



# SUPREME

## Admission Document

January 2021



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This document, which comprises an AIM admission document drawn up in accordance with the AIM Rules for Companies, has been issued in connection with an application for admission to trading on AIM of the entire share capital, issued and to be issued pursuant to the Placing, of Supreme plc. This document does not constitute an offer or any part of any offer of transferable securities to the public within the meaning of section 102B of FSMA or otherwise. Accordingly, this document does not constitute a prospectus for the purposes of section 85 of FSMA or otherwise and has not been drawn up in accordance with the Prospectus Rules or filed with or approved by the FCA or any other competent authority.

**Application has been made for the Shares to be admitted to trading on AIM ("Admission"). It is expected that Admission will become effective and that trading in the Shares will commence on AIM at 8.00 a.m. on 1 February 2021.**

**AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the official list of the Financial Conduct Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.**

The Company and the Directors, whose names appear on page 9 of this document, accept responsibility individually and collectively for the information contained in this document. To the best of the knowledge of the Company and the Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.

**The whole of this document should be read. Your attention is drawn in particular to Part III of this document entitled "Risk Factors", which describes certain risks associated with an investment in Supreme plc.**

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## Supreme plc

*(incorporated and registered in England and Wales under the Companies Act 1985  
with registered number 05844527)*

### Placing of 5,597,015 New Shares and 44,776,120 Sale Shares at 134 pence per Share and Admission to trading on AIM



**Sole Global Coordinator  
and Broker**



**Nominated Adviser**

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The Selling Shareholders are offering 44,776,120 Sale Shares in aggregate for sale under the Placing and the Company is offering to issue up to 5,597,015 New Shares pursuant to the Placing. All of the Shares, including the New Shares and the Sale Shares, will, on Admission, rank equally in all respects, including the right to receive all dividends or other distributions declared, made or paid on the Shares after Admission.

Grant Thornton, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively for the Company as nominated adviser in connection with the Placing and Admission, and will not be responsible to any other person for providing the protections afforded to customers of Grant Thornton or advising any other person in connection with the Placing and Admission. Grant Thornton's responsibilities as the Company's nominated adviser under the AIM Rules for Companies and the AIM Rules for Nominated Advisers will be owed solely to London Stock Exchange and not to the Company, the Directors or to any other person in respect of such person's decision to subscribe for or acquire the Sale Shares or New Shares in reliance on any part of this document. Apart from the responsibilities and liabilities, if any, which may be imposed on Grant Thornton by FSMA or the regulatory regime established under it, Grant Thornton does not accept any responsibility whatsoever for the contents of this document, and no representation or warranty, express or implied, is made by Grant Thornton with respect to the accuracy or completeness of this document or any part of it.

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Holding Shares may have implications for overseas shareholders under the laws of the relevant overseas jurisdictions. Overseas investors should inform themselves about and observe any applicable legal requirements. It is the responsibility of each overseas shareholder to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction.

Copies of the document will be available free of charge during normal business hours on any day (except Saturdays, Sundays and public holidays) at the registered offices of the Company for one month from the date of this document. This document is also available on the Company's website, [www.Supreme.co.uk](http://www.Supreme.co.uk).

## IMPORTANT INFORMATION

### General

This document should be read in its entirety before making any decision to subscribe for or purchase Placing Shares. Prospective investors should rely only on the information contained in this document. No person has been authorised to give any information or make any representations other than as contained in this document and, if given or made, such information or representations must not be relied on as having been authorised by the Company, Grant Thornton or Berenberg or any of their respective affiliates, officers, directors, partners, employees or agents. Without prejudice to the Company's obligations under the AIM Rules for Companies, neither the delivery of this document nor any subscription or purchase made under this document shall, under any circumstances, create any implication that there has been no change in the affairs of the Company or the Group since the date of this document or that the information contained herein is correct as at any time subsequent to its date.

Prospective investors in the Company must not treat the contents of this document or any subsequent communications from the Company, Grant Thornton or Berenberg or any of their respective affiliates, officers, directors, partners, employees or agents as advice relating to legal, taxation, accounting, regulatory, investment or any other matters.

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The Company does not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media or any other person regarding the Placing, the Company and/or its subsidiaries. The Company makes no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication.

As required by the AIM Rules for Companies, the Company will update the information provided in this document by means of a supplement to it if a significant new factor that may affect the evaluation of the Placing by prospective investors occurs prior to Admission or if it is noted that this document contains any mistake or substantial inaccuracy. This document and any supplement thereto will be made public in accordance with the AIM Rules for Companies.

This document is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation, by the Company, the Directors, Grant Thornton, Berenberg or any of their respective representatives, that any recipient of this document should subscribe for or purchase any of the Shares. Prior to making any decision as to whether to subscribe for or purchase any Shares, prospective investors should read the entirety of this document and, in particular, the section headed "Risk Factors".

Investors should ensure that they read the whole of this document and not just rely on key information or information summarised within it. In making an investment decision, prospective investors must rely upon their own examination (or an examination by the prospective investor's FSMA authorised or other appropriate advisers) of the Company and the terms of this document, including the risks involved. Any decision to purchase Shares should be based solely on this document and the prospective investor's own (or such prospective investor's FSMA authorised or other appropriate advisers') examination of the Company.

Investors who subscribe for or purchase Placing Shares in the Placing will be deemed to have acknowledged that: (i) they have not relied on Grant Thornton, Berenberg or any person affiliated with either of them in connection with any investigation of the accuracy of any information contained in this document for their investment decision; (ii) they have relied only on the information contained in this document; and (iii) no person has been authorised to give any information or to make any representation concerning the Company or the Shares (other than as contained in this document) and, if given or made, any such other information or representation has not been relied upon as having been authorised by or on behalf of the Company, the Directors, Grant Thornton or Berenberg.



None of the Company, the Directors, Grant Thornton, Berenberg or any of their respective representatives makes any representation to any subscriber or purchaser of Placing Shares regarding the legality of an investment by such subscriber or purchaser.

In connection with the Placing, Grant Thornton, Berenberg and any of their respective affiliates, acting as investors for their own accounts, may acquire Shares, and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Shares and other securities of the Company or related investments in connection with the Placing or otherwise. Accordingly, references in this document to the Shares being offered, subscribed, purchased, acquired, placed or otherwise dealt with should be read as including any offer to, or subscription, purchase, acquisition, dealing or placing by, Grant Thornton, Berenberg or any of their respective affiliates acting as investors for their own accounts. Neither Grant Thornton nor Berenberg intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

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This document is being distributed in the United Kingdom where it is directed only at persons who are “**qualified investors**” within the meaning of Article 2(e) of the Prospectus Regulation as it forms part of English law by virtue of the European Union (Withdrawal) Act 2018 (as amended) and regulations made under that Act, and who are (i) persons having professional experience in matters relating to investments, i.e., investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**FPO**”); or (ii) high net-worth companies, unincorporated associations and other bodies within the meaning of Article 49 of the FPO and at persons to whom it is otherwise lawful to distribute it without any obligation to issue a prospectus approved by competent regulators. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of person and in any event, and under no circumstances, should persons of any other description rely on or act upon the contents of this document.

### **Notice to prospective investors in the European Economic Area**

In relation to each Member State of the European Economic Area (“**EEA**”) (each a “**Member State**”), no Shares have been offered or will be offered pursuant to the Placing to the public in that Member State prior to the publication of a prospectus in relation to the Shares which has been approved by the competent authority in that Member State, or otherwise in accordance with the Prospectus Regulation, except that offers of Shares to the public may be made at any time under the following exemptions under the Prospectus Regulation:

- (1) to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (2) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) in such Member State; or
- (3) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Shares shall require the Company or any other person to publish a prospectus pursuant to Article 21 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation and each person who initially acquires any Shares or to whom any offer is made under the Placing will be deemed to have represented, acknowledged and agreed that it is a qualified investor within the meaning of the Prospectus Regulation.

Neither the Company, Grant Thornton nor Berenberg has authorised, nor does any of them authorise, the making of any offer of Shares in circumstances in which an obligation arises for the Company to publish a prospectus or a supplemental prospectus in respect of such offer.

For the purposes of this provision, the expression “**an offer to the public**” in relation to any offer of Shares in any Member State means a communication in any form and by any means presenting

sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Shares, and the expression “**Prospectus Regulation**” means Regulation 2017/1129/EU.

### **Forward looking statements**

Certain statements in this document are or may constitute forward looking statements, including statements about current beliefs and expectations of the Directors. In particular, the words “envisage”, “projects”, “expect”, “anticipate”, “estimate”, “may”, “should”, “plan”, “intend”, “will”, “would”, “could”, “target”, “believe” and similar expressions (or in each case their negative and other variations or comparable terminology) can be used to identify forward looking statements. Such forward looking statements relate to matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the Board’s expectations of external conditions and events, current business strategy, plans and the other objectives of management for future operations and estimates and projections of the Group’s financial performance. Though the Board believes these expectations to be reasonable at the date of this document, they may prove to be erroneous. Forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, achievements or performance of the Group, or the industry in which the Group operates, to be materially different from any future results, achievements or performance expressed or implied by such forward looking statements. Prospective investors are strongly recommended to read the risk factors set out in Part III of this document.

Any forward looking statement in this document speaks only as of the date it is made. Save as required by law or regulation or the AIM Rules for Companies, the Company undertakes no obligation to publicly release the results of any revisions to any forward looking statements in this document that may occur due to any change in the Board’s expectations or in order to reflect events or circumstances after the date of this document.

Any forward looking statement in this document based on past or current trends and/or activities of the Group should not be taken as a representation or assurance that such trends or activities will continue in the future. No statement in this document is intended to be a profit forecast or to imply that the earnings of the Group for the current year or future years will match or exceed the historical or published earnings of the Group.

### **Presentation of financial information**

The consolidated historical financial information of the Group for the nine months ended 31 March 2019 and the year ended 31 March 2020 in Part IV of this document, the historical financial information of Supreme Imports for the two years ended 31 March 2019 in Part V of this document and unaudited interim financial information of the Group in Part VI of this document has been prepared in accordance with IFRS save for the requirement of IFRS 3 that a balance sheet as at the date of transition is presented and this is therefore a departure from the requirements of IFRS.

The Group and Supreme Imports have historically reported under UK Generally Accepted Accounting Practice (“**UK GAAP**”). An explanation of the changes to the Group’s financial information on transition from UK GAAP is presented in note 32 of Section B of Part IV of this document. An explanation of the changes to Supreme Import’s financial information on transition from UK GAAP is presented in note 30 of Section B of Part V of this document.

### **Non-IFRS and non-financial information operating data**

Unless stated otherwise, all trading information included in this document not extracted from Supreme’s historical financial information is extracted without material adjustment from the unaudited management accounts or internal financial reporting systems supporting the preparation of Supreme’s historical financial information for the relevant periods. These management accounts and internal financial reporting systems are prepared in accordance with the principles of UK GAAP, using information derived from accounting records used in the preparation of Supreme’s historical financial information.

Certain non-IFRS measures such as EBITDA and Adjusted EBITDA have been included in the financial information contained in this document as the Directors believe that these present important alternative measures with which to assess Supreme’s performance. These measures should not be considered as

an alternative to revenue and operating profit, which are IFRS measures, or to other measures of performance under IFRS. In addition, the Company's calculation of EBITDA and Adjusted EBITDA may be different from the calculation used by other companies and therefore comparability may be limited.

### **Rounding**

The financial information and certain other figures in this document have been subject to rounding adjustments. Therefore, the sum of numbers in a table (or otherwise) may not conform exactly to the total figure given for that table. In addition, certain percentages presented in this document reflect calculations based on the underlying information prior to rounding and accordingly may not conform exactly to the percentages that would be derived if the relevant calculations were based on the rounded numbers.

### **Currency presentation**

In the document, references to "sterling", "£", "penny", "pence" and "p" are to the lawful currency of the United Kingdom, references to "€" and "euros" are to the lawful currency of certain of the countries within the EU and references to "\$" are references to the lawful currency of the United States. Unless otherwise indicated, the financial information contained in this document has been expressed in sterling. The Group presents its financial statements in sterling.

### **Market, industry and economic data**

The data, statistics and information and other statements in this document regarding the markets in which the Group operates, or the Group's position therein, are based on the Group's records. In relation to these sources, such information has been accurately reproduced from the published information and, so far as the Directors are aware and are able to ascertain from the information provided by the suppliers of these sources, no facts have been omitted which would render such information inaccurate or misleading.

This document includes market share and industry data and forecasts that the Company has obtained from industry publications, surveys and internal company sources. As noted in this document, the Company has obtained market and industry data relating to the Group's business from providers of industry data and has obtained market data from the following reports:

Action on Smoking and Health (ASH). Fact Sheet: Use of e-cigarettes (vapes) among adults in Great Britain. October 2020

Euromonitor Passport historical data and projections for Incandescent Lamps, Halogen Lamps, Linear Fluorescent Lamps, Compact Fluorescent Lamps and Light-Emitting Diode Lamps for the UK

Euromonitor Passport historical data and projections for Light-Emitting Diode Lamps for Europe and the UK

Euromonitor Passport historical data and projections for E-Vapour Products for Europe and the UK

Euromonitor Passport historical data and projections for E-Vapour Products for the UK

Euromonitor Passport historical data and projections for Sports Nutrition and Healthcare for the UK

Euromonitor Passport historical data and projections for Beauty and Personal Care for Europe and the UK

Euromonitor Passport historical data and projections for Home Care for Europe and the UK

Mordor Intelligence industry report on Europe consumer battery report

Statista Battery and accumulator market in the United Kingdom

Market and industry data is inherently predictive and speculative, and is not necessarily reflective of actual market conditions. Statistics in such data are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market. The value of comparisons of statistics for different markets is limited by many factors, including: (i) the markets are



defined differently; (ii) the underlying information was gathered by different methods; and (iii) different assumptions were applied in compiling the data. Consequently, the industry publications and other reports referred to above generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed and, in some instances, these reports and publications state expressly that they do not assume liability for such information. Specifically, neither Grant Thornton nor Berenberg has authorised the contents of, or any part of, this document and accordingly no liability whatsoever is accepted by Grant Thornton or Berenberg for the accuracy or completeness of any market or industry data which is included in this document.

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Certain terms used in this document are defined and certain technical and other terms used in this document are explained at the section of this document under the heading "Definitions and Glossary".

All times referred to in this document are, unless otherwise stated, references to London time.

All references to legislation in this document are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation or regulation shall include any amendment, modification, re-enactment or extension thereof.

Words importing the singular shall include the plural and vice versa and words importing the masculine gender shall include the feminine or neutral gender.

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Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Shares have been subject to a product approval process, which has determined that the Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**").

Notwithstanding the Target Market Assessment, distributors should note that: the price of the Shares may decline and investors could lose all or part of their investment; the Shares offer no guaranteed income and no capital protection; and an investment in the Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Placing. Furthermore, it is noted that, notwithstanding the Target Market Assessment, Berenberg will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to, the Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Shares and determining appropriate distribution channels.

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## PLACING STATISTICS AND EXPECTED TIMETABLE

### Placing Statistics

Placing Price per Sale Share	134 pence
Number of Existing Shares	110,005,000
Number of New Shares to be issued by the Company	5,597,015
Number of Employee Shares to be issued by the Company	897,965
Number of Sale Shares in the Placing (excluding the Employee Shares) (together the Placing Shares)	43,878,155
Placing Shares as a percentage of the aggregate of Enlarged Share Capital	37.66 per cent.
Number of Shares in issue following the Placing and Admission	116,499,980
Market capitalisation of the Company at the Placing Price following Admission <sup>(1)</sup>	£156.1 million
Number of Shares in respect of which Options are outstanding on Admission	1,683,365
Fully diluted number of Shares immediately following Admission <sup>(2)</sup>	118,371,049
Gross proceeds of the Placing receivable by the Company	£7.5 million
Estimated net proceeds of the Placing receivable by the Company <sup>(3)</sup>	£5.6 million
TIDM	SUP
ISIN	GB00BDT89C08
SEDOL	BDT89C0
Legal Entity Identifier ("LEI")	213800DBHCI5WQWECL16

### Notes:

- (1) The market capitalisation of the Company at any given time will depend on the market price of the Shares at that time. There can be no assurance that the market price of a Share will equal or exceed the Placing Price.
- (2) Assuming all Options were capable of exercise, and had been exercised, as at Admission.
- (3) After deduction of estimated commissions, fees and expenses payable by the Company of approximately £1.9 million.

### Expected Timetable

Publication of this document	27 January 2021
Admission and commencement of dealings in the Shares on AIM	8.00 a.m. on 1 February 2021
Placing Shares credited to CREST accounts (where applicable)	8.00 a.m. on 1 February 2021
Despatch of definitive share certificates (where applicable)	by 15 February 2021

*All times are London, UK time. Each of the times and dates in the above timetable is indicative only and is subject to change without further notice.*

## COMPANY OFFICERS, REGISTERED OFFICE AND ADVISERS

<b>Directors</b>	Paul Andrew McDonald, <i>Non-executive Chairman</i> Sandeep (Sandy) Singh Chadha, <i>Chief Executive Officer</i> Suzanne Gwendoline Smith, <i>Chief Financial Officer</i> Mark Richard Cashmore, <i>Independent Non-executive Director</i> Simon Martin Lord, <i>Independent Non-executive Director</i>
<b>Company secretary</b>	Suzanne Smith
<b>Registered office</b>	4 Beacon Road Trafford Park Manchester M17 1AF
<b>Telephone Number</b>	0161 872 5151
<b>Website</b>	<a href="http://www.Supreme.co.uk">www.Supreme.co.uk</a>
<b>Nominated Adviser</b>	Grant Thornton UK LLP 30 Finsbury Square London EC2A 1AG
<b>Sole Global Coordinator and Broker</b>	Joh. Berenberg, Gossler & Co. KG, London Branch 60 Threadneedle Street London EC2R 8HP
<b>Legal advisers to the Company</b>	Beyond Corporate Limited 2nd Floor Commercial Wharf 6 Commercial Street Manchester M15 4PZ
<b>Legal advisers to the Nominated Adviser and the Sole Global Coordinator and Broker</b>	Bird & Bird LLP 12 New Fetter Lane London EC4A 1JP
<b>Auditors and Reporting Accountant</b>	BDO LLP 3 Hardman Street Spinningfields Manchester M3 3AT
<b>IFRS accounting advisers</b>	Bennett Brooks St George's Court Winnington Avenue Northwich CW8 4EE
<b>Registrars</b>	Equiniti Limited Aspect House Spencer Road Lancing BN99 6DA
<b>PR advisers to the Company</b>	Vigo Communications Sackville House 40 Piccadilly Mayfair London W1J 0DR

## DEFINITIONS

<b>Adjusted EBITDA</b>	earnings before profits from transactions in non-hedging foreign exchange derivative contracts, exceptional items, interest, taxation, depreciation, and amortisation
<b>Admission</b>	the admission of the Shares, issued and to be issued pursuant to the Placing, to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules for Companies
<b>AIM</b>	the AIM market of London Stock Exchange
<b>AIM Rules for Companies</b>	the AIM Rules for Companies published by London Stock Exchange from time to time (including, without limitation, any guidance notes or statements of practice) and those other rules of London Stock Exchange which govern the admission of securities to trading on, and the regulation of AIM
<b>AIM Rules for Nominated Advisers</b>	the AIM Rules for Nominated Advisers published by London Stock Exchange from time to time
<b>Berenberg</b>	Joh. Berenberg, Gossler & Co. KG, London Branch, broker to the Company and sole global coordinator
<b>Board</b>	the board of Directors of the Company
<b>B&amp;M</b>	B&M European Value Retail S.A.
<b>CAGR</b>	compounded annual growth rate
<b>Companies Act</b>	the Companies Act 2006 (as amended)
<b>Company</b>	Supreme plc (incorporated and registered in England and Wales under the Companies Act with registered number 05844527)
<b>COVID-19</b>	the coronavirus disease 2019
<b>CREST</b>	the computerised settlement system to facilitate the transfer of title of shares in uncertificated form, operated by Euroclear
<b>CREST Regulations</b>	the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended)
<b>Directors</b>	the directors of the Company as at the date of this document, whose names appear on page 9 of this document
<b>EBITDA</b>	earnings before interest, tax, depreciation and amortisation
<b>EEA</b>	the European Economic Area
<b>EMI Scheme</b>	the Supreme plc Enterprise Management Incentive Scheme 2018 further details of which are set out in paragraph 5(a) of Part IX of this document
<b>Employee Shares</b>	the 897,965 Shares to be issued to Supreme Nominees Limited and to be sold pursuant to the Placing on behalf of employees holding Options as described in paragraph 3(g) of Part IX of this document
<b>Enlarged Share Capital</b>	the issued share capital of the Company immediately following Admission comprising the Existing Shares, the New Shares and the Employee Shares
<b>ESG</b>	Environmental Social and Governance



<b>Euroclear</b>	Euroclear UK & Ireland Limited, the operator of CREST
<b>Euromonitor</b>	Euromonitor International, a market research provider
<b>Executive Directors</b>	the executive Directors of the Company as at the date of this document, namely Sandeep Singh Chadha and Suzanne Gwendoline Smith
<b>Existing Shares</b>	the 110,005,000 Shares in issue at the date of this document
<b>FCA or Financial Conduct Authority</b>	the Financial Conduct Authority of the United Kingdom
<b>FSMA</b>	the Financial Services and Markets Act 2000, as amended
<b>GMP</b>	Good Manufacturing Practice
<b>Grant Thornton</b>	Grant Thornton UK LLP, nominated adviser to the Company
<b>Group</b>	the Company and its subsidiaries and subsidiary undertakings (in each case as defined in the Companies Act)
<b>Historical Financial Information</b>	the audited financial information of the Company for the nine months ended 31 March 2019 and the year ended 31 March 2020 (as set out in Section B of Part IV of this document) and the audited financial information of Supreme Imports for the two years ended 31 March 2019 (as set out in Section B of Part V of this document)
<b>HMRC</b>	Her Majesty's Revenue and Customs
<b>IFRS</b>	International Financial Reporting Standards as endorsed by the European Union
<b>ITEPA 2003</b>	the Income Tax (Earnings and Pensions) Act 2003
<b>LED</b>	light emitting diode
<b>London Stock Exchange</b>	London Stock Exchange plc
<b>Member State</b>	a member state of the EEA
<b>MHRA</b>	the Medicines and Healthcare products Regulatory Agency which is an executive agency of the Department of Health in the United Kingdom
<b>New Shares</b>	the 5,597,015 new Shares to be issued by the Company to placees pursuant to the Placing
<b>Non-Executive Directors</b>	the non-executive Directors of the Company (including the Chairman) as at the date of this document, namely Paul McDonald, Mark Cashmore, and Simon Lord
<b>OEM</b>	original equipment manufacturer
<b>Options</b>	rights to acquire Shares as described in paragraph 5 of Part IX of this document
<b>Placing</b>	the conditional placing of the Placing Shares at the Placing Price pursuant to the Placing Agreement
<b>Placing Agreement</b>	the conditional agreement entered into on or about the date of this document between the Company, the Directors, the Selling Shareholders, Berenberg and Grant Thornton, in relation to the Placing of the Sale Shares and the New Shares and Admission, details of which are set out in paragraph 9 of Part IX of this document

<b>Placing Price</b>	134 pence per Sale Share
<b>Placing Shares</b>	the New Shares and the Sale Shares
<b>Primary Selling Shareholder</b>	Sandeep (“Sandy”) Singh Chadha
<b>Prospectus Regulation</b>	Prospectus Regulation (EU) 2017/1129
<b>Prospectus Regulation Rules</b>	the prospectus regulation rules made by the FCA under Part VI of FSMA, as amended
<b>Provider Distribution</b>	Provider Distribution Limited, a company acquired in February 2020
<b>QCA</b>	Quoted Companies Alliance
<b>QCA Code</b>	the Corporate Governance Code published by the QCA and updated from time to time
<b>Sale Shares</b>	the 44,776,120 Shares to be sold by the Selling Shareholders pursuant to the Placing
<b>Selling Shareholders</b>	the Primary Selling Shareholder, Sandy Chadha and Aditi Chadha as trustees of the Chadha Discretionary Trust 2020 and Supreme Nominees Limited (selling Employee Shares on behalf of a number of employees holding Options, further details of which are set out in paragraph 3(g) of Part IX of this document)
<b>Senior Managers</b>	Andrew Beaumont, Dan Clark, Michael Holliday, and David Neilson
<b>Shareholders</b>	holders of Shares for the time being
<b>Shares</b>	ordinary shares of 10 pence each in the capital of the Company
<b>SI Holdings</b>	SI Holdings (Jersey) Limited, a company incorporated in Jersey (registered number 121655) and having its registered office at 11 Bath Street, St Helier, Jersey JE2 4ST Channel Islands which is a wholly owned subsidiary of the Company
<b>SKU</b>	stock keeping unit
<b>Supreme</b>	as the context shall so admit means the Company and/or all or some of the members of its Group or (insofar as it relates to any period prior to 24 August 2007) to Supreme Imports (Wholesale) Limited (incorporated and registered in England and Wales under the Companies Acts 1948 to 1967 with registered number 01216520) and/or any of their respective businesses from time to time
<b>Supreme Imports</b>	Supreme Imports Limited (incorporated and registered in England and Wales under the Companies Act 2006 with registered number 05292196), a subsidiary of the Company
<b>Symbol Group Retailer</b>	an independent retailer that is a member of a larger organisation known as a symbol group. The symbol group retailer sector comprises all independent and multiple retailers who are affiliated to a symbol, fascia or franchise group
<b>Takeover Code</b>	the City Code on Takeovers and Mergers published by the Takeover Panel, as amended
<b>Takeover Panel</b>	the UK Panel on Takeovers and Mergers

<b>TPD</b>	the European Union's Tobacco Products Directive (2014/40/EU) implemented in the UK through the Tobacco and Related Products Regulations 2016
<b>uncertificated or in uncertificated form</b>	Shares recorded on the register of members of the Company as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of an instruction issued in accordance with the rules of CREST
<b>£ and p</b>	United Kingdom pounds Sterling and pence, respectively

## PART I

### INFORMATION ON THE GROUP

#### 1. Introduction

Supreme is a leading manufacturer, supplier and brand owner of fast moving consumable goods. Through its vertically integrated platform spanning from product development and manufacturing capabilities to an extensive retail distribution network Supreme offers a route to market for well-known global brands. Today, Supreme supplies products across five product categories, namely batteries (through distribution agreements and arrangements), lighting (through licensing agreements), vaping (predominantly own brand), sports nutrition & wellness (through own brands and contract manufacturing agreements) and branded household consumer goods (through distribution arrangements).

Supreme has long-established relationships with well-known global brands, including Duracell, Panasonic, Energizer and JCB. The Group has obtained international distribution and licensing agreements to develop and expand battery and/or lighting categories for these world-wide recognised brands and has successfully developed sales through its diverse distribution network. Since 2010, the Group has sold over £450 million's worth of battery and lighting products and has created strong sales and marketing relationships with its retail customers, which have approximately over 10,000 branded retail outlets as well as thousands of independent stores. In the financial year ended 31 March 2020 Supreme sold approximately 200 million batteries and approximately 23 million individual lighting products.

Supreme has a history of product and brand development which has driven the expansion of its portfolio. The business has grown its offering from branded distribution, through licences with minimum purchases to in-house manufacturing for its own brands and for third parties.

Since 2013, the Group has developed and, from 2016, has manufactured a broad range of vaping products, predominantly under the 88Vape brand. Leveraging the Group's long-standing distribution and retail relationships, the Directors believe Supreme has become the largest producer of e-liquids by volume in the UK with an estimated market share of approximately 30 per cent. of bottles sold. In 2018, the Group added a sports nutrition and wellness range of products including sports nutrition powders and wellness supplements which it manufactures in house or using third-party contract manufacturers; and in 2020 the branded household consumer goods category was added to its portfolio.

Since September 2019 the Group has manufactured an average of over 250,000 bottles of e-liquid per working day at its clean room manufacturing facility in Manchester and in the financial year ended 31 March 2020 sold approximately 45 million bottles of e-liquid, 794,200 vaping hardware kits and approximately 2.6 million items of other accessories and hardware. In the financial year ended 31 March 2020 Supreme sold approximately 2.6 million sports nutrition and wellness products.

The Group's warehouse, manufacturing clean rooms and distribution facility, which is based at Trafford Park in Manchester, offers more than 200,000 square feet of space for the Group's use. This facility was significantly improved and expanded in 2018, increasing manufacturing capacity to over 290 million bottles of e-liquid per annum.

Growth in Supreme's in-house manufacturing of own brands in the vaping (including 88Vape) and sports nutrition & wellness categories, in conjunction with increased direct to consumer online distribution, has been driving margin expansion in recent years.

Central to Supreme's business model is the Group's established and growing network based on six core channels, which are:

- Discount Retailers – including B&M, Home Bargains, Poundland, The Range, Matalan, Sports Direct and Heron Foods;
- Wholesalers, e-tailers and Symbol Group Retailers – including Booker, Londis, SPAR, Bestway, and Costcutter;

- Supermarkets and high street – including Asda, Halfords, and Iceland;
- International customers – including Babou – the French discount chain with more than 95 stores;
- Public Sector – HM Prison & Probation Service and the Scottish Prison Service; and
- Direct to consumer online.

The Group services a customer base of over 3,300 active business accounts including retail customers which have approximately over 10,000 branded retail outlets and thousands of independent stores. Supreme is also expanding its export sales and currently sells to retailers, e-tailers and wholesalers in over 45 countries. The Group benefits from a diverse customer base with the largest single customer representing approximately 23 per cent. and 15 per cent. of total revenue for the year ended 31 March 2020 and 6 months ended 30 September 2020 respectively.

The Group's online offering is a key focus for Supreme. The Group has recently accelerated the shift to online sales through its own business-to-business online platform, Supremeoffers.co.uk, where the Group provides goods to approximately 1,000 online business accounts. In addition, Supreme has increasingly been selling products direct to consumers through its own online websites such as 88vape.com and ledhut.co.uk where it has approximately 50,000 active accounts. The Group also sells a number of products through Amazon and eBay international selling programmes.

The Group has a sustained track record of sales growth and profitability and strong cash generation. The Group's revenues amounted to £92.3 million in the year ended 31 March 2020 with a CAGR of 17 per cent. between 2015 and 2020. The Group generated Gross Profit for the year ended 31 March 2020 of £26.8 million with a CAGR of 34 per cent. between 2015 and 2020, and Adjusted EBITDA for the year ended 31 March 2020 increased to £16.2 million representing a CAGR of 52 per cent. between 2015 and 2020.

For the six month period to 30 September 2020, the Group recorded unaudited revenues of £56.3 million and unaudited Adjusted EBITDA of £8.4 million, an increase over the prior period of 43 per cent. and 21 per cent. respectively demonstrating highly resilient revenue and profit growth.

The Company is seeking to raise £7.5 million (before expenses) through the Placing, the proceeds of which will be used to fund repayment of bank debt of £7.5 million. In addition, the Placing will raise £60.0 million (before expenses) for the Selling Shareholders. Further details of the Placing are set out in paragraph 16 of this Part I.

## **2. History and background**

The business was established in 1975 by Mr GS Chadha, the father of Sandy Chadha (the Company's Chief Executive Officer), as a general sales and small wholesaler of goods such as watches, radios, and clocks. Supreme first entered the consumer battery distribution market in the early 1990s and has been an official distributor for Panasonic Batteries since 1993, Duracell since 1994, and Energizer since 1998. Supreme also entered the film and videotape distribution business in 2002. In 1998, the Group moved to a distribution facility in Trafford Park of over 10,000 square feet to support the expansion of the business. Supreme further expanded the space available to approximately 33,000 square feet in 2001.

In 2003, Sandy Chadha formed part of a private equity backed buy-out of Supreme where he held a minority interest. The Group expanded its Trafford Park site in 2005 to encompass more than 50,000 square feet of warehouse and office space. In 2007, after a period of sales decline, Sandy Chadha supported the cash purchase by Supreme Imports Limited of the business and assets of Supreme Imports (Wholesale) Limited from administrators in August 2007.

In February 2008, the Group completed a takeover of Lazonon plc to increase its market share in the battery market. In 2009, Supreme entered the consumer battery manufacturing market and entered into a licence to allow the manufacture, production and distribution of batteries under the JCB brand.

Under Sandy Chadha's leadership, in 2009 the Group diversified its product range to include the distribution of lighting products. Supreme had successfully obtained a manufacturing licence from Eveready in 2007 to develop and launch a new range of lighting products under its brand for distribution in the UK market and those products were first launched in 2009. This was followed by Energizer in



2013 granting an international manufacturing licence to Supreme to apply the Energizer brand to light bulbs which was subsequently expanded to incorporate light fittings in 2015. Building on the relationship with JCB for batteries, in 2016 Supreme obtained a licence to produce and distribute LED light bulbs under the JCB brand, providing the Group with a varied portfolio of lighting products for the UK, Ireland and Malta.

In 2013, Supreme entered the vaping market by launching its first vaping brand, KiK, which was followed by the value focused brand, 88Vape, in 2014, which has grown significantly and now contributes the majority of sales in the Group's vaping product category. The Group's clean room manufacturing facility at its Trafford Park base was opened in 2016 to take control of its own product supply and the Group expanded into the contract manufacture of e-liquids for third parties in 2017. This facility was significantly improved and expanded in 2018, increasing manufacturing capacity to over 290 million bottles of e-liquid per annum.

Consistent with its strategy of expanding its portfolio of products into verticals amenable to distribution through existing customer relationships, Supreme entered the sports nutrition and wellness market in February 2018 by acquiring manufacturing equipment to allow it to produce a range of protein powders. The Group has expanded this offering to include other related products such as protein bars and vitamin supplements initially produced by third parties under the Group's own and licenced brands. In respect to vitamins, the Group currently packages these products in-house and the Directors intend to bring more of the manufacturing process in house in the short term.

The Group more recently enhanced its range of lighting products and its direct to customer offering through the acquisition of the trade and assets of LED Hut Limited in 2019 which includes the online store, ledhut.co.uk, and in November 2019 acquired AGP Trading B.V., a wholesaler and importer of LED light bulbs to supermarkets in the Benelux market. In February 2020 Supreme acquired the issued share capital of Provider Distribution Limited, a distributor of branded household and cleaning products, and in October 2020 acquired the issued share capital of GT Divisions Limited, a supplier of protein bar snacks under the "Battle Snacks" brand.

### **3. Trading activities**

The Group operates five primary categories, namely Batteries, Lighting, Vaping, Sports Nutrition & Wellness, and Branded Household Consumer Goods. Operations are principally based in Manchester, including, customer services, marketing, accounting, and distribution via the Trafford Park distribution facility, and manufacturing for e-liquids and sports nutrition wellness products.

#### ***Product categories***

##### ***Batteries***

Since Supreme entered the consumer battery market in the early 1990s, the Director's believe it has grown to become one of the largest independent branded consumer battery distributors by number of batteries sold in the UK with a market share estimated at approximately 21 per cent. supplying approximately 200 million batteries in the 12 months to November 2020. Supreme has held a distribution relationship with Panasonic since 1993, Duracell since 1994, and Energizer since 1998 in addition to an 11 year exclusive licensing relationship with JCB and a 7 year relationship with Philips.

Whilst batteries are predominantly sourced by the Group directly from the brands, Supreme provides white label batteries to a major UK supermarket. The Group has also developed higher margin models for licensing and contract manufacturing where, in return for a royalty, Supreme manufactures batteries using third parties and distributes licenced branded consumer batteries.

The Battery category represented approximately 34 per cent. of Group revenues for the year ended 31 March 2020 and approximately 26 per cent. of Group revenues for the six month period ended 30 September 2020. For the year ended 31 March 2020, sales of the four bestselling distributed brands of battery products represented approximately 34 per cent., 18 per cent., 16 per cent. and 8 per cent. of battery category revenues, with licence and white label sales representing 16 per cent. and 6 per cent. of battery category revenues. For the year ended 31 March 2020, the largest customer and three largest customers represented approximately 12 per cent. and 26 per cent. respectively of Battery category revenues (for the year ended 31 March 2019, 12 per cent. and 24 per cent. respectively).

### *Lighting*

Supreme's lighting category distributes a wide range of products to the retail and trade markets, including LED light bulbs, internal and external light fittings, and smart lighting with approximately 23 million light bulbs supplied each year. Supreme entered the lighting sector in 2009 by leveraging existing customer relationships and existing supplier relationships with battery brands such as Energizer and Eveready. Building on these relationships, the Group established international licensing agreements with Eveready, Energizer and JCB to launch a range of lighting products where, in return for a royalty, Supreme procures the manufacture of lighting products using third parties in the Far East and distributes Eveready, Energizer and JCB branded lighting products. Supreme also provides white label lighting products to a major discount retailer. The Group also supplies a range of OEM lighting products with custom branded packaging and point of sale displays.

In 2019 the Company acquired the trade and assets of LED Hut Limited, an established supplier of LED lighting to trade and online, predominantly via its own brand Lumilife, allowing the Group to significantly expand its range of LED products to replace the less efficient light bulbs which are being phased out by European regulation.

The Lighting category represented approximately 27 per cent. of Group revenues for the year ended 31 March 2020 and approximately 20 per cent. of Group revenues for the six month period ended 30 September 2020. Revenues grew at an 18 per cent. CAGR between 31 March 2015 and 31 March 2020. For the year ended 31 March 2020, sales of the three bestselling brands of lighting products represented approximately 39 per cent., 28 per cent. and 7 per cent. of lighting category revenues, with white label, light fittings and own label representing 11 per cent., 8 per cent. and 4 per cent. of lighting category revenues. For the year ended 31 March 2020, sales from the largest customer and three largest customers represented approximately 35 per cent. and 55 per cent. respectively of Lighting category revenues (for the year ended 31 March 2019, 29 per cent. and 52 per cent. respectively).

### *Vaping*

Vaping is a next generation nicotine and/or flavour delivery product that is an alternative to tobacco. The Group's vaping products use a battery powered device to heat an e-liquid solution to create a vapour containing propylene glycol, vegetable glycerin, and flavourings, with or without nicotine, that are designed to be inhaled. Supreme first entered the vaping market in 2013 after identifying the opportunity to create vaping products that could be distributed through existing relationships held by the Group. Supreme provides a vertically integrated offering to the vaping sector distributed to more than 10,000 branded retail outlets:

- E-liquids – having initially imported vaping products from the Far East, the Group opened its own UK based e-liquid manufacturing facility in 2016 and is now, the Directors believe, one of the largest producers of e-liquids in the UK by volume manufacturing approximately 45 million bottles in the year ended 31 March 2020 and having recently expanded the manufacturing plant's production capacity to be able to produce over 290 million bottles per year. Supreme's manufacturing facilities include an on-site clean room for blending and production activities which is compliant with EU TPD and has an ISO Class 7 accreditation from Connect2 Cleanrooms. Supreme has an extensive product e-liquid product range with over 400 SKU's across all manufactured brands. For the year ended 31 March 2020, sales of e-liquids represented approximately 71 per cent. of all vaping category revenues, with 88Vape e-liquids, the Group's primary vaping brand, representing approximately 94 per cent. of all e-liquids revenues for the same period with the remainder being the KiK own brand and contract manufacturing for third parties.
- Hardware – the Group currently procures the manufacture, importation, and distribution of own and customer branded vaping hardware (such as vaping pens, pods and modification kits) from China. For the year ended 31 March 2020, sales of hardware represented approximately 16 per cent. of all vaping category revenues.
- Pre-filled – Supreme designed a bespoke product range of pre-filled cartridges specifically for HM Prison & Probation Service which were first supplied in 2019 with the potential to expand the offering to new customers. With manufacturing currently split across in house and with a China based third party, the Group intends to bring the production of these bespoke pre-filled cartridges in-house in the short term which is expected to materially improve margins on this product. For

the year ended 31 March 2020, sales of pre-filled represented approximately 8 per cent. of all vaping category revenues.

The Group also supplies a small number of varied products containing cannabidiol (“CBD”), although these contribute a *de minimis* amount to Group revenues.

88Vape is the Group’s primary vaping brand launched in 2014 and was initially designed for supply into discount and single price retailers but has subsequently evolved into a market leader targeting a wider consumer base. The product consists of both vaping hardware and e-liquids and is currently distributed to a broad range of retailers and discount retail chains (for example Asda, B&M, Home Bargains, Iceland, Poundland and Bestway, Londis, Costcutter, QD Stores, The Range and Original Factory Shop), specialist vape stores (for example Vape Club and Electronic Tobacconist), HM Prison & Probation Service and the Scottish Prison Service (indirectly), and direct online sales to the consumer via the Group’s own-branded website, 88vape.com.

Direct to consumer sales of 88Vape products have shown significant growth and recorded over 7,000 new customers per month with a 19 per cent. conversion rate and an average basket size of £18 for the period January to September 2020.

Through the Group’s in-house research and development and testing capabilities within its Trafford Park facility, the Group can create new flavour combinations which allows the Group to respond quickly to changing consumer demands and trends. The Group has developed and is currently producing over 60 flavours of e-liquids in varying nicotine strengths all of which are registered with the MHRA.

The Vaping category represented approximately 31 per cent. of Group revenues for the year ended 31 March 2020 and approximately 34 per cent. of Group revenues for the six month period ended 30 September 2020. Revenue grew at a 27 per cent. CAGR between 31 March 2018 and 31 March 2020. For the year ended 31 March 2020, sales from the largest customer and largest three customers represented 28 per cent. and 55 per cent. respectively of vaping category revenues (for the year ended 31 March 2019, 30 per cent. and 60 per cent. respectively).

#### *Sports Nutrition & Wellness*

Supreme entered the sports nutrition and wellness market in February 2018 by acquiring manufacturing equipment to allow it to produce a range of protein and other sports powders and has since expanded its capabilities to include other nutrition products such as protein bars, snacks, drinks and vitamin supplements which are sold in approximately 1,000 stores across the UK. The category now includes own label brands (including Protein Dynamix and gonutrition) in addition to contract manufacturing a range of protein powders, snacks and drinks which are retailed exclusively by B&M. Supreme recently entered the vitamin supplements market and in October 2020 acquired GT Divisions Limited, a business that markets and sells a range of low sugar high protein snacks under the brand of Battle Snacks. The Group has also secured orders to supply sports nutrition and wellness products to HM Probation & Prison Service and the Scottish Prison Service.

The Sports Nutrition & Wellness category represented approximately 5 per cent. of Group revenues for the year ended 31 March 2020 and approximately 4 per cent. of Group revenues for the six month period ended 30 September 2020. Revenues grew by 108 per cent. between 31 March 2019 and 31 March 2020. For the year ended 31 March 2020, sales from the largest customer and three largest customers represented 48 per cent. and 73 per cent. respectively of Sports Nutrition & Wellness category revenues (for the year ended 31 March 2019, 64 per cent. and 90 per cent. respectively).

#### *Branded Household Consumer Goods*

Supreme supplies a wide range of branded household consumer goods through its sales channels. Whilst the Branded Household Consumer Goods category represented approximately 2 per cent. of Group revenues for the year ended 31 March 2020, the acquisition of Provider Distribution in February 2020 is anticipated to materially increase the scale of the category and for the six month period to 30 September 2020, represented approximately 16 per cent. of Group revenues. For the year ended 31 March 2020, a period primarily before ownership by the Group, Provider Distribution reported unaudited revenue of £13.2 million at a 9.9 per cent. gross margin.

Provider Distribution is a wholesaler of branded toiletries (for example Oral-B and Colgate toothpaste, Dove soap, Head & Shoulders shampoo) and household products (for example Domestos, Ariel and Pledge cleaning products) with a focus on discount retailers, wholesalers and convenience stores and provides a high degree of crossover with the Group's existing customers strengthening existing relationships by increasing basket size.

### ***Channels to market***

The Group has six primary channels to market for its products: (1) wholesale, e-tail and Symbol Group Retailers (2) discount retailers (3) supermarkets (4) international customers (5) public sector and (6) direct to consumer online. Whilst the customers for each product category overlap, there remains significant opportunity for further cross selling of Supreme's products across customer relationships.

- *Wholesale, e-tail and Symbol Group Retailers*

The heritage of the business was the supply of batteries to wholesalers and symbol group retailers. This extensive customer base is long term and provides a stable and balanced distribution network with a well-established geographic footprint across the UK. Wholesale customers include Booker, Bestway, Bunzl and a global tobacco company. Symbol Group Retail customers include Londis, Spar, and Costcutter. Supreme also services the retail market through a trade focused portal on its website which facilitates direct orders, allowing business customers to re-stock multiple products in a single order. In the year ended 31 March 2020, 22 per cent. of Group sales were to wholesale, e-tail and symbol group retailers.

- *Discount retailers*

The business extended to serving discount retailers where Supreme is now an established supplier of batteries, lighting, sports nutrition and wellness products, and vaping products. The Directors believe that Supreme is now positioned with leading battery brands as an important channel to the discount market which has experienced strong and consistent growth in recent years. The strength of the discount retail customer base has supported the rapid growth of the Group's vaping products sales and continues to provide an opportunity for further product extension. Discount retail customers include Home Bargains, B&M, Poundland, The Range and Sports Direct. In the year ended 31 March 2020, approximately 47 per cent. of Group sales were to discount retailers.

- *Supermarkets and high street*

Supreme is achieving increased penetration into supermarkets. The Group supplies white label and own brand licensed products, such as batteries, and 88Vape products. Supermarket customers include Asda and Iceland. In the year ended 31 March 2020, approximately 12 per cent. of Group sales were to supermarkets and high street retailers.

- *International customers*

Supreme has a growing portfolio of international customers across all product categories. In the year ended 31 March 2020, the Group sold products to over 300 distributors in more than 45 countries, including Babou – the French discount chain with more than 95 stores. In the year ended 31 March 2020, approximately 10 per cent. of Group sales were to international customers.

- *Public sector*

The Group currently supplies 88Vape products to HM Prison & Probation Service and the Scottish Prison Service facilitated through a wholesale customer. This relationship has enabled Supreme to cross sell protein products to these customers. In the year ended 31 March 2020, approximately 3 per cent. of Group sales were indirectly made to the public sector.

- *Direct to consumer online*

The Group has direct sales to consumers, through online retail stores selling batteries, lighting, and vaping products. The recent acquisition of LED Hut Limited has provided the Group with a significantly larger direct to consumer channel for lighting products. The sale of products online has grown significantly with revenues for the year ended 31 March 2020 of £3.63 million



representing a 117 per cent. increase on prior year and this growth accelerated further during the COVID-19 movement restrictions in the UK in 2020. In the year ended 31 March 2020, approximately 4 per cent. of Group sales were direct to consumer online. Total sales online (e-tail plus direct sales to consumers) in the year ended 31 March 2020 represented 8 per cent. of Group sales.

On a revenue geographic basis, the UK, Rest of Europe and the Rest of the World represented 89 per cent., 9 per cent. and 1 per cent. respectively of Group revenues for the year ended 31 March 2020 (86 per cent., 13 per cent. and 1 per cent. respectively for the year ended 31 March 2019).

#### **4. Market overview and competition**

##### ***Batteries***

Statista estimates the UK battery market was £609.9 million in 2019 and Mordor Intelligence expects the overall European market to grow by a CAGR of 8.6 per cent. over the next 5 years, however the Directors believe that the majority of this growth will come from battery types outside the Group's core products. Competitors to the Group include battery brands selling directly to customers and distribution businesses such as Anand International Limited and Baruch Enterprises Limited.

##### ***Lighting***

According to Euromonitor, the European retail market size for LED light bulbs in 2019 was estimated at approximately £3.0 billion, 13 per cent. of which is related to the UK market and is projected to grow to approximately £4.3 billion in 2022, 13 per cent. of which is expected to relate to the UK market. The lighting market has been significantly impacted by regulation with incandescent bulbs and non-directional halogen lamps already being phased out with the objective of forcing consumers to purchase more energy efficient LED lighting products.

The Directors believe price competition for LED lighting products benefits value brands such as Energizer and Eveready, the lighting category's two largest brands. The Group's competitors include brands selling directly to customers, and distribution and manufacturing businesses such as Status International UK Limited.

##### ***Vaping***

According to Euromonitor, the European vaping market is estimated to be worth approximately £5.3 billion in 2019 (40 per cent. of which is related to the UK market) and is projected to grow to approximately £6.8 billion in 2022 (45 per cent. of which is related to the UK market), a CAGR of 8.7 per cent. The market has seen strong growth, particularly within discount channels and online. Market growth is being driven by increasing numbers of smokers using vaping as a means of giving up smoking, general awareness of vaping as a safer alternative to smoking alongside endorsements by UK public health bodies, wider access to products both on the high street and online and, the Directors believe, innovation within the category.

The vaping market is fragmented, with a number of different manufacturing models being followed by competitors which include (i) manufacture own brand and white label (ii) manufacture own brand only (iii) brand only with no manufacturing and (iv) big tobacco owned brands which both manufacture and outsource to white label manufacturers. The 88Vape brand is positioned as a high quality value brand which provides clear differentiation from other market participants that show higher retail price points for their products. Based on more than 1 million estimated users of 88Vape products, the Directors believe that 88Vape is the leading value vaping brand in the UK.

##### ***Sports Nutrition & Wellness***

The UK sports nutrition market is experiencing strong growth because of several structural drivers. These include increasing health awareness in an ageing population, a shift in the demographic base consuming sports nutritional products to lifestyle and recreational users, and the impact of ecommerce and online sales providing variety, convenience, and information to consumers. According to Euromonitor in 2019, the European retail value for sports nutrition products (including protein bars, powders and sports protein ready to drink and non-protein products) was estimated at approximately £2.7 billion and is forecast to grow to approximately £3.2 billion by 2022, a CAGR of 6 per cent. The value of the European healthcare supplements market, comprising vitamins, dietary supplements,



weight management and supplements, was estimated at approximately £12.6 billion in 2019 and is forecast to grow to approximately £14.8 billion in 2022, a CAGR of 5 per cent.

### ***Branded Household Consumer Goods***

According to Euromonitor the UK retail market size for Home Care and Beauty & Personal products was estimated at approximately £4.0 billion and £13.2 billion respectively in 2019. Within the Home Care market, Laundry Care is the largest proportion of retail value with £1.8 billion in 2019 and within the Beauty & Personal care market Skin Care and Fragrances are the largest subsectors with £3.0 billion and £1.9 billion, respectively, of retail value in 2019. The fastest growing subsector in the Home Care market is expected to be Surface Care with an estimated growth from 2019 to 2020 of 8 per cent. and a 3.6 per cent. CAGR from 2019 to 2022 driven by increased use of surface disinfectants on account of the COVID-19 pandemic.

## **5. Business operations**

### ***Corporate structure***

The Company has two primary wholly owned trading subsidiaries: VN Labs Limited and Supreme Imports Limited. VN Labs Limited is responsible for all manufacturing operations for the Group and sources raw materials and employs all manufacturing labour. Manufactured finished goods are then usually sold to Supreme Imports Limited, the primary customer of VN Labs Limited. Supreme Imports Limited is responsible for most onward sales to customers of both manufactured and bought-in products across all ranges.

### ***Distribution and warehousing***

The Group's headquarters are located at its manufacturing, warehouse and distribution facility in Trafford Park, Manchester at which it has available to it more than 200,000 square feet. The Group has a warehouse management system which enables Supreme to dispatch approximately 2,000 orders each day from its Trafford Park distribution facility, servicing approximately 53,000 active retail and online customer accounts each year. The Group's retail customers have over 10,000 branded retail outlets and thousands of independent stores.

The Group can deliver most of its orders within 48 hours of receipt of order. Its systems can add new product lines with minimal manual intervention or training due to the electronic tagging of products and automated stock management. The Group outsources most of its distribution to third party carriers and haulage firms.

The Directors believe that the Group's manufacturing, warehousing, and distribution facilities can support Supreme's growth and continued diversification for the foreseeable future.

### ***Manufacturing***

*E-liquids* – the Group operates an e-liquid manufacturing plant at the Trafford Park facility producing own brand products and contract manufacturing for third parties. The laboratory and clean room manufacturing facility was opened in 2016 and was upgraded in 2017. In September 2019, Supreme opened its new manufacturing facility equipped with 10 fully automated lines. Supreme's e-liquid production complies with the EU Tobacco Products Directive legislation and its cleanroom facilities for blending and production activities have ISO Class 7 accreditation. The facility has the capacity to produce over 290 million bottles of e-liquid per year and currently produces approximately 250,000 bottles each day or more than 50 million bottles of e-liquid annually. The facility currently operates 10 fully automated bottling and packing lines and 8 manual filling lines to produce bottled, packed and boxed 10ml e-liquid bottles. In house research and development and testing facilities are also based at the Trafford Park facility.

*Sports Nutrition & Wellness* – the Group operates a protein powder blending and production facility at the Trafford Park site for own brand products and contract manufacturing for third party brands. The production facilities are ISO Class 9 accredited and currently have capacity to produce more than 8 million protein powder products each year. In addition, Supreme repacks bulk vitamin products for retail consumption and operates an onsite vitamin production facility blending product from raw materials with, the Directors' believe, capacity to produce more than 17 million tablet units per annum based on 24 hour production. Supreme's range of protein bars have to date been manufactured by third

parties. In October 2020, the Group acquired GT Divisions Limited, a consumer brand offering a full range of protein bars and which are produced by a third party. The Group works to GMP standard in the production of all own products with all third party suppliers also meeting the GMP standard.

## **6. Key strengths of the Group**

### ***A vertically integrated platform that takes leading brands to an extensive retail network***

Supreme offers a vertically integrated platform to leading brands with capabilities throughout the value chain including research and development, product design, marketing, packaging, manufacturing, integrated warehousing systems and B2B online ordering. Supreme is then able to distribute products through its extensive retail network of retail customers which have over 10,000 branded retail outlets and thousands of independent retailers. This platform enables the Group to efficiently scale up new products, brands and categories that are added, as has been the case for vaping products and sports nutrition & wellness products.

### ***Products exposed to growing underlying markets with high repeat customers for the Group's product categories***

According to Euromonitor the vaping market in the UK is expected to grow at a 13 per cent. CAGR from 2019 to 2022 underpinned by support from established UK public health bodies and shifting consumer preferences to smoke-free tobacco products. The sports nutrition (including protein powders and protein snacks) and vitamins markets in the UK are expected to grow at 9 per cent. and 7 per cent. CAGR from 2019 to 2022 respectively supported by the growing focus on fitness and healthcare by recreational fitness users. The UK LED market is expected to grow at a 10 per cent. CAGR from 2019 to 2022 reinforced by structural tailwinds from a greater focus on energy efficiency and demand for more aesthetic lighting products.

Supreme's batteries, lighting and, for users, vaping and sports nutrition & wellness products are consumer staples and as such are less sensitive to economic conditions. Batteries and lighting product sales are characterised by repeat purchases. Vaping and sports nutrition & wellness product sales are supported by established consumption behaviours, which have been evidenced by performance of the two categories during the COVID-19 movement restrictions in the UK in 2020.

### ***Strong relationships with a diversified, customer base***

Supreme sells products to a broad range of established customers, many of whom have been long term customers of the Group. The largest single customer represented 23 per cent. and 15 per cent. of Group revenue for the year to 31 March 2020 and 6 month period ended 30 September 2020 respectively, whilst the top 10 customers accounted for 56 per cent. of Group revenue in the year to 31 March 2020. The Directors believe that Supreme's long term relationships with its customers are built on the Group's ability to continually deliver quality products, innovation and a quality service. The Group's strong focus on discount retailers allows for a large consumer reach within the UK market while providing a significant potential for growth. Through cross-selling of Supreme's products to customers, the Company cultivates sticky and resilient relationships.

### ***Long term entrenched supplier relationships***

Supreme has long term relationships with Duracell, Panasonic, Energizer and JCB. Supreme has grown to become one of the UK's largest independent branded consumer battery distributor by number of batteries sold in the UK. Since Supreme entered the lighting sector in 2009, it has built on these relationships establishing international licensing agreements with Eveready, Energizer and JCB to launch a range of lighting products where, in return for a royalty, Supreme procures the manufacture of lighting products using third parties in the Far East and distributes Eveready, Energizer and JCB branded lighting products. These long term relationships evidence the ability of the Group to penetrate and effectively service its customer base. The distributor and licensing model is firmly established within the lighting and battery markets, as retailers look for a mixed supply for fulfilment of orders and Supreme has the breadth and depth of products to satisfy these customers' requirements.

### ***A business model that is resilient in the current environment***

The Group has delivered a strong financial performance notwithstanding global disruption resulting from the COVID-19 pandemic demonstrating the resilience of the business. As detailed in paragraph 15

of Part I of this document, Supreme showed significant growth in revenue and profitability for the six-month period to 30 September 2020. The Directors believe that this strong trading performance across its product categories, further emphasises the non-discretionary nature of the Group's product categories. Supreme's warehousing and manufacturing facilities remained operational throughout the COVID-19 related movement restriction periods allowing uninterrupted supply to all channels to market.

***Complementary products drive higher utilisation***

The range of Supreme's product portfolio allows the Group to fulfil the re-stocking requirements of independent retailers and wholesalers for entire product categories, utilising multiple brands and SKUs. The Group's primary warehouse location enables the efficient packing and distribution of orders. Higher order values and distribution utilising pallets increase Supreme's margins by lowering the average cost of distribution.

***The Group has built a leading vaping brand which is protected by significant barriers to entry***

Following years of considerable growth and an extensive and far reaching UK brand building advertising campaign in 2019, 88Vape was shown in a recent independent market survey to be the most visible value vaping brand in the UK. The advertising restrictions introduced in 2016, together with market regulation, have helped the Group grow and protect its most established brand, 88Vape, from new market entrants. The Directors believe that the emphasis on quality of product and distribution channels has promoted incumbent EU-based production. This has favourably positioned the Group with its customers, both in the manufacture of its own brand products and contract manufacture for third parties.

***Ownership of UK based e-liquid manufacturing facility is a differentiator and provides competitive advantage***

Owning one of the largest e-liquid manufacturing facilities in the UK provides the Group with security over both its supply and quality of e-liquid enabling better control of its own supply chain and compliance with TPD and as a consequence, is an attractive facility for third party contract manufacturing. The facility enables the in-house product research and development team to innovate and develop new e-liquid products thereby providing flexibility as taste trends change.

***Established footprint in Sports Nutrition & Wellness creates material growth opportunity***

Following entry into sports nutrition & wellness products in February 2018, the Group has grown this category to report approximately £5.0 million revenues for the year to 31 March 2020 through the manufacture of products under both its own, and third party brands. More recently the Group has expanded the product offering to include health supplements and vitamins for which the Group has already received initial orders from large customers. The Directors believe this category represents a significant opportunity for future growth.

***Attractive financial profile and consistent record of delivering growth***

Supreme has grown its sales since 31 March 2015 at a CAGR of 17 per cent. to 31 March 2020 by virtue of increasing the type and number of channels to market for its products and using existing channels to develop new product categories. Supreme has grown Adjusted EBITDA from £2.0 million to £16.2 million between 2015 and 2020, a CAGR of 52 per cent. Group Adjusted EBITDA margin has benefited from higher growth categories such as Vaping and Sports Nutrition & Wellness that have higher gross margins than the Group overall (40 per cent. and 43 per cent. respectively in respect of the year to 31 March 2020) which are improving over time as result of enhanced cost efficiencies.

***Strong management team with extensive operational experience***

Supreme has a senior management team with an aggregate of more than 90 years' industry experience and has a proven track record of delivering successful operational solutions and services. This team has successfully driven organic growth and helped change the Group's strategic focus to target complementary industry sectors to position Supreme for future growth. The Group has a stable, long serving work force supporting the management team and as at 31 December 2020 employed more than 192 staff.

**7. Compliance with ESG standards**

The Directors believe that environmental, social and governance standards should be at the forefront of the Group’s business considerations. The Board has considered how its practices align with UN Sustainable Development Goals and believe they align in the following ways:

<b>Vaping</b>	<b>Lighting</b>	<b>Sports Nutrition &amp; Wellness</b>
<p><i>Good Health and Well-Being</i> Vaping is widely accepted as aiding smoking cessation reducing the significant negative impacts of smoking</p>	<p><i>Sustainable Cities &amp; Communities</i> The activities of the Group provide accessibility to more efficient lighting products</p>	<p><i>Good Health and Well-Being</i> Sports nutrition products, including protein and vitamins, promote a healthy active lifestyle</p>
<p><i>Decent work and economic growth</i> Working with HM Prison &amp; Probation Service to give ex-offenders the opportunity to work at the Group’s manufacturing facility</p>	<p><i>Climate action</i> Supreme manufacturers and distributed energy efficient lighting products, such as LED light bulbs, reducing electricity demand</p>	<p><i>Climate Action</i> The Group’s vegan protein powder range of products is a more sustainable source of protein. New vitamin own brand products expected to use plastic free packaging</p>
<p><i>Reduced inequalities</i> Manufacturing and distributing products to the discount sector increases the availability of goods to those that need it</p>	<p><i>Reduced inequalities</i> Manufacturing and distributing products to the discount sector increases the availability of goods to those that need it</p>	<p><i>Reduced Inequalities</i> Manufacturing and distributing products to the discount sector increases the availability of goods to those that need it</p>

**Supply Chain**

<p><i>Climate Action</i> Reducing carbon footprint through better supply chain utilisation</p> <ul style="list-style-type: none"> <li>On shoring manufacturing to the UK has reduced carbon emissions related to transport and shipping of products</li> <li>Continued cross selling of products enhances distribution network utilisation and reduces emissions impact from transportation</li> <li>Use of UK based suppliers minimises carbon footprint to a predominantly UK customer base</li> </ul>	<p>Exploring green energy tariffs and manufacturing efficiency</p> <ul style="list-style-type: none"> <li>Supreme is exploring the option to switch to green tariffs to minimise the environmental impact of its facilities</li> <li>Supreme operates efficient manufacturing optimising output through automated production processes</li> </ul>
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**8. Growth strategy**

The Group has a track record of Adjusted EBITDA growth and intends to further grow its business. The Directors believe the Group will achieve growth by taking advantage of the following:

**Growth of customers**

Supreme’s target customer segment of discount retailers has been, the Directors believe, one of the strongest performing groups in the consumer market in recent years and is expected to continue increasing its market share in the UK. The Group intends to increase its sales to discount retailers by expanding its product listings and benefiting from the continued store roll-out of those discount retailers, such as B&M, Home Bargain and The Range. The Group will also continue to expand internationally though the European networks of existing customers.

### ***Growth in the LED market***

The demand for LED lighting is expected to grow driven by regulatory changes, desire for energy efficiency, and its growing affordability. Reduction in manufacturing costs have made LEDs more affordable for consumers and improved margins for manufacturers and distributors. The Directors also believe that the reduction in manufacturing costs in the market has reduced LED bulb life expectancy from circa 10 years to circa 3 years as affordability has been prioritised over longevity, as such the replacement cycle has shortened for LEDs helping bolster long-term demand. It is estimated by Euromonitor that revenue from LED lights in Europe could reach £4.3 billion by 2022 representing a 11.4 per cent. CAGR from 2019 to 2022.

### ***The market for vaping is expanding rapidly***

The wider vaping market continues to grow due to regulatory drivers, national health body support, value compared to tobacco products and continued customer adoption. It is estimated by Euromonitor that revenue from vaping products in Western Europe could reach £6.8 billion by 2022 representing a 8.4 per cent. CAGR from 2019 to 2022. The adoption of vaping by smokers is a trend that is growing globally with increasing numbers of smokers switching for health and financial reasons. Significant market opportunity remains as, according to a survey by Ash in October 2020, 38.3 per cent. of vape users are still smokers and menthol cigarettes now outlawed in the UK. The Directors believe the Group is well positioned to capture the growth in demand from an expanding market.

### ***Sports nutrition and wellness market is underpinned by structural growth drivers***

Continued growth is expected in the sports nutrition and wellness markets as demand for these products is driven by the growing popularity of active and healthy lifestyles. It is estimated by Euromonitor that revenue from sports nutrition in Europe, which includes protein powder products, could reach £3.2 billion by 2022 representing a 6 per cent. CAGR from 2019 to 2022. The increasing usage of protein products is expected to be driven by greater uptake by recreational users, as consumers become more serious and committed around their fitness regimes. Additionally, an ageing population is expected to compel a greater focus on healthcare supplements as supplements become a regular component of a healthy lifestyle.

### ***Strong growth track record in Vaping category with significant room for further growth***

Supreme's vaping products are becoming more prominent as shelf space and positioning improves, and as retailers add more SKUs, driven by customer demand and breadth of flavour choices. 88Vape is one of the most well-known brands in the UK with a significant market share by volume. Supreme's growth will be further supported, the Directors believe, by continued innovation of the vaping product offering, effective marketing to strengthen brand awareness of the 88Vape brand, additional scaling of manufacturing capabilities with the potential for cost savings, and expansion into international markets. It is also anticipated that growth will be more widely supported as a result of the UK government's ambition for England to be smoke free by 2030, defined in its 2017 tobacco control plan as a smoking rate below 5 per cent.

### ***Expansion of the Sports Nutrition & Wellness category offers significant growth opportunity***

The Sports Nutrition & Wellness category has delivered strong growth and is expected to continue to grow with a focus on own brand and third party manufacturing resulting in expansion of on-site protein production facilities, the addition of new product categories such as health supplements, targeted activities to grow brand awareness across the category, and a strengthening of online channels to market.

### ***Well established Lighting category with further growth potential***

Growth in the Lighting category will be driven by maintaining strong customer relationships, international expansion through the Eveready and Energizer international licensing agreements, demand from customers for new products such a smart lighting, and margin expansion driven by growth in business to business sales revenues and stable selling prices but falling manufacturing costs of LEDs. The lighting category also provides a portfolio of non-discretionary purchase products with long-term brand and customer relationships which, the Directors believe, creates barriers to entry.



### ***Stable platform of battery***

The Directors believe that the Battery category provides a stable and defensive position with high revenue visibility due to repeat customers. Growth in the Battery category will be driven by a shift towards higher margin licensed products and growth in market share, and an increased business to business sales offering.

### ***Opportunity for expansion into new markets utilising existing distribution network and customer relationships***

The Group will continue to identify new product categories that will appeal to the existing distribution network and customers. The recent development of the Sports Nutrition & Wellness category is an example of successfully leveraging Supreme's distribution platform to move into high growth verticals with the category growing from a start-up in 2018 to approximately £5 million in revenue for the year ended 31 March 2020.

### ***Opportunity to expand direct to consumer online offering***

Through the development of its high-profile vaping brand, 88Vape, the Group has a significant opportunity to grow its direct to consumer offering through its online store. With lower distribution costs and no retail margin, online sales contribute higher gross profit than products sold through other distribution channels. Through the first COVID-19 lockdown between March and May 2020, online channels saw a marked increase in online sales which management believe evidence both the strength of the brand and the online opportunity without cannibalising existing retail sales. The 88Vape website has continued to see growing traffic with strong conversion rates and basket sizes, a trend which the Directors believe will continue as the 88Vape brand grows.

## **9. Corporate governance**

### ***Board***

The Directors recognise the importance of sound corporate governance and intend, given the Company's size and the constitution of the Board, to adopt and fully comply with the principles set out in the QCA Code. The QCA Code was devised by the QCA, in conjunction with a number of significant institutional small company investors as an alternative corporate finance code applicable to AIM companies and has become a widely recognised benchmark for corporate governance of small and mid-size quoted companies, particularly AIM companies.

Upon Admission, and in compliance with the recommendations of the QCA Code, the Board will comprise five Directors, two of whom will be Executive Directors and three of whom are Non-executive Directors, reflecting a blend of different experiences and backgrounds as described in paragraph 10 of Part I of this document. The Directors believe that the composition of the Board brings a desirable range of skills, diversity and experience considering the Company's challenges and opportunities following Admission, while at the same time ensuring that no individual or small group of individuals can dominate the Board's decision making.

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

The Board has appointed Mark Cashmore as the Senior Independent Director to be available to Shareholders if they have concerns over an issue that the normal channels of communication (through the Chair, the Chief Executive Officer or the Chief Financial Officer) have failed to resolve or for which such channels of communication are inappropriate.

The Board intends to meet regularly to review, formulate and approve the Group's strategy, budgets and corporate actions and oversee the Group's progress towards its goals. The Company has established an Audit Committee, a Remuneration Committee, and a Nomination Committee, each with formally



delegated duties and responsibilities and with written terms of reference. From time to time, separate committees may be set up by the Board to consider specific issues when the need arises.

#### ***Audit Committee***

The Audit Committee will have the primary responsibility of monitoring the quality of internal controls to ensure that the financial performance of the Group is properly measured and reported on. It will receive and review reports from the Group's management and external auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. The Audit Committee will meet not less than three times in each financial year and will have unrestricted access to the Group's external auditors. The members of the Audit Committee shall include Non-executive Directors. The Audit Committee comprises Simon Lord (as Chair), Paul McDonald and Mark Cashmore.

#### ***Remuneration Committee***

The Remuneration Committee will review the performance of the Executive Directors, chairman of the Board and senior management of the Group and make recommendations to the Board on matters relating to their remuneration and terms of service. The Remuneration Committee will also make recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any employee share option scheme or equity incentive plans in operation from time to time. The Remuneration Committee will meet as and when necessary, but at least twice each year. In exercising this role, the Directors shall have regard to the recommendations put forward in the QCA Code and, where appropriate, the QCA Remuneration Committee Guide and associated guidance. The members of the Remuneration Committee shall include two Non-executive Directors. The Remuneration Committee comprises Mark Cashmore (as Chair), Simon Lord and Paul McDonald.

#### ***Nomination Committee***

The Nomination Committee will lead the process for board appointments and make recommendations to the Board. The Nomination Committee will evaluate the balance of skills, experience, independence, and knowledge on the Board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment. The Nomination Committee will meet as and when necessary, but at least once each year. The Nomination Committee comprises Mark Cashmore (as Chair), Simon Lord and Paul McDonald.

#### ***Relationship Agreement***

The Company has entered into a relationship agreement dated 26 January 2021 with Sandy Chadha and Grant Thornton pursuant to which the Company and Sandy Chadha agree to regulate aspects of the continuing relationship between them. In particular, Sandy Chadha has agreed to ensure that the Company is capable at all times of carrying on its business independently of him (together with any associates and/or persons with whom he is acting in concert) and that transactions between the parties are on arm's length terms and on a normal commercial basis. Further information on the Relationship Agreement can be found in paragraph 8 of Part IX of this document.

## **10. Directors and Senior Management**

### ***Directors***

The Board is comprised of two Executive Directors and three Non-executive Directors.

#### **Paul Andrew McDonald** (aged 54), *Non-executive Chairman*

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

**Sandeep (Sandy) Singh Chadha** (aged 52), *Chief Executive Officer*

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

**Suzanne Gwendoline Smith (née Dick)** (aged 38), *Chief Financial 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 PricewaterhouseCoopers in Audit and Corporate Finance.

**Mark Richard Cashmore** (aged 60), *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.

**Simon Martin Lord** (aged 49), *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 6 years. He qualified as a Chartered Accountant in 1997.

**Senior management team**

Supreme's senior management team is comprised of the two Executive Directors and the following senior management.

**Andrew Beaumont**, *Commercial Director*

Andrew joined the Group over 30 years ago. He heads up the customer services and operations within the batteries category. Andrew is responsible for a number of individual accounts and for building up the customer database, targeting new customers and distributing enquires to Supreme's national sales team. He maintains a close relationship with a range of customers across all categories from small to large, carrying out audits and monitoring customer and competitor activity, enabling Supreme to refine and improve its products, packaging, product range, quality and price.

**David Neilson**, *Divisional Lead – Lighting*

David has worked with the Group for more than 15 years and leads the lighting category including new product development from sourcing through to launch, supporting the sales team, marketing, and branding.

**Michael Holliday, Divisional Lead – Vaping**

Michael joined the Group in 2013 and leads the vaping and e-liquids category including new product development from sourcing through to launch, supporting the sales team, consulting on factory operations, compliance, marketing, and branding. He was previously a sales development executive at Imperial Tobacco focusing on the North West of the UK.

**Dan Clark, Divisional Lead – Sports Nutrition & Wellness**

Dan joined the Group in 2019 and leads all areas of the category including sales, marketing, operations, and new product development and takes overall responsibility for sales growth and profitability. Dan has over 20 years' experience in sports health and wellness and for the last 10 years and has played a significant part in growing some of the largest sports nutrition companies in the UK and globally.

## **11. Share dealing policy**

The Company has adopted a share dealing policy regulating trading and confidentiality of inside information for persons discharging managerial responsibility (“**PDMRs**”) and persons closely associated with them which contains provisions appropriate for a company whose shares are admitted to trading on AIM and which complies with the Market Abuse Regulation (596/2014/EU). The Company takes all reasonable steps to ensure compliance by PDMRs and any other employees with the terms of that share dealing policy.

## **12. Employee Incentive Schemes**

The Directors believe that the recruitment, motivation, and retention of key employees is vital for the successful growth of the Group. The Directors consider that an important element in achieving these objectives is the ability to incentivise and reward staff by reference to the market performance of the Company in a manner which aligns the interests of those staff with the interest of shareholders generally.

The Company has established the EMI Scheme, the Supreme plc Sharesave Scheme 2021, the Supreme plc Company Share Option Plan 2021, the Supreme plc Unapproved Share Option Scheme 2021 and the Market Capitalisation Cash Bonus Scheme, further details of which are set out in paragraph 5 of Part IX of this document, in order to facilitate these aims.

The Market Capitalisation Cash Bonus Scheme is an all-employee bonus scheme which will pay a bonus (which the Company may, but is not obliged to, satisfy by the issue of Shares and/or the grant of options) to all participating employees equivalent to one year's basic salary if the Company achieves a market capitalisation of £1 billion on or before the fifth anniversary of Admission. Participating employees are those with at least 12 months continuous service at the date this is achieved. Total gross payments under the scheme are limited to £14,000,000, with all participants' entitlements being scaled back accordingly.

The Company intends as soon as practicable after Admission, to invite all eligible employees to participate in the Supreme plc Sharesave Scheme 2021 and subject to confirmation by the Remuneration Committee, to:

- grant market value options under the Supreme plc Company Share Option Plan 2021 and/or the Supreme plc Unapproved Share Option Scheme 2021 (over Shares having a market value in total of approximately £500,000) to a limited number of employees who were not granted options under the EMI Scheme or who were granted fewer options than now appears appropriate;
- establish a long-term incentive plan utilising two grants of nominal value options under the Supreme plc Unapproved Share Option Scheme 2021 to Sandy Chadha. Each of the two options will be over Shares equating to 2.5 per cent. of the issued share capital of the Company immediately after Admission. Each of the 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 option is that total shareholder return per Share from Admission until the third anniversary of Admission is at least 100 per cent. of the Placing Price. The performance condition for the second option is that total shareholder return per Share from Admission until the fifth anniversary of Admission is at least 200 per cent. of the Placing Price;

- establish a long-term incentive plan on a rolling basis utilising annual grants of nominal value options under the Supreme plc Unapproved Share Option Scheme 2021 to Suzanne Smith with a market value of up to 100 per cent. of her annual salary requiring an average annual total shareholder return of 10 per cent. over a three-year period to be fully exercisable; and
- establish an appropriate long-term incentive plan for the other members of the senior management team and other key employees of the business utilising these schemes.

In view of the amount of its Gross Assets the Company is no longer a qualifying company for the purposes of the EMI legislation and so has no present intention of granting any further Options under the EMI Scheme.

### 13. Dividend policy

The Directors intend to pay dividends to shareholders in an aggregate annual amount equivalent to approximately 50 per cent. of net profits, retaining the balance of earnings from operations to finance the future expansion of the Group. Such dividend payments are expected to be split into a one third interim dividend and a two thirds final dividend. The Company expects to declare the first such dividend (which will be an interim dividend) following the notification of its interim results for the six month period to 30 September 2021.

### 14. ESG Policy

The Directors believe that corporate responsibility and transparency is of paramount importance. The Group has set out and will continue to set out its Modern Slavery and Human Trafficking Statement. Additionally, the Company maintains a Whistleblowing Policy, a Bribery and Corruption Policy, an Employee Code of Conduct and a Supplier Code of Conduct. The Company undertakes due diligence when considering new suppliers and regularly reviews existing suppliers to ensure compliance with Supreme's internal ESG policies. Moreover, the Company will endeavour to implement additional ESG policies post Admission. Additionally, a Green Procurement Policy will be considered to ensure that all of Supreme's suppliers also participate in sustainable practices. Over the medium term, the Company will strive to enhance its ESG reporting to provide investors and the wider public with further transparency on the Group's commitment to positive environmental and social impact.

### 15. Selected historical financial information and recent trading

The following financial information has been derived from the Historical Financial Information contained in Parts IV and V of this document and from the unaudited interim financial information in Part VI of this document and should be read in conjunction with the full text of this document. Investors should not rely solely on the summarised information set out below.

	Supreme Imports Audited Year ended 31 March 2018 £000	Supreme Imports Audited Year ended 31 March 2019 £000	Supreme Audited Year ended 31 March 2020 £000	Supreme Unaudited Six months ended 30 September 2020 £000
<b>Revenue</b>				
Batteries	33,414	33,353	30,944	14,760
Lighting	20,874	22,711	25,347	11,109
Vaping	17,705	20,958	29,029	19,189
Sports nutrition & wellness	–	2,389	4,980	2,177
Branded household consumer goods	861	739	2,029	9,101
<b>Total revenue</b>	<b>72,854</b>	<b>80,150</b>	<b>92,329</b>	<b>56,336</b>
Cost of sales	(58,080)	(57,463)	(65,509)	(42,054)

	Supreme Imports Audited Year ended 31 March 2018 £000	Supreme Imports Audited Year ended 31 March 2019 £000	Supreme Audited Year ended 31 March 2020 £000	Supreme Unaudited Six months ended 30 September 2020 £000
<b>Gross profit</b>				
Batteries	3,767	3,409	3,282	1,325
Lighting	4,538	5,979	8,478	3,364
Vaping	7,005	9,399	11,666	7,105
Sports nutrition & wellness	–	1,180	2,117	897
Branded household consumer goods	209	207	329	1,015
Foreign Exchange	(745)	2,513	951	576
<b>Total gross profit</b>	<b>14,774</b>	<b>22,687</b>	<b>26,820</b>	<b>14,282</b>
Administration expenses	(8,922)	(9,403)	(12,827)	(7,120)
<b>Operating profit</b>	<b>5,852</b>	<b>13,284</b>	<b>13,993</b>	<b>7,162</b>
Finance income	–	28	3	–
Finance costs	(385)	(599)	(783)	(374)
<b>Profit before taxation</b>	<b>5,467</b>	<b>12,713</b>	<b>13,213</b>	<b>6,788</b>
Income tax	(1,095)	(2,317)	(2,318)	(1,341)
<b>Profit for the period</b>	<b>4,372</b>	<b>10,396</b>	<b>10,895</b>	<b>5,447</b>
<b>Adjusted EBITDA</b>	<b>7,699</b>	<b>14,835</b>	<b>16,209</b>	<b>8,398</b>

There has been no significant change in the financial position or financial performance of the Group since 30 September 2020, being the date to which the Unaudited Interim Financial Information in Part V of this document has been prepared. Trading for the period from 30 September 2020 to the date of this document has been positive and was consistent with the Directors' expectations.

## 16. Reasons for Admission, use of Proceeds and the Placing

The Directors believe that the Placing and Admission will position Supreme for its next phase of development by further raising its profile, incentivising employees, providing it with a platform for future organic growth and potential acquisitions, and to part repay existing debt facilities. Admission will also enable the Primary Selling Shareholder to realise part of his investment in the Company whilst maintaining a significant stake in the Company.

On Admission the Company will have 116,499,980 Shares in issue and a market capitalisation of approximately £156.1 million. Berenberg has agreed, pursuant to the Placing Agreement and conditional, *inter alia*, on Admission, to use its reasonable endeavours to place 5,597,015 New Shares and 44,776,120 Sale Shares with institutional and other investors. The Placing will raise £7.5 million gross for the Company and £60.0 million gross for the Selling Shareholders. The Directors intend to apply the net proceeds of the Placing received by the Company, being approximately £5.6 million, to repay bank debt of £7.5 million.

The Placing, which is not being underwritten, is conditional, *inter alia*, upon the Placing Agreement becoming unconditional and not having been terminated in accordance with its terms prior to Admission and Admission becoming effective not later than 1 February 2021, or such later date as Berenberg and the Company may agree, being not later than 26 February 2021. The New Shares will rank *pari passu* in all respects with the Existing Shares including the right to receive all dividends and other distributions declared, paid or made after the date of issue. None of the Placing Shares have been marketed to or will be made available in whole or in part to the public in the United Kingdom or elsewhere in conjunction with the application for Admission. Further details of the Placing Agreement are set out in paragraph 9 of Part IX of this document.



## **17. Lock-in and orderly market arrangements**

Pursuant to the Placing Agreement, the Company has agreed that, subject to certain exceptions, during the period of 180 days from the date of Admission, it will not, without the prior written consent of Grant Thornton and Berenberg, issue, offer, sell, contract to sell or issue, grant any option, right or warrant to subscribe or purchase or otherwise dispose of any Shares (or any interest therein or in respect thereof), enter into any transaction with the same economic effect as any of the foregoing or publicly announce any intention to do any such things.

Pursuant to the Placing Agreement, the Primary Selling Shareholder and each of the Directors has agreed to lock-in restrictions, further details of which are summarised in paragraph 9 of Part IX of this document.

## **18. Admission, Settlement and Dealings**

Application has been made to London Stock Exchange for the Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in Shares will commence at 8.00 a.m. on 1 February 2021. Shares will be in registered form. The Articles permit the Company to issue Shares in uncertificated form in accordance with the CREST Regulations. CREST is a computerised share transfer and settlement system. The system allows shares and other securities to be held in electronic form rather than paper form, although a shareholder can continue dealing based on share certificates and notarial deeds of transfer. Share certificates, where applicable, will be sent to the registered Shareholder by the Registrar, at such Shareholder's own risk.

## **19. Taxation**

Your attention is drawn to the taxation section contained in paragraph 12 of Part IX of this document. If you are in any doubt as to your tax position, you should consult your own independent financial adviser immediately.

## **20. The Takeover Code**

The Takeover Code applies to the Company. Under the Takeover Code, if an acquisition of interests in Shares were to increase the aggregate holding of the acquiror, and any persons with whom it is acting in concert, to interests in Shares carrying 30 per cent. or more of the voting rights in the Company, the acquiror and, depending on the circumstances, any persons with whom it is acting in concert, would be required (except with the consent of the Panel) to make a cash offer for the outstanding Shares at a price not less than the highest price paid for interests in Shares by the acquiror, or any persons with whom it is acting in concert, during the previous twelve months. This requirement would also be triggered when, except with the consent of the Takeover Panel, any person (together with persons acting in concert with him) who is interested in Shares which carry not less than 30 per cent. of the voting rights of the Company but does not hold Shares carrying more than 50 per cent. of such voting rights, and such person (or person acting in concert with him) acquires any other Shares which increases the percentage of Shares carrying voting rights in which he is interested.

Sandy Chadha, Supreme 8 Limited (a company wholly owned by Sandy Chadha) and the Chadha Discretionary Trust 2020 (of which Sandy Chadha and Aditi Chadha are trustees) will be treated as acting in concert with each other in relation to the Company for the purposes of the Takeover Code following Admission (the "**Concert Party**"). Immediately following Admission, the Concert Party will hold in aggregate 66,126,845 Shares representing 56.76 per cent. of the Enlarged Share Capital (of which Sandy Chadha personally will hold 35,319,252 Shares), and consequently will hold more than 50 per cent. of the voting rights of the Company. As such, the Concert Party and its members would normally be permitted to make purchases of Shares without incurring an obligation under Rule 9 of the Takeover Code to make a general offer to all holders of Shares.

Further information on the provisions of the Takeover Code can be found in paragraph 16 of Part IX of this document.

## **21. Further information**

You should read the whole of this document, which provides additional information on the Group and the Placing, and not just rely on the information contained in this Part I. In particular your attention is drawn to the risk factors in Part III of this document and the additional information contained in Part IX of this document.



## PART II

### REGULATORY ENVIRONMENT FOR E-CIGARETTES

#### 1. Tobacco Products Directive and the Tobacco and Related Products Regulations 2016

The principal legislation in the United Kingdom regulating the e-cigarette industry is the Tobacco Products Directive (Directive 2014/40/EU of the European Parliament and the Council as amended by Commission Delegated Directive 2014/109/EU) (“**TPD**”) as implemented by the Tobacco and Related Products Regulations 2016 as amended (the “**TRP Regulations**”). A brief summary of its terms in so far as may be applicable to Supreme in the United Kingdom is set out below.

##### *Introduction*

The TPD introduced new rules for nicotine-containing electronic e-cigarettes and refill containers (Article 20) from May 2016. This legislation does not cover nicotine based products that are authorised as medicines. Supreme does not presently manufacture or sell any nicotine based products that are authorised as medicines. Products such as disposable e-cigarettes that do not contain nicotine and 0 per cent. nicotine e-liquids are out of scope of the TPD and do not have to meet its requirements. These products will continue to be regulated under the General Product Safety Regulations 2005.

The Medicines and Healthcare products Regulatory Agency (the “**MHRA**”) is the UK competent authority for the notification scheme for e-cigarettes and refill containers in the UK and is responsible for implementing the majority of the provisions under Article 20 of the TPD.

The TRP Regulations introduced new rules to ensure:

- minimum standards for the safety and quality of all e-cigarettes and refill containers (otherwise known as e-liquids);
- information is provided to consumers so that they can make informed choices; and
- an environment that protects children from starting to use these products.

From 20 May 2017, the requirements included:

- restricting e-cigarette tanks to a capacity of no more than 2ml;
- restricting the maximum volume of nicotine-containing e-liquid for sale in one refill container to 10ml;
- restricting e-liquids to a nicotine strength of no more than 20mg/ml;
- requiring nicotine-containing products or their packaging to be child-resistant and tamper evident;
- banning certain ingredients including colourings, caffeine and taurine;
- new labelling requirements and warnings; and
- requiring all e-cigarettes and e-liquids be notified to the MHRA 6 months before they intend to put the product on the UK market (although once the notification has been published in the list on the governmental website, the product can be launched regardless of whether the full 6 months has elapsed) and also report any health and safety concerns.

Side effects and medical problems can be reported back to the MHRA by consumers and healthcare professionals via the yellow card reporting system. Consumers can also report products suspected to be defective or non-compliant to local Trading Standards.

The Tobacco Products and Nicotine Inhaling Products (Amendment etc) (EU Exit) Regulations 2019 made changes to the way in which tobacco control legislation worked in the UK with effect from 31 January 2020. The regulations included the following changes:

- amending or omitting EU/EEA/member state references

- revoking EU obligations and reciprocal arrangements that will no longer be relevant to the UK
- transferring relevant commission powers under the Tobacco Products Directive to the Secretary of State
- allowing for the establishment of new notification systems for tobacco products and e-cigarettes
- allowing for the use of Australian picture warnings to replace the ones which are owned by the commission; and
- introducing a fee-making power

### ***New Products***

The TRP Regulations require a producer who supplies or intends to supply or modify electronic cigarettes or refill containers to notify the MHRA, who act on behalf of the Secretary of State, at least six months before the date on which the producer intends to first supply a product or a modified product (although once the notification has been published in the list on the governmental website, the product can be launched regardless of whether the full 6 months has elapsed). Currently, Regulation 31 of the TRP Regulations require that the notification must contain the following (so far as it is relevant):

- (a) the name and contact details of the person who manufactures the product, the importer (if applicable) and, if neither is based in an EU Member State, a responsible person within an EU Member State;
- (b) a list of all ingredients contained in, and emissions resulting from the use of, the product by brand and variant name, including quantities;
- (c) toxicological data regarding the product's ingredients (including in heated form) and emissions, referring in particular to their effects on the health of consumers when inhaled and taking into account, amongst other things, any addictive effect;
- (d) information on the nicotine dose and uptake when consumed under normal or reasonably foreseeable conditions;
- (e) a description of the components of the product including, where applicable, the opening and refill mechanism of the electronic cigarette or refill container;
- (f) a description of the production process and a declaration that the production process ensures conformity with the requirements of Part 6 of the TPD Regulations; and
- (g) a declaration that the producer bears full responsibility for the quality and safety of the product when supplied and used under normal or reasonably foreseeable conditions.

In the UK this is accomplished by notifying the UK competent authority, namely the MHRA. At present, producers must submit information about their products to the MHRA through the European Common Entry Gate (**EU-CEG**) notification portal. In the event of a no deal Brexit it is anticipated that there will be new domestic systems to allow manufacturers to notify tobacco products and e-cigarettes, in accordance with existing rules.

Under the TPD, it is the responsibility of the producer to ensure that their products comply with the requirements of the TPD. The MHRA may check notifications submitted for completeness and verify TPD compliance with producers.

Products that have been substantially modified will count as a new product and must also follow the notification process.

If a product is made available in the UK under several brand names, the producer will be able to include all the brand names for the identical products in a single notification, for no additional fee. Each brand should be listed on the notification as a separate presentation.

The TPD does not include any requirements as to where testing of e-cigarettes and refill container has to take place. The notifier will need to be satisfied as to the standards of any testing carried out as they

have to submit a declaration that they bear full responsibility for the quality and safety of the product when placed on the market and used under normal or reasonably foreseeable conditions.

### ***Product Requirements***

In addition to the requirements of the TRP Regulations set out in the Introduction section as being applicable from 20 May 2017 no person may produce or supply an electronic cigarette or refill container unless it complies with the requirements below (see, amongst others, Regulation 36 of the TRP Regulations):

- nicotine-containing liquid in an electronic cigarette or refill container:
  - (i) must be manufactured using only ingredients of high purity;
  - (ii) must not contain substances other than the ingredients notified under Regulation 31 of the TRP Regulations, unless present in trace levels, where such trace levels are technically unavoidable during manufacture; and
  - (iii) must not include ingredients (except for nicotine) which pose a risk to human health in heated or unheated form.
- an electronic cigarette must be able to deliver a dose of nicotine at consistent levels under normal conditions of use.
- an electronic cigarette or refill container must have a mechanism for ensuring re-filling without leakage (unless it is a disposable electronic cigarette).
- requiring every flavour of e-liquid developed go through ingredient testing and assessment.

### ***Vigilance and Notification of Safety Concerns***

Regulation 39(1) of the TRP Regulations requires that a producer of electronic cigarettes or refill containers must establish and maintain a system for collecting information about all of the suspected adverse effects on human health of the product.

E-cigarette producers must inform the MHRA if they have reason to believe that a notifiable product is unsafe, not of good quality or not compliant with the TPD Regulations and provide details of the risk to human health and safety and any corrective action taken. Regulation 39(3) of the TRP Regulations provides that if any of the above occur the producer must (as appropriate):

- (a) immediately take the corrective action necessary to bring the product into conformity with this Part of the Regulations;
- (b) withdraw the product;
- (c) recall the product.

Trading Standards bodies have enforcement responsibilities under the legislation and the MHRA works with them to ensure acceptable standards of safety.

### ***Labelling and Leaflets***

Regulation 37 of the TRP Regulations sets out the requirements for labelling of e-cigarette and refill container products. It requires that each unit packet of the electronic cigarette or refill container must include a leaflet with information on:

- (a) instructions for use and storage of the product, including a reference that the product is not recommended for use by young people and non-smokers;
- (b) contra-indications;
- (c) warnings for specific risk groups;
- (d) possible adverse effects;
- (e) addictiveness and toxicity;

- (f) contact details of the producer; and
- (g) if the producer is not based in a member State, a contact person within a member State.

Each unit packet and any container pack must include:

- (a) a list of all ingredients contained in the product set out in descending order by weight;
- (b) an indication of the nicotine content of the product and the delivery per dose;
- (c) the batch number; and
- (d) a recommendation to keep the product out of reach of children.

In accordance with a general interpretation of Article 20(4) of the TPD, all ingredients in the product should be listed on the label where they are used in quantities of 0.1 per cent. or more of the final formulation of the e-liquid. Where a flavour ingredient contains several component chemicals, it is generally considered that it is acceptable to describe the ingredient on the label by the name of the flavour, for example 'strawberry flavour'. For confidentiality reasons companies may choose to describe individual ingredients used in quantities below 0.1 per cent. of the final formulation by category, for example 'other flavourings'.

This advice only applies to product labels, and a full list of ingredients in the flavouring must be included in notifications through the EU-CEG.

Each unit packet and any container pack must carry a health warning consisting of the text: "This product contains nicotine which is a highly addictive substance". There are requirements for the placement, size and type face of this warning.

Where all the required leaflet information can fit on the unit pack and other labelling within the pack without loss of legibility to the consumer, general interpretation of the TPD is that the packaging can be considered to include the leaflet, and a separate leaflet insert is not required.

Additional statutory labelling requirements may also apply, such as the European Regulation (EC) No 1272/2008 on classification, labelling and packaging of chemical substances (CLP).

If an e-cigarette product does not contain nicotine when sold, but can be used to contain nicotine, the warning statement '*this product contains nicotine which is a highly addictive substance*' must still be applied. To provide clarity for consumers, it is recommended that adjacent wording (not part of the boxed warning) to the effect that the warning applies when the product is used as designed and charged/filled with nicotine-containing liquid. The warning statement should be included on all notified e-cigarette products.

### **Product Presentation**

In accordance with Regulation 38 of the TRP Regulations, the unit packet and any container pack of the electronic cigarette or refill container may not include any element or feature set out below:

- (a) if it promotes an electronic cigarette or refill container, or encourages its consumption by creating an erroneous impression about its characteristics, health effects, risks or emissions;
- (b) if it suggests that a particular electronic cigarette or refill container—
  - (i) is less harmful than other electronic cigarettes or refill containers,
  - (ii) has vitalising, energising, healing, rejuvenating, natural or organic properties, or
  - (iii) has other health or lifestyle benefits;
- (c) if it refers to taste, smell or other additives (except flavourings) or the absence of any such thing;
- (d) if it resembles a food or a cosmetic product; or
- (e) if it suggests that a particular electronic cigarette or refill container has improved biodegradability or other environmental advantages.

The unit pack or container pack in which an electronic cigarette or refill container is, or is intended to be, presented for retail sale may not contain any element or feature which suggests economic advantage by including printed vouchers or offering discounts, free distribution, two-for-one or other similar offers.

### ***Annual Reporting Requirements***

Regulation 32 of the TRP Regulations requires that a producer of electronic cigarettes or refill containers must submit the following information to the Secretary of State on or before 20 May every year:

- (a) comprehensive data on the producer's sales volumes in the United Kingdom, by brand and variant name;
- (b) any information available to the producer, whether published or not, on the preferences of consumer groups in the United Kingdom, including young people, non-smokers and the main types of current users;
- (c) the mode of sale of the producer's products in the United Kingdom; and
- (d) executive summaries of any market surveys carried out by the producer in respect of paragraphs (a) to (c) above.

### ***Advertising and Sponsorship***

There are restrictions on advertising e cigarettes. In accordance with Regulation 42 of the TRP Regulations, no person may in the course of a business:

- (a) publish, or procure the publication of, an electronic cigarette advertisement in a newspaper, periodical or magazine.
- (b) sell, offer for sale or otherwise make available to the public a newspaper, periodical or magazine containing an electronic cigarette advertisement.

The above does not apply to:

- (a) a newspaper, periodical or magazine which is intended exclusively for professionals in the trade of electronic cigarettes or refill containers; or
- (b) a newspaper, periodical or magazine which is printed and published in a third country and is not principally intended for the European Union market.

Similarly no person may in the course of a business include, or procure the inclusion of, an electronic cigarette advertisement in an information society service (which is understood to be any service normally provided for remuneration, at a distance, by means of electronic equipment for the processing (including digital compression) and storage of data, and at the individual request of a recipient of a service) provided to a recipient in the United Kingdom and no service provider established in the United Kingdom may in the course of a business include an electronic cigarette advertisement in an information society service provided to a recipient in an EEA State other than the United Kingdom ("a non-UK-EEA-State").

There exceptions to the above to an information society service which is intended exclusively for professionals in the trade of electronic cigarettes or refill containers; or to an electronic cigarette advertisement which is not principally intended for the EU market.

Equally, in accordance with Regulation 44 of the TRP Regulations, no person may in the course of a business provide electronic cigarette sponsorship to:

- (a) an event or activity which takes place in or has an effect in two or more member States ("a cross-border event or activity"); or
- (b) an individual taking part in a cross-border event or activity.

For the purposes of the regulation “electronic cigarette sponsorship” means any form of public or private contribution to any event, activity or individual, with the aim or direct or indirect effect of promoting an electronic cigarette or refill container.

### **Cross Border Sales**

There is a requirement to register a business if it supplies e-cigarette products via cross-border distance sales, for example online sales.

This applies to:

- businesses established in the UK selling e-cigarettes and / or refill containers to consumers in another EEA state (European Economic Area – the 27 EU Member States plus Iceland, Liechtenstein and Norway); and
- businesses established in the EEA or third country selling to UK consumers. Business to business sales, that is sales not direct to consumers, do not need to be registered.

Registration is a legal requirement under the TPD. Without confirmation of registration businesses must not supply a relevant product to a consumer via a cross-border distance sale. The UK notification requirement applies to products supplied to UK consumers via a cross-border sale.

Public Health England have uploaded a list of EEA Member States that have either confirmed they are permitting cross-border distance sales of e-cigarettes and/or tobacco products or are yet to confirm domestic rules in this area, and a list of registered retailers. All other Member States have banned cross-border distance sales, and it would contravene the law to trade in those countries. Businesses who intend to trade in countries where the sales confirmation, registration website or contact details are yet to be confirmed are advised to contact the national authorities before commencing supply.

## **2. Other Significant Legislation and Regulation**

### ***The Nicotine Inhaling Products (Age of Sale and Proxy Purchasing) Regulations 2015***

Regulation 3 of The Nicotine Inhaling Products (Age of Sale and Proxy Purchasing) Regulations 2015 provides that the sale of nicotine inhaling products to persons aged under 18 is prohibited.

### ***General Product Safety Regulations 2005***

The General Product Safety Regulations 2005 contain obligations on producers to supply products which are safe.

Requirements include:

- clear labelling which must include clear instructions for use (the consumer must be able to understand the risks together with how they can get the best possible results from using the product);
- adopting measures to assess risks and take appropriate actions (i.e. sample testing, investigating complaints relating to safety and informing distributors of the monitoring of work and results);
- complying with the notification procedures to the local authority in the event a product is found to be dangerous and taking the appropriate further action if required to do so (i.e. market withdrawal, public warnings); and
- making notifications in the prescribed format.

### ***CE Marking***

CE marking is an administrative marking that indicates conformity with health, safety, and environmental protection standards for products sold within the European Economic Area. Requirements include:

- products need to be tested and certified that they comply with the CE regulations;



- those who manufacture modified electronic cigarettes hardware may self-certify to declare that the produce will not interact with other products electromagnetically and USB chargers/batteries are safe;
- CE certificates and testing reports must bear model number which correspond to the product (hardware not the e-liquid);
- maintain a register of recalled products; and
- keeping of technical information.

### ***Restriction of Hazardous Substances in Electrical and Electronic Equipment Regulation 2012***

Manufacturers, Importers and Distributors of e-cigarettes also need to comply with the Restriction of Hazardous Substances in Electrical and Electronic Equipment Regulation 2012 (known as RoHS). These regulations limit the amount of certain hazardous substances in specific electrical equipment, of which e-cigarettes are included. They place obligations onto Manufacturers, Importers and Distributors of e-cigarette models. The regulation is enforced by the Office for Product Safety and Standards, part of the Department for Business, Energy and Industrial Strategy.

### ***The Communications Act 2003, Ofcom and Advertising Codes***

Under section 368 of the Communications Act 2003 advertising of electronic cigarettes or electronic cigarette refill containers is prohibited in on-demand programme services. Similarly product placement is prohibited in on-demand programme services if it is of electronic cigarettes or electronic cigarette refill containers.

The Ofcom Broadcasting Code in section 9 relating to Commercial References in Television Programming provides that the product placement of the following products, services or trademarks is prohibited:

- (a) Cigarettes or other tobacco products;
- (b) Placement by or on behalf of an undertaking whose principal activity is the manufacturing or sale of cigarettes or other tobacco products;
- (c) Prescription only medicines; or
- (d) Electronic cigarettes.

Similarly Rule 9.16(a) states sponsored programming with the aim or direct or indirect effect of promoting electronic cigarettes and/or refill containers is prohibited. There is an equivalent prohibition in Rule 10.6 relating to radio.

The Ofcom On Demand Service Rules provides an On Demand Programme Service (ODPS) or a programme included in an ODPS must not be sponsored for the purpose of promoting electronic cigarettes or electronic cigarette refill containers. There is a similar rule for product placement which states product placement is prohibited in ODPS if:

- (a) it is of cigarettes or other tobacco products;
- (b) it is by or on behalf of an undertaking whose principal activity is the manufacturing or sale of cigarettes or other tobacco products;
- (c) it is of prescription only medicines; or
- (d) it is of electronic cigarettes or refill containers.

There are also restrictions on advertising of e cigarettes contained in The UK Code of Broadcast Advertising and the UK Code of Non-Broadcast Advertising and Direct and Promotional Marketing which do not ban advertising of e cigarettes but place restrictions on such advertising.

## PART III

### RISK FACTORS

*Investing in and holding Shares involves financial risk. Prospective investors in the Shares should carefully review all the information contained in this document and should pay particular attention to the following risks associated with an investment in the Shares, the Group's business and the industry in which it participates.*

*The risks and uncertainties described in this Part III are not an exhaustive list and do not necessarily comprise all, or explain all, of the risks associated with the Group and the industry in which it operates or an investment in the Shares. They comprise all the material risks and uncertainties in this regard that are currently known to the Company and the Board and should be used as guidance only. Additional risks and uncertainties relating to the Group and/or the Shares that are not currently known to the Company and the Board, or which the Company and the Board currently deem immaterial, may arise or become (individually or collectively) material in the future, and may have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects. If any such risk or risks should occur, the price of the Shares may decline, and investors could lose part or all their investment. Prospective investors should consider carefully whether an investment in the Shares is suitable for them in the light of the information in this document and their personal circumstances.*

#### GENERAL RISKS

An investment in the Company is only suitable for investors capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss that may result from the investment. A prospective investor should consider with care whether an investment in the Company is suitable for him or her in the light of his or her personal circumstances and the financial resources available to him or her. The investment opportunity offered in this document may not be suitable for all recipients of this document. Investors are therefore strongly recommended to consult an investment adviser authorised under FSMA, or such other similar body in their jurisdiction, who specialises in advising on investments of this nature before making their decision to invest.

Investment in the Company should not be regarded as short term in nature. There can be no guarantee that any appreciation in the value of the Company's investments will occur or that the commercial objectives of the Company will be achieved. Investors may not get back the full amount initially invested. The prices of shares and the income derived from them can go down as well as up. Past performance is not necessarily a guide to future performance.

Any economic downturn either globally or locally in any area in which the Group operates may have an adverse effect on demand for the Group's products. A more prolonged downturn may lead to an overall decline in sales. Economic uncertainty might have an adverse impact on the Group's operations and business results.

#### RISKS RELATING TO THE BUSINESS AND OPERATIONS OF THE GROUP

##### ***Dependence on customers***

In the year ended 31 March 2020, the Group derived over 50 per cent. of its sales from its top 10 customers and the loss of, or a significant reduction in, sales to any of these customers could materially and adversely affect the Group's business, financial conditions and results of operations.

Notwithstanding the Group's long-term business relationships with major customers, there is no guarantee that their actual demands can be accurately forecast. Whilst business and future expansion plans are based on an estimation of the demands from the market and customers, actual demands may fall short of estimation, due to, *inter alia*, changes in customers' business models, strategies or financial conditions, changes in local policies or market conditions and economic development. In addition, any adverse changes in the Group's relationships with major customers or in the key commercial arrangements with them, such as purchase price, could materially and adversely affect the Group's business, financial conditions and results of operations.

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 at any time. Were a material number of customers to cease to buy or reduce their purchases of the Group's products, and those customers and their former levels of purchases were 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.

#### ***Dependence on key executives and personnel***

The Group's future development and prospects depends 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 and believes that the senior management team is appropriately structured for the Group's size. 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 costs of recruiting replacements may have a material adverse effect on the Group's business, revenue, financial condition, profitability, results, prospects and/or future operations.

#### ***Existing Shareholder influence***

Following Admission, the aggregate beneficial interest in the Company of Sandy Chadha and his Concert Party will amount to 66,126,845 Shares, being 56.76 per cent. of the Enlarged Share Capital. Accordingly, Sandy Chadha will be in a position to have significant influence over the Company's operations and business strategy and all matters requiring shareholder approval, including the election and removal of Directors, further issues of shares, approval of dividends and share buybacks. The Company has entered into a relationship agreement with Sandy Chadha in order to regulate the ongoing relationship between the Company and Sandy Chadha, and which contains a number of undertakings as to how Sandy Chadha may exercise his voting rights in relation to the Company. Further information in relation to this relationship agreement is set out in paragraph 8 of Part IX of this document.

#### ***Existing and new licensing agreements***

The Group may not be able to renew its existing licence 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.

#### ***Supreme operates in a competitive environment***

The Group operates in a highly competitive market in each of its product categories. Where an existing competitor or new entrant is successful in providing products of a similar or better branding recognition and/or capability and/or quality and/or price to the Group, particularly in product lines where the Group has a strong market position, this could cause a decline in the Group's activity levels or margins, resulting in a negative impact on the Group's revenue and profitability.

In particular:

- (i) in batteries, exchange rate fluctuations may enable the sourcing of products which are the same as the Group's from other countries for a sterling cost that is less than the Group's and thereby may enable the Group's cost to its customers to be undercut;
- (ii) in lighting products, a competitor may obtain a licence to produce products using an established brand which may be considered more attractive than those available to the Group;
- (iii) in vaping, other manufacturers or suppliers of e-liquids may introduce flavours that are more attractive to customers than those of the Group or methods, systems and trends in vaping may alter (e.g. the market has moved from closed to open systems and other changes may occur) or global tobacco companies may target the Group's retail customers; and

- (iv) in sports nutrition & wellness, the market is growing and highly fragmented meaning other manufacturers or suppliers may enter the market and existing suppliers may introduce new products or build more brand awareness via advertising.

There can be no assurance that in the future the Group will be able to compete successfully against its current or future competitors or that the competitive pressures it faces will not result in reduced revenue, profitability or market share. Any reduction in the Group's revenue or market share due to increased competition could have a material adverse effect on the Group's result of the operations, financial condition or future prospects.

### ***Brand image and reputation***

The Group's financial performance is influenced by the image, perception and recognition of the Duracell, Energizer, Panasonic and JCB brands, which, in turn, depend on many factors such as product design, the distinctive character and quality of their products, their communication activities including marketing, social media, public relations and commercial partnerships and their general corporate and market profile (which is influenced by factors such as product sourcing ethics and corporate social responsibility activities).

The Board believes that the reputation and the quality of the Duracell, Energizer, Panasonic and JCB brands has played an important role in the success of the batteries and lighting business of the Group and that this will continue to be the case in future. Therefore any incident that negatively affects customer loyalty towards any of the Duracell, Energizer, Panasonic and JCB brands could materially adversely affect the Group's business, revenue, financial condition, profitability, results, prospects and/or future operations.

The Group's brands may be negatively affected by any negative publicity, regardless of accuracy or provenance. This includes any negative commentary on social media platforms, including weblogs, social media websites and other forms of internet based communications that provide individuals with access to a broad audience of consumers and other interested parties.

### ***Growth depends on customers success in selling products***

Most of the Group's revenue is generated from sales to wholesalers and retailers albeit a proportion of sales are made direct online to consumers. The Group's business performance largely relies on customers' ability to market and sell products manufactured or supplied by Supreme. Customers sales and marketing efforts and strategies are not within the control of Supreme, and any material changes to their sales and marketing strategies may in turn adversely impact the Group's business, financial conditions and results of operations.

### ***Brexit risk***

The UK's decision to leave the EU has resulted in considerable uncertainty regarding both the terms under which the UK withdraws from, and continues to trade long-term with, the EU. In the financial year ended 31 March 2020, less than 10 per cent. of the Group's purchases originated in the EU and less than 10 per cent. of the Group's sales were to customers in the EU. The Group considers the following to be relevant when considering the Brexit risk:

- Supreme's EU customers may perceive the Group to be less competitive on price than prior to Brexit due to a fluctuation in the exchange rate between the pound and the Euro and/or the introduction of taxes and, if the UK diverges from existing arrangements with the EU, trading tariffs imposed on UK-to-EU purchases and sales;
- More widely, there may be other pricing changes from worldwide suppliers arising as a result of tariff or import taxes or VAT or other tax or tax like changes following Brexit. Any such changes could impact costs of all products and raw materials and therefore impact competitiveness of all products which the group sells, not just direct trade with the EU;
- Regulation of the vaping market is currently largely regulated by TPD. Whilst there is no expectation and no indication that this may adversely change in the short term the UK may choose to diverge from EU based regulation following Brexit;

- The Group's plans to expand into other EU countries may be affected by the terms of Brexit and in particular the cost of dealing with any customs requirements of exporting to the EU, if the UK does not maintain a treaty for frictionless trade with the EU in the future that would apply to vaping products; and
- In addition to the longer term ability of Supreme to trade competitively with the EU, there is also the short term risk of delays in purchasing from (and shipping to) the EU shortly after 1 January 2021 when the UK initially leaves the EU where delays may be incurred as carriers adjust to changes in Customs and Clearing regulations.

Despite thoroughly considering any possible negative impact of the UK's decision to leave the EU on Supreme, it is not possible to predict fully the effects the decision to leave may have on the Company or the wider economy in the long term. The Board have considered all factors they believe, at this time, could have a material adverse effect on the Group's business, revenue, financial condition, profitability, results, prospects and/or future operations.

### ***Health and Safety***

The Group engages in manufacturing, packaging, storage and transportation of products and the preservation of the health and safety of its staff, site visitors and consumers is of over-arching importance to Supreme. Whilst there are processes and procedures to monitor and ultimately mitigate the risk, the Group has identified the following risks of a health and safety nature which it is exposed to:

#### *Batteries*

A battery is an electrochemical cell. The Group stores in its warehouses and transports batteries which might, if damaged or past their sell by date, be hazardous to human health by leaking chemicals.

#### *Lighting*

Light bulbs and/or light fittings may contain hazardous chemicals which if released may be hazardous to human health. The Group stores in its warehouses and transports light bulbs and light fittings which may, if shattered or broken, cause injury.

#### *Vaping*

The Group creates, tests and manufactures e-liquids and consequently has stores of chemicals such as propylene glycol, vegetable glycerine, nicotine and flavourings. Some of these chemicals are flammable or corrosive and/or hazardous to human health if they leak or are mixed in improper quantities or proportions or at all. The Group's blending and production activities use a clean air system which if damaged might expose personnel to hazardous chemicals. Hardware for vaping includes batteries which might, if damaged or past their sell by date, leak chemicals.

#### *Sports Nutrition & Wellness*

The Group operates a protein powder blending and production facility which could release powder into the air and expose persons to hazardous powders. Similarly, the Group repacks bulk vitamin products for retail consumption and operates an onsite vitamin production facility blending product from raw materials which could release powder into the air and expose persons to hazardous powders.

#### *Branded Household Consumer Goods*

The Group sells a range of household products (e.g. bleach) which can be hazardous to human health if ingested or if their packaging is damaged or the products are otherwise released in an uncontrolled manner (e.g. matches or aerosols).

#### *Manufacturing and Packaging*

The manufacture and packaging of products entails the use of machinery which if operated improperly or fitted improperly or if otherwise damaged or malfunctioning can be dangerous and could cause damage to human health. The Group has protocols in place to mitigate these risks but cannot eliminate them entirely. In particular an accident has occurred, further details of which are set out in paragraph



15 of Part IX, resulting in personal injury to a contract worker. Any such accident may give rise to damages to any such worker and action from the Health and Safety Executive which may include fines.

#### *Distribution and Warehousing*

Warehouses tend to involve the mix of people and machinery (e.g. fork lift trucks) which can lead to injuries and/or damage from time to time. They also have stocks of products (whether on racking, pallets or otherwise) which if dropped or otherwise come loose may injure persons in the warehouse and/or damage the products themselves. Whilst the Group has protocols in place to mitigate these risks it cannot eliminate them entirely.

Similarly the distribution of products may involve the delivery and/or distribution and/or unloading and/or loading of products by heavy goods vehicles which are capable of injuring persons or damaging the products themselves.

#### *COVID-19*

Current circumstances require personnel to stay apart to mitigate the risk of infection from COVID-19 being passed amongst employees thus causing disruption to production caused by widespread employee absences. The Group has protocols in place to mitigate this risk but cannot eliminate it entirely.

#### *General*

A violation of health and safety laws or regulations relating to the Group's operations or a failure to comply with the instructions of the relevant health and safety authorities could lead to, amongst other things, negative publicity and reputational damage, fines, costly compliance procedures and, in extreme circumstances, a temporary shutdown of all or part of the Group's business. Such violations could, therefore, have a material adverse effect on the Group's business, financial condition and results of operations.

#### ***Damage to the Group's manufacturing facility, distribution centre or disruption to its distribution networks***

The Group manufactures, distributes and retains stocks of e-liquids and protein powders at its distribution centre located in Trafford Park, Manchester and is dependent on the distribution of e-liquids, protein powders and other products to and from this central distribution centre. As the Supreme business expands, it may also need to develop and implement other distribution centres to expand its network both for capacity and geographical reach. A fire, damage ability to access the site for any reason, or other issue preventing the normal running of the Group's manufacturing facility and/or distribution centre or the operations of its logistics partners could significantly hinder the Group and may prevent or delay the manufacture and/or distribution of Supreme's products (both to the Group's distribution centre and from the distribution centre to customers).

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

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

#### ***Material disruption in IT systems***

Supreme relies to a significant degree on its IT systems to track inventory, manage its supply chain, record and process transactions, summarise results and manage its business. The failure of Supreme's 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 Supreme's 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 Supreme's 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 Supreme's operations and/or 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. 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 and its processing and despatch system manually and fulfil the stock 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. The failure of Supreme's 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.

#### ***Protection of the Group's intellectual property***

The commercial success of the Group depends in part on its ability to protect its intellectual property rights and to preserve the confidentiality of its own know-how and business information. Supreme relies upon various intellectual property protections, including copyright and contractual provisions, to preserve its intellectual property rights and protect confidentiality. No assurance is given that the Group will be able to protect and preserve its intellectual property rights or the confidentiality of its own know-how or to exclude competitors with similar products.

Substantial costs may be incurred if Supreme is required to defend its intellectual property rights against third parties. Other parties may copy without authorisation the Group's intellectual property. Supreme may not be able effectively to detect and prevent any infringement of its intellectual property rights. Policing unauthorised use of intellectual property is difficult, and some foreign laws do not protect proprietary rights to the same extent as the laws of the UK. To protect the Group's intellectual property, Supreme may become involved in litigation, which, even if successful could result in substantial expense, divert the attention of management, cause significant delays, materially disrupt the conduct of the Group's business or adversely affect its business, revenue, financial condition, profitability, results, prospects and/or future operations. In any event, the Group's intellectual property rights may not provide sufficiently meaningful commercial protection for its products or trademarks.

#### ***Third party intellectual property rights***

While the Board believes that Supreme's products and its intellectual property rights do not infringe upon the proprietary rights of third parties, there can be no assurance that the Group will not receive communications from third parties asserting that Supreme's products (some of which are designed and/or manufactured by third parties) and its intellectual property rights infringe, or may infringe, their proprietary rights. Any such claims, with or without merit, could be time consuming, result in costly litigation and the diversion of management personnel, cause product delays or require the Group to develop or otherwise seek the supply of non-infringing products or intellectual property rights or enter into royalty or licensing agreements or re-brand products. Such royalty or licensing agreements, if required, may not be available on terms acceptable to Supreme or at all. In the event of a successful claim of infringement against the Group or the Group's suppliers and any failure or inability to develop or source or licence non-infringing products or intellectual property rights, the Group's business, revenue, financial condition, profitability, results, prospects and/or future operations could be materially adversely affected. Reference is made to the potential claim by Philips in paragraph 14 of Part IX of this document.

### ***Achievement of strategic aims***

The value of an investment in Shares is dependent on Supreme achieving its strategic aims. The Group's strategy is outlined in Part I of this document. While the Board is optimistic about the prospects for the Group, there is no certainty that it will be capable of achieving its strategy or the anticipated revenues, profitability or growth. The Group's future operating results will be highly dependent upon how well it manages its planned expansion strategy and the timeframe within which that strategy is executed.

### ***Ability to recruit and retain skilled personnel***

The Board believes the Group operates a progressive and competitive remuneration policy which includes share incentives and this will allow Supreme to continue to attract and retain the calibre of employees necessary to ensure the efficient management and development of the Group. However, any difficulties encountered in hiring appropriate employees and the failure to do so, or a change in market conditions that renders current incentivisation structures lacking, may have a detrimental effect upon the Group's business, revenue, financial condition, profitability, results, prospects and/or future operations. The ability to attract new employees with the appropriate expertise and skills cannot be guaranteed.

### ***Financial controls and internal reporting procedures***

The Group has financial reporting systems and controls in place to allow it to produce accurate and timely financial statements and to monitor and manage risks, including the risk of fraud (committed by employees, customers, suppliers etc). If any of these systems or controls were to fail Supreme may be unable to produce financial statements accurately or on a timely basis and/or it may expose the Group to risk. Any concerns investors may have over the potential lack of available and current financial information and the controls the Group has in place could adversely affect the Company's share price.

### ***Counterparty risk***

There is a risk that parties with whom the Group trades or has other business relationships (including partners, customers, suppliers, subcontractors and other parties) may become insolvent or may a party to or a victim of a VAT fraud. This may be as a result of general economic conditions or factors specific to that party or by inadequate checks being made on a counterparty's supply chain. In the event that a party with whom the Group trades becomes insolvent or is a party to or a victim of a VAT fraud, this could have an adverse impact on the Group's business, revenue, financial condition, profitability, tax recoverability, results, reputation, prospects and/or future operations. This risk may be higher where the counterparty is located or registered outside the United Kingdom, as the costs of enforcing the Group's rights to payment or performance may be higher than would be the case in the United Kingdom, or the local legal system may not function in a manner which is conducive to expeditious recovery or enforcement. The Board seeks to mitigate these risks through, for example, carrying out credit checks on new business customers or business partners and requiring certain customers or business partners to put in place letters of credit or similar payment guarantee arrangements before extending them more than an appropriate level of credit.

### ***COVID-19***

The outbreak of COVID-19 has negatively impacted economic conditions globally and continues to have an adverse and disruptive effect on the UK economy. To date the Company has adapted to the challenges the pandemic has presented and is likely to need to continue to remain agile and adapt over the coming months in response to any further developments relating to the COVID-19 outbreak.

If the COVID-19 pandemic continues for a prolonged period of time, this may result in operational challenges, delays in receiving payments from clients and may impact the Company's ability to secure new business. The COVID-19 pandemic may therefore have an adverse effect on the Company's business, cash flows, profitability, results of operation and financial condition.

### ***Exchange rate risk***

Due to the international nature of its business, the Group is exposed to changes in foreign currency rates. Supreme's functional currency used in its financial statements is Pounds Sterling. However, it conducts and will continue to conduct transactions in currencies other than Pounds Sterling, including

the 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's business, revenue, financial condition, profitability, results, prospects and/or future operations.

#### ***Dependence on economic conditions and consumer confidence***

Many factors affect the level of consumer spending in any particular jurisdiction, including the state of the economy as a whole, stock market performance, interest rates, currency exchange rates, recession, inflation or deflation, political uncertainty, the availability of consumer credit, taxation, unemployment and other matters that influence consumer confidence and/or levels of disposable income. All of these are outside the Group's control. A decline in general economic conditions may lead to either delayed or failed payments by customers or customers entering into insolvency processes such as administration, putting pressure on Supreme's own liquidity. The Group distributes its products internationally and may be affected by the same factors in some or all of these markets at any particular time. A significant decline in the UK and/or global economy and/or in consumers' confidence or liquidity could have a material adverse effect on Supreme's business, revenue, financial condition, profitability, results, prospects and/or future operations.

#### ***Expansion into new jurisdictions***

As part of its growth strategy, the Group intends to explore opportunities in markets outside the UK. Any expansion into new markets would expose Supreme to a variety of risks including: different regulatory requirements; compliance with international trading rules including sanctions regimes; different customer preferences; managing foreign operations; exchange rate risk; new or enhanced exposure to local economies and consumer confidence; and the potential for higher rates of fraud. Equally, any expansion into a new territory may not be successful if the Group is not able to achieve a sufficiently strong brand image, perception and/or recognition in any particular territory. Successful entry into new jurisdictions will also depend on Supreme's ability to identify and engage appropriately with the right retailers, logistics providers and/or wholesale partners. The Group may be unable to identify and engage with the right retailers, logistics providers and/or wholesale partners to facilitate expansion into new jurisdictions. Supreme may expend resource on expansion into a territory which ultimately either proves to be unsuccessful or takes a much longer period than anticipated to become successful. Failures and/or delays in successfully launching into new territories may have a material adverse effect on the Group's business, revenue, financial condition, profitability, results, prospects and/or future operations.

#### ***Third party production and supply***

The Group outsources the production of some of its products to external manufacturers with appropriate expertise and capacity. A significant proportion of Supreme's battery and lighting products are manufactured in China. Similarly, a significant proportion of Supreme's batteries are manufactured for the relevant brand either by or on behalf of that brand. In addition, the Group does not have long term supply agreements with its third-party manufacturers and/or suppliers. 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 Supreme's 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 Supreme's operations and business. Similarly, if Supreme 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.

#### ***Product Liability***

The Group may be liable under the Consumer Protection Act 1987 or by contract for defective products imported or otherwise supplied by the Group but which the Group has not manufactured and/or designed. The Group may not be able to obtain reimbursement or any contribution to any liability for of any claim in respect of such defective products whether the agreements with such suppliers or

manufacturers provide for any such reimbursement or not. Similarly, the Group may be liable under the Consumer Protection Act 1987 or by contract or in negligence for defective products supplied by the Group which the group has manufactured and/or designed. Whilst the Company maintains product liability insurance such policies contain exclusions and limitations and excesses. A substantial claim for loss of assets or loss of production which was not covered by the Group's insurance could have a material adverse effect on the Group's financial results.

The sale of goods to consumers is subject to the Sale of Goods Act 1979 (the "SGA") and other consumer rights legislation. Pursuant to the SGA, the Group may be held liable for the cost of repairing or replacing any goods that the Group sells which do not meet the express terms of the contract for sale or the implied terms of satisfactory quality, fitness for purpose or correspondence with description. Any claims that a customer may have against the manufacturer of the goods or under a warranty sold by the manufacturer or a third party are in addition to the rights that the customer has against the seller under the SGA. Accordingly, a customer who has purchased goods from the Group that allegedly does not meet an express or implied contractual term may choose to bring a claim against the Group as the seller of the goods and, in particular, customers may choose to bring such a claim in circumstances where the manufacturer has entered administration or become insolvent or is overseas.

### ***Changes in input and raw material prices***

The Group's manufacturing suppliers purchase substantial amounts of raw materials for use in manufacturing Supreme's products. The price of these raw materials has a direct impact on the price the Group pays its manufacturers for its products. The price and availability of certain raw materials has fluctuated in the past, and may fluctuate in the future, depending on a variety of factors, 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 Supreme's transportation costs may increase. Any increase in the price of raw materials or Supreme's transportation costs could cause delays in product deliveries, affect the availability of Supreme's products and/or increase the cost of Supreme's 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.

### ***Dependence on suppliers***

The Group's suppliers are not contractually committed to sell their products to the Group on a long term basis and may cease to sell or reduce their sales to the Group of their products at any time. Were a material number of suppliers, and in particular suppliers of branded products, to cease to sell or reduce their sales to the Group of their products, and those suppliers and their former levels of sales were not replaced with new suppliers or increased sales by existing suppliers, then this could materially and adversely affect the Group's business, revenue, financial condition, profitability, results, prospects and/or future operations.

Battery and lighting products are principally manufactured and/or sourced in markets outside of the UK, e.g. in China. There are a variety of risks generally associated with doing business in foreign markets and importing items from such regions, including delays associated with customs procedures, risks related to labour practices and supply chain ethics, heightened anti-bribery and corruption concerns, quality assurance concerns, environmental risks, risks of transportation of products by sea and imposition of taxes. Any of these risks and/or any failure to supply more generally could restrict the availability of products and/or increase the costs of Supreme's products and/or change consumers' perceptions about the quality of its products and could have a material and adverse effect on the Group's business, revenue, financial condition, profitability, results, prospects and/or future operations.

The Group purchases from its suppliers certain cannabidiol products. The Group relies on those suppliers to ensure that cannabidiol concentrations of Tetrahydrocannabinol are kept below one milligram per component part of the product. Whilst the Group conducts tests on batches of products there is a risk if this concentration is exceeded that the Group may be committing an offence under the Misuse of Drugs Regulations 2001.

### ***Commercial contracts***

Members of the Group have engaged and will continue to engage with suppliers and customers with more negotiating leverage than is available to Supreme. Such parties may be suppliers of goods, services, utilities or operational systems and the software used by the Group to operate its business. The standard commercial terms of such entities may not be subject to negotiation and the Group may be required to tolerate terms which are less favourable than might be anticipated or preferred. If for any reason a member of the Group comes to breach such terms, the financial and operational penalties could be severe and have a material adverse impact on the Group's business, revenue, financial condition, profitability, results, prospects and/or future operations. Similarly, the terms of such contracts may restrict the Group's ability to fully recover loss and damage arising from breaches by such counterparty or restrict the range of sanctions (including termination rights) available to the Group. As the Group has grown in size and sophistication it has continued to develop its processes and procedures for the review and negotiation of commercial contracts. The Board intends to continue to monitor this area of the business and further develop these processes and procedures in order to ensure that so far as possible the Group is able to achieve a favourable outcome in relation to contractual negotiations including to trade on the Group's own terms and conditions where possible. Where necessary or advisable the Board will invest in the Group's commercial contracting processes and procedures for this purpose. This may result in the Group being required to incur additional costs, which could have an adverse effect on the returns available on an investment in the Company.

The Group engages with its principal suppliers and customers either on those suppliers' or customers' terms and conditions or, where the Group's own terms and conditions are not accepted, without any formalised arrangements. As a result, there can be no guarantee that orders from suppliers will be accepted. Further, the Group has limited visibility on the standard terms of its suppliers and customers which may contain provisions unfavourable to the Group such as seeking to exclude liability or restrict remedies for breach of contract or may impose onerous obligations on the Group or may include indemnities, provided by the Group, sometimes on an uncapped basis. Such provisions create an inherent risk that any liability on the Group's part under a supplier or customer's terms and conditions could be material. A successful claim under such an indemnity may have a significant impact on the Group's profitability. The suppliers' or customers' location may also mean that English law does not apply.

Certain commercial contracts to which members of the Group are party entitle the counterparty to terminate such agreements upon a change of control. Whilst Admission will not result in a change of control of the business, subsequent issues of Shares could result in a change of control occurring. The Board has identified those contracts which it believes are material to the business and operations of the Group and will after Admission seek confirmation from the counterparty that it does not intend to exercise any such termination right.

### ***Insurance risk***

There can be no certainty that the Group's insurance cover is adequate to protect against every eventuality. The occurrence of an event for which the Group did not have adequate insurance cover could have a materially adverse effect on the Group's business, revenue, financial condition, profitability, results, prospects and/or future operations.

### ***Estimates in financial statements***

Preparation of consolidated financial statements requires the Group to use estimates and assumptions. Accounting for estimates requires management to use its judgment to determine the amount to be recorded on its financial statements in connection with these estimates. The Group's accounting policies require management to make certain estimates and assumptions as to future events and circumstances. In addition, the carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. If the estimates and assumptions are inaccurate, Supreme could be required to write down the value of certain assets. On an ongoing basis, the Group re-evaluates its estimates and assumptions. However, the actual amounts could differ from those estimates and assumptions.



## **REGULATORY, TAX AND LEGAL RISKS**

### ***Regulatory risks***

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

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

### ***Risks relating to taxation, import duties and changes in legislation***

This document has been prepared on the basis of current legislation, regulation, rules and practices and the Board's interpretation thereof. Such interpretation may not be correct and legislation, regulation, rules and practice may change, possibly with retrospective effect. Anti-dumping duties (which in the EU may be imposed if it is concluded that products are being sold at below their normal market value or are otherwise subsidised) imposed by the EU, or the UK on products sourced from overseas countries may have an adverse effect on the returns available on an investment in the Company. Equally any change in legislation, regulation, rules, or practice, any change to the existing mechanisms relating to or duties payable on the importation of products and in particular in the tax status or tax residence of the Group or the Company, may have an adverse effect on the returns available on an investment in the Company

### ***Legal risks***

Legal risks include an absence of adequate protection for intellectual property rights, an inability to enforce foreign judgments relating to contracts entered into by the Group, absence of a choice of law, and an inability to refer disputes to arbitration or to have a choice with regard to arbitration rules, venue and language. Mitigation measures for these risks may be limited.

The Group employs personnel and contracts for the services of professionals, advisers, consultants and others to supply their expertise to the Group and such personnel, professionals, advisers, consultants and others advise the Group and may make submissions or declarations on behalf of members of the Group. There is a risk that advice given by these persons may be incorrect or that such submissions or declarations may contain mistakes.

### ***Packaging waste responsibility compliance***

The Group's distribution centre handles packaging waste which holds, protects, delivers and presents its products. The United Kingdom has producer responsibility legislation relating to packaging waste, which obliges businesses which handle packaging waste above certain specified thresholds to register as "obligated packaging producers" and comply with applicable legislation. Non-compliance with applicable legislation is an offence and the appropriate regulator either can prosecute or, as a result of more recent enforcement powers, potentially impose a financial penalty, or accept a financial offering, reflective of the perceived severity of the non-compliance.

### ***Battery and Lighting environmental compliance risk***

The EU Waste Electrical and Electronic Equipment ("**WEEE**") regime (implemented in the UK by The Waste Electrical and Electronic Equipment Regulations 2013 as amended) aims to:

- Prevent WEEE and encourage its reuse, recycling and other forms of recovery to reduce the need to dispose of it;
- Improve the environmental performance of all operators involved in the life cycle of electrical and electronic equipment ("**EEE**"); and



- Protect the environment and human health by preventing or reducing the adverse impacts of WEEE.

The WEEE regime does this by placing financial responsibilities on producers and distributors of EEE to pay for collection and disposal schemes for WEEE. This forms part of a wider package of “producer responsibility schemes”, which includes the packaging waste regime referred to above. Presently there are 10 categories of WEEE which include lighting appliances. From 15 August 2018 the categories will be broadened. The WEEE regime requires:

- That final holders and distributors can return household WEEE free of charge for re-use, disassembly and recycling to producers (or third parties acting on their behalf);
- Producers to finance the collection, treatment, recovery and environmentally-sound disposal of WEEE from private households that has been deposited at certain collection facilities; and
- Producers to finance the collection, treatment, recovery and environmentally-sound disposal of WEEE from products placed on the market after 13 August 2005 from non-domestic users.

The cost of this regime applies to some of the Group’s batteries and lighting products. The WEEE regime complements and mirrors the batteries regime under the Batteries Directive 2006, which provides for a similar producer responsibility scheme for the collection, treatment and recycling of waste batteries. Portable batteries in particular may fall under the scope of WEEE and are a key product of the Group.

#### ***Data privacy breaches or failure to protect confidential information***

Supreme is subject to a number of laws relating to privacy and data protection, including the UK’s Data Protection Act 1988 and the Privacy and Electronic Communications (EC Directive) Regulations 2003, as well as relevant non-EEA data protection and privacy laws and the General Data Protection Regulation of the EU. Such laws govern the Group’s ability to collect, use and transfer information relating to its customers, including the use of that information for marketing purposes. Supreme relies on third party contractors and its own employees to collect data and to maintain its databases and, therefore, is exposed to the risk that such data could be wrongfully accessed, appropriated, lost, disclosed, damaged or processed in breach of data protection regulations. The Group processes employee personal data and customer personal data and, through third parties, as part of its business and therefore must comply with strict data protection and privacy laws in the European Union and certain other jurisdictions in which the Group operates. Those laws restrict Supreme’s ability to collect, use and delete customer information. The Group is exposed to the risk that customer data could in the future be wrongfully accessed, appropriated, lost, retained, disclosed, damaged or processed in breach of data protection regulations.

If the Group or any of the third party service providers on which it relies fails to process and/or transfer customer information and payment details online in a secure manner, or if any unauthorised or unlawful loss, theft, retention, disclosure or destruction of customer data were otherwise to occur, the Group may be subject to claims from third parties relating to the infringement of privacy rights or data protection laws and/or investigative or enforcement action (including criminal proceedings and significant pecuniary penalties) by the Information Commissioner’s Office in the UK or similar regulatory authorities in other jurisdictions in which Supreme operates. This could also result in the loss of the goodwill of its customers, damage the Group’s reputation and deter new customers. Each of these factors could harm the Group’s business, revenue, financial condition, profitability, results, prospects and/or future operations.

Despite controls to protect the confidentiality and integrity of customer and other information, Supreme may breach restrictions or may be subject to attack from computer programs that attempt to penetrate its network security and misappropriate confidential information. Any perceived or actual failure to protect confidential data could harm the Group’s reputation and credibility, reduce its sales, reduce its ability to attract and retain customers or result in litigation or other actions being brought against it or the imposition of fines and, as a result, could have a material adverse effect on the Group’s business, revenue, financial condition, profitability, results, prospects and/or future operations.

Whilst Supreme strives to comply with all applicable laws, regulations, policies and legal obligations relating to privacy and data protection, there is a risk that Group policies and measures may not be deemed sufficient in order to comply with the latest data protection regulations or regulatory guidance.

## **RISKS RELATING TO THE VAPING INDUSTRY**

### ***Changes in existing laws and regulations and the imposition of new laws***

Vaping is a recent innovation compared to traditional cigarettes, with e-cigarette products being introduced to the European market approximately 14 years ago. Accordingly, there are no long-term health studies of the effect of vaping on users. Whilst recent reports (e.g. Public Health England's Evidence update review of e-cigarettes dated March 2020) tend to support vaping as being substantially less harmful than smoking and a potential 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. As vaping devices have become more popular in recent years, there is a risk of government action to introduce more stringent laws and regulations to regulate this rising substitute for conventional tobacco which could for example, include the prohibition of vaping in public spaces which may adversely affect the Group's business, financial condition and results of operations.

Tobacco duty revenues (excluding VAT) were estimated by the Tobacco Manufacturers' Association to be £9.3 billion in the UK for the tax year from 6 April 2018 to 5 April 2019. If vaping leads to a reduction in traditional smoking, government may look to any replacement, e.g. vaping, for additional taxes to make up some or all the shortfall. A reduction in vaping or an increase in taxes may lead to the Group's revenues or profits being adversely affected.

The Group manufactures and or distributes vaping products which are subject to regulation. Details of the regulation of vaping is set out in Part II of this document.

### ***Developing new vaping products***

Innovation in vaping hardware has led to a progression from cigarette like devices using cartridges to devices that use e-liquids and tanks. Future changes to hardware and the method of vaping (e.g. closed vape systems, open vape systems and heat not burn devices) may leave the Group at a competitive disadvantage if it is not able to continue to successfully develop its product offering, cannot keep pace with changes to consumer preferences, or fails to do so in a timely manner or fails to have adequate supplies to meet demand.

The Group may not be able to identify, develop and manufacture new products successfully, if at all, or on a timely basis. If we fail to successfully develop or sell new products, the Group's business, financial conditions and results of operations may be materially and adversely affected.

### ***Impact of vaping on health***

Should the usage of vaping devices be identified as presenting long-term health risks, the market demands for vaping devices may decline significantly, which may materially and adversely affect the Group's business, financial conditions and results of operations. With vaping only introduced to the UK market in 2006, the medical profession is still in the course of studying the long-term health effects of vaping notwithstanding the supportive positioning taken by the NHS, Public Health England and Cancer Research UK. If the medical profession concludes that vaping device usage poses long-term health risks or is linked to respiratory illness or other diseases, the health awareness of customers may increase and the market demands may significantly decline, which would have a material adverse effect on our business, financial conditions and results of operations.

### ***Payment Methods***

When sales are conducted over the internet or through other third party platforms the Group accepts payment through a variety of methods e.g. credit card, debit card, PayPal, Shopify. These payment methods are not under the control of the Group and could be withdrawn which could harm the Group's business, revenue, financial condition, profitability, results, prospects and/or future operations. In particular 88Vape received a notification from PayPal that due to increased scrutiny from regulators and payment partners, PayPal had introduced additional controls regarding the sale of e-cigarettes and related products and requesting certain information. The Group has replied to that request in September 2020, has received no further communication from PayPal in respect thereof and continues

to receive payments through PayPal. Whilst the platform will switch to another payment provider should Paypal take further action, there may be a short term disruption to 88vape.com

## **RISKS RELATING TO THE PLACING AND THE SHARES**

### ***Share price volatility and liquidity***

AIM is a trading platform designed principally for growth companies, and as such, tends to experience lower levels of trading liquidity than larger companies quoted on the Official List or some other stock exchanges. Following Admission there can be no assurance that an active or liquid trading market for Shares will develop or, if developed, that it will be maintained. The Shares may therefore be subject to large fluctuations on small volumes of shares traded. As a result, an investment in shares traded on AIM carries a higher risk than those listed on the Official List.

Prospective investors should be aware that the value of an investment in the Group may go down as well as up and that the market price of Shares may not reflect the underlying value of the Group. There can be no guarantee that the value of an investment in the Group will increase. Investors may therefore realise less than or lose all of, their original investment. The share prices of publicly quoted companies can be highly volatile and shareholdings illiquid. The price at which Shares are quoted and the price which investors may realise for their Shares may be influenced by a large number of factors, some of which are general or market specific, others which are sector specific and others which are specific to the Group and its operations. These factors include, without limitation, (i) the performance of the overall stock market, (ii) large purchases or sales of Shares by other investors, (iii) financial and operational results of the Group (iv) changes in analysts' recommendations and any failure by the Group to meet the expectations of the research analysts, (v) changes in legislation or regulations and changes in general economic, political or regulatory conditions, and (vi) other factors which are outside of the control of the Group.

Shareholders may sell their Shares in the future to realise their investment. Sales of substantial amounts of Shares following Admission and/or termination of the lock-in restrictions (the terms of which are summarised in paragraph 9 of Part IX of this document), or the perception that such sales could occur, could materially adversely affect the market price of Shares available for sale compared to the demand to buy Shares. There can be no guarantee that the price of Shares will reflect their actual or potential market value or the underlying value of the Group's net assets and the price of Shares may decline below the Placing Price. Shareholders may be unable to realise their Shares at the quoted market price or at all.

### ***Funding***

The Group is currently cash generative and benefits from sufficient working capital for the near term. However, there is a risk that the Group may need to raise funding in the future for a number of reasons, including working capital, to fund an acquisition or expansion, general corporate purposes or to restructure its balance sheet. At present, the Directors do not believe there is any requirement to raise any further external finance for the Group.

### ***Investment risk***

An investment in a quoted company is highly speculative, involves a considerable degree of risk and is suitable only for persons or entities which have substantial financial means and who can afford to hold their ownership interests for an indefinite amount of time or to lose their investment principal. While various investment opportunities are available, potential investors should consider the risks that pertain to trading companies in general.

### ***Dilution***

If the Company were to offer equity securities for sale in the future, Shareholders not participating in these equity offerings may become diluted and pre-emptive rights may not be available to certain Shareholders. The Company may also in the future issue Shares, warrants and/or options to subscribe for new Shares, including (without limitation) to certain advisers, employees, directors, senior management and consultants. The exercise of such warrants and/or options may also result in dilution of the shareholdings of other investors.

***Dividends may not be paid***

While the Company intends to pay bi-annual dividends going forward, the declaration and payment of any future dividends will be subject to the discretion of the Directors, and subject to compliance with the Companies Act and the Company's Articles of Association, will depend on the Company's earnings, financial position, cash requirements, strategic goals and availability of distributable reserves.

## PART IV

### HISTORICAL FINANCIAL INFORMATION RELATING TO THE GROUP

#### SECTION A: ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION RELATING TO THE GROUP



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27 January 2021

Ladies and Gentlemen

**Supreme plc (the "Company")  
and its subsidiaries (together, the "Group")**

#### **Introduction**

We report on the financial information set out in Section B of Part IV. This financial information has been prepared for inclusion in the admission document dated 27 January 2021 of the Company (the "Admission Document") on the basis of the accounting policies set out in note 2 to the financial information. This report is required by paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

#### **Responsibilities**

The directors of the Company are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies consenting to its inclusion in the Admission Document.

#### **Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

### **Opinion**

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of Supreme as at 31 March 2019 and 2020 and of its profits, cash flows and changes in equity for the nine months ended 31 March 2019 and the year ended 31 March 2020 in accordance with the basis of preparation set out in note 1 to the financial information.

### **Declaration**

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

### **BDO LLP**

*Chartered Accountants*

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



## SECTION B: HISTORICAL FINANCIAL INFORMATION RELATING TO THE GROUP

### Consolidated Statement of Comprehensive Income

		9 month Period Ended 31 March 2019 £'000	Year Ended 31 March 2020 £'000
Revenue	Note 5	62,354	92,329
Cost of sales	6	(44,868)	(65,509)
<b>Gross profit</b>		<b>17,486</b>	<b>26,820</b>
Administration expenses	6	(7,407)	(12,827)
<b>Operating profit</b>		<b>10,079</b>	<b>13,993</b>
<b>Adjusted EBITDA<sup>1</sup></b>		<b>11,239</b>	<b>16,209</b>
Depreciation	14 & 22	(910)	(1,548)
Amortisation	13	(10)	(25)
Exceptional items	7	(240)	(643)
<b>Operating profit</b>		<b>10,079</b>	<b>13,993</b>
Finance income	9	28	3
Finance costs	10	(505)	(783)
<b>Profit before taxation</b>		<b>9,602</b>	<b>13,213</b>
Income tax	11	(1,733)	(2,318)
<b>Profit for the year</b>		<b>7,869</b>	<b>10,895</b>
<b>Other comprehensive income/(loss)</b>			
Currency translation differences		–	(9)
<b>Total comprehensive income for the year</b>		<b>7,869</b>	<b>10,886</b>
Earnings per share – basic	12	£0.07	£0.10
Earnings per share – diluted	12	£0.07	£0.10

Note 1: Adjusted EBITDA, which is defined as profit before finance costs, tax, depreciation, amortisation, exceptional items, and profit/(loss) from transactions in non-hedging foreign exchange derivative contracts is a non-GAAP metric used by management and is not an IFRS disclosure.

All results derive from continuing operations.

## Consolidated Statement of Financial Position

		As at 31 March 2019 £'000	As at 31 March 2020 £'000
	Note		
<b>Assets</b>			
Goodwill and other intangibles	13	768	1,778
Property, plant and equipment	14	2,808	3,458
Right of use asset	22	2,014	1,495
Investments	15	60	7
Deferred tax	16	31	–
<b>Total non-current assets</b>		<b>5,681</b>	<b>6,738</b>
<b>Current assets</b>			
Inventories	17	15,033	14,458
Trade and other receivables	18	14,041	16,739
Derivative financial instruments	23.9	–	209
Income tax recoverable		–	9
Cash and cash equivalents	19	1,694	6,718
<b>Total current assets</b>		<b>30,768</b>	<b>38,133</b>
<b>Total assets</b>		<b>36,449</b>	<b>44,871</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Borrowings	21	4,799	7,181
Trade and other payables	20	7,511	13,682
Income tax payable		1,953	2,340
<b>Total current liabilities</b>		<b>14,263</b>	<b>23,203</b>
<b>Net current assets</b>		<b>16,505</b>	<b>14,930</b>
Borrowings	21	18,008	17,413
Deferred tax liability	16	–	191
<b>Total non-current liabilities</b>		<b>18,008</b>	<b>17,604</b>
<b>Total liabilities</b>		<b>32,271</b>	<b>40,807</b>
<b>Net assets</b>		<b>4,178</b>	<b>4,064</b>
<b>Equity</b>			
Share capital	24	11,001	11,001
Merger reserve		(22,000)	(22,000)
Retained earnings		15,177	15,063
<b>Total equity</b>		<b>4,178</b>	<b>4,064</b>

## Consolidated Statement of Changes in Equity

	Share Capital £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
<b>As at 1 July 2018</b>	11,001	(22,000)	23,274	<b>12,275</b>
Profit for the period	–	–	7,869	<b>7,869</b>
Total comprehensive income for the period	–	–	7,869	<b>7,869</b>
<i>Transactions with shareholders:</i>				
Dividends	–	–	(16,288)	<b>(16,288)</b>
Share based payments credit (note 25)	–	–	322	<b>322</b>
<b>As at 31 March 2019</b>	<b>11,001</b>	<b>(22,000)</b>	<b>15,177</b>	<b>4,178</b>
Profit for the year	–	–	10,895	<b>10,895</b>
Other comprehensive loss	–	–	(9)	<b>(9)</b>
Total comprehensive income for the year	–	–	<b>10,886</b>	<b>10,886</b>
<i>Transactions with shareholders:</i>				
Dividends	–	–	(11,000)	<b>(11,000)</b>
<b>As at 31 March 2020</b>	<b>11,001</b>	<b>(22,000)</b>	<b>15,063</b>	<b>4,064</b>

## Consolidated Statement of Cash Flows

		9 month Period Ended 31 March 2019 £'000	Year Ended 31 March 2020 £'000
<b>Net cash flow from operating activities</b>			
Profit for the period/year		7,869	10,895
<b>Adjustments for:</b>			
Amortisation of intangible assets	13	10	25
Depreciation of tangible assets	14 & 22	910	1,548
Fixed asset investment written off	15	–	60
Finance income	9	(28)	(3)
Finance costs	10	505	783
Amortisation of capitalised finance costs		–	149
Income tax expense	11	1,733	2,318
Share based payments expense	25	322	–
<b>Working capital adjustments</b>			
(Increase)/decrease in inventories		(4,167)	2,472
Increase in trade and other receivables		(2,270)	(942)
Increase in trade and other payables		2,062	1,442
Taxation paid		(986)	(1,716)
<b>Net cash from operations</b>		<b>5,960</b>	<b>17,031</b>
<b>Cash flows used in investing activities</b>			
Purchase of intangible fixed assets	13	(435)	(26)
Purchase of property, plant and equipment	14	(882)	(1,655)
Purchase of subsidiaries net of cash acquired	26	–	(3,547)
Proceeds from sale of property, plant and equipment		192	–
Interest received		28	3
<b>Net cash used in investing activities</b>		<b>(1,097)</b>	<b>(5,225)</b>
<b>Cash flows used in financing activities</b>			
Drawdown of loans	21	15,572	6,000
Repayment of loans	21	–	(4,066)
Drawdown of other loans	21	–	3,735
Repayment of other loans	21	(3,150)	–
Dividends paid		(16,288)	(11,000)
Finance costs paid		(432)	(691)
Lease payments	22	(364)	(579)
<b>Net cash used in financing activities</b>		<b>(4,662)</b>	<b>(6,601)</b>
<b>Net increase in cash and cash equivalents</b>		<b>201</b>	<b>5,205</b>
<b>Cash and cash equivalents brought forward</b>		<b>1,342</b>	<b>1,543</b>
Foreign exchange		–	(30)
<b>Cash and cash equivalents carried forward</b>		<b>1,543</b>	<b>6,718</b>
Cash and cash equivalents	19	1,694	6,718
Bank overdraft	21	(151)	–
		<b>1,543</b>	<b>6,718</b>

## Notes to the Historical Financial Information

### 1. Basis of preparation

Supreme Ltd (the “Company”) is domiciled in the UK, with company registration number 05844527. The principal activity is the wholesale distribution of batteries, lighting, vaping and the associated sundry products, sports nutrition and wellness products and branded household consumer goods. The registered office is 4 Beacon Road, Ashburton Park, Trafford Park, Manchester, M17 1AF.

This historical financial information (“Historical Financial Information”) has been prepared on a going concern basis under the historical cost convention, modified for the revaluation of certain financial instruments; in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, the International Financial Reporting Interpretations Committee (IFRIC) interpretations issued by the International Accounting Standards Boards (“IASB”) that are effective or issued and have been adopted as at the time of preparing this Historical Financial Information, except as described below.

The deemed transition date to IFRS, for the purposes of this Historical Financial Information on the Company is 1 July 2018, which is the beginning of the first year presented. Details of the transition are set out in Note 32. The principles and requirements for first time adoption of IFRS are set out in IFRS 1. IFRS 1 allows certain exceptions and exemptions in the application of particular standards to prior years in order to assist companies with the transition process. The Company has not applied any of the optional exemptions and has applied the exception with regard to restatement of past business combinations under IFRS 3. Contrary to the requirements of IFRS 1, a balance sheet as at the date of transition of 1 July 2018 has not been presented and this is therefore a departure from the requirements of IFRS. In all other respects IFRS has been applied.

This Historical Financial Information presents the financial track record of the Company for the 9 month period from 1 July 2018 to 31 March 2019 and the year ended 31 March 2020 and is prepared for the purposes of admission to AIM, a market operated by the London Stock Exchange. This Historical Financial Information has been prepared in accordance with the requirements of the AIM Rules for Companies and in accordance with this basis of preparation summarised below.

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

The financial information for the year ended 31 March 2020 and the 9 month period ended 31 March 2019 does not constitute the company’s statutory accounts for those years.

Statutory accounts for the year ended 31 March 2020 and 9 month period ended 31 March 2019 have been delivered to the Registrar of Companies.

The auditors’ reports on the accounts for 31 March 2020 and 31 March 2019 were unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

The Historical Financial Information is presented in sterling and, unless otherwise stated, amounts are expressed in pounds, to the nearest thousand.

The Board are, together, considered the chief operating decision maker.

### 2. Summary of significant accounting policies

The principal accounting policies adopted are set out below.

#### 2.1 Basis of consolidation

The consolidated Historical Financial Information presents 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 consolidated Historical Financial Information incorporates the results of business combinations using the purchase 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 **Going concern**

Supreme Ltd is funded by external banking facilities provided by HSBC until March 2024, as well as through surplus cash held at bank. Taking account of these facilities and having considered future strong trading and cash flow forecasts, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the Historical Financial Information.

## 2.3 **Currencies**

### *Functional and presentational currency*

Items included in the Historical Financial Information are measured using the currency of the primary economic environment in which the Company operates ("the functional currency") which is UK sterling (£). The Historical Financial Information is presented in UK sterling.

### *Transactions and balances*

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

## 2.4 **Revenue recognition**

Revenue solely relates to the sale of goods and arises from the wholesale distribution of batteries, lighting, vaping and the associated sundry products.

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.

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

Contracts with customers take the form of customer orders. There is one distinct performance obligation, being the distribution of products to the customer, for which the transaction price is clearly identified. Revenue is recognised at a point in time when the Company satisfies performance obligations by transferring the promised goods to its customers, i.e. when control



has passed from the Company to the customer, which tends to be on receipt by the customer. In respect of certain direct shipments control passes when an invoice is raised, payment received, and title formally transferred to the customer.

## 2.5 **Goodwill**

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

## 2.6 **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%

## 2.7 **Property, plant and equipment**

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

Plant and machinery – 25%

Fixtures and fittings – 25%

Motor vehicle – 25%

Fashion hire assets – 25%

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

At each reporting date, the Company reviews the carrying amounts of its property, plant and equipment assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Fashion Hire assets are presented within property, plant and equipment. Revenue is generated from these assets through hire to third party customers.

## 2.8 **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.

## 2.9 **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 Historical Financial Information 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.

## 2.10 **Leases**

The Company has applied IFRS 16 throughout the period covered by the HFI. At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore the underlying asset, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liabilities.

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

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

#### *Short term leases and low value assets*

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

#### **2.11 Payroll expense and related contributions**

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

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

#### **2.12 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.

#### **2.13 Pension costs**

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

#### **2.14 Operating segments**

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

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

#### **2.15 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.

#### **2.16 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. Exceptional 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.

#### 2.17 **Exceptional costs and non-recurring items**

The Company's income statement separately identifies exceptional items. Such items are those that in the Directors' judgement are one-off in nature or non-operating and need to be disclosed separately by virtue of their size or incidence and may include, but are not limited to, professional fees and other costs directly related to refinancing, acquisitions and capital transactions, material impairments of inventories and fashion hire assets. In determining whether an item should be disclosed as an exceptional 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.

#### 2.18 **Financial instruments**

Financial assets and financial liabilities are recognised in the Company's Statement of Financial Position when the Company becomes party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Financial liabilities are de-recognised when the obligation specified in the contract is discharged, cancelled or expired.

##### *Trade and other receivables*

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

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

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

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

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

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

##### *Cash and cash equivalents*

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

##### *Trade and other payables*

Trade and other payables are initially measured at their fair value and are subsequently measured at their amortised cost using the effective interest rate method; this method allocates

interest expense over the relevant period by applying the “effective interest rate” to the carrying amount of the liability.

#### *Invoice discounting facility*

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

#### *Borrowings*

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

#### *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.

#### *Derivatives*

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

### **3. Financial risk management**

#### **3.1 Financial risk factors**

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

##### **(a) Market risk**

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

(b) *Credit risk*

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

(c) *Liquidity risk*

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

### 3.2 **Capital risk management**

The Company is funded by equity and loans. The components of shareholders' equity are:

- (a) The share capital account arising on the issue of shares.
- (b) The retained reserve or deficit reflecting comprehensive income to date.
- (c) The banking facilities comprising a supply chain and invoice discounting facility.

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

### 3.3 **Fair value estimation**

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

## 4. **Critical accounting estimates and judgements**

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

### **Accounting estimates**

#### 4.1 **Goodwill impairment**

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

Goodwill relates to various acquisitions and amounts to £613,000 at 31 March 2020. The estimates used in the impairment calculation are set out in Note 13. There are no reasonably possible scenarios in which the goodwill would be impaired.



#### 4.2 **Useful economic lives of property, plant and equipment**

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

The useful economic lives applied are set out in the accounting policies (Note 2.6) and are reviewed annually.

#### **Accounting judgements**

##### 4.3 **Inventory obsolescence**

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

##### 4.4 **Right of use assets – discount rate**

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

#### **5. Segmental analysis**

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

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

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

	Batteries £'000	Lighting £'000	Vaping £'000	Sports nutrition & wellness £'000	Branded household consumer goods £'000	Year Ended 31 March 2020 £'000
Revenue	30,944	25,347	29,029	4,980	2,029	92,329
Cost of sales	(27,662)	(16,869)	(17,363)	(2,863)	(1,703)	(66,460)
<b>Gross profit before foreign exchange</b>	<b>3,282</b>	<b>8,478</b>	<b>11,666</b>	<b>2,117</b>	<b>326</b>	<b>25,869</b>
Foreign exchange						951
<b>Gross profit</b>						<b>26,820</b>
Administration expenses						(12,827)
<b>Operating profit</b>						<b>13,993</b>
<b>Adjusted earnings before tax, depreciation, amortisation and exceptional items</b>						<b>16,209</b>
Depreciation						(1,548)
Amortisation						(25)
Exceptional items						(643)
<b>Operating profit</b>						<b>13,993</b>
Finance income						3
Finance costs						(783)
<b>Profit before taxation</b>						<b>13,213</b>
Income tax						(2,318)
<b>Profit for the year</b>						<b>10,895</b>
						<b>9 month period ended 31 March 2019 £'000</b>
	<b>Batteries £'000</b>	<b>Lighting £'000</b>	<b>Vaping £'000</b>	<b>Sports nutrition &amp; wellness £'000</b>	<b>Branded household consumer goods £'000</b>	
Revenue	27,400	16,152	16,162	2,054	586	62,354
Cost of sales	(24,662)	(12,104)	(8,880)	(1,076)	(425)	(47,147)
<b>Gross profit before foreign exchange</b>	<b>2,738</b>	<b>4,048</b>	<b>7,282</b>	<b>978</b>	<b>161</b>	<b>15,207</b>
Foreign exchange						2,279
<b>Gross profit</b>						<b>17,486</b>
Administration expenses						(7,407)
<b>Operating profit</b>						<b>10,079</b>
<b>Adjusted earnings before tax, depreciation, amortisation and exceptional items</b>						<b>11,239</b>
Depreciation						(910)
Amortisation						(10)
Exceptional items						(240)
<b>Operating profit</b>						<b>10,079</b>
Finance income						28
Finance costs						(505)
<b>Profit before taxation</b>						<b>9,602</b>
Income tax						(1,733)
<b>Profit for the year</b>						<b>7,869</b>

### Information about major customers

The Group has generated revenue from individual customers that accounted for greater than 10% of total revenue. The total revenue from each of these 2 customers (2019: 2 customers) was £20,853,000 and £12,462,000 (2019: £13,375,000 and £9,108,000). These revenues related to all segments.

### Analysis of revenue by geographical destination

	9 month Period Ended 31 March 2019 £'000	Year Ended 31 March 2020 £'000
United Kingdom	53,262	82,482
Rest of Europe	8,302	8,542
Rest of the World	790	1,305
	<u>62,354</u>	<u>92,329</u>

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.

### 6. Expenses by nature

	9 month Period Ended 31 March 2019 £'000	Year Ended 31 March 2020 £'000
The profit is stated after charging expenses as follows:		
Inventories recognised as an expense	41,897	57,926
Impairment of inventories (excluding exceptional costs)	3	–
Impairment of trade receivables	71	14
Staff costs – Note 8	4,081	6,561
Exceptional and non-recurring items – Note 7	240	643
Establishment and general	314	839
Depreciation of property, plant and equipment	910	1,548
Amortisation of intangible assets	10	25
Auditor's remuneration	47	73
Other operating expenses	4,702	10,707
Total cost of sales and administrative expenses	<u>52,275</u>	<u>78,336</u>

### 7. Exceptional costs and non-recurring items

	9 month Period Ended 31 March 2019 £'000	Year Ended 31 March 2020 £'000
Acquisition costs	–	176
Refinancing costs	120	149
Restructuring costs	–	318
Loss on sale of fashion hire watch assets	120	–
	<u>240</u>	<u>643</u>

Corporate costs represent adviser fees for all acquisitions (both share and asset purchases) that took place in FY20.

Refinancing costs represent the amortisation of arrangement and associate adviser fees incurred in obtaining the HSBC Senior Debt in FY19 and FY20. Total costs of £744,000 to be amortised over 5 years.

Restructuring costs comprise redundancy costs for 29 employees following the acquisition of LED Hut in FY19 and wider restructuring within the Group that took place thereafter.

In 2019 the exceptional administrative expenses include a non-recurring item of £120,000 relating to professional fees in connection with the refinancing of the prior year loan facility and a non-recurring item of £120,000 relating to a loss on sale of fashion hire watch assets.

## 8. Staff and remuneration

	9 month Period Ended 31 March 2019 No.	Year Ended 31 March 2020 No.
Average number of employees (including Directors):		
Management and administration	27	49
Warehouse	59	52
Sales	17	31
Development	47	67
	<u>150</u>	<u>199</u>

	9 month Period Ended 31 March 2019 £'000	Year Ended 31 March 2020 £'000
Aggregate remuneration of staff (including Directors):		
Wages and salaries	3,525	5,747
Social security costs	275	564
Other pension costs	281	250
	<u>4,081</u>	<u>6,561</u>

## 9. Finance income

	9 month Period Ended 31 March 2019 £'000	Year Ended 31 March 2020 £'000
Other interest receivable	28	3
	<u>28</u>	<u>3</u>

## 10. Finance costs

	9 month Period Ended 31 March 2019 £'000	Year Ended 31 March 2020 £'000
Bank interest payable	67	55
Other interest payable	365	637
Interest on right-of-use assets	73	91
	<u>505</u>	<u>783</u>

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

## 11. Taxation

	9 month Period Ended 31 March 2019 £'000	Year Ended 31 March 2020 £'000
<b>Current tax</b>		
Current year – UK corporation tax	1,923	2,459
Adjustments in respect of prior periods	(135)	(374)
Foreign tax on income	–	13
<b>Total current tax</b>	<u>1,788</u>	<u>2,098</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(24)	118
Adjustment for prior periods	(31)	94
Effect of tax rate change	–	8
<b>Total deferred tax</b>	<u>(55)</u>	<u>220</u>
<b>Total tax expense</b>	<u>1,733</u>	<u>2,318</u>

### *Factors affecting the charge*

	9 month Period Ended 31 March 2019 £'000	Year Ended 31 March 2020 £'000
Profit before taxation	9,602	13,213
Tax at the UK corporation tax rate of 19% (2019: 19%)	1,824	2,510
Effects of expenses not deductible for tax purposes	(116)	48
Fixed asset differences	228	36
Adjustments to tax charge due to change in rates	3	8
Adjustments to tax charge in respect of prior periods	(166)	(280)
Other differences	(40)	–
Income not taxable for tax purposes	–	(5)
Difference in foreign tax rates	–	1
<b>Total tax expense</b>	<u>1,733</u>	<u>2,318</u>

### *Factors that may affect future tax charges*

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

## 12. Earnings per share

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

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

The basic and diluted calculations are based on the following:

	<b>9 month Period Ended 31 March 2019 £'000</b>	<b>Year Ended 31 March 2020 £'000</b>
Profit for the year after tax	<u>7,869</u>	<u>10,895</u>
	No.	No.
Weighted average number of shares for the purposes of basic earnings per share	110,005,000	110,005,000
Weighted average dilutive effect of conditional share awards	<u>909,791</u>	<u>1,256,158</u>
Weighted average number of shares for the purposes of diluted earnings per share	<u>110,914,791</u>	<u>111,261,158</u>
	£	£
Basic profit per share	0.07	0.10
Diluted profit per share	<u>0.07</u>	<u>0.10</u>

### 13. Goodwill and other intangible assets

	<b>Domain name £'000</b>	<b>Trademarks £'000</b>	<b>Customer relationships £'000</b>	<b>Goodwill £'000</b>	<b>Total £'000</b>
<b>Cost</b>					
At 1 July 2018	69	–	–	283	352
Arising on business combinations Additions	–	–	–	330	330
	<u>55</u>	<u>50</u>	<u>–</u>	<u>–</u>	<u>105</u>
At 31 March 2019	<u>124</u>	<u>50</u>	<u>–</u>	<u>613</u>	<u>787</u>
Arising on business combinations Additions	–	–	419	601	1,020
	<u>–</u>	<u>15</u>	<u>–</u>	<u>–</u>	<u>15</u>
At 31 March 2020	<u>124</u>	<u>65</u>	<u>419</u>	<u>1,214</u>	<u>1,822</u>
<b>Accumulated amortisation</b>					
At 1 July 2018	9	–	–	–	9
Amortisation charged in the period	7	3	–	–	10
At 31 March 2019	<u>16</u>	<u>3</u>	<u>–</u>	<u>–</u>	<u>19</u>
Amortisation charged in the year	12	6	7	–	25
At 31 March 2020	<u>28</u>	<u>9</u>	<u>7</u>	<u>–</u>	<u>44</u>
<b>Carrying amount</b>					
At 1 July 2018	<u>60</u>	<u>–</u>	<u>–</u>	<u>283</u>	<u>343</u>
At 31 March 2019	<u>108</u>	<u>47</u>	<u>–</u>	<u>613</u>	<u>768</u>
At 31 March 2020	<u>96</u>	<u>56</u>	<u>412</u>	<u>1,214</u>	<u>1,778</u>

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:

	£'000
Lighting	159
Batteries	492
Vaping	121
Sports Nutrition & Wellness	12
Branded Household Consumer Goods	430
	<u>1,214</u>

Goodwill arising in the year related to the acquisition of Provider Distribution Limited, Holding Esser Affairs B.V. and its subsidiary AGP Trading B.V. and Monocore Limited. See note 26 for further detail. Goodwill arising in 2019 related to the acquisition of PowerQuick Limited, Vape Importers Limited and Sub OHM Juice Limited that were hived up into Supreme Imports Ltd.

Impairment testing of goodwill is performed at least annually by reference to value in use calculations, 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 the date of transition, 31 March 2019, or 31 March 2020. There were no charges for impairment of goodwill in 2020 (2019: nil).

#### 14. Property, plant and equipment

	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Fashion hire assets £'000	Total £'000
<b>Cost or valuation</b>					
At 1 July 2018	1,736	416	–	1,487	3,639
Additions	800	50	32	–	882
Disposals	(23)	–	–	(181)	(204)
At 31 March 2019	<u>2,513</u>	<u>466</u>	<u>32</u>	<u>1,306</u>	<u>4,317</u>
Additions	1,342	301	12	–	1,655
Acquisition of subsidiary	15	2	7	–	24
At 31 March 2020	<u>3,870</u>	<u>769</u>	<u>51</u>	<u>1,306</u>	<u>5,996</u>
<b>Depreciation and impairment</b>					
At 1 July 2018	428	230	–	330	988
Depreciation charged in the period	369	84	6	74	533
Eliminated on disposal	–	–	–	(12)	(12)
At 31 March 2019	<u>797</u>	<u>314</u>	<u>6</u>	<u>392</u>	<u>1,509</u>
Depreciation charged in the year	815	135	10	69	1,029
At 31 March 2020	<u>1,612</u>	<u>449</u>	<u>16</u>	<u>461</u>	<u>2,538</u>
<b>Carrying amount</b>					
At 1 July 2018	<u>1,308</u>	<u>186</u>	<u>–</u>	<u>1,157</u>	<u>2,651</u>
At 31 March 2019	<u>1,716</u>	<u>152</u>	<u>26</u>	<u>914</u>	<u>2,808</u>
At 31 March 2020	<u>2,258</u>	<u>320</u>	<u>35</u>	<u>845</u>	<u>3,458</u>

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

## 15. Investments

	As at 31 March 2019 £'000	As at 31 March 2020 £'000
At beginning of period/year	60	60
Amounts written off	–	(60)
On acquisition of subsidiaries	–	7
At end of period/year	<u>60</u>	<u>7</u>

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

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

In addition, at 31 March 2020 the Company owned 100% of the following subsidiaries, which are incorporated in England and Wales:

- Vape Nation Limited
- Battery Force Limited
- Saira Shoes Limited
- PowerQuick Limited
- Sub OHM Juice Limited
- Supreme 88 Limited (formerly Vape Importers Limited)
- Holding Esser Affairs B.V.<sup>1</sup>
- AGP Trading B.V.<sup>1</sup>
- SI Jersey Limited<sup>2</sup>

The registered office of each subsidiary, unless stated, is 4 Beacon Road, Ashburton Park, Trafford Park, Manchester, M17 1AF.

1 The registered office of these entities is Vanadiumweg 13, 3812 PX, Armersfoort, Netherlands.

2 The registered office of this entity is 11 Bath Street, St Helier, Jersey, JE4 8UT.

## 16. Deferred tax

*Deferred tax consists of the following timing differences*

	As at 31 March 2019 £'000	As at 31 March 2020 £'000
Excess of depreciation over taxable allowances	(90)	(221)
Short term timing differences	117	25
Tax losses carried forward	4	5
	<u>31</u>	<u>(191)</u>

### **Movement in deferred tax in the year**

	<b>As at 31 March 2019 £'000</b>	<b>As at 31 March 2020 £'000</b>
Balance brought forward	(42)	31
Credited/(charged) to profit or loss	55	(220)
Arising on acquisitions	–	(3)
Transfer	18	1
Balance carried forward	<u>31</u>	<u>(191)</u>

The Directors consider that the deferred tax assets in respect of timing differences and depreciation in excess of capital allowances are recoverable based on the forecast future taxable profits of the Company.

### **17. Inventories**

	<b>As at 31 March 2019 £'000</b>	<b>As at 31 March 2020 £'000</b>
Goods for resale	13,549	12,282
Raw materials	1,484	2,176
	<u>15,033</u>	<u>14,458</u>

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

Inventories at 31 March 2020 are stated after provisions for impairment of £96,000 (2019: £96,000).

### **18. Trade and other receivables**

	<b>As at 31 March 2019 £'000</b>	<b>As at 31 March 2020 £'000</b>
Trade receivables	10,748	13,588
Amounts owed by related parties	1,617	1,790
Directors loan account	672	–
Other receivables	230	405
Called up share capital not paid	1	1
Prepayments	773	955
	<u>14,041</u>	<u>16,739</u>

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

The movement in provisions for impairment are shown below:

	<b>As at 31 March 2019 £'000</b>	<b>As at 31 March 2020 £'000</b>
Balance at the beginning of the period/year	53	52
Charged to the statement of comprehensive income	71	14
Utilisation of provision	(72)	(40)
Balance at the end of the period/year	<u>52</u>	<u>26</u>

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

#### Ageing of past due but not impaired receivables

	<b>As at 31 March 2019 £'000</b>	<b>As at 31 March 2020 £'000</b>
Current	10,663	13,892
Less than 30 days	–	–
31 – 60 days	66	(285)
61 – 90 days	(3)	(4)
90 days +	74	11
Less provisions for impairment	(52)	(26)
	<u>10,748</u>	<u>13,588</u>

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

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

#### 19. Cash and cash equivalents

	<b>As at 31 March 2019 £'000</b>	<b>As at 31 March 2020 £'000</b>
Cash at bank	<u>1,694</u>	<u>6,718</u>

#### 20. Trade and other payables

	<b>As at 31 March 2019 £'000</b>	<b>As at 31 March 2020 £'000</b>
Trade payables	4,160	6,907
Accruals and deferred income	2,645	1,618
Other tax and social security	625	1,541
Other payables	7	27
Directors loan account	–	2
Amounts owed to related parties	74	3,392
Deferred consideration	–	195
	<u>7,511</u>	<u>13,682</u>

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 Ltd has financial risk management policies in place to ensure that all payables are paid within the credit timeframe and no interest has been charged by any suppliers as a result of late payment of invoices during the period.

## 21. Borrowings

	<b>As at 31 March 2019 £'000</b>	<b>As at 31 March 2020 £'000</b>
Current		
Bank overdraft	151	–
Bank loans	3,125	5,310
Other loans	1,035	1,378
IFRS 16 lease liability (Note 22)	488	493
	<u>4,799</u>	<u>7,181</u>
Non-current		
Bank term loan	16,419	16,317
IFRS 16 lease liability (Note 22)	1,589	1,096
	<u>18,008</u>	<u>17,413</u>
Total borrowings	<u>22,807</u>	<u>24,594</u>

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

	<b>As at 31 March 2019 £'000</b>	<b>As at 31 March 2020 £'000</b>
In less than one year	4,799	7,181
Between two and five years	18,008	17,413
In more than five years	–	–
	<u>22,807</u>	<u>24,594</u>

The Company is funded by external banking facilities provided by HSBC. Current bank borrowings includes invoice discounting facilities, which are secured by an assignment of, and fixed charge over the trade debtors of Supreme Imports Limited. There is also an amount of £nil at 31 March 2020 (2019: £151,000) due under a bank overdraft. Furthermore, current bank borrowings include an amount of £1,378,000 at 31 March 2020, (2019: £1,147,000) due under a supply chain facility which is secured by fixed and floating charges over all assets of the company. This facility is denominated in US Dollars.

The total facilities available were a £8,500,000 invoice discounting facility (repayable on demand) and a £4.5m supply chain facility (renewed each year). Therefore undrawn but committed facilities at 31 March 2020 were £8,722,000 and £3,122,000 respectively (2019: £8,612,000 and £3,353,000).

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

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

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

## 22. Leases

### *Amounts recognised in the Statement of Financial Position*

The balance sheet shows the following amounts relating to leases:

<b>Right-of-use assets</b>	£'000
Balance at 1 July 2018	923
New leases recognised in the period	1,468
Depreciation charge for the period	(377)
Balance at 31 March 2019	2,014
Depreciation charge for the year	(519)
Balance at 31 March 2020	<b>1,495</b>

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

	<b>As at 31 March 2019 £'000</b>	<b>As at 31 March 2020 £'000</b>
Buildings	1,859	1,414
Cars	155	81
	<b>2,014</b>	<b>1,495</b>
	<b>As at 31 March 2019 £'000</b>	<b>As at 31 March 2020 £'000</b>
<b>Lease liabilities</b>		
Maturity analysis – contractual undiscounted cash flows		
Less than one year	579	559
More than one year, less than two years	559	559
More than two years, less than three years	559	535
More than three years, less than four years	535	60
More than four years, less than five years	60	–
More than five years	–	–
Total undiscounted lease liabilities at year end	2,292	1,713
Finance costs	(215)	(124)
Total discounted lease liabilities at year end	<b>2,077</b>	<b>1,589</b>
Lease liabilities included in the statement of financial position		
Current	488	493
Non-current	1,589	1,096
	<b>2,077</b>	<b>1,589</b>

### *Amounts recognised in the Consolidated Statement of Comprehensive Income*

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

	<b>9 month Period Ended 31 March 2019 £'000</b>	<b>Year Ended 31 March 2020 £'000</b>
Depreciation charge – Buildings	321	445
Depreciation charge – Cars	56	74
	<b>377</b>	<b>519</b>
Interest expense (within finance expense)	<b>73</b>	<b>91</b>



## **23. Financial instruments**

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

### **23.1 Capital risk management**

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

### **23.2 Market risk**

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

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

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

### **23.3 Credit risk**

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

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

### **23.4 Liquidity risk management**

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

### **23.5 Foreign currency risk management**

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

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

	<b>As at 31 March 2019 £'000</b>	<b>As at 31 March 2020 £'000</b>
Trade receivables	444	266
Net cash and overdrafts	957	1,370
Supply chain facility	(1,147)	(1,378)
Trade payables	472	(89)
	<u>726</u>	<u>169</u>

The effect of a 20% strengthening of Pound Sterling at 31 March 2020 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 £28,000, (2019: £121,000 decrease). A 20% 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 £42,000, (2019: £181,000 increase).

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

	<b>As at 31 March 2019 £'000</b>	<b>As at 31 March 2020 £'000</b>
Inventory	–	289
Trade receivables	253	483
Net cash and overdrafts	1	322
Trade payables	(406)	(464)
	<u>(152)</u>	<u>630</u>

The effect of a 20% strengthening of Pound Sterling at 31 March 2020 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 £105,000, (2019: £25,000 increase). A 20% 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 £158,000, (2019: £38,000 decrease).

#### *Derivative financial instruments – Forward contracts*

The Company mitigates the exchange rate risk for certain foreign currency trade debtors and creditors by entering into forward currency contracts. The Company's forex policy is to purchase forward contracts to mitigate changes in spot rates, based on the timing of purchases to be made. Management forecast the timing of purchases and make assumptions relating to the exchange rate at which the Company costs its products and take out forward contracts to mitigate fluctuations to an acceptable level. At 31 March 2020, the outstanding contracts mature between 1 and 12 months of the year end, (2019: 1 and 12 months). At 31 March 2020 the Company was committed to buy \$1,726,000 (2019: \$12,709,605) 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 2020 is an asset of £209,000, (2019: £nil). During the year ended 31 March 2020, a gain of £209,000 (2019: £nil) was recognised in cost of sales 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.

### 23.6 **Interest rate cash flow risk**

The Company's interest bearing liabilities relate to its variable rate banking facilities. The Company has a policy of keeping the rates associated with funding under review in order to react to any adverse changes in the marketplace that would impact on the interest rates in place. The effect of a 1% increase in interest rates would have resulted in a decrease in net assets of £230,000 (2019: £207,000 decrease).

### 23.7 **Price risk**

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

### 23.8 **Maturity of financial assets and liabilities**

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

### 23.9 **Summary of financial assets and liabilities by category**

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

	As at 31 March 2019 £'000	As at 31 March 2020 £'000
<b>Financial assets</b>		
<i>Financial assets measured at amortised cost</i>		
Trade and other receivables	13,268	15,784
Cash and cash equivalents	1,694	6,718
	<u>14,962</u>	<u>22,502</u>
<b>Financial liabilities</b>		
<i>Financial liabilities measured at amortised cost</i>		
<i>Non-current:</i>		
Borrowings	(18,008)	(17,413)
<i>Current:</i>		
Borrowings	(4,799)	(7,181)
Trade and other payables	(4,241)	(10,523)
Accruals	(2,645)	(1,618)
	<u>(29,693)</u>	<u>(36,735)</u>
<i>Financial liabilities measured at fair value through profit and loss</i>		
Derivative financial instruments	–	209
	<u>–</u>	<u>209</u>
Net financial assets and liabilities	<u>(14,731)</u>	<u>(14,024)</u>
<b>Non-financial assets and liabilities</b>		
Plant, property and equipment	2,808	3,458
Right of use assets	2,014	1,495
Goodwill and other intangible assets	768	1,778
Investments	60	7
Inventory	15,033	14,458
Prepayments and accrued income	773	955
Deferred tax asset / (liability)	31	(191)
Other taxation and social security	(625)	(1,541)
Income tax recoverable	–	9
Income tax payable	(1,953)	(2,340)
	<u>18,909</u>	<u>18,088</u>
Total equity	<u>4,178</u>	<u>4,064</u>

## 24. Share capital

	As at 31 March 2019 £	As at 31 March 2020 £
A Ordinary shares of £0.10 each	8,250,375	8,250,375
B Ordinary shares of £0.10 each	2,750,125	2,750,125
	<u>11,000,500</u>	<u>11,000,500</u>

### *Number of shares authorised and in issue*

	As at 31 March 2019 No.	As at 31 March 2020 No.
A Ordinary shares of £0.10 each	82,503,750	82,503,750
B Ordinary shares of £0.10 each	27,501,250	27,501,250
	<u>110,005,000</u>	<u>110,005,000</u>

### *Rights of share capital*

The A Ordinary shares have attached to them full voting, dividend and capital distribution rights. They do not confer any rights or redemption.

The Ordinary B shares are entitled to an initial dividend of £16,500,000. In all other aspects the A Ordinary and B Ordinary shares share the same rights.

Post year-end, on 2 September 2020, the two share classes were designated as "Ordinary shares".

### *Dividends*

Dividends of £11,000,000 (2019: £16,288,000) were declared in the year. This amounted to £0.10 per share (2019: £0.15).

## 25. Share based payments

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

These option were fairly valued upon a valuation of the entity that had been performed by an independent expert. This was chosen as the Company is not a listed entity and therefore is not an observable market price to monitor. The independent expert was Grant Thornton UK LLP.

	Weighted average exercise price 2020 (pence)	2020 Number	Weighted average exercise price 2019 (pence)	2019 Number
Outstanding at the beginning of the period/year	0.38	2,174,120	–	–
Granted during the period/year	–	–	0.38	2,174,120
Outstanding at the end of the period/year	<u>0.38</u>	<u>2,174,120</u>	<u>0.38</u>	<u>2,174,120</u>

The profit and loss expense that has been recognised in the current year is £nil (2019: £322,000) and included within administrative expenses.

## 26. Business combinations

### *Acquisition of Provider Distribution Limited*

On 28 February 2020, the Company purchased 100% share capital of Provider Distribution Limited for consideration of £3,544,000 excluding costs of acquisition of £43,000.

#### Recognised amounts of identifiable assets acquired and liabilities assumed

	Book value £'000	Fair value adjustment £'000	Fair value £'000
<b>Fixed assets</b>			
Tangible assets	24	–	24
Customer relationships	–	419	419
Investments	7	–	7
	<u>31</u>	<u>419</u>	<u>450</u>
<b>Current assets</b>			
Inventory	1,510	–	1,510
Debtors due within one year	1,647	–	1,647
Cash at bank and in hand	609	–	609
	<u>3,766</u>	<u>–</u>	<u>3,766</u>
<b>Total assets</b>	<b>3,797</b>	<b>419</b>	<b>4,216</b>
<b>Creditors</b>			
Due within one year	(1,099)	–	(1,099)
Deferred tax	(3)	–	(3)
	<u>(1,102)</u>	<u>–</u>	<u>(1,102)</u>
<b>Total identifiable net assets</b>	<b>2,695</b>	<b>419</b>	<b>3,114</b>
Goodwill			430
<b>Total purchase consideration</b>			<b><u>3,544</u></b>
<b>Consideration</b>			
Cash			3,350
Deferred consideration			194
<b>Total purchase consideration</b>			<b><u>3,544</u></b>
<b>Cash outflow on acquisition</b>			
Purchase consideration settled in cash, as above			3,544
Less: cash and cash equivalents acquired			(609)
<b>Net cash outflow on acquisition</b>			<b><u>2,935</u></b>

Following an extensive purchase price allocation exercise the company considers customer relationships to be the primary asset acquired. The multi-period excess earnings method was used in order to value the customer relationships. The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets. There were no further intangible assets identified and as such the remaining consideration is represented as goodwill.

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

The revenue from Provider Distribution Limited included in the Statement of Comprehensive Income for 2020 was £1,477,000. Provider Distribution Limited also contributed profit of £72,000 over the same period.

If the acquisition had occurred on 1 April 2019, consolidated pro-forma revenue and profit for the year ended 31 March 2020 would have increased by £11,821,000 and £388,000 respectively.

### **Acquisition of AGP Group**

On 1 November 2019, Supreme 88 Limited purchased 100% share capital of Holding Esser Affairs B.V. and its subsidiary AGP Trading B.V. for consideration of £976,000. There were no acquisition costs incurred.

#### **Recognised amounts of identifiable assets acquired and liabilities assumed**

	Book value £'000	Fair value adjustment £'000	Fair value £'000
<b>Current assets</b>			
Inventory	378	–	378
Debtors due within one year	313	–	313
Cash at bank and in hand	169	–	169
<b>Total assets</b>	<b>860</b>	<b>–</b>	<b>860</b>
<b>Creditors</b>			
Due within one year	(43)	–	(43)
<b>Total identifiable net assets</b>	<b>817</b>	<b>–</b>	<b>817</b>
Goodwill			159
<b>Total purchase consideration</b>			<b>976</b>
<b>Consideration</b>			
Cash			976
<b>Total purchase consideration</b>			<b>976</b>
<b>Cash outflow on acquisition</b>			
Purchase consideration settled in cash, as above			976
Less: cash and cash equivalents acquired			(169)
<b>Net cash outflow on acquisition</b>			<b>807</b>

The revenue from Holding Esser Affairs B.V. and its subsidiary AGP Trading B.V. included in the Statement of Comprehensive Income for 2019 was £599,000. Holding Esser Affairs B.V. and its subsidiary AGP Trading B.V. also contributed profit of £58,000 over the same period.

If the acquisition had occurred on 1 April 2019, consolidated pro-forma revenue and profit for the year ended 31 March 2020 would have increased by £718,000 and £9,000 respectively.

### **Acquisition of Monocore Limited**

In addition, there was a further acquisition of the trade and assets of Monocore Limited for £98,000, settled in cash, which created an additional £12,000 of goodwill.

If all acquisitions had occurred on 1 April 2019, consolidated pro-forma revenue and profit for the year ended 31 March 2020 would have increased by £12,539,000, to £104,868,000, and £397,000, to £11,292,000, respectively.

#### **27. Ultimate controlling party**

The Company is ultimately controlled by Sandy Chadha by virtue of his majority shareholding.

#### **28. Other financial commitments**

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



## 29. Related party transactions

### 29.1 *Remuneration of key personnel*

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

	9 month Period Ended 31 March 2019 £'000	Year Ended 31 March 2020 £'000
Short-term employee benefits	372	560
Post-employment benefits	3	6
Total compensation	<u>375</u>	<u>566</u>

### 29.2 *Transactions and balances with key personnel*

	As at 31 March 2019 £'000	As at 31 March 2020 £'000
<b>Loan balances with Directors:</b>		
Balance outstanding from director	<u>672</u>	<u>(2)</u>

### 29.3 *Transactions and balances with related companies and businesses*

	9 month Period Ended/ As at 31 March 2019 £'000	Year Ended/ As at 31 March 2020 £'000
<b>Transactions with related companies:</b>		
Rent paid to Chadha Properties Limited	180	180
Loans provided to Nash Peters Limited	<u>31</u>	<u>174</u>
<b>Balances with related companies:</b>		
Amounts owed by Nash Peters Limited	1,617	1,790
Amounts owed to SI Jersey Limited	(74)	–
Amounts owed to Supreme 8 Limited	<u>–</u>	<u>(3,392)</u>

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

Amounts owed by Nash Peters are due for repayment on demand and interest is charged on the outstanding balance at a rate of 5%.

Included within creditors is a balance of £Nil (2019 - £74,000) owed to SI Jersey Limited.

Amounts owed to Supreme 8 Limited, a minority shareholder, are for a loan due for repayment on demand and interest is charged on the outstanding balance at a rate of 3%.

### 30. Analysis and reconciliation of net debt

	1 July 2018	Acquisitions	Other non- cash changes	Cashflow	31 March 2019
	£'000	£'000	£'000	£'000	£'000
Cash at bank and in hand	1,342	–	–	352	1,694
Current borrowings	(8,327)	–	(682)	4,210	(4,799)
Non-current borrowings	(730)	–	(859)	(16,419)	(18,008)
Net debt	<u>(7,715)</u>	<u>–</u>	<u>(1,541)</u>	<u>(11,857)</u>	<u>(21,113)</u>

  

	1 April 2019	Acquisitions	Other non- cash changes	Cashflow	31 March 2020
	£'000	£'000	£'000	£'000	£'000
Cash at bank and in hand	1,694	–	(30)	5,054	6,718
Current borrowings	(4,799)	–	2,557	(4,939)	(7,181)
Non-current borrowings	(18,008)	–	595	–	(17,413)
Net debt	<u>(21,113)</u>	<u>–</u>	<u>3,122</u>	<u>115</u>	<u>(17,876)</u>

### 31. Post balance date events

Following the year end, Supreme Imports Limited acquired 100% of the share capital of GT Divisions Limited for consideration of £1,071,000. The book value of the assets acquired was £121,000. The company is in the process of performing a detailed PPA exercise including calculation of the fair values of the assets acquired following which the intangible asset of £950,000 will be allocated amongst the acquired intangibles, expected to be brand, customer relationships, other intangibles, and goodwill.

On 22 October 2020, an accident took place in the manufacturing facility at VN Labs Limited, a subsidiary of the Company, that resulted in a machine operator being injured. The Company immediately contacted the Health & Safety Executive (Britain's national regulator for workplace health & safety) who are now undertaking an investigation. The Company continues to make all resources available to the HSE and will co-operate until the matter is concluded. There is not expected to be any material financial impact on the Company.

On 28 October 2020 the Company reregistered as a public company, under the name of Supreme plc.

### 32. Reconciliation from UK GAAP to IFRS

From 1 July 2018 the Company has adopted International Financial Reporting Standards (IFRS) in the preparation of this Historical Financial Information, other than as noted under 'Basis of Preparation' in Note 1. The main items contributing to the change in financial information compared with that reported under UK GAAP as at the transition date are shown below. There were no other accounting policy changes other than the impact of the below items.

#### **IFRS 16 – Leases**

As explained in accounting policy 2.9 the Company has adopted IFRS 16. This has resulted in the recognition of a right of use asset and liability on the statement of financial position. The statement of comprehensive income has been adjusted to remove the rent expense and replace it with depreciation charged on the right of use asset and interest accrued on the right of use liability.

#### **IFRS 3 – Business Combinations**

In accordance with the requirements of IFRS 3, Business Combinations, goodwill generated as part of an acquisition is not amortised, instead being reviewed annually for indicators of impairment. Subsequently, the net book value of goodwill is frozen as at the value at 1 July 2018.

The figures included as previously reported have been re-presented to better reflect the nature of certain items within the financial statements as follows:

#### **IAS 12 – Income taxes**

In accordance with IAS 12 deferred tax assets are disclosed as non-current.

### Reclasses

The Company has adjusted certain costs which did not directly relate to the cost of product to be presented in administration expenses rather than cost of sales.

### STATEMENT OF CASH FLOWS

As a result of IFRS 16 lease payments, which were previously recorded in the statement of comprehensive income as a rent expense, are now shown on the statement of cash flows as depreciation and finance costs within net cash from operations, and lease payments within net cash used in financing activities.

There are no other material differences between the cashflow statement presented under IFRS and that presented under UK GAAP.

### STATEMENT OF COMPREHENSIVE INCOME RECONCILIATIONS

	As previously reported 9 month Period Ended 31 March 2019 £'000	IFRS 16 £'000	IFRS 3 £'000	Reclasses £'000	Under IFRS 9 month Period Ended 31 March 2019 £'000
Revenue	62,354	–	–	–	<b>62,354</b>
Cost of sales	(45,414)	–	–	546	<b>(44,868)</b>
<b>Gross profit</b>	<b>16,940</b>	<b>–</b>	<b>–</b>	<b>546</b>	<b>17,486</b>
Administration expenses	(6,918)	(13)	70	(546)	<b>(7,407)</b>
<b>Operating profit</b>	<b>10,022</b>	<b>(13)</b>	<b>70</b>	<b>–</b>	<b>10,079</b>
<b>Adjusted earnings before tax, depreciation, amortisation and exceptional items</b>	<b>10,875</b>	<b>364</b>	<b>–</b>	<b>–</b>	<b>11,239</b>
Depreciation	(533)	(377)	–	–	<b>(910)</b>
Amortisation	(80)	–	70	–	<b>(10)</b>
Exceptional items	(240)	–	–	–	<b>(240)</b>
<b>Operating profit</b>	<b>10,022</b>	<b>(13)</b>	<b>70</b>	<b>–</b>	<b>10,079</b>
Finance income	28	–	–	–	<b>28</b>
Finance costs	(432)	(73)	–	–	<b>(505)</b>
<b>Profit before taxation</b>	<b>9,618</b>	<b>(86)</b>	<b>70</b>	<b>–</b>	<b>9,602</b>
Income tax	(1,733)	–	–	–	<b>(1,733)</b>
<b>Profit for the year</b>	<b>7,885</b>	<b>(86)</b>	<b>70</b>	<b>–</b>	<b>7,869</b>

## STATEMENT OF COMPREHENSIVE INCOME RECONCILIATIONS

	As previously reported Year Ended 31 March 2020 £'000	IFRS 16 £'000	IFRS 3 £'000	Reclasses £'000	Under IFRS Year Ended 31 March 2020 £'000
Revenue	92,329	–	–	–	<b>92,329</b>
Cost of sales	(62,831)	–	–	(2,678)	<b>(65,509)</b>
<b>Gross profit</b>	<b>29,498</b>	<b>–</b>	<b>–</b>	<b>(2,678)</b>	<b>26,820</b>
Administration expenses	(15,638)	60	73	2,678	<b>(12,827)</b>
<b>Operating profit</b>	<b>13,860</b>	<b>60</b>	<b>73</b>	<b>–</b>	<b>13,993</b>
<b>Adjusted earnings before tax, depreciation, amortisation and exceptional items</b>	<b>15,672</b>	<b>579</b>	<b>(42)</b>	<b>–</b>	<b>16,209</b>
Depreciation	(1,029)	(519)	–	–	<b>(1,548)</b>
Amortisation	(140)	–	115	–	<b>(25)</b>
Exceptional items	(643)	–	–	–	<b>(643)</b>
<b>Operating profit</b>	<b>13,860</b>	<b>60</b>	<b>73</b>	<b>–</b>	<b>13,993</b>
Finance income	3	–	–	–	<b>3</b>
Finance costs	(692)	(91)	–	–	<b>(783)</b>
<b>Profit before taxation</b>	<b>13,171</b>	<b>(31)</b>	<b>73</b>	<b>–</b>	<b>13,213</b>
Income tax	(2,318)	–	–	–	<b>(2,318)</b>
<b>Profit for the year</b>	<b>10,853</b>	<b>(31)</b>	<b>73</b>	<b>–</b>	<b>10,895</b>

## STATEMENT OF FINANCIAL POSITION RECONCILIATIONS

	As previously reported 1 July 2018 £'000	IFRS 16 £'000	IFRS 3 £'000	Reclasses £'000	Under IFRS as at 1 July 2018 £'000
<b>Assets</b>					
Goodwill and other intangibles	308	–	35	–	343
Property, plant and equipment	2,651	–	–	–	2,651
Right of use assets	–	923	–	–	923
Investments	60	–	–	–	60
Deferred tax	–	–	–	–	–
<b>Total non-current assets</b>	<u>3,019</u>	<u>923</u>	<u>35</u>	<u>–</u>	<u>3,977</u>
<b>Current assets</b>					
Inventories	10,866	–	–	–	10,866
Trade and other receivables	11,771	–	–	–	11,771
Derivative financial instruments	–	–	–	–	–
Corporation tax recoverable	–	–	–	–	–
Cash and cash equivalents	1,342	–	–	–	1,342
<b>Total current assets</b>	<u>23,979</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>23,979</u>
<b>Total assets</b>	<u>26,998</u>	<u>923</u>	<u>35</u>	<u>–</u>	<u>27,956</u>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Borrowings	8,157	170	–	–	8,327
Trade and other payables	6,582	–	–	(1,673)	4,909
Current tax	–	–	–	1,673	1,673
<b>Total current liabilities</b>	<u>14,739</u>	<u>170</u>	<u>–</u>	<u>–</u>	<u>14,909</u>
<b>Net current assets</b>	<u>9,240</u>	<u>(170)</u>	<u>–</u>	<u>–</u>	<u>9,070</u>
Borrowings	–	730	–	–	730
Deferred tax liability	42	–	–	–	42
<b>Total non-current liabilities</b>	<u>42</u>	<u>730</u>	<u>–</u>	<u>–</u>	<u>772</u>
<b>Total liabilities</b>	<u>14,781</u>	<u>900</u>	<u>–</u>	<u>–</u>	<u>15,681</u>
<b>Net assets</b>	<u>12,217</u>	<u>23</u>	<u>35</u>	<u>–</u>	<u>12,275</u>
<b>Equity</b>					
Share capital	11,001	–	–	–	11,001
Merger reserve	(22,000)	–	–	–	(22,000)
Retained earnings	23,216	23	35	–	23,274
<b>Total equity</b>	<u>12,217</u>	<u>23</u>	<u>35</u>	<u>–</u>	<u>12,275</u>

## STATEMENT OF FINANCIAL POSITION RECONCILIATIONS

	As previously reported 31 March 2019 £'000	IFRS 16 £'000	IFRS 3 £'000	Reclasses £'000	Under IFRS as at 31 March 2019 £'000
<b>Assets</b>					
Goodwill and other intangibles	663	–	105	–	768
Property, plant and equipment	2,808	–	–	–	2,808
Right of use assets	–	2,014	–	–	2,014
Investments	60	–	–	–	60
Deferred tax	–	–	–	31	31
<b>Total non-current assets</b>	<u>3,531</u>	<u>2,014</u>	<u>105</u>	<u>31</u>	<u>5,681</u>
<b>Current assets</b>					
Inventories	15,033	–	–	–	15,033
Trade and other receivables	14,072	–	–	(31)	14,041
Derivative financial instruments	–	–	–	–	–
Corporation tax recoverable	–	–	–	–	–
Cash and cash equivalents	1,694	–	–	–	1,694
<b>Total current assets</b>	<u>30,799</u>	<u>–</u>	<u>–</u>	<u>(31)</u>	<u>30,768</u>
<b>Total assets</b>	<u>34,330</u>	<u>2,014</u>	<u>105</u>	<u>–</u>	<u>36,449</u>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Borrowings	4,311	488	–	–	4,799
Trade and other payables	9,464	–	–	(1,953)	7,511
Current tax	–	–	–	1,953	1,953
<b>Total current liabilities</b>	<u>13,775</u>	<u>488</u>	<u>–</u>	<u>–</u>	<u>14,263</u>
<b>Net current assets</b>	<u>17,024</u>	<u>(488)</u>	<u>–</u>	<u>(31)</u>	<u>16,505</u>
Borrowings	16,419	1,589	–	–	18,008
Deferred tax liability	–	–	–	–	–
<b>Total non-current liabilities</b>	<u>16,419</u>	<u>1,589</u>	<u>–</u>	<u>–</u>	<u>18,008</u>
<b>Total liabilities</b>	<u>30,194</u>	<u>2,077</u>	<u>–</u>	<u>–</u>	<u>32,271</u>
<b>Net assets</b>	<u>4,136</u>	<u>(63)</u>	<u>105</u>	<u>–</u>	<u>4,178</u>
<b>Equity</b>					
Share capital	11,001	–	–	–	11,001
Merger reserve	(22,000)	–	–	–	(22,000)
Retained earnings	15,135	(63)	105	–	15,177
<b>Total equity</b>	<u>4,136</u>	<u>(63)</u>	<u>105</u>	<u>–</u>	<u>4,178</u>



## STATEMENT OF FINANCIAL POSITION RECONCILIATIONS

	As previously reported 31 March 2020 £'000	IFRS 16 £'000	IFRS 3 £'000	Reclasses £'000	Under IFRS as at 31 March 2020 £'000
<b>Assets</b>					
Goodwill and other intangibles	1,600	–	178	–	1,778
Property, plant and equipment	3,458	–	–	–	3,458
Right of use assets	–	1,495	–	–	1,495
Investments	7	–	–	–	7
Deferred tax	–	–	–	–	–
<b>Total non-current assets</b>	<b>5,065</b>	<b>1,495</b>	<b>178</b>	<b>–</b>	<b>6,738</b>
<b>Current assets</b>					
Inventories	14,458	–	–	–	14,458
Trade and other receivables	16,957	–	–	(218)	16,739
Derivative financial instruments	–	–	–	209	209
Corporation tax recoverable	–	–	–	9	9
Cash and cash equivalents	6,718	–	–	–	6,718
<b>Total current assets</b>	<b>38,133</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>38,133</b>
<b>Total assets</b>	<b>43,198</b>	<b>1,495</b>	<b>178</b>	<b>–</b>	<b>44,871</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Borrowings	6,688	493	–	–	7,181
Trade and other payables	16,022	–	–	(2,340)	13,682
Current tax	–	–	–	2,340	2,340
<b>Total current liabilities</b>	<b>22,710</b>	<b>493</b>	<b>–</b>	<b>–</b>	<b>23,203</b>
<b>Net current assets</b>	<b>15,423</b>	<b>(493)</b>	<b>–</b>	<b>–</b>	<b>14,930</b>
Borrowings	16,317	1,096	–	–	17,413
Deferred tax liability	191	–	–	–	191
<b>Total non-current liabilities</b>	<b>16,508</b>	<b>1,096</b>	<b>–</b>	<b>–</b>	<b>17,604</b>
<b>Total liabilities</b>	<b>39,218</b>	<b>1,589</b>	<b>–</b>	<b>–</b>	<b>40,807</b>
<b>Net assets</b>	<b>3,980</b>	<b>(94)</b>	<b>178</b>	<b>–</b>	<b>4,064</b>
<b>Equity</b>					
Share capital	11,001	–	–	–	11,001
Merger reserve	(22,000)	–	–	–	(22,000)
Retained earnings	14,979	(94)	178	–	15,063
<b>Total equity</b>	<b>3,980</b>	<b>(94)</b>	<b>178</b>	<b>–</b>	<b>4,064</b>

## PART V

### HISTORICAL FINANCIAL INFORMATION RELATING TO SUPREME IMPORTS

#### SECTION A: ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION RELATING TO SUPREME IMPORTS



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27 January 2021

Ladies and Gentlemen

**Supreme plc (the "Company")**

**Supreme Imports Limited ( "Supreme Imports")**

#### **Introduction**

We report on the financial information set out in Section B of Part V. This financial information has been prepared for inclusion in the admission document dated 27 January 2021 of the Company (the "Admission Document") on the basis of the accounting policies set out in note 2 to the financial information. This report is required by paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

#### **Responsibilities**

The directors of the Company are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies consenting to its inclusion in the Admission Document.

#### **Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

### **Opinion**

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of Supreme Imports as at 31 March 2018 and 2019 and of its profits, cash flows and changes in equity for the years then ended in accordance with the basis of preparation set out in note 1 to the financial information.

### **Declaration**

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

### **BDO LLP**

*Chartered Accountants*

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

## SECTION B: HISTORICAL FINANCIAL INFORMATION RELATING TO SUPREME IMPORTS

### Statement of Comprehensive Income

	Note	Year Ended 31 March 2018 £'000	Year Ended 31 March 2019 £'000
Revenue	5	72,854	80,150
Cost of sales	6	(58,080)	(57,463)
<b>Gross profit</b>		<b>14,774</b>	<b>22,687</b>
Administration expenses	6	(8,922)	(9,403)
<b>Operating profit</b>		<b>5,852</b>	<b>13,284</b>
<b>Adjusted EBITDA<sup>1</sup></b>		<b>7,699</b>	<b>14,835</b>
Depreciation	14 & 22	(567)	(1,169)
Amortisation	13	(7)	(12)
Exceptional items	7	(953)	(370)
Net loss from transactions in non-hedging foreign exchange derivative contracts	7	(320)	–
<b>Operating profit</b>		<b>5,852</b>	<b>13,284</b>
Finance income	9	–	28
Finance costs	10	(385)	(599)
<b>Profit before taxation</b>		<b>5,467</b>	<b>12,713</b>
Income tax	11	(1,095)	(2,317)
<b>Profit for the year</b>		<b>4,372</b>	<b>10,396</b>
Earnings per share – basic and diluted	12	437	1,040

*Note 1: Adjusted EBITDA, which is defined as profit before finance costs, tax, depreciation, amortisation, exceptional items, and profit/(loss) from transactions in non-hedging foreign exchange derivative contracts is a non-GAAP metric used by management and is not an IFRS disclosure.*

*All results derive from continuing operations.*

## Statement of Financial Position

	Note	As at 31 March 2018 £'000	As at 31 March 2019 £'000
<b>Assets</b>			
Goodwill and other intangibles	13	345	768
Property, plant and equipment	14	2,704	2,808
Right of use assets	22	993	2,014
Investments	15	60	60
Deferred tax	16	–	31
<b>Total non-current assets</b>		<b>4,102</b>	<b>5,681</b>
<b>Current assets</b>			
Inventories	17	11,786	15,033
Trade and other receivables	18	12,476	14,041
Income tax recoverable		53	–
Cash and cash equivalents	19	9,123	1,694
<b>Total current assets</b>		<b>33,438</b>	<b>30,768</b>
<b>Total assets</b>		<b>37,540</b>	<b>36,449</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Borrowings	21	16,952	4,799
Trade and other payables	20	7,885	7,511
Derivative financial instruments	23.9	778	–
Income tax payable		1,085	1,953
<b>Total current liabilities</b>		<b>26,700</b>	<b>14,263</b>
<b>Net current assets</b>		<b>6,738</b>	<b>16,505</b>
Borrowings	21	724	18,008
Deferred tax liability	16	46	–
<b>Total non-current liabilities</b>		<b>770</b>	<b>18,008</b>
<b>Total liabilities</b>		<b>27,470</b>	<b>32,271</b>
<b>Net assets</b>		<b>10,070</b>	<b>4,178</b>
<b>Equity</b>			
Share capital	24	–	–
Retained earnings		10,070	4,178
<b>Total equity</b>		<b>10,070</b>	<b>4,178</b>

## Statement of Changes in Equity

	Share Capital £'000	Retained earnings £'000	Total equity £'000
<b>As at 1 April 2017</b>	<b>–</b>	<b>13,409</b>	<b>13,409</b>
Profit for the year	–	4,372	4,372
Total comprehensive income for the year	–	4,372	4,372
<i>Transactions with shareholders:</i>			
Dividends	–	(7,711)	(7,711)
<b>As at 31 March 2018</b>	<b>–</b>	<b>10,070</b>	<b>10,070</b>
Profit for the year	–	10,396	10,396
Total comprehensive income for the year	–	10,396	10,396
<i>Transactions with shareholders:</i>			
Dividends	–	(16,288)	(16,288)
<b>As at 31 March 2019</b>	<b>–</b>	<b>4,178</b>	<b>4,178</b>



## Statement of Cash Flows

		Year Ended 31 March 2018 £'000	Year Ended 31 March 2019 £'000
	Note		
<b>Net cash flow from operating activities</b>			
Profit for the year		4,372	10,396
<b>Adjustments for:</b>			
Amortisation of intangible assets	13	7	12
Depreciation of tangible assets	14 & 22	567	1,169
Finance income	9	–	(28)
Finance costs	10	385	599
Income tax expense	11	1,095	2,317
<b>Working capital adjustments</b>			
Increase in inventories		(3,369)	(3,247)
Decrease/(increase) in trade and other receivables		781	(1,242)
Increase/(Decrease) in trade and other payables		824	(1,473)
Taxation paid		(1,376)	(1,473)
<b>Net cash from operations</b>		<b>3,286</b>	<b>7,030</b>
<b>Cash flows used in investing activities</b>			
Purchase of intangible fixed assets	13	–	(435)
Purchase of property, plant and equipment	14	(1,353)	(1,007)
Proceeds from sale of property, plant and equipment	14	–	192
Directors loan account movement		–	(321)
Interest received		–	28
Net cash on acquisition of subsidiary undertaking		7	–
<b>Net cash used in investing activities</b>		<b>(1,346)</b>	<b>(1,543)</b>
<b>Cash flows used in financing activities</b>			
Drawdown of borrowings	21	8,062	16,419
Repayment of borrowings	21	(3,407)	(3,620)
Dividends paid		(7,711)	(15,967)
Finance costs paid		(372)	(515)
Lease payments	22	(200)	(452)
<b>Net cash used in financing activities</b>		<b>(3,628)</b>	<b>(4,135)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1,688)</b>	<b>1,352</b>
<b>Cash and cash equivalents brought forward</b>		<b>1,879</b>	<b>191</b>
<b>Cash and cash equivalents carried forward</b>		<b>191</b>	<b>1,543</b>
Cash and cash equivalents	19	9,123	1,694
Bank overdraft	21	(8,932)	(151)
		<b>191</b>	<b>1,543</b>

## Notes to the Historical Financial Information

### 1. Basis of preparation

Supreme Imports Ltd (“Supreme Imports”) is domiciled in the UK, with company registration number 05292196. The principal activity is the wholesale distribution of batteries, lighting, vaping and the associated sundry products, sports nutrition and wellness and branded household consumer goods. The registered office is 4 Beacon Road, Ashburton Park, Trafford Park, Manchester, M17 1AF.

This historical financial information (“Historical Financial Information”) has been prepared on a going concern basis under the historical cost convention, modified for the revaluation of certain financial instruments; in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, the International Financial Reporting Interpretations Committee (IFRIC) interpretations issued by the International Accounting Standards Boards (“IASB”) that are effective or issued and have been adopted as at the time of preparing this Historical Financial Information, except as described below.

The deemed transition date to IFRS, for the purposes of this Historical Financial Information on Supreme Imports is 1 April 2017, which is the beginning of the first year presented. Details of the transition are set out in Note 30. The principles and requirements for first time adoption of IFRS are set out in IFRS 1. IFRS 1 allows certain exceptions and exemptions in the application of particular standards to prior years in order to assist companies with the transition process. Supreme Imports has not applied any of the optional exemptions and has applied the exception with regard to restatement of past business combinations under IFRS 3. Contrary to the requirements of IFRS 1, a balance sheet as at the date of transition of 1 April 2017 has not been presented and this is therefore a departure from the requirements of IFRS. In all other respects IFRS has been applied.

This Historical Financial Information presents the financial track record of Supreme Imports for the two years ended 31 March 2019 and is prepared for the purposes of admission to AIM, a market operated by the London Stock Exchange. This Historical Financial Information has been prepared in accordance with the requirements of the AIM Rules for Companies and in accordance with this basis of preparation summarised below.

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

The financial information for the year ended 31 March 2019 and the year ended 31 March 2018 does not constitute Supreme Imports’ statutory accounts for those years.

Statutory accounts for the years ended 31 March 2019 and 31 March 2018 have been delivered to the Registrar of Companies.

The auditors’ reports on the accounts for 31 March 2019 and 31 March 2018 were unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

The Historical Financial Information is presented in sterling and, unless otherwise stated, amounts are expressed in pounds, to the nearest thousand.

The Board and the Financial Director are, together, considered the chief operating decision maker.

### 2. Summary of significant accounting policies

The principal accounting policies adopted are set out below.

#### 2.1 Group accounts

The Historical Financial Information contains information about Supreme Imports as an individual company and does not contain consolidated financial information as the parent of a group. Supreme Imports has taken the exemption available from preparing the consolidated financial statements on the basis that the subsidiary undertakings are not material.

## 2.2 **Going concern**

Supreme Imports Ltd is funded by external banking facilities provided by HSBC until March 2024, as well as through surplus cash held at bank. Taking account of these facilities and having considered future strong trading and cash flow forecasts, the Directors have a reasonable expectation that Supreme Imports has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the Historical Financial Information.

## 2.3 **Currencies**

### *Functional and presentational currency*

Items included in the Historical Financial Information are measured using the currency of the primary economic environment in which Supreme Imports operates (“the functional currency”) which is UK sterling (£). The Historical Financial Information is presented in UK sterling.

### *Transactions and balances*

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

## 2.4 **Revenue recognition**

Revenue solely relates to the sale of goods and arises from the wholesale distribution of batteries, lighting, vaping and the associated sundry products.

To determine whether to recognise revenue, Supreme Imports 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.

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

Contracts with customers take the form of customer orders. There is one distinct performance obligation, being the distribution of products to the customer, for which the transaction price is clearly identified. Revenue is recognised at a point in time when Supreme Imports satisfies performance obligations by transferring the promised goods to its customers, i.e. when control has passed from Supreme Imports 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.

## 2.5 **Goodwill**

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

## 2.6 **Property, plant and equipment**

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

Plant and machinery – 25%

Fixtures and fittings – 25%

Motor vehicle – 25%

Fashion hire assets – 25%

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

At each reporting date, Supreme Imports reviews the carrying amounts of its property, plant and equipment assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Fashion Hire assets are presented within property, plant and equipment. Revenue is generated from these assets through hire to third party customers.

## 2.7 **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.

## 2.8 **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 Historical Financial Information 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.

## 2.9 **Leases**

Supreme Imports has applied IFRS 16 throughout the period covered by the HFI. At inception of a contract, Supreme Imports 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.

Supreme Imports 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 Supreme Imports' incremental borrowing rate.

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

### *Short term leases and low value assets*

Supreme Imports 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.

## 2.10 **Payroll expense and related contributions**

Supreme Imports 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.

## 2.11 **Pension costs**

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

## 2.12 **Operating segments**

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

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

## 2.13 **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.

## 2.14 **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 Supreme Imports. EBITDA is defined as profit before finance costs, tax, depreciation and amortisation. Exceptional items are excluded from EBITDA to calculate adjusted EBITDA.

The Directors primarily use the Adjusted EBITDA measure when making decisions about Supreme Imports’ 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.

## 2.15 **Exceptional costs and non-recurring items**

Supreme Imports’ income statement separately identifies exceptional items. Such items are those that in the Directors’ judgement are one-off in nature or non-operating and need to be disclosed separately by virtue of their size or incidence and may include, but are not limited to, professional fees and other costs directly related to refinancing, acquisitions and capital transactions, material impairments of inventories and fashion hire assets. In determining whether an item should be disclosed as an exceptional 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.

## 2.16 **Financial instruments**

Financial assets and financial liabilities are recognised in Supreme Imports’ Statement of Financial Position when Supreme Imports becomes party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Financial liabilities are de-recognised when the obligation specified in the contract is discharged, cancelled or expired.

### *Trade and other receivables*

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

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



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

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

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

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

#### *Cash and cash equivalents*

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

#### *Trade and other payables*

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

#### *Invoice discounting facility*

Supreme Imports 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 Supreme Imports. Gross receivables are included within debtors and a corresponding liability in respect of the proceeds received from the bank are shown within liabilities. The interest element of the bank's charges are recognised as they accrue and included in the statement of comprehensive income within other interest payable.

#### *Borrowings*

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

#### *Classification as debt or equity*

Debt and equity instruments issued by Supreme Imports 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 Supreme Imports are recognised at the proceeds received, net of direct issue costs.



### *Derivatives*

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

## **3. Financial risk management**

### **3.1 Financial risk factors**

Supreme Imports' 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 Supreme Imports' financial performance. Risk management is carried out by the Directors, who identify and evaluate financial risks in close co-operation with key staff, for further details see Note 23.

(a) *Market risk*

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

(b) *Credit risk*

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

(c) *Liquidity risk*

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

### **3.2 Capital risk management**

Supreme Imports 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.

Supreme Imports' 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 Supreme Imports is managed and adjusted to reflect changes in economic conditions. Supreme Imports 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 Supreme Imports' commitments and development plans. Quantitative data on what Supreme Imports manages as capital is included in the Statement of Changes in Equity and in Note 23 to the Historical Financial Information.

### 3.3 ***Fair value estimation***

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

## 4. **Critical accounting estimates and judgements**

The preparation of this Historical Financial Information requires 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***

Supreme Imports 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 £613,000 at 31 March 2019. The estimates used in the impairment calculation are set out in Note 13. There are no reasonably possible scenarios in which the goodwill would be impaired.

#### 4.2 ***Useful economic lives of property, plant and equipment***

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

The useful economic lives applied are set out in the accounting policies (Note 2.6) and are reviewed annually.

### ***Accounting judgements***

#### 4.3 ***Inventory obsolescence***

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

#### 4.4 ***Right of use assets – discount rate***

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

## 5. Segmental analysis

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

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

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

	<b>Batteries</b>	<b>Lighting</b>	<b>Vaping</b>	<b>Sports nutrition &amp; wellness</b>	<b>Branded household consumer goods</b>	<b>Year Ended 31 March 2019</b>
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	33,353	22,711	20,958	2,389	739	80,150
Cost of sales	(29,944)	(16,732)	(11,559)	(1,209)	(532)	(59,976)
<b>Gross profit before foreign exchange</b>	<b>3,409</b>	<b>5,979</b>	<b>9,399</b>	<b>1,180</b>	<b>207</b>	<b>20,174</b>
Foreign exchange						2,513
<b>Gross profit</b>						<b>22,687</b>
Administration expenses						(9,403)
<b>Operating profit</b>						<b>13,284</b>
<b>Adjusted earnings before tax, depreciation, amortisation and exceptional items</b>						<b>14,835</b>
Depreciation						(1,169)
Amortisation						(12)
Exceptional items						(370)
Net loss from transactions in non-hedging foreign exchange derivative contracts						–
<b>Operating profit</b>						<b>13,284</b>
Finance income						28
Finance costs						(599)
<b>Profit before taxation</b>						<b>12,713</b>
Income tax						(2,317)
<b>Profit for the year</b>						<b>10,396</b>

	Batteries £'000	Lighting £'000	Vaping £'000	Sports nutrition & wellness £'000	Branded household consumer goods £'000	Year Ended 31 March 2018 £'000
Revenue	33,414	20,874	17,705	–	861	72,854
Cost of sales	(29,647)	(16,336)	(10,700)	–	(652)	(57,335)
<b>Gross profit before foreign exchange</b>	<b>3,767</b>	<b>4,538</b>	<b>7,005</b>	<b>–</b>	<b>209</b>	<b>15,519</b>
Foreign exchange						(745)
<b>Gross profit</b>						<b>14,774</b>
Administration expenses						(8,922)
<b>Operating profit</b>						<b>5,852</b>
<b>Adjusted earnings before tax, depreciation, amortisation and exceptional items</b>						<b>7,699</b>
Depreciation						(567)
Amortisation						(7)
Exceptional items						(953)
Net loss from transactions in non-hedging foreign exchange derivative contracts						(320)
<b>Operating profit</b>						<b>5,852</b>
Finance income						–
Finance costs						(385)
<b>Profit before taxation</b>						<b>5,467</b>
Income tax						(1,095)
<b>Profit for the year</b>						<b>4,372</b>

#### **Information about major customers**

Supreme Imports has generated revenue from individual customers that accounted for greater than 10% of total revenue. The total revenue from each of these 2 customers (2018: 2 customers) was £16,888,000 and £11,501,000 (2018: £13,437,000 and £10,026,000). These revenues related to all segments.

#### **Analysis of revenue by geographical destination**

	Year Ended 31 March 2018 £'000	Year Ended 31 March 2019 £'000
United Kingdom	63,772	68,803
Rest of Europe	7,742	10,361
Rest of the World	1,340	986
	<b>72,854</b>	<b>80,150</b>

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

## 6. Expenses by nature

	Year Ended 31 March 2018 £'000	Year Ended 31 March 2019 £'000
The profit is stated after charging expenses as follows:		
Inventories recognised as an expense	52,838	52,902
Impairment of inventories (excluding exceptional costs)	91	5
Impairment of trade receivables	42	94
Staff costs – Note 8	4,248	4,833
Foreign exchange loss	408	–
Exceptional and non-recurring items – Note 7	1,273	370
Establishment and general	599	452
Depreciation of property, plant and equipment	567	1,169
Amortisation of intangible assets	7	12
Auditor's remuneration	45	47
Other operating expenses	6,884	6,982
Total cost of sales and administrative expenses	<u>67,002</u>	<u>66,866</u>

## 7. Exceptional costs and non-recurring items

	Year Ended 31 March 2018 £'000	Year Ended 31 March 2019 £'000
Exceptional cost of sales	(480)	(130)
Exceptional administrative expenses	(473)	(240)
Net gains from settled transactions in non-hedging foreign exchange derivative contracts	166	–
Net losses from unsettled transactions in non-hedging foreign exchange derivative contracts	(486)	–
	<u>(1,273)</u>	<u>(370)</u>

Exceptional cost of sales – included within cost of sales is a non-recurring item of £130,000 (2018: £480,000) relating to a write-down of inventories following a recall of vaping inventory following a change in the Tobacco and Related Products Regulations Amendment 2017 (May 2017).

Exceptional administrative expenses include a non-recurring item of £120,000 relating to professional fees in connection with the refinancing of the prior year loan facility and a non-recurring item of £120,000 relating to a loss on sale of fashion hire watch assets. Included within exceptional administrative expenses in 2018 is a non-recurring item of £473,000 of professional fees in relation to a potential IPO that did not proceed.

### ***Non-hedging foreign exchange derivative contracts***

Supreme Imports mitigates the exchange risk of certain foreign currency trade debtors and creditors by entering into forward currency contracts. Supreme Imports' 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 Supreme Imports costs its products and take out forward contracts to mitigate fluctuations to an acceptable level.

In 2018 Supreme Imports utilised the forward contracts to generate gains through speculative trading with these gains and losses being presented within administrative expenses within the Statement of Comprehensive Income. All other exchange items are presented within cost of sales.

Amounts noted as settled are where the gains are realised and the instruments closed; whereas amounts noted as unsettled relate to open contracts at the year end.

## 8. Staff and remuneration

	Year Ended 31 March 2018 No.	Year Ended 31 March 2019 No.
Average number of employees (including Directors):		
Management and administration	31	25
Warehouse	51	57
Sales	19	17
Development	33	47
	<u>134</u>	<u>146</u>

	Year Ended 31 March 2018 £'000	Year Ended 31 March 2019 £'000
Aggregate remuneration of staff (including Directors):		
Wages and salaries	3,872	4,215
Social security costs	264	425
Other pension costs	112	193
	<u>4,248</u>	<u>4,833</u>

## 9. Finance income

	Year Ended 31 March 2018 £'000	Year Ended 31 March 2019 £'000
Other interest receivable	—	28
	<u>—</u>	<u>28</u>

## 10. Finance expense

	Year Ended 31 March 2018 £'000	Year Ended 31 March 2019 £'000
Bank interest payable	75	82
Other interest payable	297	433
Interest on right-of-use assets	13	84
	<u>385</u>	<u>599</u>

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

## 11. Taxation

	Year Ended 31 March 2018 £'000	Year Ended 31 March 2019 £'000
<b>Current tax</b>		
Current year – UK corporation tax	1,084	2,571
Adjustments in respect of prior periods	(43)	(180)
<b>Total current tax</b>	<u>1,041</u>	<u>2,391</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	73	(32)
Adjustment for prior periods	(19)	(42)
<b>Total deferred tax</b>	<u>54</u>	<u>(74)</u>
Total tax expense	<u>1,095</u>	<u>2,317</u>

### *Factors affecting the charge*

	Year Ended 31 March 2018 £'000	Year Ended 31 March 2019 £'000
Profit before taxation	5,467	12,713
Tax at the UK corporation tax rate of 19%	1,039	2,415
Adjustment to tax charge in respect of prior periods	(62)	(222)
Effects of expenses not deductible for tax purposes	117	5
Fixed asset differences	6	17
Adjustments to tax charge due to change in rates	(9)	4
Other differences	4	98
Total tax expense	<u>1,095</u>	<u>2,317</u>

### *Factors that may affect future tax charges*

In the Spring Budget 2020, the Government announced that the previously enacted decrease in the corporate tax rate from 19% to 17% from 1 April 2020 would no longer happen and that rates would remain at 19% for the foreseeable future. The new law was substantively enacted post year end by a resolution under the Provisional Collection of Taxes Act 1968 on 17 March 2020. As the new law was substantively enacted post year end, the impact of the change has not been reflected in the Historical Financial Information. The expected impact moving forward is not material.

## 12. Earnings per share

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

Diluted earnings per share is not calculated as there are no potential dilutive instruments in issue.



The basic and diluted calculations are both based on the following:

	Year Ended 31 March 2018 £'000	Year Ended 31 March 2019 £'000
Profit for the year after tax	4,372	10,396
	No.	No.
Weighted average number of shares – basic	10	10
	£'000	£'000
Profit per share – basic and diluted	437	1,040

### 13. Goodwill

	Domain name £'000	Trademarks £'000	Goodwill £'000	Total £'000
<b>Cost</b>				
At 1 April 2017	–	–	162	162
Additions	69	–	121	190
At 31 March 2018	69	–	283	352
Additions	55	50	330	435
At 31 March 2019	124	50	613	787
<b>Accumulated amortisation</b>				
At 1 April 2017	–	–	–	–
Amortisation charged in the year	7	–	–	7
At 31 March 2018	7	–	–	7
Amortisation charged in the year	9	3	–	12
At 31 March 2019	16	3	–	19
<b>Carrying amount</b>				
At 1 April 2017	–	–	162	162
At 31 March 2018	62	–	283	345
At 31 March 2019	108	47	613	768

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:

	£'000
Batteries	492
Vaping	121
	<u>613</u>

Goodwill arising in the year related to the acquisition of Powerquick, Vape Importers and Sub Ohm that were hived up into Supreme Imports Ltd. The goodwill arising in 2018 related to the acquisition of Vape Nation Ltd that was hived up into Supreme Imports Ltd.

Impairment testing of goodwill is performed at least annually by reference to value in use calculations, 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 the date of transition, 31 March 2018, or 31 March 2019. There were no charges for impairment of goodwill in 2019 (2018: nil).

#### 14. Property, plant and equipment

	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Fashion hire assets £'000	Total £'000
<b>Cost or valuation</b>					
At 1 April 2017	519	225	–	1,486	2,230
Additions	1,092	193	–	–	1,285
At 31 March 2018	<u>1,611</u>	<u>418</u>	<u>–</u>	<u>1,486</u>	<u>3,515</u>
Additions	925	48	32	–	1,005
Disposals	(23)	–	–	(180)	(203)
At 31 March 2019	<u>2,513</u>	<u>466</u>	<u>32</u>	<u>1,306</u>	<u>4,317</u>
<b>Depreciation and impairment</b>					
At 1 April 2017	134	121	–	156	411
Depreciation charged in the year	172	80	–	148	400
At 31 March 2018	<u>306</u>	<u>201</u>	<u>–</u>	<u>304</u>	<u>811</u>
Depreciation charged in the year	491	113	6	99	709
Eliminated on disposal	–	–	–	(11)	(11)
At 31 March 2019	<u>797</u>	<u>314</u>	<u>6</u>	<u>392</u>	<u>1,509</u>
<b>Carrying amount</b>					
At 1 April 2017	385	104	–	1,330	1,819
At 31 March 2018	1,305	217	–	1,182	2,704
At 31 March 2019	<u>1,716</u>	<u>152</u>	<u>26</u>	<u>914</u>	<u>2,808</u>

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

#### 15. Investments

	As at 31 March 2018 £'000	As at 31 March 2019 £'000
Investment in associates	60	60
	<u>60</u>	<u>60</u>

Supreme Imports owned 20% of the share capital of Elena Dolce Limited, with a registered office of 111 Deansgate, Manchester, M3 2BQ.

In addition, at 31 March 2019 Supreme Imports owned 100% of the following subsidiaries, which are incorporated in England and Wales:

- Vape Nation Limited
- Battery Force Limited
- Saira Shoes Limited
- PowerQuick Limited
- Sub OHM Juice Limited
- Supreme 88 Limited (formerly Vape Importers Limited)

The registered office of each subsidiary is 4 Beacon Road, Ashburton Park, Trafford Park, Manchester, M17 1AF.

## 16. Deferred tax

*Deferred tax consists of the following timing differences*

	As at 31 March 2018 £'000	As at 31 March 2019 £'000
Excess of depreciation over taxable allowances	(113)	(90)
Short term timing differences	4	4
Tax losses carried forward	63	117
	<u>(46)</u>	<u>31</u>

### *Movement in deferred tax in the year*

	As at 31 March 2018 £'000	As at 31 March 2019 £'000
Balance brought forward	8	(46)
(Credited)/charged to profit or loss	(54)	74
Transfer	–	3
Balance carried forward	<u>(46)</u>	<u>31</u>

The Directors consider that the deferred tax assets in respect of timing differences and depreciation in excess of capital allowances are recoverable based on the forecast future taxable profits of Supreme Imports.

## 17. Inventories

	As at 31 March 2018 £'000	As at 31 March 2019 £'000
Goods for resale	10,307	13,549
Raw materials	1,479	1,484
	<u>11,786</u>	<u>15,033</u>

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

Inventories at 31 March 2019 are stated after provisions for impairment of £96,000 (2018: £91,000).

## 18. Trade and other receivables

	<b>As at 31 March 2018 £'000</b>	<b>As at 31 March 2019 £'000</b>
Trade receivables	10,150	10,748
Amounts owed by related parties	1,737	1,617
Directors loan account	321	672
Other receivables	46	231
Prepayments	222	773
	<u>12,476</u>	<u>14,041</u>

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

	<b>As at 31 March 2018 £'000</b>	<b>As at 31 March 2019 £'000</b>
Balance at the beginning of the year	15	53
Charged to the statement of comprehensive income	42	94
Utilisation of provision	(4)	(95)
Balance at the end of the year	<u>53</u>	<u>52</u>

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the reporting date but against which Supreme Imports 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 past due but not impaired receivables

	<b>As at 31 March 2018 £'000</b>	<b>As at 31 March 2019 £'000</b>
Current	10,244	10,663
Less than 30 days	–	–
31 – 60 days	(87)	66
61 – 90 days	(35)	(3)
90 days +	81	74
Less provisions for impairment	(53)	(52)
	<u>10,150</u>	<u>10,748</u>

In determining the recoverability of a trade receivable Supreme Imports 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 Supreme Imports' credit risk management policies are shown in Note 23. Supreme Imports does not hold any collateral as security for its trade and other receivables.

## 19. Cash and cash equivalents

	As at 31 March 2018 £'000	As at 31 March 2019 £'000
Cash at bank	<u>9,123</u>	<u>1,694</u>

## 20. Trade and other payables

	As at 31 March 2018 £'000	As at 31 March 2019 £'000
Trade payables	3,844	4,160
Accruals and deferred income	3,129	2,645
Other tax and social security	838	625
Other payables	–	7
Amounts owed to group undertakings	74	74
	<u>7,885</u>	<u>7,511</u>

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 Imports Ltd has financial risk management policies in place to ensure that all payables are paid within the credit timeframe and no interest has been charged by any suppliers as a result of late payment of invoices during the period.

## 21. Borrowings

	As at 31 March 2018 £'000	As at 31 March 2019 £'000
Current		
Bank overdraft	8,932	151
Bank loans	4,210	3,125
Other loans	3,570	1,035
IFRS 16 lease liability (Note 22)	240	488
	<u>16,952</u>	<u>4,799</u>
Non-current		
Bank term loan	–	16,419
IFRS 16 lease liability (Note 22)	724	1,589
	<u>724</u>	<u>18,008</u>
Total borrowings	<u>17,676</u>	<u>22,807</u>

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

	<b>As at 31 March 2018 £'000</b>	<b>As at 31 March 2019 £'000</b>
In less than one year	16,952	4,799
Between two and five years	724	18,008
In more than five years	—	—
	<u>17,676</u>	<u>22,807</u>

Supreme Imports is funded by external banking facilities provided by HSBC. Current bank borrowings includes invoice discounting facilities, which are secured by an assignment of, and fixed charge over the trade debtors of Supreme Imports. There is also an amount of £151,000 at 31 March 2019 (2018: £8,932,000) due under a bank overdraft. Furthermore, current bank borrowings include an amount of £1,147,000 at 31 March 2019, (2018: £nil) due under a supply chain facility which is secured by fixed and floating charges over all assets of Supreme Imports.

The total facilities available were a £8.5m invoice discounting facility (repayable on demand) and a £4.5m supply chain facility (renewed each year). Therefore undrawn but committed facilities at 31 March 2019 were £8,612,000 and £3,353,000 respectively (2018: £4,934,000 and £4,500,000).

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

The bank term loan is made up of £12,500,000 repayable in quarterly instalments of £781,000 over a 5 year term, and £7,500,000 repaid on maturity. Interest is charged at a rate of 5% over LIBOR. The bank loan is secured by way of a fixed and floating charge over all assets.

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

## 22. Leases

### **Amounts recognised in the Statement of Financial Position**

The balance sheet shows the following amounts relating to leases:

	£'000
<b>Right-of-use assets</b>	
Balance at 1 April 2017	206
New leases recognised in the year	954
Depreciation charge for the year	(167)
Balance at 31 March 2018	<u>993</u>
New leases recognised in the year	1,481
Depreciation charge for the year	(460)
Balance at 31 March 2019	<u>2,014</u>

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

	<b>As at 31 March 2018 £'000</b>	<b>As at 31 March 2019 £'000</b>
Buildings	867	1,859
Cars	126	155
	<u>993</u>	<u>2,014</u>

These are included within "Property, plant and equipment" in the Statement of Financial Position.

	As at 31 March 2018 £'000	As at 31 March 2019 £'000
<b>Lease liabilities</b>		
Maturity analysis – contractual undiscounted cash flows		
Less than one year	280	579
More than one year, less than two years	232	559
More than two years, less than three years	194	559
More than three years, less than four years	190	535
More than four years, less than five years	174	60
More than five years	–	–
Total undiscounted lease liabilities at year end	<u>1,070</u>	<u>2,292</u>
Finance costs	(106)	(215)
Total discounted lease liabilities at year end	<u>964</u>	<u>2,077</u>
Lease liabilities included in the statement of financial position		
Current	240	488
Non-current	724	1,589
	<u>964</u>	<u>2,077</u>

### **Amounts recognised in the Statement of Comprehensive Income**

The Income Statement shows the following amounts relating to leases:

	Year Ended 31 March 2018 £'000	Year Ended 31 March 2019 £'000
Depreciation charge – Buildings	124	390
Depreciation charge – Cars	43	70
	<u>167</u>	<u>460</u>
Interest expense (within finance expense)	<u>13</u>	<u>84</u>

## **23. Financial instruments**

Supreme Imports 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 3 and 4. Further quantitative information in respect of these risks is presented below and throughout this Historical Financial Information.

### **23.1 Capital risk management**

Details of Supreme Imports' capital are shown in Note 24, as well as in the Statement of Changes in Equity.

### **23.2 Market risk**

Competitive pressures remain a principal risk for Supreme Imports. 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, Supreme Imports' 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 Supreme Imports.

In addition, Supreme Imports' 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. Supreme Imports has in place a risk management programme that seeks to limit the adverse effects on the



financial performance of Supreme Imports by regularly monitoring the financial risks referred to above.

Given the size of Supreme Imports, 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 Supreme Imports' finance department.

### 23.3 **Credit risk**

Supreme Imports' sales are primarily made with credit terms of between 0 and 30 days, exposing Supreme Imports to the risk of non-payment by customers. Supreme Imports 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, Supreme Imports maintains a suitable level of credit insurance against its debtor book. The maximum exposure to credit risk is £2,500 per individual customer, being the insurance excess.

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

### 23.4 **Liquidity risk management**

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

### 23.5 **Foreign currency risk management**

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

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

	<b>As at 31 March 2018 £'000</b>	<b>As at 31 March 2019 £'000</b>
Trade receivables	350	444
Net cash and overdrafts	6,334	957
Supply chain facility	–	(1,147)
Trade payables	930	472
	<u>7,614</u>	<u>726</u>

The effect of a 20% strengthening of Pound Sterling at 31 March 2019 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 £121,000 (2018: £1,269,000 decrease). A 20% 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 £181,000 (2018: £1,904,000 increase).

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

	<b>As at 31 March 2018 £'000</b>	<b>As at 31 March 2019 £'000</b>
Trade receivables	114	253
Net cash and overdrafts	94	1
Trade payables	(190)	(406)
	<u>18</u>	<u>(152)</u>

The effect of a 20% strengthening of Pound Sterling at 31 March 2019 on the foreign denominated financial instruments carried at that date would, all variables held constant, have resulted in an increase to total comprehensive income for the year and an increase to net assets of £25,000 (2018: £3,000 decrease). A 20% weakening of the exchange rate on the same basis, would have resulted in a decrease to total comprehensive income and a decrease to net assets of £38,000 (2018: £4,000 increase).

#### *Derivative financial instruments – Forward contracts*

Supreme Imports mitigates the exchange rate risk for certain foreign currency trade debtors and creditors by entering into forward currency contracts. Supreme Imports' 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 Supreme Imports costs its products and take out forward contracts to mitigate fluctuations to an acceptable level. At 31 March 2019, the outstanding contracts mature between 1 and 12 months of the year end, (2018: 0 and 16 months). At 31 March 2019 Supreme Imports was committed to buy \$12,709,605 (2018: \$16,983,340) and sell \$nil (2018: \$nil) 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 2019 is a liability of £nil (2018: £778,000 liability). During the year ended 31 March 2019, a loss of £nil (2018: £627,000 loss) was recognised in cost of sales 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.

#### **23.6 Interest rate cash flow risk**

Supreme Imports' interest bearing liabilities relate to its variable rate banking facilities. Supreme Imports 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 £207,000 (2018: £167,000 decrease).

#### **23.7 Price risk**

Supreme Imports' profitability is affected by price fluctuations in the sourcing of its products. Supreme Imports 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 Supreme Imports' operations change in size or nature.

### 23.8 *Maturity of financial assets and liabilities*

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

### 23.9 *Summary of financial assets and liabilities by category*

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

	As at 31 March 2018 £'000	As at 31 March 2019 £'000
<b>Financial assets</b>		
<i>Financial assets measured at amortised cost</i>		
Trade and other receivables	12,254	13,268
Cash and cash equivalents	9,123	1,694
	<u>21,377</u>	<u>14,962</u>
<b>Financial liabilities</b>		
<i>Financial liabilities measured at amortised cost</i>		
<i>Non-current:</i>		
Borrowings	(724)	(18,008)
<i>Current:</i>		
Borrowings	(16,952)	(4,799)
Trade and other payables	(3,918)	(4,241)
Accruals	(3,129)	(2,645)
	<u>(24,723)</u>	<u>(29,693)</u>
<i>Financial liabilities measured at fair value through profit and loss</i>		
Derivative financial instruments	(778)	–
	<u>(778)</u>	<u>–</u>
Net financial assets and liabilities	(4,124)	(14,731)
<b>Non-financial assets and liabilities</b>		
Plant, property and equipment	2,704	2,808
Right of use assets	993	2,014
Goodwill and other intangible assets	345	768
Investments	60	60
Inventory	11,786	15,033
Prepayments and accrued income	222	773
Deferred tax (liability)/asset	(46)	31
Other taxation and social security	(838)	(625)
Current tax asset	53	–
Current tax liability	(1,085)	(1,953)
	<u>14,194</u>	<u>18,909</u>
Total deficit	<u>10,070</u>	<u>4,178</u>

### 24. **Share capital**

	As at 31 March 2018 £	As at 31 March 2019 £
Ordinary shares of £1	<u>10</u>	<u>10</u>

### **Number of shares authorised and in issue**

	As at 31 March 2018 No.	As at 31 March 2019 No.
Ordinary shares of £1	<u>10</u>	<u>10</u>

### **Rights of share capital**

Ordinary shares carry rights to dividends and other distributions from Supreme Imports as well as carrying voting rights.

### **Dividends**

Dividends of £16,288,000 (2018: £7,711,000) were declared in the year. This amounted to £1,628,800 per share (2018: £771,100).

### **25. Ultimate controlling party**

At the year-end, the parent company was Supreme Limited, which is under the ultimate control of Sandy Chadha due to his shareholding in that company.

### **26. Other financial commitments**

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

### **27. Related party transactions**

#### **27.1 Remuneration of key personnel**

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

	Year Ended 31 March 2018 £'000	Year Ended 31 March 2019 £'000
Short-term employee benefits	415	362
Post-employment benefits	<u>11</u>	<u>13</u>
Total compensation	<u>426</u>	<u>375</u>

#### **27.2 Transactions and balances with key personnel**

	As at 31 March 2018 £'000	As at 31 March 2019 £'000
<b>Loan balances with Directors:</b>		
Balance outstanding from director	<u>321</u>	<u>672</u>

The above balance as at 31 March 2018 was repaid in the year ended 31 March 2019 through the payment of a dividend. Total dividends declared were £16,288,000, of which £321,000 was allocated to the Directors loan account and £15,967,000 was paid in cash.

### 27.3 Transactions and balances with related companies and businesses

	Year Ended/ As at 31 March 2018 £'000	Year Ended/ As at 31 March 2019 £'000
<b>Transactions with related companies:</b>		
Rent paid to Chadha Properties Limited	180	180
Interest charged to Nash Peters Limited	–	76
Loans provided to Nash Peters Limited	–	31
<b>Balances with related companies:</b>		
Amounts owed by Nash Peters Limited	1,584	1,616
Amounts owed by SI Jersey Limited	153	–
Amounts owed to SI Jersey Limited	(74)	(74)

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

Amounts owed by Nash Peters Limited are due for repayment on demand and interest is charged on the outstanding balance at a rate of 5%.

### 28. Analysis and reconciliation of net debt

	1 April 2017 £'000	Acquisitions £'000	Other non-cash changes £'000	Cashflow £'000	31 March 2018 £'000
Cash at bank and in hand	1,879	7	–	7,237	9,123
Current borrowings	(1,292)	–	(294)	(15,366)	(16,952)
Non-current borrowings	(2,030)	–	(673)	1,979	(724)
Net debt	<u>(1,443)</u>	<u>7</u>	<u>(967)</u>	<u>(6,150)</u>	<u>(8,553)</u>

	1 April 2018 £'000	Acquisitions £'000	Other non-cash changes £'000	Cashflow £'000	31 March 2019 £'000
Cash at bank and in hand	9,123	–	–	(7,429)	1,694
Current borrowings	(16,952)	–	(700)	12,853	(4,799)
Non-current borrowings	(724)	–	(865)	(16,419)	(18,008)
Net debt	<u>(8,553)</u>	<u>–</u>	<u>(1,565)</u>	<u>(10,995)</u>	<u>(21,113)</u>

### 29. Post balance date events

Following the year end, Supreme Imports Limited acquired 100% of the share capital of GT Divisions Limited for consideration of £1,071,000. The book value of the assets acquired was £121,000. The company is in the process of performing a detailed PPA exercise including calculation of the fair values of the assets acquired following which the intangible asset of £950,000 will be allocated amongst the acquired intangibles, expected to be brand, customer relationships, other intangibles, and goodwill.

On 22 October 2020, an accident took place in the manufacturing facility at VN Labs Limited, a subsidiary of the Company, that resulted in a machine operator being injured. The Company immediately contacted the Health & Safety Executive (Britain's national regulator for workplace health & safety) who are now undertaking an investigation. The Company continues to make all resources available to the HSE and will co-operate until the matter is concluded. There is not expected to be any material financial impact on the Company.

### **30. Reconciliation from UK GAAP to IFRS**

From 1 April 2017 Supreme Imports has adopted International Financial Reporting Standards (IFRS) in the preparation of this Historical Financial Information, other than as noted under 'Basis of Preparation' in Note 1. The main items contributing to the change in financial information compared with that reported under UK GAAP as at the transition date are shown below. There were no other accounting policy changes other than the impact of the below items.

#### ***IFRS 16 – Leases***

As explained in accounting policy 2.9 Supreme Imports has adopted IFRS 16. This has resulted in the recognition of a right of use asset and liability on the statement of financial position. The statement of comprehensive income has been adjusted to remove the rent expense and replace it with depreciation charged on the right of use asset and interest accrued on the right of use liability.

#### ***IFRS 3 – Business Combinations***

In accordance with the requirements of IFRS 3, Business Combinations, goodwill generated as part of an acquisition is not amortised, instead being reviewed annually for indicators of impairment. Consequently, the net book value of goodwill is frozen as at the value at 1 April 2017.

The figures included as previously reported have been re-presented to better reflect the nature of certain items within the financial statements as follows:

#### ***IAS 12 – Income taxes***

In accordance with IAS 12 deferred tax assets are disclosed as non-current.

#### ***Reclasses***

Supreme Imports has adjusted certain costs which did not directly relate to the cost of product to be presented in administration expenses rather than cost of sales.

### **STATEMENT OF CASH FLOWS**

As a result of IFRS 16 lease payments, which were previously recorded in the statement of comprehensive income as a rent expense, are now shown on the statement of cash flows as depreciation and finance costs within net cash from operations, and lease payments within net cash used in financing activities.

There are no other material differences between the cashflow statement presented under IFRS and that presented under UK GAAP.

## STATEMENT OF COMPREHENSIVE INCOME RECONCILIATIONS

	As previously reported Year Ended 31 March 2018 £'000	IFRS 16 £'000	IFRS 3 £'000	Reclasses £'000	Under IFRS Year Ended 31 March 2018 £'000
Revenue	72,854	–	–	–	<b>72,854</b>
Cost of sales	(58,228)	–	–	148	<b>(58,080)</b>
<b>Gross profit</b>	<b>14,626</b>	<b>–</b>	<b>–</b>	<b>148</b>	<b>14,774</b>
Administration expenses	(8,846)	33	39	(148)	<b>(8,922)</b>
<b>Operating profit</b>	<b>5,780</b>	<b>33</b>	<b>39</b>	<b>–</b>	<b>5,852</b>
<b>Adjusted earnings before tax, depreciation, amortisation and exceptional items</b>	<b>7,499</b>	<b>200</b>	<b>–</b>	<b>–</b>	<b>7,699</b>
Depreciation	(400)	(167)	–	–	<b>(567)</b>
Amortisation	(46)	–	39	–	<b>(7)</b>
Exceptional items	(953)	–	–	–	<b>(953)</b>
Net loss from transactions in non-hedging foreign exchange derivative contracts	(320)	–	–	–	<b>(320)</b>
<b>Operating profit</b>	<b>5,780</b>	<b>33</b>	<b>39</b>	<b>–</b>	<b>5,852</b>
Finance income	–	–	–	–	<b>–</b>
Finance costs	(372)	(13)	–	–	<b>(385)</b>
<b>Profit before taxation</b>	<b>5,408</b>	<b>20</b>	<b>39</b>	<b>–</b>	<b>5,467</b>
Income tax	(1,095)	–	–	–	<b>(1,095)</b>
<b>Profit for the year</b>	<b>4,313</b>	<b>20</b>	<b>39</b>	<b>–</b>	<b>4,372</b>



## STATEMENT OF COMPREHENSIVE INCOME RECONCILIATIONS

	As previously reported Year Ended 31 March 2019 £'000	IFRS 16 £'000	IFRS 3 £'000	Reclasses £'000	Under IFRS Year Ended 31 March 2019 £'000
Revenue	80,150	–	–	–	<b>80,150</b>
Cost of sales	(58,539)	–	–	1,076	<b>(57,463)</b>
<b>Gross profit</b>	<b>21,611</b>	<b>–</b>	<b>–</b>	<b>1,076</b>	<b>22,687</b>
Administration expenses	(8,385)	(8)	66	(1,076)	<b>(9,403)</b>
<b>Operating profit</b>	<b>13,226</b>	<b>(8)</b>	<b>66</b>	<b>–</b>	<b>13,284</b>
<b>Adjusted earnings before tax, depreciation, amortisation and exceptional items</b>	<b>14,383</b>	<b>452</b>	<b>–</b>	<b>–</b>	<b>14,835</b>
Depreciation	(709)	(460)	–	–	<b>(1,169)</b>
Amortisation	(78)	–	66	–	<b>(12)</b>
Exceptional items	(370)	–	–	–	<b>(370)</b>
Net loss from transactions in non-hedging foreign exchange derivative contracts	–	–	–	–	–
<b>Operating profit</b>	<b>13,226</b>	<b>(8)</b>	<b>66</b>	<b>–</b>	<b>13,284</b>
Finance income	28	–	–	–	<b>28</b>
Finance costs	(515)	(84)	–	–	<b>(599)</b>
<b>Profit before taxation</b>	<b>12,739</b>	<b>(92)</b>	<b>66</b>	<b>–</b>	<b>12,713</b>
Income tax	(2,317)	–	–	–	<b>(2,317)</b>
<b>Profit for the year</b>	<b>10,422</b>	<b>(92)</b>	<b>66</b>	<b>–</b>	<b>10,396</b>

## STATEMENT OF FINANCIAL POSITION RECONCILIATIONS

	As previously reported at 1 April 2017 £'000	IFRS 16 £'000	IFRS 3 £'000	Reclasses £'000	Under IFRS as at 1 April 2017 £'000
<b>Assets</b>					
Goodwill and other intangibles	162	–	–	–	162
Property, plant and equipment	1,819	–	–	–	1,819
Right of use assets	–	206	–	–	206
Investments	–	–	–	–	–
Deferred tax	–	–	–	8	8
<b>Total non-current assets</b>	<b>1,981</b>	<b>206</b>	<b>–</b>	<b>8</b>	<b>2,195</b>
<b>Current assets</b>					
Inventories	8,376	–	–	–	8,376
Trade and other receivables	13,224	–	–	(17)	13,207
Corporation tax recoverable	–	–	–	9	9
Cash and cash equivalents	1,879	–	–	–	1,879
<b>Total current assets</b>	<b>23,479</b>	<b>–</b>	<b>–</b>	<b>(8)</b>	<b>23,471</b>
<b>Total assets</b>	<b>25,460</b>	<b>206</b>	<b>–</b>	<b>–</b>	<b>25,666</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Borrowings	1,146	146	–	–	1,292
Trade and other payables	8,935	–	–	(1,527)	7,408
Derivative financial instruments	–	–	–	151	151
Current tax	–	–	–	1,376	1,376
<b>Total current liabilities</b>	<b>10,081</b>	<b>146</b>	<b>–</b>	<b>–</b>	<b>10,227</b>
<b>Net current assets</b>	<b>13,398</b>	<b>(146)</b>	<b>–</b>	<b>(8)</b>	<b>13,244</b>
Borrowings	1,979	51	–	–	2,030
Deferred tax liability	–	–	–	–	–
<b>Total non-current liabilities</b>	<b>1,979</b>	<b>51</b>	<b>–</b>	<b>–</b>	<b>2,030</b>
<b>Total liabilities</b>	<b>12,060</b>	<b>197</b>	<b>–</b>	<b>–</b>	<b>12,257</b>
<b>Net assets</b>	<b>13,400</b>	<b>9</b>	<b>–</b>	<b>–</b>	<b>13,409</b>
<b>Equity</b>					
Share capital	–	–	–	–	–
Retained earnings	13,400	9	–	–	13,409
<b>Total equity</b>	<b>13,400</b>	<b>9</b>	<b>–</b>	<b>–</b>	<b>13,409</b>

## STATEMENT OF FINANCIAL POSITION RECONCILIATIONS

	As previously reported at 31 March 2018 £'000	IFRS 16 £'000	IFRS 3 £'000	Reclasses £'000	Under IFRS as at 31 March 2018 £'000
<b>Assets</b>					
Goodwill and other intangibles	306	–	39	–	345
Property, plant and equipment	2,704	–	–	–	2,704
Right of use assets	–	993	–	–	993
Investments	60	–	–	–	60
Deferred tax	–	–	–	–	–
<b>Total non-current assets</b>	<b>3,070</b>	<b>993</b>	<b>39</b>	<b>–</b>	<b>4,102</b>
<b>Current assets</b>					
Inventories	11,786	–	–	–	11,786
Trade and other receivables	12,529	–	–	(53)	12,476
Corporation tax recoverable	–	–	–	53	53
Cash and cash equivalents	9,123	–	–	–	9,123
<b>Total current assets</b>	<b>33,438</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>33,438</b>
<b>Total assets</b>	<b>36,508</b>	<b>993</b>	<b>39</b>	<b>–</b>	<b>37,540</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Borrowings	16,712	240	–	–	16,952
Trade and other payables	9,748	–	–	(1,863)	7,885
Derivative financial instruments	–	–	–	778	778
Current tax	–	–	–	1,085	1,085
<b>Total current liabilities</b>	<b>26,460</b>	<b>240</b>	<b>–</b>	<b>–</b>	<b>26,700</b>
<b>Net current assets</b>	<b>6,978</b>	<b>(240)</b>	<b>–</b>	<b>–</b>	<b>6,738</b>
Borrowings	–	724	–	–	724
Deferred tax liability	46	–	–	–	46
<b>Total non-current liabilities</b>	<b>46</b>	<b>724</b>	<b>–</b>	<b>–</b>	<b>770</b>
<b>Total liabilities</b>	<b>26,506</b>	<b>964</b>	<b>–</b>	<b>–</b>	<b>27,470</b>
<b>Net assets</b>	<b>10,002</b>	<b>29</b>	<b>39</b>	<b>–</b>	<b>10,070</b>
<b>Equity</b>					
Share capital	–	–	–	–	–
Retained earnings	10,002	29	39	–	10,070
<b>Total equity</b>	<b>10,002</b>	<b>29</b>	<b>39</b>	<b>–</b>	<b>10,070</b>

## STATEMENT OF FINANCIAL POSITION RECONCILIATIONS

	As previously reported at 31 March 2019 £'000	IFRS 16 £'000	IFRS 3 £'000	Reclasses £'000	Under IFRS as at 31 March 2019 £'000
<b>Assets</b>					
Goodwill and other intangibles	663	–	105	–	768
Property, plant and equipment	2,808	–	–	–	2,808
Right of use assets	–	2,014	–	–	2,014
Investments	60	–	–	–	60
Deferred tax	–	–	–	31	31
<b>Total non-current assets</b>	<b>3,531</b>	<b>2,014</b>	<b>105</b>	<b>31</b>	<b>5,681</b>
<b>Current assets</b>					
Inventories	15,033	–	–	–	15,033
Trade and other receivables	14,072	–	–	(31)	14,041
Corporation tax recoverable	–	–	–	–	–
Cash and cash equivalents	1,694	–	–	–	1,694
<b>Total current assets</b>	<b>30,799</b>	<b>–</b>	<b>–</b>	<b>(31)</b>	<b>30,768</b>
<b>Total assets</b>	<b>34,330</b>	<b>2,014</b>	<b>105</b>	<b>–</b>	<b>36,449</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Borrowings	4,311	488	–	–	4,799
Trade and other payables	9,464	–	–	(1,953)	7,511
Derivative financial instruments	–	–	–	–	–
Current tax	–	–	–	1,953	1,953
<b>Total current liabilities</b>	<b>13,775</b>	<b>488</b>	<b>–</b>	<b>–</b>	<b>14,263</b>
<b>Net current assets</b>	<b>17,024</b>	<b>(488)</b>	<b>–</b>	<b>(31)</b>	<b>16,505</b>
Borrowings	16,419	1,589	–	–	18,008
Deferred tax liability	–	–	–	–	–
<b>Total non-current liabilities</b>	<b>16,419</b>	<b>1,589</b>	<b>–</b>	<b>–</b>	<b>18,008</b>
<b>Total liabilities</b>	<b>30,194</b>	<b>2,077</b>	<b>–</b>	<b>–</b>	<b>32,271</b>
<b>Net assets</b>	<b>4,136</b>	<b>(63)</b>	<b>105</b>	<b>–</b>	<b>4,178</b>
<b>Equity</b>					
Share capital	–	–	–	–	–
Retained earnings	4,136	(63)	105	–	4,178
<b>Total equity</b>	<b>4,136</b>	<b>(63)</b>	<b>105</b>	<b>–</b>	<b>4,178</b>

## PART VI

### UNAUDITED INTERIM FINANCIAL INFORMATION OF THE GROUP

#### SECTION A: ACCOUNTANT'S REPORT ON THE UNAUDITED INTERIM FINANCIAL INFORMATION OF THE GROUP



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27 January 2021

Ladies and Gentlemen

**Supreme plc (the "Company")  
and its subsidiary undertakings (together, the "Group")**

#### **Introduction**

We report on the interim financial information set out in Section B of Part VI. This financial information has been prepared for inclusion in the admission document dated 27 January 2021 of the Company (the "Admission Document") on the basis of the accounting policies set out in note 2 to the financial information. This report is required by paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose. We have not audited or reviewed the financial information for the six months ended 30 September 2019 which has been included for comparative purposes only and accordingly do not express an opinion thereon.

#### **Responsibilities**

The directors of the Company are responsible for preparing the interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting", as adopted by the European Union.

It is our responsibility to express a conclusion based on our review of the interim financial information.

Save for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

#### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410) issued by the Financial Reporting Council for use in the United Kingdom.

A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information for the six months ended 30 September 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union.

### **Declaration**

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that, to the best of our knowledge, the information contained in this report is in accordance with the facts and makes no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

### **BDO LLP**

*Chartered Accountants*

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

## SECTION B: UNAUDITED INTERIM FINANCIAL INFORMATION OF THE GROUP

### Unaudited Consolidated Statement of Comprehensive Income

		6 months ended 30 September 2020	6 months ended 30 September 2019	Year ended 31 March 2020
	Note	£'000	£'000	£'000
Revenue	3	56,336	39,533	92,329
Cost of sales		(42,054)	(28,106)	(65,509)
<b>Gross profit</b>		<b>14,282</b>	<b>11,427</b>	<b>26,820</b>
Administration expenses		(7,120)	(5,499)	(12,827)
<b>Operating profit</b>		<b>7,162</b>	<b>5,928</b>	<b>13,993</b>
<b>Adjusted EBITDA<sup>1</sup></b>		<b>8,398</b>	<b>6,955</b>	<b>16,209</b>
Depreciation		(943)	(730)	(1,548)
Amortisation		(51)	–	(25)
Exceptional items	4	(242)	(297)	(643)
<b>Operating profit</b>		<b>7,162</b>	<b>5,928</b>	<b>13,993</b>
Finance income		–	–	3
Finance costs		(374)	(410)	(783)
<b>Profit before taxation</b>		<b>6,788</b>	<b>5,518</b>	<b>13,213</b>
Income tax	5	(1,341)	(981)	(2,318)
<b>Profit for the period/year</b>		<b>5,447</b>	<b>4,537</b>	<b>10,895</b>
<b>Other comprehensive income</b>				
Currency translation differences		56	–	(9)
<b>Total comprehensive income for the period/year</b>		<b>5,503</b>	<b>4,537</b>	<b>10,886</b>
Earnings per share – basic	6	£0.05	£0.04	£0.10
Earnings per share – diluted	6	£0.05	£0.04	£0.10

Note 1: Adjusted EBITDA, which is defined as profit before finance income, finance costs, tax, depreciation, amortisation, and exceptional items is a non-GAAP metric used by management and is not an IFRS disclosure.

All results derive from continuing operations.



## Unaudited Consolidated Statement of Financial Position

	As at 30 September 2020 £'000	As at 30 September 2019 £'000	As at 31 March 2020 £'000
<b>Assets</b>			
Goodwill and other intangibles	1,852	770	1,778
Property, plant and equipment	3,516	3,270	3,458
Right of use asset	1,239	1,753	1,495
Investments	7	60	7
<b>Total non-current assets</b>	<b>6,614</b>	<b>5,853</b>	<b>6,738</b>
<b>Current assets</b>			
Inventories	19,799	14,805	14,458
Trade and other receivables	22,445	15,583	16,739
Derivative financial instruments	–	–	209
Income tax recoverable	–	–	9
Cash and cash equivalents	3,494	2,910	6,718
<b>Total current assets</b>	<b>45,738</b>	<b>33,298</b>	<b>38,133</b>
<b>Total assets</b>	<b>52,352</b>	<b>39,151</b>	<b>44,871</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Borrowings	7,209	7,464	7,181
Trade and other payables	19,163	5,854	13,682
Income tax payable	2,667	3,432	2,340
<b>Total current liabilities</b>	<b>29,039</b>	<b>16,750</b>	<b>23,203</b>
<b>Net current assets</b>	<b>16,699</b>	<b>16,548</b>	<b>14,930</b>
Borrowings	14,563	13,686	17,413
Deferred tax liability	183	–	191
<b>Total non-current liabilities</b>	<b>14,746</b>	<b>13,686</b>	<b>17,604</b>
<b>Total liabilities</b>	<b>43,785</b>	<b>30,436</b>	<b>40,807</b>
<b>Net assets</b>	<b>8,567</b>	<b>8,715</b>	<b>4,064</b>
<b>Equity</b>			
Share capital	11,001	11,001	11,001
Merger reserve	(22,000)	(22,000)	(22,000)
Retained earnings	19,566	19,714	15,063
<b>Total equity</b>	<b>8,567</b>	<b>8,715</b>	<b>4,064</b>

## Unaudited Consolidated Statement of Changes in Equity

	Share capital £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
<b>As at 1 April 2019</b>	11,001	(22,000)	15,177	<b>4,178</b>
Profit for the year	–	–	10,895	<b>10,895</b>
Other comprehensive income	–	–	(9)	<b>(9)</b>
Total comprehensive income for the year	–	–	<b>10,886</b>	<b>10,886</b>
<i>Transactions with shareholders:</i>				
Dividends	–	–	(11,000)	<b>(11,000)</b>
<b>As at 31 March 2020</b>	<b>11,001</b>	<b>(22,000)</b>	<b>15,063</b>	<b>4,064</b>
<b>As at 1 April 2019</b>	11,001	(22,000)	15,177	<b>4,178</b>
Profit for the period	–	–	4,537	<b>4,537</b>
Total comprehensive income for the period	–	–	4,537	<b>4,537</b>
<b>As at 30 September 2019</b>	<b>11,001</b>	<b>(22,000)</b>	<b>19,714</b>	<b>8,715</b>
<b>As at 1 April 2020</b>	11,001	(22,000)	15,063	<b>4,064</b>
Profit for the period	–	–	5,447	<b>5,447</b>
Other comprehensive income	–	–	56	<b>56</b>
Total comprehensive income for the period	–	–	<b>5,503</b>	<b>5,503</b>
<i>Transactions with shareholders:</i>				
Dividends	–	–	(1,000)	<b>(1,000)</b>
<b>As at 30 September 2020</b>	<b>11,001</b>	<b>(22,000)</b>	<b>19,566</b>	<b>8,567</b>

## Unaudited Consolidated Statement of Cash Flows

	6 months ended 30 September 2020 £'000	6 months ended 30 September 2019 £'000	Year ended 31 March 2020 £'000
<b>Net cash flow from operating activities</b>			
Profit for the period	5,447	4,537	10,895
<b>Adjustments for:</b>			
Amortisation of intangible assets	51	–	25
Depreciation of tangible assets	943	730	1,548
Fixed asset investment written off	–	–	60
Finance income	–	–	(3)
Finance costs	374	410	783
Amortisation of capitalised finance costs	–	–	149
Income tax expense	1,341	981	2,318
<b>Working capital adjustments</b>			
(Increase)/decrease in inventories	(5,341)	228	2,472
Increase in trade and other receivables	(5,441)	(2,214)	(942)
Decrease in trade and other payables	4,304	(2,007)	1,442
Taxation (paid)/received	(1,000)	553	(1,716)
<b>Net cash (used in)/generated from operations</b>	<b>678</b>	<b>3,218</b>	<b>17,031</b>
<b>Cash flows used in investing activities</b>			
Purchase of intangible fixed assets	(125)	(2)	(26)
Purchase of property, plant and equipment	(745)	(931)	(1,655)
Purchase of subsidiaries net of cash acquired	–	–	(3,547)
Directors loan account movement	2	(23)	–
Interest received	–	–	3
<b>Net cash used in investing activities</b>	<b>(868)</b>	<b>(956)</b>	<b>(5,225)</b>
<b>Cash flows used in financing activities</b>			
Drawdown of loans	–	–	6,000
Repayment of loans	(2,593)	(1,867)	(4,066)
Drawdown of other loans	–	–	3,735
Payment of deferred consideration	(195)	–	–
Dividends paid	(1,000)	–	(11,000)
Finance costs paid	(360)	(384)	(691)
Lease payments	(283)	(283)	(579)
<b>Net cash used in financing activities</b>	<b>(4,431)</b>	<b>(2,534)</b>	<b>(6,601)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(4,621)</b>	<b>(272)</b>	<b>5,205</b>
<b>Cash and cash equivalents brought forward</b>	<b>6,718</b>	<b>1,543</b>	<b>1,543</b>
Foreign exchange	–	–	(30)
<b>Cash and cash equivalents carried forward</b>	<b>2,097</b>	<b>1,271</b>	<b>6,718</b>
Cash and cash equivalents	3,494	2,910	6,718
Bank overdraft	(1,397)	(1,639)	–
	<b>2,097</b>	<b>1,271</b>	<b>6,718</b>

## Notes to the Unaudited Interim Financial Information

### 1. Basis of preparation

The interim financial information of Supreme Limited for the six months ended 30 September 2020, which is unaudited, has been prepared in accordance with International Financial Reporting Standards ('IFRS') and the accounting policies adopted by Supreme Limited and set out in Section B of Part IV to this Admission Document. Supreme Limited does not anticipate any change in these accounting policies for the year ending 31 March 2021.

The unaudited interim financial information has been prepared on a going concern basis under the historical cost convention. The unaudited interim financial information is presented in pounds sterling and all values are rounded to the nearest thousand pounds (£'000), except where otherwise indicated. The financial information, including for the year ended 31 March 2020, does not constitute statutory accounts for the purposes of section 434 of the Companies Act 2006. The statutory accounts for 31 March 2020 have been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

This unaudited interim financial information presents the financial track record of Supreme Limited for the interim periods ended 30 September 2019 and 2020 and is prepared for the purposes of admission to AIM, a market operated by the London Stock Exchange. This unaudited interim financial information has been prepared in accordance with the requirements of the AIM Rules for Companies, IAS 34 "Interim Financial Reporting" and in accordance with this basis of preparation summarised above.

### 2. Summary of significant accounting policies

The principal accounting policies adopted are set out in this Section B of Part VI to this Admission Document except as follows:

#### 2.1 *Taxation*

Taxes on income in the interim periods are accrued using management's best estimate of the weighted average annual tax rate that would be applicable to expected total annual earnings.

### 3. Segmental analysis

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

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

	Batteries £'000	Lighting £'000	Vaping £'000	Sports nutrition & wellness £'000	Branded household consumer goods £'000	6 months ended 30 September 2020 £'000
Revenue	14,760	11,109	19,189	2,177	9,101	56,336
Cost of sales	(13,435)	(7,745)	(12,084)	(1,280)	(8,086)	(42,630)
<b>Gross profit before foreign exchange</b>	<b>1,325</b>	<b>3,364</b>	<b>7,105</b>	<b>897</b>	<b>1,015</b>	<b>13,706</b>
Foreign exchange						576
<b>Gross profit</b>						<b>14,282</b>
Administration expenses						(7,120)
<b>Operating profit</b>						<b>7,162</b>
<b>Adjusted earnings before tax, depreciation, amortisation and exceptional items</b>						<b>8,398</b>
Depreciation						(943)
Amortisation						(51)
Exceptional items						(242)
<b>Operating profit</b>						<b>7,162</b>
Finance income						–
Finance costs						(374)
<b>Profit before taxation</b>						<b>6,788</b>
Income tax						(1,341)
<b>Profit for the period</b>						<b>5,447</b>

	Batteries £'000	Lighting £'000	Vaping £'000	Sports nutrition & wellness £'000	Branded household consumer goods £'000	6 months ended 30 September 2019 £'000
Revenue	14,084	10,465	12,603	2,096	285	39,533
Cost of sales	(12,682)	(7,270)	(7,298)	(1,222)	(193)	(28,665)
<b>Gross profit before foreign exchange</b>	<b>1,402</b>	<b>3,195</b>	<b>5,305</b>	<b>874</b>	<b>92</b>	<b>10,868</b>
Foreign exchange						559
<b>Gross profit</b>						<b>11,427</b>
Administration expenses						(5,499)
<b>Operating profit</b>						<b>5,928</b>
<b>Adjusted earnings before tax, depreciation, amortisation and exceptional items</b>						<b>6,955</b>
Depreciation						(730)
Amortisation						–
Exceptional items						(297)
<b>Operating profit</b>						<b>5,928</b>
Finance income						–
Finance costs						(410)
<b>Profit before taxation</b>						<b>5,518</b>
Income tax						(981)
<b>Profit for the period</b>						<b>4,537</b>

## Analysis of revenue by geographical destination

	6 months ended 30 September 2020 £'000	6 months ended 30 September 2019 £'000
United Kingdom	51,763	34,660
Rest of Europe	4,008	4,256
Rest of the World	565	617
	<u>56,336</u>	<u>39,533</u>

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.

## 4. Exceptional costs and non-recurring items

	6 months ended 30 September 2020 £'000	6 months ended 30 September 2019 £'000
Transaction related costs	40	–
Refinancing costs	74	–
Restructuring costs	128	297
	<u>242</u>	<u>297</u>

Transaction related costs represent adviser fees for IPO services performed to date.

Refinancing costs represent the amortisation of arrangement and associate adviser fees incurred in obtaining the HSBC Senior Debt in FY19 and FY20. Total costs of £744,000 will be amortised over 5 years.

Restructuring costs comprise redundancy costs for 18 employees following the acquisition of LED Hut in FY19 and wider restructuring within the Group that took place thereafter.

## 5. Taxation

The income tax expense for the half year ended 30 September 2020 is based upon management's best estimate of the weighted average annual tax rate expected for the full year ending 31 March 2021. The income tax expense is marginally higher than the standard rate of 19% predominantly due to disallowable expenses.

## 6. 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 period.

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:

	<b>6 months ended 30 September 2020 £'000</b>	<b>6 months ended 30 September 2019 £'000</b>
Profit for the period after tax	5,447	4,537
	No.	No.
Weighted average number of shares for the purposes of basic earnings per share	110,005,000	110,005,000
Weighted average dilutive effect of conditional share awards	1,256,158	1,256,158
Weighted average number of shares for the purposes of diluted earnings per share	111,261,158	111,261,158
	£	£
Basic profit per share	0.05	0.04
Diluted profit per share	0.05	0.04

## 7. Financial instruments

The fair values of all financial instruments included in the statement of financial position are a reasonable approximation of their carrying values.

## 8. Dividends

Dividends of £1,000,000 were declared in the 6 months ended 30 September 2020 (2019: £nil). This amounted to £0.01 per share (2019: £nil).

## 9. Post balance date events

Following the year end, Supreme Imports Limited acquired 100% of the share capital of GT Divisions Limited for consideration of £1,071,000. The book value of the assets acquired was £121,000. The company is in the process of performing a detailed PPA exercise including calculation of the fair values of the assets acquired following which the intangible asset of £950,000 will be allocated amongst the acquired intangibles, expected to be brand, customer relationships, other intangibles, and goodwill.

On 22 October 2020, an accident took place in the manufacturing facility at VN Labs Limited, a subsidiary of Supreme Limited, that resulted in a machine operator being injured. The Company immediately contacted the Health & Safety Executive (Britain's national regulator for workplace health & safety) who are now undertaking an investigation. The Company continues to make all resources available to the HSE and will co-operate until the matter is concluded. There is not expected to be any material financial impact on the Company.

On 28 October 2020 the Company reregistered as a public company, under the name of Supreme plc.

## PART VII

### UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE GROUP

The unaudited pro forma statement of net assets set out below has been prepared by the Directors to illustrate the effect on the Company's net assets of the Placing proceeds ('Proceeds') and the repayment of existing debt as if they had taken place on 30 September 2020.

The unaudited pro forma statement of net assets is based on the consolidated statement of financial position of the Company as at 30 September 2020 and compiled on the basis set out in the notes below.

The unaudited pro forma statement of net assets has been prepared for illustrative purposes only and illustrates the impact of the Proceeds and the repayment of existing debt as if they had been undertaken at a hypothetical earlier date. As a result, the hypothetical financial position included in the unaudited pro forma statement of net assets may differ from the Company's actual financial position or results. Prospective investors should read the whole of this Document and not rely solely on the summarised financial information contained in this Part VII.

	The Group's consolidated net assets as at 30 September 2020 Note 1 £'000	Adjustments		Pro forma consolidated net assets £'000
		Net proceeds of the primary placing receivable by the Company Note 2 £'000	Repayments of existing bank and other borrowings Note 3 £'000	
<b>Assets</b>				
Goodwill and other intangibles	1,852	–	–	1,852
Property, plant and equipment	3,516	–	–	3,516
Right of use asset	1,239	–	–	1,239
Investments	7	–	–	7
<b>Total non-current assets</b>	<b>6,614</b>	<b>–</b>	<b>–</b>	<b>6,614</b>
<b>Current assets</b>				
Inventories	19,799	–	–	19,799
Trade and other receivables	22,445	–	–	22,445
Cash and cash equivalents	3,494	5,579	(7,500)	1,573
<b>Total current assets</b>	<b>45,738</b>	<b>5,579</b>	<b>(7,500)</b>	<b>43,817</b>
<b>Total assets</b>	<b>52,352</b>	<b>5,579</b>	<b>(7,500)</b>	<b>50,431</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Borrowings	7,209	–	–	7,209
Trade and other payables	19,163	–	–	19,163
Income tax payable	2,667	–	–	2,667
<b>Total current liabilities</b>	<b>29,039</b>	<b>–</b>	<b>–</b>	<b>29,039</b>
<b>Net current assets</b>	<b>16,699</b>	<b>5,579</b>	<b>(7,500)</b>	<b>14,778</b>

	The Group's consolidated net assets as at 30 September 2020 Note 1 £'000	Adjustments		Pro forma consolidated net assets £'000
		Net proceeds of the primary placing receivable by the Company Note 2 £'000	Repayments of existing bank and other borrowings Note 3 £'000	
Borrowings	14,563	–	(7,500)	7,063
Deferred tax liability	183	–	–	183
<b>Total non-current liabilities</b>	<b>14,746</b>	<b>–</b>	<b>(7,500)</b>	<b>7,246</b>
<b>Total liabilities</b>	<b>43,785</b>	<b>–</b>	<b>(7,500)</b>	<b>36,285</b>
<b>Net assets</b>	<b>8,567</b>	<b>5,579</b>	<b>–</b>	<b>14,146</b>

### Explanatory notes to the Pro Forma Statement of Net Assets

1. The net assets of the Company as at 30 September 2020 have been extracted without adjustment from the interim historical financial information contained in Section B of Part VI of this document.
2. The adjustment represents the receipt by the Company of the net primary proceeds from the Placing of £5,579,000, which comprises gross proceeds from the primary Placing of £7.5 million through the issue of new ordinary shares less the fees and expenses of the Placing expected to be approximately £1,921,000 (net of recoverable VAT). The costs attributable to the issue of new ordinary shares will be deducted from share premium and the other costs attributable to the Admission will be expensed.
3. This adjustment in this column reflects the repayment of bank loans of £7.5 million.

No account has been taken of trading results, cash movements, or other transactions undertaken by the Group since 30 September 2020 nor of any other event save as disclosed above.

## PART VIII

### TERMS AND CONDITIONS OF THE PLACING

The terms and conditions set out in this document (the “**Terms and Conditions**”) do not constitute an offer or invitation to acquire, underwrite or dispose of, or any solicitation of any offer or invitation to acquire, underwrite or dispose of, any Shares or other securities of the Company to any person in any jurisdiction to whom it is unlawful to make such offer, invitation or solicitation in such jurisdiction. Persons who seek to participate in the Placing must inform themselves about and observe any such restrictions and must be persons who are able to lawfully receive this document in their jurisdiction (all such persons being “**Relevant Persons**”).

Members of the public are not eligible to take part in the Placing. Prospective investors must inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer, redemption or other disposal of the Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer, redemption or other disposal of the Shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer, redemption or other disposal of the Shares. This document (including these Terms and Conditions) does not constitute an offer to sell, or the solicitation of an offer to acquire or subscribe for, Shares in any jurisdiction where such offer or solicitation is unlawful or would impose any unfulfilled registration, qualification, publication or approval requirements on the Company or Berenberg.

The Shares have not been, and will not be, registered under the US Securities Act 1933, as amended (“**US Securities Act**”), or the securities laws of any State or other jurisdiction of the United States. The Shares may not be offered or sold, directly or indirectly, in or into the United States (except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the US Securities Act). No public offering of the Shares is being made in the United States. The Shares are being offered and sold only outside the United States in “offshore transactions” within the meaning of, and in reliance on, Regulation S. The Shares have not been approved or disapproved by the United States Securities and Exchange Commission, any state securities commission in the United States or any other regulatory authority in the United States, nor have any of the foregoing authorities passed on or endorsed the merits of the Placing or the accuracy or adequacy of the information contained in this document (including these Terms and Conditions). Any representation to the contrary is a criminal offence in the United States.

The offer and sale of Shares has not been and will not be registered under the applicable securities laws of Canada, Australia, Japan, New Zealand or South Africa. Subject to certain exemptions, the Shares may not be offered to or sold within Canada, Australia, Japan, South Africa or New Zealand or to any national, resident or citizen of Canada, Australia, Japan, South Africa or New Zealand.

In the United Kingdom, this document (including these Terms and Conditions) is being distributed to, and is directed only at “qualified investors” (as defined in the Prospectus Regulation (as defined below)) who are (i) persons having professional experience in matters relating to investments who fall within the definition of “investment professionals” in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Order**”), and/or (ii) high net worth bodies corporate, unincorporated associations and partnerships and trustees of high value trusts as described in Article 49(2)(a) to (d) of the Order, or (iii) persons to whom it is otherwise lawful to distribute this document, and persons within the United Kingdom who receive this document (other than persons falling within such description) should not rely on or act upon this document. Any investment activity to which this document relates is available only to and will be engaged in only with such persons.

In relation to each member state of the European Economic Area (each, a “**Relevant Member State**”), no Shares have been offered, or will be offered, pursuant to the Placing to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Shares which has been approved by the competent authority in that Relevant Member State, all in accordance with the Prospectus Regulation, except that offers of Shares to the public may be made at any time under the following exemptions under the Prospectus Regulation:

A. to any legal entity which is a “qualified investor” (as defined in the Prospectus Regulation);

- B. to fewer than 150, natural or legal persons (other than “qualified investors”) in such Relevant Member State; or
- C. in any other circumstances falling within Article 4(2) of the Prospectus Regulation,

provided that no such offer of Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Regulation or any measure implementing the Prospectus Regulation in a Relevant Member State and each person who initially acquires any Shares or to whom any offer is made under the Placing will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of Article 2(e) of the Prospectus Regulation. For the purposes of this provision, the expression “an offer to the public” in relation to any offer of Shares in any Relevant Member State means a communication in any form and by any means presenting sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Regulation in that Relevant Member State and the expression the “**Prospectus Regulation**” means Regulation (EU) 2017/1129 (as amended), to the extent implemented in the Relevant Member State and includes any relevant Implementing measure in each Relevant Member State.

These Terms and Conditions apply to persons who are invited to and who choose to purchase Placing Shares in the Placing (each a “**Placee**”). Each Placee hereby agrees with Berenberg to be legally and irrevocably bound by these Terms and Conditions which will be the Terms and Conditions on which the Placing Shares will be acquired in the Placing.

Acceptance of any offer incorporating the Terms and Conditions (whether orally or in writing or evidenced by way of a contract note) will constitute a binding irrevocable commitment by a Placee, subject to the Terms and Conditions set out below, to subscribe and pay for the relevant number of Placing Shares (the “**Placing Participation**”). Such commitment is not capable of termination or rescission by the Placees in any circumstances except fraud. All such obligations are entered into by the Placees with Berenberg in its capacity as agent for the Company and are therefore directly enforceable by the Company.

In the event that Berenberg has procured acceptances from Placees in connection with the Placing prior to the date of the despatch of this document to a Placee, Berenberg will, prior to Admission, request confirmation from any such Placee that its Placing Participation as agreed in any earlier commitment remains firm and binding upon the Terms and Conditions of this document and referable to the contents of this document of which these Terms and Conditions form part. Upon such confirmation being given (whether orally, in writing or by conduct (including, without limitation, by receipt of the relevant placing proceeds by Berenberg)) any agreement made in respect of the Placing Shares shall be varied, amended and/or ratified in accordance with the Terms and Conditions and based upon this document and no reliance may be placed by a Placee on any earlier version of this document.

### **Terms of the Placing**

Application has been made to the London Stock Exchange for the admission of the Placing Shares to trading on AIM. Except as otherwise set forth herein, it is anticipated that dealings in the Placing Shares will commence on AIM at 8.00 a.m. on 1 February 2021 for normal account settlement and that Admission will become effective on that date. The Placing Shares will not be admitted to trading on any stock exchange other than AIM. Each Placee will be deemed to have read these Terms and Conditions in their entirety. Berenberg is acting for the Company only and no one else in connection with the Placing and will not regard any other person (whether or not a recipient of these Terms and Conditions) as a client in relation to the Placing and to the fullest extent permitted by law and applicable FCA rules, neither Berenberg nor any of its affiliates will have any liability to Placees or to any person other than the Company in respect of the Placing.

The Placing Shares will rank equally in all respects with the existing Shares of the Company on Admission, including the right to receive dividends or other distributions declared on or after Admission, if any.

## Conditions

Your Placing Participation is in all respects conditional upon:

- (i) the Placing Agreement becoming unconditional in all respects and not having been terminated in accordance with its terms; and
- (ii) Admission having become effective,

in each case by 1 February 2021 or such later time and/or date as the Company, Grant Thornton and Berenberg agree, but in any event being no later than 26 February 2021.

Pursuant to the Placing Agreement, Berenberg has agreed, on behalf of and as agent for the Company and the Selling Shareholders, to use its reasonable endeavours to procure subscribers or purchasers for the Placing Shares at the Placing Price, subject to these Terms and Conditions. The Placing is not being underwritten.

The Placing Agreement contains certain warranties and undertakings from the Company, the Directors and the Selling Shareholders and certain indemnities from the Company, in each case for the benefit of Grant Thornton and Berenberg. Grant Thornton and/or Berenberg may, in their absolute discretion, terminate the Placing Agreement if prior to Admission, inter alia, a force majeure event occurs, there is a breach of any of the undertakings or any fact or circumstance arises which causes a warranty to become untrue or inaccurate in any respect. The exercise by Grant Thornton and/or Berenberg of any right of termination or any right of waiver exercisable by Grant Thornton and/or Berenberg contained in the Placing Agreement or under the Terms and Conditions set out herein is within the absolute discretion of Grant Thornton and/or Berenberg (as the case may be) and neither Grant Thornton nor Berenberg will have any liability to you whatsoever in connection with any decision to exercise, or not exercise, any such rights.

If (i) any of the conditions in the Placing Agreement are not satisfied (or, where relevant, waived) or (ii) the Placing Agreement is terminated or (iii) the Placing Agreement does not otherwise become unconditional in all respects, the Placing will not proceed and all funds delivered by you to Berenberg will be returned to you at your risk without interest, and your rights and obligations hereunder shall cease and determine at such time and no claim shall be made by you in respect thereof.

None of the Company, the Directors, the Selling Shareholders, Grant Thornton or Berenberg owes any fiduciary duty to any Placee in respect of the representations, warranties, undertakings or indemnities in the Placing Agreement.

## Settlement

The Company has applied for the Shares to be held in CREST and settlement of the Placing Shares will take place in CREST.

Placing Shares will be delivered direct into your CREST account, provided payment has been made in terms satisfactory to Berenberg and the details provided by you have provided sufficient information to allow the CREST system to match to the CREST account specified. Placing Shares comprised in your Placing Participation are expected to be delivered to the CREST account which you specify by telephone to your usual sales contact at Berenberg.

If you do not provide any CREST details or if you provide insufficient CREST details to match within the CREST system to your details, Berenberg may at its discretion deliver your Placing Participation in certificated form provided payment has been made in terms satisfactory to Berenberg and all conditions in relation to the Placing have been satisfied or waived.

Subject to the conditions set out above, payment in respect of your Placing Participation is due as set out below. You should provide your settlement details in order to enable instructions to be successfully matched in CREST. The relevant settlement details are as follows:

CREST participant ID of Berenberg:	5KQAQ
Expected Trade date:	27 January 2021
Settlement date:	1 February 2021
ISIN code for the Placing Shares:	GB00BDT89C08
Deadline for you to input instructions into CREST:	12.00 p.m. (UK time) on 29 January 2021



In the event that the Placing Agreement does not become unconditional in all respects or is terminated, the Placing will not proceed. Once the Placing Shares are allotted and issued, such Placing Shares will be admitted to CREST with effect from Admission. It is expected that dealings on AIM in the Placing Shares will commence at 8.00 a.m. on 1 February 2021.

#### **Further Terms, Confirmations and Warranties**

In accepting the Placing Participation, you make the following confirmations, acknowledgements, warranties and/or undertakings to Grant Thornton, Berenberg and the Company and their respective directors/agents and advisers:

1. You represent and warrant that you have read these Terms and Conditions in their entirety and acknowledge that your participation in the Placing will be governed by the terms, conditions, representations, warranties, acknowledgements, agreements and undertakings of these Terms and Conditions.
2. You acknowledge and agree that your acceptance of your Placing Participation on the terms, set out in this document and these Terms and Conditions is legally binding, irrevocable and is not capable of termination or rescission by you in any circumstances.
3. You confirm, represent and warrant that you have not relied on, received nor requested, nor do you have any need to receive, any prospectus, offering memorandum, listing particulars or any other document other than this document, describing the business and affairs of the Company which has been prepared for delivery to prospective Investors in order to assist them in making an investment decision in respect of the Placing Shares. You further confirm, represent and warrant that you are not relying on any information given or any representations, warranties, agreements or undertakings (express or implied), written or oral, or statements made at any time by the Company, Grant Thornton or Berenberg or by any subsidiary, holding company, branch or associate of the Company, Grant Thornton or Berenberg, or any of their respective officers, directors, agents, employees or advisers, or any other person in connection with the Placing other than information contained in this document and neither Grant Thornton, Berenberg nor the Company or any of their respective directors and/or employees and/or person(s) acting on behalf of any of them shall, to the maximum extent permitted under law, have any liability (except in the case of fraud) in respect of any such other information, representation, warranty, agreement, undertaking or statement. You irrevocably and unconditionally waive any right you may have in respect of such other information, representation, warranty, agreement, undertaking or statement. You further confirm, represent and warrant that in making your application under the Placing you will be relying solely on the information contained in this document and these Terms and Conditions and that you have reviewed this document, including (without limitation) the discussion of the conditions of the Placing Agreement, commission payable to Berenberg, and the Risk Factors related to the Company, its operations and the Shares.
4. You acknowledge and agree that the content of this document is exclusively the responsibility of the Company and its directors and neither Grant Thornton, Berenberg, nor any of their respective directors and/or employees or any person acting on their behalf shall have any liability for any information, representation or statement contained in this document or for any information published by or on behalf of the Company or for any decision by you to participate in the Placing based on any information, representation or statement contained in this document or otherwise.
5. You confirm, represent and warrant that you are sufficiently knowledgeable to understand and be aware of the risks associated with, and other characteristics of, the Placing Shares and, among others, of the fact that you may not be able to resell the Placing Shares except in accordance with certain limited exemptions under applicable securities legislation and regulatory instruments.
6. You confirm, represent and warrant, if a body corporate, that you are a valid and subsisting body corporate and have all the necessary corporate capacity and authority to execute your obligations in connection with your Placing Participation.
7. You agree that the exercise by Grant Thornton and Berenberg of any right of termination or any right of waiver exercisable by Grant Thornton and Berenberg contained in the Placing Agreement or the exercise of any discretion thereunder is within the absolute discretion of Grant Thornton and Berenberg and neither Grant Thornton nor Berenberg will have any liability to you



whatsoever in connection with any decision to exercise or not exercise any such rights. You acknowledge that if (i) any of the conditions in the Placing Agreement are not satisfied (or, where relevant, waived) or (ii) the Placing Agreement is terminated or (iii) the Placing Agreement does not otherwise become unconditional in all respects the Placing will lapse and your rights and obligations hereunder shall cease and determine at such time and no claim shall be made by you in respect thereof.

8. You acknowledge and agree that Grant Thornton and Berenberg are not acting for, and that you do not expect Grant Thornton or Berenberg to have any duties or responsibilities towards, you for providing protections afforded to their customers or clients under the Financial Conduct Authority Conduct of Business Source Book or advising you with regard to your Placing Participation and that you are not, and will not be, a customer or client of Grant Thornton or Berenberg as defined by the Financial Conduct Authority Conduct of Business Source Book. Likewise, Grant Thornton and Berenberg will not treat any payment by you pursuant to these Terms and Conditions as client money governed by the Financial Conduct Authority Conduct of Business Source Book.
9. You confirm, represent and warrant that you may lawfully acquire the Placing Shares comprising your Placing Participation and that you have complied with and will comply with all applicable provisions of FSMA with respect to anything done by you in relation to the Placing Shares in, from or otherwise involving, the United Kingdom.
10. You acknowledge and agree that your agreement with Berenberg to acquire Placing Shares comprising your Placing Participation, whether by telephone or otherwise is a legally binding contract entered into on the basis of and incorporating these Terms and Conditions and that any non-contractual obligation arising therefrom will be governed by and construed in accordance with, the laws of England and Wales to the exclusive jurisdiction of whose courts you irrevocably submit.
11. You acknowledge and agree that time shall be of the essence as regards obligations pursuant to these Terms and Conditions.
12. You acknowledge and agree that it is the responsibility of any person outside of the United Kingdom wishing to subscribe for or purchase Placing Shares to satisfy himself that, in doing so, he complies with the laws of any relevant territory in connection with such subscription or purchase and that he obtains any requisite governmental or other consents and observes any other applicable formalities.
13. You acknowledge and agree that the Placing Shares have not been and will not be registered under the laws, or with any securities regulatory authority, of any province of Canada, Australia, Japan, South Africa or New Zealand and, subject to limited exceptions, the Placing Shares may not be offered, sold, transferred or delivered, directly or indirectly into any province of Canada, Japan, Australia, South Africa or New Zealand or their respective territories and possessions.
14. You warrant that you have complied with all relevant laws of all relevant territories, obtained all requisite governmental or other consents which may be required in connection with your Placing Participation, complied with all requisite formalities and that you have not taken any action or omitted to take any action which will or may result in Grant Thornton, Berenberg, the Company or any of their respective directors, officers, agents, employees, affiliates or advisers acting in breach of the legal or regulatory requirements of any territory in connection with the Placing or your application.
15. You warrant that your acquisition of Placing Shares does not trigger, in the jurisdiction in which you are resident or located: (i) any obligation to prepare or file a prospectus or similar document or any other report with respect to such purchase; (ii) any disclosure or reporting obligation of the Company; or (iii) any registration or other obligation on the part of the Company.
16. You are acting as principal and for no other person and that your acceptance of the Placing Participation will not give any other person a contractual right to require the issue by the Company of any Placing Shares.

17. You warrant that in accepting your Placing Participation you are not applying for registration as, or as a nominee or agent for, a person who is or may be a person mentioned in sections 67 to 72 inclusive and sections 93 to 97 inclusive of the Finance Act 1986.
18. You confirm that, to the extent applicable to you, you are aware of your obligations in connection with the Criminal Justice Act 1993, the Terrorism Act 2006, the UK Anti-Terrorism Crime and Security Act 2001, the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 ("Money Laundering Regulations 2017") and the Proceeds of Crime Act 2002 and the Financial Services and Markets Act 2000 (as amended), you have identified your clients in accordance with the Money Laundering Regulations 2017 and you have complied fully with your obligations pursuant to those Regulations.
19. You acknowledge and agree that all times and dates in this document and these Terms and Conditions may be subject to amendment and Berenberg shall notify you of any such amendments.
20. You acknowledge and agree that your agreement with Berenberg to acquire Placing Shares shall be enforceable under the Contracts (Rights of Third Parties) Act 1999 by any of the Company or any affiliate of Berenberg.
21. You acknowledge that any of your monies held or received by Berenberg will not be subject to the protections conferred by the FCA's Client Money Rules.
22. You acknowledge and agree that the Placing Shares have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and are being offered and sold only outside the United States in "offshore transactions" (as defined in Regulation S), Accordingly, the Placing Shares may not be offered, sold, transferred or delivered directly or indirectly In or into the United States, except pursuant to an effective registration statement under the US Securities Act or an exemption from the registration requirements of the US Securities Act, and, in connection with any such transfer, the Company will have the right to obtain, as a condition to transfer, a legal opinion of counsel, in form and by counsel reasonably satisfactory to the Company, that no such US Securities Act registration is or will be required along with appropriate certifications by the transferee as to appropriate matters. No representation has been made as to the availability of any exemption under the US Securities Act for the reoffer, resale, transfer or delivery of the Placing Shares.
23. You represent and warrant that you have not distributed, forwarded, transferred or otherwise transmitted this document or any other presentation or offering materials concerning the Placing Shares within the United States, nor will you do any of the foregoing. You understand that the information in this document, including financial information, may be materially different from any disclosure that would be provided in a registered offering in the United States.
24. You agree, represent and warrant as follows:
  - 24.1 You are acquiring the Placing Shares outside the United States in an "offshore transaction" (as defined in Regulation S);
  - 24.2 You will not offer or sell the Placing Shares in the United States absent registration or an exemption from registration under the US Securities Act;
  - 24.3 You are not acquiring the Placing Shares as a result of any form of directed selling efforts (as defined In Rule 902 under the US Securities Act); and
  - 24.4 if you are in the United Kingdom, you are a person falling within the exemption contained in Section 86(1)(a) of the Financial Services and Markets Act 2000 (as amended) or falling within one or more of the categories of persons set out in Article 19 (Investment Professionals) or Article 49 (High net worth companies, unincorporated associations etc.) of the FPO.

25. In making an investment decision with respect to the Placing Shares, for yourself and on behalf of any person for whose account you are acquiring the Placing Shares, you represent and warrant that you have:
- 25.1 not relied on any representation, warranty or statement made by the Company, Grant Thornton or Berenberg or any of their respective directors, employees, advisers, agents or affiliates;
  - 25.2 the ability to bear the economic risk of your investment in the Placing Shares and have no need for liquidity with respect to your investment in the Placing Shares;
  - 25.3 such knowledge and experience in financial and business matters that you are capable of evaluating the merits, risks and suitability of investing in the Placing Shares, and are able to sustain a complete loss of any investment in the Placing Shares; and
  - 25.4 investigated independently and made your own assessment and satisfied yourself concerning the relevant tax, legal, currency and other economic considerations relevant to your Investment in the Placing Shares, including any federal, state and local tax consequences, affecting you in connection with your purchase and any subsequent disposal of the Placing Shares.
26. You acknowledge that from the point at which a request for admission to trading on AIM is made by the Company, the Company and its financial instruments will be subject to the provisions of MAR and that you will observe the provisions of MAR in relation to the Company's financial instruments, including in relation to the control of any inside information.

You acknowledge that the Company, Grant Thornton, Berenberg, any transfer agent, any distributors or dealers and their respective affiliates and others will rely on the truth and accuracy of the foregoing warranties, acknowledgements, representations, undertakings and agreements, and you agree to indemnify and hold harmless the Company, Grant Thornton, Berenberg and any of their respective officers, directors, agents, employees or advisers (the "**Indemnified Persons**") from and against any and all costs, claims losses, damages, liabilities or expenses, including legal fees and expenses (including any VAT thereon), which an Indemnified Person may incur by reason of, or in connection with, any representation, warranty, acknowledgement, agreement or undertaking made herein not having been true when made, any breach thereof or any misrepresentation.

The rights and remedies of Grant Thornton, Berenberg and the Company under these Terms and Conditions are in addition to any rights and remedies which would otherwise be available to them and the exercise or partial exercise of one will not prevent the exercise of others.

You agree to be bound by the articles of association of the Company (as amended from time to time) once the Placing Shares which you have agreed to subscribe or purchase pursuant to the Placing have been acquired by you.

Grant Thornton, Berenberg and the Company expressly reserve the right to modify the Placing (including, without limitation, its timetable and settlement) at any time before Admission.

You further agree that these Terms and Conditions shall survive after completion of the Placing and Admission.

## PART IX

### ADDITIONAL INFORMATION

#### 1. Responsibility

The Company and the Directors, whose names and functions are set out in Part I of this document, accept responsibility individually and collectively for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. Incorporation and general

- (a) The Company was incorporated in England and Wales on 13 June 2006 under the name of Supreme Limited with registered number 05844527 as a private company with limited liability under the Companies Act 1985. The Company was re-registered as a public company on 28 October 2020 under the name Supreme plc. Its registered office and its principal place of business is currently and will, following Admission, be at 4 Beacon Road, Ashburton Park, Trafford Park, Manchester, England, M17 1AF. It is domiciled in England and Wales.
- (b) The Company is a public limited company and, accordingly, the liability of its members is limited.
- (c) The principal legislation under which the Company was formed and operates is the Companies Act.
- (d) The Company currently has thirteen subsidiary undertakings (all of which, save for SI Holdings and SI Jersey Limited (which were incorporated in Jersey) and Holding Esser Affairs B.V. and AGP Trading B.V. (which were incorporated in the Netherlands), are incorporated in England and Wales) of which only Supreme Imports Limited, GT Divisions Limited, Provider Distribution Limited, and VN Labs Limited are significant subsidiary undertakings, being considered by the Company to be likely to have a significant effect on the assessment of the assets and liabilities, financial position and/or profits and losses of the Group:

Name	Company number	Principal Activity	Issued share capital (fully paid)	Ownership/ Voting rights %
Supreme Imports Limited	05292196	Operating Company	£10.00 divided into 10 ordinary shares of £1.00 each	The Company (100%)
Provider Distribution Limited	04142662	Operating Company	£100 divided into 45 A ordinary shares of £1.00 each, 45 B ordinary shares of £1.00 each, 5 C ordinary shares of £1.00 each, and 5 D ordinary shares of £1.00 each	The Company (100%)
Battery Force Limited	04642418	Dormant Company	£200.00 divided into 200 ordinary shares of £1.00 each	Supreme Imports Limited (100%)
VN Labs Limited	08792922	Operating Company	£1.00 divided into 1 ordinary share of £1.00	Supreme Imports Limited (100%)
PowerQuick Limited	05415000	Holding Company	£100.00 divided into 100 ordinary shares of £1.00	Supreme Imports Limited (100%)

Name	Company number	Principal Activity	Issued share capital (fully paid)	Ownership/ Voting rights %
Sub OHM Juice Limited	10180318	Dormant Company	£1.00 divided into 1 ordinary share of £1.00	Powerquick Limited (100%)
Supreme 88 Limited	09444762	Holding Company	£102.00 divided into 100 ordinary shares of £1.00, 1 Ordinary A share of £1.00 and 1 Ordinary B share of £1.00	Powerquick Limited (100%)
Holding Esser Affairs B.V.	13040585 (Netherlands)	Holding Company	EUR 18,000.00	Supreme 88 Limited (100%)
AGP Trading B.V.	13010955 (Netherlands)	Operating Company	EUR 22,689.00	Holding Esser Affairs B.V. (100%)
SI Holdings (Jersey) Limited	121655 (Jersey)	Holding Company	£170.00 divided into 170 ordinary shares of £1.00	The Company (100%)
SI Jersey Limited	117977 (Jersey)	Dormant Company	£100.00 divided into 100 ordinary shares of £1.00	SI Holdings (Jersey) Limited (100%)
Supreme Nominees Limited	13012883	Holding of shares as Nominee	£1.00 divided into 1 ordinary share of £1.00	The Company (100%)
GT Divisions Limited	07341040	Operating Company	£100.00 divided into 100 ordinary shares of £1.00	Supreme Imports Limited (100%)

- (e) In addition to the subsidiary undertakings referred to above the Company has a minority interest in Elena Dolce Limited.

### 3. Share capital

- (a) On incorporation, the issued share capital of the Company consisted of 1 ordinary share (which was the subscriber share) with a nominal value of £1.00. On 12 December 2017 the Company allotted and issued 999 ordinary shares of £1.00 each to Sandy Chadha for cash at par.
- (b) On 8 March 2018 the Company subdivided each of the 1,000 issued ordinary shares of £1.00 each into 5 ordinary shares of £0.20 each and issued 110,000,000 ordinary shares of £0.20 each fully paid in the capital of the Company to Sandy Chadha as consideration for the acquisition of the issued share capital of SI Holdings referred to in paragraph 8(e) of Part IX of this document.
- (c) On 27 March 2018 the Company resolved that the issued share capital of the Company be reduced from £22,001,000 to £11,000,500 by cancelling and extinguishing capital to the extent of £0.10 on each issued fully paid up ordinary share of £0.20 each in the Company and reducing the nominal value of each issued fully paid up ordinary share from £0.20 to £0.10 and the amount by which the share capital is so reduced be credited to a reserve. The reduction was registered at Companies House on 11 April 2018.
- (d) On 14 September 2018 the Company granted Options to employees over a total of 2,174,120 Shares at an exercise price of £0.3837 per share under the EMI Scheme. On 4 January 2021 the Company granted Options to one employee over 594,914 Shares at the same exercise price under an individual unapproved option agreement pursuant to a longstanding commitment. Since 14 September 2018 Options over 187,704 Shares under the EMI Scheme have lapsed by reason of the relevant employees ceasing to be employed within the Group and accordingly Options over a total of 1,986,416 Shares remain outstanding and capable of exercise under the EMI Scheme



and a total of 594,914 Shares remain outstanding and capable of exercise under the unapproved agreement.

- (e) On 7 January 2019 the Company resolved that 82,503,750 ordinary shares of £0.10 each be redesignated as A ordinary shares of £0.10 each and 27,501,250 ordinary shares of £0.10 be redesignated as B ordinary shares of £0.10 each.
- (f) On 2 September 2020 the Company resolved that the existing A ordinary shares of £0.10 each and B ordinary shares of £0.10 each be redesignated as ordinary shares of £0.10 each.
- (g) The Company has invited each holder of the outstanding Options referred to in paragraph (d) above to exercise up to 35 per cent. of the Options held by him conditional on Admission. As a result of the acceptances of those invitations a total of 897,965 Employee Shares will be issued to Supreme Nominees Limited and sold pursuant to the Placing on behalf of the relevant employees.
- (h) Following the issue of the Employee Shares, Options over a total of 1,683,365 Shares will remain outstanding and capable of exercise (namely 1,296,670 Shares under the EMI Scheme and 386,695 Shares) under the unapproved agreement referred to in paragraph 3(d)).
- (i) Save for the issue of the New Shares and the Employee Shares and save as disclosed in paragraph 3(d) and 3(h) above:
  - i. no share or loan capital of the Company or any of its subsidiaries is under option or agreed conditionally or unconditionally to be put under option; and
  - ii. there are no acquisition rights and or obligations over authorised but unissued capital or an undertaking to increase the authorised capital;
- (j) Pursuant to resolutions passed by the Company on 26 January 2021, the Board has authority to:
  - i. allot 5,597,015 shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company or grant rights to subscribe for or convert any securities into shares in connection with the Placing, and otherwise up to a maximum aggregate nominal value of £3,833,330 (representing approximately one third of the Enlarged Share Capital) provided that this authority shall expire at the conclusion of the next subsequent annual general meeting of the Company or, if earlier, 15 months from the date of the passing of the resolution unless previously renewed, varied or revoked by the Company in general meeting and ,in the case of the Placing authority, 28 February 2021; and
  - ii. allot equity securities for cash pursuant to the authority of the Board conferred by paragraph 3(j)(i) as if section 561(1) of the Companies Act did not apply to any such allotment in connection with the Placing, a rights issue of Shares (in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange) and otherwise up to an aggregate nominal value of £1,165,000 (representing approximately ten per cent. of the Enlarged Share Capital) provided that this authority shall expire at the conclusion of the next annual general meeting of the Company or, if earlier, 15 months from the date of the passing of the resolution unless previously renewed, varied or revoked by the Company in general meeting.
- (k) Following the Placing, the Directors will be authorised to allot Shares up to an aggregate nominal amount of £3,833,330, pursuant to the authority referred to in paragraph 3(j)(i) above.
- (l) Save for the allotments of the shares referred to at paragraphs 3(a) to 3(b) inclusive and 3(g) above, since incorporation no capital of the Company has been allotted for cash or for a consideration other than cash. The Shares issued pursuant to paragraph 3(b) in exchange for non-cash assets constituted more than 10 per cent. of the issued share capital of the Company.

- (m) The Shares will, on Admission, rank pari passu in all respects and will rank in full for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of the Company. The Shares are freely transferable in accordance with the Articles of Association, more details of which are in paragraph 4 of this Part IX.
- (n) The Shares are in registered form and will, following Admission, be capable of being held in uncertificated form. Application has been made to Euroclear, the operator of CREST, for the Shares to be enabled for dealing through CREST as a participating security with effect from Admission. None of the Shares are being marketed or made available in whole or in part to the public in conjunction with the application for Admission other than pursuant to the Placing. The New Shares are being issued at a price of 134 pence per share, representing a premium of 124 pence over the nominal value of £0.10 each. The expected issue date of the New Shares and Employee Shares is 1 February 2021.
- (o) The provisions of section 561 of the Companies Act (to the extent not disapplied pursuant to section 570 of the Companies Act) confer on Shareholders rights of pre-emption in respect of the allotment of equity securities and sales of equity securities held in treasury which are or are to be paid in cash, and apply to the unissued share capital of the Company to the extent not disapplied as described in paragraph 3(j)(ii). Subject to certain limited exceptions, and save pursuant to any disapplication which is for the time being in effect, unless the approval of Shareholders in a general meeting is obtained, the Company must normally offer Shares to be issued for cash to the holders of existing Shares on a pro rata basis.
- (p) The currency of the Shares is Pounds Sterling. The Shares have been created under the Companies Act.
- (q) Neither the Company nor any member of the Group has any shares not representing capital; there are no shares in the Company held by or on behalf of the Company itself or by subsidiaries of the Company; and there are no convertible securities, exchangeable securities or securities with warrants.
- (r) No shares of the Company are currently in issue with a fixed date on which entitlement to a dividend arises or a time limit after which entitlement to dividend lapses and there are no arrangements in force whereby future dividends are waived or agreed to be waived.
- (s) The net asset value of an ordinary share but prior to the issue of New Shares and the Employee Shares, based on the consolidated net assets of the Company and its subsidiaries as at 31 March 2020 is 3.69 pence (“Net Asset Value Per Share”). The Placing Price of 134 pence represents a premium of 130.31 pence over the Net Asset Value per Share.
- (t) The issued fully paid up share capital of the Company as at the date of this document and as it is expected to be immediately following Admission is as follows:

	<b>Issued share capital £</b>	<b>Number of Ordinary Shares</b>
As at the date of this document	11,000,500	110,005,000
Immediately following Admission	11,649,998	116,499,980

#### **4. Articles of Association and Objects**

The Articles of Association of the Company contain, inter alia, provisions to the following effect:

(a) ***Voting rights***

Subject to any rights or restrictions attached to the shares (including as a result of unpaid calls) and/or as mentioned below, on a show of hands every member who (being an individual) is present in person or by proxy or (being a corporation) is present by a duly authorised representative and is entitled to have a vote shall upon a show of hands have one vote and on a poll every member who is present in person or by proxy and entitled to vote shall have one vote for every share of which he is the holder. Where, in respect of any shares, any registered holder or any other person appearing to be interested in such shares fails to comply with any notice



given by the Company under section 793 of the Companies Act, in the time period specified in the notice, the shares in question may be disenfranchised.

(b) **General Meetings**

An annual general meeting shall be held once a year in accordance with the Companies Act.

Subject to a member's right to requisition a general meeting pursuant to section 303 of the Companies Act, general meetings of the Company are convened at the discretion of the Board, and with the exception of the annual general meeting, all such general meetings of the Company shall be called general meetings.

An annual general meeting shall be called by at least 21 clear days' notice in writing. All general meetings shall be called by at least 14 clear days' notice to the Company regardless of the type of resolution being passed (under section 307(1) of the Companies Act). A notice must be served on a member in accordance with the provisions of the Companies Act, that is, in hard copy form, or where the member has consented or is deemed to have consented under the Companies Act, in electronic form or via a website. If the notice contains an electronic address for the Company, a member may send any Document or information relating to the relevant general meeting to that electronic address. Notice shall be given to all members and the Directors and the auditors.

The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given and shall specify the place, day and hour of the meeting. A notice calling an annual general meeting shall specify the meeting as such and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as such. Every notice must include a reasonably prominent statement that a member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him and that a proxy need not be a member of the Company.

A general meeting may be called by shorter notice being less than 14 days with the consent of members who (i) are a majority in number and (ii) hold 95 per cent., in nominal value of the voting shares of the company.

The quorum required for a general meeting is two members present in person or by proxy and entitled to attend and to vote on the business to be transacted.

(c) **Alteration of capital**

In accordance with the Companies Act the Company may by ordinary resolution consolidate and divide its shares, or any of them, into shares of a larger amount. The Company may by ordinary resolution divide all or any of its share capital into shares of a larger amount or sub-divide all or any of its shares into shares of a smaller amount.

The Company may, from time to time, by special resolution reduce its share capital, any capital redemption reserve and any share premium account in any manner authorised, and with and subject to any incident prescribed or allowed by the Companies Act and the rights attached to existing shares. Subject to and in accordance with the provisions of the Companies Act, the Company may purchase its own shares (including redeemable shares).

(d) **Variation of rights**

Subject to the Companies Act and every other statute for the time being in force concerning companies and affecting the Company (the "Statutes"), if at any time the capital of the Company is divided into different classes of shares, all or any of the rights and privileges attached to any class of share may be varied or abrogated either:

- (i) in such a manner (if any) as may be provided by the rights attaching to such class; or
- (ii) in the absence of any such provision, with the consent in writing of the holders of at least 75 per cent. of the nominal amount of the issued shares of the relevant class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of the relevant class. At any such separate meeting the holders present in person or by proxy of one third of the issued shares of the class in question shall be a quorum.

The creation or issue of shares ranking *pari passu* with or subsequent to the shares of any class shall not (unless otherwise expressly provided by the Articles or the rights attached to such last-mentioned shares as a class) be deemed to be a variation of the rights of such shares. A reduction of the capital paid up on any shares of any class will not be deemed to constitute a variation or abrogation of the rights attached to those shares. A purchase or redemption by the Company of any of its own shares in accordance with the provisions of the Statutes and of the Articles shall not be deemed to be a variation of the rights attaching to any shares.

(e) ***Transfer of shares***

The Shares may be held in certificated or uncertificated form. Shares in uncertificated form may be transferred otherwise than by written instrument in accordance with the Statutes and relevant subordinate legislation.

Transfers of Shares in certificated form may be effected by an instrument in writing in any usual or common form or in any other form acceptable to the Directors. Any instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of the shares until the name of the transferee is entered in the Company's register of members.

The Directors may, in their absolute discretion (but subject to any rules or regulations of the London Stock Exchange or any rules published by the FCA applicable to the Company from time to time) and without assigning any reason therefore, refuse to register the transfer of a share which is in respect of a share which is not fully paid, or which is in favour of more than four joint transferees or which is in respect of more than one class of shares or which has not been presented for registration duly stamped accompanied by the share certificates for the shares to which the transfer relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer.

(f) ***Dividends***

Subject to the provisions of the Statutes and the Articles, the Company may by ordinary resolution declare dividends to be paid to the members in accordance with their respective rights and interests in the profits, but not exceeding the amount recommended by the Directors.

No dividends or moneys payable by the Company in respect of a share shall bear interest as against the Company unless otherwise provided by the rights attached to the share. The Directors may pay interim dividends if it appears to them that they are justified by the profits of the Company available for distribution. The Directors may, by ordinary resolution of the Company, direct that dividends be paid otherwise than in cash, for example in the form of shares or debentures.

All unclaimed dividends or other sums payable on or in respect of a share may, after one year of being declared, be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. Any dividend which is unclaimed for a period of 12 years from the date on which the dividend became due for payment shall be forfeited and cease to remain owing by the Company.

(g) ***Borrowing powers***

The Directors may exercise all the powers of the Company to borrow money, to indemnify and guarantee, to mortgage or charge all or any part of its undertaking, property and assets both present and future (including uncalled capital) and, subject to the Companies Act, to issue debentures, or any other securities, and give security whether outright or as collateral security for any debt, liability or obligation of the Company or any third party.

The Articles include a cap on borrowing powers which is equal to two times "Adjusted Capital and Reserves" (as such term is defined in Article 102.3).

(h) ***Suspension of rights***

If a member or any other person appearing to be interested in shares held by such shareholder has been duly served with notice under section 793 of the Companies Act and is in default in

supplying to the Company within 14 days (or such longer period as may be specified in such notice) the information thereby, required, then (if the Directors so resolve) such member shall not be entitled to vote or to exercise any right conferred by membership in relation to meetings of the Company in respect of the shares which are the subject of such notice. Where the holding represents at least 0.25 per cent. of the issued shares of that class (calculated exclusive of any treasury shares of that class) the payment of dividends may be withheld, and such member shall not be entitled to transfer such shares otherwise than by an arms-length sale.

(i) ***Constitution of the Board***

The minimum number of Directors shall not be less than two and the maximum number of Directors shall be fifteen.

The quorum necessary for the transaction of business by the Board is two, unless otherwise determined by the Board.

(j) ***Retirement of directors by rotation***

At every annual general meeting of the Company one third (or the nearest number to but not exceeding one third) of the Directors shall retire from office. A Director who retires at an annual general meeting shall be eligible for re-election. The Directors are not subject to a mandatory retirement age.

(k) ***Remuneration of directors***

Each of the Directors may be paid a fee at such rate as may from time to time be determined by the Board not exceeding in aggregate £250,000 per annum. A fee payable to a Director under this provision of the Articles is distinct from any salary, remuneration or other amount payable to him pursuant to other provisions of the Articles and accrues from day to day.

Each Director may also be paid all reasonable travelling, hotel and other expenses properly incurred by him in respect of or about the performance of his duties as a Director including any expenses incurred in connection with his attendance at meetings of the Directors of the Company or otherwise for the purpose of enabling him to discharge his duties as a Director.

If by arrangement with the Board any Director performs special duties or services outside his ordinary duties as a Director (and not as an executive or employee) he may be paid such reasonable additional remuneration as the Board may determine. The salary or remuneration of any Director who holds an employment or executive office may be either a fixed sum of money or may altogether or in part be governed by business done or profits made or otherwise determined by the Board, and may be in addition to or in lieu of any fee payable to him for his services as a Director.

(l) ***Permitted interests of directors***

Subject to the provisions of the Companies Act and provided he has declared the nature and extent of his interest in accordance with the requirements of the Companies Act, a Director who is in any way, whether directly or indirectly, interested in an existing or proposed transaction or arrangement with the Company may be (a) a party to or interested in any transaction or arrangement with the Company or in which the Company is otherwise interested; (b) act by himself through his firm in a professional capacity for the Company (otherwise than as auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a Director; (c) become a Director or other officer of, or be employed by, or a party to a transaction or arrangement with, or otherwise interested in, any body corporate in which the Company is otherwise interested; and (d) hold any office or place of profit with the Company (except as auditor) in conjunction with his office as a Director for such period and upon such terms, including as to remuneration, as the Board may decide.

A Director shall not, save as he may otherwise agree, be accountable to the Company for any benefit which he derives from any such contract, transaction or arrangement or from any such office or employment or from any interest in any such body corporate and no such contract, transaction or arrangement shall be liable to be avoided on the grounds of any such interest or benefit.

(m) **Restrictions of voting of directors**

A Director shall not vote or be counted in the quorum on any resolution concerning his own appointment as the holder of any office or place of profit with the Company or any company in which the Company is interested.

A Director shall not be entitled to vote or be counted in the quorum on any resolution which may give rise to a conflict of interest unless the Board has authorised that conflict but is entitled to vote and be counted in the quorum in respect of any resolution concerning any of the following matters:

- (i) the giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- (ii) the giving of any security, guarantee or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he has assumed responsibility in whole or in part either alone or jointly with others, under a guarantee or indemnity or by the giving of security;
- (iii) any proposal or contract concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which placing he is or is to be interested as a holder of securities or as a participant in the undertaking or sub-underwriting thereof;
- (iv) any arrangement for the benefit of employees of the Company or any of its subsidiaries which only gives him benefits which are generally given to employees to whom the arrangement relates;
- (v) any arrangement concerning any other company in which he is interested, directly or indirectly and where as an officer or member or otherwise howsoever provided that he (together with any person connected (within the meaning of section 252 of the Companies Act) with him) knows he is not the holder of or interested in shares representing one per cent. or more of any class of the equity share capital or voting rights;
- (vi) a contract relating to a pension, superannuation or similar scheme or a retirement, death, disability benefits scheme or employees' share scheme which gives the Director benefits which are also generally given to the employees to whom the scheme relates; and
- (vii) any contract for insurance against any liability of any Directors or any group of people which include Directors which the Company can buy or renew.

The Board may, in accordance with the Articles authorise any matter or situation which if not so authorised would involve a Director breaching his duty under the Companies Act to avoid conflicts of interest.

(n) **Redeemable shares**

Subject to the Companies Act and to any rights attaching to existing shares, any share may be issued which can be redeemed or can be liable to be redeemed at the option of the Company or the holder. The Board may determine the terms, conditions and manner of redemption of any redeemable shares which are issued. Such terms and conditions shall apply to the relevant shares as if the same were set out in the Articles.

(o) **Conversion of shares**

The Company may from time to time, by ordinary resolution and subject to the Companies Act, convert all or any of its fully paid shares into stock of the same class and denomination and may from time to time in like manner convert such stock into fully paid up shares of the same class and denomination.

(p) ***Rights to share in any surplus in the event of liquidation***

In the event of liquidation of the Company the holders of the shares are entitled pari passu to any surplus dividends. A liquidator may, with the sanction of an extraordinary resolution, divide the assets among the members in specie.

(q) ***Objects***

The Articles contain no specific restrictions on the Company's objects and therefore, by virtue of section 31(1) of the Companies Act the Company's objects are unrestricted.

**5. Share incentive plans and bonus schemes**

(a) ***The Supreme plc Enterprise Management Incentive Scheme 2018 ("the EMI Scheme")***

The Company established the EMI Scheme on 14 September 2018 on the basis set out in this paragraph.

Grants under the EMI Scheme may be made by the Company as subscription Options or, with the consent of the Directors, by an existing shareholder over shares already issued.

(i) ***Potential grantees***

The grant of Options to any individual under the EMI Scheme is at the absolute discretion of the Directors.

An individual will only be granted Options if they are a bona fide employee (including an executive director but excluding any person who has a 30 per cent. interest in the Company including the interest of his associates) who works at least 25 hours per week for the Group (or, if less, at least 75 per cent. of their working time).

(ii) ***Life of the EMI Scheme***

Options may be granted at any time in the ten-year period beginning with the date of adoption of the EMI Scheme provided that no grant may be made at any time when it would cause any person to be in breach of any applicable rules relating to share dealings by directors and employees.

(iii) ***Individual limits on number of Options***

Under the EMI Scheme, the grant of Options is limited so that an individual will not be granted options if the total market value of the Shares comprised in those Options at the time of the proposed grant, when added to the total market value (at the date of grant) of Shares under unexercised Options already granted to him under the EMI Scheme (and any share scheme approved under Schedule 4 to ITEPA 2003) would exceed £250,000.

(iv) ***Aggregate limits on number of Options***

The maximum number of Shares over which Options may be granted in total under the EMI Scheme may not exceed 10 per cent. of the issued share capital of the Company for the time being.

The maximum number of Shares over which Options may be granted in total under the EMI Scheme and any other Option Schemes adopted by the Company may not in aggregate exceed 15 per cent. of the issued Share Capital of the Company for the time being.

In any event, the total market value (at the date of grant) of shares which are subject to unexercised Options under the EMI Scheme may not exceed £3,000,000 at the present time due to HMRC restrictions.

(v) ***Exercise Price***

The price at which Options may be exercised will be set by the Directors at the date of grant but, in the case of subscription options, will not be less than the nominal value of the Shares.

- (vi) *Conditions of Exercise*  
Objective conditions may be imposed by the Directors that have to be complied with before Options can be exercised.
- (vii) *Timing of Exercise*  
Unless the Directors permit earlier exercise at their discretion, Options may not be exercised unless there is a disposal of at least 90 per cent. of the issued share capital of the Company or its shares are listed on a recognised stock exchange or admitted to AIM.  
  
In the case of such a disposal Options are exercisable immediately. In the case of listing or admission, Options may not (unless the Directors permit otherwise) be exercised as to 50 per cent. no earlier than the first anniversary of listing or admission and as to the remaining 50 per cent. no earlier than the second anniversary of listing or admission.  
  
In any event Options may not be exercised later than the tenth anniversary of the date of the grant (or such earlier date as may be specified when granted).  
  
If an optionholder leaves employment exercise of any outstanding Options is at the Directors' discretion. Any Option not so exercised will lapse.
- (viii) *Status of Options*  
All Options are non-transferable. Shares issued following exercise of any Option will rank pari passu with Shares then in issue, save as regards any rights attaching to Shares by reference to a record date prior to the date of exercise of the Option. Options may be exercised in whole or in part subject to a minimum number of Options that may be exercised at any one time.
- (ix) *Adjustment of Options*  
The Directors may adjust the number of Shares under Option and available for Option and/or the Option price to take account of any Shares issued by the Company (other than as consideration for an acquisition) and/or any capitalisation, consolidation, sub-division or reduction of the capital of the Company.
- (x) *Amendment of EMI Scheme*  
The EMI Scheme may be amended by the Directors but to the extent that any amendment would be advantageous in relation to certain rights of eligible employees or Option holders the consent of the Company in general meeting is required.
- (xi) *Exchange of Options*  
The rules of the EMI Scheme make detailed provision for the exercise and/or exchange of options in the event of a takeover or reverse takeover of the Company.
- (xii) *Tax*  
The EMI Scheme requires optionholders to be responsible for any employer's national insurance contributions otherwise payable by the Company on the grant and/or exercise and/or disposal of any Options and to indemnify the Company against any income tax due in such circumstances.
- (xiii) *Grants of Options*  
As noted at paragraph 3(g) above, on 14 September 2018, the Company granted Options under the EMI Scheme over a total of 2,174,120 Shares at an exercise price of £0.3837. Further details of those Options in favour of Directors and Senior Managers are set out at paragraph 6(b) below.  
  
As part of the arrangements permitting early exercise of a proportion of Options described at paragraph 3(g) above, those employees who have accepted the invitation are required not to exercise 50 per cent. of the balance of their Options until the second anniversary of



Admission and the remaining 50 per cent. of the balance of their Options until the fourth anniversary of Admission.

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

The Company established the SAYE Scheme on 26 January 2021 on the basis set out in this paragraph.

Grants under the SAYE 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.

(i) *Potential grantees*

All employees (and executive directors working at least twenty five hours each week) of the Group who have achieved the qualifying length of service at the proposed date of grant must be invited to participate in the SAYE Scheme on similar terms. It is envisaged that the qualifying period of service will initially be set at 3 months, but this period can be varied (up to a maximum of five years) by the Directors for future grants.

(ii) *Life of the SAYE Scheme*

Options (other than on the first occasion of invitations to participate following adoption of the Scheme) may only be granted within 42 days of the publication of the Group’s half-yearly report or annual accounts. In any event no Options may be granted later than the ten-year period beginning with the date of adoption of the SAYE Scheme.

(iii) *Individual limits on number of Options*

Under the SAYE Scheme, an individual who wishes to accept an invitation to apply for options to be granted to him or her must take out a 3 year or 5 year savings contract (or a combination of both) 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 (or such other lower maximum amount as the Directors decide). If an individual is granted options on more than one occasion, the maximum total monthly contribution under all the relevant savings contracts is capped at £500. The maximum number of options an individual can be granted is calculated by dividing the total amount that will be repayable to him at the end of the relevant savings contract by the exercise price for each relevant option. The SAYE Scheme contains detailed provisions for scaling back applications where any of the scheme limits on the number of shares that may be issued would otherwise be breached.

(iv) *Aggregate limits on number of Options*

The maximum number of Shares over which Options may be granted in total under the SAYE Scheme may not exceed 10 per cent. of the issued share capital of the Company for the time being.

The maximum number of Shares over which Options may be granted in total under the SAYE Scheme and any other Option Schemes adopted by the Company in any ten year period (but excluding any Options granted prior to Admission) may not in aggregate exceed 10 per cent. of the issued Share Capital of the Company for the time being.

(v) *Exercise Price*

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.

(vi) *Conditions of Exercise*

No conditions of exercise will be imposed in relation to options granted under the SAYE Scheme.



(vii) *Timing of Exercise*

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 six month period after the bonus becomes payable on his or her relevant savings contract. Any option not so exercised will lapse. If an optionholder leaves employment earlier by reason of injury, disability, ill-health redundancy or retirement at 65 any Option may be exercised within 6 months of such event happening or, if the optionholder has died, within 12 months of his death by his personal representatives. If an optionholder's employer ceases to be a member of the Group or his employment is subject to a relevant transfer under the Transfer of Undertakings (Protection of Employment) Regulations 2006 he may retain his Option. If an optionholder leaves the employment of the Group for any other reason, any outstanding Options lapse.

(viii) *Status of Options*

All Options are non-transferable. Shares issued following exercise of any Option will rank *pari passu* with Shares then in issue, save as regards any rights attaching to Shares by reference to a record date prior to the date of exercise of the Option. Options may be exercised in whole or in part subject to a minimum number of Options that may be exercised at any one time.

(ix) *Adjustment of Options*

The Directors may adjust (subject to confirmation in writing by the auditors for the time being that such adjustment is fair and reasonable in their opinion) the number of Shares under Option and available for Option and/or the Option price to take account of any Shares issued by the Company (other than as consideration for an acquisition) and/or any capitalisation, consolidation, sub-division or reduction of the capital of the Company.

(x) *Amendment of SAYE Scheme*

The SAYE Scheme may be amended by the Directors (provided the amendment does not prejudice the tax status of the SAYE Scheme) but to the extent that any amendment would be advantageous in relation to certain rights of eligible employees or Option holders the consent of the Company in general meeting is required.

(xi) *Exchange of Options*

The rules of the EMI Scheme make detailed provision for the exercise and/or exchange of options in the event of a takeover or reverse takeover of the Company.

(xii) *Grants of Options*

No grants of Options have yet been made under the SAYE Scheme.

(c) ***The Supreme plc Company Share Option Plan 2021 ("the CSOP Scheme")***

The Company established the CSOP Scheme on 26 January 2021 on the basis set out in this paragraph.

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.

(i) *Potential grantees*

The grant of Options to any individual under the CSOP Scheme is at the absolute discretion of the Remuneration Committee.

An individual may only be granted options under the CSOP Scheme if he is an employee of the Group. Additionally, executive directors are required to work for the Group for at least 25 hours a week in order to be granted such Options.

- (ii) *Life of the CSOP Scheme*  
Options may be granted at any time in the ten-year period beginning with the date of adoption of the CSOP Scheme provided that no grant may be made at any time when it would cause any person to be in breach of any applicable rules relating to share dealings by directors and employees.
- (iii) *Individual limits on number of Options*  
Under the CSOP Scheme, the grant of Options is limited so that an individual will not be granted options if the total market value of the Shares comprised in those Options at the time of the proposed grant, when added to the total market value (at the date of grant) of Shares under unexercised Options already granted to him under the CSOP Scheme would exceed £30,000.
- (iv) *Aggregate limits on number of Options*  
The maximum number of Shares over which Options may be granted in total under the CSOP Scheme may not exceed 10 per cent. of the issued share capital of the Company for the time being.  
  
The maximum number of Shares over which Options may be granted in total under the CSOP Scheme and any other Option Schemes adopted by the Company in any ten year period (but excluding any Options granted prior to Admission) may not in aggregate exceed 10 per cent. of the issued Share Capital of the Company for the time being.
- (v) *Exercise Price*  
The price at which Options may be exercised will be set by the Remuneration Committee at the date of grant but, in the case of subscription options, will not be less than the market value at the date of grant of the Shares over which they are granted.
- (vi) *Conditions of Exercise*  
Objective conditions may be imposed by the Remuneration Committee that have to be complied with before Options can be exercised.
- (vii) *Timing of Exercise*  
Other than in the case of a takeover or demerger or similar event, an Option will be exercisable by the holder at any time between the third and tenth anniversaries of the date of the grant. If an optionholder dies then his personal representatives may exercise his Option within 12 months of his death. If an optionholder leaves employment for any other reason exercise of any outstanding Options is at the Remuneration Committee's discretion. Any Option not so exercised will lapse.
- (viii) *Status of Options*  
All Options are non-transferable. Shares issued following exercise of any Option will rank pari passu with Shares then in issue, save as regards any rights attaching to Shares by reference to a record date prior to the date of exercise of the Option. Options may be exercised in whole or in part subject to a minimum number of Options that may be exercised at any one time.
- (ix) *Adjustment of Options*  
The Remuneration Committee may adjust (subject to confirmation in writing by the auditors for the time being that such adjustment is fair and reasonable in their opinion) the number of Shares under Option and available for Option and/or the Option price to take account of any Shares issued by the Company (other than as consideration for an acquisition) and/or any capitalisation, consolidation, sub-division or reduction of the capital of the Company.
- (x) *Amendment of CSOP Scheme*  
The CSOP Scheme may be amended by the Remuneration Committee (provided the amendment does not prejudice the tax status of the CSOP Scheme) but to the extent that

any amendment would be advantageous in relation to certain rights of eligible employees or Option holders the consent of the Company in general meeting is required.

(xi) *Exchange of Options*

The rules of the CSOP Scheme make detailed provision for the exercise and/or exchange of options in the event of a takeover or reverse takeover of the Company.

(xii) *Tax*

The CSOP Scheme requires optionholders to be responsible for any employer's national insurance contributions otherwise payable by the Company on the grant and/or exercise and/or disposal of any Options and to indemnify the Company against any income tax due in such circumstances.

(xiii) *Grants of Options*

No grants of Options have yet been made under the CSOP Scheme.

(d) ***The Supreme plc Unapproved Share Option Scheme 2021 ("the Unapproved Scheme")***

The Company established the Unapproved Scheme on 26 January 2021 on the basis set out in this paragraph.

Grants under the Unapproved 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.

(i) *Potential grantees*

The grant of Options to any individual under the Unapproved Scheme is at the absolute discretion of the Remuneration Committee.

An individual may only be granted options under the Unapproved Scheme if he is an employee of the Group. Additionally, executive directors are required to work for the Group for at least 25 hours a week in order to be granted such Options.

(ii) *Life of the Unapproved Scheme*

Options may be granted at any time in the ten-year period beginning with the date of adoption of the Unapproved Scheme provided that no grant may be made at any time when it would cause any person to be in breach of any applicable rules relating to share dealings by directors and employees.

(iii) *Individual limits on number of Options*

Under the Unapproved Scheme, the grant of Options is limited (other than in the case of the Chief Executive Officer) so that an individual will not be granted options if the total market value of the Shares comprised in those Options at the time of the proposed grant, when added to the total market value (at the date of grant) of Shares under any other share option scheme adopted by the Company, would exceed three times the amount of the emoluments (excluding benefits-in-kind) expressed as an annual rate then payable to such person.

(iv) *Aggregate limits on number of Options*

The maximum number of Shares over which Options may be granted in total under the Unapproved Scheme may not exceed 10 per cent. of the issued share capital of the Company for the time being.

The maximum number of Shares over which Options may be granted in total under the Unapproved Scheme and any other Option Schemes adopted by the Company in any ten year period (but excluding any Options granted prior to Admission) may not in aggregate exceed 10 per cent. of the issued Share Capital of the Company for the time being.

- (v) *Exercise Price*  
The price at which Options may be exercised will be set by the Remuneration Committee at the date of grant but, in the case of subscription options, will not be less than the nominal value of the Shares.
- (vi) *Conditions of Exercise*  
Objective conditions may be imposed by the Remuneration Committee that have to be complied with before Options can be exercised.
- (vii) *Timing of Exercise*  
Unless the Remuneration Committee specifies when granting any Options an earlier exercise date (and other than in the case of a takeover or demerger or similar event) an option will be exercisable by the holder at any time between the third and tenth anniversaries of the date of the grant. If an optionholder dies then his personal representatives may exercise his Option within 12 months of his death. If an optionholder leaves employment for any other reason exercise of any outstanding Options is at the Remuneration Committee's discretion. Any Option not so exercised will lapse.
- (viii) *Status of Options*  
All Options are non-transferable. Shares issued following exercise of any Option will rank pari passu with Shares then in issue, save as regards any rights attaching to Shares by reference to a record date prior to the date of exercise of the Option. Options may be exercised in whole or in part subject to a minimum number of Options that may be exercised at any one time.
- (ix) *Adjustment of Options*  
The Remuneration Committee may adjust (subject to confirmation in writing by the auditors for the time being that such adjustment is fair and reasonable in their opinion) the number of Shares under Option and available for Option and/or the Option price to take account of any Shares issued by the Company (other than as consideration for an acquisition) and/or any capitalisation, consolidation, sub-division or reduction of the capital of the Company.
- (x) *Amendment of Unapproved Scheme*  
The Unapproved Scheme may be amended by the Remuneration Committee but to the extent that any amendment would be advantageous in relation to certain rights of eligible employees or Option holders the consent of the Company in general meeting is required.
- (xi) *Exchange of Options*  
The rules of the Unapproved Scheme make detailed provision for the exercise and/or exchange of options in the event of a takeover or reverse takeover of the Company.
- (xii) *Tax*  
The Unapproved Scheme requires optionholders to be responsible for any employer's national insurance contributions otherwise payable by the Company on the grant and/or exercise and/or disposal of any Options and to indemnify the Company against any income tax due in such circumstances.
- (xiv) *Grants of Options*  
No grants of Options have yet been made under the Unapproved Scheme.

(e) **Market Capitalisation Cash Bonus Scheme**

The Company has established an all-employee bonus scheme which will pay a bonus (which the Company may, but is not obliged to, satisfy by the issue of Shares and/or the grant of options) to all participating employees equivalent to one year's basic salary if the Company achieves a market capitalisation of £1 billion over a period of 30 consecutive trading days on or before the

fifth anniversary of Admission. Participating employees are those with at least 12 months continuous service at the date this is achieved. Total gross payments under the scheme are limited to £14,000,000, with all participants' entitlements being scaled back accordingly.

## 6. Directors' and other interests

- (a) The interests of each Director and Senior Manager and persons connected with them within the meaning of section 252 of the Companies Act, all of which are beneficial, save where stated to the contrary, in the share capital of the Company are and will, following Admission and the Placing, be as follows:

Director	Immediately prior to Admission		Following Admission, and the Placing	
	Number of Shares	% of issued share capital	Number of Shares	% of issued share capital
Mark Cashmore	–	–	29,850	0.03
Sandy Chadha <sup>(1)</sup>	110,005,000	100	66,126,845	56.76
Simon Lord	–	–	37,313	0.03
Paul McDonald	–	–	7,462	0.01
Suzanne Smith	–	–	18,656	0.02

(1) Sandy Chadha's interests in Shares include 27,501,250 Shares held by Supreme 8 Limited, a company in which he is the sole shareholder and a director and, in respect of the period prior to Admission, 5,500,250 Shares, and following Admission and the Placing, 3,306,343 Shares, in both cases held by him and his wife, Aditi Chadha as trustees of the Chadha Discretionary Trust 2020.

- (b) The following Options have been granted to certain of the Senior Managers, such Options being exercisable at the price and on the dates or occurrence of events shown below:

Senior Manager	No. of Shares	Option Scheme	Date of Grant	Exercise price per Share	Expiry Date
Andrew Beaumont	195,529	EMI Scheme	14 September 2018	38.37p	13 September 2028
Michael Holliday	195,529	EMI Scheme	14 September 2018	38.37p	13 September 2028
David Neilson	586,441	EMI Scheme	14 September 2018	38.37p	13 September 2028
David Neilson	594,914	Unapproved option agreement	4 January 2021	38.37p	13 September 2028

In respect of the Options listed above Andrew Beaumont and Michael Holliday have, conditionally on Admission each exercised his right to acquire 68,435 Shares which will be registered in the name of Supreme Nominees Limited and sold in the Placing. David Neilson has, conditionally on Admission exercised his right to acquire 205,254 Shares under the EMI Scheme and 208,219 under the unapproved option agreement which will be registered in the name of Supreme Nominees Limited and sold in the Placing.

- (c) Save as disclosed above, no Director or Senior Manager has any interest in the share capital or loan capital of the Company or any of its subsidiaries nor does any person connected with them (within the meaning of section 252 of the Companies Act) have any such interests, whether beneficial or non-beneficial. None of the Directors or members of their family has a financial product whose value in whole or in part is determined directly or indirectly by reference to the price of Existing Ordinary Shares or the Placing Shares.

- (d) The Directors have held the following directorships and/or been a partner in the following partnerships within the five years prior to the date of this document:

<b>Name</b>	<b>Current directorships and partnerships</b>	<b>Previous directorships and partnerships</b>
Mark Cashmore	Supreme plc	Bertram Trading Limited Connect Limited Connect2U Limited Connect Books Limited Connect Care Limited Connect Education Limited Connect Education & Care Limited Connect Group Plc Connect Logistics Limited Connect News & Media Limited Connect Parcel Freight Limited Connect Parcels Limited Connect Services Limited Connect Specialist Distribution Group Limited Dawson Iberica SL Dawson Espana Agencia de Ediciones SL Dawson Limited Dawson Book Services Limited Dawson Books Limited Dawson Finance Company Limited Dawson France SAS Dawson Guarantee Company Limited Dawson Holdings Limited Dawson Media Direct Australia Pty Ltd Dawson Media Direct GmbH Dawson Media Direct Holdings Inc. Dawson Media Direct Inc. Dawson Media Direct Limited Dawson Media Direct China Limited Dawson Media Direct NV Dawson Media Direct Iberica SL Dawson Media Services Limited Dawson Medya Anonim Sirke Dawson Overseas Holdings Limited Dawson UK Limited DMD Holdings Limited (JAFZA) Erasmus Antiquariaat Boekhandel BV Hammond Bridge Limited Hammond Bridge Trustees Limited Hedgelane Limited Houtschild Internationale Boekhandel BV

Name	Current directorships and partnerships	Previous directorships and partnerships
Mark Cashmore (continued)		Jack's Beans Limited Magpie Investments Limited Martin-Lavell Limited Pass My Parcel Limited Phantom Media Limited Smiths News plc Smiths News Distribution Limited Smiths News Limited Smiths News Instore Limited Smiths News Investments Limited Smiths News Holdings Limited Smiths Group News Middle East FZ LLC Smiths News Trading Limited Studentpacks Limited Supreme plc Supply Zone Limited Surridge Dawson (Holdings) Limited The Big Green Euro Machine Limited The Big Green Parcel Holding Company Limited The Big Green Parcel Group Limited The Big Green Parcel Machine Limited The Consortium Limited RM Educational Resouces Limited Tuffnells Parcels Express Limited Wordery.Com Limited
Sandy Chadha	Battery Force Limited CNM Trading Limited Millions and Millions Limited Nash Peters LLP Powerquick Limited Provider Distribution Limited Supreme plc Supreme 8 Limited Supreme 88 Limited Supreme Holdco Limited Supreme Imports Limited Total CBD Limited VN Labs Limited 88 Vape Limited	Bargain Foods Limited Beyondnewco104 Limited Lazoron Plc Liquid Vape UK Limited Luminoso Limited Navanti Limited Sandychadha.Com Limited SI 8 Ltd VCell Limited Chop Retail Stores Limited



<b>Name</b>	<b>Current directorships and partnerships</b>	<b>Previous directorships and partnerships</b>
Simon Lord	Arete Capital Partners LLP Arete Investors 1 (Nominees) Limited Arete Investors 2 (Nominees) Limited Arete Investors 3 (Nominees) Limited Arete Investors 4 (Nominees) Limited Arete Investors 5 (Nominees) Limited Arete Risk Services 1 (Nominees) Limited Arete Risk Services 2 (Nominees) Limited Arete Risk Services 3 (Nominees) Limited Supreme plc	GCA Altium Limited GCA Altium Corporate Finance Limited WW Initial Investors LLP
Paul McDonald	Supreme plc	B&M European Value Retail S.A. B&M European Value Retail 1 SARL B&M European Value Retail 2 SARL B&M European Value Retail Holdco 1 Ltd B&M European Value Retail Holdco 2 Ltd B&M European Value Retail Holdco 3 Ltd B&M European Value Retail Holdco 4 Ltd B&M Retail Limited B&M European Value Retail Germany GmbH Cooltrader Limited EV Retail Limited Heron Food Group Limited Heron Foods Limited Heron Properties (Hull) Limited Retail Industry Apprenticeships Limited Paminvest SAS
Suzanne Smith	Bedford Packaging Limited Supreme plc Supreme Imports Limited	Team Hours Limited (a company registered in the Republic of Ireland)

(e) Sandy Chadha was:

- (i) appointed as a director of Bargain Foods Limited on 28 March 2014 and remained as a director until it was dissolved on 7 March 2017 following a compulsory winding up. On 4 December 2014 the High Court of Justice, on the petition of a creditor, ordered the company to be wound up. There was estimated to be a deficit to creditors of approximately £44,774;

- (ii) appointed as a director of Supreme Imports (Wholesale) Limited on 21 October 1988 and remained as a director until it was dissolved on 17 May 2012 following a compulsory winding up. On 24 August 2007 the company entered administration which ended on 3 September 2008 when the company was placed into creditors voluntary winding up. There was estimated to be no deficit to creditors on dissolution; and
  - (iii) appointed as a director of Gemini Products Limited on 14 May 2003 and remained as a director until it was dissolved on 17 November 2009 following a creditors voluntary liquidation that commenced on 29 July 2008. There was estimated to be a deficit to creditors of approximately £41,000.
- (f) Paul McDonald was:
- (i) appointed as a director of TJ Hughes Limited on 12 January 2011 and resigned on 30 April 2011. On 30 June 2011 administrators were appointed by Endless LLP and the administration moved to a creditors' voluntary liquidation on 24 December 2012 and was subsequently dissolved on 29 March 2017. There was estimated to be no deficit to creditors on dissolution;
  - (ii) appointed as a director of TJ Hughes (Properties) Company Limited on 12 January 2011 and resigned on 30 April 2011. On 30 June 2011 administrators were appointed and the administration moved to a creditors' voluntary liquidation on 24 December 2012 and was subsequently dissolved on 23 March 2017. There was estimated to be a deficit to creditors of approximately £28.7 million;
  - (iii) appointed as a director of TJ Hughes (Holdings) Company Limited on 12 January 2011 and resigned on 30 April 2011. On 30 June 2011 administrators were appointed by Endless LLP and the administration moved to a dissolution by notice on 24 December 2012 and was subsequently dissolved on 24 March 2013. There was estimated to be a deficit to creditors of approximately £1.2 million.
  - (iv) appointed as a director of TJ Hughes (Investments) Limited on 12 January 2011 and resigned on 30 April 2011. On 30 June 2011 administrators were appointed and the administration moved to a dissolution on 24 December 2012 and was subsequently dissolved on 24 March 2013. There was estimated to be a deficit to creditors of approximately £47.2 million.
  - (v) appointed as a director of Noteframe Limited on 9 July 2007 and resigned on 9 January 2009. On 15 April 2008 administrators were appointed by Project Steve Debtco Limited and the administration moved to a dissolution by notice on 9 October 2008 and was subsequently dissolved on 9 January 2009. There was estimated to be a deficit to creditors of approximately £22,384,000.
- (g) Save as disclosed above no Director:
- (i) has any unspent convictions in relation to fraudulent or indictable offences; or
  - (ii) has been bankrupt or the subject of an individual voluntary arrangement, or has had a receiver appointed to any asset of such Director; or
  - (iii) has been a director of any company which, while he was a director or within 12 months after he ceased to be a director, had a receiver appointed or went into compulsory liquidation, creditors voluntary liquidation, administration or company voluntary arrangement, or made any composition or arrangement with its creditors generally or with any class of its creditors; or
  - (iv) has been a partner of any partnership which, while he was a partner or within 12 months after he ceased to be a partner, went into compulsory liquidation, administration or partnership voluntary arrangement, or had a receiver appointed to any partnership asset; or
  - (v) has had any public criticism and/or sanction by statutory or regulatory authorities (including designated professional bodies); or

- (vi) has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- (h) Save as set out in paragraph 6(a) above and 6(k) below, so far as the Directors are aware, no person, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.
- (i) So far as the Directors are aware, there are no arrangements relating to the Group, the operation of which may at a subsequent date result in a change of control of the Company.
- (j) Save as disclosed in paragraph 6(a) above, and as set out below, the Company is not aware of any person who will on Admission be directly or indirectly interested in 3 per cent. or more of the issued share capital or voting rights of the Company:

	Immediately prior to Admission		Following Admission and, the Placing	
	Number of Shares	% of issued share capital	Number of Shares	% of issued share capital
Blackrock Investment Management	–	–	5,750,000	4.94%
Canaccord Genuity Wealth Management	–	–	5,700,000	4.89%
Slater Investments Limited	–	–	5,600,000	4.81%
Premier Miton Group Plc	–	–	5,250,000	4.51%
Jupiter Fund Management Plc	–	–	4,800,000	4.12%

- (k) None of the Company's major holders of shares listed above has voting rights which are different from other holders of Shares.
- (l) Save in respect of a loan to Nash Peters Limited (a company in which Sandy Chadha is a shareholder) which has a balance of approximately £1,800,000 there are no loans made or guarantees granted or provided by any member of the Group to or for the benefit of any Director.
- (m) Save as disclosed in paragraphs 8 and 10 below, no Director is or has been interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company or any of its subsidiaries during the current or immediately preceding financial period or which were effected during any earlier financial period and remains in any respect outstanding or unperformed.
- (n) There are no conflicts of interest between any duties the Directors have to the Company and their private interests and/or other duties they may have.
- (o) None of the Directors and no member of their respective families (as defined in the glossary to the AIM Rules) is interested in any related financial product referenced to the Shares (being a financial product whose value is, in whole or in part, determined directly or indirectly by reference to the price of the Shares, including a contract for difference or a fixed odds bet).

## 7. Directors service contracts and letters of appointment

- (a) Mark Cashmore entered into a letter of appointment with the Company dated 26 January 2021 as a Non- executive Director of the Company. He is entitled to annual fees of £40,000 together with the payment of reasonable expenses. The appointment is terminable on two months written notice by either party.
- (b) Sandy Chadha entered into a service agreement with the Company dated 26 January 2021 as Chief Executive Officer. The agreement provides for an annual salary of £250,000, a monthly car allowance of £600, and an annual holiday entitlement of 30 days plus statutory holidays. The agreement contains provisions for an annual bonus of up to 100 per cent. of salary against targets set by the remuneration committee of the Company. Mr Chadha is also entitled to the provision of private medical expenses and director's liability insurance, certain other additional benefits and the reimbursement of other reasonable expenses. The agreement is terminable on not less than 12 months written notice by either party.
- (c) Simon Lord entered into a letter of appointment with the Company dated 26 January 2021 as a Non-executive Director of the Company. He is entitled to annual fees of £45,000 together with

the payment of reasonable expenses. The appointment is terminable on two months written notice by either party.

- (d) Paul McDonald entered into a letter of appointment with the Company dated 26 January 2021 as a Non- executive Chairman of the Company. He is entitled to annual fees of £55,000 together with the payment of reasonable expenses. The appointment is terminable on two months written notice by either party.
- (e) Suzanne Smith entered into a service agreement with the Company dated 26 January 2021 as Chief Finance Officer. The agreement provides for an annual salary of £150,000, and an annual holiday entitlement of 33 days inclusive of statutory holidays. The agreement contains provisions for an annual bonus of up to 100 per cent. of salary against targets set by the remuneration committee of the Company. Mrs Smith is also entitled to the provision of director's liability insurance and the reimbursement of other reasonable expenses. The agreement is terminable on not less than 6 month's written notice by either party.
- (f) Save as set out in this paragraph 7, there are no service agreements in existence between any of the Directors and the Company or any Company in the Group.
- (g) Save as disclosed in this paragraph 7, there are no service contracts in existence between any of the Directors and the Company or any Company in the Group that provide for benefits upon termination of employment.

## **8. Related party transactions**

Details of transactions with related parties entered into by members of the Group during the period of the historical financial information and up to the date of this document are summarised below:

- (a) Details of certain transactions with related parties entered into by certain subsidiaries of the Company for the nine months ended 31 March 2019 and the year to 31 March 2020 are contained in note 29 of the Historical Financial Information in Section B of Part IV of this document and in note 27 of the Historical Financial Information in Section B of Part V of this document in the audited report and financial statements of Supreme Imports Limited for the two years ended 31 March 2019.
- (b) Supreme Imports Limited has made available to Nash Peters Limited (a company in which Sandy Chadha is a shareholder) an on demand unsecured loan facility of £1,625,338, paying 5 per cent. interest per annum. The amount due is approximately £1,800,000. The loan is repayable on demand by no less than 24 months' notice.
- (c) Supreme Imports Limited made available to Elena Dolce Limited a loan facility of £60,000. On or about 27 July 2017 this loan was satisfied by the transfer to the Company of 1 ordinary share of £1 in the capital of Elena Dolce Limited by Naresh Patel for a consideration of £60,000. Stamp duty was paid on such share transfer. On 12 April 2018, Naresh Patel executed an indemnity letter confirming, that the £60,000 due pursuant to the stock transfer had been satisfied by the loan monies received by Elena Dolce Limited from Supreme Imports Limited and that there is no further liability due from Supreme Imports Limited to Naresh Patel. This share is owned by Supreme Imports Limited at Admission. The Company has written off the value of the investment in its accounts to 31 March 2020.
- (d) A share exchange agreement dated 8 March 2018 between Sandy Chadha and the Company pursuant to which the Company acquired 170 ordinary shares in the capital of SI Holdings (which represented the entire issued share capital of that company) for an issue of 110,000,000 ordinary shares of £0.20 each credited as fully paid in the capital of the Company.
- (e) A Relationship Agreement dated 26 January 2021 between the Company, Grant Thornton and Sandy Chadha pursuant to which Sandy Chadha provided certain undertakings to the Company to ensure *inter alia* that (i) the Group is capable of carrying on its business independently of Sandy Chadha and his associates (as defined therein but including Sandy Chadha's nominees, family, trusts and any companies which such parties may control other than the Company or its subsidiaries); (ii) any arrangements or agreements with such parties are on arms-length terms; and (iii) the independence of the Board (and its committees) is maintained, including that at all

times a majority of the Board must be independent directors (as within the meaning of the QCA Code). Sandy Chadha has a right, for so long as he and his associates (in aggregate) hold more than 10 per cent. of the Company's issued share capital, to nominate a Director for appointment to the Board. Sandy Chadha has been confirmed as being the nominated director.

- (f) On 1 April 2017 Supreme Imports Limited purchased the entire issued share capital of Vape Nation Limited from Sandy Chadha for £1.
- (g) On 10 April 2018, Sandy Chadha executed a letter of indemnity in favour of the Company, Supreme Imports Limited and Vape Nation Limited in relation to any losses which might occur in relation to the acquisition of Vape Nation Limited, the conduct of its business prior to the acquisition, the reconstitution of the statutory books and the filing of inaccurate confirmation statements and annual returns by certain members of the Group.
- (h) On 10 April 2018 written resolutions of Supreme Imports Limited were passed to ratify (i) the approval of all prior accounts (ii) all prior transactions concluded, increases in share capital, granting of authorities to allot shares, disapplications of statutory pre-emption rights, allotments, transfers of shares and dividends and (iii) all prior failures to correct inaccurate annual returns for the period 2015-2016 and to release all claims it might have had against its current and former directors in relation to such matters and any consequent breaches of duty.
- (i) By an agreement dated 12 February 2020 and made between Supreme 8 Limited and the Company Supreme 8 Limited lent the Company £3,392,000 unsecured at an interest rate of 3 per cent. above base rate. The loan is repayable on demand by no less than 24 months' notice.
- (j) On 26 January 2021 Supreme Imports sold for £1 to Aditi Chadha 1 ordinary share of £1 in Saira Shoes Limited which was a dormant subsidiary of Supreme Imports.
- (k) During the period covered by the Historical Financial Information in Section B of Part IV of this document, by the Historical Financial Information in Section B of Part V of this document and the Unaudited Interim Financial Information of the Group in Section B of Part VI of this document historical financial information and from 1 October 2020 to the date of this document the Company has made dividend payments to Sandy Chadha and his related parties (namely Sandy Chadha and/or Aditi Chadha and Sandy Chadha and/or Supreme 8 Limited (a company controlled by Sandy Chadha)). The aggregate dividend payments are as set out below:

<b>Period</b>	<b>Aggregate dividend paid</b>
1 April 2017 to 31 March 2018	Nil
1 April 2018 to 31 March 2019	£16,288,340
1 April 2019 to 31 March 2020	£11,000,000
1 April 2020 to 26 January 2021	£3,000,000

## **9. Placing and Lock-in Arrangements**

A placing agreement dated 26 January 2021 between (1) the Company, (2) the Directors, (3) the Selling Shareholders, (4) Berenberg and (5) Grant Thornton, pursuant to which Berenberg has conditionally agreed to use its reasonable endeavours to arrange for placees to subscribe for or purchase 50,373,135 Placing Shares at the Placing Price, The agreement is conditional, *inter alia*, upon Admission taking place on or before 1 February 2021 or such later date as Berenberg, Grant Thornton and the Company may agree but in any event not later than 26 February 2021. The Company and the Selling Shareholders have each agreed to pay Berenberg a commission and the Company has agreed to pay to each of Berenberg and Grant Thornton a corporate finance fee. The Company will pay certain other costs and expenses (including any applicable VAT) of, or incidental to, the Placing including all fees and expenses payable in connection with Admission, expenses of the registrars, printing and advertising expenses, postage and all other legal, accounting and other professional fees and expenses.

The agreement contains certain warranties given by the Company, the Directors and the Selling Shareholders in favour of Berenberg and Grant Thornton as to, amongst other things, the business and operations of the Group, and the accuracy of information contained in this document, and an indemnity from the Company in favour of Berenberg and Grant Thornton in a form customary for an agreement of this nature.



Furthermore the agreement contains a 12 month lock-in period, during which the Primary Selling Shareholder and each of the Directors have agreed (subject to certain exceptions) not to offer, sell or contract to sell or otherwise dispose of any Shares or interests in shares (each a "Disposal"), without the prior consent of Berenberg and Grant Thornton. In addition, each has also agreed (subject to certain exceptions) that any Disposal in the subsequent 12 month period will be undertaken by Berenberg (or the Company's broker from time to time).

Berenberg and/or Grant Thornton may terminate the Placing Agreement in specified circumstances prior to Admission, including, among other things, in the event of a material breach of the Placing Agreement (or the warranties therein) or of any applicable law or regulation in relation to the Placing or Admission; a material adverse change in the Group; or a material adverse change in national or international monetary, political, financial or economic conditions, currency exchange rates, foreign exchange controls, stock market trading or commercial banking activities (which would in the judgment of Berenberg and/or Grant Thornton, acting in good faith, amongst other things, be likely to prejudice the success of the Placing).

Under the terms of the invitations referred to at paragraph 3(g) above each employee option holder has, amongst other things:

- (a) instructed that that his Employee Shares issued on the exercise of his option be registered in the name of Supreme Nominees Limited;
- (b) has authorised Supreme Nominees Limited to sell those Employee Shares in the Placing at the Placing Price and to enter into the Placing arrangements;
- (c) has granted a power of attorney to Supreme and others to facilitate the placing of the relevant Employee Shares and
- (d) instructed Supreme Nominees Limited to account to the option holder for the net proceeds of sale after the deduction of any commissions, fees, costs and expenses and any applicable taxes.

#### **10. Material contracts**

The following contracts, not being contracts entered into in the ordinary course of business are either material and have been entered into by the Company or members of its Group in the period of two years preceding the date of this document or have been entered into by the Company or members of its Group prior to that period and under which a member of the Group has any obligation or entitlement which is material at the date of this document:

- (a) The share exchange agreement referred to in paragraph 8(d) above.
- (b) The Relationship Agreement referred to in paragraph 8(e) above.
- (c) The Placing Agreement referred to in paragraph 9 above.
- (d) A nominated adviser agreement, dated 26 January 2021 between Grant Thornton, the Company and the Directors pursuant to which, and conditional on Admission, Grant Thornton agrees to act as the Company's nominated adviser in accordance with the AIM Rules for Companies and AIM Rules for Nominated Advisers, coordinating communications and acting as primary contact with the AIM team, providing advice and guidance in relation to the AIM Rules for Companies on customary terms. The Company has agreed to pay Grant Thornton an annual fee for its services as nominated adviser. The nominated adviser agreement contains certain indemnities given by the Company to Grant Thornton.
- (e) A broker engagement letter dated 26 January 2021 between Berenberg and the Company pursuant to which, following Admission, Berenberg agrees to provide the Company with certain brokerage services. There is an annual fee which is payable half-yearly in advance commencing on 1 February 2022.
- (f) On 8 March 2018, Supreme Imports Limited entered into an invoice discounting facility with HSBC Invoice Finance ("**HSBCIF**") which was varied on 19 October 2018 and has been further varied with effect from 4 November 2020. The facility (as varied) has a prepayment facility limit of £8,500,000. The agreement (as varied) is for a minimum 18-month term from 4 November

2020 and thereafter until terminated by no less than 3 months' notice. Supreme Imports Limited has agreed not to give such notice before 31 October 2022. Subject to certain provisions on, *inter alia*, concentration HSBCIF will invoice discount invoices issued by Supreme Imports Limited for 85 per cent. of their value subject to such invoices being paid within 60 days. A service charge is payable for the facility and interest is payable on amounts advanced.

- (g) On or about 1 January 2016, SI Jersey Limited entered into a licence agreement with J C Bamford Excavators Limited ("**JCB**") with Supreme Imports Limited as the guarantor. The licence agreement granted SI Jersey Limited (and Supreme Imports Limited as SI Jersey Limited's approved sub-licensee) the exclusive right to manufacture and sell JCB branded batteries in the UK, Eire and other specific countries with a commencement date of 1 January 2016. This licence was novated from SI Jersey Limited to Supreme Imports Limited by a deed of novation dated 18 April 2018. The licence was extended on 25 June 2020 and now terminates on 31 December 2024.
- (h) On or about 1 September 2016, SI Jersey Limited entered into a licence agreement with J C Bamford Excavators Limited ("**JCB**") with Supreme Imports Limited as the guarantor. The licence agreement granted SI Jersey Limited (who sub-licensed it to Supreme Imports Limited) the exclusive right to manufacture and sell JCB branded LED products in the UK, Eire and Malta with a commencement date of 1 September 2016 and terminating on 31 August 2018. This licence was novated from SI Jersey Limited to Supreme Imports Limited by a deed of novation dated 18 April 2018 and varied both by that deed and subsequently on 25 June 2020, *inter alia*, so that the licence now terminates on 31 August 2024.
- (i) On 1 January 2017, Supreme Imports Limited entered into a licence agreement with Energizer Brands LLC. The licence agreement grants Supreme Imports Limited the non-exclusive right to manufacture and sell certain Energizer and/or Eveready branded light bulbs and to use the Energizer character in named countries in the UK, Europe, Middle East, Africa and Asia Pacific. The licence agreement is for a fixed term of 5 years expiring on 31 December 2024.
- (j) On 28 March 2018 Supreme Imports Limited entered into a lease with Chadha Properties Limited (an Isle of Man company controlled by GS Chadha the father of Sandy Chadha) whereby from 5 May 2018 Supreme Imports leased premises at 4 Beacon Road, Ashburton Road West, Trafford Park Manchester for a period of 5 years on substantially identical terms (save for the date of commencement of the lease, the date of the next rent review (which is 3 years from 5 May 2018) and that date of expiry of the lease) to that of the previous lease Supreme Imports had for the same premises. The rent passing was not increased from that paid under Supreme Imports Limited's previous lease with Chadha Properties Limited for the same premises. The Directors believe that on any review of the rent passing under this lease (which is due to occur in 2021) the rent is likely to increase.
- (k) A lease agreement in respect of Part of Unit 1 and part of Unit 2 The Royce Trading Estate, Ashburton Road West, Trafford Park, Manchester, Greater Manchester, M17 1RY was entered into between Supreme Imports Limited and F H Lee Ltd. The lease was entered into on 14 March 2019 for a period of 5 years from 8 August 2018 and expires on 28 July 2023.
- (l) A share purchase agreement dated 24 May 2018 between Paul Dyer and Mark Parvin (1) and Supreme Imports Limited (2) whereby Supreme Imports Limited acquired the entire issued share capital of Powerquick Limited for a consideration of £250,000 following the conclusion of a net asset calculation as at completion.
- (m) On 1 December 2018 Provider Distribution Limited entered into any agreement with Barclays Bank PLC for an overdraft facility for the amount of £485,000. This is secured by an all monies debenture in favour of Barclays Bank PLC. The facility is repayable on demand.
- (n) An agreement dated 17 June 2019 between LED Hut Fulfilment Services Limited (in administration) (1) Tracy Pye and David Costley-Wood (2) and Supreme 88 Limited (3) whereby now Supreme 88 Limited acquired the undertaking and certain of the assets of the business of LED Hut Fulfilment Services Limited (in administration) for a consideration of £346,624.



- (o) A share purchase agreement dated 12 November 2019 between Mrs Edith E.H. Esser (1) Mrs Lynda M.J. Esser (2) and Supreme 88 Limited (3) whereby Supreme 88 Limited acquired the share capital of Holding Esser Affairs BV for a consideration of €1,553,216.
- (p) A share purchase agreement dated 28 February 2020 between Andrew Cockburn and Others (1) and the Company (2) whereby the Company acquired the entire issued share capital of Provider Cash & Carry Limited (now called Provider Distribution Limited) for a consideration of £3,544,564.
- (q) An amendment and restatement agreement dated 26 March 2020 and made between the Company (1) Supreme Imports (2) and HSBC Bank PLC (3) which amended and restated a sterling term facilities agreement between the parties dated 21 December 2018. The agreement made available facilities of up to £26,000,000 in total divided into three facilities namely an A1 Facility of £12,500,000 to be repaid in quarterly instalments of £781,250, an A2 Facility of £6,000,000 to be repaid in quarterly instalments of £545,000, and a Facility B of £7,500,000 to be repaid in full on the termination date being 5 years from the date of the agreement.
- (r) On 8 October 2020, Supreme Imports Limited entered into a facilities letter dated 24 September 2020 with HSBC UK Bank PLC (“HSBC”). The facilities may be cancelled at any time and were last scheduled for review in October 2020. The facilities granted allow access, inter alia, to a small international business overdraft, bank guarantees (with a limit of £1,200,000), and various import based loans (e.g. letters of credit) (with an aggregate limit of £4,500,000). Interest is payable on amounts advanced. The margin varies depending which facility is used from 2.14 per cent. to 2.4 per cent as does the reference rate to which the margin is added which might be over Bank of England base rate, ECB main refinancing rate, mid point of Federal Reserve target range, Swiss National Bank 3 month LIBOR target midpoint or Czech National Bank Discount Rate from time to time.
- (s) A share purchase agreement dated 30 October 2020 between Shaun Gibbons (1) Kevin Smith (2) and Supreme Imports Limited (3) whereby the Company acquired the entire issued share capital of GT Divisions Limited for a consideration of £1,000,000 to be adjusted based on the level of net assets following the conclusion of a net asset calculation as at completion.
- (t) A facility letter dated 23 November 2020 between HSBC Bank PLC (1) and Supreme Imports Limited (pursuant to which the HSBC Bank PLC made available a facility for foreign exchange contracts and currency options with a facility limited of USD\$8,000,000. The facilities may be cancelled at any time and are scheduled for review in January 2021. HSBC Bank PLC may in its discretion decide whether or not to allow a utilisation of the Facility and may specify pre-conditions to such drawing. Interest is payable on amounts advanced.

## 11. Selling Shareholders

The following table contains details of the Selling Shareholders and the Shares to be sold by them pursuant to the Placing:

Name	Business address	Number of Shares	Position, office or material relationship with the Group during the past 3 years
Sandy Chadha	4 Beacon Road Trafford Park Manchester M17 1AF	41,684,248	Chief Executive Officer
Aditi Chadha and Sandy Chadha as trustees of the Chadha Discretionary Trust 2020	4 Beacon Road Trafford Park Manchester M17 1AF	2,193,907	Employee and Chief Executive Officer respectively
Supreme Nominees Limited	4 Beacon Road Trafford Park Manchester M17 1AF	897,965	On behalf of a number of employees of the Group holding options

## 12. Taxation

The following summary, which is intended as a general guide only, outlines certain aspects of current UK tax legislation, and what is understood to be the current practice of HMRC in the United Kingdom regarding the ownership and disposal of ordinary shares. This summary is not a complete and exhaustive analysis of all the potential UK tax consequences for holders of Shares. It addresses certain limited aspects of the UK taxation position of UK resident and domiciled Shareholders who are beneficial owners of their Shares and who hold their Shares as an investment (and not as employment related securities or through an "Individual Saving Account" or "Self Invested Personal Pension").

Any person who is in any doubt as to his or her tax position or who is subject to taxation in a jurisdiction other than the UK should consult his or her professional advisers immediately as to the taxation consequences of their purchase, ownership and disposition of Shares. This summary is based on current United Kingdom tax legislation. Shareholders should be aware that future legislative, administrative and judicial changes could affect the taxation consequences described below

### (a) **Taxation of dividends**

There is no UK withholding tax on dividends, including cases where dividends are paid to a Shareholder who is not resident (for tax purposes) in the UK.

#### (i) *Individual Shareholders*

Shareholders who are individuals receive a tax-free dividend allowance of £2,000 per tax year and are liable to UK income tax on the amount of any dividends received over this. The rates of income tax on dividend income that exceed the tax free allowance are 7.5 per cent. for basic rate taxpayers, 32.5 per cent. for higher rate taxpayers and 38.1 per cent. for additional rate taxpayers.

#### (ii) *Corporate Shareholders*

UK resident corporate shareholders and pension funds will not normally be liable to UK taxation on any dividend received.

### (b) **Taxation of chargeable gains**

For the purpose of UK tax on chargeable gains, the acquisition of Shares pursuant to the Placing will be regarded as an acquisition of a new holding in the share capital of the Company. The Shares so allotted will, for the purpose of tax on chargeable gains, be treated as acquired on the date of allotment. The amount paid for the Shares will usually constitute the base cost of a shareholder's holding.

#### (i) *Individual Shareholders*

If a UK resident individual Shareholder disposes of all or some of his or her Shares a liability to tax on chargeable gains may, depending on their circumstances, arise. The shareholder's annual exemption (currently £12,300 for individuals for 2020/21 tax year) and any capital losses they have may reduce the chargeable gain. UK resident individuals are generally subject to capital gains tax at a current flat rate of 20 per cent. (reduced to 10 per cent. where a gain falls within an individual's unused basic rate income tax band). Trustees and personal representatives are generally subject to capital gains tax at 20 per cent.

A Shareholder who is not resident in the UK for tax purposes, but who carries on a trade, profession or vocation in the UK through a permanent establishment (where the Shareholder is a company) or through a branch or agency (where the Shareholder is not a company) and has used, held or acquired the Shares for the purposes of such trade, profession or vocation or such permanent establishment, branch or agency (as appropriate) will be subject to UK tax on capital gains on the disposal of Shares. In addition, any holders of Shares who are individuals and who dispose of shares while they are temporarily non-resident may be treated as disposing of them in the tax year in which they again become resident in the UK.

(ii) *Corporate Shareholders*

Disposals realised by corporate Shareholders within the charge to corporation tax (currently 19 per cent.) may give rise to a chargeable gain or an allowable loss, subject to the availability of an exemption (e.g. the substantial shareholding exemption) or relief.

(c) ***Inheritance tax***

The Shares are assets situated in the United Kingdom for the purposes of UK inheritance tax. A gift of Shares by, or on the death of, an individual Shareholder may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax even if the Shareholder is neither domiciled nor deemed to be domiciled in the United Kingdom.

(d) ***AIM***

Companies whose shares trade on AIM are deemed unlisted for the purposes of certain areas of UK taxation. Following Admission, Shares held by individuals for at least two years from Admission may qualify for more generous exemptions from inheritance tax on death or in relation to lifetime transfers of those Shares. Shareholders should consult their own professional advisers on whether an investment in an AIM security is suitable for them, or whether the tax benefit referred to above maybe available to them.

(e) ***Stamp duty and stamp duty reserve tax***

No UK stamp duty will be payable on the issue by the Company of Shares and no stamp duty or stamp duty reserve tax is payable on transactions in shares traded on AIM where the shares are not also listed on a recognised stock market.

**Any person who is in any doubt as to his or her tax position or who may be subject to tax in any other jurisdiction should consult his or her professional adviser.**

### **13. Investments**

Except as set out in this document there have been no investments made by any member of the Group or to be made in the future in respect of which firm commitments have been made.

### **14. Working capital**

In the opinion of the Directors, having made due and careful enquiry and taking into account the net proceeds of the Placing, the working capital available to the Company and the Group will be sufficient for its present requirements, that is for at least the next twelve months from the date of Admission.

### **15. Litigation**

Save as disclosed below, no member of the Group is or has been involved in any governmental, legal or arbitration proceedings during the 12 months preceding the date of this document which may have or have had in the recent past a significant effect on the financial position or profitability of the Group and, so far as the Company is aware, there are no such proceedings pending or threatened.

#### ***Philips Lighting BV (“Philips”)***

On or about 30 June 2016, Supreme Imports Limited was approached by Philips and invited to join its EnabLED Licensing Program which would, inter alia, have entailed a royalty payment to Philips. Through a series of correspondence between Supreme Imports Limited and Philips, it was inferred that the Group’s Trillion LED range infringed some of Philips’ patents. During this time, Philips approached Supreme Imports Limited’s manufacturer in China but it did not particularise any problems with the Trillion LED range. Philips has not taken any steps to press any patent infringement since June 2016 and has not provided the Group with sufficient particulars of any alleged breach to enable the Group to assess whether any breach actually occurred and, if so, what, if any, potential for damages flow from such breach. The Group ceased to manufacture the Trillion range in 2016 although it continues to sell its stock which it intends to continue to do until the stock is exhausted or otherwise not saleable.

The Group is aware that JCB and Energizer have had letters from Philips in relation to LED lighting manufactured by Supreme under licence inferring that this infringed some of Philips’ patents. The terms

of Supreme's arrangements with Energizer and JCB are such that Supreme are obliged to indemnify Energizer and JCB against any such claims. In both cases, specific details of any actual breach has not been particularised and therefore whether in fact there is a breach and if so what, if any, potential for damages flow from such breach is impossible for the Group to assess.

### ***Health and Safety Executive ("HSE")***

On 22 October 2020 an agency worker contracted to VN Labs Limited sustained a serious injury to his hand. The full extent of the injuries are yet to be determined. The Company immediately notified the Health and Safety Executive in England who are investigating. The Company continues to make all resources available to the HSE and will co-operate until the matter is concluded. Enforcement methods available to the HSE inspectors include providing written information regarding breaches of law; requiring improvements in the way risks are managed; stopping certain activities where they create serious risks; and recommending and bringing, prosecutions where there has been a serious breach of law. The matter has been notified to VN Labs' insurers. There is not expected to be any material adverse financial impact on the Company.

## **16. Takeover Bids, Squeeze-out Rules, Sell-out Rules, Public Takeover Bids and Notification of Major Interests in Shares**

### **(a) Takeover Bids**

The Takeover Code applies to the Company. Under Rule 9 of the Takeover Code, if an acquisition of Shares and/or interests therein were to increase the aggregate interest of the acquirer and its concert parties in shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties, would be required (except with the consent of the Takeover Panel) to make a cash offer for the Shares not already held by them at a price not less than the highest price paid for the Shares by the acquirer or its concert parties during the previous 12 months.

Under Rule 9 of the Takeover Code, this requirement would also be triggered by any acquisition of Shares and/or interest therein by a person (together with its concert parties) interested in shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase those persons' percentage interest in the total voting rights of the Company.

"Interests in shares" is defined broadly in the Takeover Code. A person who has long economic exposure, whether absolute or conditional, to changes in the price of shares will be treated as interested in those shares. A person who only has a short position in shares will not be treated as interested in those shares.

"Voting rights" for these purposes means all the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting.

Persons acting in concert (and concert parties) comprise persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control of a company or to frustrate the successful outcome of an offer for a company. Certain categories of people are deemed under the Takeover Code to be acting in concert with each other unless the contrary is established.

### **(b) Squeeze-out Rules**

Under the Companies Act, if an offeror were to acquire 90 per cent. of the Shares to which an offer relates, within four months of making its offer it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in favour of the offeror and pay the consideration to the Company, which would hold the consideration in trust for outstanding Shareholders.

The consideration offered to the Shareholders whose shares are compulsorily acquired under the Companies Act must, in general, be the same as the consideration that was available under the takeover offer unless the Shareholders can show that the offer value is unfair.

(c) ***Sell-out Rules***

The Companies Act also gives minority Shareholders a right to be bought out in certain circumstances by an offeror who had made a takeover offer. If a takeover offer related to all the Shares and at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 90 per cent. of the Shares, any holder of Shares to which the offer relates who has not accepted the offer can by a written communication to the offeror require it to acquire those shares. The offeror is required to give any Shareholder notice of his right to be bought out within one month of that right arising.

The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Shareholder exercises its rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

(d) ***Public Takeover Bids***

There have been no public takeover bids by third parties in respect of the Company's share capital since incorporation.

(e) ***Notification of major interests in Shares***

Chapter 5 of the Disclosure and Transparency Rules published by the FCA makes provisions regarding notification of certain shareholdings and holdings of financial instruments.

Where a person holds voting rights in the Company as a Shareholder through direct or indirect holdings of financial instruments, then that person has an obligation to make a notification to the FCA and the Company of the percentage of voting rights held where that percentage reaches, exceeds or falls below three per cent. or any whole percentage point above three per cent.

The requirement to notify also applies where a person is an indirect Shareholder and can acquire, dispose of or exercise voting rights in certain cases.

Shareholders are encouraged to consider their notification and disclosure obligations carefully as a failure to make any required notification to the Company may result in disenfranchisement pursuant to the Articles (see paragraph 4(a) of this Part IX above).

## **17. General**

- (a) Save as disclosed in this document, there has been no significant change in the financial position or financial performance of the Group since 30 September 2020, being the date to which the latest unaudited interim financial information set out in Part VI of this document in relation to Supreme was prepared.
- (b) BDO LLP has given and not withdrawn its consent to the inclusion of its reports in Section A of Part IV, Section A of Part V and Section A of Part VI of this document in the form and context in which they appear.
- (c) Berenberg has given and has not withdrawn its written consent to the inclusion in this document of its name in the form and context in which it appears.
- (d) Grant Thornton has given and has not withdrawn its written consent to the inclusion in this document of its name in the form and context in which it appears.
- (e) The gross proceeds of the Placing receivable by the Company are expected to be £7.5 million. The total costs and expenses of and incidental to Admission and the Placing, payable by the Company, (including registration and London Stock Exchange fees, printing, advertising and distribution costs, legal, accounting, corporate finance and public relations fees and expenses) are estimated to amount to approximately £1.9 million (net of recoverable VAT).



- (f) The Group relies on intellectual property laws to protect certain aspects of its business and, in particular, its copyright in e-liquids originated by it. In addition the Group has a number of domain names for use as websites and/or email addresses. The Group has the following trademarks which it uses in the ordinary course of its business:

Trademark no	Registered Mark	Class(es)	Registration Date	Effective Date	Renewal Date
UK00003395567	88CBD	5/34/35	23/08/2019	29/04/2019	29/04/2029
UK00003071511	88vape	34	05/12/2014	08/09/2014	08/09/2024
EU017579632	88vape	34	20/04/2018	11/12/2017	11/12/2027
EU018009551	Battle	29, 30	04/05/2019	14/01/2019	14/01/2029
EU013658968	Battle Oats	43, 29, 30	04/05/2015	20/01/2015	20/01/2025
013359344(Israel)	DYNABAR	5, 30	10/03/2015		
013359377(Israel)	DYNAGO	5, 30	10/03/2015		
013359211(Israel)	DYNAPRO	5, 30	10/03/2015		
UK00003017166	Go Nutrition	5/29/30/32	22/11/2013	07/08/2013	07/08/2023
UK00002644922	KIK	34	08/03/2013	06/12/2012	06/12/2022
TMZC22894446CSGG (China)	KIK		27/11/2017		
UK00003516625	Little Millions	5	06/11/2020	28/07/2020	28/07/2030
UK00003536567	Millions	5	Not yet granted	23/09/2020	
UK00003536568	Millions & Millions	5	Not yet granted	23/09/2020	
UK00003059669	Protein Dynamix	5	03/10/2014	12/06/2014	12/06/2024
1706940(Canada)	Protein Dynamix	5	14/09/2016		
2014/33989(South Africa)	Protein Dynamix	5	11/12/2014		
UK00003017155	Solo	5	08/11/2013	07/08/2013	07/08/2023
UK00003273339	Total CBD	5, 34	27/11/2017	27/11/2017	27/11/2027
UK00003232779	Trance Vape	34	11/08/2017	22/05/2017	22/05/2027
UK00003022722	Trillion	11	13/12/2013	19/09/2013	19/09/2023
UK00003024443	Trillion	9	27/12/2013	02/10/2013	02/10/2023

Save as disclosed in this document, the Company is not dependent on any patents, licences, industrial or commercial or financial contracts or new manufacturing processes which have a material effect on the Company's business or profitability.

- (g) There are no arrangements under which future dividends are waived or agreed to be waived.
- (h) The financial information set out in this document does not constitute statutory accounts within the meaning of section 434 of the Companies Act. Statutory accounts for Supreme Imports Limited for the three years ended 31 March 2018, 2019 and 2020 have been delivered to the Registrar of Companies in England and Wales. The auditors to Supreme Imports Limited for the three years ended 31 March 2018, 2019 and 2020 were BDO LLP a member firm of the Institute of Chartered Accountants in England and Wales. BDO LLP have made reports in the statutory accounts of Supreme Imports Limited for each period. Such reports are unqualified and contained no statement under section 498(2) or 498(3) of the Companies Act. Statutory accounts for the Company for the two years ended 30 June 2017 and 2018, the nine month period ended 31 March 2019 and year ended 31 March 2020 have been delivered to the Registrar of Companies in England and Wales. The auditors to the Company for the nine months ended 31 March 2019 and the year ended 31 March 2020 were BDO LLP a member firm of the Institute of Chartered Accountants in England and Wales. BDO LLP have made reports in the statutory accounts of the Company for each period. Such reports are unqualified and contained no statement under section 498(2) or 498(3) of the Companies Act. The accounts for the two years ended 30 June 2017 and 2018 were unaudited.
- (i) The Shares will only be traded on AIM.
- (j) The Company's registrar and paying agent for the payment of dividends is Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.
- (k) Save as disclosed in this document there have been no interruptions in the business of the Group, which may have or have had a significant effect on the financial position of the Group or which are likely to have a material effect on the prospects of the Group for the next 12 months.

- (l) Save as disclosed in this document the Directors are not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Group's prospects for the current financial year.
- (m) Since the date of its incorporation on 13 June 2006 up to the acquisition of the issued share capital of SI Holdings on 8 March 2018, the Company had not commenced operations and it had no material assets or liabilities, and therefore only dormant company accounts have been prepared for periods ended on or before 8 March 2018.
- (n) The following are the premises leased or licensed by the Group

<b>Address</b>	<b>Tenure</b>	<b>Nature of Premises</b>	<b>Expiry Date</b>
4 Beacon Road, Ashburton Road West, Trafford Park Manchester, M17 1AF	Leasehold	Main office, warehouse and vaping clean room	4 May 2023
Part of Unit 1 and part of Unit 2 The Royce Trading Estate, Ashburton Road West, Trafford Park, Greater Manchester M17 1RY	Leasehold	Warehousing	28 July 2023
Units 3 & 4 Severnside Trading Estate, Trafford Park, M17 1WA	Leasehold	Warehousing	15 November 2025
Unit 1 Hollinshead Mill, St James Road, Blackburn, BB1 8ET	Leasehold	Warehousing and ancillary offices	22 February 2022
Units A & B Hollinshead Mill, St James Road, Blackburn, BB1 8ET	Leasehold	Warehousing and ancillary offices	10 March 2022
	Leasehold	Storage and Distribution	30 June 2022

- (o) Except for fees payable to the professional advisers whose names are set out in Part I of this document, payments to trade suppliers, and save for fees paid to DWF Law LLP in respect of legal advice and fees paid to PricewaterhouseCoopers in respect of tax advice, no person has received any fees, securities in the Company or other benefit to a value of £10,000 or more, whether directly or indirectly, from the Company within the 12 months preceding the application for Admission, or has entered into any contractual arrangement to receive from the Company, directly or indirectly, any such fees, securities or other benefit on or after Admission.
- (p) Save as disclosed in this document, the Directors are unaware of any exceptional factors which have influenced the Company's activities.
- (q) Where information has been sourced from a third party, the Company confirms that the information has been accurately reproduced and the source of the information has been identified, and that as far as it is aware and is able to ascertain from the information published by those third parties, no facts have been omitted which would render the information produced inaccurate or misleading.
- (r) Save as disclosed in this document, the Directors are unaware of any environmental issue that may affect the Group's utilisation of its tangible fixed assets and the Directors have not identified any events that have occurred since the end of the last financial year and which are considered likely to have a material effect on the Company's prospects for the current financial year.
- (s) In the financial year ended 31 March 2020 the Group employed on average 83 temporary employees.
- (t) Save as disclosed in this document, there have been no significant recent trends in production, sales and inventory and costs and selling prices of the Group since 31 March 2020.



(u) The accounting reference date of the Company is 31 March.

**18. Documents available for inspection**

Copies of this document will be available free of charge to the public during normal business hours on any day (except Saturdays, Sundays and public holidays) at the registered office of the Company for one month from the date of this document. This document is also available on the Company's website, [www.supreme.co.uk](http://www.supreme.co.uk).

Dated: 27 January 2021





**SUPREME**

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