnings £'000	Total equity £'000
As at 1 April 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
Total transactions with owners, recognised in equity	**649**	**7,195**	**75**	**1,182**	**9,101**
As at 31 March 2021	**11,650**	**7,195**	**75**	**10,833**	**29,753**
Profit for the year	–	–	–	7,473	7,473
Total comprehensive income for the year	–	–	–	7,473	7,473
Transactions with shareholders:					
Issue of shares	13	36	–	–	49
Employee share schemes – value of employee services	–	–	1,132	–	1,132
Deferred tax on share-based payment charge	–	–	467	–	467
Dividends	–	–	–	(2,566)	(2,566)
Total transactions with owners, recognised in equity	**13**	**36**	**1,599**	**(2,566)**	**(918)**
As at 31 March 2022	**11,663**	**7,231**	**1,674**	**15,740**	**36,308**

The notes on the following pages 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 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.

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.

2.2 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.

2.3 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 £7,473,000 (2021: £4,182,000). 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.

2.4 Going concern

On 31 March 2022, the Group established a 3-year £25m revolving credit facility ("RCF") with HSBC and at the balance sheet date this was entirely undrawn. The Group is also funded via surplus cash held at the bank and through short term financing arrangements including an invoice financing facility of £8.5m and an import loan facility of $0.5m (both of which are secured with HSBC). The Board and Senior Management regularly reviews revenue, profitability and cash flows across the short, medium and longer term.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.5 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.

2.6 Investment in subsidiary undertakings

Investments in subsidiaries are stated at cost less accumulated impairment.

2.7 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 temporary 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. Temporary 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 temporary differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the temporary 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.

2.8 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.

2.9 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.

2.10 Cash and cash equivalents

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

2.11 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.

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.

2.12 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.

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 2022. 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 12 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. Taking into account movements in the share price 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 48 to 51 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. DEFERRED TAX

Deferred tax consists of the following temporary differences

	As at 31 March 2022 £'000	As at 31 March 2021 £'000
Share based payments	**759**	–
	759	–

Movement in deferred tax in the year

	As at 31 March 2022 £'000	As at 31 March 2021 £'000
Balance at the beginning of the year	**–**	–
Credited to profit or loss	**292**	–
Credited to reserves	**467**	–
Balance at the end of the year	**759**	–

6. INVESTMENTS

	As at 31 March 2022 £'000	As at 31 March 2021 £'000
Balance at the beginning of the year	**25,587**	25,587
Balance at the end of the 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 2022 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 2022 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%
Powerquick Limited		Holding company	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%
Vendek Limited	Unit C5, South City Business Park, Whitestown Way, Tallaght, Dublin 24, D24 A993	Distribution of consumer goods	Ordinary	100%

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

7. DEBTORS

	As at 31 March 2022 £'000	As at 31 March 2021 £'000
Amounts owed by Group undertakings	**11,901**	7,645
Deferred tax (note 5)	**759**	–
Called up share capital not paid	**1**	1
	12,661	7,646

The deferred tax asset of £759,000 (2021: £nil) falls due in more than one year.

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

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	As at 31 March 2022 £'000	As at 31 March 2021 £'000
Amounts owed to related parties	**1,777**	3,392
Other tax and social security	**211**	–
Accruals	**–**	92
	1,988	3,484

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.

9. SHARE CAPITAL

Details of movements in shares are set out in note 23 to the Group financial statements.

10. 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 £1,777,000 (2021: £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.

11. 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 £1,299,000 in respect of the equity-settled share-based payment transactions in the year ended 31 March 2022 (2021: £75,000). This included £167,000 of Employers National Insurance contributions (2021: £nil).

12. POST BALANCE DATE EVENTS

On 4 April 2022, the Group drew down £4.1 million on the RCF to fully settle the existing 5-year loan facility with HSBC and cover the arrangement fee attached to the RCF.

On 27 April 2022, the Group repaid the final tranche of its related party loan to Supreme8 Limited. No further related party items exist on the Balance Sheet.

On 10 June 2022, Supreme acquired the entire share capital of Liberty Flights Holdings, a long-established and leading brand of e-liquids and vaping devices for an initial consideration of £7.75 million. The acquisition is expected to be immediately earnings-enhancing.

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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