SUPREME
PLC

Supreme PLC
Annual Report and Accounts 2023

We are a vertically integrated platform business for fast-moving consumer goods, spanning 4 principal product categories (batteries, lighting, vaping and sports nutrition & wellness) across a number of operational disciplines including product development, manufacturing and distribution.

"Supreme has delivered a strong performance across the year punctuated by an outstanding contribution from our Vaping division, which has almost doubled revenues in the year.

As we look to the future, we remain committed to expanding our product set, both organically and via acquisition, which in turn creates greater opportunities to cross-sell and forge ever closer bonds with our customers.

Lastly, I would like to thank everyone in the business and look forward to updating all our stakeholders later in the year on our continued progress."

Sandy Chadha
Chief Executive Officer

Key highlights

Revenue	£155.6m	+19%	FY22: £130.8m
Adjusted EBITDA[1]	£19.4m	-8%	FY22: £21.1m
Net cash from operations	£19.3m	+64%	FY22: £11.8m
Gross profit	£40.9m	+6%	FY22: £38.5m
Adjusted EPS[2]	11.8p	-8%	FY22: 12.8p
Adjusted net cash/(debt)	£3.2m	+168%	FY22: (£1.9m)

Financial highlights

- Revenue growth of 19%; half of which was driven by earnings-enhancing acquisitions and the remainder from strong organic growth
- Vaping division delivered a record performance nearly doubling revenues to £76.1 million (FY22: £43.6 million) and increasing gross profit to £28.1 million (FY22: £19.5 million)
- Highly cash-generative in the period, delivering £19.3 million cash from operations in the period (FY22: £11.8 million), resulting in an Adjusted net cash[3] position of £3.2 million by year end (FY22: Adjusted net debt[3] of £1.9 million)
- Record levels of investment in M&A and capex ("investing activities") of £11.3 million (FY22: £3.8 million) to support future growth
- Disposal of the T-Juice brand generated £4.0 million of cash in FY23 and the ongoing strategic partnership with the buyer means Supreme retains exclusive manufacturing rights

Operational highlights

- Three acquisitions completed, with two having been successfully integrated and immediately Adjusted EBITDA[1] enhancing during the year and the third acquisition completed immediately prior to year-end
- Secured a 15-year lease on a new facility in Manchester which will significantly expand the Group's in-house distribution capabilities, with activities from the site expected in Q2 of FY24
- Significant progress reported on the Group's ESG strategy, with a particular focus on energy consumption and its people agenda

Dividends

- A final dividend, subject to shareholder approval at the Annual General Meeting on the 26 September 2023, of 2.2 pence per share
- The group paid an interim dividend of 0.8 pence per share, which, together with the final dividend, takes total dividends for the year to 3.0 pence per share

Outlook / Current Trading

- The Group has made a very solid start to FY24. The core business and the FY23 acquisitions are all performing strongly and as a result the Board expects Adjusted EBITDA[1] to be ahead of latest expectations by at least £1 million
- In addition, the Group now expects to generate a further £25-30 million of revenue and around £2 million incremental Adjusted EBITDA[1] in FY24 in respect of a master distributor appointment with the UK's leading vaping brands; Elfbar and Lost Mary
- As a result, the Board now anticipates that trading in FY24 will be significantly ahead of current consensus[4]

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 non-recurring items.
2. 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 non-recurring items.
3. Adjusted net debt means net debt as defined in Note 29 to these financial statements excluding the impact of IFRS16.
4. Company compiled analyst consensus for the year ending 31 March 2024 prior to the release of this announcement and the vaping distribution opportunity announcement (dated 5 July 2023) was revenue of £159 million and Adjusted EBITDA1 of £22.6 million.

Strategic Report

Strategic Report

Chair’s Statement

Paul McDonald
Non-Executive Chair

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We remain focused on exploring further M&A and partnership opportunities to extend our manufacturing and distribution capabilities, retaining a diverse offering of great value, high-quality products to our customers and ultimately the consumer.”

I am pleased to report that Supreme delivered a robust performance across the financial year ended 31 March 2023 with strong second half momentum going into FY24. This performance, achieved against a challenging macroeconomic backdrop, includes outstanding organic and acquisitive growth in our key Vaping division, and solid progress across our Batteries and Sports Nutrition & Wellness segments. Despite well-documented global supply chain and inflationary pressures, Supreme has continued to make significant operational and financial progress and is positioned strongly for future growth as we focus on delivering on our strategic aspirations.

Supreme delivered revenue of £155.6 million (FY22: £130.8 million), up 19% year-on-year, whilst Adjusted EBITDA[1] fell by 8% to £19.4 million (FY22: £21.1 million), a direct result of the temporary setback to Lighting. Supreme remains a highly cash-generative business, having generated cash from operations of £19.3 million (FY22: £11.8 million) and is further supported by a healthy balance sheet and unutilised borrowing facilities of £30 million. The Group’s vertically integrated model remains resilient and continues to facilitate the development of the business and our various interconnected functions.

In line with our strategy to expand our in-house manufacturing and distribution operations, we secured a 15-year lease on a new facility near our existing warehouse in Manchester and remain on track to commence activities from this site in FY24.

The Vaping division remains the Group’s key growth driver, and we continued our impressive trading momentum in this category throughout the financial year by delivering a 75% increase in revenue year-on-year. In addition to generating significant organic growth, largely through robust sales and complementary new product development in our market-leading 88vape brand, we delivered the immediately earnings-enhancing acquisitions of Liberty Flights, Cuts Ice and Superdragon. Liberty Flights and Cuts Ice were integrated into the wider Group, significantly scaling Supreme’s vaping offering whilst providing considerable cross-sell opportunities. These acquisitions reflect the Company’s strategy to support a tobacco-free UK by offering both credible and safer alternatives for nicotine consumption.

Acquired as part of the Cuts Ice transaction, we announced the disposal of the intellectual property of T-Juice to an associated company of leading French e-cigarette and e-liquids wholesale, La Vape Professional Distribution (‘LVP’), in March 2023. This new arrangement ensures Supreme retains the exclusive manufacturing rights to T-Juice for five years, enabling the Group to focus on its core manufacturing expertise, and the transaction generated £4 million of cash for the Group on completion.

Our Sports Nutrition & Wellness segment delivered a credible performance, as we continued to mitigate the effects of well-publicised inflationary raw material pressures and supply chain headwinds on the sector. Following the successful rebrand of Sci-MX in the first half of the financial year, we are well-poised to capitalise on the fast-growing global demand for sports nutrition products, including portable protein snacks and supplements, as whey prices begin to normalise.

Stabilising the Lighting division was a key priority for the Group after a temporary setback derived from customer over-stocking in FY22, and pleasingly we continued to make progress recovering the category despite its overall disappointing performance in the financial year where gross profit fell from £9.0 million in FY22 to £4.1 million in FY23. Strengthened by long-term exclusive license and distribution agreements, as well as increased networking and market expansion opportunities generated following the integration of Vendek, we continued to focus on enhancing our manufacturing of private and white label lighting products, ensuring we strive to provide the best service for brands and retailers.

As Chair, I am particularly proud of the brands we have acquired this year; our extremely talented team continues to identify, execute and integrate complementary, well-priced, immediately earnings-enhancing brands into the Supreme platform, ensuring this does not detract from or dilute our core business offering. It is a clear marker of the exceptional talent we have in our business. We remain focused on exploring further M&A and partnership opportunities to extend our manufacturing and distribution capabilities, retaining a diverse offering of great value, high-quality products to our customers and ultimately the consumer. We firmly believe that Supreme will continue to play an integral role in minimising the economic impact of the cost-of-living crisis on consumers, and we look ahead with confidence as we strive to deliver affordable items to market via leading retailers and our D2C online channels.

Supreme responded quickly to the cost-of-living issues faced by our colleagues and awarded an immediate 10% pay increase to more than half of our colleagues, regardless of location, role or length of service in September 2022. The scheme was directed towards those colleagues who were particularly impacted by the cost-of-living crisis. It is testament to the culture and values within our business that Sandy, our founder and CEO, volunteered to sacrifice his entire salary from then until the end of the financial year in order to finance this in FY23. We realise that our colleagues are one of our key assets, many of whom worked tirelessly through the Covid-19 pandemic and who continue to be pivotal to the future success of the Group.

Encouraged by the recent strong second half trading performance, the Board is pleased with the Group’s progress, and on its behalf, I would like to thank all employees for their continued diligence and support. By responding effectively and prudently to turbulent macroeconomic trading conditions, our highly experienced management team continues to drive Supreme forward, and the Board has full confidence in the Company’s ability to deliver on our medium to long term growth potential.

Paul McDonald
Non-Executive Chair

4 July 2023

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 non-recurring items

Our Business

Supreme is a leading manufacturer, brand owner and distributor of fast-moving consumer goods across the retail landscape – including leading UK discounters, major supermarkets, wholesalers and via our online platform.

Our diverse product range spans a number of different categories; namely batteries, lighting, vaping and sports nutrition & wellness.

Our products share a common DNA; they are all branded 'value' consumer staples, offered at disruptively low prices, are easily transported and displayed with simple consumer offerings that our customers do not return.

Our operating model
Our high volume/low assortment manufacturing and direct sourcing model sits at the heart of our business and is supported by our centralised platform of shared resource, deep sector expertise and serviced via our unrivalled distribution network.

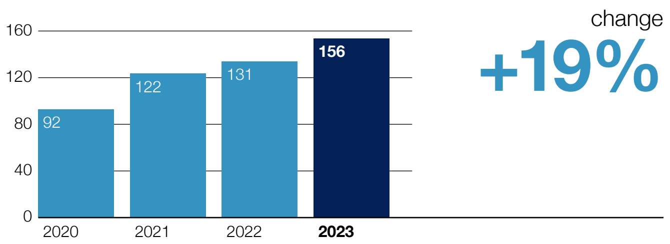
This unrivalled platform allows us to offer compelling margins to retailers and the lowest prices to consumers, generating exceptional levels of loyalty.

▼ **Our Company Values** are presented in the infographic below – a concept that we continue to evolve as our business grows

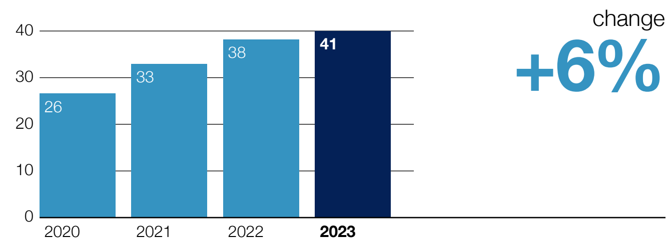
Supreme in numbers

Measure	Description	Performance
Revenue (£m)	The revenue reported in the period	Revenue is up 19% - half of which driven by M&A and the other half driven by organic growth from Vaping
Gross profit (£m)	The gross profit reported in the period	Absolute gross profit increased 6% and gross profit as % of sales reduced from 29% to 26% as a result of sales mix and inflationary price pressures
Gearing	Borrowings net of cash dividends by the Adjusted EBITDA reported in the period	Gearing has improved from 0.1 to positive 0.2 following tight control on working capital
Manufacturing volume	The units of output from both our Vaping & Wellness manufacturing facilities	Sci-MX manufacturing transferred inhouse during the year driving increased volume for Wellness whilst Vaping manufacturing increased in line with sales
Brand portfolio	The number of brands that the Group owns or has exclusive rights to via licensing	Increase in brands driven by the 3 acquisitions and the new license agreement with Black & Decker
Consumer website databases	The number of consumers registered on each of our consumer websites combined	Increase in database across all consumer websites plus the addition of the Liberty Flights database

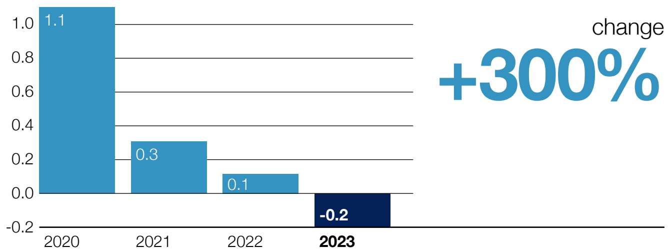
Revenue £m



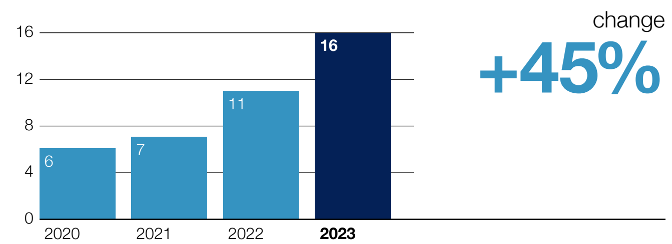
Gross margin £m



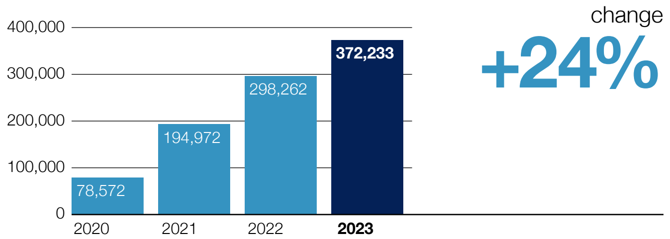
Gearing ratio £m



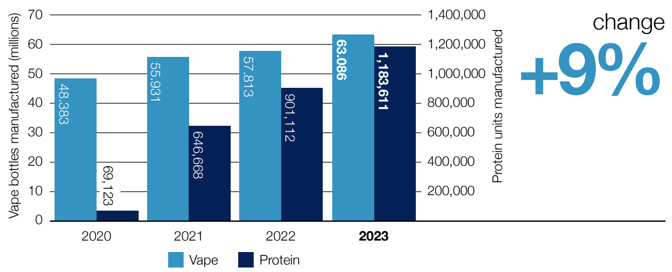
Number of major brands owned or exclusive rights to



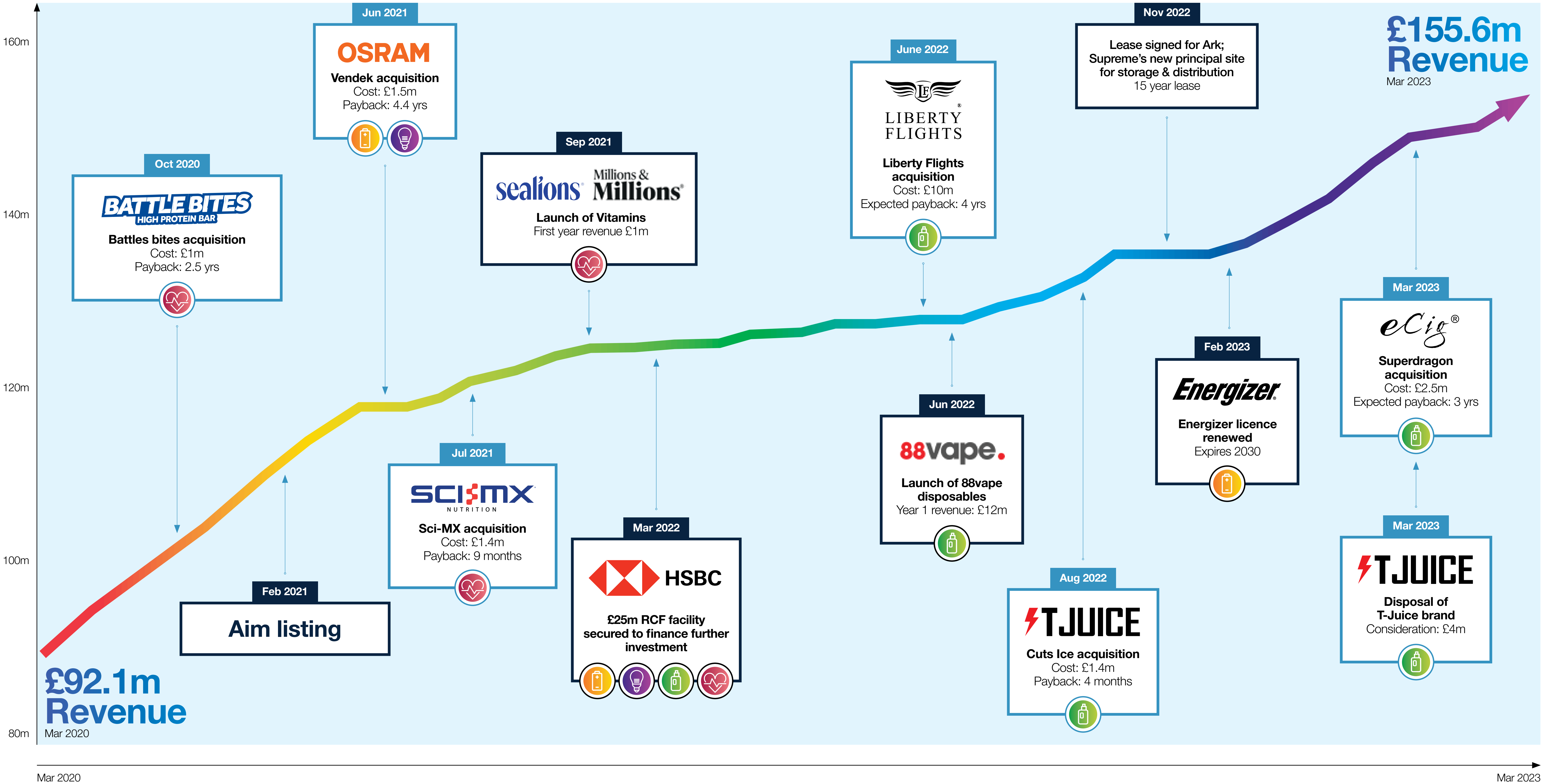
Registered consumer website users



Units manufactured



Our public company journey so far



Key investment highlights

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

Unrivalled business model

- UK manufacturing base, lucrative product licensing agreements and own brands
- Centralised platform of shared overheads and expertise
- Privileged access to an extensive and growing customer base

We own brands & we manufacture

- 75% of profits comes from brands we own or exclusively license
- 50% of profits come from products we manufacture ourselves in the UK

Strong financials

- 13% revenue and 17% EBITDA CAGR FY18 to FY23
- Increasingly cash generative year-on-year
- Capex light
- Minimal levels of bank debt

High quality management team

- Plc board depth alongside highly experienced executive team and deep sector knowledge from category leaders

M&A success

- Proven ability to acquire and integrate businesses at low multiples with high rates of return post-integration

Compelling customer offering

- Our scaled manufacturing, longstanding international supplier network and our razor-sharp focus on costs means we offer disruptively-low cost, branded, quality products to the mass market

Diverse product & customer portfolio

- Diverse product portfolio with varied and independent macro tailwinds
- Diverse customer base including discounters, public sector, supermarkets and 15% of revenue generated online

Our customers

ASDA Save money. Live better
BOOKER
Sainsbury's
Iceland
MATALAN
Poundland
home bargains
b&m
Morrisons Since 1899
OneBelow.
amazon
SPAR
The Range Home, Leisure & Garden
Londis
TESCO

Chief Executive Officer's review

Sandy Chadha
Chief Executive Officer

"I am delighted with the strong performance of the Group so far in FY24 and to have had our vaping distribution capabilities recognised by one of the world's biggest vaping brands is testament to our expertise and our reputation."

Introduction

I am delighted to announce our results for the year ended 31 March 2023, following a period of substantial financial and operational growth for Supreme, driven by an outstanding performance from our Vaping category.

Supreme delivered a 19% increase in revenue to £155.6 million (FY22: 130.8 million), alongside a 6% growth in gross profit to £40.9 million (FY22: £38.5 million). Adjusted EBITDA[1] was £19.4 million (FY22: £21.1 million), which, despite the impact of destocking within our Lighting category, proved to be a highly credible performance. The business generated cash of £19.3 million from operations in FY23 (FY22: £11.8 million) and I am particularly proud that the Group reported a positive £3.2 million cash position net of bank borrowings at year end; a £16.1 million increase versus the half year position six months earlier. Due to the highly cash-generative nature of its core operations, the Group was able to invest record levels into M&A and capital expenditure totalling £11.3 million (FY22: £3.8 million) and paid dividends of £5.4 million (FY22: £2.5 million).

We gained significant trading momentum in the second half of the year, driven by strong organic growth across our key categories. Our 88vape brand generated excellent sales traction to consolidate our position as a market leader in the vaping sector, alongside additional market traction generated by the acquisitions of Liberty Flights and Cuts Ice.

We cemented our approach to M&A during FY23 having acquired three more complementary, earnings-enhancing businesses in the vaping sector. Each acquisition brought its own well-recognised brands together with opportunities for synergies when integrated into the Supreme platform. Liberty Flights and Cuts Ice were acquired in the first half of the year and together contributed to £12.8 million of the Group's revenue growth and Superdragon was acquired immediately before year end and has already made a positive start to FY24. Identifying targets that meet our non-negotiable investment criteria, our speed of deal execution and tenacity of operational and financial integration defines our M&A strategy, which remains a key pillar of growth for Supreme.

As a business, we are actively engaged in the debate to make the UK tobacco free and welcomed the UK Government's recent "Achieving Smoke-free 2030" initiative, particularly its recognition of vaping as "the most effective" tool for smoking cessation. We fully support the new policies adopted, including the proposed launch of a fully funded national 'swap to stop' scheme to provide vapes as a first-line quit aid in local stop smoking services, and are encouraged by the robust plans to penalise brands and manufacturers who actively target young vapers.

Our people remain one of the Company's most valuable assets. Internally, we responded rapidly to the emergence of the cost-of-living crisis, announcing in September 2022 permanent and out-of-cycle pay rises for all staff earning less than £30,000. 70% of the workforce qualified, with around 50% of staff receiving 10% pay rises. To finance this scheme and simultaneously keep our profit commitments to our shareholders, I sacrificed my salary for the second half of FY23. We have an excellent track record of retaining talent, and by supporting our employee base, particularly those most affected by the crisis, I am confident we can continue to be recognised as a great place to work.

We are proud of the attractive portfolio of great value products we have developed and look forward to continuing to supply an extensive customer base extending over the private and public sectors. The Board firmly believes that the Company can achieve its strategic aspirations as we aim to continue on our upward growth trajectory in FY24 and beyond.

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.

During FY23, we agreed a lease for a new warehouse and office site proximal to our existing facilities, further consolidating Manchester as the focal point of our business. Once activities commence from the hub, which is projected to occur in FY24, we will be able to increase the efficiency of our overarching integrated platform, streamline both storage and distribution and accommodate future bolt-on M&A.

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

- continue to explore and execute on complementary earnings-enhancing acquisitions;
- further leverage cross-sell opportunities to expand our customer footprint and average revenue per customer;
- continue to explore and develop new product verticals that complement 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;
- enhance online distribution and services to further grow our B2B and D2C sales channels; and
- expand our international footprint through existing customer relationships and strategic acquisitions.

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 non-recurring items

Chief Executive Officer's review
continued

Vaping
The Group's Vaping division delivered a record performance in FY23, underpinned by a combination of significant organic growth and the completion and integration of a number of earnings-enhancing acquisitions. The division nearly doubled revenues, generating £76.1 million (FY22: £43.6 million), an increase of 75% year-on-year, with incremental revenue from the acquisitions of Liberty Flights and Cuts Ice constituting 40% of the growth.

Our core 88vape brand delivered another outstanding performance and, as we continue to expand our product range and optimise our D2C online sales capabilities, we anticipate the brand's growth will accelerate in the medium to long term. Driven by retailer and consumer demand, and to complement our existing hero e-liquid ranges, Supreme launched a range of disposable vapes during FY23 which has generated almost £12 million in incremental revenue in its first year. Pleasingly, our contract with UK prisons also reported growth of 25% year-on-year following further competitive displacement and increased volumes.

Following a seamless process, the Liberty Flights and Cuts Ice businesses were integrated into the wider Group, which is testament to the hard work and commitment of the Supreme team and further supports our track record of successful M&A integration. In addition, we also completed the acquisition of Superdragon in March 2023, an experienced manufacturer of e-liquids. Collectively, the vaping acquisitions have significantly scaled the Group, providing Supreme with complementary owned brands, access to new customer bases and territories, wider manufacturing know-how and state-of-the-art technology. Most importantly, all the acquired vaping brands share Supreme's ethos: to support a tobacco-free UK by offering adults credible, affordable and safer alternatives for nicotine consumption.

Acquired as part of the Cuts Ice transaction, we announced the disposal of the intellectual property of T-Juice to an affiliate of leading French e-cigarette and e-liquids wholesaler, LVP, in March 2023. Supreme retains the exclusive manufacturing rights to T-Juice as part of this arrangement and expects to generate around £3 million in annualised revenue. In addition to the ongoing manufacturing revenue, the deal generated £4 million of cash for the Group on completion.

Supreme has consolidated its position as a market-leading manufacturer, distributor and brand owner in the vaping sector, and continues to explore additional opportunities to grow its market share in an ever-expanding industry boosted by increasing Government support.

Lighting
As previously reported, the Group's Lighting category experienced a challenging year of trading, with customer overstocking issues alongside well-documented global supply chain and transportation problems impacting numerous businesses in the industry, with a resulting 43% reduction in revenue to £15.4 million (FY22: £27.0 million). Encouragingly, Supreme has since stabilised the category, and the Company expects it to recover across FY24 and FY25.

The category has retained all its listings, whilst every existing customer relationship remains in-tact, facilitating the recovery process in the medium to long term. In addition, our largest retail customers have now provided us with access to their EPOS and stockholding data, previously prohibited, allowing us to measure stock levels and forecast demand more accurately. This initiative potentially de-risks this category going forward with the expectation that the FY23 setback was both temporary and very unlikely to reoccur without warning.

Commercially, the Group secured an extension to our existing licenses with Energizer and Eveready, which is now valid until 2030, as we proactively focused on strengthening existing license agreements with well-known global brands and retailers. A new licence agreement has also been agreed with Black & Decker, a trusted brand for retail customers seeking an alternative to their own label products, whilst the integration of Vendek has also presented significant commercial opportunities.

Looking ahead, Supreme is committed to building on the significant recovery progress made in the second half of the financial year and we anticipate the division will deliver an improved performance across FY24.

Sports Nutrition & Wellness
The Sports Nutrition & Wellness category delivered revenues of £16.7 million in FY23 (FY22: £15.9 million), which was a solid performance. During FY23, the Group unveiled a new-look Sci-MX, Supreme's principal powders brand. Relaunching the entire range has delivered strong sales momentum, whilst the Group also brought manufacturing in-house to increase profitability in the longer term and streamline the supply chain following the acquisition of the brand in FY22.

Protein powders represent approximately 70% of the segment's revenue and significant inflationary pressures impacting powders, particularly whey, have inevitably impacted the performance of the category. Supreme took a prudent approach to overcoming these macroeconomic headwinds by electing to support retailers through this price hike to protect long-term relationships and future trading aspirations in what is a fast-growing market.

Alongside investment in marketing and advertising initiatives, we launched exciting products across a number of our key brands, including new Battle Bites protein bars and other nutritional snacks.

Vitamins, which continue to operate from a low base, traded in line with expectations, and we continued to roll-out new vitamins pouches and supplements to expand our great value digital-only Sealions range.

As raw material price pressures ease, Supreme is focused on increasing manufacturing capacity for the category in FY24 and remains well-placed to capitalise on strong consumer demand for a diverse range of sports nutrition and wellness products.

Batteries
The Batteries category delivered another year of solid profitable growth, generating revenue of £39.5 million in FY23 (FY22: £34.9 million), 13% growth. Batteries remain a sticky consumer product which, for several retailers, are essential items on their stocklists. Consequently, Supreme has been able to establish long-term customer relationships through this channel, generating opportunities to cross-sell additional products from our portfolio. This highlights not only the integral role the division plays in Supreme's overarching growth strategy, but also the effectiveness of the Group's vertically integrated platform in attracting customers across multiple verticals.

The backbone of the business and requiring minimal costs to serve, Supreme is focused on enhancing its battery distribution functions and bolstering existing relationships with retailers to generate increased revenues from the category.

Outlook
Supreme remains a highly cash-generative business, underpinned by a trusted vertically integrated platform that facilitates new business momentum and ensures products efficiently reach end markets. Continued investment in both our people and facilities demonstrates our commitment to our long-term growth plans, and we look ahead with confidence as we strive to deliver on our strategic priorities.

Looking at FY24, the Group expects to maintain its strong growth trajectory, delivering another strong year of profitable growth across all product categories. We have seen a very strong start to FY24 with all areas of the business performing very well.

In addition, I am delighted to have recently been appointed as master distributor for Elfbar and Lost Mary, two of the UK's biggest vaping brands. This appointment recognises our unrivalled and scaled UK distribution capabilities as well as our expertise in the vaping sector, particularly with reference to governance and compliance.

Accelerated trading in the core business combined with this vaping distribution opportunity means that we expect trading for the year ended 31 March 2024 to be significantly ahead of previous market expectations.[2]

Sandy Chadha
Chief Executive Officer

4 July 2023

2. Company compiled analyst consensus for the year ending 31 March 2024 prior to the release of this announcement and the vaping distribution opportunity announcement (dated 5 July 2023) was revenue of £159 million and Adjusted EBITDA1 of £22.6 million.

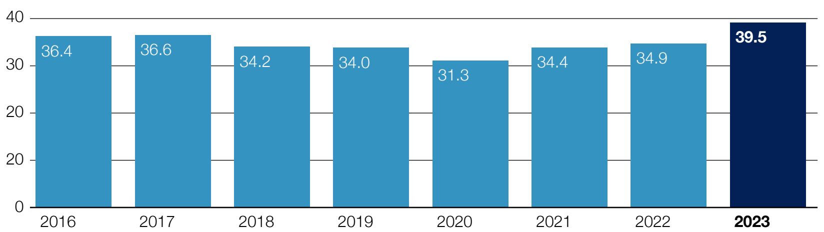
Batteries

£39.5m	+13%	10%	25%
revenues	revenue	gross profit margin	of group revenue

Stable core product set

- Best year ever in Supreme's 35-year history
- The bedrock of the business and the "door-opener"
- Another year of solid profitable growth – 13% growth in revenue
- £3.9m of gross profit with minimal overheads to service

Revenue £m







Lighting

£15.4m
revenue

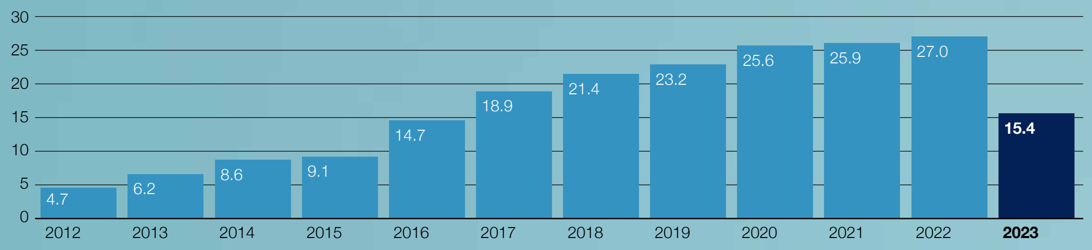
27%
gross profit margin

10%
of group revenue

Recovery underway

- Revenue fell by 43%
- Retailer overstocking and temporary slowdown in consumer spending
- BUT all customer relationships and listings retained
- New licence agreements signed & others extended until 2030
- Recovery expected across FY24 and FY25

Revenue £m



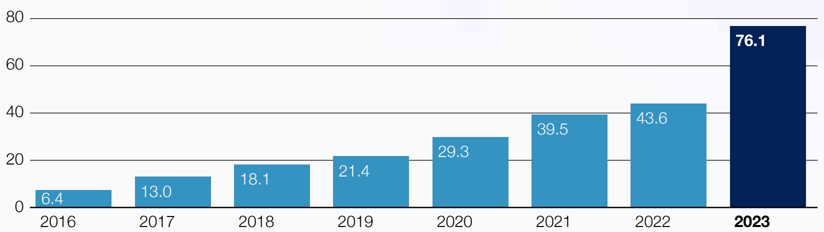
Vaping

£76.1m	>1.3m	75%	49%
revenue	regular users of 88vape	sales growth	of group revenue

Outstanding performance

- Record performance driven by:
  - 3 acquisitions
  - NPD (disposables launched in FY23)
  - prison contract (25% growth)
  - general market growth
- Ongoing government support despite increased media scrutiny
- Elfbar distribution in FY24 will complement the existing category into grocery retail

Revenue £m



LIBERTY FLIGHTS

88vape.

TJUICE

zillion

ELFBAR

Health and wellness

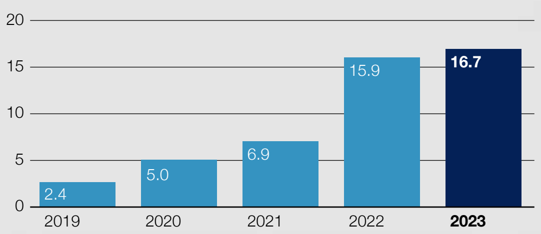
11%
of group revenue

£16.7m
revenue

Gaining market share

- £0 to £16.7m since FY19
- In-house UK manufacturing
- 5% growth in revenue against a back drop of unprecedented inflation (2-3 x price increase)
- Launched new-look Sci-MX and transferred all manufacturing in-house
- Bouyant private label business alongside power brands
- Continued focus on NPD across powders and snacking
- M&A under constant review to supplement organic growth

Revenue £m



Case study:
M&A continues to be a key component of Supreme's growth strategy

During the year, Supreme acquired Liberty Flights, Cuts Ice and Superdragon, adding three complementary and well-known brands to the Supreme portfolio, bringing new customers and adding further scale to in-house vaping manufacturing.

LIBERTY FLIGHTS

Liberty Flights is a leading UK vaping manufacturer, best known for their Liberty Flights premium vaping brand and their market-leading Dot Pro device. Supreme acquired 100% of the share capital in June 2022.

Acquisition rationale:
The deal provided Supreme with access to:

- a premium brand to complement its own discount offering;
- a well-established, reputable closed system vaping device to broaden Supreme's product and technology portfolio; and
- access to UK convenience retail, Liberty Flights principal customer segment

TJUICE

Cuts Ice was a vape manufacturer and owner of the T-Juice brand, a brand with a scaled and loyal following, particularly in mainland Europe. Cuts Ice also had a noteworthy base of contract-manufacturing customers and had even begun to develop and manufacture its own flavours, an element of vertical integration Supreme had not previously explored. Following the loss of one of its biggest private label customers in 2021, the business went into administration in August 2022 and Supreme acquired its assets shortly thereafter.

Acquisition rationale:

- Complementary brand T-Juice with significant brand recognition across Europe;
- Access to flavour development and manufacturing know-how;
- Manufacturing synergies via consolidation at Supreme's principal facility in Manchester; and
- Operating synergies by integrating the brand into Supreme's platform of shared resource

The T-Juice brand was disposed of in March 2023 for £4.0 million upfront cash consideration. Supreme had paid £1.2 million for the brand just seven months earlier.

eCig®

Superdragon was a vape manufacturer and owner of the brand E-Cig that generated sales of around £2 million annually via its distribution to Home Bargains and through its consumer website vapingdirect.com. The owner / founder was looking for an exit and Supreme was confident that by integrating their operations into Supreme's manufacturing and via the customer servicing synergies, the business could become immediately more profitable under the Group's ownership.

Acquisition rationale:

- Owning the e-Cig brand would reinforce Supreme's position as THE discount e-liquid brand;
- Manufacturing synergies via consolidation at Supreme's principal facility in Manchester; and
- Operating synergies by integrating the brand into Supreme's platform of shared resource

Our extremely talented team continue to identify, execute and integrate complementary, well-priced, immediately earnings-enhancing brands into the Supreme platform, ensuring this does not detract from or dilute our core business offering.

We remain focused on exploring further M&A opportunities to extend our manufacturing and distribution capabilities and to re-balance our portfolio to retain a diverse offering of great value, high-quality products.

Our M&A capabilities are a clear marker of the exceptional talent we have in our business.

Speed of execution

The talented and experienced Deal Team, comprised of warehousing, IT, HR, sales support, in-house legal and finance and led directly by the CEO, has a proven track record of identifying complementary targets, executing deals cost-effectively and at low multiples and then seamlessly integrating the businesses with minimal disruption to either the target or the core Supreme business.

For Cuts Ice, within 12 weeks, Supreme had exited its two operating facilities in the South of England, rationalised the SKU range from over 3,000 to less than 300, eliminated more than 90% of its overhead base and consolidated manufacturing into Supreme's facility. The same process was conducted for Superdragon in five working days, where all overheads were eliminated.

For Liberty Flights, integration activities focussed on consolidating purchasing synergies and supporting local management to move Far East manufacturing onshore in the UK. Collaborative efforts across the Liberty and Supreme management team led to the launch of its own disposable vape range shortly after the acquisition was completed.

M&A provides Supreme with the opportunity to scale quickly, to benefit further from economies of scale and to make even better use of its centralised platforms of talented people and tightly-controlled assets.

Our investment criteria are as follows:

- Products must be fast-moving consumer staples
- Must own their own brands that are well-known and complementary to Supreme's portfolio
- Could be manufactured by Supreme
- Wider business operations can be integrated into Supreme's centralised platform

Chief Finance Officer's review

Suzanne Smith
Chief Finance Officer

"Overall, the Group delivered a robust financial performance; revenue increased, the balance sheet strengthened and the Group's cash reserves grew. In addition to a pleasing performance from our core business, we completed and integrated two earnings-enhancing acquisitions with a third acquisition completed on the final day of the financial year."

I am pleased to present these financial results for the year ended 31 March 2023. Overall, the Group delivered a robust financial performance; revenue increased, the balance sheet strengthened and the Group's cash reserves grew. In addition to a pleasing performance from our core business, we completed and integrated two earnings-enhancing acquisitions with a third acquisition completed on the final day of the financial year. The table below summarises the key financial measures and the comparisons to the 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 non-recurring items referred to in Note 7 to the Financial Statements. In addition, this review also references 'net debt' which is defined as closing cash, as reported on the balance sheet, net of borrowings, as defined in Note 20.

	FY23 £m	FY22 £m	% change
Revenue	155.6	130.8	+19%
Gross profit	40.9	38.5	+6%
Gross profit %	26%	29%	11%
Adjusted EBITDA[1]	19.4	21.1	-8%
Adjusted items	(0.8)	(1.1)	+25%
Profit before taxation	14.4	16.3	11%
Adjusted profit before tax[2]	15.2	17.4	-13%
EPS	10.3	11.8p	-13%
Adjusted EPS[3]	11.8	12.8p	-8%
Operating cash flow	19.3	11.8	+64%
Net assets	40.0	32.3	+24%
Net debt	11.8	4.0	-195%
Adjusted net debt /(cash)[4]	(3.2)	1.9	

Revenue
Revenue for FY23 was £155.6 million (FY22: £130.8 million), an increase of 19%, the drivers for which have been presented in the divisional summaries below. 52% of the growth, £12.8 million, came from acquisitions whilst the remainder of the growth, £12.0 million, came from the core business. Furthermore, this core business growth of £12.0 million was the net effect of a reduction in Lighting revenue of £11.6 million combined with revenue growth across the remainder of the core business of £23.6 million.

Revenue by division
Revenue for Batteries was £39.5 million in FY23 (FY22: £34.9 million), growth of 13%, arising from a combination of increased volume and price. This increased volume, at a time of overall market decline, was especially pleasing and highlights the strength of Supreme's offering as well as the resilience of its customers. This category grew significantly during COVID and was initially expected to reverse, which makes the continued growth a particularly pleasing result.

Revenue for Lighting was £15.4 million (FY22: £27.0 million), a fall of 43% in what has been a challenging year, and the first year of revenue contraction since the category commenced trading over 15 years ago. This reduction was driven from a slowdown in consumer spending and retailer overstocking in FY22. Importantly, we have retained all customers and retail listings and we are confident that our collaborative approach with customers during this period has cemented our longer-term relationships with these retailers. The category is expected to recover across FY24 and FY25.

Revenue for Vaping was £76.1 million (FY22: £43.6 million), growth of 75%. £12.8m (40% of the growth) came from the acquisitions of Liberty Flights and Cuts Ice and a third acquisition, Superdragon, was completed on the final day of FY23 and has already added to FY24 earnings. Aside from acquisitions, the category reported organic growth of £19.7 million, arising from the launch of a range of disposable vapes as well as strong growth in Supreme's contract with UK prisons following competitive displacement and increased volumes. Importantly, the revenue from the launch of disposable vapes has not had any impact on the sale of the 10ml eliquid product, the category's hero product, which has continued to gain market share.

Revenue for Sports Nutrition & Wellness was £16.7 million (FY22: £15.9 million), growth of 5%, in a period characterised by record levels of raw material inflation. The reduction in gross profit as a percentage of sales from 22% in FY22 to 16% in FY23 arose because Supreme chose to absorb some of this price inflation into its own margin, temporarily, in the spirit of fair, honest, low pricing. Whey prices have now started to fall and the gross profit percentage is expected to recover accordingly in FY24.

Revenue from its various 'Other' channels came to £7.8 million (FY22: £9.4 million), a direct result of the rationalisation of the category to redeploy working capital, resource and warehouse space to more higher margin areas of the business.

Gross profit
Gross profit for FY23 was £40.9 million (FY22: £38.5 million), growth of 6%. As a percentage of revenue, gross profit was 26% (FY22: 29%). This reduction of 3% was largely a result of sales mix within categories. In Vaping in particular this was driven by the increased focus on hardware sourced from the Far East in the form of disposable and pod vapes and in Lighting this was due to the sharp reduction in lighting sourced from the Far East and shipped direct to customers in the UK and Europe. Gross profit was also affected by the inflationary price pressures that arose in Sports Nutrition & Wellness and the temporarily lower margins arising from the acquisitions before their operations were integrated into the Supreme platform.

Adjusted EBITDA[1]
Administrative expenses, excluding depreciation (£2.2 million), amortisation (£0.9 million) and Adjusted items within administrative expenses (£3.6 million) were £21.5 million (FY22: £17.5 million), an increase of £4.0 million.

The largest contributor to this increase was the incremental overheads associated with Liberty Flights (£2.8 million), which was earnings-accretive at an EBITDA level. Secondly, selling costs (that typically increase in line with sales) contributed £0.6 million to the increase. The balance arose from inflationary increases largely in transport, utilities and people costs via the out-of-cycle pay-rise announced in September in response to the cost of living crisis.

As a result, Adjusted EBITDA[1] decreased by £1.7 million (8%) in the year to £19.4 million (FY22: £21.1 million).

Chief Finance Officer's review
continued

Adjusted Items
Adjusted Items were £0.8 million compared to £1.1 million the year before. These costs related to a share-based payment charge of £1.5 million (FY22: £1.7 million), £1.1 million charge in relation to fair value movements on financial derivatives (FY22: £1.0 million credit) and £1.0 million of non-recurring items relating to the acquisitions and subsequent integrations of the business acquired during the year, offset by a credit of £2.8 million relating to the profit on disposal of the T-Juice brand. The £1.0 million of acquisition and integrations costs arose principally from the termination of all Cuts Ice staff (£0.6 million) and the closure costs relating to the two Cuts Ice London-based operating sites (£0.2 million), offset by a credit of £0.3 million in respect of accrued but unpaid contingent consideration in respect of the acquisition of Vendek that completed in FY21.

The Board believes that by adjusting these items from profitability, it is able to understand the underlying performance of the business more clearly and further information pertaining to these items can be found in Note 7 to these financial statements.

Finance costs
Finance costs were £1.0 million in the year (FY22: £0.7 million), split between interest arising from borrowings in the year of £0.8 million plus the interest relating to the lease liabilities under IFRS16 (£0.2 million).

Taxation
Total tax charge in the year was £2.5 million (FY22: £2.6 million), giving rise to an effective tax rate of 17% (FY22: 16%).

Profit after tax and Earnings per share
Profit after tax was £12.0 million compared to £13.7 million in FY22, a reduction of £1.7 million. As a result, earnings per share decreased by 13% to 10.3p (FY22: 11.8p) and on a fully diluted basis decreased from 11.4p to 9.7p.

On an adjusted profit after tax basis, which we consider to be a better measure of performance, adjusted earnings (as calculated in note 11) were £13.8 million (FY22: £15.0 million) and adjusted earnings per share[3] was 11.8p (FY22: 12.8p).

Dividends
The Group's dividend policy is to pay an annual amount equivalent to around 25% of net profit. In January 2023 the Group paid an interim dividend of 0.8p per share and the Directors will recommend a final dividend of 2.2p per share at the 2023 Annual General Meeting to be held on the 26 September 2023. This will be paid on 29 September 2023 to shareholders on the register at the close of business on 1 September 2023. The ex-dividend date will be 31 August 2023.

Cash flow

	FY23 £m	FY22 £m
Adjusted EBITDA[1]	19.4	21.1
Movement in working capital	2.6	(4.8)
Tax paid	(1.7)	(4.2)
Cash-impacting adjusted items:	(1.0)	(0.4)
Operating cash flow	19.3	11.7
Debt servicing/raising/repaying	(2.1)	(8.4)
Lease payments	(1.0)	(1.0)
Capex (including M&A)	(11.6)	(3.8)
Proceeds from sale of assets	4.0	0.4
Dividends net of share issues	(5.1)	(2.5)
Net cash flow	3.5	(3.6)

The Group generated £19.3 million of operating cash in FY23, nearly doubling the level of operating cash generated in FY22; the result of a tightly managed base of working capital.

Specifically in reference to the acquisitions, £7.5 million related to the acquisition of Liberty Flights (with a further £2.0 million of deferred consideration payable in FY24 plus further consideration contingent on performance, expected to be £2.2 million) and £2.6 million related to the acquisition of Cuts Ice. The T-Juice brand (acquired as part of the Cuts Ice acquisition and valued at £1.2 million at the time) was then disposed of 7 months later for £4.0 million, resulting in a profit on disposal of £2.8 million.

In respect of financing, on 31 March 2022 the Group committed to a £25 million revolving credit facility ("RCF") with HSBC. Initially, the facility was used to settle existing bank and related party borrowings and then was subsequently used to finance acquisitions. At its peak, the Group had drawn £18.4 million against the facility. In the second half of the year much of this was repaid with cash generated from trading activities and at year end the balance on the facility was £4.3 million drawn with the remainder unutilised. In addition, the Group also had access to an £8.5 million working capital facility which was also entirely undrawn at year end. Together with reported cash of £7.5 million (FY22: £3.9 million) and deferred and contingent consideration of £4.1 million, the Group's Adjusted net cash[4] position was £3.2 million (FY22: £1.9 million Adjusted net debt[4]). The IFRS16 lease liability increased from £2.2 million to £15.0 million during the year, wholly in relation to the 15 year lease signed for 'Ark', the facility that will become the Group's principal storage and distribution centre in FY24.

Across the RCF and the working capital facility, there was £30 million of undrawn borrowings facilities on 31 March 2023; providing significant liquidity to finance M&A or organic growth in the form of working capital in the future.

Net Debt

	FY23 £m	FY22 £m	H1 FY23 £m
Cash	(7.5)	(3.9)	(5.4)
Bank borrowings	4.3	4.0	18.3
Amounts owed to related parties	–	1.8	–
Adjusted net debt/(cash)[4]	(3.2)	1.9	12.9
IFRS16 lease liability	15.0	2.1	1.7
Total net debt	11.8	4.0	14.6

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 7 to these financial statements.

Suzanne Smith
Chief Finance Officer

4 July 2023

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 non-recurring items
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 non-recurring items
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 non-recurring items.
4. Adjusted net debt means net debt as defined in Note 29 to these financial statements excluding the impact of IFRS16.

Our approach to ESG

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. We spent much of FY22 formalising and reporting our efforts across our ESG agenda. Our teams reacted very positively to a number of internal initiatives and in FY23 we further expanded on this strong foundation. Supreme is blessed with employees who are passionate about sustainability and social responsibility and our people have supported all of the Group’s efforts in these fields.

Supreme manages its ESG operations via various sub-committees; the Sustainability Committee, the Energy Steering Team, the Workers’ Committee and the ESG Forum, all of which are closely managed and supported by our Head of HR and Chief Finance Officer.

In this ESG round-up, we will outline our overarching priorities during FY23 and articulate the key highlights from across the year. With regards to sustainability, our efforts focused on energy; knowing that the cost of energy was increasing, we sought to reduce our overall energy consumption whilst considering greener sources. We also continued to focus on smaller-scale quick wins with regards to packaging and logistics. In terms of our people, we completed our Employee Journey Initiative, a project initiated in FY22 that aimed to ‘improve how we recruit, induct, reward and engage with our people’. And in terms of our local community, we worked harder than ever to ‘give back’ and support those less fortunate. Much of our ESG agenda in FY23 has been shaped by our incredible people at Supreme. We continue to recognise that talent is one of our greatest assets, ensuring we place high value on our people, and we know that listening, consulting and communicating with our teams is critical to maintaining a dedicated, energised and motivated workforce.

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 and our wider community. Supreme aims to be a place where people can thrive, progress, be heard, be valued and be proud to work at.

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 to the UN Sustainable Development Goals
Supreme continues to work hard to ensure that ESG is at the heart of everything we do. We continue to use our corporate values and the UN 17 Sustainable Development Goals (“SDG”) as our guide to formulating a longer term strategic plan for ESG and these had been re-visited and added to in FY23.

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. We are focused on the following goals:

SUSTAINABLE DEVELOPMENT GOALS

Affordable & clean energy	Focusing on the source and cost of the energy we consume in our operations has been a key strategic focus in FY23.	7 AFFORDABLE AND CLEAN ENERGY
Climate action	Supreme is committed to making a proactive contribution to combat climate change and will encourage others within its network to do the same.	13 CLIMATE ACTION
Responsible consumption & production	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.	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Reduced inequalities	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.	10 REDUCED INEQUALITIES
No poverty	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.	1 NO POVERTY
Good health & wellbeing	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 4.3 million vapers in the UK and, according to public health charity Action on Smoking & Health (“ASH”), over 92% 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.	3 GOOD HEALTH AND WELL-BEING
Gender equality	We recognise that ensuring we have appropriate male : female representation across our entire business is key to fairly retaining a balanced workforce.	5 GENDER EQUALITY
Quality education	Supreme has a passion for nurturing talent within its organisation and providing its people with the tools and opportunities to progress professionally within the company.	4 QUALITY EDUCATION

We look after our people

Supreme aims to be a place where people can thrive, progress, be heard, be valued and be proud to work at

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.

In FY23 we continued to work on our Employee Journey Initiative; a project to improve the way we recruit, induct, reward and engage with our teams. The following changes were made as a result:

Recruit & induct
18 months ago, around 30% of our staff in manufacturing and warehousing were temporary / agency personnel. Supreme had historically relied on agency staff during seasonal peaks in demand but began to rely on agency staff more heavily during the COVID pandemic as the business quickly grew and to cover any core staff absences. It was believed that the process to recruit permanent members of staff took too long as there was no dedicated resource within the business responsible for recruitment. Gaps in direct labour also caused immediate detrimental impacts to output, so the business continued to rely on temporary staff long after the pandemic had subsided.

In FY23, the business phased out its reliance on agency staff by recruiting a dedicated Recruitment Manager and investing in our 'people marketing'. For the last nine months, there have been no more than a handful of agency workers on site (hired on short term contracts to cover known gaps where permanent recruitment is delayed). Agency personnel are now fully screened and inducted before they begin, to ensure we recruit the right calibre of staff. Our comprehensive and two-way recruitment process to attract, recruit and induct the highest quality people into our business has led to a marked improvement in employee absenteeism and whilst we cannot formally connect the higher rates of manufacturing output solely to this shift in policy, it is certainly a contributing factor.

Reward
To ensure our reward scheme remains competitive and fair, we undertook a full review of our pay and benefits package in FY23 and are pleased to report the following changes:

- Increase in holiday entitlement from 20 to 22, increasing to 24 after 2 years' service
- Your birthday as an additional days' leave (on top of the increase outlined above)
- 'Flexi-hols' allowing our people to carry unused holidays over to the next year (previously this was on a "use or lose" basis)
- Life insurance for all members of staff
- Cycle to work scheme made available to all staff
- Membership to the Help at Hand service for all staff, a health & wellbeing service providing remote GP appointments, mental health support, physiotherapy and medical second opinions
- Costco membership for all staff
- Summer respite initiatives – early-finish Fridays, ice-cream van on site

Our most notable change, however, came in September when we made a surprise announcement to staff that we would be immediately initiating pay increases for all staff earning up to £30,000 by up to 10% in response to the cost-of-living crisis. As a responsible employer, we were fully aware of the pressure our people were under given the rising costs of energy, transport and food, particularly our lower paid staff, and we knew we had to support them. Balancing the commitment we had already made to our shareholders in respect of the forecasted profit we were expected to generate, our CEO voluntarily sacrificed his entire salary for the remainder of the year in a bid to offset some of the cost of this investment. Sandy's generosity spoke exactly to the kind of culture we are building at Supreme; a culture where we recognise that talent is one of the Group's greatest assets and we continue to place high value on it.

Engage
At the end of FY22, we launched Yapster, our mobile employee communication application (Supreme's own Facebook). Yapster has provided Supreme with direct, real-time two-way communication with every single member of staff regardless of their role or location. By using an application like Yapster, we can ensure that staff who work unsociable hours or who do not have regular access to a PC as part of their role are not overlooked. Interestingly, much of our ESG agenda has been easier to achieve with Yapster now in place; agreeing which charities to support, advertising upcoming charitable endeavours, announcing new employee benefits, inviting feedback on environmental matters etc have all been facilitated through Yapster. We are confident that Yapster has helped to created a more informed and engaged workforce.

In FY23 we have encouraged regular, formal engagement and communication across the senior management team to help foster collaboration and ensure everyone is aligned to the strategic direction and aware of progress.

Finally, in FY23 we hosted our first Supreme staff summer party. Attended by staff from all departments and locations, we congregated at our principal site in Trafford Park where our outdoor space was transformed into an inclusive, relaxed atmosphere filled with party games, music and delicious food. It provided everyone with the opportunity to socialise with colleagues they had never met in person before and helped to accelerate the integration of our colleagues from newly acquired businesses.

Gender reporting
Promoting a diverse and inclusive culture includes having a management team that is balanced and representative of cultures and genders across the business. We are committed to increasing the female representation at Supreme at a managerial level and are delighted to report the improvement.

Median salary by gender	FY23	FY22
Total employee median	25,000	21,008
Male median	25,168	21,500
Female median	22,194	20,000
Difference	2,974	1,500
Gender pay gap %	13%	8%

Employees at 31 March 2023	Male	Female	FY23 Male	FY23 Female	FY22 Male	FY22 Female
Total employees	216	138	61%	39%	57%	43%
Quartile 1: <£22k (FY22: <£19k)	40	49	45%	55%	45%	55%
Quartile 2: £22k–£25k (FY22: £19k – £22k)	47	41	53%	47%	54%	46%
Quartile 3: £25k–£33k (FY22: £21k – £28k)	61	28	69%	31%	50%	50%
Quartile 4: £33k+ (FY22: £28k+)	68	20	77%	23%	73%	27%
Those holding management roles	32	16	67%	33%	73%	27%

▼ Our 4 warehouse operations managers have almost 80 years' service between them

▼ Like many others in our business, most of our sales support function began their Supreme careers in warehousing and progressed through the business

▼ Dan Greenwood, our recruitment and onboarding manager; a critical hire in our Employee Journey initiative

▼ Our inaugural summer party, an opportunity for Supreme to say thank you to its most important asset

▼ Having started in the warehouse picking orders, Elliott Schofield has subsequently progressed through finance, sales and most recently manufacturing operations. Today he manages Wellness manufacturing at our facility in Manchester and embodies our company value 'attitude is everything'

We look after our environment

As a manufacturer, distributor and brand owner, Supreme is mindful of the environmental impact of our operations and remains committed to utilising modern technology and state-of-the-art equipment across our sites to ensure products are developed efficiently and with minimal carbon emissions. We continue to explore opportunities to bring the manufacture of products in-house and onshore, a long-term strategic priority for the Group.

Batteries

"We continue to provide efficient, affordable, domestic batteries with understandable and easy-access means to recycle to the mass market"

As the largest battery distributor in the UK, we continue to be committed to promoting the increased recycling of used batteries nationwide and we continue to proactively lobby manufacturers and retailers alike to increase their recycling responsibilities. We continue to work closely with Valpak, the UK's largest environmental compliance scheme, and to whom we contributed £1.2 million during the period in relation to the Waste Electrical and Electronic Equipment ("WEEE") recycling scheme.

Energy efficiency

A key initiative in FY23 has been to review our energy sourcing and consumption patterns and habits to identify any savings that could be made to save energy (and therefore money). The findings of the review were extraordinary, and we expect the changes we have made to our operations following this review (largely in relation to our evening and weekend shut-down procedures) will generate savings of around 15% of energy usage compared to the previous year.

When renewing our energy supply agreements in FY23, we have endeavoured to switch to renewable sources and we expect to source 90% of our energy from renewable sources by 2025.

Furthermore, we ran a tender process in respect of solar panels for our new manufacturing site at Trafford Park. We expect the panels to be installed by Autumn 2024 and that we will utilise around 70% of the power generated by the 1,100 panels across the course of the year with the surplus being sold back to the grid. The £0.5 million investment is expected to be paid back within three years.

Lighting

"The temporary slowdown in sales within Lighting has delayed our single use plastic phase-out but it remains a key objective"

During FY23, we continued to work towards our goal to replace all plastic packaging by the end of FY24 by rolling out the initiative to all our brands and subsidiaries during the year. The unexpected slowdown in sales, combined with inflationary pressures, has inevitably made this more challenging, but we remain focused on the original objective and with a greater focus on costs from the end consumer, the benefits are multi-faceted.

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. In FY23, we hired a dedicated global purchasing manager and part of his role was to initially consolidate all quality and social auditing from our entire supply chain to identify gaps and achieve consistency.

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

Health and wellness

"We continue to phase out plastic tubs where possible"

We successfully relaunched our Sports Nutrition & Wellness brand Sci-MX in FY23, with most of the range of protein powders now packaged in 100% recyclable pouches. Supreme has made a concerted effort to 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.

Vaping

"Our Vaping ethos is to support a tobacco-free UK by offering adults credible, affordable and safer alternatives for nicotine consumption"

After removing all virgin plastic from our outer-packaging in FY21 and then starting to replace the 10ml plastic bottles in FY22 with 100% recycled plastic in our core 88vape brand, in FY23 our attention then turned to our wider brand portfolio where we are substituting plastic for more sustainable alternatives.

More generally, in manufacturing we have focused on energy consumption in our facilities – simple steps to ensure machines are only switched on when being used and that machines requiring heat or hot water are heated to only the required temperature (no excess). We have also reviewed our supply chain to balance lead times and stock holding with the frequency of deliveries in a bid to reduce the traffic to our sites.

We look after our local community

In FY22 our charitable endeavours were very positively received by our local community and were actively supported by our incredibly kind and generous workforce. Therefore, in response, we stepped up our efforts even further in FY23 and continued to support, engage with and positively contribute to the local communities within which we operate.

Via our consumer website check-outs, we continued to support charities by inviting voluntary charitable donations from all consumers as they pay for their goods. This year, the online team chose to support Rain Rescue, an animal welfare charity based in the northwest that promotes responsible pet ownership.

In FY23, we invited our teams to participate in our 'Supremely Charitable' days; an opportunity for people to dedicate their time during core working hours to local charities when they need it most. Some of our manufacturing staff spent the day at The Bread & Butter Thing, assisting with receiving, sorting and dispatching donations as well as general cleaning and tidying. Elsewhere, many of our team volunteered at the Toy Appeal to contribute to the packing and wrapping of Christmas presents to be sent to some of the North West's most under-privileged children.

During the year, we hosted bake sales and lunches to raise money and awareness for our nominated charities and we continue to support local foodbanks with monthly collections. Stretford Foodbank is a local foodbank that many of our staff are familiar with and were keen to support. Despite their own financial pressures during this intense cost of living crisis, our staff continue to show overwhelming levels of generosity and selflessness.

In July, some of our budding footballers took to the pitch to compete in Battle of the Brands in support of local charities and we also continued to support St Lawrence's GAA ladies football team.

Following the hugely successful appeal for toys and children's gifts last year, our team chose to support the Toy Appeal again this year, not only collecting donations but also volunteering at their centre to assist with packing and dispatching gifts all across the North West. And if that wasn't enough, staff also supported the Trafford Leaving-Care Services Trust, donating Christmas gifts to young people in Trafford aged between 18-25 that have grown up in care, away from their biological families.

And on 23 December 2022, staff chose to swap their annual Domino's Pizza Christmas lunch to instead support HM Pasties, a charity that was set up to employ ex-offenders to make and sell handmade Cornish pasties.

In May 2023, representatives from across the Group embarked on a climb of Mount Snowdon. The expedition was a huge success and an important milestone in the Company's charitable endeavours. As well as the important funding raised for The Bread & Butter Thing, the day was an opportunity for staff to socialise and network with colleagues from other parts of the business. The team are already thinking of ways to beat this effort in FY24.

Via our ESG Committee, the charities are nominated by staff and supported through various initiatives across the course of the financial year. Charities chosen are usually local and / or close to the hearts of our people and their families.

Undoubtedly, our charitable efforts have created a greater sense of community across our workforce and have even helped to inspire people to return to the office following the pandemic.

▼ Our Snowdon charity climb May 23 in aid of The Bread & Butter Thing

▲ Other charitable endeavours during FY23

▼ Our team volunteering their time at a local charity

▼ Our ongoing efforts to support our local food banks

▼ One of our charitable bake sales. This time in aid of Manchester & Salford Samaritans

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 have 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. Whilst the current economic climate and global geo-political landscape dictates that the risk is still being treated as elevated, the cost of whey protein, a key raw material for the Group's Sports Nutrition product range, has stabilised significantly since the prior financial year, resulting in a reduced overall risk and impact rating.

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: **9**

2. 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 this strategy for manufacture of lighting and batteries under license. 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: **6**

3. COVID-19

Risk & potential impact: After an additional financial year without any resurgence of COVID-19, we expect that the commercial and operational impacts of COVID-19 are largely behind us. However, during FY23 the matter and associated risks (both in terms of impact & likelihood) remained under close review by management, including the on-going situation in China (a key manufacturing hub for the Group). If 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. The Board will continue to monitor the risk closely.

Risk rating: **5**

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.

Mitigating factors: 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 and Supreme has an excellent track record of retaining customers in the long term by maintaining the lowest pricing in the market for branded consumer staples. To mitigate any risk, Supreme continues to manage its largest customers with direct and dedicated sales support, tracks customer service levels via order fulfilment KPIs as well as direct input from our Chief Executive Officer where appropriate.

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 in place for all senior management including executive management. The Group has further invested in its Board and senior management during recent financial periods, which diversifies responsibilities and reduces the reliance on individuals. The Board acknowledge that Sandy Chadha, CEO, represents the most significant risk of all. The Board (and the Nominations Committee) addresses succession planning as a standing annual agenda item, to seek to ensure appropriate division of responsibilities and mitigation of key dependency risk.

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.

Supreme has also recently renewed its licence agreement with Energizer and Eveready for an initial period to 2030.

Risk rating: **2**

Principal risks and uncertainties
continued

Financial risks

1. Exchange rate risk
Risk & potential impact: Supreme 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. The stabilisation of the Pound following a period of UK political/economic turmoil in 2022 has seen the likelihood of the risk reduce compared to the prior financial year, although the Board is cognisant of the fact that short-term geo-political and economic issues can quickly change this, and continues to monitor and seek to mitigate the risk. The increased level of expenditure arising in the Far East means that this risk continues to be monitored and managed closely.

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 (Beacon Road) 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. The move to Ark in FY24 presents an opportunity for further consolidation of warehousing and distribution whilst simultaneously separating the warehousing from manufacturing (all warehousing will move to the new site whilst manufacturing will remain at Beacon Road). The move itself presents a separate risk in terms of operational disruption associated with the shut down and physical move.

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. In the forthcoming financial year, Supreme also expects to open a new 167,000 sq ft warehousing, distribution and office centre at a new site on Trafford Park. Warehousing and distribution will move to here from Beacon Road thus reducing the overall reliance on Beacon Road that, going forward, will serve only as a manufacturing hub for the Group. Supreme's sites (particularly its principal site at Trafford Park) are fully insured, physically secured, alarmed and have 24-hour security and monitoring with smoke and fire detection.

Risk rating: **15**

Regulatory 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. The environmental impact of disposable single-use vaping products (which have seen significant growth in 2022/23) and the risks of under-age vaping have recently drawn particular attention, with speculation that these may be areas of focus for new or increased regulation. 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, the Group remains alive to any upcoming changes or considered changes to regulation going on in the UK and across the world. The Board expects that there would be a sufficient notice period for any material changes to legislation, which would give the Group enough time to adapt accordingly. The Group's vaping product portfolio includes e-liquids, including its market-leading 88Vape product, making the Group well positioned to mitigate in the event of any restrictions on single-use vaping products.

The UK Department of Health and Social Care's programme, recently announced in April 2023, of new measures to help the government meet its ambition of being smokefree by 2030, appeared to reflect a continuation of the UK Government's support for vaping; the scheme included the provision of free vape starter kits to smokers.

Risk rating: **20**

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 Group 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 2023.

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 32 we have outlined how our Employee Journey initiative has progressed in FY23 which aims to improve how we recruit, induct, reward and engage with our staff. The launch of Yapster, the mobile employee communication application, continues to improve how we engage with our people, enabling real time, direct, interactive, 2-way communication with every single member of our staff across 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 32 and 33.

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 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 are 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 fairs 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 the Group's supply chain.

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 existing shareholders, Broker, Nomad, and sell-side analysts to take feedback and improve the channels of communication where possible. To expand our engagement and increase financial transparency with our retail investors we continued our partnership with Equity Development during the period. This means both existing and potential investors have access to analyst research free of charge and are invited to listen and participate in our 6 monthly trading update presentations.

How we engage

Our People
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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.

SUPREME PLC

Our Suppliers
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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.

Section 172 statement
continued

Principal decisions taken in the year

The decision to move premises
Driven by minimal growth and spare storage capacity at our principal distribution centre in Trafford Park, in FY22 management began a search to identify a suitable new premises for our warehousing and distribution operations.

The impact to ***our people*** was critical to deciding the shortlisted locations and whether or not there was any opportunity to consolidate other sites into the move. A move too far away from our existing principal site would have left a large number of people unable to continue their employment due to an unmanageable commute and the consolidation of sites would have led to redundancies. It was critical that the new site was in close proximity to the existing site with good public transport links to ensure we retained the majority of our workforce. Our warehousing teams in general report low levels of staff turnover and we boast excellent levels of service longevity. To lose the talent would have been determinantal to the business' operations. Ensuring that we fully considered their reaction to the new site (average commute time, availability of parking, staff welfare facilities onsite etc) was a critical step in the decision-making.

We also wanted to make a good impression on ***our customers*** when presenting our new site to them for the first time. We wanted to showcase a site we were proud of, a site that was clean, safe and modern, yet modest, that reflected our culture and was in keeping with our vision to provide the most cost-effective branded consumer staples on the market. We had similar thoughts when considering the impact of the decision on ***our investors***; in that we wanted to present a site big enough that would provide capacity for future growth whilst simultaneously presenting a good use of capital today.

We also had to consider the impact on ***our suppliers*** when choosing the right facility. The site had to have good links to the motorway network and adequate loading and unloading facilities to ensure swift turnaround for our suppliers or their carriers.

Ultimately, the Board concluded that Ark was the most appropriate facility. Ark is within very close proximity to the existing site and has great transport links. The site is a modest upgrade in terms of facilities and size compared to the previous site, providing room for growth and an opportunity to consolidate some operations. After careful consideration, the Board concluded that they had made the right decision in the best interests of its shareholders and wider stakeholders.

The decision to undertake an unplanned, widespread salary increase for the majority of our staff
Following a number of requests for pay-rises from long-serving, trusted members of staff in summer 2022 and an unusually high number of requests for overtime from others, it became evident that the cost-of-living crisis was starting to seriously affect the financial position of much of our workforce. Whilst we undertook "normal" scheduled pay-rises six months earlier, ensuring our salaries remained at a premium compared to the Living Wage at the time, we quickly decided to consider a second pay-rise process.

Immediately increasing pay would undoubtedly have been well-received by the staff who benefitted but we equally had to consider the impact on ***our people*** not affected. How do we decide the threshold? How big should the pay-rise be? Should all staff be eligible or only those with significant service? Will we have to repeat this if the cost of living situation worsens further?

Ultimately, the Board decided to announce an unplanned, out of cycle pay rise for all staff earning below £30,000 regardless of role of length of service. The Board concluded that the decision was in the best interest of all investors and wider stakeholders.

The decision to acquire Liberty Flights
100% of the share capital of Liberty Flights was acquired in June 2022 to gain access to the Liberty Flights brand, a well-established complementary brand to Supreme's 88vape, to gain access to the convenience retail market; and to provide an opportunity for purchasing and manufacturing synergies by combining the two businesses. News of the acquisition was welcomed by ***customers*** who were then able to browse and purchase the brand as part of the wider Supreme portfolio. The deal was supported by ***investors*** given the acquisition was earnings-enhancing and aligned to Supreme's M&A criteria. Finally, the decision was welcomed by ***our people*** who recognised that the acquisition represented further growth and opportunity for the Group.

The decision to acquire Cuts Ice
The trade and selected assets of Cuts Ice Limited and Flavour Core Limited were acquired in August 2022 in order to gain access to the T-Juice brand (in particular the Red Astaire product; a well-established complementary brand to Supreme's 88vape), to provide access to European customers (owing to the brand's European sales footprint), to acquire flavour and mixing expertise (a discipline not previously explored by Supreme) and to provide opportunity for manufacturing and operational synergies. The acquisition was supported by ***our suppliers*** who welcomed the additional manufacturing volumes expected to take place at our Manchester-based manufacturing facility as a result of the acquisition. The deal was supported by ***our investors*** and ***our people***, owing to the strong financial metrics that the acquisition provided. Furthermore, the acquisition brought the brand to Manchester; a move that was undoubtedly welcomed by ***our local community***.

The decision to acquire Superdragon
The trade and assets of Superdragon TCM Limited were acquired in March 2023. Aligned closely to the acquisition rationale of the previous two vaping acquisitions, the acquisition added a further well-known vaping brand to Supreme's portfolio and provided significant manufacturing synergies as well as the opportunity to rationalise the business' overhead base (no resources at Supreme are employed exclusively to this brand). Most significantly, the acquisition gave Supreme further share of the vaping expenditure of one of its key customers; Home Bargains. The acquisition was supported by the Board and well-received by ***investors*** owing to the fact it was immediately cash-generative and earnings-enhancing and the acquisition was supported by ***our people***, in recognition of the Group's growth and future potential.

The decision to dispose of the T-Juice brand
At the time of acquiring the T-Juice brand in August 2022, the longer-term plan was to retain all the assets associated with the acquisition. However, shortly after completing the transaction, an opportunity to dispose of the brand arose, which Supreme took seriously and considered all stakeholders potentially impacted.

Would any of ***our people*** lose their jobs as a result of the loss of a major brand? Would unexpectedly selling part of the business (an activity Supreme had not previously undertaken) send a misleading message to staff? The manufacturing partnership, signed as part of the sale, meant that all manufacturing, warehousing and purchasing were retained and the go-forward profitability for Supreme was largely unchanged. This meant that all jobs were protected. Following the announcement of the deal and using Yapster, the Board were able to directly and clearly share the rationale for disposing of the brand to staff.

An important consideration was the reaction of ***our investors*** – would the disposal look reckless or not aligned to our longer-term growth strategy? The Board concluded that the £4 million cash consideration on completion could be reinvested into the business to accelerate future growth. To further secure the support of our investors, the Board were available for meetings upon request in the days that followed the announcement of the disposal.

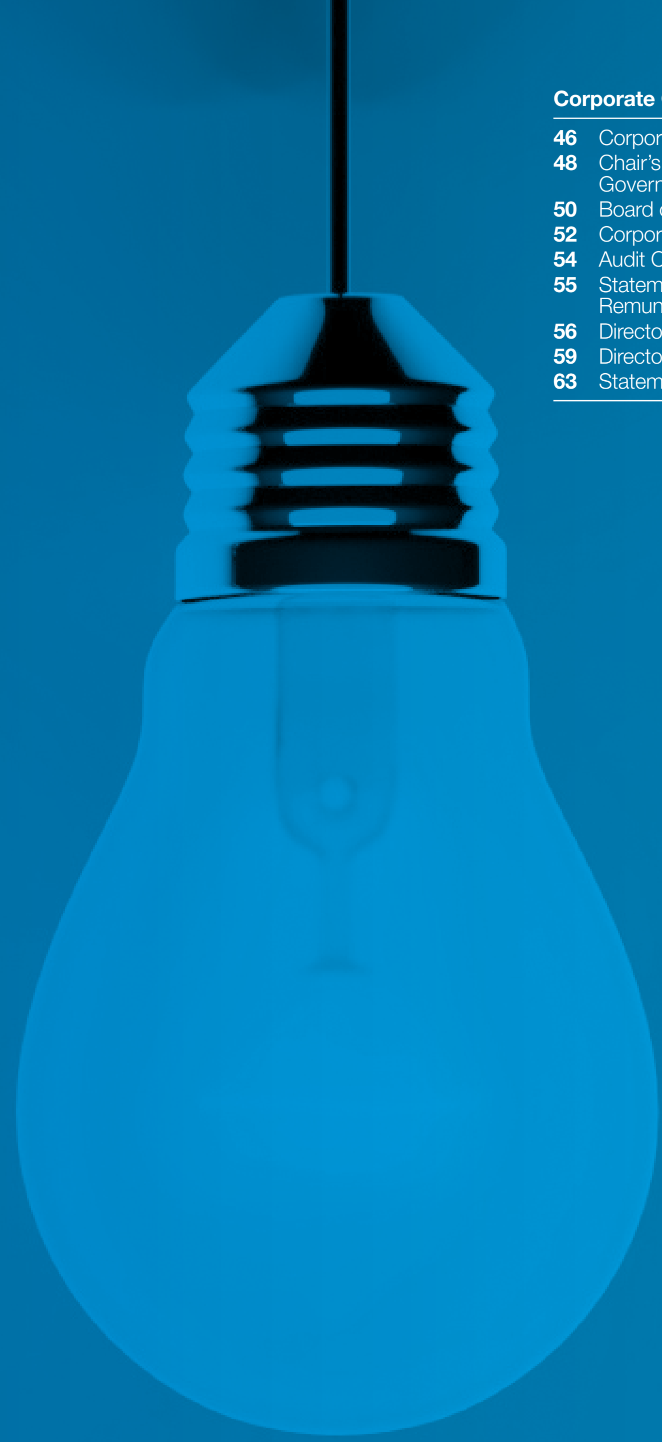
The Strategic Report, which includes the Chair's statement, the Chief Executive Officer's review, the business model and strategy, the Chief Finance Officer's review and principal risks and uncertainties, was approved by the Board and signed on its behalf by

Suzanne Smith
Chief Finance Officer

4 July 2023

Corporate Governance

Corporate Governance



Corporate Governance report

Chair's Introduction to Corporate Governance

Dear Shareholder,

I have pleasure in presenting Supreme Plc's Corporate Governance Statement for the year ended 31 March 2023. 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").

As Chair of the Board, I am responsible for implementing corporate governance at Supreme, working with the other members of the Board and the Company Secretary. I am also a member of each Board committee. I chair meetings of the Board and am responsible for ensuring appropriate focus on the Group's strategy, business model and delivery against strategic objectives.

Paul McDonald
Non-Executive Chair

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'). 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 52 to 53 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 50 to 51 of this report.

The Board, led by the Chair, 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 benefits 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 Chair, 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 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 page 54 and the report of the Remuneration Committee on pages 56 to 58.

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's 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.

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 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 fulfil their duties;
- long-term succession planning, and the need to identify and develop talent both within the Group and from the wider market; and
- 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 12 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. Additional meetings were scheduled as and when required to address issues specific matters arising, such as corporate acquisitions. 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 a 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 2023.

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

Director	Board	Audit Committee	Remuneration Committee	Nominations Committee
Paul McDonald	12 (12)	3 (3)	4 (4)	1 (1)
Simon Lord	11 (12)	3 (3)	4 (4)	1 (1)
Mark Cashmore	12 (12)	3 (3)	4 (4)	1 (1)
Sandy Chadha	12 (12)	n/a	n/a	n/a
Suzanne Smith	11 (12)	n/a	n/a	n/a

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 and included an assessment and review of the Board's performance, 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, and the identification of any applicable areas for improvement.

Development
The Company Secretary's responsibilities include ensuring that 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 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.

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

N Nominations Committee
A Audit Committee
R Remuneration Committee
* Indicates Chair

Paul McDonald
Non-Executive Chair

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:	12/12
Nominations Committee Meetings:	1/1
Audit Committee Meetings:	3/3
Remuneration Committee Meetings:	4/4

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 £155.6 million for Y/E 31st March 2023. 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:	12/12

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:	11/12

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:	12/12
Nominations Committee Meetings:	1/1
Audit Committee Meetings:	3/3
Remuneration Committee Meetings:	4/4

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:	11/12
Nominations Committee Meetings:	1/1
Audit Committee Meetings:	3/3
Remuneration Committee Meetings:	4/4

Corporate Governance report

QCA Corporate Governance Code

Compliance Statement

Principle 1: Establish a strategy and business model which promote long-term value for shareholders

The Board has a clear strategy for delivering long-term shareholder value.

Supreme is committed to being the UK'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.

Further details of the Group's strategy and business model are set out in the Strategic Report (at pages 1 to 45 of this report).

The Board holds at least one strategy session each year and the last strategy session was held in March 2023.

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 the 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 Chair 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.

The Company's annual general meeting also provides an important opportunity for communication with both institutional and private shareholders. The Company's nominated broker also sources investor feedback.

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 42 to 45.

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. Key risks facing the business along with the monitoring processes and mitigating actions in place are set out on pages 38 to 41 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,
- Risk responsibility, mitigating actions and monitoring processes in place.

Principle 5: Maintain the Board as a well functioning, balanced team led by the chair

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 Chair and the role of Chair and Chief Executive are distinct. 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. Biographical details of the Directors are set out at pages 50 to 51 of this report. Each Director is 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 believes that the three non-executive directors are independent, with Mark Cashmore fulfilling the role of Senior Independent Director.

Given the size of the respective holdings, the Board do not consider the shareholdings of the non-executive directors in the Company or Paul McDonald's shareholding in B&M (a major customer of the Supreme Group) compromise their independence, and remain confident that each non-executive director is independent in character and judgement.

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 skills to push the Company forward. Details of the skills and experience of the Directors are set out on pages 50 to 51 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. The Board also has access to professional advisers at the Company's expense if necessary and the Directors receive regular briefings and updates from the Company's Nominated Adviser in respect of continued compliance with, inter alia, the AIM Rules.

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

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

In line with its commitment to perform a formal evaluation, the Board performed an internal formal evaluation of its performance in April/May 2023.

The review comprised of:

- The completion of an anonymous questionnaire by all Board members that was formulated to assess the Board's performance; and
- A Board discussion facilitated by the Company Secretary on the outputs of the questionnaire.

The process identified some areas for development and recommendations to be progressed in 2023, including:

- Continued progress on succession planning at both Board and senior management level; and
- Renewed focus on investor relations

Principle 8: Promote a corporate culture that is based on ethical values and behaviours

The Company recognises its responsibility towards its employees and other stakeholders. The Board seeks to promote an ethical corporate culture and maintains oversight through management reporting. The Group maintains a Code of Conduct for employees, with any areas of material non-compliance reported to the Board.

The Group's policies (including Whistleblowing and Anti-bribery) set out its zero tolerance approach towards any form of discrimination or unethical behaviour relating to bribery, corruption, or business conduct. The Group's Modern Slavery Act 2015 Statement is available at: www.supreme.co.uk/msaht/

Details of the Group's ESG standards and reporting are set out at pages 30 to 37 of this report.

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 Chair 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 50 to 51 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 for monitoring the quality of internal controls to ensure that the financial performance of the Company is properly measured and reported.

The Remuneration Committee reviews the performance of the executive directors, Chair 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 communicates with its shareholders through:

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

As outlined in principle 2, the Company maintains an active dialogue with its shareholders through a planned programme of investor relations. A range of Company information is included on the website (www.investors.supreme.co.uk) and further information can be requested from investors@supreme.co.uk.

Audit Committee Report

Dear Shareholder,
I am pleased to present the Audit Committee Report for the year ended 31 March 2023.

Composition and experience of the Audit Committee
The Audit Committee is chaired by me as a 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 50 to 51. 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 of the Audit Committee are defined by the Terms of Reference of the Audit Committee (available on the Company's web-site). These responsibilities include:

- primary responsibility of monitoring the quality of internal controls 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; and
- 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.

Meetings
The Committee met formally three times in the year including once at the planning stage prior to the external audit and had full attendance. Although not members of the Audit Committee, the Chief Financial Officer, the 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 50 to 51.

In addition, the Committee had discussions with the external auditor without executive management present to discuss the 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 in April and May 2023 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 £170,000 (2022: £112,600) of which £nil (2022: £nil) related to non-audit services.

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 63 and the Auditors' Report on pages 66 to 72.

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 9 years and the Audit Committee has recommended their continued appointment for the current financial year.

Internal control and risk management
The Audit Committee supports 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 during the financial year. 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 38 to 41 for further details.

Significant matters considered in relation to the financial statements
At the request of the Board, the Audit Committee considered whether the 2023 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 2023 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 reviewed by the Committee during the year were:

- revenue recognition, in particular direct shipments, cut-off and rebates;
- acquisitions, acquisition accounting, purchase price allocation in relation to 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; and
- IFRS 16.

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
Chair of the Audit Committee

Statement from the chair of the Remuneration Committee

Dear Shareholder
I am pleased to present the Company's remuneration report for the financial year ended 31 March 2023.

The Remuneration Committee is committed to complying with robust corporate governance in relation to the Directors' remuneration policy and as such, the Company adopts 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.

FY23 remuneration and incentive outcomes
In September 2022, Sandy Chadha elected to voluntarily waive his salary entitlement for the remainder of the financial year up to the end of March 2023. This waiver helped (in part) to finance the accelerated and increased pay-rises for lower paid employees in response to the cost of living crisis which was agreed by the Board in September 2022.

In reflection of her performance and development in role as CFO in a listed business and following a market benchmarking exercise undertaken by our advisors, Suzanne Smith received a salary increase to £175,000, effective from 1 April 2022. In this context, the Committee felt that this salary increase was appropriate and the resultant salary was not excessive when compared with market levels for similar sized businesses and experience.

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 FY23, 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 pay-outs 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 operating cash flow generation, M&A success, succession planning, investor interaction and ESG progress. As such, the Committee determined that the formulaic outcomes were appropriate, resulting in a bonus payout of 30% of annual salary for both the CEO and CFO respectively.

FY24 remuneration decisions
Following the review of the LTIP performance metrics undertaken last year, the Committee has determined that the use of TSR and EPS remains the most appropriate metrics to incentivise profitability and delivery of shareholder value over the longer term.

The FY24 bonus will operate in line with FY23, 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
Chair 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 FY23 and FY24 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.	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. Only the CFO receives awards under the current LTIP going forward.	***CEO award*** Tranche 1 – vests after 3 years if TSR is 100% or greater over the period since IPO. Tranche 2 – vests after 5 years if TSR is 200% or greater over the period since IPO. ***CFO award*** Performance is measured over a minimum three-year performance period. Targets are set for each performance period by the Committee. Performance metrics for the awards are based on total shareholder return (TSR) 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 2023 financial year. Comparative figures for the 2022 financial year have also been provided.

	Base salary[1]		Benefits[2]		Annual Bonus		Pension		Other		Total	
£'000	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Sandy Chadha	**£143,500**	£250,000	**£1,693**	£1,820	**£86,250**	£50,000	**£660**	£1,101	**–**	–	**£232,103**	£302,921
Suzanne Smith	**£175,000**	£150,000	**£988**	–	**£52,500**	£45,000	**£1,321**	£1,321	**–**	–	**£229,809**	£196,321

1. Annual base salary for Sandy Chadha was £287,500 and Suzanne Smith was £175,000. Sandy Chadha agreed to formally waive his salary entitlement for the last 6 months of the year, by way of a legally binding agreement, in order to finance the accelerated and increased pay-rises to support the wider workforce in response to the cost of living crisis.
2. The taxable benefits received in 2022 and 2023 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	**2023**	2022	**2023**	2022
Mark Cashmore	**£40,000**	£40,000	**£40,000**	£40,000
Simon Lord	**£45,000**	£45,000	**£45,000**	£45,000
Paul McDonald	**£55,000**	£55,000	**£55,000**	£55,000

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 FY23 of 100% of salary. FY23 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 pay-out 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 for the CEO included investor interaction, succession planning and M&A. The CFO's personal & strategic considerations included cash flow, ESG and succession planning.

The Committee considered that the targets for the strategic/personal objectives element of the bonus had been met in full for both the CEO and the CFO, and resolved to pay a bonus at a level of 30% of annual salary (out of a maximum of 30%) to each of them the CEO and CFO respectively. The 30% entitlement for the CEO resulted in a total bonus payment of £86,250 and 30% entitlement for the CFO resulted in a total bonus payment of £52,500.

LTIP awards granted during the year

On 5 August 2022, the CFO was granted an LTIP award of 100% of salary subject to Absolute TSR and EPS performance conditions, as set out below.

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%

Directors' Remuneration Report
continued

Share interests
The interests of directors and their connected persons in Ordinary Shares and share options as at 31 March 2023 are presented in the table below.

		Options held		
Director	Ordinary shares at 31 March 2023	Vested but not exercised	Unvested and subject to continued employment	Unvested and subject to performance criteria
Sandy Chadha	66,876,845	–	–	5,825,000
Suzanne Smith	18,656	–	–	286,590
Mark Cashmore	29,850	–	–	–
Simon Lord	37,313	–	–	–
Paul McDonald	57,462	–	–	–

Implementation of remuneration agreements in FY24
The Committee remains satisfied with the application of the Directors' remuneration policy and as such intends to operate the policy in a similar manner to FY23. Further details on the implementation of the policy for FY24 are set out below.

Annual bonus
Normal bonus opportunities for Executive Directors will be 100% of salary. The performance targets for the FY24 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 FY24. However, the CEO is not eligible for long term incentive award grants in FY24. 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. The performance targets will be disclosed in next year's Directors' Remuneration Report.

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
During the year, the Committee received advice from PwC on remuneration matters and reporting. PwC are signatories to the Remuneration Consultants Group Code of Conduct and operate voluntarily under this Code, which sets out the scope and conduct of the role of executive remuneration consultants when advising UK listed companies. The Remuneration Committee is satisfied that the advice received was objective and independent.

Approval
This report is approved by the Board on 4 July 2023

Mark Cashmore
Chair 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 2023. 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 branded, discounted consumer goods across 4 principal product categories (batteries, lighting, vaping and sports nutrition & wellness) to retailers and wholesalers in the UK and online. 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 £155.6 million (FY22: £130.8 million) and profit after tax of £12.0 million (FY22: £13.7 million). An interim dividend of 0.8 pence per share was declared and paid during the year. Directors will recommend a final dividend of 2.2p per share at the 2023 Annual General Meeting to be held on 26 September 2023.

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 , 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:

Paul McDonald
Sandy Chadha
Suzanne Smith
Mark Cashmore
Simon 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 2023 had the following interests in the ordinary shares of the Company as at 31st March 2023:

	Ordinary shares
Paul McDonald	57,462
Sandy Chadha	66,876,845
Suzanne Smith	18,656
Mark Cashmore	29,850
Simon Lord	37,313

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 94.5p (FY22: 180.0p) and the range of market prices during the period was between 180.0p and 74.0p.

With reference to changes in the interests of Directors between 31 March 2023 and the date of signing the Group financial statements, Suzanne Smith acquired 21,000 additional shares on 12th May 2023, increasing her holding to 39,656 shares.

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

Directors' Report
continued

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

Substantial shareholdings
As at 31st March 2023, 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	% of voting right
Sandy Chadha	66,876,845	57.0%
Moneta Asset Management SAS	8,183,500	6.98%
Slaters Investments	5,600,000	4.8%
Hargreaves Lansdown, stockbrokers (EO)	5,431,454	4.6%

Since 31 March 2023, the Company has received notification from Moneta Asset Management SAS in accordance with the Disclosure and Transparency Rules that, on 17 April 2023, its interest in voting rights increased to 8,383,500 (7.1%).

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 (FY22: 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 2023, the Company's issued share capital comprised of 117,316,042 ordinary £0.10 shares totalling £11,731,604.

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 26 September 2023. The ordinary business comprises receipt of the Directors' report and audited financial statements for the period ended 31 March 2023, 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 24-month period to 31 March 2025. 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 ongoing conflict in Ukraine and the resulting sanctions imposed on Russia by governments worldwide, the increased cost of borrowing and the ongoing cost of living crisis taking place in the UK, all of which have been reflected in this forecast.

- Whilst the Ukraine crisis initially imposed sourcing pressure on Supreme for certain ingredients (specifically sunflower lecithin and wheat protein), alternative sources and replacement ingredients were secured in early FY23 and therefore the risk to Supreme at present is considered minimal and managed.
- Whilst the Group's debt facilities are priced at a variable rate (SONIA + a margin), the Group's current positive leverage ratio (i.e. having more cash than bank borrowings) means that Supreme's exposure to this increased cost is limited. Should the Group increase its level of bank borrowings during the forecast period (likely to be triggered only by M&A) then of course this increased cost of borrowing would impact the Group (albeit expected to be offset by the incremental earnings generated by the M&A target).
- Historically Supreme has been a net beneficiary in periods of economic downturn, owing to the fact more than half of its revenue is derived from the discount retail sector which typically trades buoyantly during these periods (for prudence this has not been assumed in the forecast). The inflationary cost increases (specifically over salary costs, energy and transport) have been specifically factored into the cost base throughout for the forecast period.

The Directors also conducted stress testing over these cash flow projections and determined that revenue would need to fall by 37% with all overheads remaining in place and stock holding remaining at current levels before the Group would incur a covenant breach.

Based on this, the Directors are satisfied that the Company and the Group has adequate resources to continue in operational existence for the foreseeable future, defined as the next 18 months to 30 September 2024. For this reason, they continue to adopt the going concern basis in preparing the Group and Company financial statements.

Directors' Report
continued

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:

	FY23		FY22	
	Consumption KwH	**Emissions (kgCO2e)**	Consumption KwH	Emissions (kgCO2e)
Electricity	**1,223,954**	**285**	1,089,568	254
Gas	**783,846**	**201**	726,996	187
Consumption of fuel for the purposes of transport	**204,904**	**52**	49,100	12
Total	**2,212,704**	**538**	1,865,664	453

KwH per full time equivalent employee during the year was 7,656KwH (FY22: 7,040KwH). TCO2e per full time equivalent employee during the year was 1.9TCO2e (FY22: 1.7TCO2e). The above figures are taken directly from information provided on invoices by suppliers. Please also see pages 34 to 35 in the ESG report 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 2023.

By order of the Board

S Smith
Chief Finance Officer
Supreme plc
Registered number: 05292196

4 July 2023

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.

Financial Statements

Financial Statements

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 2023 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 2023 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 the Directors' assessment of the going concern status of the Group and the Parent Company which included forecasts and stress-testing covering a period of at least 15 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 considering 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 movements in-line with the expected business model as well as the arithmetical accuracy of these forecasts. We also evaluated whether the Directors' method of assessing going concern was appropriate in light of market volatility and the current uncertainties associated with the Ukraine War and inflationary increases such as energy prices.
- 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 which we have assessed against past performance and the Group's results for the financial year to date;
- Reviewing the Directors' stress testing forecasts to the extent of reasonable worst-case scenarios including the reasonableness of the assumptions made;
- Obtaining and reviewing the latest board minutes available for any potential events that might indicate a going concern issue;
- Reviewing post balance sheet trading and cashflow position to ensure the models being used for assessment are accurate;
- Reviewing publicly available information for any negative publicity or potential issues that may indicate a post balance sheet event that could affect going concern; and
- Assessing 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	88% (2022: 99%) of Group profit before tax 98% (2022: 96%) of Group revenue 98% (2022: 96%) of Group total assets		
Key audit matters		**2023**	2022
	Revenue Recognition • •	✓	✓
	Acquisition accounting •	✓	
Materiality	***Group financial statements as a whole*** £720k (2022: £816k) based on 5% (2022: 5%) of Profit before tax (2022: profit before tax)		

An overview of the scope of our audit

The Group operates predominantly from the UK, with operations in Holland and Ireland.

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.

Our Group audit scope focused on the Group's main trading entities being Supreme Imports Limited, VN Labs Limited and Liberty Flights Limited which were considered to be the significant components. Full scope audits were performed on these components by the Group engagement team.

At Group level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances such as attendance at a Stock count for an insignificant component and agreement to bank letters for all components.

Key audit matters

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

Independent Auditor's report to the members of Supreme plc
continued

Key audit matter		How the scope of our audit addressed the key audit matter
Revenue recognition (accounting policy in Note 2 and 5)	The Group has a number of revenue streams as detailed at Note 2, each of which contain the same performance obligations with regard to the appropriate revenue recognition under IFRS 15 Revenue from Contracts with Customers. We have assessed that the risk of material misstatement could arise from: – An inappropriate use of journals in revenue; – The completeness and accuracy of the deduction to revenue in respect of customer rebates; – The existence and accuracy of revenues recognised throughout the year; and – Improper revenue recognition before completion of performance obligations, specifically with a focus on revenue recognised around the year end. For the reasons set out above, revenue recognition was determined to be a key audit matter.	The audit procedures included the following: – For a sample of journal entries recorded in revenue throughout the year, we assessed the validity of the transactions by agreeing them to source documentation; – we checked a sample of revenue recognised either side of year end to sales order and invoice to determine whether revenue was accurately recognised. We further checked the confirmation of the delivery of the obligations in the year to determine whether revenue was recognised in the correct period; – we checked a sample of revenue recognised during the year to sales order and invoice to determine whether revenue was accurately recognised. We further checked the confirmation of the delivery of the obligations in the year to determine whether revenue was recognised in the correct period; and – we obtained confirmations from customers of rebate and turnover amounts in the year and performed a comparison in respect of customers in the current and prior year that received rebates to verify the completeness and accuracy of the rebates during the year and the estimated accrued balance at the financial year-end. **Key observations:** Based on the procedures performed, we found management's revenue recognition policy to be in line with the requirements of applicable accounting standards and the recognition of revenue in the year to be appropriate.

Key audit matter		How the scope of our audit addressed the key audit matter
Acquisition accounting (Accounting policy in Note 2 and 25)	The group has made three acquisitions during the year: • Liberty Flights – acquisition of legal entity • Cuts Ice – acquisition of trade and assets • Superdragon – acquisition of trade and assets. Management have reviewed the agreements and concluded each of the above acquisitions meets the definition of a Business Combination in accordance with IFRS 3. Accounting for acquisitions of Business Combinations can be complex and requires significant judgement. The recognition and valuation of assets and liabilities acquired, such as intangible assets, is inherently complex and judgemental. Management involved a third-party expert to prepare detailed calculations to determine the fair value of the intangible assets acquired. As a result of the judgements required to be made, there is a risk of material misstatement in the fair value allocated to assets and liabilities acquired including intangible assets and the balance of goodwill recognised. There is further judgement required by Management in relation to the valuation of deferred and contingent consideration related to Liberty Flights. For these reasons, acquisition accounting including the related disclosures was determined to be a key audit matter.	We obtained and reviewed the sale and purchase agreements (SPAs) to check that the appropriate accounting treatment had been applied. Our work included: • With the support of our internal valuations experts we challenged the key inputs, assumptions and methodology used by Management in determining the fair values of intangible assets acquired based on our knowledge of the industry; • Use of Management reconciliations and supporting documentation to agree the acquisition net book values of assets and liabilities and resulting fair value adjustments; • Challenging the completeness of intangible assets acquired through inspection of due diligence reports and previous financial statements of the acquired entities; • Agreeing the fair value of the purchase consideration to supporting evidence and recalculating the equivalent goodwill arising on acquisition; and • Challenging the valuation of deferred and contingent consideration with reference to Liberty Flights forecast performance in the earn-out period, including the challenge of underlying assumptions utilised within the forecasts, corroboration of data inputs and comparison of forecast performance to actual results post-acquisition. • Reviewing the disclosures for the business combinations in line with IFRS 3. **Key observations:** Based on the procedures we performed, we consider the judgements and estimates made by Management to be reasonable in respect of business combinations.

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.

Independent Auditor's report to the members of Supreme plc

continued

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

	Group financial statements 2023 £'000	2022 £'000	Parent company financial statements 2023 £'000	2022 £'000
Materiality	720	816	360	384
Basis for determining materiality	5% of profit before tax		1% of total assets	
Rationale for the benchmark applied	Profit before tax was considered to be the most appropriate benchmark based on market practice and investor expectations.		Total assets was considered to be the most appropriate benchmark as the Parent Company does not trade and the principal activity is that of a holding company.	
Performance materiality	504	612	252	288
Basis for determining performance materiality	70% of materiality	75% of materiality	70% of materiality	75% of materiality
Rationale for the percentage applied for performance materiality	This was considered appropriate based on: – cumulative knowledge of the Group – degree of estimation in financial statements – the trade of the Group being contained in three principal trading companies (one being a new acquired entity in the year).	This was considered appropriate 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 anticipate errors and management has a positive attitude in relation to proposed adjustments.	This was considered appropriate based on: – cumulative knowledge of the entity – degree of estimation in financial statements	This was considered appropriate 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 anticipate errors and management has a positive attitude in relation to proposed adjustments.

Component materiality

For the purposes of our Group audit opinion, we set materiality for each significant component of the Group, based on a percentage of between 15% and 80% (2022: 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 £112k to £350k (2022: £500k to £700k). In the audit of each component, we further applied performance materiality levels of 70% (2022: 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 £14k (2022: £16k). 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 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 of the Group and the sector in which it operates we considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud and whether such actions or non-compliance might have a material effect on the financial statements.

Independent Auditor's report to the members of Supreme plc

continued

These included but were not limited to those that relate to the form and content of the financial statements, such as the Group accounting policies, UK adopted international accounting standards and UK Companies Act 2006; those that relate to the payment of employees; and industry related such as compliance with The Food Safety and Hygiene Regulations 2013, data protection, the Tobacco Products and Nicotine Inhaling products legislation and health and safety legislation. Our audit procedures included, but were not limited to:

- holding discussions with those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- reviewing minutes of Board meetings for instances of non-compliance with laws and regulation and fraud;
- reviewing a sample of legal costs incurred and any known legal correspondence throughout the year for instances of non-compliance with laws and regulation;
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

We 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 and management bias in accounting estimates as well as inappropriate revenue cut-off. Our audit procedures included, but were not limited to:

- challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to valuation of goodwill, useful economic lives of property, plant and equipment, valuation of acquired intangibles (as set out in the key audit matter section above), IFRS 16 incremental borrowing rate, valuation of share based payments and valuation of inventory;
- identifying and testing journal entries to source documentation, in particular any journal entries posted with unusual account combinations or including specific keywords to supporting documentation;
- performing the procedures set out in the key audit matters section above in response to the risk of fraud in revenue recognition;
- incorporating an element of unpredictability into the audit procedures, by testing a sample of immaterial employee expenses incurred in the year to supporting documentation to assess the validity, and performing stock existence testing within an insignificant component of the Group; and
- agreeing the financial statement disclosures to underlying supporting documentation.

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. The engagement partner has assessed and confirmed that the engagement team collectively had the appropriate competence and capabilities to identify or recognize non-compliance with laws and regulations.

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
4 July 2023

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 2023

	Note	Year Ended 31 March 2023 £'000	Year Ended 31 March 2022 £'000
Revenue	5	**155,612**	130,789
Cost of sales	6	**(114,758)**	(92,272)
Gross Profit		**40,854**	38,517
Profit on disposal of Cuts Ice trademarks	7	**2,787**	–
Administration expenses	6	**(28,192)**	(21,498)
Operating profit		**15,449**	17,019
Adjusted EBITDA[1]		**19,392**	21,055
Depreciation	13 & 21	**(2,200)**	(2,563)
Amortisation	12	**(915)**	(378)
Adjusted items	7	**(828)**	(1,095)
Operating profit		**15,449**	17,019
Finance income	9	**25**	–
Finance costs	9	**(1,037)**	(693)
Profit before taxation		**14,437**	16,326
Income tax	10	**(2,469)**	(2,579)
Profit for the year		**11,968**	13,747
Other comprehensive expense			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**101**	(32)
Total other comprehensive income/(expense)		**101**	(32)
Total comprehensive income		**12,069**	13,715
Earnings per share – basic	11	**10.3p**	11.8p
Earnings per share – diluted	11	**9.7p**	11.4p

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 2023

	Note	As at 31 March 2023 £'000	As at 31 March 2022 £'000
Non-current assets			
Assets			
Goodwill and other intangibles	12	**15,281**	3,704
Property, plant and equipment	13	**5,238**	2,557
Right of use asset	21	**15,577**	2,116
Deferred tax asset	15	**–**	1,312
Investments	14	**7**	7
Total non-current assets		**36,103**	9,696
Current assets			
Inventories	16	**25,606**	25,898
Trade and other receivables	17	**20,899**	19,035
Forward contract derivative	22.9	**–**	467
Cash and cash equivalents	18	**7,536**	3,926
Total current assets		**54,041**	49,326
Total assets		**90,144**	59,022
Liabilities			
Current liabilities			
Borrowings	20	**5,026**	6,665
Trade and other payables	19	**26,117**	17,296
Forward contract derivative	22.9	**652**	–
Income tax payable		**2,536**	1,299
Total current liabilities		**34,331**	25,260
Net current assets		**19,710**	24,066
Borrowings	20	**14,293**	1,294
Deferred tax liability	15	**789**	156
Provisions	21	**775**	–
Total non-current liabilities		**15,857**	1,450
Total liabilities		**50,188**	26,710
Net assets		**39,956**	32,312
Equity			
Share capital	23	**11,732**	11,663
Share premium		**7,427**	7,231
Merger reserve		**(22,000)**	(22,000)
Share-based payments reserve		**3,043**	2,368
Retained earnings		**39,754**	33,050
Total equity		**39,956**	32,312

The notes on pages 77 to 111 are an integral part of these financial statements.

The financial statements on pages 73 to 111 were approved by the Board of Directors and authorised for issue on 5 July 2023, 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 2023

	Share Capital £'000	Share Premium £'000	Merger reserve £'000	Share-based payments reserve £'000	Retained earnings £'000	Total equity £'000
As at 1 April 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**
Profit for the year	–	–	–	–	11,968	**11,968**
Other comprehensive income	–	–	–	–	101	**101**
Total comprehensive income for the year	–	–	–	–	12,069	**12,069**
Transactions with shareholders:						
Issue of shares	69	196	–	–	–	**265**
Employee share schemes – value of employee services	–	–	–	1,283	–	**1,283**
Deferred tax on share-based payment charge	–	–	–	(608)	–	**(608)**
Dividends	–	–	–	–	(5,365)	**(5,365)**
	69	**196**	**–**	**675**	**(5,365)**	**(4,425)**
As at 31 March 2023	**11,732**	**7,427**	**(22,000)**	**3,043**	**39,754**	**39,956**

Consolidated Statement of Cash Flows

for the Year Ended 31 March 2023

	Note	Year Ended 31 March 2023 £'000	Year Ended 31 March 2022 £'000
Net cash flow from operating activities			
Profit for the year		**11,968**	13,747
Adjustments for:			
Amortisation of intangible assets	12	**915**	378
Depreciation of tangible assets	13	**1,268**	1,748
Depreciation of right of use assets	21	**932**	815
Finance income		**(25)**	–
Finance costs	9	**982**	404
Amortisation of capitalised finance costs	9	**55**	289
Income tax expense	10	**2,469**	2,579
Gain on disposal of intangible fixed assets	7	**(2,787)**	–
Movement on forward foreign exchange contracts	22.9	**1,119**	(1,026)
Share based payments expense	24	**1,460**	1,663
Working capital adjustments (net of acquired on business combinations)			
Decrease/(increase) in inventories		**2,920**	(4,937)
Increase in trade and other receivables		**(671)**	(2,226)
Increase in trade and other payables		**(27)**	2,498
Increase in provisions		**349**	–
Taxation paid		**(1,652)**	(4,161)
Net cash from operations		**19,275**	11,771
Cash flows used in investing activities			
Purchase of intangible fixed assets	12	**(23)**	(1,454)
Purchase of property, plant and equipment	13	**(1,254)**	(1,296)
Purchase of business combinations net of cash acquired	25	**(10,055)**	(1,040)
Proceeds from sale of property, plant and equipment		**1**	378
Proceeds from sale of intangible fixed assets		**4,018**	–
Payment of deferred consideration		**(270)**	–
Finance income received		**25**	–
Net cash used in investing activities		**(7,558)**	(3,412)
Cash flows used in financing activities			
Repayment of long term loans	20	**(3,984)**	(6,470)
Repayment of related party loans		**(1,779)**	(1,613)
Repayments of RCF facility		**(14,000)**	–
Drawdowns of RCF facility		**18,418**	
Issue of options or share capital		**265**	49
Payment of deferred consideration		**–**	(66)
Dividends paid		**(5,365)**	(2,566)
Finance costs paid		**(776)**	(285)
Interest paid on leases		**(153)**	(118)
Lease payments		**(834)**	(837)
Net cash used in financing activities		**(8,208)**	(11,906)
Net increase/(decrease) in cash and cash equivalents		**3,509**	(3,547)
Cash and cash equivalents brought forward		**3,926**	7,505
Effects of exchange rate changes		**101**	(32)
Cash and cash equivalents carried forward		**7,536**	3,926
Cash and cash equivalents	18	**7,536**	3,926
		7,536	3,926

Notes to the group financial statements

for the Year Ended 31 March 2023

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 other 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 forward contracts derivatives; 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.

2. Summary of significant accounting policies

The principal accounting policies adopted are set out below.

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, amendments and interpretations

New and amended standards and adopted by the Group
The Group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 April 2022:

Standards and interpretations	Effective from
Annual Improvements to IFRS Standards 2018–2020	1 April 2022
Narrow scope amendments to IFRS 3, IAS 16 and IAS 37	1 April 2022

The amendments listed above do not have any impact on the amounts recognised in prior periods and are not expected to significantly affect current or future periods.

New standards and interpretations not yet adopted
Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2023 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 from
IFRS 17 Insurance Contracts	1 April 2023
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 April 2023
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	1 April 2023
Definition of Accounting Estimates – Amendments to IAS 8	1 April 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 April 2023
Amendments to IAS 1, "Presentation of financial statements" and classification of liabilities	1 April 2024
Amendments to IAS 1, "Presentation of financial statements" on non-current liabilities with covenants	1 April 2024
Amendments to IFRS 16, "Leases" Lease Liability in a sale and leaseback	1 April 2024

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.

Notes to the Group financial statements

for the Year Ended 31 March 2023
continued

2. Summary of significant accounting policies continued

2.3 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 two-year period to 31 March 2025. 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 ongoing conflict in Ukraine and the resulting sanctions imposed on Russia by governments worldwide, the increased cost of borrowing and the ongoing cost of living crisis taking place in the UK, all of which have been reflected in this forecast.

- Whilst the Ukraine crisis initially imposed sourcing pressure on Supreme for certain ingredients (specifically sunflower lecithin and wheat protein), alternative sources and replacement ingredients were secured in early FY23 and therefore the risk to Supreme at present is considered minimal and managed.
- Whilst the Group's debt facilities are priced at a variable rate (SONIA + a margin) the Group's current positive leverage ratio (i.e. having more cash than bank borrowings), meaning that the Group could repay the borrowings in full means that Supreme's exposure to this increased cost is limited. Should the Group increase its level of bank borrowings during the forecast period (likely to be triggered by M&A) then of course this increased cost of borrowing would impact the Group (albeit expected to be offset by the incremental earnings generated by any M&A target).
- Historically Supreme has been a net beneficiary in periods of economic downturn, owing to the fact more than half of its revenue is derived from the discount retail sector which typically trades buoyantly during these periods (for prudence this has not been assumed in the forecast). The inflationary cost increases (specifically over salary costs, energy and transport) have been specifically factored into the cost base throughout for the forecast period.

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.

2.4 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 other 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. At any point in time where such obligations haven't been met but the customer has been invoiced, revenue is deferred, as disclosed in note 19. 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. 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%
Know how	10%

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:

Land	0%
Assets under construction	0%
Plant and machinery	25%
Fixtures and fittings	25%
Motor vehicle	25%
Computer equipment	33%
Buildings	2%

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).

Notes to the Group financial statements

for the Year Ended 31 March 2023
continued

2. Summary of significant accounting policies continued

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.

2.11 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.

Notes to the Group financial statements continued
for the Year Ended 31 March 2023

2.15 Divisional reporting

Although revenue is grouped within five product categories, as the directors analyse revenue at this gross level, the directors do not analyse, monitor or review the Groups KPIS (being adjusted EBITDA and profit before tax) by product category. Due to this, the Group do not believe there are any IFRS 8 considerations around the requirement to report operating segments for reporting purposes.

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.

2.17 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 Adjusted items

The Company's income statement separately identifies Adjusted items. Such items are those that in the Directors' judgement need to be disclosed separately by virtue of either: their volatility year-on-year; their one-off nature; their size, their non-operating nature; or because the adjustment of a particular item is widely accepted and conducted by peers (to ensure comparability with other listed businesses). These may include, but are not limited to, professional fees and other costs directly related to refinancing, acquisitions and capital transactions, fair value movements on open forward contracts, share based payment charges, material impairments of inventories and gains/losses on disposal of intangible assets. In determining whether an item should be disclosed as an Adjusted item, the Directors consider quantitative and qualitative factors such as the frequency, predictability of occurrence and significance. This is consistent with the way financial performance is measured by management and reported to the Board.

2.19 Forward contracts derivatives

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.

Notes to the Group financial statements
for the Year Ended 31 March 2023
continued

2. Summary of significant accounting policies continued

2.20 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 £5,000 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.

2.21 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.

2.22 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.

2.23 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 any proceeds received from the bank that haven't yet been paid by customers 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. Once payments are received into the facility from customers, proceeds are transferred to the main bank account, which is presented within cashflow from working capital within the cashflow statement.

2.24 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.

2.25 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.

2.26 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.

2.27 Forward contracts
Forward contracts are initially recognised at the fair value on the date the forward contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of forward contracts 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 forward contracts derivatives 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.

3.3 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.

Notes to the Group financial statements
for the Year Ended 31 March 2023
continued

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 £7,508,000 at 31 March 2023 (2022: £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.

4.6 T-Juice disposal
As part of the Cuts Ice acquisition (as detailed in Notes 25 to these financial statements), Supreme acquired the intellectual property of the brand; T-Juice out of administration. The purchase price allocation exercise valued the brand, at the time, at £1.2 million. In March 2023, seven months later, the brand was sold to a French distributor, LVP, for £4.0 million. During that seven-month period, Supreme had turned the brand around; the brand had become cash-generative with a more manageable product range, a leaner manufacturing process and a rationalised overhead base, all of which was reflected in the market value of the brand.

At the time of the disposal, Supreme signed two agreements with the buyer; an intellectual property sale-purchase agreement and an associated five-year professional services agreement. The 2 agreements were 'in connection' with one another (as legally drafted), had to be signed simultaneously and were payable upfront and non-refundable. Furthermore, the nature of the services referenced in the professional services agreement were not unlike services offered as standard to other customers without the need for a professional services agreement. Standing back from the 2 agreements, the Board concluded that the consideration assigned to the disposal of the IP should be recognised as the combined consideration paid upfront in respect of both agreements i.e. £4 million.

Accounting judgements

4.7 Inventory obsolescence
Management make use of judgement in determining whether certain inventory items are obsolete. Specifically this is done by looking at expiry dates, as well as sales data and forecasts as a proportion of current stock holding. Should these judgements be incorrect there could be a material difference in the recoverable value of inventory.

5. Revenue and gross profit 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. The Board of Directors deem the Group to be one operating segment because no balance sheet analysis, cashflows, profit before tax or EBITDA (which are the KPI's for the business) are available by division or reviewed by the CODM. This has changed from prior year due to the changes to the Group following the significant acquisitions in the financial year.

However, the Gross profit before foreign exchange is reported and used to make decisions on a product group basis. The below table 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	Other consumer goods £'000	Year Ended 31 March 2023 £'000
Revenue	39,533	15,426	76,098	16,748	7,807	155,612
Cost of sales	(35,613)	(11,301)	(48,018)	(14,089)	(6,992)	(116,013)
Gross profit before foreign exchange	**3,920**	**4,125**	**28,080**	**2,659**	**815**	**39,599**
Foreign exchange						1,255
Gross Profit						**40,854**
Profit on disposal of Cuts Ice trademarks						2,787
Administration expenses						(28,192)
Operating profit						**15,449**
Adjusted earnings before tax, depreciation, amortisation and adjusted items						**19,392**
Depreciation						(2,200)
Amortisation						(915)
Adjusted items						(828)
Operating profit						**15,449**
Finance income						25
Finance costs						(1,037)
Profit before taxation						**14,437**
Income tax						(2,469)
Profit for the year						**11,968**

Notes to the Group financial statements
for the Year Ended 31 March 2023
continued

5. Revenue and gross profit analysis continued

	Batteries £'000	Lighting £'000	Vaping £'000	Sports nutrition & wellness £'000	Other 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 income						–
Finance costs						(693)
Profit before taxation						**16,326**
Income tax						(2,579)
Profit for the year						**13,747**

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 3 customers (2022: 2 customers) was £24,938,000, £19,364,000, and £16,045,000 (2022: £21,111,000 and £18,385,000). These revenues related to all divisions.

Analysis of revenue by geographical destination

	Year Ended 31 March 2023 £'000	Year Ended 31 March 2022 £'000
United Kingdom	**140,713**	115,938
Ireland	**8,645**	7,779
Netherlands	**1,766**	2,807
France	**2,428**	1,617
Rest of Europe	**942**	1,825
Rest of the World	**1,118**	823
	155,612	130,789

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 net assets of £3,192,000 held in Europe.

6. Expenses by nature

	Year Ended 31 March 2023 £'000	Year Ended 31 March 2022 £'000
The profit is stated after charging expenses as follows:		
Inventories recognised as an expense	**103,129**	81,813
Impairment of inventories	**892**	750
Impairment of trade receivables	**63**	30
Staff costs – Note 8	**12,345**	9,442
Adjusted items – Note 7	**828**	1,095
Establishment and general	**2,142**	1,473
Depreciation of property, plant and equipment	**1,268**	1,748
Depreciation of right of use assets	**932**	815
Amortisation of intangible assets	**915**	378
Auditor's remuneration for audit services	**170**	112
Auditor's remuneration for non-audit services	**–**	–
Other operating expenses	**17,479**	16,114
Total cost of sales and administrative expenses	**140,163**	113,770

7. Adjusted items

	Year Ended 31 March 2023 £'000	Year Ended 31 March 2022 £'000
Covid-19-related cost	**–**	118
Fair value movements on forward contracts	**1,119**	(1,027)
Restructuring costs	**–**	208
Share based payments charge (note 24)	**1,460**	1,663
Acquisition costs	**1,036**	133
Profit on disposal of intangible fixed assets	**(2,787)**	–
	828	1,095

COVID-19 costs in the year ended 31 March 2022 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. As these costs were deemed one-off in nature they were reported as Adjusted.

The Group typically holds 1 years' worth of USD-denominated purchases on open forward contracts. The charge in the year ended 31 March 2023 and the credit in the year ended 31 March 2022 reflect the movement in the fair value of these open forward contracts at the balance sheet date year-on-year. This charge or credit is reported each year but, due its volatile nature, is reported as Adjusted.

Restructuring costs in the year ended 31 March 2022 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. As these costs were deemed one-off in nature they were reported as Adjusted.

Acquisition costs relate to adviser fees in respect of the acquisitions undertaken and the subsequent financial and operational integration of these businesses into the core Supreme Group. £599,000 of the costs related to the redundancy costs in respect of the Cuts Ice Limited acquisition. These costs are notably volatile (linked to the volume and complexity of the acquisitions undertaken each year) and due to their size, have been reported as Adjusted.

Profit on disposal of the T-Juice brand represents the difference between the cost of acquiring the brand (£1,231,000) and the proceeds on disposal (£4,018,000). The disposal of a brand was deemed to be one-off in nature and therefore reported as Adjusted.

Notes to the Group financial statements
for the Year Ended 31 March 2023
continued

8. Employees and Directors

	Year Ended 31 March 2023 No.	Year Ended 31 March 2022 No.
Average number of employees (including Directors):		
Management and administration	**116**	80
Warehouse	**70**	50
Sales	**46**	30
Manufacturing	**124**	105
	356	265

	Year Ended 31 March 2023 £'000	Year Ended 31 March 2022 £'000
Aggregate remuneration of staff (including Directors):		
Wages and salaries	**10,670**	8,339
Social security costs	**1,193**	765
Other pension costs	**482**	338
	12,345	9,442

Directors' remuneration

	Year Ended 31 March 2023 £'000	Year Ended 31 March 2022 £'000
Directors' emoluments	**600**	635
Social security costs	**83**	88
Company contributions to defined contribution pension schemes	**3**	2
	686	725

The highest paid director received remuneration of £232,000 (2022: £300,000).

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 (2022: £1,000).

During the year, retirement benefits were accruing to 2 directors (2022: 2) in respect of defined contribution pension schemes.

9. Finance (income)/costs

	Year Ended 31 March 2023 £'000	Year Ended 31 March 2022 £'000
Finance income		
Bank interest receivable	**(25)**	–
Finance costs		
Bank interest payable	**828**	153
Other interest payable	**–**	133
Amortisation of capitalised arrangement fees	**55**	289
Interest on lease liabilities	**154**	118
	1,037	693

10. Taxation

	Year Ended 31 March 2023 £'000	Year Ended 31 March 2022 £'000
Current tax		
Current year - UK corporation tax	**2,967**	3,205
Adjustments to tax charge in respect of prior periods	**–**	(163)
Foreign tax on income	**–**	(7)
Total current tax	**2,967**	3,035
Deferred tax		
Origination and reversal of temporary differences	**(566)**	(320)
Adjustments to tax charge in respect of prior periods	**–**	(173)
Adjustments to tax charge due to change in rates	**68**	37
Total deferred tax	**(498)**	(456)
Total tax expense	**2,469**	2,579

Factors affecting the charge

	Year Ended 31 March 2023 £'000	Year Ended 31 March 2022 £'000
Profit before taxation	**14,437**	16,326
Tax at the UK corporation tax rate of 19% (2022: 19%)	**2,743**	3,102
Effects of expenses not deductible for tax purposes	**123**	317
Adjustments to tax charge due to change in rates	**68**	37
Adjustments to tax charge in respect of prior periods	**–**	(336)
Exercise of share options	**(123)**	–
Deferred tax on Share Based Payments	**(118)**	(471)
Enhanced Relief	**(224)**	(70)
Total tax expense	**2,469**	2,579

Factors that may affect future tax charges
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 the impact of this rate change has been considered when recognising deferred tax in these financial statements. Where the asset or liability is expected to unwind after 1 April 2023 the deferred tax has been recognised at 25% in these financial statements. In the Autumn Statement in November 2022, the government confirmed the increase in corporation tax rate to 25% from April 2023 will go ahead.

Notes to the Group financial statements
for the Year Ended 31 March 2023
continued

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 2023 £'000	Year Ended 31 March 2022 £'000
Profit for the year after tax	**11,968**	13,747
	No.	No.
Weighted average number of shares for the purposes of basic earnings per share	**116,731,311**	116,605,892
Weighted average dilutive effect of conditional share awards	**6,720,523**	4,474,425
Weighted average number of shares for the purposes of diluted earnings per share	**123,451,834**	121,080,317
	Pence	Pence
Basic earnings per share	**10.3**	11.8
Diluted earnings per share	**9.7**	11.4

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 2023 £'000	Year Ended 31 March 2022 £'000
Adjusted earnings (see below)	**13,790**	14,976
	No.	No.
Weighted average number of shares for the purposes of basic earnings per share	**116,731,311**	116,605,892
Weighted average dilutive effect of conditional share awards	**6,720,523**	4,474,425
Weighted average number of shares for the purposes of diluted earnings per share	**123,451,834**	121,080,317
	Pence	Pence
Adjusted basic earnings per share	**11.8**	12.8
Adjusted diluted earnings per share	**11.2**	12.4

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

	Year Ended 31 March 2023 £'000	Year Ended 31 March 2022 £'000
Profit for the year attributable to equity shareholders	**11,968**	13,747
Add back/(deduct):		
Amortisation of acquisition related intangible assets	**874**	196
Adjusted items	**828**	1,095
Tax effect of the above	**120**	(62)
Adjusted earnings	**13,790**	14,976

12. Goodwill and other intangible assets

	Domain name £'000	Trademarks £'000	Customer relationships £'000	Trade name £'000	Know how £'000	Computer software £'000	Goodwill £'000	Total £'000
Cost								
At 1 April 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**
Additions	–	–	–	–	–	23	–	23
On acquisition	62	43	3,043	4,384	262	–	5,906	13,700
Disposals	–	–	–	(1,231)	–	–	–	(1,231)
At 31 March 2023	**311**	**1,544**	**3,803**	**3,374**	**262**	**41**	**7,508**	**16,843**
Accumulated amortisation								
At 1 April 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
Amortisation charged in the year	25	150	359	359	6	16	–	915
At 31 March 2023	**100**	**316**	**670**	**447**	**6**	**23**	**–**	**1,562**
Carrying amount								
At 1 April 2021	199	49	601	177	–	–	1,602	2,628
At 31 March 2022	174	1,335	449	133	–	11	1,602	3,704
At 31 March 2023	**211**	**1,228**	**3,133**	**2,927**	**256**	**18**	**7,508**	**15,281**

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 2023 £'000	As at 31 March 2022 £'000
Supreme	**3,364**	1,602
Liberty Flights	**4,144**	–
	7,508	1,602

The above CGU's have changed from prior year due to the changes to the Group following the significant acquisitions in the financial year.

Goodwill arising in the year ended 31 March 2023 related to the acquisition of Liberty Flights Limited and Liberty Flights Holdings Limited and Superdragon (note 25). 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.

Notes to the Group financial statements
for the Year Ended 31 March 2023
continued

12. Goodwill and other intangible assets continued

The key assumptions for the value in use calculations are:

- cash flows before income taxes are based on approved budgets and prior experience and management projections for the next 3 years;
- a long term growth rate of 2.0% (2022: 2.0%) for the period beyond which detailed budgets and forecasts do not exist; based on external sources of macroeconomic projections for the geographies in which the entity operates; and
- a post tax discount rate of 10.4% (2022: 14.4%) based upon risk free rate for government bonds adjusted for a risk premium to reflect increased risk of investing in equities and investing in the Group's specific sector and regions.

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 2023 or 31 March 2022. There were no charges for impairment of goodwill in 2023 (2022: nil).

13. Property, plant and equipment

	Buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Computer equipment £'000	Assets under construction £'000	Total £'000
Cost or valuation							
At 1 April 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**
Additions	57	724	66	111	340	686	1,984
On acquisition	1,492	423	33	7	11	–	1,966
Disposals	–	–	–	(28)	–	–	(28)
At 31 March 2023	**1,549**	**7,286**	**1,092**	**377**	**687**	**686**	**11,677**
Depreciation and impairment							
At 1 April 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**
Depreciation charged in the year	–	949	63	51	205	–	1,268
Eliminated on disposal	–	–	–	(27)	–	–	(27)
At 31 March 2023	**–**	**5,131**	**885**	**115**	**308**	**–**	**6,439**
Carrying amount							
At 1 April 2021	–	2,545	129	24	89	–	2,787
At 31 March 2022	–	1,957	171	196	233	–	2,557
At 31 March 2023	**1,549**	**2,155**	**207**	**262**	**379**	**686**	**5,238**

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

Of the additions in the financial year £1,254,000 was paid during the year.

14. Investments

	As at 31 March 2023 £'000	As at 31 March 2022 £'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.

At 31 March 2023, the Company directly owned 100% of the ordinary share capital of the following subsidiaries, which are incorporated in England and Wales unless stated:

Subsidiary	Registered address	Principal activity
Supreme Imports Limited	4 Beacon Road, Ashburton Park, Trafford Park, Manchester M17 1AF	Distribution of consumer goods
Provider Distribution Limited	Unit 1 Rosewood Park, St James Road, Blackburn, Lancashire BB1 8ET	Distribution of consumer goods

At 31 March 2022, the Company indirectly owned 100% of the ordinary share capital of the following subsidiaries, which are incorporated in England and Wales unless stated:

Subsidiary	Registered address	Principal activity
VN Labs Limited	4 Beacon Road, Ashburton Park, Trafford Park, Manchester, M17 1AF	Distribution of consumer goods
Battery Force Limited		Dormant
Powerquick Limited		Holding company
Supreme 88 Limited		Holding company
Supreme Nominees Limited		Holding of shares as nominee
Holding Esser Affairs B.V.	Vanadiumweg 13, 3812 PX, Armersfoort, Netherlands	Holding company
AGP Trading B.V.		Distribution of consumer goods
Vendek Limited	Unit C5, South City Business Park, Whitestown Way, Tallaght, Dublin 24, D24 A993	Distribution of consumer goods
Liberty Flights Holdings Limited	Unit 9 Arkwright Court, Commercial Road, Darwen, Lancashire, BB3 0FG	Holding company
Liberty Flights Limited		Distribution of consumer goods

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

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15. Deferred tax
Deferred tax consists of the following temporary differences

	As at 31 March 2023 £'000	As at 31 March 2022 £'000
Share based payments	**1,016**	1,312
Deferred tax asset	**1,016**	1,312
Excess of depreciation over taxable allowances	**(550)**	(53)
Short term temporary differences	**339**	(103)
Tax losses carried forward	**(104)**	–
Acquired intangible assets	**(1,490)**	–
Deferred tax liability	**(1,805)**	(156)
Net deferred tax (liability)/asset	**(789)**	1,156

Movement in deferred tax in the year

	As at 31 March 2023 £'000	As at 31 March 2022 £'000
Balance at the beginning of the year	**1,156**	(141)
Credited to profit or loss	**498**	456
(Debited)/credited to reserves	**(608)**	841
Arising on business combination	**(1,849)**	–
Other	**14**	–
Balance at the end of the year	**(789)**	1,156

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

16. Inventories

	As at 31 March 2023 £'000	As at 31 March 2022 £'000
Goods for resale	**21,080**	20,457
Raw materials	**4,526**	5,441
	25,606	25,898

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

Inventories at 31 March 2023 are stated after provisions for impairment of £1,492,000 (2022: £600,000).

17. Trade and other receivables

	As at 31 March 2023 £'000	As at 31 March 2022 £'000
Trade receivables	**18,566**	17,848
Other receivables	**1,507**	346
Prepayments	**826**	841
	20,899	19,035

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 2023 £'000	Year Ended 31 March 2022 £'000
Balance at the beginning of the year	**32**	37
Charged to the statement of comprehensive income	**63**	30
Arising on acquisition	**111**	–
Utilisation of provision	**(17)**	(35)
Balance at the end of the year	**189**	32

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.

Ageing of receivables

	As at 31 March 2023 £'000	As at 31 March 2022 £'000
Current	**11,936**	12,177
31 – 60 days	**5,253**	4,390
61 – 90 days	**1,492**	1,254
90 days +	**74**	59
Less provisions for impairment	**(189)**	(32)
	18,566	17,848

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 2023 £'000	As at 31 March 2022 £'000
Cash at bank	**7,536**	3,926

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19. Trade and other payables

	As at 31 March 2023 £'000	As at 31 March 2022 £'000
Trade payables	**8,697**	8,149
Accruals	**5,651**	6,302
Deferred income	**259**	–
Other creditors	**3,415**	–
Other tax and social security	**3,951**	2,843
Deferred consideration	**1,942**	–
Contingent consideration	**2,200**	–
Directors loan account	**2**	2
	26,117	17,296

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 2023 £'000	As at 31 March 2022 £'000
Current		
Bank loans	**4,307**	3,984
Amounts owed to related parties	**–**	1,779
IFRS 16 lease liability (Note 21)	**719**	902
	5,026	6,665
Non-current		
IFRS 16 lease liability (Note 21)	**14,293**	1,294
	14,293	1,294
Total borrowings	**19,319**	7,959

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

	As at 31 March 2023 £'000	As at 31 March 2022 £'000
In less than one year	**5,026**	6,665
Between two and five years	**6,980**	1,294
In more than five years	**7,313**	–
	19,319	7,959

These amounts when presented gross on an undiscounted basis are as follows:

	As at 31 March 2023 £'000	As at 31 March 2022 £'000
In less than one year	**5,499**	6,751
Between two and five years	**7,699**	1,388
In more than five years	**13,065**	–
	26,263	8,139

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 a margin of 2.3%-2.8% over SONIA for all drawn amounts and 35% of the margin 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 facilities 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 not drawn down 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 (2022: undrawn).

Therefore undrawn but committed facilities at 31 March 2023 were £20.7m for the RCF (2022: £25m), £8.5m for the invoice discounting facility (2022: £8.4m) and $0.5m for the supply chain facility (2022: $0.5m).

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
At 1 April 2021	1,476
Additions	1,455
Depreciation charge for the year	(815)
At 31 March 2022	2,116
Additions	12,656
Lease modification	1,737
Depreciation charge for the year	(932)
At 31 March 2023	**15,577**

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

	As at 31 March 2023 £'000	As at 31 March 2022 £'000
Buildings	**15,576**	2,108
Cars	**1**	8
	15,577	2,116

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continued

21. Leases continued

Lease liabilities	As at 31 March 2023 £'000	As at 31 March 2022 £'000
Maturity analysis – contractual undiscounted cash flows		
Less than one year	**1,192**	988
More than one year, less than two years	**2,181**	514
More than two years, less than three years	**2,121**	467
More than three years, less than four years	**1,714**	407
More than four years, less than five years	**1,683**	–
More than five years	**13,065**	–
Total undiscounted lease liabilities at year end	**21,956**	2,376
Finance costs	**(6,944)**	(180)
Total discounted lease liabilities at year end	**15,012**	2,196
Lease liabilities included in the statement of financial position		
Current	**719**	902
Non-current	**14,293**	1,294
	15,012	2,196
Provisions		
Dilapidations provision related to right-of-use assets		
At 1 April	**–**	–
Additions	**774**	–
Unwind of discounting	**1**	–
At 31 March	**775**	–

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 2023 £'000	Year Ended 31 March 2022 £'000
Depreciation charge – Buildings	**925**	794
Depreciation charge – Cars	**7**	21
	932	815
Interest expense (within finance expense)	**154**	118

The above leases relate to buildings and cars.

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 2023 £'000	As at 31 March 2022 £'000
Trade receivables	**–**	1,498
Cash	**58**	188
Trade payables	**1,154**	820
	1,212	2,506

The effect of a 20 percent strengthening of Pound Sterling at 31 March 2023 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 £202,000, (2022: £418,000). 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 £303,000 (2022: £627,000).

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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 2023 £'000	As at 31 March 2022 £'000
Trade receivables	**200**	51
Cash	**453**	27
Trade payables	**(364)**	(261)
	289	(183)

The effect of a 20 percent strengthening of Pound Sterling at 31 March 2023 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 a decrease to net assets of £48,000 (2022: increase of £31,000). A 20 percent weakening of the exchange rate on the same basis, would have resulted in a decrease to total comprehensive income and an increase in net assets of £73,000 (2022: decrease of £46,000).

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 2023, the outstanding contracts mature between 1 and 10 months of the year end, (2022: 2 and 10 months). At 31 March 2023 the Group was committed to buy $32,500,000 (2022: $18,700,000) 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 2023 is a liability of £652,000 (2022: asset of £467,000). During the year ended 31 March 2023, a loss of £1,119,000 (2022: profit of £1,027,000) 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 £141,000 (2022: £69,000).

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.

22.9 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 2023 £'000	As at 31 March 2022 £'000
Financial assets		
Financial assets measured at amortised cost		
Trade and other receivables	**20,073**	18,194
Cash and cash equivalents	**7,536**	3,926
	27,609	22,120
Financial liabilities		
Financial liabilities measured at amortised cost		
Non-current:		
Borrowings	**(14,293)**	(1,294)
Current:		
Borrowings	**(5,026)**	(6,665)
Trade and other payables	**(8,697)**	(8,149)
Directors loan account	**(2)**	(2)
Deferred consideration	**(1,942)**	-
Contingent consideration	**(2,200)**	-
Other creditors	**(3,415)**	-
Accruals	**(5,651)**	(6,302)
	(41,226)	(22,412)
Financial assets / (liabilities) measured at fair value through profit and loss		
Forward contracts	**(652)**	467
	(652)	467
Net financial (liabilities) / assets	**(14,269)**	175

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 2022	116,627,074	11,662,707
Issued	688,968	68,897
At 31 March 2023	117,316,042	11,731,604

On 2 February 2023, 561,874 new Ordinary £0.10 shares were issued at a subscription price of £0.38, generating share premium of £159,404.

On 6 March 2023, 63,547 new Ordinary £0.10 shares were issued at a subscription price of £0.38, generating share premium of £18,028.

On 14 March 2023, 63,547 new Ordinary £0.10 shares were issued at a subscription price of £0.38, generating share premium of £18,028.

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23. Share capital and reserves continued

Dividends
Dividends of £5,365,000 (2022: £2,566,000) were declared in the year. This amounted to £0.046 per share (2022: £0.022).

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 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. The exercise of these options was originally subject to the occurrence of a relevant event (a disposal or a listing) in accordance with the EMI Scheme rules, but this condition was satisfied by the 2021 listing of the Company. These options will expire 10 years from grant date. A second scheme was implemented alongside the EMI scheme ('2018 unapproved scheme') for one employee who was eligible for more options that the EMI scheme rules allowed for. All conditions of this scheme were the same as the EMI Scheme.

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

2018 EMI scheme	Weighted average exercise price 2023 £	2023 No.	Weighted average exercise price 2022 £	2022 No.
At the start of the year	£0.38	1,148,850	£0.38	1,281,028
Lapsed	£0.38	(30,504)	£0.38	(5,084)
Granted	–	–	–	–
Exercised	£0.38	(495,621)	£0.38	(127,094)
At the end of the year	£0.38	622,725	£0.38	1,148,850

The profit and loss expense that has been recognised in the current year in respect of these awards is £nil (2022: £nil).

2018 unapproved scheme	Weighted average exercise price 2023 £	2023 No.	Weighted average exercise price 2022 £	2022 No.
At the start of the year	£0.38	386,694	£0.38	386,694
Lapsed	–	–	–	–
Granted	–	–	–	–
Exercised	£0.38	(193,347)	–	–
At the end of the year	£0.38	193,347	£0.38	386,694

The profit and loss expense that has been recognised in the current year in respect of these awards is £94,000 (2022: £300,000).

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 must 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.

2021 SAYE scheme	Weighted average exercise price 2023 £	2023 No.	Weighted average exercise price 2022 £	2022 No.
At the start of the year	£1.52	354,078	£1.52	438,620
Lapsed	£1.52	(158,911)	£1.52	(84,542)
Granted	–	–	–	–
Exercised	–	–	–	–
At the end of the year	£1.52	195,167	£1.52	354,078

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 were 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. By 31 March 2023, a total of 66,089 options had lapsed and 235,622 remained under option.

2021 CSOP	Weighted average exercise price 2023 £	2023 No.	Weighted average exercise price 2022 £	2022 No.
At the start of the year	£1.74	201,140	£1.74	206,886
Lapsed	£1.74	(20,114)	£1.74	(5,746)
Granted	–	–	–	–
Exercised	–	–	–	–
At the end of the year	£1.74	181,026	£1.74	201,140

Notes to the Group financial statements
for the Year Ended 31 March 2023
continued

24. Share based payments continued

2021 unapproved scheme	Weighted average exercise price 2023 £	2023 No.	Weighted average exercise price 2022 £	2022 No.
At the start of the year	£1.74	94,825	£1.74	94,825
Lapsed	£1.74	(40,229)	–	–
Granted	–	–	–	–
Exercised	–	–	–	–
At the end of the year	£1.74	54,596	£1.74	94,825

The profit and loss expense that has been recognised in the current year in respect of these awards is £57,000 (2022: £57,000).

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 in the year ended 31 March 2022. 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.

Options to subscribe for a further 174,650 shares at nominal value were granted to the CFO during the year ended 31 March 2023. These options are subject to performance conditions. 50% of the options require an average annual TSR of 7.5% to become exercisable in part and an annual average of TSR of 10% to become fully exercisable measured over a 3-year period. The remaining 50% of options are linked to an EPS performance target where a threshold of 33.7p by the end of a 3-year period is required in order for the options to become exercisable and 41.1p in order for the options to be fully exercisable.

2021 3-year CEO award	Weighted average exercise price 2023 £	2023 No.	Weighted average exercise price 2022 £	2022 No.
At the start of the year	£0.00	2,912,500	£0.00	2,912,500
Lapsed	–	–	–	–
Granted	–	–	–	–
Exercised	–	–	–	–
At the end of the year	£0.00	2,912,500	£0.00	2,912,500

2021 5-year CEO award	Weighted average exercise price 2023 £	2023 No.	Weighted average exercise price 2022 £	2022 No.
At the start of the year	£0.00	2,912,500	£0.00	2,912,500
Lapsed	–	–	–	–
Granted	–	–	–	–
Exercised	–	–	–	–
At the end of the year	£0.00	2,912,500	£0.00	2,912,500

2021 CFO award	Weighted average exercise price 2023 £	2023 No.	Weighted average exercise price 2022 £	2022 No.
At the start of the year	£0.00	111,940	£0.00	111,940
Lapsed	–	–	–	–
Granted	–	–	–	–
Exercised	–	–	–	–
At the end of the year	£0.00	111,940	£0.00	111,940

2022 Senior management awards (TSR)	Weighted average exercise price 2023 £	2023 No.	Weighted average exercise price 2022 £	2022 No.
At the start of the year	–	–	–	–
Lapsed	£0.00	(24,950)	–	–
Granted	£0.00	112,275	–	–
Exercised	–	–	–	–
At the end of the year	£0.00	87,325	–	–

2022 Senior management awards (EPS)	Weighted average exercise price 2023 £	2023 No.	Weighted average exercise price 2022 £	2022 No.
At the start of the year	–	–	–	–
Lapsed	£0.00	(24,950)	–	–
Granted	£0.00	112,275	–	–
Exercised	–	–	–	–
At the end of the year	£0.00	87,325	–	–

Notes to the Group financial statements
for the Year Ended 31 March 2023
continued

24. Share based payments continued

The profit and loss expense that has been recognised in the current year in respect of the Unapproved Scheme is £1,309,000 (2022: £1,295,000).

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:

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 overleaf:

	2018 unapproved scheme	2021 CSOP	2021 unapproved scheme	2021 3 year CEO award	2021 5 year CEO award	2021 CFO awards	2021 SAYE scheme	2022 Senior mgmt. awards – TSR	2022 Senior mgmt. awards – EPS
Grant date	4 Jan 2021	16 Feb 2021	16 Feb 2021	9 Mar 2021	9 Mar 2021	9 Mar 2021	18 Mar 2021	5 Aug 2022	5 Aug 2022
Share price at grant date (pence)	134p	176p	176p	185p	185p	185p	190p	101p	101p
Exercise price (pence)	38.38p	174p	174p	£nil	£nil	£nil	154p	£nil	£nil
Expected volatility (%)	45%	45%	45%	45%	45%	45%	55%	55%	55%
Projection period (yrs)	2.65	n/a	n/a	2.89	0.89	2.89	3.16	2.65	n/a
Expected life (yrs)	3	3	3	3	5	3	3	3	3
Expected dividend yield (%)	5.94%	4.10%	4.10%	3.90%	3.90%	3.90%	3.79%	5.94%	5.94%
Risk free interest rate (%)	–0.09%	0.34%	0.34%	0.12%	0.31%	0.12%	0.14%	1.92%	1.92%
Fair value per award (pence)	71p	50p	50p	74p	59p	109p	59p	31p	75p

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

No awards are exercisable at the end of the year. The charge for share-based payments in the year was £1,460,000 (2022: £1,663,000) which is included within Adjusted items. Of this, £177,000 related to Employers National Insurance Contributions and £1,283,000 related to the share-based payments charge.

25. Business combinations

Acquisition of Cuts Ice Limited

On 8 August 2022 Supreme Imports Limited acquired the trade and assets of Cuts Ice Limited ("Cuts Ice") and Flavour Core Limited ("Flavour Core"), for consideration of £2,571,000. Cuts Ice is an independent vaping manufacturer with major own brands as well as OEM manufacturing contracts, and Flavour Core is a flavour development and regulatory compliance business in e-liquids.

Recognised amounts of identifiable assets acquired and liabilities assumed

	Book value £'000	Fair value adjustment £'000	Fair value £'000
Fixed assets			
Other intangible assets	–	1,389	1,389
Property, plant and equipment	300	–	300
	300	**1,389**	**1,689**
Current assets			
Inventory	1,188	(339)	849
Debtors due within one year	33	–	33
	1,221	**(339)**	**882**
Total assets	**1,521**	**1,050**	**2,571**
Creditors			
Deferred tax	–	(40)	(40)
	–	**(40)**	**(40)**
Total identifiable net assets	**1,521**	**1,010**	**2,531**
Goodwill			40
Total purchase consideration			**2,571**
Consideration			
Cash			2,571
Total purchase consideration			**2,571**
Cash outflow on acquisition			
Purchase consideration settled in cash, as above			2,571
Less: cash and cash equivalents acquired			–
Net cash outflow on acquisition			**2,571**

Following a purchase price allocation exercise the company identified further acquired intangible assets. The fair value adjustments reflect the recognition of the Trade name of £1,231,000 and other intangible assets of £158,000. Deferred tax of £40,000 was recognised on the acquired intangible assets.

Goodwill of £40,000 represents consolidated purchasing and operating synergies.

The revenue from Cuts Ice Limited included in the Statement of Comprehensive Income for 2023 was £3,326,000. Cuts Ice Limited also incurred a gross profit of £2,187,000 over the same period. Had the acquisition occurred on 1st April 2022 , consolidated revenue and gross profit would have increased by a further £1,663,000 and £1,090,000 respectively.

Notes to the Group financial statements
for the Year Ended 31 March 2023
continued

25. Business combinations continued

Acquisition of Liberty Flights Holdings Limited
On 10 June 2022 Supreme Imports Limited acquired the entire share capital of Liberty Flights Holdings Limited ("Liberty Flights"), a leading UK vaping manufacturer best known for their Liberty Flights vaping brand and the market-leading Dot Pro device, for initial consideration of £9,350,000.

Recognised amounts of identifiable assets acquired and liabilities assumed

	Book value £'000	Fair value adjustment £'000	Fair value £'000
Fixed assets			
Other intangible assets	62	5,181	5,243
Property, plant and equipment	1,251	415	1,666
	1,313	**5,596**	**6,909**
Current assets			
Inventory	1,715	–	1,715
Debtors due within one year	1,160	–	1,160
Cash at bank and in hand	1,866	–	1,866
	4,741	**–**	**4,741**
Total assets	**6,054**	**5,596**	**11,650**
Creditors			
Trade and other payables	(894)	–	(894)
Corporation tax	(77)	–	(77)
Deferred tax	(119)	(1,399)	(1,518)
	(1,090)	(1,399)	(2,489)
Total identifiable net assets	**4,964**	**4,197**	**9,161**
Goodwill			4,144
Total purchase consideration			**13,305**
Consideration			
Cash			9,350
Deferred consideration			1,755
Contingent consideration			2,200
Total purchase consideration			**13,305**
Cash outflow on acquisition			
Purchase consideration settled in cash, as above			9,350
Less: cash and cash equivalents acquired			(1,866)
Net cash outflow on acquisition			**7,484**

Following a purchase price allocation exercise the company identified further acquired intangible assets. The fair value adjustments reflect the recognition of Customer Relationships of £2,028,000 and the Trade name of £3,153,000. The additional consideration paid over the fair value of the net assets acquired is recognised as goodwill. Deferred tax of £1,295,000 was recognised on the acquired intangible assets.

Goodwill of £4,144,000 represents consolidated purchasing synergies, operating efficiencies and cross sell opportunities.

Debtors due within one year of £1,160,000 are shown net of a £111,000 bad debt provision.

Deferred consideration of £2m is payable of the first anniversary of the acquisition. This amount has been discounted in the previous table.

Contingent consideration is based on the performance of Liberty Flights in the 12 months immediately following the acquisition, and could range from £0 to £5,000,000.

The Group has adopted the following fair value hierarchy in relation to its forward contracts derivatives that are carried in the balance sheet at the fair values at year end:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table sets out the fair value of all financial assets and liabilities that are measured at fair value:

Group and Company	Level 1 £'000	Level 2 £'000	Level 3 £'000
Liabilities measured at fair value	–	–	–
Contingent consideration	–	–	2,200
Total	**–**	**–**	**2,200**

There is no prior year comparison in the table above due to the acquisition only occurring in 2023. Contingent consideration is included in Level 3 of the fair value hierarchy. The provision for contingent consideration is in respect of the Liberty Flights acquisition in June 2022. The fair value is determined considering the expected payments, discounted to present value using a risk adjusted discount rate.

The significant unobservable inputs are the financial performance forecasts for the twelve month period post-acquisition and the risk adjusted discount rate of 14%.

The estimated fair value would increase or decrease if the EBITDA was higher or lower or the risk adjusted discount rate was higher or lower. A reasonably possible change to one of these significant unobservable inputs, holding the other inputs constant, would have the following effects:

Group and Company	Increase £'000	Decrease £'000
Effect of change in assumption on income statement		
EBITDA movement of £100,000	100	100

The revenue from Liberty Flights Holdings Limited included in the Statement of Comprehensive Income for 2023 was £9,437,000. Liberty Flights Holdings Limited also incurred a profit after tax of £1,260,000 over the same period. Had the acquisition occurred on 1st April 2022, the Group consolidated revenue and profit after tax would have increased by a further £1,900,000 and £250,000 respectively.

Acquisition of Superdragon
On 30 March 2023, Supreme Imports Limited acquired the trade and assets of Superdragon TCM UK Limited, an independent vaping manufacturer, for initial consideration of £2,470,000, with a further £187,000 deferred.

Recognised amounts of identifiable assets acquired and liabilities assumed

	Book value £'000	Fair value adjustment £'000	Fair value £'000
Fixed assets			
Goodwill and other intangible assets	–	1,162	1,162
	–	**1,162**	**1,162**
Current assets			
Inventory	260	(196)	64
	260	**(196)**	**64**
Total assets	**260**	**966**	**1,226**
Creditors			
Deferred tax	–	(291)	(291)
	–	**(291)**	**(291)**
Total identifiable net assets	**260**	**675**	**935**
Goodwill			1,722
Total purchase consideration			**2,657**
Consideration			
Cash			2,470
Deferred consideration			187
Total purchase consideration			**2,657**

The above cash consideration of £2,470,000 was settled in April 2023 and as such no cash outflow arose on acquisition for the year ended 31 March 2023.

Notes to the Group financial statements
for the Year Ended 31 March 2023
continued

25. Business combinations continued

Following a purchase price allocation exercise the company identified further acquired intangible assets. The fair value adjustments reflect the recognition of Customer Relationships of £978,000 and other intangible assets of £184,000. The additional consideration paid over the fair value of the net assets acquired is recognised as goodwill. Deferred tax of £291,000 was recognised on the acquired intangible assets.

Goodwill of £1,722,000 represents consolidated purchasing and operating synergies.

The revenue from Superdragon included in the Statement of Comprehensive Income for 2023 was £Nil, as was the profit. The assets were acquired on the last day of the financial year.

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 2023 £'000	Year Ended 31 March 2022 £'000
Short-term employee benefits	**1,152**	1,030
Social security costs	**159**	126
Employee share schemes	**1,405**	1,402
Post-employment benefits	**8**	9
Total compensation	**2,724**	2,567

28.2 Transactions and balances with key personnel

	As at 31 March 2023 £'000	As at 31 March 2022 £'000
Loan balances with Directors:		
Balance outstanding from director	**(2)**	(2)

28.3 Transactions and balances with related companies and businesses

	Year Ended / As at 31 March 2023 £'000	Year Ended / As at 31 March 2022 £'000
Transactions with related companies:		
Rent paid to Chadha Properties Limited	**180**	180
Balances with related companies:		
Amounts owed by Nash Peters Limited	**–**	–
Amounts owed to Supreme 8 Limited	**–**	(1,780)

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

On 30 March 2023 the landlord of Beacon Road, Supreme's principal operating site, changed from Chadha Properties Limited to Supreme 8 Limited, both of which are related parties. On 5 May 2023 a new lease was signed between Supreme 8 Limited and Supreme Imports Limited for a term of 5 years from 16 March 2023. Rent to be paid to Supreme 8 Limited in respect of Beacon Road will be £374,000 per annum (plus VAT) and will continue to be disclosed as a transaction with related parties.

29. Net cash flows in financing activities

	Net debt as at 1 April 2021	Payments	New leases	Arising on acquisition	Foreign exchange adjustments	Interest expense	Interest payments	Non current to current movement	Net debt as at 31 March 2022
Long term loan – current	(6,469)	5,305	–	–	–	(575)	285	(2,530)	(3,984)
Long term loan – non current	(3,695)	1,165	–	–	–	–	–	2,530	–
Leases – current	(615)	837	(270)	–	–	(46)	46	(854)	(902)
Leases – non current	(963)	–	(1,185)	–	–	(72)	72	854	(1,294)
Amount owed to related parties – current	(1,613)	1,613	–	–	–	–	–	(1,779)	(1,779)
Amount owed to related parties – non current	(1,779)	–	–	–	–	–	–	1,779	–
Sub-total	(15,134)	8,920	(1,455)	–	–	(693)	403	–	(7,959)
Cash at bank and in hand	7,505	(3,818)		271	(32)	–	–	–	3,926
Total	**(7,629)**	**5,102**	**(1,455)**	**271**	**(32)**	**(693)**	**403**	**–**	**(4,033)**

	Net debt as at 1 April 2022	Payments	Drawdowns	New leases	Arising on acquisition	Foreign exchange adjustments	Interest expense	Interest payments	Movement on loan costs	Non current to current movement	Net debt as at 31 March 2023
Long term loan – current	(3,984)	3,984		–	–	–	–	–	–	–	–
Long term loan – non current	–	–		–	–	–	–	–	–	–	–
RCF – non current	–	14,000	(18,418)	–	–	–	(883)	776	218	–	(4,307)
Leases – current	(902)	834		(647)	–	–	(7)	7	–	(4)	(719)
Leases – non current	(1,294)	–		(13,003)	–	–	(146)	146	–	4	(14,293)
Amount owed to related parties – current	(1,779)	1,779		–	–	–	–	–	–	–	–
Sub-total	(7,959)	20,597	(18,418)	(13,650)	–	–	(1,036)	929	218	–	(19,319)
Cash at bank and in hand	3,926	1,643		–	1,866	101	–	–	–	–	7,536
Total	**(4,033)**	**22,240**	**(18,418)**	**(13,650)**	**1,866**	**101**	**(1,036)**	**929**	**218**	**–**	**(11,783)**

30. Post balance date events

There have been no post balance date events to note.

Financial Statements

Company Statement of Financial Position
as at 31 March 2023

	Note	As at 31 March 2023 £'000	*Restated As at 31 March 2022 £'000
Fixed assets			
Investments	6	**26,112**	25,979
		26,112	25,979
Current assets			
Debtors	7	**10,692**	12,661
Cash and cash equivalents		**4**	4
		10,966	12,665
Creditors: amounts falling due within one year	8	**(620)**	(1,944)
Net current assets		**9,706**	9,962
Total assets less current liabilities		**36,458**	36,700
Net assets		**36,458**	36,700
Capital and reserves			
Share capital	9	**11,732**	11,663
Share premium	9	**7,427**	7,231
Share-based payments reserve		**2,729**	2,066
Retained earnings		**14,570**	15,740
Total Equity		**36,458**	36,700

*See note 13 for details around the prior year adjustment.

The Company has taken advantage of the exemption permitted by Section 408 of the Companies Act 2006 not to produce its own profit and loss account. The profit for the year dealt within the financial statements of the Company was £4,195,000 (2022: £7,473,000).

The notes on pages 114 to 120 are an integral part of these Company financial statements.

The Company financial statements on pages 112 to 120 were approved by the Board of Directors on 5 July 2023 and were signed on its behalf by:

S Smith
Director

Registered number: 05844527
Company Statement of Changes in Equity

Company Statement of Changes in Equity
for the Year Ended 31 March 2023

	Share Capital £'000	Share premium £'000	Share-based payments reserve £'000	Retained earnings £'000	Total equity £'000
As at 1 April 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
Restatement - Employee share schemes – value of employee services – note 13	–	–	392	–	392
Deferred tax on share-based payment charge	–	–	467	–	467
Dividends	–	–	–	(2,566)	(2,566)
Total transactions with owners, recognised in equity	**13**	**36**	**2,066**	**(2,566)**	**(152)**
As at 31 March 2022	**11,663**	**7,231**	**2,066**	**15,740**	**36,700**
Profit for the year	–	–	–	4,195	4,195
Total comprehensive income for the year	–	–	–	4,195	4,195
Transactions with shareholders:					
Issue of shares	69	196	–	–	265
Employee share schemes – value of employee services	–	–	1,271	–	1,271
Deferred tax on share-based payment charge	–	–	(608)	–	(608)
Dividends	–	–	–	(5,365)	(5,365)
Total transactions with owners, recognised in equity	**69**	**196**	**663**	**(5,365)**	**(4,437)**
As at 31 March 2023	**11,732**	**7,427**	**2,729**	**14,570**	**36,458**

The notes on pages 114 to 120 form part of these Company financial statements.

Notes to the Company financial statements

for the Year Ended 31 March 2023

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 £4,195,000 (2022: £7,473,000). 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

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 two-year period to 31 March 2025. 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 ongoing conflict in Ukraine and the resulting sanctions imposed on Russia by governments worldwide, the increased cost of borrowing and the ongoing cost of living crisis taking place in the UK, all of which have been reflected in this forecast.

- Whilst the Ukraine crisis initially imposed sourcing pressure on Supreme for certain ingredients (specifically sunflower lecithin and wheat protein), alternative sources and replacement ingredients were secured in early FY23 and therefore the risk to Supreme at present is considered minimal and managed.
- Whilst the Group's debt facilities are priced at a variable rate (SONIA + a margin) the Group's current positive leverage ratio (i.e. having more cash than bank borrowings), meaning that the Group could repay the borrowings in full means that Supreme's exposure to this increased cost is limited. Should the Group increase its level of bank borrowings during the forecast period (likely to be triggered by M&A) then of course this increased cost of borrowing would impact the Group (albeit expected to be offset by the incremental earnings generated by any M&A target).
- Historically Supreme has been a net beneficiary in periods of economic downturn, owing to the fact more than half of its revenue is derived from the discount retail sector which typically trades buoyantly during these periods (for prudence this has not been assumed in the forecast). The inflationary cost increases (specifically over salary costs, energy and transport) have been specifically factored into the cost base throughout for the forecast period.

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.

2.5 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.

Notes to the Company financial statements

for the Year Ended 31 March 2023
continued

2. Summary of significant accounting policies continued

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.

Other receivables

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'.

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

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.

Other payables

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.

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. The value of the awards made to the employees of the Company's subsidiaries are treated as an increase in the cost of investment in the subsidiary, with the credit taken to the share-based payments reserve.

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 £26,112,000 at 31 March 2023. 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. No reasonable change in inputs would result in impairment.

4. Remuneration of Directors and auditors

Details of Directors' remuneration are shown in the Directors' Remuneration Report on page 57 of the Group financial statements, and note 8 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 2023 £'000	*Restated As at 31 March 2022 £'000
Share based payments	**640**	759
	640	759

Movement in deferred tax in the year

	As at 31 March 2023 £'000	*Restated As at 31 March 2022 £'000
Balance at the beginning of the year	**759**	–
Credited to profit or loss	**489**	292
(Debited)/credited to reserves	**(608)**	467
Balance at the end of the year	**640**	759

Notes to the Company financial statements

for the Year Ended 31 March 2023
continued

6. Investments

	As at 31 March 2023 £'000	*Restated As at 31 March 2022 £'000
Balance at the beginning of the year	**25,979**	25,587
Movement relating to share options	**133**	392
Balance at the end of the year	**26,112**	25,979

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 2023, the Company directly owned 100% of the ordinary share capital of the following subsidiaries, which are incorporated in England and Wales unless stated:

Subsidiary	Registered address	Principal activity
Supreme Imports Limited	4 Beacon Road, Ashburton Park, Trafford Park, Manchester M17 1AF	Distribution of consumer goods
Provider Distribution Limited	Unit 1 Rosewood Park, St James Road, Blackburn, Lancashire BB1 8ET	Distribution of consumer goods

At 31 March 2023, the Company indirectly owned 100% of the ordinary share capital of the following subsidiaries, which are incorporated in England and Wales unless stated:

Subsidiary	Registered address	Principal activity
VN Labs Limited	4 Beacon Road, Ashburton Park, Trafford Park, Manchester M17 1AF	Distribution of consumer goods
Battery Force Limited		Dormant
Powerquick Limited		Holding company
Supreme 88 Limited		Holding company
Supreme Nominees Limited		Holding of shares as nominee
Holding Esser Affairs B.V.	Vanadiumweg 13, 3812 PX, Armersfoort, Netherlands	Holding company
AGP Trading B.V.		Distribution of consumer goods
Vendek Limited	Unit C5, South City Business Park, Whitestown Way, Tallaght, Dublin 24, D24 A993	Distribution of consumer goods
Liberty Flights Holdings Limited	Unit 9 Arkwright Court, Commercial Road, Darwen, Lancashire, BB3 0FG	Holding company
Liberty Flights Limited		Distribution of consumer goods

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

7. Debtors

	As at 31 March 2023 £'000	*Restated As at 31 March 2022 £'000
Amounts owed by Group undertakings	**10,322**	11,902
Deferred tax (note 5)	**640**	759
	10,692	12,660

The deferred tax asset of £640,000 (2022: £759,000) 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 2023 £'000	As at 31 March 2022 £'000
Amounts owed to related parties	**300**	1,777
Other tax and social security	**320**	167
	620	1,944

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 £nil (2022: £1,777,000) 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 £1,271,000 in respect of the equity-settled share-based payment transactions in the year ended 31 March 2023 (2022: £1,299,000). This included £157,000 of Employers National Insurance contributions (2022: £167,000).

Notes to the Company financial statements

for the Year Ended 31 March 2023
continued

12. Post balance date events

There have been no post balance date events to note.

13. Prior year adjustment

During the year ended 31 March 2023 a material error was identified in relation to its reporting of its Share based payment reserve.

An error arose in relation to the treatment of share based payments charges relating to options which are held by employees of Supreme Imports Limited (the 'Subsidiary'), but are options to acquire shares in the Supreme plc entity, and therefore does not give rise to a share based payment reserve in the Subsidiary financial statements.

In the Prior year, the company should have seen an increase in investments of £392,000 for these share based payment charges. The other line item effected by this is the share based payment reserve.

No third balance sheet for 2021 has been presented as the impact in that financial year was immaterial.

We are comfortable no further error exists, and there is no adjustment to profit.

The consolidated financial statements of Supreme plc (the 'Group') were correct and unaffected by this adjustment.

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