

**Report of the Directors and
Financial Statements
for the Year Ended 31 March 2021
for
VN Labs Ltd**



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for the year ended 31 March 2021**

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VN Labs Ltd

**Company Information
for the year ended 31 March 2021**

DIRECTORS:

S Chadha
S Smith

SECRETARY:

D Clinch

REGISTERED OFFICE:

4 Beacon Road
Trafford Park
Manchester
M17 1AF

REGISTERED NUMBER:

08792922 (England and Wales)

AUDITORS:

BDO LLP
3 Hardman Street
Manchester
M3 3AT

**Report of the Directors
for the year ended 31 March 2021**

The directors presents their report with the financial statements of the company for the year ended 31 March 2021.

PRINCIPAL ACTIVITY

The Company's principal activity is the manufacture of vape liquids through a multi-purpose factory.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £5,179,449 (2020: £4,475,989).

A dividend of £4,000,000 was declared and paid on 31 August 2020.

DIRECTORS

S S Chadha has held office during the whole of the period from 1 April 2020 to the date of this report.

Other changes in directors holding office are as follows:

A Chadha - resigned 3 December 2020

S G Smith – appointed 22 December 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

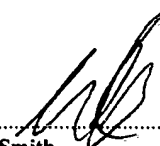
So far as each director is aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, BDO LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

ON BEHALF OF THE BOARD:


.....
S Smith
Director

Date: 22 December 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VN LABS LIMITED

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of VN Labs Limited ("the Company") for the year ended 31 March 2021 which comprise the statement of comprehensive income, balance sheet, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the report of the director and financial statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VN LABS LIMITED (continued)

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

Responsibilities of Directors

As explained more fully in the statement of directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

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

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

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

Our audit procedures included, but were not limited to:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to valuation and completeness of accruals and other provisions;
- We have made enquiries of management and those responsible for legal and compliance procedures regarding known or suspected instances of non-compliance with laws and regulation and fraud. We corroborated our enquiries through our review of board minutes and other evidence gathered during the course of the audit; and
- We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- Revenue year end cut-off procedures;

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VN LABS LIMITED (continued)

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Julien Rye

657895FCFECB4FF
Julien Rye (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor

Manchester

22 December 2021

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

**Statement of Comprehensive Income
for the year ended 31 March 2021**

	Notes	Year ended 31 March 2021 £	Year ended 31 March 2020 £
TURNOVER		24,679,681	18,945,022
Cost of sales		<u>(17,119,803)</u>	<u>(10,343,267)</u>
GROSS PROFIT		7,559,878	8,601,755
Administrative expenses		<u>(1,165,010)</u>	<u>(3,222,937)</u>
OPERATING PROFIT and PROFIT BEFORE TAXATION	5	6,394,868	5,378,818
Tax on profit	6	<u>(1,215,419)</u>	<u>(902,829)</u>
PROFIT FOR THE FINANCIAL YEAR		5,179,449	4,475,989
Other comprehensive income		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>5,179,449</u></u>	<u><u>4,475,989</u></u>

Balance Sheet
31 March 2021

	Notes	As at 31 March 2021 £	As at 31 March 2020 £
FIXED ASSETS			
Tangible assets	8	2,213,583	1,884,563
CURRENT ASSETS			
Stocks		4,016,161	2,176,800
Debtors	9	4,156,838	5,047,749
Cash in hand		<u>39,639</u>	<u>9,155</u>
		8,212,638	7,233,704
CREDITORS			
Amounts falling due within one year	10	<u>(3,653,774)</u>	<u>(3,525,269)</u>
NET CURRENT ASSETS		<u>4,558,864</u>	<u>3,708,435</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		6,772,447	5,592,998
PROVISIONS FOR LIABILITIES	11	<u>(115,864)</u>	<u>(115,864)</u>
NET ASSETS		<u>6,656,583</u>	<u>5,477,134</u>
CAPITAL AND RESERVES			
Called up share capital	12	1	1
Retained earnings		<u>6,656,582</u>	<u>5,477,133</u>
SHAREHOLDERS' FUNDS		<u>6,656,583</u>	<u>5,477,134</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board and authorised for issue on 22 December 2021 and were signed by:


.....
S Smith
Director

**Statement of Changes in Equity
for the year ended 31 March 2021**

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 April 2019	1	1,001,144	1,001,145
Changes in equity			
Total comprehensive income	-	4,475,989	4,475,989
Balance at 31 March 2020	1	5,477,133	5,477,134
Changes in equity			
Total comprehensive income	-	5,179,449	5,179,449
Dividends	-	(4,000,000)	(4,000,000)
Total transactions with owners, recognised directly in equity	-	(4,000,000)	(4,000,000)
Balance at 31 March 2021	1	6,656,582	6,656,583

**Notes to the Financial Statements
for the year ended 31 March 2021**

1. STATUTORY INFORMATION

VN Labs Ltd is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

For periods up to and including the year ended 31 March 2020, the Company prepared its financial statements in accordance with Financial Reporting Standard 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). These financial statements for the year ended 31 March 2021 are the first the Company has prepared in accordance with FRS 101. The Company's deemed transition date to FRS 101 is 1 April 2019, being the first day of the earliest period presented in these financial statements. The principles and requirements for first time adoption of FRS 101 are set out in IFRS 1. IFRS 1 allows certain exemptions in the application of particular standards to prior periods in order to assist companies with the transition process. Details of the transitional adjustments are set out in note 14. The Company has adopted the FRS 101 accounting principles on a consistent basis from the date of transition.

Going concern

VN Labs Limited forms part of the Supreme PLC group of companies ("Supreme" or the "Group") - a group that manufactures and supplies fast-moving consumer goods to well-established retailers and wholesalers. Supreme has been trading for more than 30 years, is profitable and cash-generative, with low levels of net debt when compared to its peers. The consolidated accounts for Supreme PLC reported revenue growth of 33% for the year ended 31 March 2021, with a 5-year revenue CAGR of 16%. The Group's product range is varied; nonetheless they are all purchased routinely by consumers regardless of the weather, economic circumstance or events - as demonstrated during the COVID-19 pandemic where sales were broadly uninterrupted. The markets within which Supreme operate are either in growth (vaping and sports nutrition) or are extremely stable (batteries and lighting). Moreover, the largest part of the customer base (discount retailers) is performing well when compared to other types of ("bricks and mortar") retailers. Supreme PLC was admitted onto the AIM market in February 2021 and almost half of its share capital is traded publicly. The share price has risen almost 40% since listing and its market capitalisation is around £200m.

The group is funded by external banking facilities provided by HSBC until December 2022 (albeit the facilities represent less than 0.5x current EBITDA of the Group), as well as through surplus cash held at bank. The Board and Senior Management regularly reviews revenue, profitability and cash flows across the short, medium and longer term.

Management has assessed the Company's going concern status by undertaking a 3 year cash flow forecast where the modest levels of growth to revenue and costs have been applied and held all working capital assumptions in line with existing trends. No new categories or acquisitions have been assumed nor any significant economies of scale or manufacturing efficiencies. Taking account of these facilities, having considered the strong trading and cash flow forecasts and after assessing reasonably worst-case sensitivities, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing these financial statements.

Reduced disclosure

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- the requirements of paragraph 33(c) of IFRS 5 Non Current Assets Held for Sale and Discontinued Operations;
- the requirements of paragraph 24(6) of IFRS 6 Exploration for and Evaluation of Mineral Resources;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases;
- the requirements of paragraph 58 of IFRS 16;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
 - paragraphs 76 and 79(d) of IAS 40 Investment Property; and
 - paragraph 50 of IAS 41 Agriculture;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;

Notes to the Financial Statements - continued
for the year ended 31 March 2021

2. ACCOUNTING POLICIES - continued

- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group;
- the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairments of Assets.

Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sale of goods are recognised upon dispatch of the goods to the customer.

Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Plant and machinery 25% straight line
Fixtures and fittings 25% straight line
Office equipment 25% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

Notes to the Financial Statements - continued
for the year ended 31 March 2021

2. ACCOUNTING POLICIES - continued

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Employee benefit costs

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the income statement in the period to which they relate.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Notes to the Financial Statements - continued
for the year ended 31 March 2021

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of these Company financial statements 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 judgements

Tangible fixed assets (see note 8)

Determine whether there are indicators of impairment of the Company's tangible fixed assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and, where it is a component of a larger cash generating unit, the viability and expected future performance of that unit.

Accounting estimates

Tangible fixed assets (see note 8)

Tangible fixed assets are depreciated over their useful lives, taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

4. EMPLOYEES AND DIRECTORS

	Year ended 31 March 2021	Year ended 31 March 2020
	£	£
Wages and salaries	1,396,692	1,219,000
Social security costs	123,045	97,298
Other pension costs	<u>31,198</u>	<u>21,549</u>
	<u>1,550,935</u>	<u>1,337,847</u>

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

	Year ended 31 March 2021	Year ended 31 March 2020
Vape Lab	<u>65</u>	<u>57</u>

	Year ended 31 March 2021	Year ended 31 March 2020
	£	£
Directors' remuneration	<u>-</u>	<u>-</u>

5. PROFIT BEFORE TAXATION

The profit before taxation is stated after charging:

	Year ended 31 March 2021	Year ended 31 March 2020
	£	£
Cost of inventories recognised as expense	13,247,658	10,343,267
Depreciation - owned assets	<u>983,499</u>	<u>663,585</u>

Auditors' remuneration of £7,500 has been borne by a fellow subsidiary undertaking.

Notes to the Financial Statements - continued
for the year ended 31 March 2021

6. TAXATION

Analysis of tax expense

	Year ended 31 March 2021 £	Year ended 31 March 2020 £
Current tax:		
Tax	<u>1,215,419</u>	<u>902,829</u>
Total tax expense in statement of comprehensive income	<u>1,215,419</u>	<u>902,829</u>

Factors affecting the tax expense

The tax assessed for the year is higher (2020 - lower) than the standard rate of corporation tax in the UK. The difference is explained below:

	Year ended 31 March 2021 £	Year ended 31 March 2020 £
Profit before income tax	<u>6,394,868</u>	<u>5,378,818</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	1,215,025	1,021,975
Effects of:		
Fixed asset differences	-	29,305
Adjustments in respect of previous periods	-	(153,320)
Remeasurement of deferred tax for changes in tax rates	-	4,869
Expenses not deductible for tax purposes	<u>394</u>	<u>-</u>
Tax expense	<u>1,215,419</u>	<u>902,829</u>

7. DIVIDENDS

A dividend of £4,000,000 was declared and paid on 31 August 2020.

8. TANGIBLE FIXED ASSETS

	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Totals £
COST				
At 1 April 2020	3,011,722	52,404	8,982	3,073,108
Additions	1,394,023	-	996	1,395,019
Disposals	<u>(120,000)</u>	<u>-</u>	<u>-</u>	<u>(120,000)</u>
At 31 March 2021	<u>4,285,745</u>	<u>52,404</u>	<u>9,978</u>	<u>4,348,127</u>
DEPRECIATION				
At 1 April 2020	1,162,533	24,215	1,797	1,188,545
Charge for year	968,111	13,101	2,287	983,499
Eliminated on disposal	<u>(37,500)</u>	<u>-</u>	<u>-</u>	<u>(37,500)</u>
At 31 March 2021	<u>2,093,144</u>	<u>37,316</u>	<u>4,084</u>	<u>2,134,544</u>
NET BOOK VALUE				
At 31 March 2021	<u>2,192,601</u>	<u>15,088</u>	<u>5,894</u>	<u>2,213,583</u>
At 31 March 2020	<u>1,849,189</u>	<u>28,189</u>	<u>7,185</u>	<u>1,884,563</u>

Notes to the Financial Statements - continued
for the year ended 31 March 2021

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	As at 31 March 2021	As at 31 March 2020
	£	£
Trade debtors	170,815	427,719
Amounts owed by group undertakings	3,854,748	4,453,376
Other debtors	131,275	166,654
	<u>4,156,838</u>	<u>5,047,749</u>

Amounts owed by group undertakings and interest free and due on demand.

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	As at 31 March 2021	As at 31 March 2020
	£	£
Trade creditors	1,956,545	1,818,541
Tax	1,203,670	941,308
Social security & other taxes	267,304	434,599
Accruals & deferred income	226,255	330,821
	<u>3,653,774</u>	<u>3,525,269</u>

11. PROVISIONS FOR LIABILITIES

	As at 31 March 2021	As at 31 March 2020
	£	£
Deferred tax	<u>115,864</u>	<u>115,864</u>
		Deferred tax
		£
Balance at 1 April 2020		<u>115,864</u>
Balance at 31 March 2021		<u>115,864</u>

Deferred tax at the year end relates entirely to fixed asset timing differences.

12. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	As at 31 March 2021	As at 31 March 2020
			£	£
1	Ordinary	1.00	<u>1</u>	<u>1</u>

**Notes to the Financial Statements - continued
for the year ended 31 March 2021**

13. ULTIMATE PARENT COMPANY

The immediate parent company is Supreme Imports Limited, a company incorporated in England and Wales, with the registered address of 4 Beacon Road, Trafford Park, Manchester, M17 1AF.

The ultimate parent company is Supreme plc, a company incorporated in England and Wales, with the registered address of 4 Beacon Road, Trafford Park, Manchester, M17 1AF.

As at 31 March 2021, the smallest group in which the Company's results are consolidated is that headed by Supreme Imports Limited. The largest group in which the Company's results are consolidated is that headed by Supreme plc. The consolidated accounts of Supreme Imports Limited and Supreme plc are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ. No other group accounts include the results of the Company.

The Company is under the ultimate control of S Chadha and his concert party.

14. TRANSITION TO FRS 101

From 1 April 2019 the Company has adopted FRS 101 in the preparation of the Financial Statements. There was no accounting impact of the transition.