

**VN Labs Ltd**

**Directors Report and**

**Financial Statements**

**for the Year Ended 31 March 2023**



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**VN Labs Ltd**

**Company Information  
for the year ended 31 March 2023**

**DIRECTORS:**

S S Chadha  
S G Smith

**SECRETARY:**

D J 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

**Strategic Report  
for the year ended 31 March 2023**

The Directors present their strategic report together with the audited financial statements for the year ended 31 March 2023.

VN Labs Ltd is part of the Supreme Plc group. A consolidated set of accounts can be found at: <https://investors.supreme.co.uk>.

The sole activity of the Company is the manufacturing, packaging and distribution of products for Supreme Imports Ltd, a fellow member of the Supreme PLC group. This includes the manufacture of vaping liquids, protein powders and vitamins for Supreme's owned brands such as 88Vape and Sci-Mx which are widely distributed to retailers and discounters in the UK. The business will continue to support Supreme Imports Limited as it adds new products and categories to complement its existing product ranges.

**REVIEW OF BUSINESS**

Sales have increased to £29,338,511 (2022: £26,076,452), which is a direct reflection of the growth in the Group as a whole.

Cost of sales also increased to £22,918,282 (2022: £19,437,492). This increase is driven by a mixture of volume and increased raw material prices across all revenue streams. Gross profit as a result is £6,420,229 for the year (2022: £6,638,960).

Admin expenses fell in the year due to lower depreciation costs and a differing mix between agency and employed labour.

Profit after tax totalled £4,157,704 (2022: £4,124,604).

Despite this increase in the volume, stock fell to £3,995,401 (2022: £5,440,715), returning to a "normalised" level of stock following an inflated number in 2022 as a result of a conscious decision to forward-buy whey protein to best-manage ongoing price increases.

**PRINCIPAL RISKS AND UNCERTAINTIES**


For the financial year in review, the Company's key risks were considered to be the exchange rate risk, the volatility of raw material prices and regulatory risk in the vaping and health and wellness sectors (the Company's sole activity is the manufacture of such products). Exchange rate risk is managed by a group hedging policy maintained by the immediate parent company Supreme Imports Limited. The volatility in raw material prices is managed by the forward-buying of key materials such as a whey protein and avoiding dependency on single suppliers. "Shadow manufacturing" (whereby inhouse manufacturing is replicated with third party suppliers) has also provided alternative supply for manufactured lines when local raw material prices were temporarily cost-ineffective. In reference to the Vaping regulatory risk, on 29 January 2024 the UK Government announced a proposal to ban disposable vape devices as part of their initiative to seek to mitigate underage vaping. The company welcomes the clarity that this announcement brings. As the company does not manufacture these devices it believes its role will be to continue to support its parent company's ongoing commitment to eradicate underage vaping and to continue to support adult smokers by providing an affordable, sustainable, safer alternative to smoking. The Company's vaping product portfolio includes e-liquids making it well positioned to mitigate the impact of restrictions on single-use vaping products.

**KEY PERFORMANCE INDICATORS**

The Directors have a number of key performance indicators in place, notably:

- Revenue by category
- Gross Profit and Gross Profit % by category
- EBITDA
- Operational efficiencies

**ON BEHALF OF THE BOARD:**

  
.....  
S G Smith - Director

Date: 26.03.2024  
.....

**Directors Report  
for the year ended 31 March 2023**

The directors present their report with the financial statements of the company for the year ended 31 March 2023.

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 April 2022 to the date of this report.

S S Chadha  
S G Smith

**DIVIDENDS**

No dividends will be distributed for the year ended 31 March 2023 (2022: £nil).

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Strategic Report, 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 the directors are 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 director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**GOING CONCERN**

In reviewing going concern, the Company's going concern status has been considered as part of a group-wide exercise as its sole activity is the manufacture of key products sold through Supreme Imports Limited. The group as a whole 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. Supreme plc provides essential products to well-established retailers. The nature and price point of the products offered means that the group is well positioned to overcome any volatility in the economic climate, which is further supported by a customer base that performs well and are household names.

The group is funded by external facilities; firstly £25 million revolving credit facility ("RCF") until March 2025 and a £20 million invoice financing facility, both of which are provided by HSBC. The Board and senior management regularly review revenue, profitability and cash flows across the short, medium and longer term.

In assessing the appropriateness of adopting the going concern basis in the preparation of these financial statements, the Directors have prepared cash flow forecasts and projections for the period to 31 March 2025. The forecasts and projections, which the Directors consider to be prudent, have been further sensitised by applying reductions to revenue and profitability, to consider downside risk. Under both the base and sensitised case the Group is expected to have headroom against covenants, which are based on interest cover and net leverage, and a sufficient level of financial resources available through existing facilities when the future funding requirements of the Group are compared with the level of committed available facilities.

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

**Directors Report (continued)  
for the year ended 31 March 2023**

**GOING CONCERN - continued**

In addition, the Directors have this year considered the potential impending legislative changes in the Vaping sector on the Company following the Government's announcement on 29 January 2024 that included a proposal to ban disposable vape devices. Whilst there is considerable scrutiny surrounding the industry in recent months, it is important to remember that the Company is involved in the manufacture of open system ("10ml") vaping only. The Company does not manufacture disposable vapes. Open system vaping has existed for almost 15 years and has been fairly distanced from the public pressure with respect to environmental concerns or the growing interest of underage vapers; open system vaping is widely viewed as the sustainable, affordable way to vape. Legislation implications for open system vaping centre around changes in packaging and flavour variations. Proactively, the Company has already taken steps to simplify packaging (remove any colours) and streamline the flavour variations by reviewing the naming conventions of many flavours - "Sweet Strawberry" has become "strawberry" and "Peach Dream" has become "peach" and by removing flavours from the range that could be deemed to be attractive to children. With these proactive measures already under way, the Directors are do not consider the risk of further regulation in vaping to be a risk to the Company's ability to trade as a going concern.

Based on this, the Directors are satisfied that the Group headed by Supreme plc has adequate resources to continue in operational existence for the foreseeable future, and Supreme plc will provide support to VN Labs Limited if required. For this reason, they continue to adopt the going concern basis in preparing these Company financial statements.

**EVENTS AFTER THE REPORTING PERIOD**

On 29 January 2024 the UK Government announced a proposal to ban disposable vape devices as part of their initiative to seek to mitigate underage vaping. The company welcomes the clarity that this announcement brings. As the company does not manufacture these devices it believes its role will be to continue to support its parent company's ongoing commitment to eradicate underage vaping and to continue to support adult smokers by providing an affordable, sustainable, safer alternative to smoking.

**AUDITORS**

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

**ON BEHALF OF THE BOARD:**



.....  
S G Smith - Director

Date: 26.03.2024

## 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 2023 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 2023 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the 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 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

## Basis for opinion

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

## Independence

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

### Matters on which we are required to report by exception

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 Strategic report or the Directors' report.

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.

### Responsibilities of Directors

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

In preparing the financial statements, the Directors are responsible for assessing the 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:

#### Non-compliance with laws and regulations

Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with management, those charged with governance and legal counsel etc; and
- Obtaining and understanding of the Company's policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations to be Financial reporting standard 101, UK Companies Act 2006 and those that relate to the payment of employees.

The Company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be industry related such as compliance with The Food Safety and Hygiene regulations 2013, data protection, the Tobacco Products and Nicotine Inhaling products legislation and health and safety legislation.



Our procedures in respect of the above included, but were not limited to:

- Holding discussions with those charged with governance including consideration of known or suspected instances of non-compliance with laws and regulations and fraud.
- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of legal expenditure accounts to understand the nature of expenditure incurred; and
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

#### Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements; and
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the area's most susceptible to fraud to be posting inappropriate journal entries and management bias in accounting estimates.

Our procedures in respect of the above included, but were not limited to:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Assessing significant estimates made by management for bias in particular in relation to useful economic lives of property plant and equipment and valuation of inventory; and
- Agreeing the financial statement disclosures to underlying supporting documentation.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

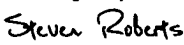
Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by,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

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

## Report of the Independent Auditors to the Members of VN Labs (continued)

### 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:  
  
49BD0A55E7C14AD...

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

Date: 27 March 2024

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 2023**

	Notes	2023 £	2022 £
<b>TURNOVER</b>	4	29,338,511	26,076,452
Cost of sales		<u>(22,918,282)</u>	<u>(19,437,492)</u>
<b>GROSS PROFIT</b>		6,420,229	6,638,960
Administrative expenses		<u>(1,286,604)</u>	<u>(1,476,424)</u>
<b>OPERATING PROFIT and PROFIT BEFORE TAXATION</b>	6	5,133,625	5,162,536
Tax on profit	7	<u>(975,921)</u>	<u>(1,037,932)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		4,157,704	4,124,604
<b>OTHER COMPREHENSIVE INCOME</b>		<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>4,157,704</u>	<u>4,124,604</u>

The notes on pages 12 to 20 form part of these financial statements.

Statement of Financial Position  
31 March 2023

	Notes	2023 £	2022 £
<b>FIXED ASSETS</b>			
Tangible assets	8	1,925,291	1,821,523
<b>CURRENT ASSETS</b>			
Stocks	9	3,995,401	5,440,715
Debtors	10	12,867,448	7,900,753
Cash in hand		45,212	130,979
		16,908,061	13,472,447
<b>CREDITORS</b>			
Amounts falling due within one year	11	(3,629,240)	(4,318,987)
<b>NET CURRENT ASSETS</b>		<u>13,278,821</u>	<u>9,153,460</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		15,204,112	10,974,983
<b>DEFERRED TAX</b>	12	<u>(265,221)</u>	<u>(193,796)</u>
<b>NET ASSETS</b>		<u>14,938,891</u>	<u>10,781,187</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	1	1
Retained earnings		<u>14,938,890</u>	<u>10,781,186</u>
<b>SHAREHOLDERS' FUNDS</b>		<u>14,938,891</u>	<u>10,781,187</u>

The notes on pages 12 to 20 form part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on ..... 26.03.2024 and were signed on its behalf by:



.....  
S G Smith - Director

**Statement of Changes in Equity  
for the year ended 31 March 2023**

	<b>Called up share capital £</b>	<b>Retained earnings £</b>	<b>Total equity £</b>
<b>Balance at 1 April 2021</b>	1	6,656,582	6,656,583
<b>Changes in equity</b>			
Total comprehensive income	-	4,124,604	4,124,604
<b>Balance at 31 March 2022</b>	1	10,781,186	10,781,187
<b>Changes in equity</b>			
Total comprehensive income	-	4,157,704	4,157,704
<b>Balance at 31 March 2023</b>	1	14,938,890	14,938,891

The notes on pages 12 to 20 form part of these financial statements.

**Notes to the Financial Statements  
for the year ended 31 March 2023**

**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.

**Going concern**

In reviewing going concern, the company has been reviewed as part of the wider group (Supreme Plc Group) as its sole activity is the manufacture of key products sold through other subsidiaries within the group. The group as a whole 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. Supreme plc provides essential products to well-established retailers. The nature and price point of the products offered means that the Group is well positioned to overcome any volatility in the economic climate, which is further supported by a customer base that performs well and are household names.

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In assessing the appropriateness of adopting the going concern basis in the preparation of these financial statements, the Directors have prepared cash flow forecasts and projections for the period to 31 March 2025. The forecasts and projections, which the Directors consider to be prudent, have been further sensitised by applying reductions to revenue and profitability, to consider downside risk. Under both the base and sensitised case the Group is expected to have headroom against covenants, which are based on interest cover and net leverage, and a sufficient level of financial resources available through existing facilities when the future funding requirements of the Group are compared with the level of committed available facilities.

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

In addition, the Directors have this year considered the potential impending legislative changes in the Vaping sector on the Company following the Government's announcement on 29 January 2024 that included a proposal to ban disposable vape devices. Whilst there is considerable scrutiny surrounding the industry in recent months, it is important to remember that the Company is involved in the manufacture of open system ("10ml") vaping only. The Company does not manufacture disposable vapes. Open system vaping has existed for almost 15 years and has been fairly distanced from the public pressure with respect to environmental concerns or the growing interest of underage vapers; open system vaping is widely viewed as the sustainable, affordable way to vape. Legislation implications for open system vaping centre around changes in packaging and flavour variations. Proactively, the Company has already taken steps to simplify packaging (remove any colours) and streamline the flavour variations by reviewing the naming conventions of many flavours - "Sweet Strawberry" has become "strawberry" and "Peach Dream" has become "peach" and by removing flavours from the range that could be deemed to be attractive to children. With these proactive measures already under way, the Directors are do not consider the risk of further regulation in vaping to be a risk to the Company's ability to trade as a going concern.

Based on this, the Directors are satisfied that the Group headed by Supreme plc has adequate resources to continue in operational existence for the foreseeable future, and Supreme plc will provide support to VN Labs Limited if required. For this reason, they continue to adopt the going concern basis in preparing these Company financial statements.

Notes to the Financial Statements - continued  
for the year ended 31 March 2023

2. ACCOUNTING POLICIES - continued

**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 IAS 7 Statement of Cash Flows;
- 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**

Revenue solely arises from the manufacture of vaping and health and wellness 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.

Revenue is recognised at a point in time as the Company satisfies performance obligations by transferring the promised goods to its customer.

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.

**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.

**Notes to the Financial Statements - continued  
for the year ended 31 March 2023**

**2. ACCOUNTING POLICIES - continued**

**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.

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.



**Notes to the Financial Statements - continued  
for the year ended 31 March 2023**

**2. ACCOUNTING POLICIES - continued**

**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.

**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**

**Property, plant and equipment**

The carrying values of property, plant and equipment are tested for impairment when there is an indication that the value of the assets might be impaired. Impairment tests refer to the value of future cash flow forecasts based upon management judgement. Future events could cause the assumptions to change which 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) and are reviewed annually.

**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.

Notes to the Financial Statements - continued  
for the year ended 31 March 2023

## 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

## 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. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

All turnover within the Company is generated within the United Kingdom for both the current and prior year.

## 5. EMPLOYEES AND DIRECTORS

	2023	2022
	£	£
Wages and salaries	3,026,109	2,519,429
Social security costs	279,812	210,640
Other pension costs	54,256	42,675
	<u>3,360,177</u>	<u>2,772,744</u>

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

	2023	2022
Manufacturing	<u>135</u>	<u>118</u>

Directors are paid through another Group company and not recharged.

Notes to the Financial Statements - continued  
for the year ended 31 March 2023

## 6. PROFIT BEFORE TAXATION

The profit before taxation is stated after charging:

	2023	2022
	£	£
Cost of inventories recognised as expense	18,932,061	15,588,000
Depreciation - owned assets	878,400	1,158,474
Direct labour	3,611,132	3,695,000
Restructuring costs	<u>50,586</u>	<u>-</u>

Auditors' remuneration has been borne by the immediate parent company and not recharged.

## 7. TAXATION

## Analysis of tax expense

	2023	2022
	£	£
Current tax:		
Tax	<u>904,496</u>	<u>960,000</u>
Deferred tax:		
Origination and reversal of timing differences	54,283	(31,083)
Adjustments in respect of prior periods	-	62,504
Effect of tax rate change on opening balance	<u>17,142</u>	<u>46,511</u>
Total deferred tax	<u>71,425</u>	<u>77,932</u>
Total tax expense in statement of comprehensive income	<u>975,921</u>	<u>1,037,932</u>

## Factors affecting the tax expense

The tax assessed for the year is higher (2022 - higher) than the standard rate of corporation tax in the UK. The difference is explained below:

	2023	2022
	£	£
Profit before income tax	<u>5,133,625</u>	<u>5,162,536</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2022 - 19%)	975,389	980,882
Effects of:		
Expenses not deductible for tax purposes	35,657	679
Income not taxable	(52,267)	(41,725)
Effects of group relief/other reliefs	-	(10,919)
Adjustment from previous periods	-	62,504
Tax rate change	<u>17,142</u>	<u>46,511</u>
Tax expense	<u>975,921</u>	<u>1,037,932</u>

Notes to the Financial Statements - continued  
for the year ended 31 March 2023

## 7. TAXATION - continued

## Factors that may affect future tax charges

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25% rather than remaining at 19% as previously enacted. This new law was substantively enacted on 24 May 2021 and the impact of this rate change has been considered when recognising deferred tax in these financial statements. Where the asset or liability is expected to unwind after 1 April 2023 the deferred tax has been recognised at 25% in these financial statements. In the Autumn Statement in November 2022, the government confirmed the increase in corporation tax rate to 25% from April 2023 will go ahead.

## 8. TANGIBLE FIXED ASSETS

	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Totals £
<b>COST</b>				
At 1 April 2022	5,028,176	55,954	30,411	5,114,541
Additions	<u>952,868</u>	<u>22,196</u>	<u>7,104</u>	<u>982,168</u>
At 31 March 2023	<u>5,981,044</u>	<u>78,150</u>	<u>37,515</u>	<u>6,096,709</u>
<b>DEPRECIATION</b>				
At 1 April 2022	3,233,129	50,625	9,264	3,293,018
Charge for year	<u>863,870</u>	<u>6,124</u>	<u>8,406</u>	<u>878,400</u>
At 31 March 2023	<u>4,096,999</u>	<u>56,749</u>	<u>17,670</u>	<u>4,171,418</u>
<b>NET BOOK VALUE</b>				
At 31 March 2023	<u>1,884,045</u>	<u>21,401</u>	<u>19,845</u>	<u>1,925,291</u>
At 31 March 2022	<u>1,795,047</u>	<u>5,329</u>	<u>21,147</u>	<u>1,821,523</u>

## 9. STOCKS

	2023 £	2022 £
Stocks	<u>3,995,401</u>	<u>5,440,715</u>

The directors believe that the replacement value of inventories would not be materially different to the book value.

Inventories as at 31 March 2023 are stated after provisions for impairment of £100,000 (2022: £400,000).

## 10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023 £	2022 £
Trade debtors	6,741	81,272
Amounts owed by group undertakings	12,519,091	7,545,467
Prepayments & accrued income	189,616	274,014
Other debtors	<u>152,000</u>	-
	<u>12,867,448</u>	<u>7,900,753</u>

Amounts owed by group undertakings are interest free and repayable on demand.

Notes to the Financial Statements - continued  
for the year ended 31 March 2023

## 11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023	2022
	£	£
Trade creditors	1,985,667	2,694,200
Tax	662,167	1,057,671
Social security & other taxes	670,735	383,084
Accruals & deferred income	<u>310,671</u>	<u>184,032</u>
	<u>3,629,240</u>	<u>4,318,987</u>

## 12. DEFERRED TAX

	2023	2022
	£	£
Deferred tax	<u>265,221</u>	<u>193,796</u>

	Deferred tax £
Balance at 1 April 2022	193,796
Charge to Statement of Comprehensive Income during year	<u>71,425</u>
Balance at 31 March 2023	<u>265,221</u>

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

## 13. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2023	2022
			£	£
1	Ordinary	1.00	<u>1</u>	<u>1</u>

## 14. PENSION COMMITMENTS

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension charge included in note 5 represents contributions payable by the Company during the year to the fund. At the year-end there was £nil (2022: £nil) of contributions not paid.

## 15. RELATED PARTY TRANSACTIONS

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

## 16. POST BALANCE SHEET EVENTS

On 29 January 2024 the UK Government announced a proposal to ban disposable vape devices as part of their initiative to seek to mitigate underage vaping. The company welcomes the clarity that this announcement brings. As the company does not manufacture these devices it believes its role will be to continue to support its parent company's ongoing commitment to eradicate underage vaping and to continue to support adult smokers by providing an affordable, sustainable, safer alternative to smoking.

**Notes to the Financial Statements - continued  
for the year ended 31 March 2023**

**17. 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.

The largest and smallest group in which the Company's results are consolidated is that headed by Supreme plc. The consolidated accounts of 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.