

Company registration number 11732765 (England and Wales)

AIR GLOBAL BRANDS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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AIR GLOBAL BRANDS LIMITED

COMPANY INFORMATION

Directors

S D Brazier
M Orr

Company number

11732765

Registered office

20 Eastbourne Terrace
London
W2 6LG

Auditor

AMS Accountants Corporate Ltd
Chartered Accountants
Floor 2
9 Portland Street
Manchester
M1 3BE

AIR GLOBAL BRANDS LIMITED

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AIR GLOBAL BRANDS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Review of the business

The Company principally operates as a distribution centre for the EU operations within the AIR group of companies. The AIR group specialises in the manufacture and distribution of molasses and consists of manufacturing and sales companies based in the UK, Poland, Germany, Egypt, Iraq, USA, KSA and the US. The group's activities are the manufacture and sale of molasses and associated accessories. As the UK arm of the operation, and in its 4th year of trading, the Directors consider the Company to be in a successful position. With the necessary team and infrastructure now being put in place, the Company is able to deliver great value to its customers allowing strong relationships to be built and retained. The company plays a key role as part of the Air group to ensure presence across Europe and reduce the risk of dependency on GCC market and factory, a key point of risk diversification for the business and which will be appealing to future investors. The company continues to grow not only in offline channels and by expanding to new markets yearly, but also through eCommerce channels to accelerate growth and penetration into new category segments and widen the scope of operation.

The loss before tax for the financial period was £20,714k (2021: £328k) and the Net Liabilities were £16,210k (2021 net assets: £2,359k). The loss being primarily driven by foreign exchange currency fluctuations.

The directors are satisfied with the position of the company at period end and continue to monitor performance.

Principal risks and uncertainties

The directors consider the key risks of the business through a framework of policies, procedures, and internal controls. The directors contribute such framework through regular participation and meetings with its key stakeholders including both the supervisory committee and the parent entity board.

Several policies are subject to Board approval and ongoing review by management. Compliance with regulations, legal and ethical standards are high priorities for the business and the leadership team of the AIR group take on an important role to ensure that a robust control environment exists to manage financial risks and that controls operate effectively.

Key business risks, which company has to take into consideration are:

Risk of counterfeit products which is spreading over the markets

We have a robust Anti illicit Trade strategy in place on a global basis. We monitor our markets and the World Wide Web for any incidence of counterfeit product being sold and if discovered conduct investigations to counter the illegal activity. We engage with industry and law enforcement partners to support the investigations and make our anti illicit programme as effective as possible.

Many governments have introduced specific packaging which helps control and detect flow of products. The European Union will be introducing track & trace on shisha products in May 2024 which is another measure to control illicit flows.

Increasing taxation (mainly excise tax) in the markets causing increase of DNP

This is a normal and expected (usually annual) tax increase impacting the tobacco and alcohol industries. Due to the niche nature of the sector, shisha is often captured within a wider tobacco excise category (e.g. Other Tobacco Products in the EU) resulting in significantly high rates and a lack of clarity surrounding legal consumption. Shisha is regularly the collateral damage in the war against Big Tobacco and the Corporate and Regulatory Affairs team (CORA) works with governments to try to differentiate the shisha sector from traditional tobacco i.e. cigarettes by stressing that shisha is a cultural, social and occasional product and contains the lowest amount of tobacco of any tobacco product. Although shisha is an important cultural icon and provides jobs and income through thousands of small enterprises it continues to be a niche category in the tobacco sector, representing less than 1% of the entire tobacco category in the European Union for example.

AIR GLOBAL BRANDS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Principal Risks and Uncertainties Continued

The illicit trade of shisha tobacco is impossible to eliminate as tax arbitrage opportunities continue to exist. As countries increase their excise, the resultant impact is a lower incentive for consumers to source legal product particularly given a sophisticated black market supply chain operates in most shisha markets. In an attempt to mitigate this, another CORA objective is to ensure governments understand that a balanced approach to tobacco excise can in fact benefit their tax returns and suppress black market activity.

Political risk ->eco/health lobbyists causing removal from the market of harmful substances

The industry has faced ingredient bans in a number of countries, globally i.e. menthol in some EU Member States. AIR has an extremely sophisticated R&D department and regularly works with shisha masters who are experts in their respective countries, to jointly develop flavours which adhere to regulations and are favourable amongst shisha smokers.

AIR monitors regulatory developments globally, either via third party consultants, through a network of contacts in the industry and is also a founder member of shisha trade associations in Europe and the US which enables effective engagement with governments. This close monitoring helps to ensure any prospective policy decisions can be discussed with regulators, that we can participate effectively in public consultations and stakeholder workshops and can ensure the business adopts a state of readiness to achieve full regulatory compliance and mitigate any financial impact.

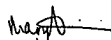
Key performance indicators

KPI	<u>2022</u>	<u>2021</u>
Gross profit %	26,9%	47.7%
Operating profit %	-31,1%	11.5%

Other information and explanations

The AIR group has a strong focus on new product development through core innovations of existing products, introduction to adjacent markets, and technological advancements which provide a strategic advantage to support future growth.

On behalf of the board



.....
M Orr
Director

01 September 2023
Date:

AIR GLOBAL BRANDS 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.

Principal activities

The principal activity of the company continued to be that of wholesale of tobacco products.

Results and dividends

The results for the year are set out on page 8.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors

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

S D Brazier

M Orr

A D Socha

(Resigned 13 September 2022)

Supplier payment policy

The company's current policy concerning the payment of trade creditors is to follow the CBI's Prompt Payers Code (copies are available from the CBI, Centre Point, 103 New Oxford Street, London WC1A 1DU).

The company's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the company's contractual and other legal obligations.

Trade creditors of the company at the year end were equivalent to 38 day's purchases, based on the average daily amount invoiced by suppliers during the year.

Auditor

The auditor, AMS Accountants Corporate Ltd, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

AIR GLOBAL BRANDS 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:

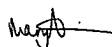
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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



.....
M Orr

Director

01 September 2023

Date:

AIR GLOBAL BRANDS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AIR GLOBAL BRANDS LIMITED

Opinion

We have audited the financial statements of Air Global Brands Limited (the 'company') for the year ended 31 December 2022 which comprise the income statement, 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 101 Reduced Disclosure Framework (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 of its loss 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.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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 our 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.

AIR GLOBAL BRANDS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF AIR GLOBAL BRANDS LIMITED

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.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

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.

Based on our understanding of the company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation, anti-money laundering regulation.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation, the Companies Act 2006.

AIR GLOBAL BRANDS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF AIR GLOBAL BRANDS LIMITED

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, revenue recognition (which we pinpointed to the cut-off assertion), and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

Use of our report

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

Ams Accountants Corporate Ltd

Andrew Davis ACCA CTA FMAAT (Senior Statutory Auditor)
For and on behalf of AMS Accountants Corporate Ltd

Date: 01/09/2023

Chartered Accountants
Statutory Auditor

Chartered Accountants
Floor 2
9 Portland Street
Manchester
M1 3BE

AIR GLOBAL BRANDS LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £'000	2021 £'000
Revenue	3	10,994	13,317
Cost of sales		(8,033)	(6,957)
Gross profit		2,961	6,360
Administrative expenses		(9,517)	(7,693)
Other operating income		3,133	2,863
Operating (loss)/profit	4	(3,423)	1,530
Finance costs	7	(17,291)	(1,858)
Loss before taxation		(20,714)	(328)
Tax on loss	8	1,464	1,304
(Loss)/profit and total comprehensive income for the financial year		(19,250)	976

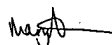
AIR GLOBAL BRANDS LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	2022 £'000	£'000	2021 £'000	£'000
Non-current assets					
Intangible assets	9		75,334		75,323
Property, plant and equipment	10		5		4
Investments	11		11,519		-
			<u>86,858</u>		<u>75,327</u>
Current assets					
Inventories	13	66		189	
Trade and other receivables	14	72,357		11,376	
Cash and cash equivalents		2,646		1,751	
		<u>75,069</u>		<u>13,316</u>	
Current liabilities	15	(1,512)		(440)	
Net current assets			<u>73,557</u>		<u>12,876</u>
Total assets less current liabilities			160,415		88,203
Non-current liabilities	15		(175,624)		(84,818)
Provisions for liabilities					
Deferred tax liabilities	17		(1)		(1)
Other provisions	18		(1,000)		(1,025)
Net (liabilities)/assets			<u>(16,210)</u>		<u>2,359</u>
Equity					
Called up share capital			-		-
Capital contribution	19		1,555		874
Retained earnings			(17,765)		1,485
Total equity			<u>(16,210)</u>		<u>2,359</u>

The financial statements were approved by the board of directors and authorised for issue on 01/09/2023 and are signed on its behalf by:



M Orr
Director

Company registration number 11732765 (England and Wales)

AIR GLOBAL BRANDS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital contribution £'000	Capital contribution £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2021	-	-	509	509
Year ended 31 December 2021:				
Profit and total comprehensive income	-	-	976	976
Transactions with owners:				
Transfer to other reserves	-	874	-	874
Balance at 31 December 2021	-	874	1,485	2,359
Year ended 31 December 2022:				
Loss and total comprehensive income	-	-	(19,250)	(19,250)
Transactions with owners:				
Transfer to other reserves	-	681	-	681
Balance at 31 December 2022	-	1,555	(17,765)	(16,210)

AIR GLOBAL BRANDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

Company information

Air Global Brands Limited is a private company limited by shares incorporated in England and Wales. The registered office is 20 Eastbourne Terrace, London, W2 6LG. The company's principal activities and nature of its operations are disclosed in the directors' report.

1.1 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs") but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where the company takes advantage of the FRS101 disclosure exemptions.

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 £'000.

Air Global Brands Limited is a wholly owned subsidiary of AIR Limited and the results of Air Global Brands Limited are included in the consolidated financial statements of AIR Limited which are available 22 Grenville Street, St Helier, JE4 8PX, Jersey.

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

In these financial statements, the Company has applied the exemption available under FRS 101 in respect of the following disclosures:

- Cash Flow Statements and related notes
- Comparative period reconciliations for share capital
- Disclosure in respect of transactions with wholly owned subsidiaries
- Disclosure in respect of capital management
- The effects of new but not yet effective IFRS
- Disclosures in respect of compensation of Key Management Personnel; and

As the consolidated financial statement of the Company's ultimate parent undertaking, AIR Limited include the equivalent disclosures, the Company has also taken the exemption under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share Based Payments* in respect of group settled share-based payments
- Certain disclosure required by IFRS 13 *Fair Value Measurement* and the disclosure required by IFRS 7 *Financial instrument disclosure*

In respect of the intangible assets as set out in note 9, the directors have departed from the requirements of the Companies Act 2006 which states that intangible assets must be amortised and have adopted the requirements of FRS101, which prohibits the amortisation of goodwill. As a result, the directors have departed from the relevant provision of the Companies Act 2006 to the extent necessary to show a 'true and fair' view.

The account policies set out below have, unless otherwise stated, been applied consistently to all period presented in these financial statement.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

AIR GLOBAL BRANDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.2 Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The directors note the losses during the year but this has been primarily as a result of foreign exchange differences. Post year end the management accounts for the period to 30 June 2023 show a profitable position.

In addition to the above, the directors have prepared forecasts up to 31 December 2026 which covers a period of at least 12 months from the date of approval of these financial statements which indicate, taking account for reasonable possible downside scenarios and its financial resources, the company will have sufficient funds, and funding from ultimate parent company, AIR Limited, to meet its liabilities as they fall due for the period.

Those forecasts take into account that AIR Group Ventures Limited will provide additional financial support as needed during the period. AIR Group Ventures Limited has indicated its intention to continue to make available such funds when needed by the company.

As with any company placing reliance on other group entities for financial support, the director acknowledge that there can be no certainty that this will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements and as a result have prepared the financial statements on a going concern basis.

1.3 Revenue

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognises revenue when it transfers control of a product or service to a customer.

Revenue is the amount derived from ordinary activities, and stated after trade discounts, other sales taxes and net of VAT.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

The nature, timing of satisfaction of performance obligations and significant payment terms of the company's major sources of revenue are as follows:

Wholesale of tobacco product - revenue is recognised when a performance obligation is satisfied by transferring goods or services to a customer (which is when the risk is transferred to the customer and obtains control of that good or service). The performance obligation is satisfied (control transferred to customer) when the goods are delivered to the customer.

AIR GLOBAL BRANDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.4 Intangible assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation 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:

Distribution rights	Indefinite life - reviewed annually for impairment
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1.5 Property, plant and equipment

Property, plant and equipment 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:

Plant and equipment	33% Straight line
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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 recognised in the income statement.

1.6 Impairment of tangible and intangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

AIR GLOBAL BRANDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.7 Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Inventories held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

1.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.9 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

At initial recognition, financial assets classified as fair value through profit and loss are measured at fair value and any transaction costs are recognised in profit or loss. Financial assets not classified as fair value through profit and loss are initially measured at fair value plus transaction costs.

Financial assets at fair value through profit or loss

When any of the above-mentioned conditions for classification of financial assets is not met, a financial asset is classified as measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss are recognized initially at fair value and any transaction costs are recognised in profit or loss when incurred. A gain or loss on a financial asset measured at fair value through profit or loss is recognised in profit or loss, and is included within finance income or finance costs in the statement of income for the reporting period in which it arises.

Financial assets held at amortised cost

Financial instruments are classified as financial assets measured at amortised cost where the objective is to hold these assets in order to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interest. They arise principally from the provision of goods and services to customers (eg trade receivables). They are initially recognised at fair value plus transaction costs directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment where necessary.

Financial assets at fair value through other comprehensive income

Debt instruments are classified as financial assets measured at fair value through other comprehensive income where the financial assets are held within the company's business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument measured at fair value through other comprehensive income is recognised initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, each asset is measured at fair value, with changes in fair value included in other comprehensive income. Accumulated gains or losses recognised through other comprehensive income are directly transferred to profit or loss when the debt instrument is derecognised.

AIR GLOBAL BRANDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

The company has made an irrevocable election to recognize changes in fair value of investments in equity instruments through other comprehensive income, not through profit or loss. A gain or loss from fair value changes will be shown in other comprehensive income and will not be reclassified subsequently to profit or loss. Equity instruments measured at fair value through other comprehensive income are recognized initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, each asset is measured at fair value, with changes in fair value included in other comprehensive income. Accumulated gains or losses recognized through other comprehensive income are directly transferred to retained earnings when the equity instrument is derecognized or its fair value substantially decreased. Dividends are recognized as finance income in profit or loss.

Impairment of financial assets

Financial assets carried at amortised cost and FVOCI are assessed for indicators of impairment at each reporting end date.

The expected credit losses associated with these assets are estimated on a forward-looking basis. A broad range of information is considered when assessing credit risk and measuring expected credit losses, including past events, current conditions, and reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.10 Financial liabilities

The company recognises financial debt when the company becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1.11 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.12 Taxation

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

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.

AIR GLOBAL BRANDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary 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.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.13 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event and it is probable that the company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

1.14 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 inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

AIR GLOBAL BRANDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

2 Critical accounting estimates and judgements

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, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Critical judgements

Annual review for impairment of intangible fixed asset

The intangible fixed asset is annually reviewed for impairment. Where the carrying value of an asset exceeds its recoverable amount, an impairment loss is recognised to reduce carrying value to recoverable amount. Calculation of the recoverable amount requires judgement to be made, which includes forecast consumer demand, market viability of products and the competitive and economic environment.

3 Revenue

	2022 £'000	2021 £'000
Revenue analysed by class of business		
Revenue from sale of Tobacco related products	10,994	13,317
	<u>10,994</u>	<u>13,317</u>
	2022 £'000	2021 £'000
Revenue analysed by geographical market		
EU	9,859	10,387
Rest of world	1,135	2,930
	<u>10,994</u>	<u>13,317</u>
	2022 £'000	2021 £'000
Other income		
Royalty income	3,133	2,863
	<u>3,133</u>	<u>2,863</u>

AIR GLOBAL BRANDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

4 Operating (loss)/profit

	2022 £'000	2021 £'000
Operating (loss)/profit for the year is stated after charging/(crediting):		
Exchange (gains)/losses	-	14
Research and development costs	10	208
Fees payable to the company's auditor for the audit of the company's financial statements	23	20
Depreciation of property, plant and equipment	3	4
Cost of inventories recognised as an expense	8,033	6,957
	<u> </u>	<u> </u>

5 Employees

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

	2022 Number	2021 Number
Employees	9	6
	<u> </u>	<u> </u>

Their aggregate remuneration comprised:

	2022 £'000	2021 £'000
Wages and salaries	3,024	2,322
Social security costs	1,448	699
	<u>4,472</u>	<u>3,021</u>

6 Directors' remuneration

	2022 £'000	2021 £'000
Remuneration for qualifying services	314	146
	<u> </u>	<u> </u>

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2022 £'000	2021 £'000
Remuneration for qualifying services	305	-
Company pension contributions to defined contribution schemes	9	-
	<u> </u>	<u> </u>

AIR GLOBAL BRANDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

7 Finance costs

	2022 £'000	2021 £'000
Interest on financial liabilities measured at amortised cost:		
Interest payable to group undertakings	2,579	1,858
Other finance costs:		
Exchange differences on financing transactions	14,712	-
Total finance costs	17,291	1,858

8 Taxation

	2022 £'000	2021 £'000
Deferred tax		
Origination and reversal of temporary differences	(1,464)	(1,304)

The charge for the year can be reconciled to the loss per the income statement as follows:

	2022 £'000	2021 £'000
Loss before taxation	(20,714)	(328)
Expected tax credit based on a corporation tax rate of 19.00% (2021: 19.00%)	(3,936)	(62)
Unutilised tax losses carried forward	3,936	-
Under/(over) provided in prior years	-	1
Origination and reversal of timing differences	(2,379)	(930)
Tax rate change	-	(313)
Remove excess on DT asset	915	-
Taxation credit for the year	(1,464)	(1,304)

The company has unrelieved tax losses of £14,737 thousand available for utilization against future taxable profits.

9 Intangible fixed assets

	Distribution rights £'000
Cost	
At 31 December 2021	75,323
Additions	11
At 31 December 2022	75,334
Carrying amount	
At 31 December 2022	75,334

AIR GLOBAL BRANDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

9 Intangible fixed assets

(Continued)

	Distribution rights £'000
At 31 December 2021	75,323

Company purchased distribution rights from AIR IP Holdings Limited (formerly called AF Developments Holdings Limited) by agreement dated 21 June 2021, a related party registered in Dubai International Finance Centre free zone, with a registered company number 3237, and with registered offices at Unit S317, Level 3 Emirate Financial Towers, Dubai International Financial Centre, PO Box 79947, Dubai, United Arab Emirates.

The carrying amount of the intangible asset in for the year ending 31 December 2022 was £75,334k, this was as per the agreement purchase price of the distribution rights. As rights to distribute were not restricted to a period, management have assessed the intangible asset has having an indefinite life and therefore will review annually for impairment. The main factors which play a significant role in determining that the asset has an indefinite life is that the rights to distribute the goods have no restrictions on the entity and therefore the entity is free to sell the products in various markets indefinitely.

10 Property, plant and equipment

	Plant and equipment £'000
Cost	
At 1 January 2022	12
Additions	4
At 31 December 2022	16
Accumulated depreciation and impairment	
At 1 January 2022	8
Charge for the year	3
At 31 December 2022	11
Carrying amount	
At 31 December 2022	5
At 31 December 2021	4

11 Investments

	Current 2022 £'000	2021 £'000	Non-current 2022 £'000	2021 £'000
Investments in subsidiaries	-	-	11,519	-

AIR GLOBAL BRANDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

11 Investments

(Continued)

Fair value of financial assets carried at amortised cost

Except as detailed below the directors believe that the carrying amounts of financial assets carried at amortised cost in the financial statements approximate to their fair values.

Movements in non-current investments

	Shares in subsidiaries £'000
Cost or valuation	
At 1 January 2022	-
Additions	11,519
At 31 December 2022	11,519
Carrying amount	
At 31 December 2022	11,519
At 31 December 2021	-

12 Subsidiaries

Details of the company's subsidiaries at 31 December 2022 are as follows:

Name of undertaking	Address	Principal activities	Class of shares held	% Held Direct
1 - Emtrada GmbH	Germany	Manufacture and sale of molasses and associated accessories	Ordinary	66.70
2 - Finis Direct GmbH	Germany	Manufacture and sale of molasses and associated accessories	Ordinary	66.70
3 - United Brands of Shisha South Africa Limited	South Africa	Manufacture and sale of molasses and associated accessories	Ordinary	100.00
4 - Advanced Inhalations Rituals S.L.	Spain	Manufacture and sale of molasses and associated accessories	Ordinary	100.00

Registered office addresses (all UK unless otherwise indicated):

- 1 Fahrenheitstraße 5, 86899 Landsberg am Lech, Germany
- 2 Gewerbegebiet, Windacher Straße 1, 86926, Greifenberg, Germany
- 3 577 Jacqueline Drive, Garsfontein, Gauteng, 0042, South Africa
- 4 16-2D Calle Miguel Angel, Madrid, 28010, Spain

AIR GLOBAL BRANDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

13 Inventories

	2022 £'000	2021 £'000
Finished goods	66	189

14 Trade and other receivables

	Current		Non-current	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Trade receivables	2,981	765	-	-
Corporation tax recoverable	92	92	-	-
VAT recoverable	1,034	746	-	-
Amounts owed by fellow group undertakings	65,418	8,393	-	-
Other receivables	63	40	-	-
Prepayments and accrued income	-	36	-	-
	69,588	10,072	-	-
Deferred tax asset	-	-	2,769	1,304
	69,588	10,072	2,769	1,304

15 Liabilities

	Notes	Current		Non-current	
		2022 £'000	2021 £'000	2022 £'000	2021 £'000
Trade and other payables	16	1,487	361	175,624	84,818
Taxation and social security		25	79	-	-
		1,512	440	175,624	84,818

16 Trade and other payables

	Current		Non-current	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Trade payables	944	118	-	-
Accruals and deferred income	543	243	-	-
Other payables	-	-	175,624	84,818
	1,487	361	175,624	84,818

AIR GLOBAL BRANDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

17 Deferred taxation

	2022 £'000	2021 £'000
Deferred tax liabilities	1	1
Deferred tax assets	(2,769)	(1,304)
	<u>(2,768)</u>	<u>(1,303)</u>

Deferred tax assets are expected to be recovered after more than one year

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	Accelerated capital allowances £'000	Tax losses £'000	Total £'000
Liability at 1 January 2021	1	-	1
Deferred tax movements in prior year			
Charge/(credit) to profit or loss	-	(1,304)	(1,304)
Liability at 1 January 2022	1	-	1
Asset at 1 January 2022	-	(1,304)	(1,304)
Deferred tax movements in current year			
Charge/(credit) to profit or loss	-	(1,465)	(1,465)
Liability at 31 December 2022	1	-	1
Asset at 31 December 2022	-	(2,769)	(2,769)

18 Provisions for liabilities

	2022 £'000	2021 £'000
Bonus provision	<u>1,000</u>	<u>1,025</u>

AIR GLOBAL BRANDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

18 Provisions for liabilities (Continued)

Movements on provisions:	Bonus provision £'000
At 1 January 2022	1,025
Additional provisions in the year	(25)
At 31 December 2022	<u>1,000</u>

19 Capital contribution

	2022 £'000	2021 £'000
At the beginning of the year	874	-
Additions	<u>681</u>	<u>874</u>
At the end of the year	<u>1,555</u>	<u>874</u>

The capital contribution reserve has been created due to the share option scheme for the employees granted by the parent entity. The company has taken advantage of the disclosure exemption in accordance to FRS 101 reduced disclosure framework section 8.

20 Related party transactions

The company has taken advantage of the exemption as provided by Section 8(k) of FRS 101 from disclosing related party transactions with wholly owned entities that are part of the AIR Limited group. The Company discloses transactions with related parties which are not wholly owned as appropriate.

21 Controlling party

The immediate parent of the Company is Air Group Ventures Limited a company based in the United Arab Emirates. The ultimate parent company, for which consolidated accounts are prepared and in which this company is included, is AIR Limited, a company registered at 22 Grenville Street, St Helier, Jersey, JE4 8PX.

There is no beneficial owner of the ultimate parent company.