

Company Registration No. 00130335 (England and Wales)

Scandinavian Tobacco Group United Kingdom Limited

**Annual report and financial statements
for the year ended 31 December 2022**

Scandinavian Tobacco Group United Kingdom Limited

Company information

Directors	Jurjan Klep Morten Guldager
Company number	00130335
Registered office	1st Floor, West Wing Davidson House Forbury Square Reading Berkshire RG1 3EU
Independent auditor	Saffery Champness LLP 71 Queen Victoria Street London EC4V 4BE
Bankers	Danske Bank 74 King William Street London EC4N 7DT

Scandinavian Tobacco Group United Kingdom Limited

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Scandinavian Tobacco Group United Kingdom Limited

Strategic report

For the year ended 31 December 2022

The directors present the strategic report for the year ended 31 December 2022.

Fair review of the business

Principal activities

The Principal activity of the Company is that of importer and distributor of the STG cigar and pipe tobacco portfolio, including brand leaders; Signature, Henri Wintermans and Clan, for sale in the UK.

The company's strategy has been to focus tightly on our key premium and mainstream 'Full Margin' brands such as Signature and Henri Wintermans and to develop our share of 'Value for Money' (VFM) miniature cigars via our Moments brand. The company also continues its focus on major key accounts such as mainstream retailers (e.g. Tesco/Sainsbury), where the majority of our consumers are sourcing their favorite tobacco brands from.

Scandinavian Tobacco Group United Kingdom Limited (STG UK) also sells pipe tobacco focusing on its own brands and the brands of MacBaren for which a 3rd party distribution agreement exists. In 2022 the company furthermore launched a new brand STROM into the market in a newly emerging category nicotine pouches. The launch is a pilot and based on the outcome of this pilot a further expansion will be evaluated.

The UK cigar market experienced an accelerating market decline in 2022, which also put pressure on the volume of STG.

Key performance indicators ("KPIs")

The main KPI's used in the business for an understanding of the development, performance or position of the business are; net revenue, EBITDA and market share.

Turnover

Total turnover has decreased slightly by 0.5% in the year to £32,436,000 from £32,614,348 in 2021. This is compared to a cigar market decline of 5.9% for the same period.

Cigar Volumes

Cigar sales volumes have decreased by 11.1% to 117.1 million cigars.

Cigar market share

Total cigar market share has decreased to 29.0% from 30.7% in 2021. The decrease in market share is partly driven by supply problems within our core portfolio and a continuing decline of the traditional part of the market in which STG is strong. The supply situation improved again in quarter 4. The total cigar market ended the year at 403 million cigars.

Scandinavian Tobacco Group United Kingdom Limited

Strategic report (continued)

For the year ended 31 December 2022

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks:

Excise

Tobacco products are subject to substantial excise duty which forms a significant amount of the retail price. Increases in excise may reduce demand for our products and alter the sales mix of our portfolio. Management regularly reviews our brand portfolio to meet our customers changing preferences.

Marketplace

The current economic climate is reducing smoker's disposable income, leading to customers down-trading to value for money brands, with the exception of the medium to large category that enjoyed buoyant sales during the Covid-19 lockdowns (Henri Wintermans ½ Corona). This changes our product mix from premium brands to value for money brands.

Regulation

The tobacco industry operates under restrictive regulations which are likely to increase over the coming years. Higher costs relating to compliance with the changing legislative environment are expected. The progressive denormalization of smoking engendered within such a negative environment, will increase the downward pressure on volumes. Management therefore, monitor proposals of new measures, identify their impact and actively consults with government via the tobacco industry body.

Allocation of administrative and distribution costs

As of 2022 the allocation of administrative and distribution costs is changed. The difference compared to 2021 is mainly that we consider the expenses related to the office building as distribution expenses. Also the administrative expenses are decreased due to the outsourcing of financial services to our financial shared service center.

Results

The profit and loss account is set out on page 9. The profit for the financial year amounted to £3,821,266 (2021: £5,401,853). The net assets at 31 December 2022 were £9,262,031 (2021: £16,440,765).

On behalf of the board

Jurjan Klep
Director

Morten Guldager
Director

4 April 2023

Scandinavian Tobacco Group United Kingdom Limited

Directors' report

For the year ended 31 December 2022

The directors present their annual report and financial statements for the year ended 31 December 2022.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Jurjan Klep

Alastair Williams

Morten Guldager

(Resigned 1 January 2023)

Results and dividends

The results for the year are set out on page 9.

Ordinary dividends were paid amounting to £11,000,000. The directors do not recommend payment of a final dividend.

Going concern

The company meets its day-to-day working capital requirements through its bank facility. The current economic conditions continue to create uncertainty over (a) the level of demand for the company's products; and (b) the availability of bank finance for the foreseeable future. The company's forecasts and projections, taking account of reasonably possible changes in trading performance show that the company should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Financial instruments

Foreign exchange risk

The company is exposed to foreign exchange risk when purchasing goods for resale, from outside the UK. To mitigate this risk the company transacts in sterling with other group companies.

Credit risk

Credit risk arises from credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. If wholesale customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experiences and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management. The utilisation of credit limits is regularly monitored.

Auditor

Saffery Champness LLP have expressed their willingness to continue in office.

Scandinavian Tobacco Group United Kingdom Limited

Directors' report (continued) For the year ended 31 December 2022

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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 of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

Jurjan Klep
Director

Morten Guldager
Director

4 April 2023

Scandinavian Tobacco Group United Kingdom Limited

Independent auditor's report

To the members of Scandinavian Tobacco Group United Kingdom Limited

Opinion

We have audited the financial statements of Scandinavian Tobacco Group United Kingdom Limited (the 'company') for the year ended 31 December 2022 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 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 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and 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.

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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Scandinavian Tobacco Group United Kingdom Limited

Independent auditor's report (continued)

To the members of Scandinavian Tobacco Group United Kingdom Limited

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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 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.

Independent auditor's report (continued)

To the members of Scandinavian Tobacco Group United Kingdom Limited

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.

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 specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud are detailed below.

Identifying and assessing risks related to irregularities:

We assessed the susceptibility of the company's financial statements to material misstatement and how fraud might occur, including through discussions with the directors, discussions within our audit team planning meeting, updating our record of internal controls and ensuring these controls operated as intended. We evaluated possible incentives and opportunities for fraudulent manipulation of the financial statements. We identified laws and regulations that are of significance in the context of the company by discussions with directors and by updating our understanding of the sector in which the company operates.

Laws and regulations of direct significance in the context of the company include The Companies Act 2006 and UK Tax legislation and Duties legislation.

Audit response to risks identified

We considered the extent of compliance with these laws and regulations as part of our audit procedures on the related financial statement items including a review of financial statement disclosures. We reviewed the company's records of breaches of laws and regulations, minutes of meetings and correspondence with relevant authorities to identify potential material misstatements arising. We discussed the company's policies and procedures for compliance with laws and regulations with members of management responsible for compliance.

During the planning meeting with the audit team, the engagement partner drew attention to the key areas which might involve non-compliance with laws and regulations or fraud. We enquired of management whether they were aware of any instances of non-compliance with laws and regulations or knowledge of any actual, suspected or alleged fraud. We addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and identifying any significant transactions that were unusual or outside the normal course of business. We assessed whether judgements made in making accounting estimates gave rise to a possible indication of management bias. At the completion stage of the audit, the engagement partner's review included ensuring that the team had approached their work with appropriate professional scepticism and thus the capacity to identify non-compliance with laws and regulations and fraud.

Scandinavian Tobacco Group United Kingdom Limited

Independent auditor's report (continued)

To the members of Scandinavian Tobacco Group United Kingdom Limited

There are inherent limitations in the audit procedures described above 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 would become aware of it. Also, 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 or intentional misrepresentations, or through collusion.

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

Use of our report

This report is made solely to the 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.

Roger Weston

Senior Statutory Auditor

For and on behalf of Saffery Champness LLP

4 April 2023

Chartered Accountants

Statutory Auditors

71 Queen Victoria Street
London
EC4V 4BE

Scandinavian Tobacco Group United Kingdom Limited

Statement of comprehensive income
For the year ended 31 December 2022

		2022	2021
	Notes	£	£
Gross sales		68,045,557	71,437,379
Duty in sales		(35,609,557)	(38,823,031)
Turnover	3	32,436,000	32,614,348
Cost of sales		(24,938,702)	(23,502,609)
Gross profit		7,497,298	9,111,739
Distribution costs		(2,581,054)	(1,881,270)
Administrative expenses		(173,142)	(609,934)
Other operating income		40,000	40,000
Operating profit	4	4,783,102	6,660,535
Interest receivable and similar income	7	15,675	-
Interest payable and similar expenses	8	(77,523)	(1,809)
Profit before taxation		4,721,254	6,658,726
Tax on profit	9	(899,988)	(1,256,873)
Profit for the financial year		3,821,266	5,401,853

The income statement has been prepared on the basis that all operations are continuing operations.

Scandinavian Tobacco Group United Kingdom Limited

Statement of financial position

As at 31 December 2022

			2022	2021
	Notes	£	£	£
Fixed assets				
Tangible assets	11		6,971	12,158
Current assets				
Stocks	12	9,090,944	2,658,753	
Debtors	13	12,348,587	20,571,612	
		21,439,531	23,230,365	
Creditors: amounts falling due within one year	14	(12,184,471)	(6,801,758)	
Net current assets			9,255,060	16,428,607
Net assets			9,262,031	16,440,765
Capital and reserves				
Called up share capital	17		7	7
Profit and loss reserves			9,262,024	16,440,758
Total equity			9,262,031	16,440,765

The financial statements were approved by the board of directors and authorised for issue on 4 April 2023 and are signed on its behalf by:

Jurjan Klep
Director

Morten Guldager
Director

Company Registration No. 00130335 (England and Wales)

Scandinavian Tobacco Group United Kingdom Limited

Statement of changes in equity
For the year ended 31 December 2022

		Share capital	Profit and loss reserves	Total
	Notes	£	£	£
Balance at 1 January 2021		7	21,038,902	21,038,909
Year ended 31 December 2021:				
Profit and total comprehensive income for the year		-	5,401,853	5,401,853
Dividends	10	-	(9,999,997)	(9,999,997)
Balance at 31 December 2021		7	16,440,758	16,440,765
Year ended 31 December 2022:				
Profit and total comprehensive income for the year		-	3,821,266	3,821,266
Dividends	10	-	(11,000,000)	(11,000,000)
Balance at 31 December 2022		7	9,262,024	9,262,031

Scandinavian Tobacco Group United Kingdom Limited

Notes to the financial statements For the year ended 31 December 2022

1 Accounting policies

Company information

Scandinavian Tobacco Group United Kingdom Limited is a private company limited by shares incorporated in England and Wales. The registered office is 1st Floor, West Wing, Davidson House, Forbury Square, Reading, Berkshire, RG1 3EU. The address of its principal place of business is 250 Centennial Park, Centennial Avenue, Elstree, Borehamwood, Hertfordshire.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Scandinavian Tobacco Group A/S. These consolidated financial statements are available from Sandtoften 9, 2820 Gentofte, Denmark. www.st-group.com

1.2 Going concern

Scandinavian Tobacco Group United Kingdom Limited is a subsidiary company of Scandinavian Tobacco Group A/S, and as such has the full support of its Danish listed parent company. The company has significant strength in product portfolio: Signature Blue is the number 1 selling cigar in the UK, and Moments Blue remains the fastest growing; The company has over 54% of the UK cigar market, a share that has seen growth and stability over-time. The impact of Covid-19 had a negligible impact on sales, as demonstrated by the volume and net sales performance since March 2020. The company's profitability and cash flow remains strong.

1.3 Turnover

Turnover represents amounts invoiced, less discounts, rebates and duty and net of value added tax, for goods sold to customers during the period. Turnover is recognised when goods are despatched.

Notes to the financial statements (continued)

For the year ended 31 December 2022

1 Accounting policies (continued)

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	10% straight line
Fixtures and fittings	20% straight line
Computers	33.3% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.5 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Stocks are recognised as an expense in the period in which the related revenue is recognised.

Cost is determined on the first-in, first-out (FIFO) basis. Cost includes the purchase price, taxes, duties, transport and handling directly attributable to bringing the stock to its present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.6 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand. The company makes use of a group cash pool, which is shown within Debtors on the balance sheet.

1.7 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

1 Accounting policies (continued)

Basic financial assets

Basic financial assets, which include debtors, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.8 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

1 Accounting policies (continued)

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

1.9 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

1.10 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.11 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.12 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Inventory provision

The principal activity of the Company is that of importer and distributor of the STG cigar and pipe tobacco portfolio. This is subject to restrictive and changing regulations. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provision required. When calculating the inventory provision, management considers the condition of the inventory, the anticipated future sales and any enacted future tobacco legislation. See note 12 for the net carrying amount of the inventory and associated provision.

Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor and the credit quality of the customer, taking into account its financial position and past experience. Individual risk limits are set based on internal or external ratings in accordance with limits set by management. The utilisation of credit limits is regularly monitored. See note 13 for the net carrying amount of the debtors and associated impairment provision.

3 Turnover and other revenue

Substantially all turnover arises from sales within the United Kingdom from the principal activity of the company.

Scandinavian Tobacco Group United Kingdom Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

4 Operating profit

	2022	2021
	£	£
Operating profit for the year is stated after charging:		
Fees payable to the company's auditor for:		
- the audit of the company's financial statements	22,950	18,850
- preparation of the company's financial statements	2,000	2,000
Depreciation of owned tangible fixed assets	5,187	10,022
(Profit)/loss on disposal of tangible fixed assets	-	1,106
Operating lease charges	251,814	196,379
	<u>259,951</u>	<u>228,357</u>

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2022	2021
	Number	Number
Selling and distribution	24	20
Administration	1	7
	<u>25</u>	<u>27</u>

Their aggregate remuneration comprised:

	2022	2021
	£	£
Wages and salaries	1,110,553	1,062,827
Social security costs	166,305	139,564
Pension costs	61,981	58,214
	<u>1,338,839</u>	<u>1,260,605</u>

Scandinavian Tobacco Group United Kingdom Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

6 Directors' remuneration

	2022	2021
	£	£
Remuneration for qualifying services	124,682	120,410
Company pension contributions to defined contribution schemes	6,732	6,273
Compensation for loss of office	75,485	-
	<u>206,899</u>	<u>126,683</u>
	<u><u>206,899</u></u>	<u><u>126,683</u></u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2021 - 1).

7 Interest receivable and similar income

	2022	2021
	£	£
Interest income		
Interest receivable from group companies	15,675	-
	<u>15,675</u>	<u>-</u>
	<u><u>15,675</u></u>	<u><u>-</u></u>

8 Interest payable and similar expenses

	2022	2021
	£	£
Interest payable to group undertakings	77,355	1,713
Other interest	168	96
	<u>77,523</u>	<u>1,809</u>
	<u><u>77,523</u></u>	<u><u>1,809</u></u>

Scandinavian Tobacco Group United Kingdom Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

9 Taxation

	2022	2021
	£	£
Current tax		
UK corporation tax on profits for the current period	897,038	1,256,986
Adjustments in respect of prior periods	2,950	1,790
Total current tax	899,988	1,258,776
Deferred tax		
Origination and reversal of timing differences	-	5,723
Changes in tax rates	-	(67)
Deferred tax not previously recognised	-	(7,559)
Total deferred tax	-	(1,903)
Total tax charge	899,988	1,256,873

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2022	2021
	£	£
Profit before taxation	4,721,254	6,658,726
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	897,038	1,265,158
Tax effect of expenses that are not deductible in determining taxable profit	-	2,853
Adjustments in respect of prior years	2,950	(5,769)
Effect of change in corporation tax rate	-	(67)
Other permanent differences	-	(5,312)
Taxation charge for the year	899,988	1,256,873

Scandinavian Tobacco Group United Kingdom Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

10 Dividends

	2022 £	2021 £
Interim paid	11,000,000	9,999,997

An interim dividend of £1,571,429 per share was declared and paid on 20 May 2022.

11 Tangible fixed assets

	Leasehold improvements £	Fixtures and fittings £	Computers £	Total £
Cost				
At 1 January 2022 and 31 December 2022	314,497	129,785	176,502	620,784
Depreciation and impairment				
At 1 January 2022	302,339	129,785	176,502	608,626
Depreciation charged in the year	5,187	-	-	5,187
At 31 December 2022	307,526	129,785	176,502	613,813
Carrying amount				
At 31 December 2022	6,971	-	-	6,971
At 31 December 2021	12,158	-	-	12,158

12 Stocks

	2022 £	2021 £
Finished goods and goods for resale	9,090,944	2,658,753

Stocks are stated after provision for impairment of £767 (2021 - £13,832).

Scandinavian Tobacco Group United Kingdom Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

13 Debtors

	2022	2021
	£	£
Amounts falling due within one year:		
Trade debtors	12,119,049	10,982,992
Corporation tax recoverable	127,859	33,014
Amounts owed by group undertakings	-	9,391,716
Other debtors	27,083	72,425
Prepayments and accrued income	74,317	91,186
	<u>12,348,308</u>	<u>20,571,333</u>
	<u><u>12,348,308</u></u>	<u><u>20,571,333</u></u>
Amounts falling due after more than one year:		
	£	£
Deferred tax asset (note 15)	279	279
	<u>279</u>	<u>279</u>
	<u><u>279</u></u>	<u><u>279</u></u>
Total debtors	<u><u>12,348,587</u></u>	<u><u>20,571,612</u></u>

Invoice amounts owed by group undertakings are unsecured, interest free and are repayable on demand. Cash advances owed by group undertakings are unsecured, interest free (2021 - interest free) and are repayable on demand.

14 Creditors: amounts falling due within one year

	2022	2021
	£	£
Trade creditors	528,497	139,308
Amounts owed to group undertakings	6,932,577	2,278,863
Taxation and social security	3,970,176	3,738,403
Accruals and deferred income	753,221	645,184
	<u>12,184,471</u>	<u>6,801,758</u>
	<u><u>12,184,471</u></u>	<u><u>6,801,758</u></u>

Invoice amounts owed to group undertakings are unsecured, interest free and are repayable on demand. Cash advances owed to group undertakings are unsecured and bear interest at 1.55% (2021 - 1.55%) and are repayable on demand.

Scandinavian Tobacco Group United Kingdom Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

15 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Assets	Assets
	2022	2021
Balances:	£	£
Accelerated capital allowances	279	279
	<u> </u>	<u> </u>

There were no deferred tax movements in the year.

The deferred tax asset set out above is expected to reverse within 12 months and relates to the utilisation of tax losses against future expected profits of the same period.

Deferred tax is calculated at 25% (2021 - 25%).

16 Retirement benefit schemes

	2022	2021
Defined contribution schemes	£	£
Charge to profit or loss in respect of defined contribution schemes	61,981	58,214
	<u> </u>	<u> </u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

Scandinavian Tobacco Group United Kingdom Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

17 Share capital

	2022	2021	2022	2021
	Number	Number	£	£
Ordinary share capital				
Issued and fully paid				
Ordinary shares of £1 each	7	7	7	7

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

18 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2022	2021
	£	£
Within one year	171,111	242,324
Between two and five years	435,295	516,058
	<u>606,406</u>	<u>758,382</u>

During the year the company renegotiated their property lease, significantly increasing the level of financial commitments.

19 Ultimate controlling party

The ultimate parent undertaking and controlling party is Scandinavian Tobacco Group A/S, a company incorporated in Denmark.

The Company's immediate parent undertaking is ST Cigar Group Holding B.V., incorporated in Eersel, The Netherlands which in turn is a 100% subsidiary of the Danish company Scandinavian Tobacco Group A/S.

The smallest and largest group which consolidates the results of Scandinavian Tobacco Group United Kingdom Limited is Scandinavian Tobacco Group A/S. Copies of these groups' financial statements may be obtained from:

Scandinavian Tobacco Group A/S, Sandtoften 9, 2820 Gentofte, Denmark. www.st-group.com

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